Audit & Risk Committee

Section 7.1A of the *Local Government Act 1995*
Committee Function: Regulation 16 of the Local Government (Audit) Regulations 1996

14 October 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 14 October 2021.

Suzie Haslehurst
CHIEF EXECUTIVE OFFICER

Confirmed Minutes

These minutes were confirmed at a meeting held on ....9/12/21....

Signed: ....

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

CONTENTS

ATTACHMENTS *with separate index follows Item 10.*

1. DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS

Cr Ruthven, Chairperson, declared the meeting open at 2.08pm.

2. RECORDS OF ATTENDANCE / APOLOGIES

<u>Members</u>

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

<u>Staff</u>

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

<u>Visitors</u>

Nil.

<u>Apologies</u>

Ms H McDonald-Appleby   Community Member

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 12 August 2021.

> **OFFICER'S RECOMMENDATION/ARC RES. NO. 14/10/21**
>
> **MOVED** Cr Madacsi
>
> That the Unconfirmed Minutes of the Audit & Risk Committee Meeting held on 12 August 2021 be confirmed.
>
> **MOTION CARRIED 5/0**

5. INFORMATION ADDITIONAL TO THE AGENDA

5.1 Review of Audit & Risk Committee Status Report

The Status Report was reviewed.

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

Nil.

7. OFFICER REPORTS

7.1	Risk Management Update and Policy Review

Date of Report:	8 October 2021
Applicant or Proponent:	Shire of Toodyay
File Reference:	COC2/PCY2/ LEG273
Author:	T Bateman – Manager Corporate & Community Services
Responsible Officer:	S Haslehurst – Chief Executive Officer
Previously Before Council:	24/08/21 (Res. No. 175/08/21).
Author's Disclosure of Interest:	Nil
Committee's Role in the matter:	Review
Attachments:	1. Revised A.18 Risk Management Policy

PURPOSE OF THE REPORT

This report provides and update on the Shire's risk management improvement journey and presents the revised policy A18 Risk Management for the Audit and Risk Committee's consideration and recommendation to Council.

BACKGROUND

Regulation 17 of the *Local Government (Audit) Regulations 1996* requires local governments to review the appropriateness and effectiveness of systems and procedures in relation to risk management, internal control and legislative compliance at least once every three years. At the Audit and Risk Committee meeting held 12 August 2021, Officers presented reviewed Risk Tables which were subsequently adopted by Council at its Ordinary Meeting held 24 August 2021 OCM as follows;

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.*

In accordance with Part 2 of the resolution, Officers are presenting the revised policy A.18 Risk Management incorporating the new risk tables for the Audit Committee's review and recommendation to Council.

COMMENTS AND DETAILS

Local governments have significant financial and legal responsibilities to exercise effective and efficient risk management practices. Currently, the Shire addresses risk on an informal basis with direction from the existing risk management policies and principles.

The following process was proposed to review current risks, their potential impacts and mitigation strategies to be implemented.

Item Activity Timeline		
1	Presentation by LGIS to Audit & Risk Committee regarding organisational risk management	Postponed at the August 2021 meeting – to be rescheduled. Regional Risk Coordinator appointed September 2021
2	Workshop involving officers across the organisation to understand and identify area specific risks and develop mitigation strategies with reference to informing reports/plans.	As above. Training is anticipated for November 2021.
3	Review Risk Management policy for presentation to Audit and Risk Committee	October 2021 meeting
4	Development of Risk Management Dashboard and reporting template for presentation to Audit and Risk Committee	December 2021 meeting.

In accordance with the timeline above, Officers have reviewed policy A.18 Risk Management as attached to this report. Notable changes to the revised policy compared to the version adopted in 2014 include the following;

Risk Management Guidelines – originally appended to the policy, these guidelines have been removed and will be replaced with a separate supporting document, the Risk Management Framework. The framework will be developed over the coming months and presented for the Committee's consideration and recommendation to Council.

Responsibilities – this section (originally clause 4) has been removed from the revised policy. Risk management is the responsibility of all staff and shire representatives as detailed within the policy intent.

Principles and Framework – the revised policy specifies the key risk management principles as provided in AS/NZS ISO 31000 and requires that the framework be reviewed every three years to coincide with the legislated *Local Government (Audit) Regulation 17* reviews. The Risk Tables as adopted by Council in August 2021, have been inserted under this section.

Reporting and Monitoring – the revised policy commits to reporting the risk register to the Audit and Risk Committee biannually.

AS/NZS ISO 31000:2009 has been replaced with AS/NZS ISO 31000:2018.

IMPLICATIONS TO CONSIDER

Consultative:

Officers recently met with LGIS and the newly appointed Regional Risk Coordinator who will play an integral part in the ongoing development and training for Shire staff in relation to risk.

Strategic:

Governance: The way the Shire leads and operates

Objective 1: Provide accountable and transparent leadership for the community.

Objective 2: Consistently improve our governance practices.

Objective 3: Ensure rigorous organisational systems.

Policy related:

A.18 Risk Management.

A.19 Internal Control.

A.20 Legislative Compliance.

Financial:

There are no financial implications as a result of the Officer's recommendation. However, it is anticipated that development of a risk register may identify risks and therefore the need for mitigation. In the event unbudgeted funds are required, Officers will prepare a report for budget amendment for Council's consideration.

Legal and Statutory:

Local Government Act 1995, Part 7.

Local Government (Audit) Regulations 1996.

Risk related:

Section 7.1A of the Act requires that all local governments establish an audit committee. The audit committee plays a key role in assisting a local government to fulfil its governance and oversight responsibilities in relation to financial reporting, risk management systems, legislative compliance and the external audit functions. Failure to have an audit committee in place exposes Shire officers and Councillors to significant risk. This report assists in mitigating these risks.

VOTING REQUIREMENTS

Simple Majority

OFFICER'S RECOMMENDATION

That the Audit & Risk Committee recommends to Council the following:

That Council:

1.   Adopts Policy A.18 Risk Management as attached to this report.

2.   Requests the Chief Executive Officer to develop a Risk Management Dashboard in consultation with Local Government Insurance Services for presentation to the Audit and Risk Committee in December 2021.

The CEO tabled at 2.11pm a copy of the previous policy.

Cr Madacsi moved the Officer's Recommendation.

Clarification was sought.

The motion was put.

OFFICER'S RECOMMENDATION/ARC RES. NO. 15/10/21

MOVED Cr Madacsi

That the Audit Committee recommends to Council the following:

That Council:

1.   Adopts Policy A.18 Risk Management as attached to this report.

2.   Requests the Chief Executive Officer to develop a Risk Management Dashboard in consultation with Local Government Insurance Services for presentation to the Audit and Risk Committee in December 2021.

MOTION CARRIED 5/0

7.2	**Budget Amendments**

Date of Report:	8 October 2021
Applicant or Proponent:	Shire of Toodyay
File Reference:	COC2/FIN29
Author:	T Bateman – Manager Corporate & Community Services
Responsible Officer:	S Haslehurst – Chief Executive Officer
Previously Before Council:	29/09/2021 (Res. No. 202/09/21)
Author's Disclosure of Interest:	Nil
Committee's Role in the matter:	Review
Attachments:	1. Summary of 2021/2022 Budget amendments - 30 September 2021.

PURPOSE OF THE REPORT

This report provides details of budget amendments required after adoption of the 2021/2022 Annual Budget for the Committee's consideration and recommendation to Council.

BACKGROUND

Council adopted its 2021/2022 Annual Budget on 29 September 2021 with an estimated surplus of $10,000. During the meeting, officers were alerted to an error within the budget and committed to presenting a request for budget amendment at the earliest opportunity.

COMMENTS AND DETAILS

Regulation 5 of the *Local Government (Financial Management) Regulations 1996* (Regulations) provides specific direction for CEOs to ensure efficient financial management. Further, it is good management practice to revise the adopted budget when it is known that circumstances have changed.

Given the timing of budget adoption, the rates strike, which usually occurs in July or August each year, was delayed until October. This poses a significant cashflow risk that officers will continue to monitor and manage. With rates not being due until November, projects will be managed carefully to ensure ongoing financial commitments are met.

As Council's large projects progress, Officers will continue to review income and expenditure and report material variances to the Audit and Risk Committee. Given the budget was adopted later than usual, and that for many projects the procurement process is yet to be finalised, there are very few budget adjustments identified to date, including the following;

Water Expenses - Toodyay Recreation Centre

The budget was adopted with an allocation of $70,000 for water usage at the Toodyay Recreation Centre. In accordance with the management contract, Clublinks are responsible for water usage charges. This budget adjustment will result in an estimated increase to cash of $70,000.

Capital Plant and Equipment

The adopted budget includes an allocation for the replacement of Works Utility T0014 which was initially budgeted for replacement at a cost of $45,000. Officers are proposing to replace the existing 4X4 utility with a small truck in order to undertake road patching works and to tow the road broom. The advantages include safety, increased height (clearance) and a higher towing capacity. The expected cost of the new truck is approximately $62,000.

Adoption of the officer recommendation will result in a surplus to the budgeted net current position of $63,000. Approval is therefore sought for the budget adjustments detailed in the attachment to be recommended to Council.

IMPLICATIONS TO CONSIDER

Consultative:

Officers

Strategic:

Governance: The way the Shire leads and operates

Objective 1: Provide accountable and transparent leadership for the community.

Objective 2: Consistently improve our governance practices.

Objective 3: Ensure rigorous organisational systems.

Policy related:

F6 Significant Accounting.

F16 Financial Governance.

Financial:

The result of the review forecasts a year end surplus of $63,000 as at 30 June 2022. Details of proposed amendments are outlined within Attachment 1.

Legal and Statutory:

Local Government Act 1995, Part 7.

Local Government (Financial Management) Regulations 1996.

Local Government (Audit) Regulations 1996.

Risk related:

Failure to monitor and financially manage budgeted projects exposes Shire officers and Councillors to significant risk. This report helps to mitigate this risk. The review does not, however, seek to make amendments below the materiality threshold unless strictly necessary.

VOTING REQUIREMENTS

Simple Majority

OFFICER'S RECOMMENDATION

That the Audit Committee recommends to Council the following:

That Council adopts the proposed budget amendments as detailed within Attachment 1 and requests the CEO to implement the changes.

Manager Corporate & Community Services provided an overview in relation to this report.

Clarification was sought.

Cr Hart moved the Officer's Recommendation.

The motion was put.

OFFICER'S RECOMMENDATION/ ARC RES. NO. 16/10/21

MOVED Cr Hart

That the Audit Committee recommends to Council the following:

That Council adopts the proposed budget amendments as detailed within Attachment 1 and requests the CEO to implement the changes.

MOTION CARRIED 5/0

7.2	**Datascape Update**

Date of Report:	8 October 2021
Applicant or Proponent:	Shire of Toodyay
File Reference:	LEG289/COC2
Author:	T Bateman – Manager Corporate & Community Services
Responsible Officer:	S Haslehurst – Chief Executive Officer
Previously Before Council:	26/02/19 (Res. No. 64/02/19).
Author's Disclosure of Interest:	Nil
Committee's Role in the matter:	Executive
Attachments:	Nil

PURPOSE OF THE REPORT

This report provides a brief update on the transition of the Shire's Enterprise Resource Planning (ERP) system from Synergysoft to Datascape.

BACKGROUND

At the Ordinary Council Meeting held in February 2019, it was resolved:

That Council awards a contract to WALGA preferred supplier Datacom Solutions for the provision of Fully Integrated Enterprise Software, in accordance with Regulation 11(2) (b) of the Local Government (Functions and General) Regulations 1996.

There followed a design by inquiry process to determine the needs and specifications. The onset of the global pandemic in March 2020 impacted the ability for Datacom representatives to physically attend the Shire and a decision was made to stage the implementation of the system 'go live'.

In July 2020, the Shire's payroll and creditors modules of Datascape were implemented with training and troubleshooting provided electronically. Work continued concurrently on the development of the rating, revenue, cemeteries, animals, building and planning, regulation and assets modules.

The changeover process has presented significant challenges, each of which have had to be overcome to ensure continued progress. The possibility of reverting to Synergysoft was, at one stage, considered given the resources required to complete the transition. However, it was agreed that the selected system has the potential to

better serve and protect the organisation in the future and will eventually justify the investment.

COMMENTS AND DETAILS

Officers continue to work through Datascape implementation challenges which are the major contributing factor for delays to what are considered ordinary financial management practices.

The *Local Government (Financial Management) Regulations 1996* provide guidance in the preparation of monthly and annual financial reporting and details the kind of disclosures required to be reported. Currently, many of these modules are either not fully operational in Datascape or the transition process is incomplete.

Officers are working with Datacom developers on a number of issues, including, but not limited to;

- o Depreciation and capitalisation of assets;
- o Completion of Business Activity Statements;
- o Loans module;
- o Trust funds and bonds held;
- o Reserves module;
- o Bank reconciliations; and
- o Loading the annual budget for monthly analysis to meeting statutory requirements.

In an attempt to address these issues, staff are required to log support requests which are attended to by Datacom staff and developers. Officers have communicated the Shire's dissatisfaction with the process to date. Consequently, Datacom has responded with additional support and training and representatives have escalated support requests for attention. Numerous weekly meetings are being held via Teams to work through these issues.

Officers are confident that the system has the potential to meet the Shire's requirements but are also weary of the toll this transition has had on staff, Council and the community, in addition to the Shire's reputation.

IMPLICATIONS TO CONSIDER

Consultative:

Datacom

Strategic:

Governance: The way the Shire leads and operates

Objective 1: Provide accountable and transparent leadership for the community.

Objective 2: Consistently improve our governance practices.

Objective 3: Ensure rigorous organisational systems.

Policy related:

F.16 Financial Governance.

Financial:

Nil.

Legal and Statutory:

Local Government Act 1995.

Local Government (Financial Management) Regulations 1996.

Risk related:

This report is intended to ensure the Committee and Council are kept informed of the progress of the transition of the Shire's ERP system.

VOTING REQUIREMENTS

Simple Majority

OFFICER'S RECOMMENDATION

That the Audit Committee recommends to Council the following:

That Council notes the update on the transition of the Shire's Enterprise Resource Planning system.

The CEO provided an overview of the report and reported a typographical error.

Cr Pearce moved the Officer's Recommendation.

Clarification was sought.

The motion was put.

OFFICER'S RECOMMENDATION/ARC RES. NO. 17/10/21

MOVED Cr Pearce

That the Audit Committee recommends to Council the following:

That Council notes the update on the transition of the Shire's Enterprise Resource Planning system.

MOTION CARRIED 5/0

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8. **OTHER BUSINESS / NEW BUSINESS OF AN URGENT NATURE**

Nil.

9. NEXT MEETING

The next Audit & Risk Committee Meeting was scheduled to be held on 9 December 2021 commencing at 2.00pm.

<u>Please note:</u>

The Audit & Risk Committee timetable for 2022 has been prepared and the following dates are part of the schedule:

Months	Actual Date	Draft Reports 11 days prior	Agenda Settlement 8 days prior	Distribution at least 5 days prior
FEBRUARY	**1/02/2022**	21/01/2022	24/01/2022	27/01/2022
APRIL	**5/04/2022**	25/03/2022	28/03/2022	31/03/2022
JUNE	**7/06/2022**	27/05/2022	30/05/2022	2/06/2022
AUGUST	**2/08/2022**	22/07/2022	25/07/2022	28/07/2022
OCTOBER	**4/10/2022**	23/09/2022	26/09/2022	29/09/2022
DECEMBER	**6/12/2022**	25/11/2022	28/11/2022	1/12/2022

Note: The meetings have been moved to a Tuesday and will be earlier than usual to accommodate items to be written for upcoming Council Meetings.

Cr Hart moved a motion as follows:

That Council conduct its Audit & Risk Committee quarterly on the first Tuesday every three months from March to December, commencing at 2.00pm; unless otherwise determined by the Chairperson of the Committee.

Cr Pearce seconded the motion.

Clarification was sought.

The motion was put.

MOTION/ARC RES. NO. 18/10/21

MOVED Cr Hart   **SECONDED** Cr Pearce

That the Audit Committee recommends to Council the following:

That Council conduct its Audit & Risk Committee quarterly on the first Tuesday every three months from March to December, commencing at 2.00pm; unless otherwise determined by the Chairperson of the Committee.

MOTION CARRIED 5/0

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10. CLOSURE OF MEETING

The Chairperson declared the meeting closed at 3.09pm.

Attachments to Minutes

Audit & Risk Committee

14 October 2021

INFORMATION ADDITIONAL TO THE AGENDA

REPORTS OF OFFICERS

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
14/10/2021	7.1 Risk Management Update and Policy Review	That Council: 1. Adopts Policy A.18 Risk Management as attached to this report. 2. Requests the Chief Executive Officer to develop a Risk Management Dashboard in consultation with Local Government Insurance Services for presentation to the Audit and Risk Committee in December 2021.	October 2021	MCCS	t.b.a.	As per minutes
14/10/2021	7.2. Budget Amendments	That Council adopts the proposed budget amendments as detailed within Attachment 1 and requests the CEO to implement the changes.	October 2021	MCCS	t.b.a.	As per minutes
14/10/2021	7.3. Datascape update	That Council notes the update on the transition of the Shire's Enterprise Resource Planning system.	October 2021	MCCS	t.b.a.	As per minutes
14/10/2021	Meetings in 2022	That Council conduct its Audit & Risk Committee quarterly on the first Tuesday every three months from March to December, commencing at 2.00pm; unless otherwise determined by the Chairperson of the Committee.	Nov 2021	MCCS	t.b.a.	As per minutes
10/06/2021	7.1 Review of Risk Management Systems and Processes	**ARC RES. NO. 11/06/21** MOVED Cr Hart SECONDED Cr Madacsi The Audit Committee recommends the following to Council: That Council notes the proposed process as outlined in this report for a review of the Shire's risk management systems and processes.	August 2021	CEO	24/08/2021	Resolution No. 174/08/21

Meeting Date	Purpose	Resolution	Target date for completion	Actioned by	Completion Date	Meeting Commentary / Comments made
12/08/2021	7.1 Risk Management Planning – Risk Tolerance	**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.	August 2021	CEO	24/08/2021	Resolution No. 175/08/21

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A18 Risk Management

Introduction

The Shire of Toodyay is exposed to a broad range of risks which could adversely impact the achievement of strategic community objectives.

This policy is intended to commit 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.

Application

This Policy applies to all risk processes within the Shire and is subject to regular monitoring through the Audit and Risk Committee and Council. This policy applies to all activities undertaken by officers, volunteers, contractors and elected members.

Policy Intent

This policy intends to create an environment where Council, management and staff accept direct responsibility for risk management, through development, implementation of and maintaining effective risk management practices. Risk management is the responsibility of everyone and will be treated as an integral part of the Shire's culture, policies and procedures.

This policy aims to develop and maintain an organisational culture which shows confidence in the use of risk assessment and management tools in:
- the effective and efficient delivery of agreed levels of service
- maintaining financial sustainability
- developing and maintaining an effective and positive relationship between Council and the community
- enabling the Council in partnership with the community, to make decisions for the community's future with a high level of confidence that key risks have been taken into account and where relevant, are being, or have been, mitigated.
- to ensure that appropriate risk assessment and management provisions are in place in order to satisfy statutory requirements and identified risks mitigated.

Principles

The Shire considers risk management to be an essential management function in its operations. The Shire is committed to the principles, framework and process of managing risk as outlined in AS/NZS ISO 31000:2018.

The Shire 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.

The Shire will consider the following key principles for effective risk management;

a) Integrated - Risk management is an integral part of all organisational activities and will be considered in alignment with the Shire's strategic objectives.

b) Structured and comprehensive - A structured and comprehensive approach to risk management contributes to consistent and comparable results.

c) Customised - The risk management framework and process are customised and proportionate to the organisation's external and internal context related to its objectives.

d) Inclusive - Appropriate and timely involvement of stakeholders enables their knowledge, views and perceptions to be considered. This results in improved awareness and informed risk management.

e) Dynamic - Risks can emerge, change or disappear as an organisation's external and internal context changes. Risk management anticipates, detects, acknowledges and responds to those changes and events in an appropriate and timely manner.

f) Best available information - The inputs to risk management are based on historical and current information, as well as on future expectations. Risk management explicitly takes into account any limitations and uncertainties associated with such information and expectations. Information should be timely, clear and available to relevant stakeholders.

g) Culture - Human behaviour and culture significantly influence all aspects of risk management at all levels.

h) Continual improvement - Risk management is continually improved through learning and experience.

Framework

The Shire will develop and maintain a Risk Management Framework that underpins the principles of effective risk management and provides guidance to Council and staff. The framework will be subject to regular reviews every three years to coincide with the Reg 17 review to be undertaken in accordance the *Local Government (Audit) Regulations 1996*.

Reporting and Monitoring

The Shire will implement a robust reporting and recording system that will be regularly monitored to ensure close out of risks and identification of ongoing issues and trends.

Risks will be reported to the Audit & Risk Committee and reviewed at least twice-yearly. Risks rated significant or extreme will be reported to the Audit and Risk Committee or Council at the earliest opportunity.

Definitions

Risk means "the effect of uncertainty on objectives." AS/NZS ISO 31000:2018. 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 Assessment means the process of applying risk management methodologies to assess the level of risk in a particular or general circumstance, activity or operation, or decision.

Risk Management means the application of coordinated activities to direct and control an organisation with regard to risk.

Reference Information

Related Documents	AS/NZS ISO 31000:2018

Related Legislation	*Local Government Act 1995 (WA)*

Associated Forms and Attachments	NA

Version Control Information	Version No.	Issue Date	Nature of amendment	Developed By	Approved By
	V0				

Document Control Information

Document Theme	Governance
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Date of next review	XX XXXXXXX XXXX
Archived antecedent documents and previous versions	25 November 2014

POLICY MANUAL

POLICY NO	A.18
PROCEDURE SUBJECT	RISK MANAGEMENT
FILE NUMBER	
ADOPTION DATE	25 NOVEMBER 2014 (Council Resolution No. 344/11/14)
REVIEW DATE	

OBJECTIVES

To commit 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.

The Risk Management Guidelines form part of this Policy.

POLICY STATEMENT

1. Definition of Risk

1.1 AS/NZS ISO 31000:2009 defines risk as '*the effect of uncertainty on objectives.*'

1.2 A risk is often specified in terms of an event or circumstances 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.

2. Definition of Risk Management

2.1 Risk Management is the application of coordinated activities to direct and control the organisation with regard to risk.

3. Principles – Framework - Process

3.1 The Shire considers risk management to be an essential management function in its operations. The 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.

3.2 The Shire is committed to the principles, framework and process of managing risk as outlined in AS/NZS ISO 31000:2009.

3.3 The Shire 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.

3.4 In particular, it will be applied to:

(a) Strategic planning;
(b) Expenditure of large amounts of money;
(c) New strategies and procedures;
(d) Management of projects, tenders & proposals;
(e) Introducing significant change; and
(f) The management of sensitive issues.

3.5 The objectives of Risk Management are:

(a) The achievement of organisational goals and objectives;
(b) The ongoing health and safety of all employees at the workplace;
(c) Ensuring public safety within the Shire's jurisdiction is not compromised;
(d) Limited loss or damage to property and other assets;
(e) Limited interruption to business continuity;
(f) Positive public perception of Council and the Shire; and
(g) Application of Equal Opportunity Principles in the workforce and the community.

4. Responsibilities

4.1 The CEO, Managers and Supervisors have the responsibility and accountability for ensuring that all staff manage the risks within their own work areas. Risks should be anticipated and reasonable protective measures taken.

4.2 All Managers will encourage openness and honesty in the reporting and escalation of risks.

4.3 All staff will be encouraged to alert Management to the risks that exist within their area without fear of recrimination.

4.4 All staff will, after appropriate training, adopt the principles of risk management and comply with all policies, procedures and practices relating to risk management.

4.5 All staff and employees will, as required, conduct risk assessments during the performance of their daily duties.

4.6 The level of sophistication of the risk assessment will be commensurate with the scope of the task and the associated level of risk identified.

4.7   Failure by staff to observe reasonable directions from supervisors regarding the management of risk and/or failure of staff to take reasonable care in identifying and treating risks in the workplace may result in disciplinary action.

4.8   The Shire is committed to the concept and resourcing of Risk Management.

5.   Monitor & Review

5.1   The Shire will implement a robust reporting and recording system that will be regularly monitored to ensure close out of risks and identification of ongoing issues and trends.

5.2   Significant or extreme risks will be reported to the Audit & Risk Committee and reviewed to determine appropriate treatments or whether to continue with the activity or service from which the risk arises.

Adopted by Council Ordinary Meeting of Council 25 November 2014

RISK MANAGEMENT GUIDELINES

OBJECTIVES

1. To note Council Policy A.18 Risk Management and develop systems and processes required by that Policy in order to implement, review and assess organisational risk management;

2. To adopt and implement a risk management framework that integrates risk management into the organisation and provides the mandate, resources and management systems;

3. To foster and develop a risk management culture that influences all activities and decision making; and

4. To improve the way assets, functions and services are managed and delivered to achieve objectives and reduce potential harm to the Shire.

   NOTE: This document is not intended to be a procedure so much as a guideline to operate by. It provides an overall framework for risk management and will also enable an assessment of the appropriateness and effectiveness of systems and procedures in relation to internal control, which regulation 17 of the Local Government (Audit) Regulations 1996 requires to be carried out at least once every two calendar years.

INTRODUCTION

In February 2013, a new regulation (Section 17) of the *Local Government (Audit) Regulations 1996* was declared. This Regulation requires a review of the appropriateness and effectiveness of systems and procedures in relation to risk management (together with internal control and legislative compliance) at least once every two calendar years and to report to the Audit Committee the results of that review.

Australian Standard AS/NZS ISO 31000:2009 defines risk as 'the effect of uncertainty on objectives.' A primary objective of risk management is to identify and to manage (take preventive steps) to handle these uncertainties and thereby reduce potential harm to the Shire.

Local governments are being required to formalise their risk management processes, including the identification and treatment of risks and the establishment of a risk register. A risk tolerance table is also required which will reflect the Shire's tolerance for various risks.

Sound risk management not only contributes to good governance but also provides some degree of protection for Elected Members and Officers in the event of adverse outcomes.

This document outlines the Shire's risk management framework and risk appetite. It also describes the systematic method used to identify, analyse, evaluate, treat, monitor and communicate key risks in order to minimise unexpected losses and maximise opportunities.

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RISK MANAGEMENT GUIDELINES

The Shire recognises that to be effective, risk management must become part of the Shire's culture, integrated into the Shire's corporate and business plans and everyday activities. Further, risk management must become the responsibility of every employee, contractor, volunteer and elected member of the Council.

This framework has, to some extent, been implemented at the Shire of Toodyay in an informal manner. Formal Occupational Health and Safety systems have been introduced over the last 10 or so years. However, the implementation of a formal and documented framework for other risk areas will take some time to embed within the organisation.

COUNCIL POLICY

At its meeting held 25 November 2014, Council adopted Policy A.18 - Risk Management as follows:

OBJECTIVES

To commit 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.

POLICY STATEMENT

1. Definition Of Risk

1.1 *AS/NZS ISO 31000:2009 defines risk as 'the effect of uncertainty on objectives.'*

1.2 *A risk is often specified in terms of an event or circumstances 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.*

2. Definition Of Risk Management

2.1 *The application of coordinated activities to direct and control an organisation with regard to risk.*

3. Principles – Framework - Process

3.1 *The Organisation considers risk management to be an essential management function in its operations. The 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.*

3.2 *The Organisation is committed to the principles, framework and process of managing risk as outlined in AS/NZS ISO 31000:2009.*

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3.3 *The Organisation 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.*

3.4 *In particular, it will be applied to:*

(a) *Strategic planning;*
(b) *Expenditure of large amounts of money;*
(c) *New strategies and procedures;*
(d) *Management of projects, tenders & proposals;*
(e) *Introducing significant change; and*
(f) *The management of sensitive issues.*

3.5 *The objectives of Risk Management are:*

(a) *The achievement of organisational goals and objectives;*
(b) *The ongoing health and safety of all employees at the workplace;*
(c) *Ensuring public safety within the Organisation's jurisdiction is not compromised;*
(d) *Limited loss or damage to property and other assets;*
(e) *Limited interruption to business continuity;*
(f) *Positive public perception of Council and the Shire; and*
(g) *Application of Equal Opportunity Principles in the workforce and the community.*

4. Responsibilities

4.1 *The CEO, Managers and Supervisors have the responsibility and accountability for ensuring that all staff manage the risks within their own work areas. Risks should be anticipated and reasonable protective measures taken.*

4.2 *All Managers will encourage openness and honesty in the reporting and escalation of risks.*

4.3 *All staff will be encouraged to alert Management to the risks that exist within their area without fear of recrimination.*

4.4 *All staff will, after appropriate training, adopt the principles of risk management and comply with all policies, procedures and practices relating to risk management.*

4.5 *All staff and employees will, as required, conduct risk assessments during the performance of their daily duties.*

4.6 *The level of sophistication of the risk assessment will be commensurate with the scope of the task and the associated level of risk identified.*

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4.7 Failure by staff to observe reasonable directions from supervisors regarding the management of risk and/or failure of staff to take reasonable care in identifying and treating risks in the workplace may result in disciplinary action.

4.8 The Organisation is committed to the concept and resourcing of Risk Management.

5. Monitor & Review

5.1 The Organisation will implement a robust reporting and recording system that will be regularly monitored to ensure close out of risks and identification of ongoing issues and trends.

5.2 Significant or extreme risks will be reported to the Audit & Risk Committee and reviewed to determine appropriate treatments or whether to continue with the activity or service from which the risk arises.

DEFINITIONS

Acceptable Risk: A risk where current controls minimise risk sufficiently so that the Shire deems that mitigating actions are not required.

Consequence: The outcome of an event expressed by qualitative and/or quantitative criteria.

Corporate Risk: Those risks that are holistic in nature, spread across the organisation and are more appropriately managed at the executive level.

Event: An incident or situation which occurs in a particular place at a particular time.

Hazard: The source of potential harm or loss.

Inherent Risk: The potential consequence and likelihood of a risk occurring in an environment without controls.

Likelihood: The chance, probability and/or frequency of an event occurring.

Operational Risk: Those risks that occur at the operational level and can be sufficiently or appropriately managed within the Shire management and staff structure.

Risk: The effect of uncertainty on objectives.

OSH: Occupational Safety and Health.

Project Risk: Risks associated with specific projects or undertakings made by the Council. Any project will go through a lifecycle incorporating conception, planning, scoping, contracting, design, construction, testing/commissioning, handover and operation. Project risks exist at every stage and they should be identified and managed.

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Residual Risk: The remaining level of risk after risk treatment.

Risk Analysis: A systematic use of available information to determine how often specified events may occur and the magnitude of their consequences.

Risk Appetite: The amount and type of risk an organisation is prepared to pursue or take. This is usually defined as either a formal statement, or within the parameters of your Risk Appetite Table (Consequences and Likelihood Matrix)

Risk Control: Involves the provision of policies, standards and procedures or actions to eliminate or minimise adverse risks.

Risk Management: Coordinated activities that direct and control an organisation in relation to risk.

Risk Criteria: The threshold or other decision rule by which the significance of risk is assessed to determine whether risk treatment actions are recommended.

Risk Tolerance: The level of risk/residual risk that the Shire is willing to accept for every day work, projects or events.

Risk Treatment: Involves the provision of policies, standards and procedures or actions to eliminate or minimise adverse risks.

Strategic Risk: Risks that may result in the non-achievement of strategic goals and objectives, or where decisions may potentially result in harm or loss to the Shire.

RISK APPETITE

Risk appetite relates the Council's willingness to accept risk in pursuit of its objectives. The establishment of a statement on risk appetite is intended to guide employees in their actions and ability to accept and manage risks.

The risk appetite of the Council is reflected by the combination of the severity ratings within the Consequence table and the Likelihood table, which provides an inherent risk rating.

The key determinants of risk appetite include, but are not limited to:

- Council and community expectations;
- The income potential from accepting risks relative to income from risk-free activities (the risk/reward trade off);
- Capital availability; and
- Adequacy of risk management systems.

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RISK APPETITE DEFINITIONS

No Appetite: Council has no desire to be involved in such risk/s – risk involved is considered unacceptable – risk predominantly within Shire's control;

Low Appetite: Council has no desire to be involved in such risk/s but whilst risk is considered unacceptable the Shire is aware that some factors are beyond the Shire's control - the Shire is fully informed of possible associated risks and comfortable that best risk management practices have been put in place to eliminate/reduce risk;

Medium Appetite: Council is willing to be involved in such risk/s which are considered acceptable and predominantly within the Shire's control and that the Shire is fully informed of possible associated risks and comfortable that best risk management practices have been put in place to eliminate/reduce risk; and

Considerable Appetite: Council is willing to be involved in such risk/s which are considered acceptable and predominantly within the Shire's control - the Shire is fully informed of possible associated risks and comfortable that best risk management practices have been put in place to eliminate/reduce risk. The benefits of the outcome of the risk have been considered and are warranted.

RISK APPETITE STATEMENT

Financial
The Council has a low appetite for decisions that have a significant negative impact on Council's long term financial sustainability.

The Council has a medium appetite for the implementation of key projects that meet the needs of the community.

Legal and Regulatory
The Council has no appetite for non-compliance with legal, professional and regulatory requirements.

Human Resources
The Council has no appetite for compromising staff safety and welfare.

The Council has a low appetite for risks arising from inadequately trained staff or failed internal processes.

Operational
The Council has a low appetite for system failures or information and data security breaches.

The Council has a medium appetite in terms of the operational risk associated with the implementation of change and key strategic plans.

The Council has no appetite for internal fraud, collusion, theft and associated reputational risk.

The Council has a low appetite for operational risks arising from failure to meet customer commitments and/or suitability of advice.

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The Council has a low appetite for third party partner (contractors) failure.

The Council has considerable appetite for improvements to service delivery; and

The Council has considerable appetite for improved efficiency of Council operations.

Environmental
The Council has considerable appetite for decisions that promote ecologically sustainable development.

SCOPE

These guidelines apply to all Shire staff, operations and activities. The management of risk is an essential element of good management and impacts on every facet of Council activity.

Outlined below are four distinct areas of risk, with the strategic and financial mainly being the realm of the strategic risk deliberations. The operational and hazard based risks are predominantly managed operationally with delegated authority or as part of staff members' duties.
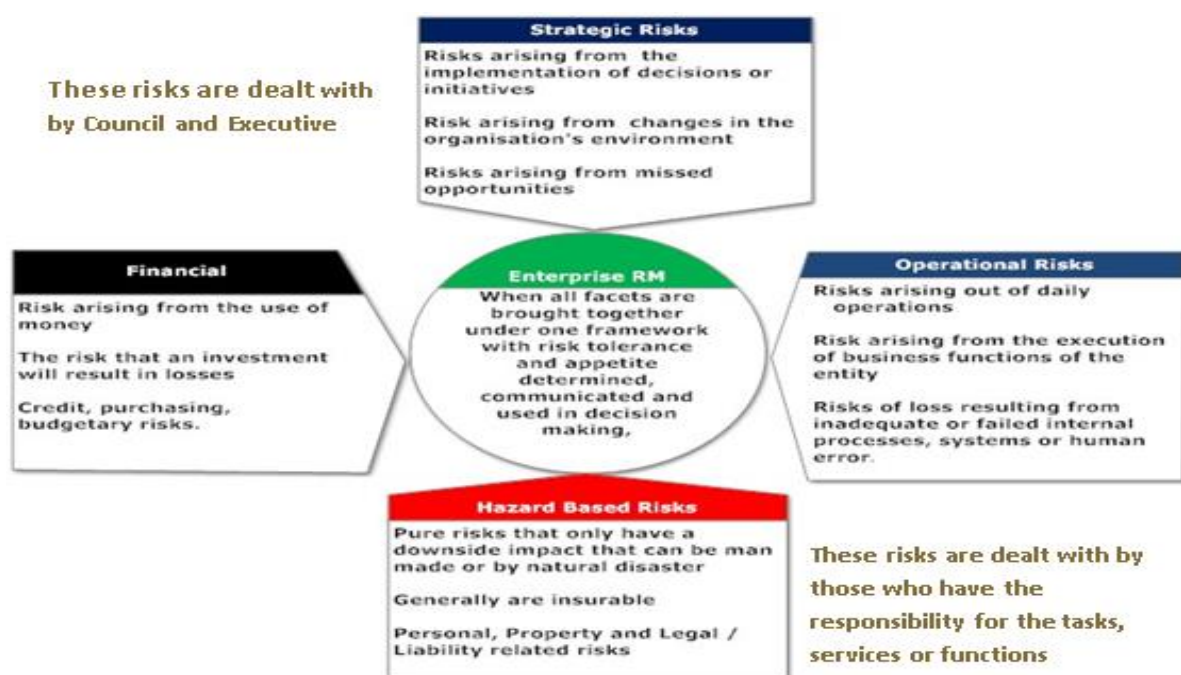
The Risk Management Guidelines shall cover, but not be limited to, the following areas of Council activity:

Asset Risks
- Theft, vandalism, fire, water or vehicle damage.
- Computer virus, power or water outage.
- Footpath and road hazards.
- Failure to adequately insure buildings, property and contents.
- Failure to plan and manage the financial lifecycle of the asset.

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Community Health, Safety and Wellbeing Risks
- Natural disaster or terrorist attack
- Fire, criminal activity, civil unrest
- Fuel crisis
- Injuries to public on/in public buildings/equipment
- Transmission of airborne contaminants hazardous to health

Financial Management Risks
- Inappropriate use of resources
- Budget blow-out or overpayments
- Fraud or theft

Corporate Governance Risks
- Not providing lawful services or functions
- Not fulfilling strategic/ operational goals
- Electoral campaign breaches
- Failure to uphold local laws
- Corruption and bribery
- Misuse of confidential information
- Non-compliance with lawful orders
- Failure to declare interests

Human Resources Risks
- Inappropriate/difficult human behaviour
- Inadequate staffing levels/retention of staff
- Alcohol, drug, tobacco use
- Skills and knowledge management
- Industrial Action
- Poor performance or productivity
- OSH act breaches/Worker injury
- Sexual harassment/discrimination/ bullying
- Professional indemnity

Knowledge Management Risks
- Misuse of public data/privacy issues
- Internet/e-mail/social media misuse
- Loss of corporate knowledge ie staff turnover
- Misuse of council information
- Archiving practices
- Non-compliance with record act

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

Business Continuity Risks
- Disruption to operations
- Inability to conduct 'business as normal'

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- Staff absenteeism
- Changes to staff roles and responsibilities
- Continuity of essential operations, functions, internal support services or vital community services

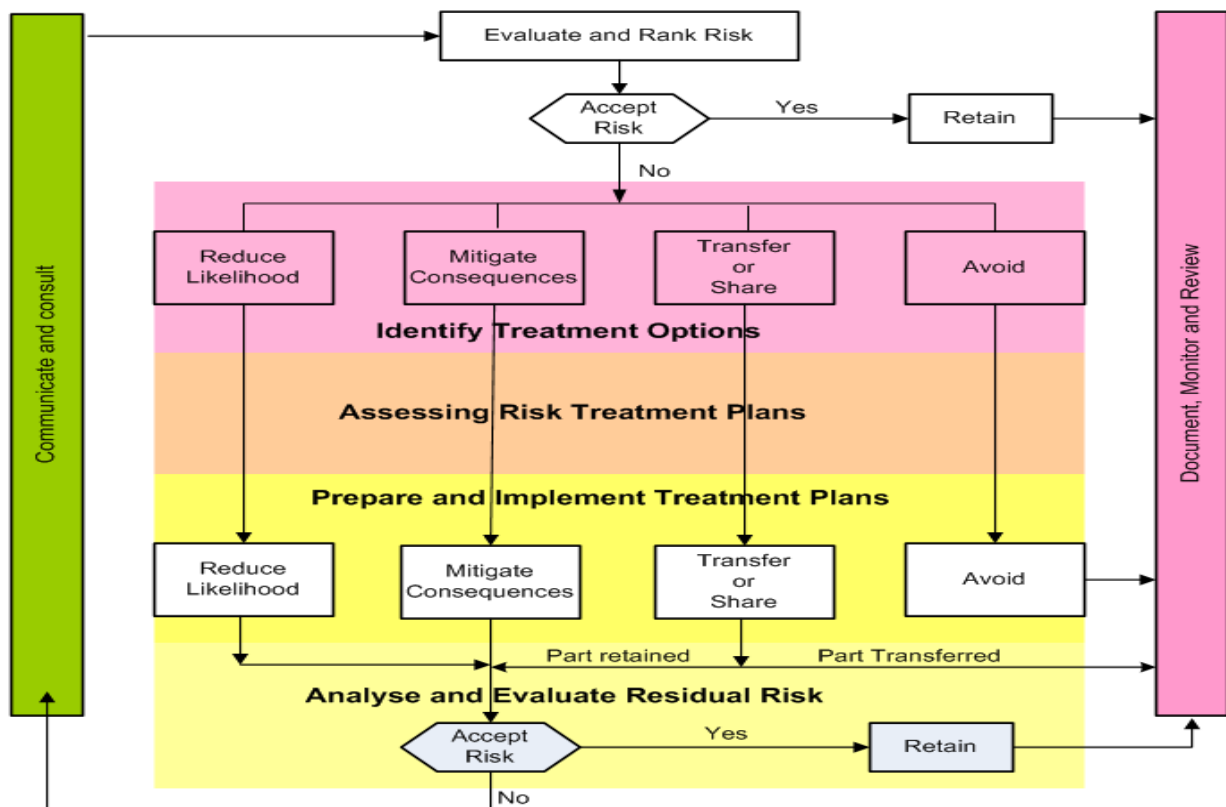**Damage to Reputation Risks**
- Adverse publicity or Shire media attention
- Loss of community support
- Managing public complaints
- Very high level of public embarrassment
- Breakdown in communication/ consultation with community.

It should be noted that the Shire has developed procedures in regard to occupational health and safety, including an active OSH Committee. Guidelines and procedures have also been developed in regard to Internal Controls and Legislative Compliance. Those existing systems can be considered to form part of the overall risk management framework.

SHIRE APPROACH TO RISK MANAGEMENT

The Shire and Senior Management will apply the risk management principles to the Governance of the Shire and ensure the relevant information is available to minimise risks in all decision making and planning.

Effective risk management is based on a structured approach to the management of risk that emphasises a proactive rather than a reactive response. Operational risks must be managed during day to day operations to ensure objectives are achieved and unnecessary exposure to risk is minimised.

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RISK MANAGEMENT GUIDELINES

Management of risk will be addressed in the following order:

- Eliminate the risk wherever possible. For example, avoiding the risk by deciding not to start or continue with the activity that gives rise to the risk or removing the source of the risk;
- Transfer the risk, in full or in part, by changing the nature and magnitude of likelihood or the consequences. For example, ensuring that contractors carrying out work for the Shire carry the appropriate public liability insurance;
- Reduce the risk by undertaking hazard analysis, process improvement and risk audits, and developing procedures relating to all the Shire's activities;
- Ensure the Shire carries adequate insurance for the risks remaining; and If significant risk cannot be reduced or eliminated, consider avoiding the activity.
- Guided by Council's defined Risk Appetite, Council may choose to accept the risk.

A risk register will be developed and maintained for strategic, project and operational risks.

Strategic Risks
The Management Team will meet quarterly to determine and assess strategic risks and their treatments.

Operational Risks
A Risk Assessment form will be completed for any risk where a risk assessment is deemed appropriate by the Chief Executive Officer or a Manager.

Major Projects
All capital works projects greater than $500,000 in value will, on assessment, have a specific risk assessment undertaken.

New Services and Community Events
All proposals for new services or major community events will have a specific risk assessment undertaken.

Council Reports
There is no requirement for risk assessment details to be reported to the Council for operational matters. A separate 'Risk Assessment' heading will be used where it is deemed appropriate to include in relevant reports to the Council for major projects or events.

ROLES & RESPONSIBILITIES

Managing risk is not the responsibility of just one person within the organisation. Managers responsible for areas have the most influence over implementing controls to manage risk, but responsibility also lies with employees who operate within the area.

Risk assessment is a core element of strategic and business planning, and a precursor to specific outcomes such as major procurement, major projects and change programs.

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Operational risks will be identified, analysed and managed by the responsible managers in each of the operational areas of Council, however some major projects or activities may require the allocation of specific resources to the risk management process. Budget considerations will necessitate the allocation of funds in order of risk priority. Key responsibilities are as follows:

Council
- Adopt a Risk Management Policy that complies with the requirements of AS/NZS ISO 31000:2009 and to review and amend the Policy in a timely manner and/or as required.
- Be satisfied that risks are identified, managed and controlled appropriately to achieve the Council's Strategic Objectives.
- Appoint the Audit and Risk Management Committee.
- Provide adequate budgetary provision for the financing of risk management including approved risk mitigation activities.

Audit and Risk Management Committee
- Review adequacy and effectiveness of the Risk Management Framework.
- Review risk management policy.
- Receive reports regarding identified risks/mitigation and their effectiveness from Risk Management and Audit.
- Monitor changes to the Shire's risk profile and highlight material changes to the Council.
- Review risk management strategies for key risks.

Elected Members
- Recognise their responsibilities for making informed decisions that take into consideration the associated risks and opportunities.
- Recognise the need to manage risks in order to achieve Council strategic objectives.
- Support the adoption of the Risk Management Policy and Plan by the consideration and allocation of appropriate resources for the implementation and maintenance of the plan.
- Demonstrate a commitment to supporting the Council's management team managing a safe workplace.

Chief Executive Officer
- Is responsible for the establishment of the Risk Management system throughout the organisation.
- Assigns appropriate responsibilities and accountabilities to the Directors.
- Drive the organisations' Risk Management objectives
- Lead by example in demonstrating a diligent approach to the management of risk.

Management Team
- Drive the implementation of Council's Risk Management Framework and associated documents.
- Monitor the implementation of the Risk Management Framework and make recommendations for continuous improvement.
- Review the Risk Register on a quarterly basis.
- Ensure the Risk Management Framework objectives align with the organisation's objectives and values.

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- Continually monitor the Risk Management Framework and associated document for improvement.
- Make recommendations to the Council and provide advice and assistance to all departments on issues related to the Risk Management program implementation, compliance and performance.
- To make recommendation to Council for recurrent and discretionary allocation of funding for the purpose of managing risks identified as priority in accordance with the Risk Management Framework.

Department Managers
- Are responsible for the effective implementation of the Risk Management Framework within their respective departments.
- Assign appropriate responsibilities and accountabilities to Supervisors and individual positions within their department and monitor individual performance against the Risk Management objectives.
- Continuously encourage and develop a culture where identifying and treating risks is seen as a significant benefit to the organisation and a measure of good performance.
- Ensure that significant risks identified are reported to the appropriate Management level in accordance with the Council's Reporting Strategy
- Create an environment where managing risk is an accepted and expected part of the day-to-day operations.

Supervisors
- Are accountable for managing risk and safety within their area of responsibility.
- Ensure that staff are applying the appropriate risk and safety management tools, procedures and templates in the correct manner.
- Are responsible for providing assistance and advice to staff in relation to the management of risks but not to take on the responsibility of another individual.
- Monitor the respective operational risk profile assessments, determine control measures for risks identified and escalate any significant risks up to management in accordance with the risk matrix guidelines.

Staff and Volunteers
- Workers and volunteers are responsible for managing risk and a safe workplace within their area of responsibility.
- Are responsible to ensure that documentation is completed correctly, risk assessments are conducted and appropriate control measures implemented to minimise risk.
- Are to ensure that identified high level risks are escalated as required to Managers and/or Supervisors.
-

Contractors
- Contractors are responsible for managing risk within their contract boundaries.
- Contractors are to provide risk and safety management documentation to the respective responsible Council Contract/Project Manager including identified control measures.
- The Council Project Manager is to ensure risks associated with the engagement of contractors are appropriately identified and managed.
- The Council Project Manager is to ensure the responsibilities and accountabilities vested in the contractor are clearly documented and communicated to the Contractor.

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- Identified significant risks are to be reported to the Council Contract/Project Manager.
-

Administration Assistant

- Responsible for maintenance and upkeep of these Guidelines and other associated Risk Management Program documentation.
-

RISK MANAGEMENT CONTEXT

Areas of Risk Exposure

Strategic Risks

Strategic risks for the Shire are those that:

- Are significant risks that affect the longer term interests of the Shire and the community;
- Are of a higher level, possibly affecting the future service delivery; and
- May have an organisational wide focus or impact.

Strategic risks can also be defined as the by-product of strategic procedures, such as the Strategic Community Plan and often involves the 'unknown'. Strategic risks can result not only in financial loss or penalty but also in loss of reputation or major political loss.

Examples of Strategic Risks include the following:

- An ageing community and the challenges of healthy ageing;
- Climate change issues (increasing bushfires);
- Waste management;
- Fire safety, vegetation management;
- Internal controls or 'control culture';
- Managing stakeholder expectations;
- Customer service delivery; and
- Asset and resource management.

Project Risks

A project may be undertaken by the Shire, such the construction of a major community facility or a potential project may be considered. A project risk may also involve the works of a third party, not for or on behalf of the Shire, but simply an impact on the environment within which the Shire operates; an example of this may be a major subdivision.

In each case, there may be risk exposures that the Council should be aware of and be prepared to either tolerate, transfer, terminate or treat.

The Capital Works Evaluation Process recognises the importance of mitigating risk, in that a project proposed to address a particular risk exposure is given a 'bonus' rating because it is seeking to address a risk exposure.

The Capital Works Construction Program should have a risk assessment undertaken for works being undertaken by contractors.

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The take-over of subdivisional assets should have a those assets subject to a risk assessment prior to the future care and maintenance being taken over by the Shire.

Operational Risks
Operational risks for the Shire are those that:

- Relate directly to the delivery of services, including the quality and appropriateness of services;
- Relate to the effective and efficient use of the Shire's resources; and
- Can have a day to day impact on specific Shire operations.

Examples

Public and Property
- Footpath maintenance – footpaths lifting and causing a tripping hazard;
- Road maintenance – pot holes and road shoulder wearing and causing potential traffic hazards;
- Tree management – general exposure through limbs dropping;
- Playground management;
- Recreation Reserve management and facility allocations;
- Property maintenance;
- Professional advice/approvals;
- Project design and construction;
- Food safety procedures;
- Working with Children;
- Waste Transfer Stations; and
- Community events.

Corporate
- Inability to fund the maintenance replacement and renewal of infrastructure assets;
- Escalating costs of service delivery;
- Reductions in investment and deterioration of working capital ratios;
- Failure to comply with legislative and regulatory provision such as unsafe or Inappropriate work practices;
- Corporate governance;
- Community engagement;
- Employee training, education and competency testings;
- Managing community services;
- Managing human resources;
- Information management and technology; and
- Contracting and purchasing.

OSH Risks
- Heavy plant operations;
- Staff working in isolation;
- Chemicals used in operating environments;
- Manual handling techniques.

While there will be a range of general OSH risk issues reflected in the Operational (and/or Strategic) Risk Register, OSH processes are dealt with in detail separately and a separate Incident/Accident Register is maintained.

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Compliance Risks

Risks that relate to the resources used to meet the requirements of relevant legislation and regulations. The Shire is subjected to a myriad of legislation and regulations. This is dealt with by the Legislative Compliance Policy and Procedures.

THE RISK MANAGEMENT PROCESS

The process adopted by the Shire to manage risks is in accordance with the International Standard for Risk Management, AS/NZS ISO 31000:2009.Risk Management – Principles and guidelines.

The Risk Management process is the 'how to' element of the Risk Management Framework and is defined in the Standard as 'the systematic application of management policies, procedures and practices to the task of communicating, establishing the context, identifying, analysing, evaluating, treating, monitoring and reviewing risk'.

The process includes the following elements:

Establish the Context

Establishing context is about setting the parameters or boundaries around the organisations risk appetite and risk management activities. This involves establishing the strategic, organisational and risk management context in which the rest of the process will take place.

It requires consideration of the external factors such as social, cultural, political and economy, and the alignment with internal factors such as strategy, resources and capabilities. Criteria against which risk will be evaluated should be established and the structure of the analysis defined.

Risk Assessment

Identify Risk

By a well structured systematic process, identify what, why and how adverse things can arise as the basis for future analysis. Identify sources of risk, areas of impacts, events (including changes in circumstances) and their causes and potential consequences.

The aim of this step is to generate a comprehensive list of risks based on those events that might create, enhance, prevent, degrade, accelerate or delay the achievement of objectives.

Analyse Risk

Risk analysis involves developing an understanding of the risk. Risk analysis provides an input to risk evaluation and to decisions on whether risks need to be treated and on the most appropriate risk treatment strategies and methods. Risk analysis involves consideration of the causes and sources of risk, their positive and negative consequences and the likelihood that those consequences can occur. Factors that affect consequences and likelihood should be identified.

Consequence and likelihood may be combined to produce an estimated level of risk.

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<u>Evaluate Risk</u>
Compare estimated levels of risk against the pre-established criteria. This enables risks to be ranked so as to identify management priorities. If the levels of risk are low, then risk may fall in to an acceptable category and treatment may not be required. The purpose of risk evaluation is to assist in making decisions, based on the outcomes or risk analysis, about which risks need treatment and the priority for treatment implementation.

Risk Treatment
Risk treatment involves selecting one or more options for modifying risks and implementing those options. Once implemented, treatments provide or modify the controls. Accept and monitor low priority risks. For other risks, develop and implement a specific management plan, which includes consideration of funding.

Monitoring and Review
Monitor and review the performance of the risk management system and changes that might affect it. Both monitoring and review should be a planned part of the risk management process and involve regular checking. Responsibilities for monitoring and review should be clearly defined. The results of monitoring and review should be recorded and reported as appropriate.

Consultation and Communication
Communicate and consult with staff and external authorities as appropriate at each stage of the risk management process.

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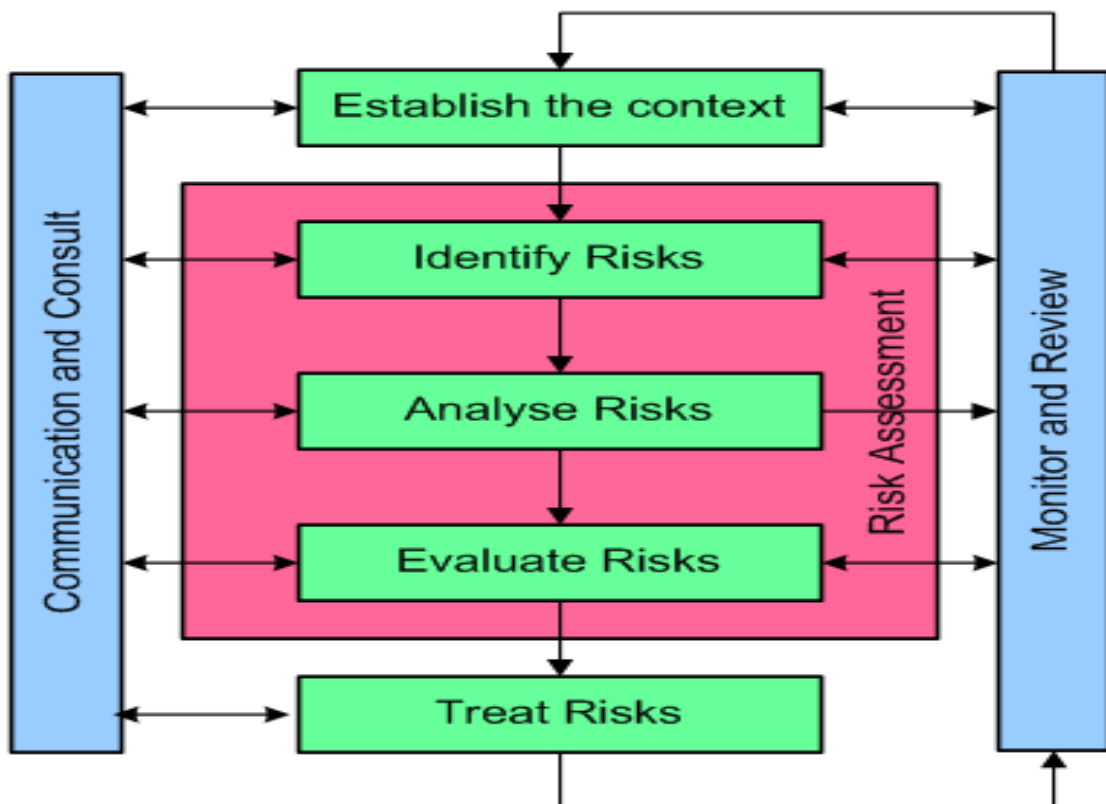
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RISK DOCUMENTATION

Risk Register
The risk factors identified and managed for the Shire will be monitored in a risk register. This register will be reviewed by management on an annual basis. The following information will recorded in the risk register.

- Risk identification and description;
- Risk classification;
- Risk likelihood;
- Risk consequence;
- Risk treatment and date for completion;
- Risk owner (staff member assigned risk/action officer); and
- Outstanding actions.

Monitoring and Review
Monitoring of risk management for each area of risk is the responsibility of each Manager. Monitoring of risk management will include:

- Reviewing documentation developed under this framework;
- Ensuring inspections are undertaken as outlined; and
- Ensuring the risk treatment plans are undertaken.

On an 'as needed' basis and at least twice annually, the Management Team will review its Operational and Strategic Risks to review the existing risks and their controls and identify budget proposals for the treatment of risk.

Closing Out Risks
A risk item can be considered closed when it meets the following criteria:

- It no longer exists; or
- The risk rating is determined be low to medium and has appropriate controls in place that are regularly reviewed for effectiveness.

The risk is accepted and formal monitoring and assessment is in place. The action officer assigned the risk is responsible for executing the risk mitigation plan and its associated activities, and for ensuring the activities are continued until the risk is closed out.

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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

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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.

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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.

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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 \ Likelihood	Insignificant 1	Minor 2	Major 3	Critical 4	Extreme 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

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

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Risk Assessment Form

FUNCTION/ACTIVITY   DEPARTMENT   DATE OF REVIEW

THE RISK: WHAT CAN HAPPEN AND HOW IT CAN HAPPEN	THE CONSEQUENCES OF AN EVENT HAPPENING		LEVEL OF RISK	EXISTING CONTROLS	TREATMENT YES/NO
	CONSEQUENCES	LIKELIHOOD			

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SHIRE OF TOODYAY
SUMMARY OF BUDGET AMENDMENTS
For the period ending 30 September 2021

Proposed amendments to original budget. Surplus/(Deficit)

GL Account Code	Description	Comments	Non Cash Adjustment $	Increase in Available Cash $	Decrease in Available Cash $	Amended Budget Running Balance $
	Budget Adoption 29 September 2021	Opening surplus				10,000
113.248.10	Water Expenses - Toodyay Recreation Centre	The budget was adopted with an allocation of $70,000 for water usage at the Toodyay Recreation Centre. In accordance with the management contract, Clublinks are responsible for water usage charges.		70,000		80,000
199.754.10	Capital Plant and Equipment	T0014 was initiallly budgeted for replacement at a cost of $45,000. Officers are proposing to replace the existing 4X4 utility with a small truck in order to undertake road patching works and to tow the road broom. The advantages include safety, increased height (clearance) and a higher towing capacity. The expected cost of the replacement is approximately $62,000.			(17,000)	63,000
			0	**70,000**	**(17,000)**	**63,000**