



**SHIRE OF ASHBURTON  
AUDIT AND RISK COMMITTEE MEETING**

**AGENDA  
&  
ATTACHMENTS**

**Clem Thompson Sports Pavilion, Stadium  
Road, Tom Price  
18 July 2017  
10 am**

**SHIRE OF ASHBURTON**  
**AUDIT AND RISK COMMITTEE MEETING**

Dear Councillor

Notice is hereby given that an Audit and Risk Committee of the Shire of Ashburton will be held on 18 July 2017 at Clem Thompson Sports Pavilion, Stadium Road, Tom Price commencing at 10:00 am.

The business to be transacted is shown in the Agenda.



Dale Stewart

**ACTING CHIEF EXECUTIVE OFFICER**

**DISCLAIMER**

*The recommendations contained in the Agenda are subject to confirmation by Council. The Shire of Ashburton warns that anyone who has any application lodged with Council must obtain and should only rely on written confirmation of the outcomes of the application following the Council meeting, and any conditions attaching to the decision made by the Council in respect of the application. No responsibility whatsoever is implied or accepted by the Shire of Ashburton for any act, omission or statement or intimation occurring during a Council meeting.*

## AGENDA - AUDIT & RISK COMMITTEE MEETING 18 JULY 2017

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**1. DECLARATION OF OPENING**

The Presiding Person declared the meeting open at \_\_\_\_\_ am.

**1.1 ACKNOWLEDGEMENT OF COUNTRY**

As representatives of the Shire of Ashburton Council, we respectfully acknowledge the local Indigenous people, the traditional custodians of this land where we are meeting upon today and pay our respects to them and all their elders both past and present.

**2. ATTENDANCE**

**2.1 PRESENT**

<b>Members:</b>	Cr P Foster Cr K White Cr D Dias Cr G Dellar	Tom Price Ward (Presiding Person) Onslow Ward Paraburdoo Ward Ashburton Ward
<b>Staff:</b>	Mr D Stewart Mr J Bingham Ms J Smith Mrs M Lewis	Acting Chief Executive Officer Director Corporate Services Executive Officer CEO & Councillor Support Officer
<b>Guests:</b>		
<b>Members of Public:</b>	There were _____ members of the public in attendance at the commencement of the meeting.	
<b>Member of Media:</b>	There were _____ members of the media in attendance at the commencement of the meeting.	

**2.2 APOLOGIES**

**2.3 APPROVED LEAVE OF ABSENCE**

**3. ANNOUNCEMENT OF VISITORS**

**4. DECLARATION BY MEMBERS**

**4.1 DUE CONSIDERATION BY COUNCILLORS TO THE AGENDA**

Councillors Foster, White, Dias and Dellar are requested to acknowledge during the meeting that they have given due consideration to all matters contained in the Agenda.

**4.2 DECLARATIONS OF INTEREST**

**Councillors to Note**

A member who has an Impartiality, Proximity or Financial Interest in any matter to be discussed at a Council or Committee Meeting, that will be attended by the member, must disclose the nature of the interest:

- (a) In a written notice given to the Chief Executive Officer before the Meeting or;
- (b) At the Meeting, immediately before the matter is discussed.

A member, who makes a disclosure in respect to an interest, must not:

## AGENDA - AUDIT & RISK COMMITTEE MEETING 18 JULY 2017

- (a) Preside at the part of the Meeting, relating to the matter or;
- (b) Participate in, or be present during any discussion or decision-making procedure relative to the matter, unless to the extent that the disclosing member is allowed to do so under Section 5.68 or Section 5.69 of the Local Government Act 1995.

### **NOTES ON DECLARING INTERESTS (FOR YOUR GUIDANCE)**

The following notes are a basic guide for Councillors when they are considering whether they have an interest in a matter.

These notes are included in each agenda for the time being so that Councillors may refresh their memory.

1. A Financial Interest requiring disclosure occurs when a Council decision might advantageously or detrimentally affect the Councillor or a person closely associated with the Councillor and is capable of being measure in money terms. There are exceptions in the Local Government Act 1995 but they should not be relied on without advice, unless the situation is very clear.
2. If a Councillor is a member of an Association (which is a Body Corporate) with not less than 10 members i.e. sporting, social, religious etc), and the Councillor is not a holder of office of profit or a guarantor, and has not leased land to or from the club, i.e., if the Councillor is an ordinary member of the Association, the Councillor has a common and not a financial interest in any matter to that Association.
3. If an interest is shared in common with a significant number of electors or ratepayers, then the obligation to disclose that interest does not arise. Each case needs to be considered.
4. If in doubt declare.
5. As stated in (b) above, if written notice disclosing the interest has not been given to the Chief Executive Officer before the meeting, then it **MUST** be given when the matter arises in the Agenda, and immediately before the matter is discussed.
6. Ordinarily the disclosing Councillor must leave the meeting room before discussion commences. The **only** exceptions are:
  - 6.1 Where the Councillor discloses the **extent** of the interest, and Council carries a motion under s.5.68(1)(b)(ii) or the Local Government Act; or
  - 6.2 Where the Minister allows the Councillor to participate under s.5.69(3) of the Local Government Act, with or without conditions.

### **Declarations of Interest provided:**

<b>Item Number/ Name</b>	<b>Type of Interest</b>	<b>Nature/Extent of Interest</b>

**5. CONFIRMATION OF MINUTES OF PREVIOUS MEETING**

**5.1 AUDIT AND RISK COMMITTEE MEETING HELD ON 24 MARCH 2017**

**Officers Recommendation**

**That the Minutes of the Audit and Risk Committee Meeting held on 14 March 2017, be confirmed as a true and accurate record.**

**ATTACHMENT 5.1**

**6. TERMS OF REFERENCE**

Under the Local Government Act 1995, Local Governments are required to appoint an Audit Committee (section 7.1A of the Local Government Act 1995).

An Audit and Risk Committee is to provide guidance and assistance to the Local Government – as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act and as to the development of a process to be used to select and appoint a person to be an auditor and may provide guidance and assistance to the Local Government as to – matters to be audited, the scope of audits, its functions under Part 6 of the Act and the carrying out of its functions relating to other audits and other matters related to financial management (clause 16 Local Government (audit) Regulations 1996).

## 7. AGENDA ITEMS

### 7.1 REGULATION 17 - RISK AUDIT PROGRESS REPORT

<b>FILE REFERENCE:</b>	FM14.16.17
<b>AUTHOR'S NAME AND POSITION:</b>	Nicky Tyson Acting Administration Manager
<b>AUTHORISING OFFICER AND POSITION:</b>	Dale Stewart Acting Chief Executive Officer
<b>NAME OF APPLICANT/RESPONDENT:</b>	Not Applicable
<b>DATE REPORT WRITTEN:</b>	4 July 2017
<b>DISCLOSURE OF FINANCIAL INTEREST:</b>	The author and the authorising officer have no financial, proximity or impartiality interests in the proposal.
<b>PREVIOUS MEETING REFERENCE:</b>	Agenda Item 13.3 (Minute No. 122) – Ordinary Meeting of Council 14 March 2017

#### **Summary**

The Risk Audit and review process is to occur at least once every two calendar years. The Shire's contracted Auditors, Moore Stephens Australia Pty Ltd conducted the latest review in late 2016 and its report contains a list of improvements/opportunities.

At the 14 March 2017 Audit and Risk Committee meeting it was reported that a number of suggestions and opportunities had already been completed and planning had commenced and/or systems had been put in place to address the remaining.

#### **Background**

Local Government (Audit) Regulations 1996 includes Local Government Operational Guideline – 9 – Audit in Local Governments. Regulation 17 prescribes a number of matters that are to be reviewed by local government Audit Committees. These functions now include reviewing the appropriateness and effectiveness of the local government's systems in regard to risk management, internal control and legislative compliance; and reporting the results of the Committee's consideration of that review, to the Council. This Risk Audit and review process is to occur at least once every two calendar years.

The latest review / audit was conducted onsite, 24 – 25 October 2016, by Moore Stephens and a report was presented to the Audit & Risk Committee on 17 January 2017 and again on 14 March 2017.

**Comment**

The attached report from the Chief Executive Officer is referred to the Audit and Risk Committee and contains progress of action taken on the recommendations from Moore Stephens Pty Ltd in the Regulation 17 Audit for the Shire of Ashburton's consideration in the areas covered by the audit, that being:

1. Risk Management;
2. Internal Controls; and
3. Legislative Compliance.

There were no critical (i.e. legislative compliance) issues raised in the Moore Stephens Regulation 17 Audit and attached is the CEO's report to the Audit and Risk Committee (which contains updated Officer Status/Progress Comments) outlining how the Shire's administration propose to see the improvements recommended progressed and finalised.

**ATTACHMENT 7.1**

As the attached report outlines, of the 43 improvement opportunities suggested in the report, many have been completed through new or existing actions, whilst further are in progress to being implemented. It is anticipated that all of these suggested improvements will be considered and where thought warranted, addressed within the next 6 - 12 months.

**Consultation**

Acting Chief Executive Officer  
Director – Corporate Services  
Acting Administration Manager  
Moore Stephens Australia (Pty) Ltd

**Statutory Environment**

Regulation 17 Local Government Audit Regulations 1996 requires the following:

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

**Financial Implications**

Implementing the recommendations of the Report that have financial impacts will be processed through normal budgetary processes.

A suitable allocation will be made in the budget for future reviews, which are to take place every two years.

**Strategic Implications**

Shire of Ashburton 10 Year Community Strategic Plan 2017-2027  
Goal 5 – Inspiring Governance  
Objective 4 – Exemplary Team & Work Environment



**Risk Management**

Adoption of this item has been evaluated against the Shire of Ashburton's Risk Management Policy CORP5 Risk Matrix. The perceived level of risk is considered to be "Medium" risk (largely due to the costs of developing / implementing new procedures, etc) but can be managed by routine procedures and monitoring by the Director Corporate Services.

**Policy Implications**

Various policies have and will be amended to become aligned with new process. This will take place over the coming months via now standardised policy review process.

**Voting Requirement**

Simple Majority Required

**Officers Recommendation**

That the Audit and Risk Committee recommend to Council that:

That Council receive the Acting Chief Executive Officer's Risk Audit Progress Report (as per **ATTACHMENT 7.1**) which describes how the suggested improvements / opportunities will be implemented, including actions completed, progressing items, and those requiring further consideration along with the relevant items viewed.

**Committee Recommendation**

**7.2 POLICY REVIEW - CORP5 RISK MANAGEMENT POLICY AND FRAMEWORK**

<b>FILE REFERENCE:</b>	GV20
<b>AUTHOR'S NAME AND POSITION:</b>	Nicky Tyson Acting Administration Manager
<b>AUTHORISING OFFICER AND POSITION:</b>	Dale Stewart Acting Chief Executive Officer
<b>NAME OF APPLICANT/RESPONDENT:</b>	Not Applicable
<b>DATE REPORT WRITTEN:</b>	6 July 2017
<b>DISCLOSURE OF FINANCIAL INTEREST:</b>	The author and the authorising officer have no financial, proximity or impartiality interests in the proposal.
<b>PREVIOUS MEETING REFERENCE:</b>	Agenda Item 12.1 (Minute No. 11151) – Ordinary Meeting of Council 19 November 2014

**Summary**

The Regulation 17 Audit conducted by Moore Stephens in October 2016, ascertained some areas of suggested improvement recommended in relation to the existing Risk Management Policy (CORP5).

Such areas being:

Risk recording and reporting is not currently occurring as required by Risk Management Policy.

The rating of consequences of risks does not consider the context in which the risk is being assessed.

Risk recording and reporting should be undertaken in accordance with the Risk Management Policy.

Suggesting the use of percentages when assessing consequences to enable the risk rating to be based on the context of the assessment being undertaken.

As a consequence, the Shire engaged Local Government Insurance Services (LGIS), who convened several Risk Management Workshops through the Shire to assist the view of our risk managements systems and policy. The Administration now present for consideration an updated policy and subsidiary framework that addresses the suggested improvement as above and is consistent with the current recommended approach for government governments in WA.

The attached Risk Management Framework including embedded Policy and Procedures complies with the latest standard, being AS/NZS 31000:2009. Council is asked to consider adopting the revised policy (pages 2 and 3 of the attachment) together with the Risk Assessment & Acceptance Criteria (pages 17 to 19).

### **Background**

Regulation 17 prescribes a number of matters that are to be reviewed by local government Audit Committees. These functions now include reviewing the appropriateness and effectiveness of the local government's systems in regard to risk management.

The Shire engaged LGIS to assist the review and implementation our current risk management practices to address and reduce our risk exposure.

The revised COR5 Risk Management Policy (**ATTACHMENT 7.2A**) is proposed, with the existing CORP5 Risk Management Policy for comparison (**ATTACHMENT 7.2B**) and administrative procedure being the Risk Management Framework (**ATTACHMENT 7.2C**).

### **Comment**

The adoption of the revised policy will see the introduction of new procedures and a framework for implementation.

The adoption of the new policy will also see the introduction of a risk reporting framework and standard that embeds risk management and risk framework 'thinking' within the organisation and decision making of the Council.

**ATTACHMENT 7.2A**  
**ATTACHMENT 7.2B**  
**ATTACHMENT 7.2C**

### **Consultation**

Acting Chief Executive Officer  
Acting Administration Manager  
Executive Management Team  
Safety and Wellbeing Coordinator  
LGIS

### **Statutory Environment**

In supporting ongoing compliance with the Local Government (Audit) Regulations 1996 - Regulation 17 ('the Regulations'), the Regulations (Gazetted 8 Feb 2013) require the CEO to review and report to their Audit Committee, the appropriateness and effectiveness of their local government's systems and procedures in relation to risk management, internal control and legislative compliance, at least once every 2 calendar years.

The regulation states as follows:

*"17. CEO to review certain systems and procedures*

- (1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —
  - (a) risk management; and*
  - (b) internal control; and*
  - (c) legislative compliance.**

**AGENDA - AUDIT & RISK COMMITTEE MEETING 18 JULY 2017**

(2) *The review may relate to any or all of the matters referred to in sub-regulation (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**

The policy revision will have no Budget impacts nor impact the provisions of the Long Term Financial Plan.

**Strategic Implications**

Shire of Ashburton 10 Year Community Strategic Plan 2017-2027

Goal 5 – Inspiring Governance

Objective 3 – Council Leadership

**Risk Management**

Adoption of this item has been evaluated against the Shire of Ashburton’s Risk Management Policy CORP5 Risk Matrix. The perceived level of risk is considered to be “Medium” risk (largely due to the costs of developing/implementing new procedures, etc) but can be managed by routine procedures and monitoring by the Director Corporate Services.

**Policy Implications**

The proposal is to replace the current Risk Management Policy with a revised version that will facilitate the CEO and the organisation more readily able to demonstrate compliance with Regulation 17 and be more practical in its implementation.

The key changes from the current policy to the revised one includes:

- current wording as recommended by LGIS;
- the inclusion of greater definitions around Projects (adding time and cost as elements) and;
- varying the financial implication consequences as follows:

Measures of Consequence

Rating	Financial Impact Current	Financial Impact Revised
Insignificant (1)	Less than \$10,000	Less than \$10,000
Minor (2)	\$10,000 - \$100,000	\$10,000 - \$100,000
Moderate (3)	\$100,000 - \$500,000	\$100,000 - \$1m
Major (4)	\$500,000 - \$1m	\$1m - \$5m
Extreme (5)	More than \$1m	More than \$5m

If the Council is inclined to retain the current financial consequences (appetite) then it could adopt the Officer Recommendation to adopt the new Policy with retention of the current Financial Impact consequences, which it has accepted for the last four (4) years.

**Voting Requirement**

Simple Majority Required

**Officers Recommendation**

That the Audit and Risk Committee recommend to Council that:

That Council replace Policy CORP5 'Risk Management' with the attached Risk Management Policy (**ATTACHMENT 7.2A**) and Risk Assessment and Acceptance Criteria (**ATTACHMENT 7.2C**) embedded within the Shire of Ashburton Risk Management Framework.

**Committee Recommendation**

**8. NEXT MEETING**

The next Audit and Risk Committee Meeting will be held at a time to be determined.

**9. CLOSURE OF MEETING**

The Presiding Person closed the meeting at \_\_\_\_\_ am.



**SHIRE OF ASHBURTON  
AUDIT AND RISK COMMITTEE MEETING**

**MINUTES**

**Council Chamber, Onslow Shire Complex,  
Second Avenue, Onslow  
14 March 2017  
9.30 am**

## MINUTES - AUDIT &amp; RISK COMMITTEE MEETING 14 MARCH 2017

**SHIRE OF ASHBURTON**  
**AUDIT AND RISK COMMITTEE MEETING**

Dear Councillor

Notice is hereby given that an Audit and Risk Committee of the Shire of Ashburton will be held on 14 March 2017 at Council Chamber, Onslow Shire Complex, Second Avenue, Onslow commencing at 9:30 am.

The business to be transacted is shown in the Agenda.

Neil Hartley  
**CHIEF EXECUTIVE OFFICER**

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## MINUTES - AUDIT &amp; RISK COMMITTEE MEETING 14 MARCH 2017

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## MINUTES - AUDIT &amp; RISK COMMITTEE MEETING 14 MARCH 2017

- (d) Participate in, or be present during any discussion or decision-making procedure relative to the matter, unless to the extent that the disclosing member is allowed to do so under Section 5.68 or Section 5.69 of the Local Government Act 1995.

**NOTES ON FINANCIAL INTEREST (FOR YOUR GUIDANCE)**

The following notes are a basic guide for Councillors when they are considering whether they have a Financial Interest in a matter.

I intend to include these notes in each agenda for the time being so that Councillors may refresh their memory.

1. A Financial Interest requiring disclosure occurs when a Council decision might advantageously or detrimentally affect the Councillor or a person closely associated with the Councillor and is capable of being measure in money terms. There are exceptions in the Local Government Act 1995 but they should not be relied on without advice, unless the situation is very clear.
2. If a Councillor is a member of an Association (which is a Body Corporate) with not less than 10 members i.e. sporting, social, religious etc), and the Councillor is not a holder of office of profit or a guarantor, and has not leased land to or from the club, i.e., if the Councillor is an ordinary member of the Association, the Councillor has a common and not a financial interest in any matter to that Association.
3. If an interest is shared in common with a significant number of electors or ratepayers, then the obligation to disclose that interest does not arise. Each case needs to be considered.
4. If in doubt declare.
5. As stated in (b) above, if written notice disclosing the interest has not been given to the Chief Executive Officer before the meeting, then it **MUST** be given when the matter arises in the Agenda, and immediately before the matter is discussed.
6. Ordinarily the disclosing Councillor must leave the meeting room before discussion commences. The **only** exceptions are:
  - 6.1 Where the Councillor discloses the **extent** of the interest, and Council carries a motion under s.5.68(1)(b)(ii) or the Local Government Act; or
  - 6.2 Where the Minister allows the Councillor to participate under s.5.69(3) of the Local Government Act, with or without conditions.

**Declarations of Interest provided:**

Item Number/ Name	Type of Interest	Nature/Extent of Interest
		There were no declarations of interest.



## MINUTES - AUDIT &amp; RISK COMMITTEE MEETING 14 MARCH 2017

**7. AGENDA ITEMS****7.1 LOCAL GOVERNMENT COMPLIANCE AUDIT RETURN FOR 2016**

MINUTE: 4

<b>FILE REFERENCE:</b>	GV01
<b>AUTHOR'S NAME AND POSITION:</b>	Jasmin Forward Corporate Services Support Coordinator
<b>NAME OF APPLICANT/RESPONDENT:</b>	Not Applicable
<b>DATE REPORT WRITTEN:</b>	16 February 2017
<b>DISCLOSURE OF FINANCIAL INTEREST:</b>	The author has no financial interest in the proposal.
<b>PREVIOUS MEETING REFERENCE:</b>	Agenda Item 13.3 (Minute 12057) – Ordinary Meeting of Council 16 February 2016 Agenda Item 13.4 (Minute: 11907) – Local Government Compliance Audit Return for 2014 Agenda Item 12.5 - Local Government Compliance Audit Return for 2013 Agenda Item 11.6 (Minute: 11454) - Ordinary Meeting of Council 13 March 2013 Agenda Item 11.03 (Minute: 11150) - Ordinary Meeting of Council 21 March 2012 Agenda Item 12.03.13 - Ordinary Meeting of Council 16 March 2011 Agenda Item 12.03.21 - Ordinary Meeting of Council 15 March 2010

**Summary**

Each Local Government is to carry out a Compliance Audit annually. This Compliance Audit Return is for the period of 1 January 2016 to 31 December 2016.

The Return for the year 2016 is presented to Council for adoption.

**Background**

The 2016 Local Government Compliance Audit Return for the period 1 January 2016 to 31 December 2016 is attached.

**ATTACHMENT 7.1**

## MINUTES - AUDIT &amp; RISK COMMITTEE MEETING 14 MARCH 2017

The Compliance Audit Return is to assist Council in monitoring its organisational functions. Council is required to note any areas of non-compliance and endorse remedial action.

The Audit is provided by the Department of Local Government through their secure website platform called Smart Hub. The same audit is required to be completed by every WA local government. The Department considers, from a large range of issues it can audit, which ones will be specific to the year in question (i.e. each year the audit questions can change).

For 2016, there were 87 questions over nine disciplines. There was one area where the Shire did not meet with full compliance (see note below) -

Question #7 (Tenders for Providing Goods and Services) - The non-compliance was the result of technical issues with the online procurement/internet platform utilised by the Shire for its tenders (Tenderlink) where the Shire agreed to accept a submission for *RFT 17.16 Supply of Multifunction Printer Devices* after the closing time. The technical difficulties were unique, beyond the Shire's control, and confirmed in writing by Tenderlink to have prevailed.

### **Comment**

The Return is required to be presented to Council for adoption before its submission to the Department of Local Government and Communities.

### **Consultation**

Chief Executive Officer  
Executive Management Team  
Administration Manager  
Governance & Policy Consultant

### **Statutory Environment**

Section 7.13(i) of the Local Government Act 1995, and  
Regulations 13, 14 & 15 of the Local Government (Audit) Regulations 1996.

### **Financial Implications**

There are no financial implications for this matter.

### **Strategic Implications**

Shire of Ashburton 10 Year Community Strategic Plan  
Goal 5 – Inspiring Governance  
Objective 3 – Council Leadership

### **Risk Management**

Adoption of this item has been evaluated against the Shire of Ashburton's Risk Management Policy CORP5 Risk Matrix. The perceived level of risk is considered to be "Medium" risk (largely due to the costs of developing/implementing new procedures, etc) but can be managed by routine procedures and monitoring by the Executive Manager Corporate Services.

### **Policy Implications**

There are no policy implications for this matter.

### **Voting Requirement**

Simple Majority Required

## MINUTES - AUDIT &amp; RISK COMMITTEE MEETING 14 MARCH 2017

**Committee Decision****MOVED: Cr K White****SECONDED: Cr D Dias****That the Audit & Risk Committee recommends to Council that it:**

- 1. Accept the Compliance Audit Return (ATTACHMENT 7.1) of the Council for the period 1 January 2016 to 31 December 2016 and;**
- 2. Submit a certified copy of the Compliance Audit Return to the Director General of the Department of Local Government and Communities by 31 March 2017.**

**CARRIED 3/0****Crs Foster, White and Dias voted for the motion.**

## MINUTES - AUDIT &amp; RISK COMMITTEE MEETING 14 MARCH 2017

**7.2 REGULATION 17 - RISK AUDIT****MINUTE: 5**

<b>FILE REFERENCE:</b>	FM14.16.17
<b>AUTHOR'S NAME AND POSITION:</b>	Jasmin Forward Corporate Service Support Coordinator
<b>NAME OF APPLICANT/RESPONDENT:</b>	Not Applicable
<b>DATE REPORT WRITTEN:</b>	21 February 2017
<b>DISCLOSURE OF FINANCIAL INTEREST:</b>	The author has no financial interest in the proposal.
<b>PREVIOUS MEETING REFERENCE:</b>	17 January 2017 – Audit and Risk Committee Meeting 16 February 2016 – Audit and Risk Committee Meeting 9 December 2015 – Audit and Risk Committee Meeting 10 December 2014 - Audit Committee Meeting 19 March 2014 – Audit Committee Meeting

**Summary**

This Risk Audit and review process is to occur at least once every two calendar years. The Shire's contracted Auditors, Moore Stephens Australia Pty Ltd conducted the latest review in late 2016 and its report contains a list of improvements/opportunities.

At the January Audit & Risk Committee meeting it was reported that a small number of suggestions and opportunities had already been completed and planning had commenced and/or systems had been put in place to address the remaining.

The Committee is now informed that a large number of these items are being addressed through an internal Risk Management Review and others will be captured by a Compliance and Policy Service Management contractor.

**Background**

Local Government (Audit) Regulations 1996 includes Local Government Operational Guideline – 9 – Audit in Local Governments. Regulation 17 prescribes a number of matters that are to be reviewed by local government Audit Committees. These functions now include reviewing the appropriateness and effectiveness of the local government's systems in regard to risk management, internal control and legislative compliance; and reporting the results of the Committee's consideration of that review, to the Council. This Risk Audit and review process is to occur at least once every two calendar years.

## MINUTES - AUDIT & RISK COMMITTEE MEETING 14 MARCH 2017

The latest review / audit was conducted onsite, 24 – 25 October 2016, by Moore Stephens and highlighted a number of suggested modifications to current practices. There were no critical (i.e. legislative compliance) issues raised in the Moore Stephens Regulation 17 Audit and a subsequent report was presented to the Audit & Risk Committee on 17 January 2017, with an update to be provided at the following Committee Meeting (March 2017).

### Comment

The attached (updated) report from the Chief Executive Officer is referred to the Audit & Risk Committee and contains progress of action taken on the recommendations from Moore Stephens Pty Ltd in the Regulation 17 Audit for the Shire of Ashburton's consideration in the areas covered by the audit, that being:

1. Risk Management;
2. Internal Controls; and
3. Legislative Compliance.

### ATTACHMENT 7.2A

As the attached report outlines how the suggested improvements/opportunities will be implemented, including actions completed, progressing items, and those requiring further consideration. Of the 43 improvement opportunities suggested in the report, 14 have been completed through new or existing actions, whilst a further 27 are in progress to being implemented. The remaining two items require some external consultation before further consideration can be given to it. Of the 21 progressing items, 9 will be addressed during the engagement of Local Government Insurance Scheme (LGIS) through a Risk Management Review. It is anticipated that all of these suggested improvements will be considered and where thought warranted, addressed within the next 6 - 12 months.

In reference to item 6.2.8 (8) of the CEO's report, FIN 14 Tender Evaluation Criteria (formerly Tender Assessment Criteria) has been updated to reflect the recommendations. This policy was last reviewed at the December 2015 OMC and required some significant changes to reflect our current processes.

### ATTACHMENT 7.2B

### Consultation

Chief Executive Officer  
 Executive Manager – Corporate Services  
 Administration Manager – Corporate Services  
 Moore Stephens Australia (Pty) Ltd

### Statutory Environment

Regulation 17 Local Government Audit Regulations 1996 requires the following:

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



## MINUTES - AUDIT &amp; RISK COMMITTEE MEETING 14 MARCH 2017

**Financial Implications**

The cost of the Regulation 17 Review was \$9,050 (including GST).

Implementing the recommendations of the Report that have financial impacts will be processed through normal budgetary processes.

A suitable allocation will be made in the budget for future reviews, which are to take place every two years.

**Strategic Implications**

Shire of Ashburton 10 Year Community Strategic Plan 2012-2022

Goal 5 – Inspiring Governance

Objective 4 – Exemplary Team & Work Environment

**Risk Management**

Adoption of this item has been evaluated against the Shire of Ashburton's Risk Management Policy CORP5 Risk Matrix. The perceived level of risk is considered to be "Medium" risk (largely due to the costs of developing/implementing new procedures, etc.) but can be managed by routine procedures and monitoring by the Executive Manager Corporate Services.

**Policy Implications**

Various policies may need to be amended to become aligned with new process. This will take place over the coming months via now standardized policy review process.

**Voting Requirement**

Simple Majority Required

## MINUTES - AUDIT &amp; RISK COMMITTEE MEETING 14 MARCH 2017

**Committee Decision****MOVED:** Cr K White**SECONDED:** Cr D Dias

That the Audit &amp; Risk Committee recommends to Council that it:

1. Notes the Updated CEO's Report (as per ATTACHMENT 7.2A) which outlines completed and progressing items:
  - Recommendation 7.1.7 (20) to be altered from "COMPLETED" to "PROGRESSING"
  - Recommendation 7.3.3 (32) to be altered from "COMPLETED" to "PROGRESSING" - to be included in the Workforce Plan
  - Recommendation 8.5.1 (41) to be altered from "COMPLETED" to "PROGRESSING", copies of EMP16 and EMP 22 will be provided to the Audit Committee.
2. Notes that a further progress report will be provided to the next (26 April 2017) Audit & Risk Committee meeting; and
3. Adopts reviewed Policy FIN14 Tender Evaluation Criteria (as per ATTACHMENT 7.2B).

**CARRIED 3/0****Crs Foster, White and Dias voted for the motion.****8. NEXT MEETING**

The next Audit and Risk Committee Meeting will be held on Tuesday 26 April 2017, at the Clem Thompson Sports Pavilion, Stadium Road, Tom Price at a time to be determined.

**9. CLOSURE OF MEETING**

The Chairperson closed the meeting at 9.58 am.

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# CEO's Report

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## Review of Risk Management, Legislative Compliance and Internal Controls

Undertaken by Moore Stephens Australia Pty Ltd, Report Provided: 13 December 2016, Audit Date: 24-25 October 2016

This progressed report was last presented to the Audit and Risk Committee meeting *14 March 2017*. Since this date, significant progress has been made as per below.

### As at 30 June 2017:

Suggestions/Opportunities: 43

Completed: 23

Progressing: 20

This progressed report will be presented to the Audit and Risk Committee meeting to be held on the 18 July. The intent is to report to the Committee that all the improvements/suggestions have been further reviewed and acted upon since the March meeting.

## Summary of Improvements (ref 9.1)

Extracted from the Review of Risk Management, Legislative Compliance and Internal Controls Report at the Shire of Ashburton, prepared by Moore Stephens (WA) Pty Ltd, 13 December 2016.

### Key:

AM – Administration Manager, AIRM – Airport Manager, CD – Community Development, EO-CEO – Executive Officer – CEO, CEO&CSO - CEO & Councillor Support Officer, CS – Corporate Services, CS – FC – Corporate Services Finance Coordinator, CS-SC Corporate Services Support Coordinator (Tom Price) DRS – Development & Regulatory Services, EMC – Emergency Management Coordinator, EM-CD – Director Community Development, FM – Finance Manager, GO – Governance Officer, G&ES – Governance and Executive Services, IS – MSAM – Infrastructure Services – Manager of Strategic Asset Management, MC&T – Manager Communications & Tourism, MCS – Manager Community Services, MIS – Manager Information Services, MSAM - Manager Strategic Asset Management, OD – Organisational Development, PC - Procurement Coordinator, RC – Records Coordinator, S&ED – Strategic & Economic Development, S&WC – Safety & Wellbeing Coordinator, SODA - Senior Organisational Development Advisor.

Paragraph	Matter Noted	Improvements	Responsible Department/ Position	Responses	Date for completion	Potential Additional Costs	
6.2.1 (1)	CORP 5 Risk Management Policy	Risk recording and reporting is not currently occurring as required by Risk Management Policy.	We suggest risk recording and reporting be undertaken in accordance with the Risk Management Policy.	CS-AM OD-S&WC	<b>COMPLETED</b> – New policy created along with relevant procedures created for review by ARC and Council adoption	Completed	Costs met by the pool scheme funds
6.2.2 (2)	CORP 5 Risk Management Policy	We note the rating of consequences of risks does not consider the context in which the risk is being assessed.	We suggest the use of percentages when assessing consequences to enable the risk rating to be based on the context of the assessment being undertaken.	CS-AM OD-S&WC	<b>COMPLETED</b> – Considered and implemented with a percentage and numerical rating system. See new Risk Management Profile and Reporting tool that forms part of the new Risk Management procedure	Completed	
6.2.3 (3)	Internal Control Policy	Currently, no policy on internal controls has been adopted by Council.	We suggest an Internal Control Policy be formulated and adopted to formalise Council’s commitment to internal controls, based on a risk management process.	CS-AM CS-GO	<b>PROGRESSING</b> – A/CEO currently compiling internal control Directive	Feb 2018	Nil

Paragraph		Matter Noted	Improvements	Responsible Department/ Position	Responses	Date for completion	Potential Additional Costs
6.2.4 (4)	Legislative Compliance Policy	Currently, no policy on legislative compliance has been adopted by Council. We acknowledge a Governance Manual is available on the Shire website and covers the relevant matters, the administrative status of this document is however not clear.	We suggest a Legislative Compliance Policy be formulated and adopted to formalise Council's commitment to legislative compliance.	CS-AM CS-GO	Auditors have confirmed it is not a legislative requirement but a recommendation for "Best Practice" to ensure compliance is achieved. Governance Officer and Admin Manager have conducted extensive research, WALGA have provided essential feedback (email on request) stipulating no policy required given we have compliance systems in place, such as the automated Compliance Calendar. <b>COMPLETED</b> Acting AM has reviewed other Local Governments Policies in this area, can produce an example if required.	Completed	\$Nil
6.2.5 (5)	Occupational, Health and Safety Policy	Currently, no policy on occupational safety and health has been adopted by Council. We acknowledge a Policy is contained within the Occupational Safety and Health Manual.	We suggest an Occupational Safety and Health Policy be formulated and adopted to formalise Council's commitment to occupational safety and health.	CS-AM OD – S&WC	<b>COMPLETED</b> - EMP17 Occupational Safety & Health Management Directive – Approved EMTT 3/11/2016	Completed	\$Nil
6.2.6 (6)	FIN12 Purchasing Policy	We note the following matters in relation to the policy: Requirements where an exemption for calling tenders applies are not provided within the Policy. It is not apparent if the exemption for calling public tenders from WALGA Preferred Suppliers under paragraph 9 of the Policy requires multiple quotations as is the case for lower value purchases in accordance with paragraph 15 and 18. Paragraph 16 refers to the use of Panel Tenders for purchases over \$150,000, this is not provided for or mentioned elsewhere in the Policy. No reference to Policy FIN19 Panels of pre-qualified suppliers is made within the Policy.	We suggest the Policy be reviewed and amended to clearly detail requirements for purchases over \$150,000 which are exempt from tender requirements under Regulation 11 of the Local Government (Functions and General) Regulations 1996.	CS-AM CS-PC	<b>PROGRESSING</b> – Policy modifications mad. EMTT Reviewing. Agenda item for October Annual policy Review	October 2017	Nil

Paragraph		Matter Noted	Improvements	Responsible Department/ Position	Responses	Date for completion	Potential Additional Costs
6.2.7 (7)	FIN12 Purchasing Policy	We note there are no requirements stated for instances where the scope of a contract is amended or extended.	We suggest the Policy be amended to provide requirements where there is an extension or variation of a contract's scope after a contract is signed.	CS-AM CS-PC	<b>COMPLETED</b> – Policy modifications completed. Agenda for October Annual Policy review	Completed	Nil
6.2.8 (8)	FIN14 Tender Assessment Criteria Policy	We noted the Policy was last reviewed on 9 December 2015 and makes reference to clauses in FIN12 which have subsequently been amended.	We suggest the Policy be reviewed and amended for changes in legislation and other associated policies.	CS-AM CS-PC	<b>COMPLETED</b> - Policy adopted 14 March 2017 OMC	Completed	Nil
6.2.9 (9)	FIN16 GRV Rating of Improvements on Mining Tenements and Petroleum Licence Sites Policy	We note the Policy was last reviewed by Council in 2014 and was developed in 2012 in response to a Policy of the Minister for Local Government to standardise the application of GRV rating of resource projects for a three year trial period.	We suggest the Policy be reviewed to ensure its remains relevant and appropriate.	CS-EM CS-FM	<b>COMPLETED</b> - Modifications approved by Council as part of the December 2016 Review.	Completed	Nil
6.2.10 (10)	FIN19 Panels of Pre-Qualified Suppliers Policy	We note the Policy does not contain provisions in relation to how the local government will ensure clear, consistent and regular communication between the local government and pre-qualified suppliers, as required by the regulations.	We suggest the Policy be amended to set out all required matters.	CS-AM CS-PC	<b>PROGRESSING</b> – Acting Procurement Coordinator is amending the policy. Proposed changes for review by EMTT and further adoption by Council.	October 2017	Nil
6.2.11 (11)	ENG09 Asset Management Policy	We note there is no requirement within the Policy to utilise risk management techniques in the management of Shire assets.	We suggest the Policy be amended to require the use of risk management techniques in the management of Shire assets.	CS-AM IS-MSAM	<b>PROGRESSING</b> – Policy being review in conjunction with Asset Management Strategy and Plans, for review October OMC annual policy review.	October 2017	\$Nil

Paragraph		Matter Noted	Improvements	Responsible Department/ Position	Responses	Date for completion	Potential Additional Costs
6.2.12 (12)	REC05 Community Lease and Licence Agreements of Shire Assets Policy	We note the Policy was reviewed in December 2014. The Policy details set fee levels for various organisations for both leases and licenses. However, the setting of fees and charges is required to be done annually when adopting the annual budget by an absolute majority of Council (s6.16(3) of <i>Local Government Act 1995</i> ).	We suggest the Policy be reviewed, and levels of fees removed from the Policy.	S&ED EM-CD	<b>COMPLETED</b> - As fees are still relevant and are listed for and specifically referred as guide only (they do not purport to set the fees) – therefore a decision has been made to keep them for transparency	Completed	\$?
6.2.13 (13)	REC05 Community Lease and Licence Agreements of Shire Assets Policy	We note license fees do not appear to have been limited to the cost of providing the service as required by s6.17(3) of <i>Local Government Act 1995</i> .	We suggest controls be developed to ensure license fees do not exceed the cost of issuing the license or providing the service.	S&ED-CS-FM	<b>COMPLETED</b> - - the licence fees referred to are not the licence fees that relate to S6.16 of the Local Government Act but licence fees permissible under the Land Administration Act as though they operated as a 'lease', therefore the concerns are not relevant or valid	Completed	\$NIL
7.1.1 (14)	Workforce Plan	No Workforce Plan was available.	We suggest a Workforce Plan to be developed for adoption by Council.	OD	<b>COMPLETED</b> - Organizational Development have developed a Work Force Plan, Updated as of 30 June 2017 by the OD Projects Coordinator. See attached	Completed	\$WAGES
7.1.2 (15)	Strategic Asset Management Strategy	We noted the Strategy does not include and assessment of risks associated with the delivery of assets to the community.	We suggest a formal assessment of risks in relation to the delivery of asset services to the community be included in the Asset Management Strategy or Asset Management Plans (to be developed).	IS-MSAM and CS-AM	<b>PROGRESSING</b> – <i>RFQ 26.17 Provision of Asset Management Plans and Strategy</i> via WALGA eQuotes 20/03/2017. RFQ Awarded to Assetivity, MSAM is working with the Consultant with the view to present to Council August 2017	August 2017	\$100,000 Budget allocation
7.1.3 (16)	Strategic Asset Management Strategy	We note the Shire has not developed formal asset management plans.	We suggest an Asset Management Plan be developed for adoption by Council.	IS-MSAM	<b>PROGRESSING</b> – <i>RFQ 26.17 Provision of Asset Management Plans and Strategy</i> via WALGA eQuotes 20/03/2017. RFQ Awarded to Assetivity, MSAM is working with the Consultant with the view to present to Council August 2017	August 2017	\$ As Above

Paragraph		Matter Noted	Improvements	Responsible Department/ Position	Responses	Date for completion	Potential Additional Costs
7.1.4 (17)	Local Emergency Management Arrangements	We note the Local Emergency Management Arrangements have not been reviewed in accordance with the requirements of the arrangements.	We suggest the Local Emergency Management Arrangements be reviewed in accordance with each of the documents.	DRS-EMC	<b>COMPLETED</b> - EMC has reviewed documentation and are current. Reviews are to be every 5 years if significant changes are required, otherwise arrangement stands.	Completed	\$NIL
7.1.5 (18)	Onslow Local Emergency Management Arrangements	We note the document available on the Shire website is watermarked as 'Confidential Draft' yet is signed by the chairperson of the LEMC.	We suggest controls be developed to ensure confidential documents are not made available on the Shire website. We also suggest standard procedures be developed to accurately show the status of documents and plans.	DRS-EMC CS-AM G&ES-MC&T	<b>COMPLETED</b> - EMC Reviewed website documentation, updated and changed to reflect correct status.  EMC follows Legislative Procedures in the Emergency Management Act 2005 as well as Compliance Calendar to ensure actions are undertaken when required Last review 15 July 2015, next review due 2020 as per 2.8 Emergency Risk Management of the Onslow Local Emergency Management Arrangements.	Completed	\$NIL
7.1.6 (19)	Business Continuity Management Arrangements	We noted that a Business Continuity Management Plan has been partially developed and remains in draft.	We suggest the Business Continuity Management Plan be finalised and approved.	CS – D CS - AM	<b>PROGRESSING</b> - Corporate Services Director reviewed existing plans and progressed to CEO. Now for approval of ARC.	July 2017	\$
7.1.7 (20)	Record Keeping Plan	We note the Plan contains an assessment of Risks however not all identified risks have been rated in accordance with the Risk Management Policy.	We suggest risk when the record keeping plan is next reviewed an assessment of risks be undertaken in accordance with the Risk Management Policy.	CS-RC	Record Keeping Plan (including this recommendation) submitted to the State Records Office. <b>COMPLETED</b> -See attachment for document that was sent to State Records (CS - AM) submitted November 2015. Next review due March 2021	Completed	\$NIL
7.2.1 (21)	Draft Risk Management Framework	We note the framework is still in draft form and has not been finalised. The Risk Level Matrix and Assessment Criteria differs to the one contained within the Risk Management Policy.	To avoid possible misinterpretation of rated risks, we suggest the development of one context based risk level matrix and assessment criteria to be used for all risk assessments.	CS-AM OD-S&WC	<b>PROGRESSING</b> -New CORP 5 Policy and subsidiary Risk Management Framework procedures have been created and finalised. For review by ARC	July 2017	\$NIL



Paragraph		Matter Noted	Improvements	Responsible Department/ Position	Responses	Date for completion	Potential Additional Costs
7.2.2 (22)	Documented Procedures	Limited documented procedures currently exist.	Opportunities exist to improve standard operating procedures and ensure they are documented and key controls clearly identified. Once these procedures are developed and implemented, they require constant monitoring for adherence and to ensure they are effective.	CEO EXECS CS OD	<b>PROGRESSING</b> – (ongoing) All staff positions are completing procedure manuals for their areas of responsibility. These manuals are constantly updated on an as-needs basis. This is monitored and managed by the relevant responsible officers.	June 2018	\$NIL
7.2.3 (23)	Finance Department Procedures	We note the following matters in relation to the documented procedures: Key controls such as the prior authorisation of general journals, authorisation of creditor invoices for processing and payment and authorisation of credit limits for debtors are not documented within the procedures. Documented procedures for the processing of payroll are not included within the procedures.	We suggest the procedures be modified to clearly identify all key control requirements and procedures for processing and authorisation of payroll be documented.	CS-FM CS – FC OD	<b>PROGRESSING</b> – Document is under review and being updated by Organisational Development and the Finance Department. Recent amendments to ‘Accounts Payable’ section via Procurement.  Full Finance Manual being updated and finalised by the Finance Coordinator. To be completed end of August 2017	November 2017	\$NIL
7.2.4 (24)	Draft procurement Coordinator Procedure Manual JA71	We note the Tender Register is only required to be completed as the final stage of the tender procedure.	We suggest the Tender Register be completed at each stage of the tender process, to help ensure all tenders called are recorded within the Register at all times.	CS-PC	<b>COMPLETED</b> - Procurement has an internal Tender Register containing all details from beginning to end (both on AIMS and hard copy), there is also the Public Tender Register which contains the details as per our legislative requirement.	Completed	Nil
7.2.5 (25)	EMP24 Credit Card Management Procedure	We noted the list of current credit card holders is not up to date, as required by the procedure.	We suggest the list of current credit card holders is updated.	CS-FM	<b>COMPLETED</b>	Completed	Nil
7.2.6 (26)	Checklists	Checklists of key functions are not maintained.	Creation of standard checklists may assist in evidencing key points of control.	SoA CEO - GM	<b>PROGRESSING</b> – Key checklists exist, however the responsibility of further investigation and implementation will be the responsibility of the Governance Manager.	December 2017	\$

Paragraph		Matter Noted	Improvements	Responsible Department/ Position	Responses	Date for completion	Potential Additional Costs
7.2.7 (27)	Workflow diagrams	Workflow diagrams have not been compiled.	In conjunction with the development of documented procedures and checklists, development of workflow process diagrams may assist in clearly identifying controls and processes to be followed.	CS OD SoA	<b>PROGRESSING</b> – To be developed	March 2018	\$?
7.2.8 (28)	Procedures for the raising of Landing Fees	We noted no independent procedures exist for monitoring aircraft passenger numbers in order to raise landing fees. We view the current system of relying on the airline to report the number of flights and passengers as inappropriate.	We suggest procedures and processes be developed to ensure passenger numbers are independently verified before raising the fee.	IS-AM	<b>COMPLETED (subject to Audit &amp; Risk Committee confirmation)</b> NOTE: Landing fees are based on the weight of the planes and are monitored by AVDATA who are an independent company engaged by the Shire. Passenger Head Tax are the fees paid by the airlines to the SoA. These are generated on a monthly basis by the airlines based on the passenger numbers. The only way to monitor/verify this process would require a SoA staff member permanently based at the airport counting passengers for each flight. This is a common practice in all airports and is an “honour system”. The recommendation is noted and a procedure will be created and implemented whereby “random” passenger counts will be undertaken by SoA staff and used to verify the fees paid each month. TD - Confirmed that passenger numbers are provided as a monthly total and not on a flight by flight basis. Every flight in a reporting period would need to be counted to enable a verification. This is not practicable given costs.	Completed	\$?
7.2.9 (29)	Project Specific Risk Assessments	Documented risk assessments have been undertaken for a current major project and appear appropriate. However, the risk assessment was not in accordance with the Risk Management Policy.	We suggest the assessments be undertaken in accordance with the Risk Management framework.	SoA IS S&ED	<b>COMPLETED</b> –Addressed in the new Risk Management Framework/Procedures	Completed	Nil

Paragraph		Matter Noted	Improvements	Responsible Department/ Position	Responses	Date for completion	Potential Additional Costs
7.3.1 (30)	Code of Conduct	Volunteers and contractors are not bound by a Code of Conduct when performing functions on behalf of the Shire.	We suggest an expansion of the scope of the Code of Conduct to include actions by volunteers and contractors. Alternatively, a separate Code of Conduct be developed for volunteers and contractors.	CS-SC CD-MCS	<b>PROGRESSING</b> – Community Development have engaged an external consultant who is assisting with the implementation of a Volunteer Manual which will include full code of conduct details and requirements along with the full induction process.	September 2017	Nil
7.3.2 (31)	Occupational Safety and Health Manual	We note the manual contains comprehensive requirements for contractors. However, there is no requirement for contractors or volunteers to be inducted on the requirements contained in the Manual.	We suggest a requirement for the induction of volunteers and contractors be included in the Manual.	OD-S&WC CS-SC CD-MCS	<b>PROGRESSING</b> - Community Development have engaged an external consultant who is assisting with the implementation of a Volunteer Manual which will include full code of conduct details and requirements along with the full induction process.	September 2017	\$Nil
7.3.3 (32)	Experienced Staff	Experienced senior staff are expected to have a sound understanding of the requirements of their roles. We noted cases where, due to external limitations, current staff have been elevated to positions for which they have limited experience and no formal qualification.	Key positions should be reserved for staff with relevant experience and qualification and where this is not possible, formal training and development plans should be mandated.	SoA	<b>COMPLETED</b> - Noted – for implementation on an “as needs” basis.	Completed	Combined with 7.1.1
7.3.4 (33)	Staff Training	Training needs analysis and register have not been updated. A number of licences /skills accreditations have expired.	We suggest the Training Needs Analysis and Register be updated with procedures implemented to ensure licences/skills accreditations remain current.	OD-SODA	<b>PROGRESSING</b> – Implementation of new human resources software (“ELMO”) is still progressing and when finalised will retain and monitor this information more accurately. AM - OD-SODA to review the existing register and ensure update and implementation of current licences/skills.	December 2017	\$Nil
7.5.1 (34)	Information Systems Plans	We noted an IT Disaster Recovery Plan and IT Security Plan are in place, but have never been tested.	We suggest the IT Disaster Recovery Plan and IT Security Plan be tested.	CS-MIS	<b>PROGRESSING</b> - The plan will be tested. This test needs coordinated with third parties (such as Telstra) to ensure our backup systems are operating at an optimum. CS-MIS to trigger a test of both plans to determine viability and adequacy of plans.	June 2018	\$Nil

Paragraph		Matter Noted	Improvements	Responsible Department/ Position	Responses	Date for completion	Potential Additional Costs
7.5.2 (35)	IT Resources	No policy in place for the use of Shire IT equipment for private use.	We suggest a policy be created and implemented for the use of Shire IT equipment for private use.	CS-MIS OD	<b>PROGRESSING</b> - EMP04 Equipment & Key Policy/Directive is being finalised. CS-MIS to develop policy in conjunction with OD for all staff.	March 2018	\$
8.1.1 (36)	Risk Register	We noted risks documented within Council Meeting minutes are not maintained within a risk register.	We suggest risks documented within Council Meeting Minutes are recorded within the risk register.	CS-AM EO-CEO	<b>PROGRESSING</b> – CS AM and EO CEO to compile examples for review and implementation	March 2018	Nil
8.2.1 (37)	Minutes of Executive Management Group Meetings	No minutes of the Executive Management Group meetings were available for inspection.	We suggest minutes of the Executive Management Group meetings be maintained with risks, internal control and legislative compliance weaknesses identified in the minutes.	G&ES-EO-CEO	<b>COMPLETED</b> Minutes are documented and recorded in secure file GV27.	Completed	Nil
8.3.1 (38)	Risk Register	We reviewed a draft register and noted it is not being maintained up to date.	Risk Register to be reviewed/updated on a regular basis.	CS-AM	<b>COMPLETED</b> –Corporate Risk Register updated and to be maintained by Governance Manager See attachment	Completed	Nil
8.3.2 (39)	OSH Audit Response Register	We note the register contains 29 recommendations rated as high priority. Of these only 4 recommendations are recorded as complete. No dates are provided as to when the audit was undertaken or when the recommendations were finalised.	We suggest recommendations are dated to assist in following up on long outstanding matters.	OD-S&WC	<b>COMPLETED</b> There are 129 recommendations total, 66 in progress, 8 not started, 47 complete, 8 awaiting other action. More detail can be provided if required. It should be noted not all recommendations are practical or necessary to implement. It should also be noted of those recommendations the “in progress” can include those that have been fully implemented in high risk departments but not completed elsewhere due to competing priorities. S&WC to implement recommendations.	Completed	\$Nil
8.3.3 (40)	Incident Register	We note the register does not record any follow up measures to help prevent re-occurrence of incidents.	We suggest the Register records actions to be taken to help prevent re-occurrence of incidents.	OD-S&WC	<b>COMPLETED</b> The Action Register in system STEMS records all proactive and reactive actions (controls) following incidents; scheduled inspections; ad hoc observations and hazard reports etc. Auditors did not review this program.	Completed	Nil

Paragraph		Matter Noted	Improvements	Responsible Department/ Position	Responses	Date for completion	Potential Additional Costs
8.5.1 (41)	Employee Complaints / Grievance Handling	We note there are no procedures to ensure employee complaints remain confidential, recorded and responded to appropriately.	We suggest a documented procedure be developed to ensure all employee complaints are logged and followed up to ensure they are resolved.	OD-MOD	<b>COMPLETED</b> - EMP16 Grievances, Investigations and Resolution Management Directive modified accordingly (refer to Executive Team Meeting 1/12/2016). EMP22 Discrimination, Harassment and Bullying Management Directive modified accordingly (refer to Executive Team Meeting 24/11/2016).	Completed	\$NIL
8.5.2 (42)	Community Complaints Handling	Whilst we note there are procedures for community complaints in relation to assets, there are no procedures to ensure general community complaints are recorded and responded to appropriately within a defined timeframe.	We suggest a documented procedure be developed to ensure all community complaints are logged and forwarded to the appropriate officer then followed up to ensure they are resolved.	CS-AM G&ES CEO - GM	<b>PROGRESSING</b> - <i>See It Report It</i> is managed by the Assets Team. Which distributes reports to relevant department and record against the asset number. Reports are processed as an official Shire record and recorded in secure file. It is noted that we do not have a procedure for non-asset related complaints (Staff, Shire processes etc.) however these are being reviewed.	March 2018	\$NIL
8.6.1 (43)	Internal Audit	Currently, no internal auditors have been appointed, and limited internal audit functions have been undertaken.	We suggest that as the level of documented procedures increases, an expanded internal audit function to confirm adherence to documented policies and procedures may be required.	CS G&ES	<b>PROGRESSING</b> - Suggestion noted and included in the 2017/8 Budget. The creation of the Manager of Governance and Strategy will be responsible for the implementation and process of an internal audit program.	June 2018	\$

# Council Policy



Number	CORP5	Principles/ Framework	Community Strategic Plan 2017-2027 Goal 05 Objective 3 Council Leadership
Name	Risk Management Policy		
File No	GV20		
Aim	The Shire of Ashburton is committed to organisation-wide risk management principles, systems and processes that ensure consistent, efficient, and effective assessment of risk in all planning, decision making and operational processes.	Approval Date	OMC 21 March 2012 OMC 19 November 2014
		Monitor & Review	CEO
		Last Review	18 July 2017
Application:	Elected Members and Staff	Next Review	2019
Statutory Environment	Local Government Act (1995) 5.56(2)	Review Period	Every 2 years

## Policy

**1. Purpose**

The Shire of Ashburton (“the Shire”) Risk Management Policy documents the commitment and objectives regarding managing uncertainty that may impact the Shire’s strategies, goals or objectives.

**2. Policy**

It is the Shire’s Policy to achieve best practice (aligned with AS/NZS ISO 31000:2009 Risk management), in the management of all risks that may affect the Shire, its customers, people, assets, functions, objectives, operations or members of the public. Risk Management will form part of the Strategic, Operational, Project and Line Management responsibilities and where possible, be incorporated within the Shire’s Integrated Planning Framework.

The Shire’s Executive Management Team will determine and communicate the Risk Management Policy, Objectives and Procedures, as well as direct and monitor implementation, practice and performance.

Every employee, elected member, volunteer and contractor within the Shire is recognised as having a role in risk management.

Consultants may be retained at times to advise and assist in the risk management process or management of specific risks or categories of risk.

**3. Definitions (from AS/NZS ISO 31000:2009)**

**Risk:** Effect of uncertainty on objectives.

Note 1: An effect is a deviation from the expected – positive or negative.

Note 2: 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).

**4. Risk Management:** Coordinated activities to direct and control an organisation with regard to risk.

**5. 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.

**6. Risk Management Framework:** Set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation.

**7. Risk Management Objectives**

The adoption of consistent risk management processes within a comprehensive framework will help deliver on the objectives and benefits below:

- Optimise the achievement of our vision, experiences, strategies, goals and objectives.
- Provide transparent and formal oversight of the risk and control environment to enable effective decision making.
- Enhance risk versus return within our risk appetite.
- Embed appropriate and effective controls to mitigate risk.
- Achieve effective corporate governance and adherence to relevant statutory, regulatory and compliance obligations.
- Enhance organisational resilience.
- Identify and provide for the continuity of critical operations

## 8. Risk Appetite

The Shire has defined its tolerance to risk, its risk appetite, through the development and endorsement of the Shire's Risk Assessment and Acceptance Criteria. The criteria are included within the Risk Management Procedures and are subject to ongoing review in conjunction with this policy.

All organisational risks to be reported at a corporate level 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 organisation's appetite and are to be noted within the individual risk assessment and approved by a member of the Executive Management Team.

## 9. Roles, Responsibilities & Accountabilities

Council's role is to -

- Review and approve the Shire's Risk Management Policy and Risk Assessment & Acceptance Criteria.
- Appoint / Engage External Auditors to report on financial statements annually.
- Establish and maintain an Audit & Risk Committee in terms of the Local Government Act.

The CEO is responsible for the allocation of roles, responsibilities and accountabilities. These are documented in the Risk Management Procedures (Operational Document).

## 10. Monitor & Review

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.

This policy will be kept under review by the Shire's Executive Management Team and will be formally reviewed by Council biennially.

Signed: ..... Date: \_\_\_\_/\_\_\_\_/\_\_\_\_

Dale Stewart:

Acting Chief Executive Officer





**File No: CORP\_ORG**

**Policy Name: CORP5 RISK MANAGEMENT POLICY**

**Policy Purpose:** The Shire of Ashburton is committed to organisation-wide risk management principles, systems and processes that ensure consistent, efficient, and effective assessment of risk in all planning, decision making and operational processes.

**Principles / Framework** Governance and Leadership

**Application:** Elective Members and All Staff

**Statutory Environment:** Local Government Act (1995) 5.56(2)

**Minute Number:** 11151; 11875

**Approval Date:** Ordinary Meeting of Council 21 March 2012  
Ordinary Meeting of Council 19 November 2014

#### **Definition of Risk:**

AS/NZS ISO 31000:2009 defines risk as “the effect of uncertainty on objectives.”

- A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative, or a deviation from the expected. An objective may be financial, related to health and safety, or defined in other terms.
- Risk Management is defined as the application of coordinated activities to direct and control an organisation with regard to risk.

#### **Principles – Framework - Process**

The Shire of Ashburton considers risk management to be an essential management function in its operations. They recognise that the risk management responsibility for managing specific risks lies with the person who has the responsibility for the function, service or activity that gives rise to that risk. Council is committed to the principles, framework and process of managing risk as outlined in AS/NZS ISO 31000:2009

The Shire of Ashburton will manage risks continuously using a process involving the identification, analysis, evaluation, treatment, monitoring and review of risks. It will be applied to decision making through all levels of the organisation in relation to planning or executing any function, service or activity. In particular it will be applied to:

- Strategic and operational planning

- Receipt and Expenditure of large sums of money
- New strategies and procedures
- Management of projects, tenders and proposals
- Introducing significant change, and
- The management of sensitive issues.

### **Risk management objectives**

- The achievement of organisational goals and objectives.
- Compliance with Local Government Act (1995) Regulation S5.56(2)
- The ongoing health and safety of all employees at the workplace
- Ensuring public safety within the Council's jurisdiction is not compromised.
- Limited loss or damage to property and other assets.
- Limited interruption to business continuity.
- Positive public perception of Council and the Shire.
- Application of equal opportunity principles in the workforce and the community.

### **Responsibilities**

- Executives, managers and supervisors have the responsibility and accountability for ensuring that all staff effectively manage the risks within their own work areas. In each of these areas, risks should be anticipated and reasonable protective measures taken.
- All managers will encourage openness and honesty in the reporting and escalation of risks.
- All staff will be encouraged to alert management to the risks that exist within their area, without fear of recrimination.
- All staff will, after appropriate training, adopt the principles of risk management and comply with all policies, procedures and practices relating to risk management.
- All staff and employees will, as required, conduct risk assessments during the performance of their daily duties. The level of sophistication of the risk assessment will be commensurate with the scope of the task and the associated level of risk identified.
- Failure by staff to observe reasonable directions from supervisors regarding the management of risks and/or failure of staff to take reasonable care in identifying and treating risks in the workplace may result in disciplinary action.
- It is the responsibility of every department to observe and implement this policy in accordance with procedures and initiatives that are developed by management from time to time.
- Council is committed morally and financially to the concept and resourcing of risk management.

### Monitor and Review

The Organisation will implement a simple but robust reporting and recording system that will be regularly monitored to ensure closeout of risks and identification of ongoing issues and trends.

Risk management key performance indicators, relating to both organisational and personal performance will be developed, implemented and monitored, by the Shire's Executive and Council as appropriate

### Risk Appetite and Tolerance Levels of the Shire of Ashburton

#### Consequences

DESCRIPTION	FINANCIAL	HEALTH	REPUTATION	OPERATION	ENVIRONMENT	COMPLIANCE	PROJECT
Insignificant	<Less than \$10,000	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	\$10,000 – 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 - \$1million	Extensive injuries or disabilities	Substantiated, organisational embarrassment, high impact news profile, third party actions	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 million	Death or permanent disabilities	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions	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

LEVEL	DESCRIPTION	EXAMPLES	FREQUENCY
A	Almost Certain	Expected to occur in most circumstances	More than once per year

<b>B</b>	Likely	Will probably occur in most circumstances		At least once per year	
<b>C</b>	Possible	Should occur at some time		At least once in three years.	
<b>D</b>	Unlikely	Could occur at some time		At least once in ten years	
<b>E</b>	Rare	May occur, only in exceptional circumstances		Less than once in fifteen years.	

Consequence Likelihood		Insignificant	Minor	Major	Critical	Extreme
		1	2	3	4	5
Almost Certain	A	H	H	E	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

**E = Extreme Risk:** Immediate action required by EM or Executive Management

**H = High risk:** Senior management attention needed

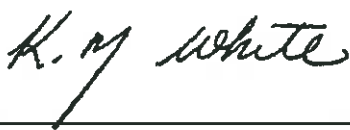
**M = Medium risk:** Managed by specific monitoring or response procedures

**L = Low risk:** Manage by routine procedures, unlikely to need specific application of resources

### Key success factors

In using the risk matrix, the Shire of Ashburton recognises that in initial debate and assessment; that unless there are subject professionals or experts in the conversations; the results will only guide the assessment, but more information will be needed to further define the risk level.

The Shire recognises that priority for treatment and attention requires both quantitative and qualitative information to inform the decision making process.



Kerry White

Signed

Shire President

Monitor and Review:

Chief Executive Officer

Last Review Date:

19 November 2014

Next Review Date:

2016

Review Period:

Biennial

This policy is to remain in force until otherwise determined by the Council or superseded.

# **Risk Management Framework**

Shire of Ashburton

July 2017

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# Introduction

The Policy and Procedures in this document form the Risk Management Framework for the Shire of Ashburton (“the Shire”). The framework sets out the Shire’s approach to the identification, assessment, management, reporting and monitoring of risks. All components of this document are based on Australia/New Zealand Standard ISO 31000:2009 Risk Management.

It is essential 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.
- Uncertainty and its effects on objectives is understood and managed.

This Framework aims to balance a documented, structured and systematic process with the current size and complexity of the Shire along with existing time, resource and workload pressures.

Further information or guidance on risk management procedures is available from LGIS Risk Management.

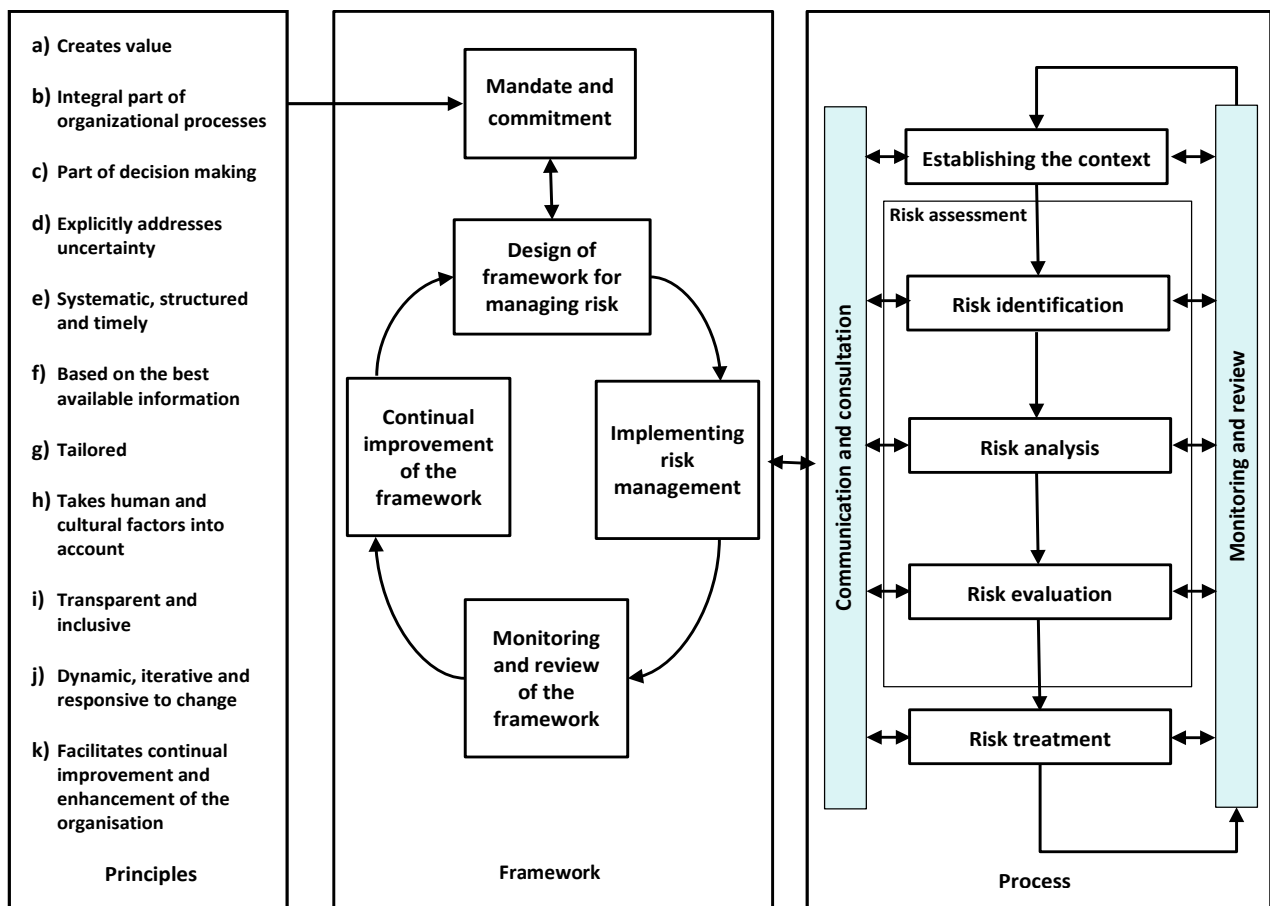


Figure 1: Risk Management Process (Source: AS/NZS 31000:2009)

# Risk Management Policy

## Purpose

The Shire of Ashburton ("the Shire") Risk Management Policy documents the commitment and objectives regarding managing uncertainty that may impact the Shire's strategies, goals or objectives.

## Policy

It is the Shire's Policy to achieve best practice (aligned with AS/NZS ISO 31000:2009 Risk management), in the management of all risks that may affect the Shire, its customers, people, assets, functions, objectives, operations or members of the public.

Risk Management will form part of the Strategic, Operational, Project and Line Management responsibilities and where possible, be incorporated within the Shire's Integrated Planning Framework.

The Shire's Executive Management Team will determine and communicate the Risk Management Policy, Objectives and Procedures, as well as direct and monitor implementation, practice and performance.

Every employee, elected member, volunteer and contractor within the Shire is recognised as having a role in risk management.

Consultants may be retained at times to advise and assist in the risk management process or management of specific risks or categories of risk.

## Definitions (from AS/NZS ISO 31000:2009)

**Risk:** Effect of uncertainty on objectives.

Note 1: An effect is a deviation from the expected – positive or negative.

Note 2: 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).

**Risk Management:** Coordinated activities to direct and control an organisation with regard to risk.

**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.

**Risk Management Framework:** Set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation.

## Risk Management Objectives

The adoption of consistent risk management processes within a comprehensive framework will help deliver on the objectives and benefits below:

- Optimise the achievement of our vision, experiences, strategies, goals and objectives.
- Provide transparent and formal oversight of the risk and control environment to enable effective decision making.
- Enhance risk versus return within our risk appetite.
- Embed appropriate and effective controls to mitigate risk.
- Achieve effective corporate governance and adherence to relevant statutory, regulatory and compliance obligations.
- Enhance organisational resilience.



- Identify and provide for the continuity of critical operations

## **Risk Appetite**

The Shire has defined its tolerance to risk, its risk appetite, through the development and endorsement of the Shire's Risk Assessment and Acceptance Criteria. The criteria are included within the Risk Management Procedures and are subject to ongoing review in conjunction with this policy.

All organisational risks to be reported at a corporate level 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 organisation's appetite and are to be noted within the individual risk assessment and approved by a member of the Executive Management Team.

## **Roles, Responsibilities & Accountabilities**

Council's role is to -

- Review and approve the Shire's Risk Management Policy and Risk Assessment & Acceptance Criteria.
- Appoint / Engage External Auditors to report on financial statements annually.
- Establish and maintain an Audit & Risk Committee in terms of the Local Government Act.

The CEO is responsible for the allocation of roles, responsibilities and accountabilities. These are documented in the Risk Management Procedures (Operational Document).

## **Monitor & Review**

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.

This policy will be kept under review by the Shire's Executive Management Team and will be formally reviewed by Council biennially.

Signed: ..... Date: \_\_\_\_/\_\_\_\_/\_\_\_\_

Dale Stewart: Acting Chief Executive Officer

# Risk Management Procedures

## Governance

Appropriate governance of risk management within the Shire of Ashburton (the “Shire”) provides:

- Transparency of decision making.
- Clear identification of the roles and responsibilities of risk management functions.
- An effective Governance Structure to support the risk framework.

## Framework Review

The Risk Management Framework is to be reviewed for appropriateness and effectiveness biennially.

## Operating Model

The Shire has adopted a “Three Lines of Defence” model for the management of risk. This model ensures roles; responsibilities and accountabilities for decision making are structured to demonstrate effective governance and assurance. By operating within the approved risk appetite and framework, the Council, Management and Community will have assurance that risks are managed effectively to support the delivery of the Strategic, Corporate & Operational Plans.

### First Line of Defence

All **operational** areas of the Shire are considered ‘**1<sup>st</sup> Line**’. They are responsible for ensuring that risks within their scope of operations are identified, assessed, managed, monitored and reported. Ultimately, they bear ownership and responsibility for losses or opportunities from the realisation of risk. Associated responsibilities include;

- Establishing and implementing appropriate processes and controls for the management of risk (in line with these procedures).
- Undertaking adequate analysis (data capture) to support the decision-making process of risk.
- Prepare risk acceptance proposals where necessary, based on level of residual risk.
- Retain primary accountability for the ongoing management of their risk and control environment.

### Second Line of Defence

The Shire’s Risk Framework Owners (Manager Administration & Manager Governance) act as the primary ‘**2<sup>nd</sup> Line**’. These positions own and manage the framework for risk management, draft and implement governance procedures and provide the necessary tools and training to support the 1st line process. The Executive Management Team supplements the second line of defence.

Maintaining oversight on the application of the framework provides a transparent view and level of assurance to the 1<sup>st</sup> & 3<sup>rd</sup> lines on the risk and control environment. Support can be provided by additional oversight functions completed by other 1<sup>st</sup> Line Teams (where applicable). Additional responsibilities include:

- Providing independent oversight of risk matters as required.
- Monitoring and reporting on emerging risks.
- Co-ordinating the Shire's risk reporting for the CEO & Executive Management Team and the Audit & Risk Committee.

### Third Line of Defence

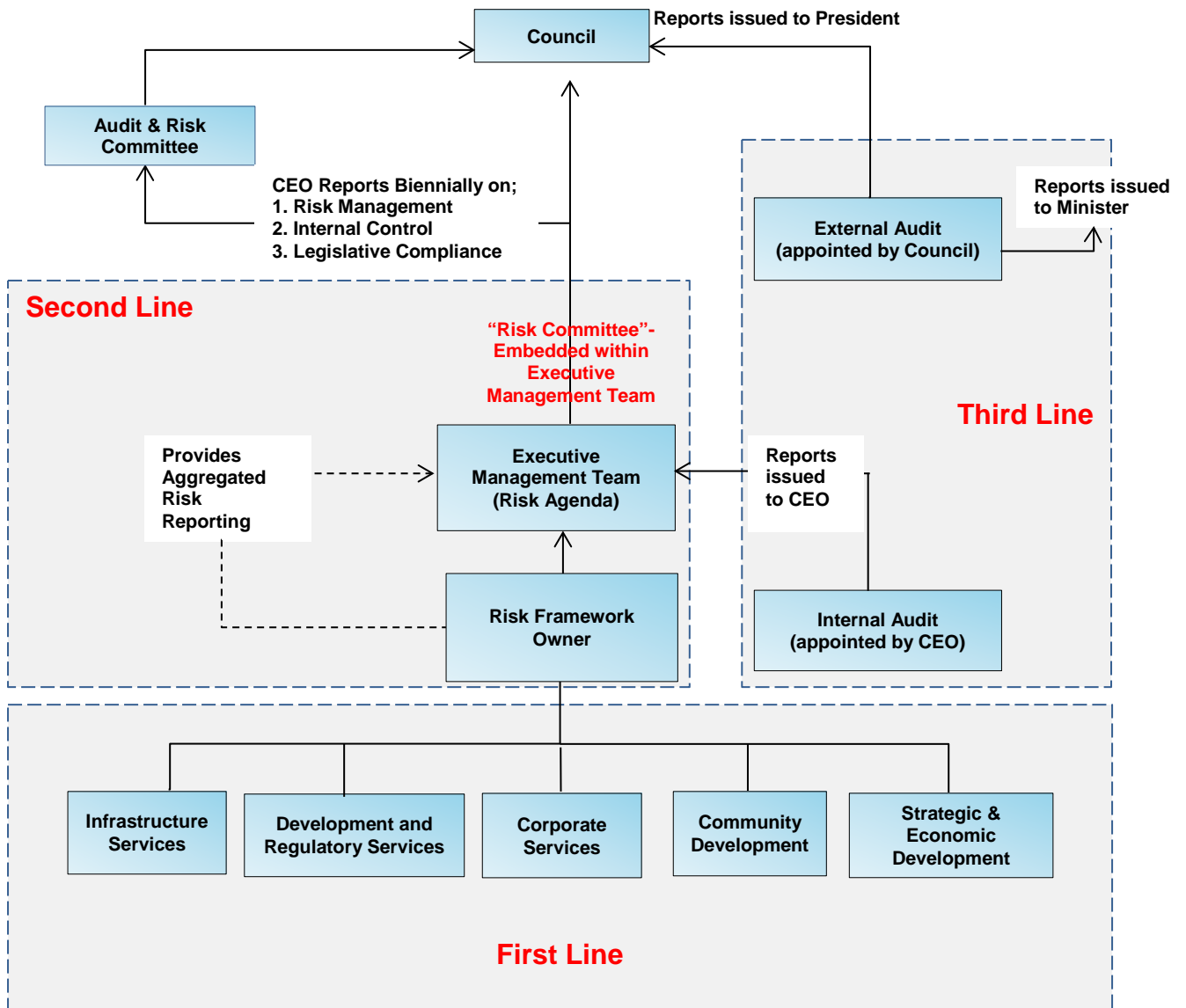
Internal self-audits & External Audits are the '**3<sup>rd</sup> Line**' of defence, providing assurance to the Council, Audit & Risk Committee and Shire Management on the effectiveness of business operations and oversight frameworks (1<sup>st</sup> & 2<sup>nd</sup> Line).

Internal Audit – Appointed by the CEO to report on the adequacy and effectiveness of internal control processes and procedures. The scope of which would be determined by the CEO with input from the Audit & Risk Committee.

External Audit – Appointed by Council on the recommendation of the Audit & Risk Committee to report independently to the President and CEO on the annual financial statements only.

### **Governance Structure**

The following diagram depicts the current operating structure for risk management within the Shire.



## **Roles & Responsibilities**

### Council

- Review and approve the Shire's Risk Management Policy and Risk Assessment & Acceptance Criteria.
- Appoint / Engage External Auditors to report on financial statements annually.
- Establish and maintain an Audit & Risk Committee in terms of the Local Government Act.

### Audit & Risk Committee

- Support Council in providing effective corporate governance.
- Oversight of all matters that relate to the conduct of External Audits.
- Independent, objective and autonomous in deliberations.
- Recommendations to Council on External Auditor appointments.

### CEO / Executive Management Team

- Undertake internal Audits as required under Local Government (Audit) regulations.
- Liaise with Council in relation to risk acceptance requirements.
- Approve and review the appropriateness and effectiveness of the Risk Management Framework.
- Drive consistent embedding of a risk management culture.
- Analyse and discuss emerging risks, issues and trends.
- Document decisions and actions arising from risk matters.
- Own and manage the Risk Profiles at Shire Level.

### Risk Framework Owner (Manager Governance & Corporate Strategy)

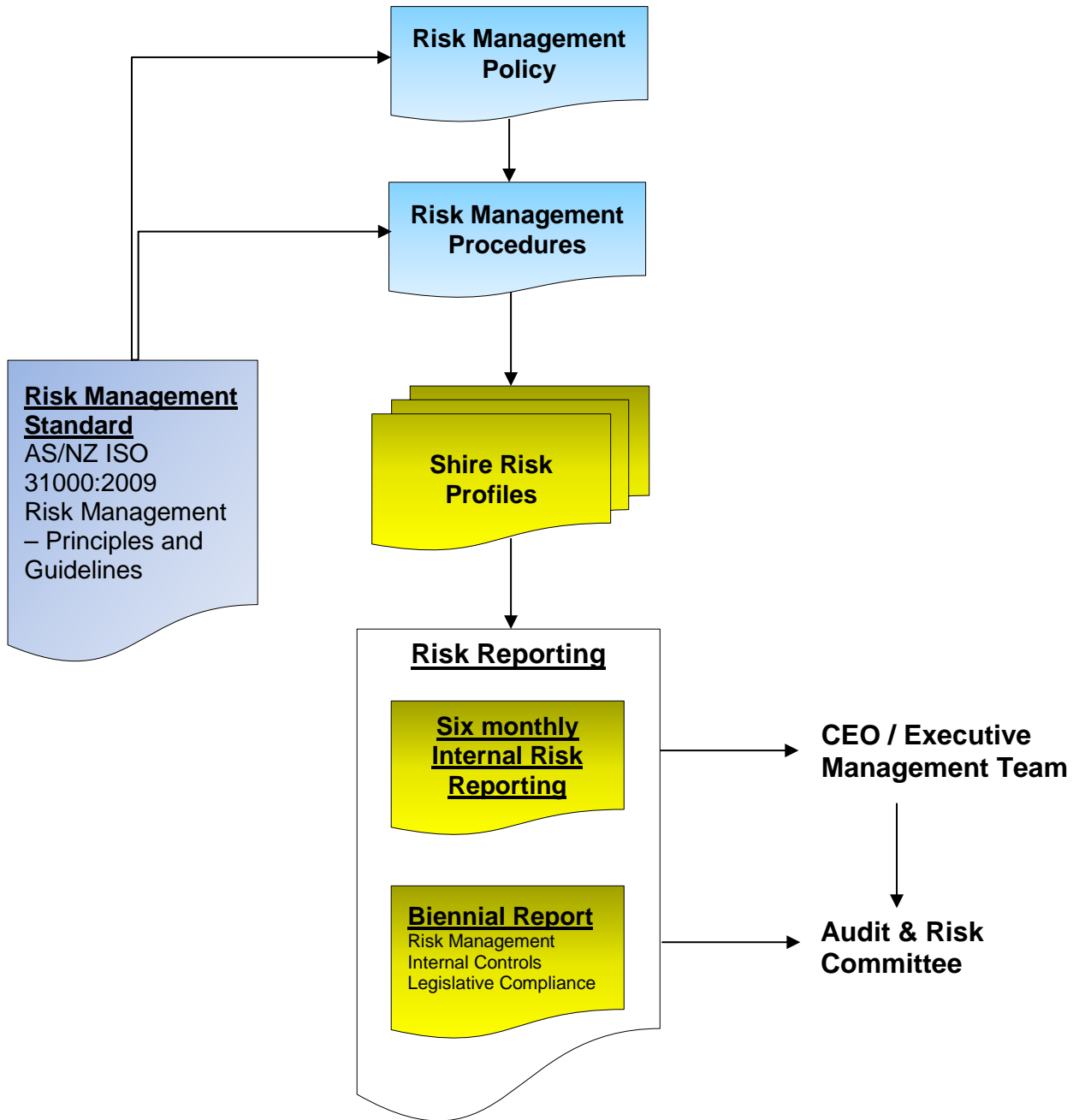
- Oversee and facilitate the Risk Management Framework.
- Champion risk management within operational areas.
- Support reporting requirements for Risk matters.
- Monitor KPI's for risk.

### Managers / Teams

- Drive risk management culture within work areas.
- Own, manage and report on specific risk issues as required.
- Assist in the Risk & Control Management process as required.
- Conduct Risk Identification and Assessment when preparing Council Agenda item templates
- Highlight any emerging risks or issues accordingly.
- Incorporate 'Risk Management' into Management Meetings, by incorporating the following agenda items;
  - New or emerging risks.
  - Review existing risks.
  - Control adequacy.
  - Outstanding issues and actions.

**Document Structure (Framework)**

The following diagram depicts the relationship between the Risk Management Policy, Procedures and supporting documentation and reports.



## **Risk & Control Management**

All Work Areas of the Shire are required to assess and manage the Risk Profiles on an ongoing basis.

Agenda items presented to council must include a Risk Assessment using the Frameworks criteria.

Each Manager, in conjunction with the Risk Framework Owner is accountable for ensuring that Risk Profiles are:

- Reflective of the material risk landscape of the Shire.
- Reviewed on at least a six monthly basis, or sooner if there has been a material restructure or change in the risk and control environment.
- Maintained in the standard format.

This process is supported by the use of data inputs, workshops and ongoing business engagement.

## **Risk & Control Assessment**

To ensure alignment with AS/NZ ISO 31000:2009 Risk Management, the following approach is to be adopted from a Risk & Control Assessment perspective:

### A: Establishing the Context

The first step in the risk management process is to understand the context within which the risks are to be assessed and what is being assessed, this forms two elements:

#### Organisational Context

The Shire's Risk Management Procedures provide the basic information and guidance regarding the organisational context to conduct a risk assessment; this includes Risk Assessment and Acceptance Criteria (Appendix A) and any other tolerance tables as developed. In addition, existing Risk Themes are to be utilised (Appendix C) where possible to assist in the categorisation of related risks.

Any changes or additions to the Risk Themes must be approved by the Manager Governance & Corporate Strategy or the CEO.

All risk assessments are to utilise these documents to allow consistent and comparable risk information to be developed and considered within planning and decision making processes.

### Specific Risk Assessment Context

To direct the identification of risks, the specific risk assessment context is to be determined prior to and used within the risk assessment process.

For risk assessment purposes the Shire has been divided into three levels of risk assessment context:

#### 1. Strategic Context

This constitutes the Shire's external environment and high-level direction. Inputs to establishing the strategic risk assessment environment may include;

- Organisation's Vision
- Stakeholder Analysis
- Environment Scan / SWOT Analysis
- Existing Strategies / Objectives / Goals

#### 2. Operational Context

The Shire's day to day activities, functions, infrastructure and services. Prior to identifying operational risks, the operational area should identify its Key Activities i.e. what is trying to be achieved. Note: these may already be documented in business plans, budgets etc.

#### 3. Project Context

Project Risk has two main components:

- **Direct** refers to the risks that may arise as a result of project activity (i.e. impacting on current or future process, resources or IT systems) which may prevent the Shire from meeting its objectives
- **Indirect** refers to the risks which threaten the delivery of project outcomes.

In addition to understanding what is to be assessed, it is also important to understand who are the key stakeholders or areas of expertise that may need to be included within the risk assessment.

### B: Risk Identification

Using the specific risk assessment context as the foundation, and in conjunction with relevant stakeholders, answer the following questions, capture and review the information within each Risk Profile.

- What can go wrong? / What are areas of uncertainty? (Risk Description)
- How could this risk eventuate? (Potential Causes)
- What are the current measurable activities that mitigate this risk from eventuating? (Controls)
- What are the potential consequential outcomes of the risk eventuating? (Consequences)



C: Risk Analysis

To analyse the risks, the Shire's Risk Assessment and Acceptance Criteria (Appendix A) is applied:

- Based on the documented controls, analyse the risk in terms of Existing Control Ratings
- Determine relevant consequence categories and rate how bad it could be if the risk eventuated with existing controls in place (Consequence)
- Determine how likely it is that the risk will eventuate to the determined level of consequence with existing controls in place (Likelihood)
- By combining the measures of consequence and likelihood, determine the risk rating (Level of Risk)

D: Risk Evaluation

The Shire is to verify the risk analysis and make a risk acceptance decision based on:

- Controls Assurance (i.e. are the existing controls in use, effective, documented, up to date and relevant)
- Existing Control Rating
- Level of Risk
- Risk Acceptance Criteria (Appendix A)
- Risk versus Reward / Opportunity

The risk acceptance decision needs to be documented and acceptable risks are then subject to the monitor and review process. Note: Individual Risks or Issues may need to be escalated due to urgency, level of risk or systemic nature.

E: Risk Treatment

For unacceptable risks, determine treatment options that may improve existing controls and/or reduce consequence / likelihood to an acceptable level.

Risk treatments may involve actions such as avoid, share, transfer or reduce the risk with the treatment selection and implementation to be based on;

- Cost versus benefit
- Ease of implementation
- Alignment to organisational values / objectives

Once a treatment has been fully implemented, the Governance Officer is to review the risk information and acceptance decision with the treatment now noted as a control and those risks that are acceptable then become subject to the monitor and review process (Refer to Risk Acceptance section).

F: Monitoring & Review

The Shire is to review all Risk Profiles at least on a six monthly basis or if triggered by one of the following;

- Changes to context,
- A treatment is implemented,
- An incident occurs or due to audit/regulator findings.

The Risk Framework Owner is to monitor the status of risk treatment implementation and report on, if required.

The CEO & Executive Management Team will monitor significant risks and treatment implementation as part of their normal agenda item on a quarterly basis with specific attention given to risks that meet any of the following criteria:

- Risks with a Level of Risk of High or Extreme
- Risks with Inadequate Existing Control Rating
- Risks with Consequence Rating of Extreme
- Risks with Likelihood Rating of Almost Certain

The design and focus of the Risk Summary report will be determined from time to time on the direction of the CEO & Executive Management Team. They will also monitor the effectiveness of the Risk Management Framework ensuring it is practical and appropriate to the Shire.

G: Communication & Consultation

Throughout the risk management process, stakeholders will be identified, and where relevant, be involved in or informed of outputs from the risk management process. Council, through the Audit and Risk Committee will be provided with six-monthly update reports.

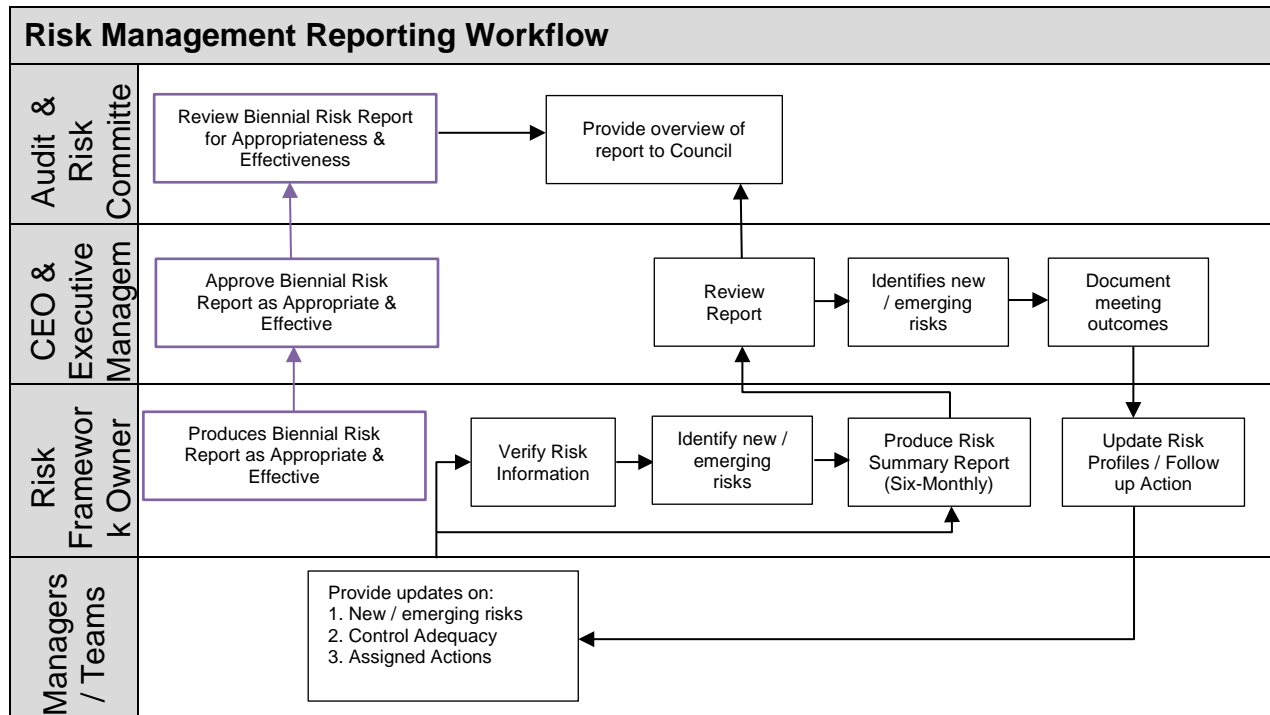
Risk management awareness and training will be provided to staff as part of their Training Program.

Risk management will be included within the employee induction process to ensure new employees are introduced to the Shire's risk management culture.

## Reporting Requirements

### Coverage & Frequency

The following diagram provides a high level view of the ongoing reporting process for Risk Management.



Each Work Area is responsible for ensuring:

- They continually provide updates in relation to new and emerging risks, control effectiveness and indicator performance to the Risk Framework Owner.
- Work through assigned actions and provide relevant updates to the Risk Framework Owner.
- Risks / Issues reported to the CEO & Executive Management Team are reflective of the current risk and control environment.

The Risk Framework Owner is responsible for:

- Ensuring Shire Risk Profiles are formally reviewed and updated, at least on a six monthly basis or when there has been a material restructure, change in risk ownership or change in the external environment.
- Producing a six-monthly Risk Report for the CEO & Executive Management Team which contains an overview Risk Summary for the Shire.
- Annual Compliance Audit Return completion and lodgement.

### Indicators

Indicators are required to be used for monitoring and validating risks and controls. The following describes the process for the creation and reporting of Indicators:

### Identification

The following represent the minimum standards when identifying appropriate Indicator risks and controls:

- The risk description and casual factors are fully understood
- The Indicator is fully relevant to the risk or control
- Predictive Indicators are adopted wherever possible
- Indicators provide adequate coverage over monitoring risks and controls

### Assess Data Quality and Integrity

In all cases an assessment of the data quality and integrity must be completed to ensure that the Indicator data is relevant to the risk or Control.

Where possible the source of the data (data owner) should be independent to the risk owner. Overlapping Indicators can be used to provide a level of assurance on data integrity.

If the data or source changes during the life of the Indicator, the data is required to be revalidated to ensure reporting of the Indicator against a consistent baseline.

### Benchmarks

Benchmarks are set based on the Shire's Risk Appetite. They may be set and agreed over three levels:

- Green – within appetite; no action required.
- Amber – the Indicator must be closely monitored and relevant actions set and implemented to bring the measure back within the green tolerance.
- Red – outside risk appetite; the Indicator must be escalated to the CEO & Executive Management Group where appropriate management actions are to be set and implemented to bring the measure back within appetite.

### Monitor & Review

All active Indicators are updated as per their stated frequency of the data source.

When monitoring and reviewing Indicators, the overall trend should be considered over a longer timeframe than individual data movements. The trend of the Indicators is specifically used as an input to the risk and control assessment.

### Risk Acceptance

Day-to-day operational management decisions are generally managed under the delegated authority framework of the Shire.

Risk Acceptance *outside* of the appetite framework is a management decision to accept, within authority levels, material risks which will remain outside appetite framework (refer Appendix A – Risk Assessment & Acceptance Criteria) for an extended period of time (generally 3 months or longer).

The following process is designed to provide a framework for those *outside* appetite framework identified risks.

The 'Risk Acceptance' must be in writing, signed by the relevant Manager and cover:

- A description of the risk.
- An assessment of the risk (e.g. Impact consequence, materiality, likelihood, working assumptions etc.)
- Details of any mitigating action plans or treatment options in place
- An estimate of the expected remediation date.

Reasonable action should be taken to mitigate the risk. A lack of budget to remediate a material risk outside of appetite is not sufficient justification in itself to accept a risk. Accepted risks must be continually reviewed through standard operating reporting structure (i.e. Executive Management Team).

### **Annual Controls Assurance Plan**

The annual assurance plan is a monitoring schedule prepared by the Executive Management Team that sets out the control assurance activities to be conducted over the next 12 months. This plan needs to consider the following components.

- Coverage of all risk classes (Strategic, Operational, Project)
- Existing control adequacy ratings across the Shire's Risk Profiles.
- Consider control coverage across a range of risk themes (where commonality exists).
- Building profiles around material controls to assist in design and operating effectiveness reviews.
- Consideration to significant incidents.
- Nature of operations
- Additional or existing 2<sup>nd</sup> line assurance information / reviews (e.g. HR, Financial Services, IT)
- Frequency of monitoring / checks being performed
- Review and development of Indicators
- Timetable for assurance activities
- Reporting requirements

Whilst this document and subsequent actions are owned by the CEO, input and consultation will be sought from individual Work Areas.

# Appendix A – Risk Assessment and Acceptance Criteria

## MEASURES OF CONSEQUENCE

RATING	PEOPLE	INTERRUPTION TO SERVICE	REPUTATION (Social / Community)	COMPLIANCE	PROPERTY (Plant, Equipment, Buildings)	NATURAL ENVIRONMENT	FINANCIAL IMPACT	PROJECT	
								TIME	COST
<b>Insignificant</b> (1)	No injuries or illness	No material service interruption  Less than 1 hour	Unsubstantiated, localised low impact on community trust, low profile or no media item.	No noticeable regulatory or statutory impact	Inconsequential damage.	Contained, reversible impact managed by on site response	Less than  \$10,000	Exceeds deadline by 5% of project timeline	Exceeds project budget by 5%
<b>Minor</b> (2)	First Aid Treatment	Short term temporary interruption – backlog cleared < 1 day	Substantiated, localised impact on community trust or low media item	Some temporary non compliances	Localised damage rectified by routine internal procedures	Contained, reversible impact managed by internal response	\$10,000 -  \$100,000	Exceeds deadline by 10% of project timeline	Exceeds project budget by 15%
<b>Moderate</b> (3)	Medical treatment / Lost time injury >10 Days	Medium term temporary interruption – backlog cleared by additional resources  < 1 week	Substantiated, public embarrassment, moderate impact on community trust or moderate media profile	Short term non-compliance but with significant regulatory requirements imposed	Localised damage requiring external resources to rectify	Contained, reversible impact managed by external agencies	\$100,000 -  \$1 million	Exceeds deadline by 15% of project timeline	Exceeds project budget by 25%
<b>Major</b> (4)	Lost time injury >30 Days / temporary disability	Prolonged interruption of services – additional resources; performance affected  < 1 month	Substantiated, public embarrassment, widespread high impact on community trust, high media profile, third party actions	Non-compliance results in termination of services or imposed penalties to Shire/Officers	Significant damage requiring internal & external resources to rectify	Uncontained, reversible impact managed by a coordinated response from external agencies	\$1million - \$5 million	Exceeds deadline by 20% of project timeline	Exceeds project budget by 35%
<b>Extreme</b> (5)	Fatality, permanent disability	Indeterminate prolonged interruption of services  non- performance  > 1 month	Substantiated, public embarrassment, widespread loss of community trust, high widespread multiple media profile, third party actions	Non-compliance results in litigation, criminal charges or significant damages or penalties to Shire/Officers	Extensive damage requiring prolonged period of restitution.  Complete loss of plant, equipment & building	Uncontained, irreversible impact	>\$5 million	Exceeds deadline by 25% of project timeline	Exceeds project budget by 45%

## MEASURES OF LIKELIHOOD

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

## RISK MATRIX

Consequence		Insignificant	Minor	Moderate	Major	Extreme
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)

## RISK ACCEPTANCE

Risk Rank	Description	Criteria	Responsibility
<b>LOW (1-4)</b>	Acceptable	Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring	Operational Manager
<b>MEDIUM (5-9)</b>	Monitor	Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring	Operational Manager
<b>HIGH (10-16)</b>	Urgent Attention Required	Risk acceptable with excellent controls, managed by senior management / executive and subject to monthly monitoring	Executive Management Group
<b>EXTREME (17-25)</b>	Unacceptable	Risk only acceptable with excellent 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

## EXISTING CONTROLS RATINGS

Rating	Foreseeable	Description
<b>Effective</b>	There is little scope for improvement.	Processes (Controls) operating as intended and / or aligned to Policies & Procedures; are subject to ongoing maintenance and monitoring and are being continuously reviewed and tested.
<b>Adequate</b>	There is some scope for improvement.	Whilst some inadequacies have been identified; Processes (Controls) are in place, are being addressed / complied with and are subject to periodic review and testing.
<b>Inadequate</b>	A need for corrective and / or improvement actions exist.	Processes (Controls) not operating as intended, do not exist, or are not being addressed / complied with, or have not been reviewed or tested for some time.



# Appendix B – Risk Profile Template

SOA CEO 020

Risk Theme	Date
<b><i>(What could go right / wrong?)</i></b> <i>Definition of Theme</i>	

<b><i>Potential causes (What could cause it to go right / wrong?)</i></b> <i>List of potential causes</i>
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Controls <i>(What we have in place to prevent it going wrong)</i>	Type	Date	Shire Rating
<i>List of Controls</i>	Detective		
	Preventative		
	Recovery		

<b>Overall Control Ratings:</b>	
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Consequence Category	Risk Ratings	Shire Rating
	<b>Consequence:</b>	
	<b>Likelihood:</b>	

<b>Overall Risk Ratings:</b>	
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Indicators <i>(These would 'indicate' to us that something has gone right / wrong)</i>	Type	Benchmark
<i>List of Indicators</i>	Leading	
	Lagging	

<b>Comments</b> <i>Rationale for all above ratings</i>
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Current Issues / Actions / Treatments	Due Date	Responsibility
<i>List current issues / actions / treatments</i>		

# Appendix C – Risk Theme Definitions

## 1. Asset Sustainability Practices

- Failure or reduction in service of assets, including cash management, budgeting and long term financial planning, infrastructure assets, plant, equipment or machinery. These include fleet, buildings, roads, playgrounds, boat ramps and all other assets and their associated lifecycle from procurement to maintenance and ultimate disposal. Areas included in the scope are;
  - Inadequate design (not fit for purpose)
  - Ineffective usage (down time)
  - Outputs not meeting expectations
  - Inadequate maintenance activities.
  - Inadequate financial management and planning.

It does not include issues with the inappropriate use of the Plant, Equipment or Machinery. Refer Misconduct.

## 2. Business & Community Disruption

- Failure to adequately prepare and respond to events that cause disruption to the local community and / or normal Shire business activities. The event may result in damage to buildings, property, plant & equipment (all assets). This could be a natural disaster, weather event, or an act carried out by an external party (incl. vandalism). This includes;
  - Lack of (or inadequate) emergency response / business continuity plans.
  - Lack of training to specific individuals or availability of appropriate emergency response.
  - Failure in command and control functions as a result of incorrect initial assessment or untimely awareness of incident.
  - Inadequacies in environmental awareness and monitoring of fuel loads, curing rates etc.

This does not include disruptions due to IT Systems or infrastructure related failures - refer "Failure of IT & communication systems and infrastructure".

## 3. Failure to fulfil Compliance requirements

- Failures to correctly identify, interpret, assess, respond and communicate laws and regulations as a result of an inadequate compliance framework. This could result in fines, penalties, litigation or increase scrutiny from regulators or agencies. This includes, new or proposed regulatory and legislative changes, in addition to the failure to maintain updated legal documentation (internal & public domain) to reflect changes.

It does include the Local Government Act, Health Act, Building Act, Privacy Act and all other legislative based obligations for Local Government.

This does not include Occupational Safety & Health Act (refer "Inadequate safety and security practices") or any Employment Practices based legislation (refer "Ineffective Employment practices")

#### **4. Document Management Processes**

- Failure to adequately capture, store, archive, retrieve, provision and / or disposal of documentation. This includes:
  - Contact lists.
  - Procedural documents.
  - 'Application' proposals/documents.
  - Contracts.
  - Forms, requests or other documents.

#### **5. Employment Practices**

- Failure to effectively manage and lead human resources (full/part time, casuals, temporary and volunteers). This includes not having an effective Human Resources Framework in addition to not having appropriately qualified or experienced people in the right roles or not having sufficient staff numbers to achieve objectives. Other areas in this risk theme to consider are;
  - Breaching employee regulations (excluding OH&S)
  - Discrimination, Harassment & Bullying in the workplace
  - Poor employee wellbeing (causing stress)
  - Key person dependencies without effective succession planning in place
  - Induction issues
  - Terminations (including any tribunal issues)
  - Industrial activity

Care should be taken when considering insufficient staff numbers as the underlying issue could be process inefficiencies.

#### **6. Engagement Practices**

- Failure to maintain effective working relationships with the Community (including Local Media), Stakeholders, Key Private Sector Companies, Government Agencies and / or Elected Members. This invariably includes activities where communication, feedback and / or consultation is required and where it is in the best interests to do so. For example;
  - Following up on any access & inclusion issues.
  - Infrastructure Projects.
  - Regional or District Committee attendance.
  - Local Planning initiatives.
  - Strategic Planning initiatives

This does not include instances whereby Community expectations have not been met for standard service provisions such as Community Events, Library Services and / or Bus/Transport services - refer "Management of Facilities / Venues / Events / Services".

## **7. Environment Management.**

- Inadequate prevention, identification, enforcement and management of environmental issues.

The scope includes;

- Lack of adequate planning and management of coastal erosion issues.
- Failure to identify and effectively manage contaminated sites (including groundwater usage).
- Waste facilities (landfill / transfer stations).
- Weed control.
- Ineffective management of water sources (reclaimed, potable)
- Illegal dumping / Illegal clearing / Illegal land use.

## **8. Errors, Omissions, Delays**

- Errors, omissions or delays in operational activities as a result of unintentional errors or failure to follow due process. This includes instances of;

- Human errors, incorrect or incomplete processing
- Inaccurate recording, maintenance, testing and / or reconciliation of data.
- Errors or inadequacies in model methodology, design, calculation or implementation of models.

This may result in incomplete or inaccurate information. Consequences include;

- Inaccurate data being used for management decision making and reporting.
- Delays in service to customers
- Inaccurate data provided to customers

This excludes process failures caused by inadequate / incomplete procedural documentation - refer "Inadequate Document Management Processes".

## **9. External Theft & Fraud (incl. Cyber Crime)**

- Loss of funds, assets, data or unauthorised access, (whether attempts or successful) by external parties, through any means (including electronic), for the purposes of;

- - Fraud – benefit or gain by deceit
  - Malicious Damage – hacking, deleting, breaking or reducing the integrity or performance of systems
  - Theft – stealing of data, assets or information (no deceit)

Examples include:

- Scam Invoices
- Cash or other valuables from 'Outstations'.

It does not include theft by an employee – refer "Misconduct".

## **10. Management of Facilities / Venues / Events / Services**

- Failure to effectively manage the day to day operations of facilities and / or venues. This includes;
  - Inadequate procedures in place to manage the quality or availability.
  - Ineffective signage
  - Booking issues
  - Financial interactions with hirers / users
  - Oversight / provision of peripheral services (e.g. cleaning / maintenance)

## **11. IT & Communications Systems and Infrastructure**

- Instability, degradation of performance, or other failure of IT Systems, Infrastructure, Communication or Utility causing the inability to continue business activities and provide services to the community. This may or may not result in IT Disaster Recovery Plans being invoked. Examples include failures or disruptions caused by:
  - - Hardware &/or Software
    - IT Network
    - Failures of IT Vendors

This also includes where poor governance results in the breakdown of IT maintenance such as;

- Configuration management
- Performance Monitoring
- IT Incident, Problem Management & Disaster Recovery Processes

This does not include new system implementations - refer "Inadequate Project / Change Management".

## **12. Misconduct**

- Intentional activities in excess of authority granted to an employee, which circumvent endorsed policies, procedures or delegated authority. This would include instances of:
  - Relevant authorisations not obtained.
  - Distributing confidential information.
  - Accessing systems and / or applications without correct authority to do so.
  - Misrepresenting data in reports.
  - Theft by an employee
  - Collusion between Internal & External parties

This does not include instances where it was not an intentional breach - refer Errors, Omissions or Delays, or Inaccurate Advice / Information.

### **13. Project / Change Management**

- Inadequate analysis, design, delivery and / or status reporting of change initiatives, resulting in additional expenses, time requirements or scope changes. This includes:
  - Inadequate Change Management Framework to manage and monitor change activities.
  - Inadequate understanding of the impact of project change on the business.
  - Failures in the transition of projects into standard operations.
  - Failure to implement new systems
  - Failures of IT Project Vendors/Contractors

### **14. Safety and Security Practices**

- Non-compliance with the Occupation Safety & Health Act, associated regulations and standards. It is also the inability to ensure the physical security requirements of staff, contractors and visitors. Other considerations are:
  - Inadequate Policy, Frameworks, Systems and Structure to prevent the injury of visitors, staff, contractors and/or tenants.
  - Inadequate Organisational Emergency Management requirements (evacuation diagrams, drills, wardens etc.).
  - Inadequate security protection measures in place for buildings, depots and other places of work (vehicle, community etc.).
  - Public Liability Claims, due to negligence or personal injury.
  - Employee Liability Claims due to negligence or personal injury.
  - Inadequate or unsafe modifications to plant & equipment.

It does not include the safety and wellbeing of volunteers – refer Employment Practices.

### **15. Supplier / Contract Management**

- Inadequate management of external Suppliers, Contractors, IT Vendors or Consultants engaged for core operations. This includes issues that arise from the ongoing supply of services or failures in contract management & monitoring processes. This also includes:
  - Concentration issues
  - Vendor sustainability