

Audit & Risk Committee

Section 7.1A of the *Local Government Act 1995*


Committee Function: Regulation 16 of the Local Government (Audit) Regulations 1996

12 August 2021

MINUTES

To: The Members of the Audit & Risk Committee

Here within the Minutes of the Audit & Risk Committee of the Shire of Toodyay held on the abovementioned date in the Council Chambers at the Shire of Toodyay, 15 Fiennes Street, Toodyay.



Suzie Haslehurst
CHIEF EXECUTIVE OFFICER

Membership Composition	
Council Representation - Primary	Cr Ruthven, Cr Hart, Cr Madacsi and Cr Pearce
Council Representation - Deputy	Cr Bell and Cr Chitty
Community Representation	H McDonald-Appleby and J Robertson

Preface

When the CEO approves these Minutes for distribution they are in essence "Unconfirmed" until the following Audit Committee Meeting, where the Minutes will be confirmed subject to any amendments.

The "Confirmed" Minutes are then signed off by the Presiding Person.

Attachments that formed part of the Agenda, in addition to those tabled at the Meeting are incorporated into a separate attachment to these Minutes.

Unconfirmed Minutes

These minutes were approved for distribution on 12 August 2021.




Suzie Haslehurst

CHIEF EXECUTIVE OFFICER

Confirmed Minutes

These minutes were confirmed at a meeting held on¹⁴⁻¹⁰⁻²¹.....

Signed: 

Note: The Presiding Member at the meeting at which the minutes were confirmed is the person who signs above.

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ATTACHMENTS with separate index follows Item 10.



1. DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS

Cr Ruthven, Presiding Member, declared the meeting open at 2.02pm.

2. RECORDS OF ATTENDANCE / APOLOGIES

Members

Cr Ruthven	Council Member (PM/Chairperson)
Cr Madacsi	Council Member (DPM/Deputy Chair)
Cr Hart	Council Member
Cr Pearce	Council Member
Ms H McDonald-Appleby	Community Member
Ms J Robertson	Community Member

Staff

Ms S Haslehurst	Chief Executive Officer
Mrs T Bateman	Manager Corporate Services
Mrs M Rebane	Executive Assistant

Visitors

Nil.

Apologies

Nil.

3. DISCLOSURE OF INTERESTS

The Chairperson advised that no disclosures of interest in the form of a written notice had been received prior to the commencement of the meeting.

4. CONFIRMATION OF MINUTES

4.1 Minutes of Meeting held on 10 June 2021.

OFFICER'S RECOMMENDATION/ARC RES. NO. 12/08/21

MOVED Cr Madacsi

That the Unconfirmed Minutes of the Audit & Risk Committee Meeting held on 10 June 2021 be confirmed.

CARRIED UNANIMOUSLY 6/0

5. INFORMATION ADDITIONAL TO THE AGENDA

5.1 Review of Audit & Risk Committee Status Report

This was reviewed and it was noted the recommendation had been presented to Council at the previous Council Meeting.

6. BUSINESS LEFT OVER FROM PREVIOUS MEETING (if adjourned)

Nil.

7. OFFICER REPORTS

7.1 Risk Management Planning – Risk Tolerance

Date of Report:	6 August 2021
Applicant or Proponent:	Shire of Toodyay
File Reference:	LEG273
Author:	S Haslehurst – Chief Executive Officer
Responsible Officer:	S Haslehurst – Chief Executive Officer
Previously Before Council:	Nil
Disclosure of Interest:	Nil
Council's Role in the matter:	Executive
Attachments:	1. Risk Tables – current 2. Risk Tables - new

PURPOSE OF THE REPORT

To consider and review the Shire’s current risk tolerance and acceptance levels and make a recommendation to Council.

BACKGROUND

Risk management involves effectively managing business systems and processes to achieve an appropriate balance between realising opportunities for gain while minimising adverse impacts. It is an integral part of good management practice and an essential element of sound corporate governance.

Risk management processes should not encourage the Shire of Toodyay to be ‘risk averse’. Managing risk means balancing risk and reward. Risk management provides the confidence to pursue opportunities with the knowledge that risks are being adequately managed and accepted in a balanced way.

Key components of a governance approach to managing risk include:

1. Organisational mandate, direction, and documented risk management framework.
2. Engagement and awareness of roles and responsibilities.
3. Regular monitoring and reporting.
4. Assurance and continual improvement programs.

Sound risk management practices provide enhanced governance, compliance and assurance while improving safety, cost effectiveness and budget control across the organisation. Risk identification and treatment also assist in meeting customer expectations and reducing the potential for litigation and claims.

The foundations of Risk Management include:

- Capturing the organisation's risk appetite / tolerance.
- Reviewing the Shire's risk management policy.
- Documenting a risk management framework and procedures.
- Developing reports on risks, internal controls and legislative compliance.
- Providing training and awareness of risk management roles and responsibilities.
- The development and implementation of an assurance plan integrated with an internal / external audit program.

This report seeks the Committee's consideration of the Shire of Toodyay's currently adopted risk tables and requests a recommendation to Council regarding proposed changes. This addresses the first element of the risk management process outlined above.

COMMENTS AND DETAILS

The Shire of Toodyay policy A.18 *Risk Management* was adopted by Council in 2014. The policy is based on the model risk management policy contained in the Department of Local Government's document *Risk Management Resources* released in March 2013. While the principles of risk management remain current, the Shire's operating environment and key people have changed since adoption of the policy, and it is considered prudent to undertake a review. This report seeks review of the Shire's appetite and tolerance for risk which will inform an upcoming review of organisational risks and the Shire's Risk Management policy.

Policy A.18 contains risk tables based on the DLG's 2013 resource (attachment 1). Attachment 2 contains the tables provided by Local Government Insurance Services (LGIS) Risk Management business unit. Officers are proposing that the LGIS tables are adopted as they better reflect the contemporary operating environment of the Shire including;

- The inclusion of property and service interruption as risk areas;
- A more conservative approach to financial risk analysis;
- A more detailed risk matrix that provides a numbered risk rating;
- More detailed risk criteria;
- Rating for existing risk controls.

Should the risk tables at Attachment 2 be adopted by Council, training will be provided to relevant officers regarding the application of the measures, acceptance criteria and

possible controls. The tables will also be used to inform the risk implications included in reports to Council.

IMPLICATIONS TO CONSIDER

Consultative:

Local Government Insurance Services

Department of Local Government, Sport and Cultural Industries – *Operational Guideline No 9*

Department of Local Government – *Risk Management Resources – March 2013*

Strategic:

Governance: The way the Shire leads and operates

Objective 2: Consistently improve our governance practices.

Objective 3: Ensure rigorous organisational systems.

Policy related:

A.18 Risk Management will be reviewed as part of the on-going improvement process for the management of organisational risk.

Financial:

Financial implications relating to this report are limited to the costs of officer time to provide training to relevant staff.

Legal and Statutory

Local Government (Audit) Regulations 1996 – Regulation 17

Risk related:

The adoption of relevant and detailed risk tables is a tool to mitigate potential poor management of organizational risk.

Workforce related:

There will some officer time required to provide training to relevant staff.

VOTING REQUIREMENTS

Simple Majority

OFFICER RECOMMENDATION

The Committee recommends that Council:

1. Adopts the risk tables at Attachment 2 to this report as the Shire of Toodyay's level of risk appetite and tolerance.
2. Requests the Chief Executive Officer amend policy A.18 Risk Management to reflect the updated tables.

The CEO talked to the report and spoke about the difference between the new risk matrix and the current risk matrix.

Clarification was sought.

OFFICER'S RECOMMENDATION/ARC RES. NO. 13/08/21

MOVED Cr Hart

The Committee recommends that Council:

1. Adopts the risk tables at Attachment 2 to this report as the Shire of Toodyay's level of risk appetite and tolerance subject to the following amendments being made to the Shire of Toodyay Measures of Consequence Table:
 - Minor: \$10,001-\$20,000
 - Moderate: \$20,001-\$150,000
 - Major: \$150,001-\$500,000
 - Catastrophic: More than \$500,000
2. Requests the Chief Executive Officer amend policy A.18 Risk Management to reflect the updated tables.

CARRIED UNANIMOUSLY 6/0

8. OTHER BUSINESS / NEW BUSINESS OF AN URGENT NATURE

• **Cr Hart - Cybersecurity**

Sent email to Cr Ruthven, Madacsi and the CEO that stated:

Cyber security is a source of risk for the Shire. In your opinion, should the Shire approach PPS and see what it does to mitigate the Shire's cyber security risk? Also, what are your thoughts on the Shire (councillors and staff) awareness of and management of cyber risk?

The CEO responded as follows:

PPS protects the Shire's information systems in a number of ways: There is a state-of-the-art firewall that looks for and blocks known hacking techniques. Every workstation that connects to the network is protected by centrally managed antivirus software. Users are required to change their passwords periodically.

Staff have been trained on:

- *How to identify a phishing email*
- *Best security practices*
- *Importance of password secrecy*
- *How to spot social engineering hacking techniques*

- *All workstations and servers are regularly patched with the latest security updates.*
- *Regular backups with nightly off-site replication.*
- *Physical security of the server room.*

No one technique will provide adequate protection but by combining all of the above PPS is confident that a successful penetration is unlikely.

Cyber Security is included on the Shire's Risk Register which will be considered by the Audit and Risk Committee in the near future.

Points raised as follows:

- Risk management appropriate.
- Raising this matter at a Council workshop to raise awareness by Councillors of their risks to the Shire's ICT resources.
- Example failure of services to the Museum Workshop. Due to unusual weather event rain came down coax wire, hitting the bottom and going back up into the WIFI. Lesson learnt by repositioning the WIFI or putting in a longer loop. This is one example of lesson that can be learnt.
- Training or direction to Councillors when given new devices.

9. NEXT MEETING

The next Audit Committee Meeting is 14 October 2021, commencing at 2.00pm.

10. CLOSURE OF MEETING

The Chairperson declared the meeting closed at 2.45pm.

Attachments to Minutes

Audit and Risk Committee

Thursday 12 August 2021

INFORMATION ADDITIONAL TO THE AGENDA

5.1 Updated Audit and Risk Committee Status Report 1

REPORTS TO BE TABLED

7.1 Risk Management Planning – Risk Tolerance 3

1. Risk Tables – current 3

2. Risk Tables – new 7

ARC STATUS REPORT
Audit & Risk Committee

Supporting Officer
Manager Corporate & Community Services



Meeting Date	Purpose	Resolution	Target date for completion	Actioned by	Completion Date	Meeting Commentary / Comments made
10/06/2021	7.1 Review of Risk Management Systems and Processes	<p>ARC RES. NO. 11/06/21</p> <p>MOVED Cr Hart SECONDED Cr Madacsi</p> <p>The Audit Committee recommends the following to Council:</p> <p>That Council notes the proposed process as outlined in this report for a review of the Shire’s risk management systems and processes.</p>	August 2021	CEO	t.b.a.	n/a
12/08/2021	7.1 Risk Management Planning – Risk Tolerance	<p>ARC RES. NO. 13/08/21</p> <p>MOVED Cr Hart</p> <p>The Committee recommends that Council:</p> <ol style="list-style-type: none"> Adopts the risk tables at Attachment 2 to this report as the Shire of Toodyay’s level of risk appetite and tolerance subject to the following amendments being made to the Shire of Toodyay Measures of Consequence Table: <ul style="list-style-type: none"> Minor: \$10,001-\$20,000 Moderate: \$20,001-\$150,000 Major: \$150,001-\$500,000 Catastrophic: More than \$500,000 Requests the Chief Executive Officer amend policy A.18 Risk Management to reflect the updated tables. 	August 2021	CEO	t.b.a.	n/a

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RISK MANAGEMENT GUIDELINES

Shire Appetite and Risk Tolerance Table

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

DESCRIPTION	FINANCIAL	HEALTH	REPUTATION	OPERATION	ENVIRONMENT	COMPLIANCE	PROJECT
Insignificant	<Less than \$20,000	No injuries or illness	Unsubstantiated, low impact, low profile or "no news" item	Little impact	Little impact	Minor breach of policy, or process requiring approval or variance	Small variation to cost , timelines, scope or quality of objectives and required outcomes
Minor	\$20,000 – 100,000	First Aid treatment	Substantiated, low impact, low news item	Inconvenient delays	Minor damage or contamination	Breach of policy, process or legislative requirement requiring attention of minimal damage control	5-10% increase in time or cost or variation to scope or objective requiring managers approval
Major	\$100,000- \$500,000	Medical treatment	Substantiated, public embarrassment, moderate impact, moderate news profile	Significant delays to major deliverables	Environmental damage requiring restitution or internal cleanup	Breach requiring internal investigation, treatment or moderate damage control	10 -20 % increase in time or cost or variation to scope or objective requiring Senior Management approval
Critical	\$500,000 - \$1,000,000	Extensive injuries or disabilities	Substantiated, organisational embarrassment, high impact news profile, third party actions	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

RISK MANAGEMENT GUIDELINES

DESCRIPTION	FINANCIAL	HEALTH	REPUTATION	OPERATION	ENVIRONMENT	COMPLIANCE	PROJECT
Extreme	More than \$1,000,000	Death or permanent disabilities	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions	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.

RISK MANAGEMENT GUIDELINES

Likelihood

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

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

RISK MANAGEMENT GUIDELINES

Analysis Matrix

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

Consequence		Insignificant 1	Minor 2	Major 3	Critical 4	Extreme 5
Likelihood						
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

Responsibility Legend

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

Shire of Toodyay Measures of Consequence							
Rating (Level)	Health	Financial Impact	Service Interruption	Compliance	Reputational	Property	Environment
Insignificant (1)	First aid injuries	Less than \$10,000	No material service interruption	No noticeable regulatory or statutory impact	Unsubstantiated, low impact, low profile or 'no news' item	Inconsequential damage.	Contained, reversible impact managed by on site response
Minor (2)	Medical type injuries	\$10,001 - \$20,000	Short term temporary interruption – backlog cleared < 1 day	Some temporary non compliances	Substantiated, low impact, low news item	Localised damage rectified by routine internal procedures	Contained, reversible impact managed by internal response
Moderate (3)	Lost time injury <30 Days	\$20,001 - \$150,000	Medium term temporary interruption – backlog cleared by additional resources < 1 week	Short term non-compliance but with significant regulatory requirements imposed	Substantiated, public embarrassment, moderate impact, moderate news profile	Localised damage requiring external resources to rectify	Contained, reversible impact managed by external agencies
Major (4)	Lost time injury >30 Days	\$150,001 - \$500,000	Prolonged interruption of services – additional resources; performance affected < 1 month	Non-compliance results in termination of services or imposed penalties	Substantiated, public embarrassment, high impact, high news profile, third party actions	Significant damage requiring internal & external resources to rectify	Uncontained, reversible impact managed by a coordinated response from external agencies
Catastrophic (5)	Fatality, permanent disability	More than \$500,000	Indeterminate prolonged interruption of services – non-performance > 1 month	Non-compliance results in litigation, criminal charges or significant damages or penalties	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions	Extensive damage requiring prolonged period of restitution Complete loss of plant, equipment & building	Uncontained, irreversible impact

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

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

Shire of Toodyay Risk Acceptance Criteria			
Risk Rank	Description	Criteria	Responsibility
LOW (1-4)	Acceptable	Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring	Operational Manager
MODERATE (5-9)	Monitor	Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring	Operational Manager
HIGH (10-16)	Urgent Attention Required	Risk acceptable with excellent controls, managed by senior management / executive and subject to monthly monitoring	Senior Managers / CEO
EXTREME (20-25)	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

Shire of Toodyay Existing Controls Ratings		
Rating	Foreseeable	Description
Effective	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.
Adequate	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.
Inadequate	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.