Audit & Risk Committee Meeting

Minutes for Monday 17 November 2014
CONFIRMED

shire of
kalamunda

INDEX

MINUTES

1.0   **OFFICIAL OPENING**

The Presiding Member opened the meeting at 6.50pm and welcomed Councillors and Staff.

2.0   **ATTENDANCE, APOLOGIES AND LEAVE OF ABSENCE PREVIOUSLY APPROVED**

2.1   **Attendance**

Councillors

Sue Bilich	(Shire President) North Ward
Margaret Thomas JP	North Ward
Simon Di Rosso	North Ward
Justin Whitten	South West Ward
Frank Lindsey	South East Ward
John Giardina	South East Ward
Andrew Waddell JP	North West Ward
Bob Emery	North West Ward
Dylan O'Connor	(Presiding Member) North West Ward

Members of Staff

Rhonda Hardy	Chief Executive Officer
Warwick Carter	Director Development Services
Charles Sullivan	Director Infrastructure Services
Gary Ticehurst	Director Corporate Services
Darrell Forrest	Manager Governance
Darren Jones	Manager Community Development
Rajesh Malde	Manager Financial Services
Peter Hayes	Internal Auditor
Meri Comber	Governance Officer

Invited Guest

David Tomasi, Partner	
UHY Haines Norton	Shire of Kalamunda External Auditor

2.2   **Apologies**

Councillors

Allan Morton	South West Ward
Geoff Stallard	South East Ward

2.3   **Leave of Absence Previously Approved**

Noreen Townsend	South West Ward

3.0   CONFIRMATION OF THE MINUTES OF PREVIOUS MEETING

3.1   That the Minutes of the Audit and Risk Committee Meeting held on 4 August 2014, as published and circulated, are confirmed as a true and accurate record of the proceedings.

Moved: **Cr Andrew Waddell**

Seconded: **Cr Sue Bilich**

Vote: **CARRIED UNANIMOUSLY (9/0)**

4.0   CONFIDENTIAL ITEMS

4.1   Nil.

5.0   DISCLOSURE OF INTERESTS

5.1   **Disclosure of Financial and Proximity Interests**

a.   Members must disclose the nature of their interest in matters to be discussed at the meeting. (Section 5.65 of the *Local Government Act 1995*.)

b.   Employees must disclose the nature of their interest in reports or advice when giving the report or advice to the meeting. (Section 5.70 of the *Local Government Act 1995*.)

5.1.1   Nil.

5.2   **Disclosure of Interest Affecting Impartiality**

a.   Members and staff must disclose their interest in matters to be discussed at the meeting in respect of which the member or employee had given or will give advice.

5.2.1   Nil.

6.0   REPORTS TO COUNCIL

Please Note: declaration of financial/conflict of interests to be recorded prior to dealing with each item.

Item 22, Adoption of Annual Financial Report 2013/2014 was considered as the first item. David Tomasi left the meeting immediately at the conclusion of this item. All other items were considered in consecutive order.

Declaration of financial / conflict of interests to be recorded prior to dealing with each item.

18. Internal Audit Report October 2014

Previous Items	
Responsible Officer	Director Corporate Services
Service Area	Internal Auditor
File Reference	
Applicant	Nil
Owner	Nil
Attachment 1	Internal Audit Plan 2014/2015
Attachment 2	Key Control Activities
Attachment 3	Recommended Monitoring Activities
Attachment 4	Audit Risk Register
Attachment 5	Internal Audit Report October 2014

PURPOSE

1. To provide the Audit and Risk Committee with assurance of:

   - The financial and statutory functions of the Shire are being undertaken in accordance with the provisions of the *Local Government Act 1995,* associated regulations and Australian Accounting Standards; and

   - The local government processes and financial systems relating to Risk Management internal control and legislative compliance are appropriate.

BACKGROUND

2. The Internal Audit is guided by an annual Internal Audit Plan (Attachment 1) which identifies the auditable areas and the scheduled audit review dates. The Audit Function conducts risk reviews to determine whether key internal controls are in place and operating effectively (Attachment 2). The Audit Function also conducts a review to determine that appropriate monitoring activities are in place to support the overall control environment (Attachment 3). Finally, to ensure that identified audit findings are resolved in a satisfactory and timely manner, an Audit Risk Register has been established (Attachment 4).

DETAILS

3. The Internal Auditor examined a number of areas and conducted a review of Key Control Activities and Recommended Monitoring Activities. Items noted from this review have been referred to management for attention or inclusion in the Audit Risk Register for monitoring and actioning by management.
The Internal Audit Report (Attachment 5) included a review of a number of statutory documents for compliance with legislation:
   - Agendas and Minutes
   - Adopted Budget for 2014/2015
   - Annual Report for 2012/2013
   - Monthly Statements of Financial Activity for July 2014
   - Code of Conduct
   - Creditors Payments
   - Succession Planning

4.   Key findings of this review are:

Agendas and Minutes

5.   The content of Agendas and Minutes comply with legislative requirements and good practice, however issues with maintenance and storage of these critical documents need to be addressed.

Annual Budget

6.   The Annual Budget for 2014/2015 included all the prescribed statutory statements and were submitted to the Department of Local Government and Communities within 30 days, with the exception of fees and charges.

Annual Report

7.   The Annual Report for 2012/2013 included all the prescribed information and complied with legislative requirements except for public notice on the availability of annual report.

Monthly Statement of Financial Activity

8.   The Shire of Kalamunda exceeds the minimum requirements for monthly financial reporting by providing additional information to Elected Members.

Code of Conduct

9.   The current Code of Conduct is comprehensive and complies with legislative requirements. New draft Codes of Conduct have been prepared and reviewed by the Shire's lawyers.

Creditors Payments

10.   Policy and procedures are being followed for the majority of creditor's payments. There were a few instances where purchase orders were not raised. This had been picked up and rectified.

Succession Planning

11.   There are a number of areas in the organisation where the risk of losing key personnel may have a detrimental impact on the smooth running of the Shire. There needs to be training of staff within these areas to back up these key personnel.

STATUTORY AND LEGAL CONSIDERATIONS

12.   *Local Government Act 1995*
Local Government (Financial Management) Regulations 1996
Local Government (Audit) Regulations 1996
Australian Accounting Standards

POLICY CONSIDERATIONS

13.   Purchasing Policy, Code of Conduct.

COMMUNITY ENGAGEMENT REQUIREMENTS

14.   Nil.

FINANCIAL CONSIDERATIONS

15.   The implementation of the recommendations will reduce exposure to financial risk and loss to the Shire and ensure it complies with legislative requirements.

STRATEGIC COMMUNITY PLAN

Strategic Planning Alignment

16.   *Kalamunda Advancing: Strategic Community Plan to 2023*

Strategy 6.3.3 Regularly review the organisations structure and procedures in response to changing circumstances.

Strategy 6.8.4 provide effective financial services to support the Shire's operations and to meet sustainable planning, reporting and accountability requirements.

SUSTAINABILITY

Social Implications

17.   Nil.

Economic Implications

18.   Nil.

Environmental Implications

19.   Nil.

RISK MANAGEMENT CONSIDERATIONS

20.

Risk	Likelihood	Consequence	Rating	Action/Strategy
Loss of Unbound Agenda and Minutes due to fire	Possible	Major	High	Placing all unbound minutes in the fireproof strongroom
Failure to meet the regulatory requirements for Annual Reports and adoption of Annual budgets	Unlikely	Minor	Low	Having proper check lists for statutory compliance of Annual Budgets and Annual Reports

Risk	Likelihood	Consequence	Rating	Action/Strategy
Inadequate succession planning adversely effects service delivery	Likely	Major	High	Introducing a succession plan and providing good documentation and training for back up staff.
Failure to raise purchase orders in a timely manner in line with policy	Possible	Minor	Medium	Suppliers will be advised that invoices must be proceeded by a purchase order
The Council does not accept the recommendation of the Internal Audit Report	Unlikely	Minor	Medium	Council is briefed on the implications of failing to accept the Internal Audit Report.

OFFICER COMMENT

21.   The issues identified and recommendations were discussed with management to mitigate risk, strengthen the internal control practices of the Shire and ensure the Shire was compliant with legislation. The items noted will be placed in the Audit Risk Register for timely monitoring and actioning.

22.   The Annual Audit Plan is supported by the Key Control Activities, Recommended Monitoring Activities which are used to form an opinion as to the appropriateness of the Shire's financial systems in relation to risk management, internal control and legislative compliance.

23.   The establishment of an Audit Risk Register provides the mechanism to ensure that audit findings are addressed in a satisfactory and timely manner.

Voting Requirements: Simple Majority

COMMITTEE RECOMMENDATION TO COUNCIL (A&R 18/2014)

That Council:

1.   Notes the Internal Audit Plan for 2014/15 (Attachment 1).

2.   Notes the Internal Audit Assessment of Key Control Activities and Recommend Monitoring Activities (Attachments 2 and 3).

3.   Notes the Audit Risk Register (Attachment 4).

4.   Notes the following recommendations included in the Internal Audit Report for October 2014 (Attachment 5).

Agendas and Minutes

- Signed minutes from June 2013 onwards need to be dated.
- Minutes from January 2013 to June 2014 should be bound and placed in the safe.
- All unbound minutes should be stored within the fire proof room for safe keeping.

Annual Report

An independent review checklist is used to ensure the annual report is prepared in accordance with legislation for content, prepared and audited by the due date and submitted to the Department within 30 days of receipt of the auditor's report.

Monthly Statements of Financial Activity

- Consideration be given to reducing the financial information given to Council unless there is specific reason or need for the additional information. There is no statutory requirement to have a full set of statements for monthly reporting These are normally only required for annual financial statements such as:
  - Statement of Comprehensive Income by Nature and Type
  - Statement of Comprehensive Income by program
  - Statement of Cash Flow
  - Statement of Financial Position by Nature and Type
  - Statement of Changes in Equity

Code of Conduct

When the new Codes of Conduct are introduced it would be beneficial to conduct some internal training for elected members and employees in order to understand their new Codes.

Creditors Payments

Suppliers of goods and services will be advised that invoices will not be processed if there is no purchase order, and that the purchase order number must be on the invoice.

Staff to be provided with training on procurement and tendering to ensure they understand the proper processes to be followed.

Succession Planning

A succession plan is introduced and implemented to ensure key personnel have suitable staff to fill their roles in crucial areas within the organisation.

Moved: **Cr Andrew Waddell**

Seconded: **Cr Margaret Thomas**

Vote: **CARRIED UNANIMOUSLY (9/0)**

Attachment 1

		SHIRE OF KALAMUNDA										Page 1
		INTERNAL AUDIT PLAN FOR 2014/2015										

Internal Auditor

	Date Report to A/Comm	2014						2015					
		Sept Qtr			Dec Qtr			Mar Qtr			June Qtr		
		July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
Corporate Services													
Systems Improvement													
Fringe Benefits Tax - Consultant Grant Thornton													
Purchasing - New Guideline													
Tendering - New Guideline													
Novated Leases													
Testing of tenders													
Financial Management Review													
Evaluation of Procedures, Key Controls and Assessment of Risk													
Conduct review of systems and controls as required under Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996													
Bank Reconciliations													
Petty Cash													
Rates													
Receipts and Receivables (front counter)													
Fees and Charges													
Investments													
Purchases, Payments and Payables													
Credit Card Procedures													
Wages and Salaries													
Fixed Assets													
Record Keeping													
Receipting Administration Office													
Receipting Libraries													
Receipting Recreation Centres													
Receipting Health and Community Care (HACC)													
Contributions/Lessee Improvements													
Fringe Benefits Tax (FBT) 2012/2013													
Fringe Benefits Tax (FBT) 2013/2014													
Goods and Services Tax (GST) - Fees and Charges - Genesis													
Grant Aquittals - reviewed 2013/2014													
HACC													
New Fees: Cat Act November 2013													
Interest Income													
Other matters													
Trust Funds - Cell 9 Developers Contributions													
Trust Funds - New Industrial Land Contributions													
Trust Funds - Bonds													
Loan Borrowings													
Employee Provisions													

SHIRE OF KALAMUNDA
INTERNAL AUDIT PLAN FOR 2014/2015

Page 2

Internal Auditor

Risk Management Review
CEO of a local government is to undertake at least a biennial review of legislative compliance, internal control and risk management and present results to the Audit and Risk Committee and report to Council by the 31 December 2014 under recent amendments to the *Local Government (Audit) Regulation*.

Human Resources
Review OHS Policies and Procedures
Other - Novates Leases

Information Technology
Review of Existing Systems
    IT Vision - Synergy
    CAMMS Products
        BMC   Discontinued
        IPM   Discontinued
        Interplan   Retained
        PES   Retained
        Risk Management   Retained but not used.
Review of Infrastructure Hardware - External Consultants
New Policies
Self Supporting Loan

Staff training
Financial Interest Training
FBT /Log Book Training - Grant Thornton

Governance
Maintenance of Registers
Compliance with Legislation:
    Agendas
    Minutes

Key Control Activities

Recommended Monitoring Activities

Audit Risk Register

Date Report to A/Comm	2014								2015			
	Sept Qtr				Dec Qtr			Mar Qtr			June Qtr	
	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June

Attachment 2

Risk Area	Internal Audit Plan – Key Control Activities	In Place (Yes)	Not in Place (No)	Comments Page 1
1. Financial Report Preparation	a) Employees responsible for financial report preparation are competent and adequately trained.	Yes		Three qualified accountants with local government experience and training
	b) All journal entries require supporting documentation. Any non-routine entries require documented approval prior to being posted.	Yes		By Manager Financial Services
	c) Accounting software used contains application controls that prevent or detect errors from occurring.		No	Items can be processed without a budget allocation or creditors processed if they exceed $100,000 Management over-ride required. Procurement being centralised, policy reviewed to prevent breaches and creditors exceeding $100,000.
2. Payroll	a) Payroll staff are competent for their assigned tasks, adequately trained and supervised.	Yes		There is a need for additional back up staff.
	b) Persons processing payroll are independent of other payroll functions, such as hiring/firing of staff, timekeeping and EFT payment.	Yes		
	c) Approval in writing is obtained before adding new employees to payroll.	Yes		
	d) Signed and dated approval of each employee's pay rate is documented on employee file.	Yes		
	e) Timesheets and total hours worked are approved before being processed for payment.	Yes		Only Operations and Home and Community Care (HACC) employees complete time sheets.
	f) Procedures exist to ensure terminated employees are immediately removed from payroll.	Yes		
	g) Payroll register is reconciled to the general ledger and reviewed by a senior officer independent of payroll.	Yes		
	h) Costs by sub program, are compared to budget.	Yes		Budget reviews conducted line by line for each a/c
3. Revenue	a) Rates/debtors officers are competent for their assigned tasks, adequately trained and supervised.	Yes		There is ongoing on the job training. Awaiting completion of probation before commiting to IT Vision training.
	b) Monthly statements are issued to trade debtors	Yes		
	c) Rates are raised in line with the approved budgeted rate in	Yes		

Risk Area	Internal Audit Plan – Key Control Activities	In Place (Yes)	Not in Place (No)	Comments Page 2
	the dollar.			
	d) The rate record is updated and reconciled monthly to the Valuer Generals Office (VGO) records.	Yes		
	e) Documented procedures are in place to ensure the VGO is informed of any building works approved.	Yes		
	f) The rates ledger is reconciled to the General Ledger.	Yes		
	g) The approved schedule of Fees and Charges is used for invoice preparation. Exceptions require documentation and approval.	Yes		
	h) Automatic or manual checks are performed on serial continuity of invoice documents.	Yes		Automatic
	i) Credit note approvals are independent of accounts receivable.	Yes		Approvals are either by Business Unit managers or Manager Financial Services.
4. Receivables/ Receipting	a) Staff handling cash receipts and managing receivables are competent for their assigned tasks, adequately trained and supervised.	Yes		Front counter, four cashiers and one supervisor
	b)Bank reconciliation is prepared monthly (with statements from bank) and management appoval documented	Yes		Prepared by Finance Officer and approved by Manager Financial Services.
	c) Customers are informed (signs, etc) that they should obtain receipts.	Yes		It is an option they have by ticking the appropriate box .
	d) Pre-numbered cash receipts are issued for every cash sale. Serial continuity is reviewed periodically and checked against cash deposit data.		No	Serial numbers are generated by computer No independent checks carried out.
	e) Staff required to take their leave entitlements annually	Yes		Constantly reviewed and monitored by managment
	f) When opening mail, cheques are stamped "for deposit only" with the local government bank account number. Cheques received are listed, totalled and reviewed before deposit.	Yes		
	g) All receipts cash/cheques are deposited on a regular and timely basis	Yes		Two to three times a week by a security contractor. Sealed cash bag countersigned by SOK staff and CBA

Risk Area	Internal Audit Plan - Key Control Activities	In Place (Yes)	Not in Place (No)	Comments Page 3
	h) Reconciliation of daily deposit total to receivable posting and cash sales is prepared and reviewed.	Yes		
	i) A reconciliation of aged receivables to control accounts is prepared monthly and management approval documented.	Yes		Signed off by Manager Financial Services
	j) Procedures exist to ensure receipts are recorded in the correct period.	Yes		Cut off procedures are in place.
	k) Significant overdue customer accounts are investigated by management and actions taken documented.	Yes		Aged analysis reviewed at month end and ant > 60 day accounts are followed up. A report to Council is prepared each month.
5. Purchases, payables, payments	a) Personnel responsible for the purchasing, shipping, receiving and payable functions are competent, adequately trained and supervised.	Yes		
	b) Management reviews outstanding cheques on period - end bank reconciliations.	Yes		Manager Financial Services
	c) Prenumbered cheques are used EFT's are allocated a sequential number for each creditor payment and details for every number is documented. Spoilt cheques are clearly marked "VOID" and cancelled.	Yes		A register needs to be put in place documenting the serial numbers used each month.
	d) The purchasing policy clearly defines who can raise purchase requisitions/orders and to what dollar limit.	Yes		
	e) Access to purchasing, receiving, accounts payable, and inventory records is restricted to authorised personnel.	Yes		
	f) Spending limits are set by budget or individual levels of authority. These limits are monitored by the system or manually.	Yes		
	g) A list of preferred suppliers is maintained and used where possible.	Yes		
	h) Controls exist to ensure corporate buying/credit cards are only issued to authorised staff, and personal purchases are not allowed.	Yes		
	i) Pre-numbered purchase orders and receiving reports are	Yes		Orders are generated by computer in sequential

Risk Area	Internal Audit Plan – Key Control Activities	In Place (Yes)	Not in Place (No)	Comments Page 4
	used and exceptions are approved and documented.			number via purchase requisition.
	j) Period -end procedures exist to detect and account for unprocessed goods/service receipts.	Yes		Outstanding position at year end are reviewed and those not required are purged.
	k) Personnel receiving goods do not perform any accounting functions.	Yes		Goods normally received at depot or on work site if a construction job. Goods received note signed.
	l) An aged accounts payable listing is reconciled to general ledger each month and exceptions investigated by management.	Yes		A report to Council is prepared at each month end.
	m) Aged report of open orders is reviewed each month and old/unusual items are investigated.	Yes		
	n) Unit prices on invoices received are checked against price lists, quotes or approved purchase orders. Invoices are checked for correct calculations, discounts, taxes and freight before payment.	Yes		
	o) System has checks to prevent duplicate payments on the same order.	Yes		One copy of order is matched to invoice
	p) A list of accounts for payment is prepared in line with the legislation and authorised by council or a person with delegated authority before cheques are signed or EFT is authorised.	Yes		
	q) Signing officers examine supporting documentation to payments and document approval.	Yes		Two officers each time.
	r) All cheques must be made out to authorised vendors and cannot be made out to cash.	Yes		Endorsed please pay cash for petty cash and till floats
	s) A reconciliation of the accounts payable sub ledger to the general journal is prepared monthly and approved by management.	Yes		
	t) Suppliers' statements are reconciled to accounts payable monthly and reviewed by management.		No	Only done in May and June before year end other months if a statement is received by AP staff.
	u) Procedures exist to ensure payments are recorded in the correct period.	Yes		

Risk Area	Internal Audit Plan – Key Control Activities	In Place (Yes)	Not in Place (No)	Comments	Page 5
	v) Procedures exist to ensure all bank accounts and signatories are authorised by council.	Yes		Through powers conferred on the CEO and delegations.	
	w) The accounting policy for when goods should be capitalised is documented and clearly understood by accounting personnel.	Yes		Still an ongoing process.	
	x) Management regularly compares actual purchases (costs and expenses) to budgetd purchases and investigates and documents variances.	Yes		Monthly and during budget reviews	
	y) management follows up creditors queries on a timely basis.	Yes			
	z) Management addresses the reasons for debit balances on creditors accounts on a timely basis.	Yes		Monthly review	

Attachment 3

Risk Area	Internal Audit Plan - Recommended Monitoring Activities	In Place (Yes)	Not in Place (No)	Comments Page 1
1. Annual Budget	a) Monthly actuals are compared to budget and significant variances fully investigated and explained	Yes		Management reports reviewed by relevant managers at end of each month.
2. Financial Reporting	a) Through the presentation of the Monthly Statement of Financial Activity (SFA) to council actual results are compared to budget each month; management reviews investigated and significant variances explained.	Yes		Reported at Ordinary Council Meetings under Chief Executive Officers Report.
	b) Through a Statutory Budget Review conducted between January and March significant variances are investigated, reviewed and explained.	Yes		Budget review for 7 months to January 2014 adopted 3/24/2014. Additional review is done in November, which is at 5 months.
3. Grants	a) Management regularly reviews all grant income and monitors compliance with both the terms of grants and council's grant policy (including claiming funds on a timely basis)	Yes		Monitor and report to Council on a quarterly basis.
	b) Through the SFA grant revenue is compared to budget; management reviews, investigates and explains significant variances.	Yes		
4. Receipting	a) Income is compared to budget regularly in the SFA; management reviews, investigates and explains significant variances.	Yes		Management reports reviewed by each business unit manager at month end.
	b) Statements of accounts receivable are sent to customers enabling review.	Yes		Rate debtors depending on their election of payment. A reminder notice is issued prior to instament due date. Sundry debtors reminder notices issued on >60 day accounts
5. Rates	a) Management reviews rates ageing profile on a monthly basis and investigates any outstanding items	Yes		
	b) Actual rate revenue is compared to budget; management reviews, investigates and explains	Yes		KPI targets in interplan which is reviewed monthly.

Risk Area	Internal Audit Plan - Recommended Monitoring Activities	In Place (Yes)	Not in Place (No)	Comments Page 2
	significant variances			
	c) Annual valuation update is balanced prior to the generation of rates; this is reconciled to the rate record and reviewed.	Yes		Reconciled prior to issue of rate notices for 2014/2015 Financial Year
	d) Interim valuation updates are balanced prior to the generation of interim rates; this is reconciled to the rate record and reviewed.	Yes		Each schedule is balanced by the rates reconciliation clerk.
6. Receivables	a) Receivables and revenues are compared to budget monthly, management reviews, investigates and explains significant variances.	Yes		As per above, management reports reviewed by Business Unit manager at month end.
	b) Management reviews provision for doubtful debts on a regular basis.	Yes		Only at year end
	c) Management reviews debtors ageing profile on a monthly basis and investigates any outstanding items.	Yes		At each month end and considered during Audit and Risk Committee at year end for those considered for write off.
	d) trade receivables age reconciliation to the general ledger is reviewed at least monthly.	Yes		By Manager Financial Services
7. Bank accounts and banking	a) Management reviews journal transactions to the bank account.		No	
	b) Management reviews bank reconciliations monthly to confirm large outstanding items are adequately explained and subsequently resolved.	Yes		Signed off by Manager Financial Services.
8. Investments	a) Review the council investment performance regularly.	Yes		By Manager Financial Services
	b) Actual investment income compared to budget on a regular basis; management reviews, investigates and explains significant variances.	Yes		Report to Council as part of month end financial reporting cycle.
	c) Investment register maintained in accordance	Yes		Reviewed on an annual basis and updated when necessary.

Risk Area	Internal Audit Plan - Recommended Monitoring Activities	In Place (Yes)	Not in Place (No)	Comments Page 3
	with regulations and investment policy. d) Reconciliations of investment register to general ledger routinely prepared and reviewed.	Yes		
9. Payroll	a) Management reviews employee costs against budget on a monthly basis and investigates any outstanding items.	Yes		Management reports are reviewed by the manager on a monthly basis.
	b) Each department manager performs a regular review of reports detailing all employees listed on payroll master file;all unusual items are investigated	Yes		Refer above and as part of budget reviews Manager Financial Services also does an actual review at month end.
	c) Salary and hourly payroll reports (including compensation and witholding information) are reviewed and approved by management before payments are approved.	Yes		
	d) The payroll deduction table data is periodically reviewed by management for accuracy and ongoing pertinence.		No	
	e) Management reviews a selection of salary sacrifice calculations for accuracy and compliance with statutory requirements; identified errors are promptly corrected.		No	
	f) Each pay run is reviewed prior to authorisation for payment for consistency with prior pay runs and for abnormal items such as overtime.	Yes		
10. Purchasing, procurement and payments	a) Actual expenditure is compared to budget monthly; management reviews, investigates and explains significant variances.	Yes		Purchasing is now centralised within finance, which will strngthen the controls further.
	b) A list of all payments is prepared and presented monthly to the council; management reviews, investigates and explains any unusual or large	Yes		

Risk Area	Internal Audit Plan - Recommended Monitoring Activities	In Place (Yes)	Not in Place (No)	Comments Page 4
	payments. c) Management reviews supporting documentation before approving payments	Yes		
11. Trade payables	a) Management reviews trade payables ageing profile on a monthly basis and investigates any outstanding items.	Yes		Part of month end reporting to the Council.
	b) Trade payables age reconciliations to the general ledger is reviewed at least monthly.	Yes		By Manager Financial Services
12. Fixed Assets	a) Management compare actual fixed asset balance to budget; management reviews, investigates and explains significant variances.	Yes		Part of the Financial Activity Statement and reporting to the Council as part of month end.
	b) Activity recorded in fixed asset register is reviewed by management, including comparison to the capital budget.	Yes		
	c) Management regularly reviews valuation of fixed assets (i.e. methodology and useful lives of assets) to ensure that assets' valuation is appropriate and in accordance with Australian Accounting Standards	Yes		As part of phasing in and treatment of assets at Fair Value Plant and Equipment completed 30 June 2013 Land and Buildings completed 30 June 2014 Infrastructure due 30 June 2015
	d) Management reviews depreciation rates and methodology (at least annually) to ensure rates and remaining useful lives are resonable.	Yes		
	e) Fixed asset register to the general ledger reconciliation is prepared and reviewed routinely.	Yes		Reviewed and signed off by Systems and Financial Accountant
13. Borrowings	a) Borrowings actual and interest charges are compared to budget monthly; management reviews investigates and explains significant variances.	Yes		Part of month end reporting to the Council.

Risk Area	Internal Audit Plan - Recommended Monitoring Activities	In Place (Yes)	Not in Place (No)	Comments Page 5
14. Journals	a) All journals are independently reviewed (including check to ensure correct account allocation) and contains sufficient support information.		No	Not being independently reviewed and not always have supporting information
15. General IT Risks	Regular IT audits performed focusing on data accuracy, retention and security. Results of these IT audits reviewed by management and action plan promptly implemented.	Yes		With the recent upgrades to the computer system, audits were carried out by Datacom and Microsoft.

Attachment 4

	Internal Audit Plan - Audit Risk Register						
Risk ID	Audit Findings	Likelihood	Consequences	Risk Rating	Management Response	Business Owner	Est Date Actioned
Financial							Page 1
Rates R1	Regular updating of rating documentation procedures for new staff to prevent errors in data entry	Possible	Minor	Medium	Proper documentation of rates systems and procedures will be updated for new staff	Manager Financial Services	30-Jun-15
Rates R2	No external training for new staff on rates system and legislative compliance requirements.	Possible	Minor	Medium	External training on the use of the Synergy rates system and on compliance with legislation will be conducted after completion of probation period of new rates officers	Manager Financial Services	30-Jun-15
Rates R3	Front counter having access to master file information and making unauthorised changes	Possible	Minor	Medium	IT controls established to restrict front counter staff to master file information	Manager Technology & Corporate Support	Sep-14
Assets A1	Asset management plans are up to date and support the Long Term Financial Plan (LTFP)	Unlikely	Minor	Medium	Asset management plans brought up to date in support of LTFP	Manager Operations	30-Jun-15
Payroll P1	There is no independent review performed when a person is entered in the payroll system to ensure information is entered accurately.	Likely	Minor	High	The proposed appointment of a new independent person to undertake this work will address this matter	Manager Strategy & People Services	Oct-14

Internal Audit Plan - Audit Risk Register							
Risk ID	Audit Findings	Likelihood	Consequences	Risk Rating	Management Response	Business Owner	Est Date Actioned
Financial							Page 2
Payroll P2	There is no independent review of audit trails for changes to master file information.	Likely	Minor	High	The proposed appointment of a new independent person to undertake this work will provide the indpendent support, and the manager will check and approve all changes to the master file.	Manager Strategy & People Services	Oct-14
Payroll P3	There is only one person in payroll that has a full understanding of the IT system. There is a risk if this person leaves there is no other person who fully understands the payroll system.	Likely	Minor	High	A second person is being taught on how to use the payroll system. A proposal has been developed to have an officer from Financial Services trained in how to use the Synergy payroll system.	Manager Strategy & People Services/ Manager Financial Services	Dec-14
Payroll P4	Not all managers confirm a persons leave entitlement with HR before granting approval on the leave application form.	Possible	Minor	Medium	System will not allow the processing of a leave application greater than a persons accued entilement. However to avoid disputes managers should check a persons entitlement with HR before approving leave entitlement forms	All Managers	Dec-14
Purchases Tendering PU 1	Training is required for all staff involved in the procurement of goods and tendering to prevent breaches in legislation	Likely	Minor	High	Suitable training will be organised.	Manager Financial Services	Sep-14

Internal Audit Plan - Audit Risk Register							
Risk ID	Audit Findings	Likelihood	Consequences	Risk Rating	Management Response	Business Owner	Est Date Actioned
Financial							Page 3
Purchases Tendering PU 2	Despite controls being in place to monitor purchases from one supplier not exceeding the $100,000 threshold, there were a small number of suppliers that exceeded this threshold.	Likely	Minor	High	Management considers the development of computer system blocks to prevent the raising of purchase requisitions once they get near to reaching the $100,000 threshold to prevent the raising of a purchase order. Centralising the raising of purchase orders will reduce the risk of this happening.	Manager Financial Services	Sep-14
FBT on Motor Vehicles FBT 1	Staff with commuting rights are using shire vehicles for private use subjecting both commuting and private use to FBT	Likely	Minor	High	All staff with commuting rights are made aware of their employment obligations when using a shire vehicle. The review and update of the Light Vehicle Policy will largly address this issue.	Manager Financial Services	Sep-14
Journals	Lack of evidence that entries have been approved prior to being entered.	Likely	Minor	Medium	Carried out but may not always be signed as evidence of approval. Reconciliation of accounts and budget reviews will pick up misallocations.	Manager Financial Services	Sep-14

Internal Audit Plan - Audit Risk Register							
Risk ID	Audit Findings	Likelihood	Consequences	Risk Rating	Management Response	Business Owner	Est Date Actioned
Records							Page 1
Records R 1	Record Keeping Plan to be reviewed and submitted to the State Records Office by 2nd October 2014	Unlikely	Minor	Low	Record Keeping Plan will be reviewed by records and submitted to Council for approval before the due date for submission	Corporate Information Coordinator	Aug-14

Internal Audit Plan - Audit Risk Register							
Risk ID	Audit Findings	Likelihood	Consequences	Risk Rating	Management Response	Business Owner	Est Date Actioned
Governance							Page 1
Policy PO 1	The Record Keeping and Councillor Record Keeping Policy has not been reviewed in over 5 years	Unlikely	Minor	Low	These policies will be reviewed with other policies	Manager of Governance	Dec-14

Attachment 5

Internal Audit Report October 2014
Financial Management Review

1

Objectives and Scope of the Internal Audit

The objectives and scope of the internal audit is to provide the CEO and the Audit and Risk Committee with surety that the financial and statutory functions of the Shire are being undertaken in accordance with the provisions of the Local Government Act 1995, associated regulations, the Australian Accounting Standards, any other legislation, and that key controls have operated effectively during the financial year.

Amendments in 2013 to the *Local Government (Audit) Regulations 1996*, now require all reports prepared for the CEO and the Audit and Risk Committee to examine the appropriateness of the local government's system in regard to risk management, internal control and legislative compliance.

The report covers areas examined in accordance with the Audit Plan and legislative requirements and includes:

- Agendas and Minutes
- Adopted Budget for 2014/2015
- Annual Report for 2012/2013
- Monthly Statements of Financial Activity for July 2014
- Code of Conduct
- Creditors Payments
- Succession Planning

2

Agendas and Minutes

Background

Council's agendas and minutes need to meet certain legislative requirements in relation to format, content, availability and to ensure the documents are properly prepared, maintained and stored in a safe and secure location.

Work Performed

Reviewed agendas and minutes for compliance with legislation with an emphasis on structure, content, and format. Ensured agendas had been certified before release, their availability to councillors and the general public, and whether these documents are stored in a secure and safe location.

Findings

Proper templates are used for agendas. Agendas reviewed have been structured for ease of reference and understanding, including an index that is properly cross referenced. Agenda reports include all information to be considered by Council. Copies of agendas are made available to the community and include the same detail as that provided to councillors except for confidential information.

Agendas are made available to councillors at least 72 hours prior to the meeting (except for special meetings) to provide sufficient time for councillors to prepare for the meeting. On complex issues briefing sessions are provided for councillors to explain a matter going before council for decision. Agendas are made available to the public at the same time as councillors are notified of their availability. Hard copies of agendas are made available for the general public at the main administration building and the four Shire libraries.

Officer's reports and recommendations are included in agendas. Agenda reports go through a stringent process of review and agenda settlement by Executive to ensure the content is objective and accurate before the information is signed off by the CEO and released.

The format of council minutes includes a comprehensive index and is cross-referenced. Minutes meet the legislative requirement of the *Local Government Act 1995* and the *Local Government (Administration) Regulations 1996*. The content of minutes includes the recording of:

- Attendance, apologies and leave of absence;
- Public question time;
- Financial Interest Disclosure;
- Absences of councillors and staff from the meeting;
- Details of each motion moved;
- Simple or absolute majority decision
- Recording of votes

Minutes are certified for confirmation but have not been dated for 2013/2014. This matter was also raised by the external auditor and still remains outstanding.
Minutes from January 2013 remain unbound and are not placed in a secure location similar to the bound minutes which are placed in a locked safe within a fire proof room.

3

Risk

The risk of agenda and minutes not complying with legislation is considered low as the structure and content use standard formats and templates. The area of risk lies in not placing unbound minutes and agendas in the fireproof strongroom.

Management Response

Management is aware that minutes need to be dated and will have this matter addressed. The Corporate Information Coordinator will arrange to get the agendas and minutes bound when the loose leaf minutes have been dated. There will be no problem placing the unbound minutes in the fireproof strongroom.

Recommendation

1. Signed minutes from June 2013 onwards need to be dated. This matter was picked up by the external auditors and still remains outstanding.
2. Minutes from January 2013 to June 2014 should be bound and placed in the safe.
3. All unbound minutes should be stored within the fire proof room for safe keeping.

Annual Budget for 2014/2015

Background

Legislation requires a local government to include specific information in its annual budget. The annual budget is to be adopted by the 31 August 2014 for the year ending 30 June 2015 and submitted to the Department within 30 days of its adoption.

Work Performed

Established whether the contents of the Statutory Annual Budget for 2014/2015 included:

- Statement of Comprehensive Income by Nature or Type (FMR 22(1)(a))
- Statement of Comprehensive Income by Program (FMR 22(1)(a))
- Statement of Cash Flow (FMR 22(1)(b))
- Rate Setting Statement (FMR 22(1)(d))
- Notes to and Forming Part of the Budget (AASB's and FMR's)
- Schedule of Fees and Charges (s 6.2 (4)(c))
- Budget was adopted by 31 August 2014.
- Copy of the Annual Budget was submitted within 30 days of its adoption with the Department of Local Government and Communities (the Department).

Findings

The Statutory Annual budget for 2014/2015 included all the key financial statements, notes and a schedule of fees and charges. The Statutory Annual Budget for 2014/2015 was adopted on 23 June 2014 (resolution number 96/2014) and submitted electronically to the Department of Local Government and Communities on the 3 July 2014 i.e. within 9 days.

4

The Statutory Annual Budget submitted on the 3 July 2014 inadvertently excluded the schedule of fees and charges. This was submitted separately to the Department on 23 October 2014.

Councillors were briefed on all aspects of the annual budget and were provided with rating scenarios. The carry forward of $2,289,459 is less than 10% of rateable income permissible under section 6.34 of the Act to be carried forward.

Risk

The risk of not complying with legislative requirements in preparing the Statutory Annual Budget correctly and in compliance with legislation is considered low. Staff who prepare the Statutory Annual Budget understand the legislative requirements and have prepared a number of annual budgets in the prescribed format.

Management Response

Nil.

Recommendation

Nil.

Annual Report for 2012/2013

Background

Work Performed

Established whether the contents of the Annual Report for 2012/2013 included:

- A report from the Shire President (s 5.53(2) (a)).
- A report from the CEO (s 5.53(2) (b)).
- Reference to adoption of Long Term Financial Plan
- The financial reports for the financial year ending 30 June 2013 (s 5.53(2) (f)).
- The number of employees earning more than $100,000 (s 5.53(2) (g)).
- The auditor's report for the financial year (s 5.53(2) (h)).
- Public notice of the availability of the annual report (s 5.55).
- Copy of Annual Financial Report (annual report) sent to Department within 30 days of the receipt of the auditor's report LGFR 51(2).
- Completion within 6 months after the end of the financial year (s 5.54(1).
- Statement on the Record Keeping Plan (State Records Act)
- Freedom of Information Statement (Freedom of Information Act 1992)
- Employee Remuneration – No of employees earning more than $100,000 (5.53(2)(e))

5

Findings

The annual report for 2012/2013 complied with the requirements of the *Local Government Act 1995* (the Act) and regulations to the Act with the exception of the public notice of availability of the annual report.

The annual report was accepted at the Ordinary Council Meeting on the 16 December 2013. The external audit report was received on the 2 December 2013 and the annual report was submitted electronically to the Department of Local Government and Communities on the 19 December 2013 well within 30 days of receipt of the external auditors report.

The external auditors report included an audit qualification on two matters of non-compliance. These related to the July 2012 monthly statement of financial activity not being presented to Council within 2 months, and the Annual Financial Report for year ended 30 June 2012 not being submitted to the Department within 30 days of receipt of the auditor's report.

Risk

The risk of the Shire of Kalamunda not complying with legislative requirements is considered low.

Management Response

The matters raised by the external auditors will be addressed through a check list. Management made sure the Annual Report (which included a comprehensive set of Annual Financial Statements for year ended 30 June 2013) was submitted within the specified period as required by legislation within 30 days of receipt of the auditor's report, and monthly reports will be issued to Council within two months.

Recommendation

An independent review checklist is used to ensure the annual report is prepared in accordance with legislation for content, prepared and audited by the due date and submitted to the Department within 30 days of receipt of the auditor's report.

Monthly Statements of Financial Activity

Work Performed

Examined the monthly statements of financial activity for July2014 for content and compliance with legislation. The minimum requirement under section 6.4 of the Act and under regulation 34 of the *Local Government (Financial Management) Regulations 1996* includes the following content:

- A Statement of Financial Activity each month reporting on the revenue and expenditure as set out in the annual budget for that month taking in the following detail –
    - annual budget estimates; and

6

- budget estimates to the end of the month to which the statement relates; and
- actual amounts of expenditure, revenue and income to the end of the month to which the statement relates; and
- material variances between the comparable amounts of budget estimates to the end of the month and actual amounts of expenditure, revenue and income; and
- net current assets at the end of the month to which the statement relates

- An explanation of the composition of the net current assets of the month to which the statement relates, less committed assets and restricted assets; and
- An explanation of each of the material variances between the comparable amounts of actual to budget to the end of the month to which the statement relates; and
- Such other supporting information as is considered relevant.
- The information in a statement of financial activity may be shown –
  - According to nature and type classification; or
  - By program; or
  - By business unit.

- A statement of Financial Activity and the accompanying documents are to be-
  - Presented at an ordinary meeting of the council within 2 months after the end of the month to which the statement relates; and
  - Recorded in the minutes of the meeting at which it is presented.

- Each financial year a local government is to adopt a variance to be used for reporting material variances.

Findings

The Shire meets the minimum requirements for monthly financial reporting. It provides a full set of financial statements normally required for year-end annual financial reporting for its monthly reporting. This includes a Statement of Financial Activity by Nature and Type. It reports material variances of income and expenditure between budget estimates at the end of the month and actuals for that period.

The Statement of Financial Activity is presented within two months after the end of the month to which the statement relates.

Risk

Risk is considered low. The corporate services team are aware of the statutory requirements.

Management Response

Management is currently reviewing Financial Report Requirements and will work with Council to ensure that appropriate reporting occurs.

7

Recommendation

Consideration be given to reducing the financial information given to Council unless these is specific reason or need for the additional information. There is no statutory requirement to have a full set of statements. These are normally only required for annual financial statements and will include:

- Statement of Comprehensive Income by Nature and Type
- Statement of Comprehensive Income by Program
- Statement of Cash Flow
- Statement of Financial Position by Nature and Type
- Statement of Changes in Equity

Code of Conduct

Background

A local government is to adopt a Code of Conduct under Section 5.103 of the *Local Government Act 1995* to be observed by elected members and committee members and staff. The Code addresses the broader issue of ethical responsibility and encourages transparency and accountability of individuals.

Work Performed

Established whether the Shire of Kalamunda has adopted a Code of Conduct and when this document was last reviewed. Ascertained whether a copy of the Code of conduct is given to all new staff and elected members on commencement.

Reviewed the current and draft Code of Conduct to ensure it included information required under Part 9 of the *Local Government (Administration) Regulations 1996,* pertaining to gifts and disclosure of interest.

Findings

The current Code of Conduct was adopted on the 19 May 2008. New draft codes, one for elected members and another for employees, have been prepared and sent to the Shires lawyers for comment and suggested changes. The lawyer has approved the draft version and made comment with some minor suggested changes.

New employees as part of their induction are made aware of the Code of Conduct as are newly elected members.

Risk

The Shire is compliant and risk considered low.

8

Management Response

The Manager Governance intends providing a new Code of Conduct for adoption in November 2014. The intent is for all staff to get a copy and understand their obligations.

Recommendation

When the new Code of Conduct is introduced it would be beneficial to conduct some internal training for elected members and employees in order to understand the new Code.

Creditors Payments

Background

The Shire of Kalamunda improved and tightened up its procurement processes following two forensic audits by reviewing its purchasing policy and procedures and developing a new tender guideline. This has significantly improved its compliance in this area and provided a transparent process for the evaluation and awarding of tenders to suppliers.

Work Performed

Conducted a review of a sample of supplier's payments in August and September 2014 to ensure that procedures on procurement and tendering is still being carried out in accordance with the purchasing policy, procedures and guidelines.

Findings

In the main policies and procedures are being followed and payments are supported by purchase orders, invoices are being checked and approved. There were a few instances where purchase orders have not been raised, or were issued after the suppliers invoice. This is controlled by accounts payable who follow it up with the originator of the request. It was also noted in the case of audit services for grant acquittals there is a tendency not to raise a purchase requisition and purchase order due to the incumbent external auditor carrying out the audit. This is acceptable where it forms part of the external audit tender.

Management Response

Corporate Services will not process an invoice without an approved purchase order. If there is no purchase order or one is raised after the invoice, the originator of the request for goods and services is required to complete a form explaining why there is no purchase order, or the reason as to why one was raised after the invoice. In a few instances purchase requisitions were sent to the wrong person for instigation and approval of the purchase order. The computer system in these cases is unable to retrieve the document and sent it to the appropriate manager or person for approval of the purchase order.

Recommendation

Suppliers of goods and services advised that invoices will not be accepted and processed by the Shire unless there is a purchase order, and that the purchase order number is quoted on the invoice.

9

Staff to be provided with training on procurement and tendering to ensure they understand the proper processes to be followed.

Succession Planning

Background

Employees are a major asset of the Shire and their skills, knowledge and experience built up over a number of year's plays an important role in the smooth operation of the organisation. In certain key areas this knowledge base needs to be passed on to others to build on the skill base within the shire especially if key members of the organisation are ill or should leave suddenly. This is especially true in areas such as Information Technology, Governance and Human Resources, Corporate Services and Planning.

The attraction and retention of staff can be effective if managed appropriately through a strategic approach. This may be through a formal process of internal training, documentation and giving staff the appropriate practical experience and empowerment to undertake a broader spectrum of work. Multiskilling has the added advantage of giving staff the skills to enhance their knowledge and improve their standing within the organisation.

There are a number of keys operational areas within the Shire that would benefit from planned succession planning should a number of key personnel leave, retire or take ill for a significant length of time. This would ensure minimal disruption to the organisation and allow for a smooth transition of work within the organisation.

Work Performed

While preparing the Risk Management Review, the issue of succession planning arose as a matter requiring consideration. The risk associated with loss of knowledge if key personnel leave an organisation can have a detrimental impact on an organisation.

In previous internal reports certain areas were identified should key personnel leave, their knowledge and skills leaving with them would have an impact on the smooth operations of the Shire if these skill had not been passed on to others.

Executive and the management team need to consider a strategic approach for the retention of staff and a formal succession planning approach in order to ensure there is minimal disruption to the organisation.

Findings

There are a number of significant areas within the organisation especially in Human Resources, Information Technology (IT), Corporate Services and Planning where key personnel in these areas play a significant role in keeping the organisation functioning smoothly. Should any of these key personnel leave of take ill there is no person within the area to fill this role in the short to medium term or to replace them with similar skill sets as staff working under these key personnel have not been given the skills or have the knowledge to undertake the work.

10

Risk

The loss of key employees within the organisation will leave a vacuum of knowledge and skill that may be difficult to replace in the short to medium term. This may affect the smooth operation of the Shire in a number of key area.

Management Response

In one or two areas, steps are being taken to address this matter. This is especially true in the case of Human Resources. However in some areas especially IT there is limited current capacity available to reduce the risk of reductions in service delivery in the event of the loss of key personnel.

Recommendation

A succession plan is introduced and implemented to ensure key personnel have suitable staff to fill their roles in key areas within the organisation until a replacement can be found or the position is advertised.

11

Declaration of financial / conflict of interests to be recorded prior to dealing with each item.

19.   Risk Management Review 2014

Previous Items	
Responsible Officer	Director Corporate Services
Service Area	Internal Auditor
File Reference	
Applicant	N/A
Owner	N/A
Attachment 1	Report on Risk Management Review 2014
Attachment 2	Risk Management Policy
Attachment 3	Risk Management Procedure
Attachment 4	Integrated Risk Management Plan
Attachment 5	Crisis & Business Continuity Management Plan
Attachment 6	Risk Register

PURPOSE

1.   To review the Risk Management Report (Attachment 1) and recommend the results of the review to Council.

BACKGROUND

2.   Following amendments to the *Local Government (Audit) Regulations 1996 in February 2013,* the Chief Executive Officer (CEO) is required to carry out at least a biennial review of:

- Legislative Compliance,
- Internal Control, and
- Risk Management

and present the results of the review to the Audit and Risk Committee for their consideration. The Audit and Risk Committee is to consider the CEO's review and report the results of the review to Council.

3.   The first review and report is to be completed by the CEO, reviewed by the Audit and Risk Committee and with the results of the review reported to Council by the 31 December 2014.

DETAILS

4.   The Shire of Kalamunda provides an effective operating environment by ensuring it has the necessary resources, expertise and skills to deliver services to the community and discharge its obligations under law. This is achieved through its corporate governance framework which enhances the organisational performance, improves the internal control environment and manages and mitigates risk while ensuring that its legal and ethical obligations are met.

5.   There are a number of strengths in the governance and organisational management practices of the Shire which ensures it has internal control

processes designed to assist the Shire in addressing risk of fraud and error, and improving reliability of financial reporting and compliance with legislation and policies. These strengths include:

- A Governance Framework
- An Integrated Planning and Reporting Framework adopted by council and commended by the Department of Local Government and Communities.
- A high level of reporting and information content in Council Agendas and Minutes which includes risk management considerations.
- A Business Continuity Policy and Plan.
- High level of reporting information and content in the Annual Report.
- A Risk Management Policy and an Integrated Risk Management Plan.
- An Audit Risk Register to address and monitor identifiable risks.
- A Business Continuity Plan
- Regular review of existing policies and adopting new policies.
- A Code of Conduct
- Internal auditor who provides regular reports to the Audit and Risk Committee
- A Record Keeping Plan
- Maintaining Statutory Registers including:
  o A Gift Register
  o Financial Interest Register
  o Tender Register
  o Delegated Authority Register
  o Other statutory and good practice documents

The weaknesses:

- Complete documentation of operational procedures for rates and payroll.
- Comprehensive induction training required for new employees.
- Training required in procurement and rates.

STATUTORY AND LEGAL CONSIDERATIONS

6.   Part 7 of the *Local Government Act 1995*
            Regulation 17 of the *Local Government (Audit) Regulations 1996*

POLICY CONSIDERATIONS

7.   Code of Conduct (ADM5)
            Purchasing Policy (PUR 1)
            Risk Policy
            Records Policy
            Business Continuity Policy

COMMUNITY ENGAGEMENT REQUIREMENTS

8.   Nil.

FINANCIAL CONSIDERATION

9.   Nil.

STRATEGIC COMMUNITY PLAN

Strategic Planning Alignment

10.   *Kalamunda Advancing: Strategic Community Plan to 2023*

Delivery of all elements of the Strategic Community Plan to 2023.

SUSTAINABILITY

Social Implications

11.   Nil.

Economic Implications

12.   Nil.

Environmental Implications

13.   Nil.

RISK MANAGEMENT CONSIDERATONS

14.

Risk	Likelihood	Consequence	Rating	Action/Strategy
Rates – Failure to provide adequate documentation and training in rates	Possible	Minor	Medium	Proper documentation and training for new staff
Procurement – Failure to provide training in order prevent breaches in legislation	Likely	Minor	High	Suitable training will be organised
Failure to provide comprehensive training for new employees	Likely	Minor	High	Suitable training will be organised

OFFICER COMMENT

15.   The Risk Management Review has confirmed that the overall effectiveness of the Financial Management Systems, governance practices and procedures relating to legislative compliance, internal control and risk management are sound. The review has identified some improvement opportunities that will be implemented to further improve our operating environment.

16.   The Shire has developed a Risk Management Policy (Attachment 2), Risk Management Procedure (Attachment 3) and Integrated Risk Management Plan (Attachment 4) in order to provide a consistent approach to effectively manage and monitor risks within the organisation. In addition, a Crisis & Business Continuity Plan (Attachment 5) has also been established that will enable the Shire to implement a planned response to major incidents that have the potential to significantly impact the Shire's ability to deliver its services and functions in a timely manner.

17.   The Shire has recently undertaken a Strategic Risk Assessment to identify and assess those risks that are most likely to impact the Shire's capacity to achieve its strategic objectives. These risks are reported in the Strategic Risk Register and will be reported and reviewed by Executive and the Audit and Risk Management Committee on a quarterly basis.

Voting Requirements: Simple Majority

COMMITTEE RECOMMENDATION TO COUNCIL (A&R 19/2014)

That Council:

1.   Receives the findings and recommendations contained in the Internal Auditors Risk Management Review (Attachment 1).

2.   Endorses the Risk Management Policy (Attachment 2), Risk Management Procedure (Attachment 3) and the Integrated Risk Management Plan (Attachment 4).

3.   Notes the Crisis & Business Continuity Management Plan (Attachment 5).

4.   Notes the Strategic Risk Register (Attachment 6).

Moved: **Cr Sue Bilich**

Seconded: **Cr Margaret Thomas**

Vote: **CARRIED UNANIMOUSLY (9/0)**

Attachment 1

Shire of Kalamunda
Risk Management Review 2014

October 2014

1

Background

Amendments to the *Local Government (Audit) Regulations 1996* (Regulation 17) effective from the 9 February 2013 requires the Chief Executive Officer (CEO) of a local government to carry out at least a biennial review of legislative compliance, internal control and risk management, and present the results of the review to the Audit and Risk Committee for their consideration. The Audit and Risk Committee is to consider the CEO's review and report the results of the review to Council.

The first review and report is to be completed by the CEO, reviewed by the Audit and Risk Committee and reported to Council by the 31 December 2014.

There are many similarities between the Risk Management Review and the Financial Management Review. The Risk Management Review is more encompassing than the Financial Management Review and includes specific items for inclusion in the report as required by the Local Government Operational Guideline Number 09 – "Audit in Local Government" issued by the Department of Local Government and Communities and Section 7 – "Internal Control Framework" of the Western Australian Local Government Accounting Manual.

Legislative Compliance

Audit and Risk committee practices in regard to monitoring compliance programs include:

- Monitoring compliance with legislation and regulations.

  Executive and the management team receive and read regular publications issued by the Department of Local Government and Communities and professional associations to keep themselves abreast of legislative changes. This includes reference to circulars, guidelines, the Local Government Accounting Manual and changes to Australian Accounting Standards.

  The Manager of Governance, Manager Financial Services and Internal Auditor have a good working knowledge of the Local Government Act 1995 and associated regulations with many years of experience working in local government and on local government matters.

  To ensure there is proper compliance with legislation a review is undertaken every two years of statutory documents and good practice documentation to ensure the information is current and regularly reviewed (refer Appendix 10).

- Reviewing whether the local government has procedures for it to receive, retain and treat complaints, including confidential and anonymous employee complaints.

  The Shire has developed a Complaints Handling Policy and Procedure. All complaints are required to be registered in a Complaints Data Base in Synergy, acknowledged within 5 working days and wherever possible resolved within 10 working days. Where a complainant requests their identity and complaint details to remain

2

confidential; the Shire will ensure that disclosure of any personal information to third parties is not made.

- Financial Reporting and Identifying Adverse Trends

Monthly Statements of Financial Activity identify significant adverse trends. At least one budget review plus a Statutory Budget Review is undertaken each financial year to ensure adverse trends are identified and budget amendments approved by Council.

- Financial disclosure and significant compliance issues.

All disclosures in management financial reports are reviewed by the management team and executive to ensure the disclosures comply with the Local Government Act 1995, Local Government Financial Management Regulations 1996 and accounting standards before they are presented to Council. Effects of significant changes such as the recognition of assets at fair value, is reviewed by the financial management team and the external auditors to ensure the recognition and disclosure complies with legislative requirements.

- Audit Planning and Independence

The Shire has developed a risk based internal audit plan.

Internal and external auditors have considered conflicts of interest and independence very seriously as part of their own ethics and considered the ethics of others in their audit plans. The external auditors as part of their rigorous quality control and client acceptance procedures have ensured they are independent.

- Managing Compliance and Ethics

The internal auditor ensures the financial interest register, disclosure of gifts register and other statutory registers are being maintained by the Manager of Governance.

Councillors and staff are aware of their public duty and private interests. Councillors and staff with delegated authority are required to submit primary and annual returns each year. Councillors and staff have been instructed on how to complete their returns ensure all returns are completed correctly and in full with spaces not left blank.

- Understanding Local Government Compliance and Regulatory Framework

The internal auditor reviews regular updates of publications issued by the Department of Local Government and Communities for changes to legislative requirements and ensures the changes are implemented. This includes changes to accounting standards and new legislation implemented by the State and Commonwealth. The external auditor discusses new legislative requirements with the Manager Financial Services and the Internal Auditor to ensure changes have been properly implemented.

3

- Audit and Risk Committee Roles and Responsibilities

Audit and Risk Committee members are aware of their obligations not to misuse their positions for financial gain and to disclose their financial interest on all matters before the committee. Members have been provided with a copy of the new Local Government Operational Guideline – Number 9 "Audit in Local Government" revised in September 2013 which outlines their function and responsibilities.

Internal Control

The Shire of Kalamunda has adopted a contemporary approach based on a pro-active, risk awareness culture which identifies the key business risks that the Shire of Kalamunda faces in today's environment and has implemented a framework based on these foundations. By taking this approach the Shire is able to meet its statutory obligations to ensure it has appropriate policies, practices and procedures of internal control in place and being maintained in order to assist the Shire to carry out its activities in an efficient and orderly manner. This enables the Shire to achieve its objectives, of adherence to management policies, safeguarding the Shire's assets, and to secure as far as possible the accuracy and reliability of its records.

Maintaining an effective and transparent internal control environment is vital to enable the Shire to operate effectively. Internal audit review activities have been conducted in the following areas:

- Integrity and ethics of the organisation

The Shire adopted a Code of Conduct on the 19 May 2008 as required by Section 5.103 of the *Local Government Act 1995* to provide guidance to Council members, committee members and employees of the Shire in regard to their duties and responsibilities, and to outline the standard of conduct expected of them. The draft document has been approved by the Shire's lawyers and will be going to the Audit and Risk Committee in November 2014.

The Code of Conduct is on the Shire's intranet and as part of employees induction training provided with a copy of the Code.

The guiding principles of the Code of Conduct in Shire of Kalamunda employees, council members and committee members fulfilling their duties is to:

- Act with reasonable care and diligence;
- Act with honesty and integrity;
- Act lawfully;
- Avoid damage to the reputation of the local government;
- Be open and accountable to the public;
- Base decisions or advice on relevant and factually correct information;
- Treat others with respect and fairness; and
- Not be impaired by mind affecting substances.

4

The Code of Conduct includes the use of:

- Confidential Information;
- Intellectual Property;
- Information to be Provided to Council Members;
- Improper and Undue Influence;
- Use of Local Government Resources;
- Role of Council Members and Employees;
- Disclosure of Interest;
- Gifts;
- Personal Behaviour;
- Corporate Obligations;
- Internal and External Communication;

- Complaints Handling

There is a complaints handling procedure with all complaints registered and actioned by appropriate business units in a timely fashion. A register is maintained of all complaints logged onto the computer system and actioned. Management receive regular reports on the number of complaints received and actioned each month.

- Policies and delegated authority.

A register is maintained of all Council Policies and Procedures. Policies and procedures are in the process of being reviewed and updated. There is also a delegations register that is kept up to date and reviewed regularly.

- Levels of responsibility and authority.

There is a documented corporate structure for the organisation headed by 12 Councillors the CEO, three directors and nine managers with delegated authority. Powers are delegated in writing and the delegations register is kept up to date.

- Audit practices.

The Shire has an Audit and Risk Committee that meets on a regular basis to review the internal and external auditor's reports and recommendations before they are presented to Council. The Audit and Risk Committee complies with the appointment, function and responsibilities under the *Local Government Act 1995* and the *Local Government (Audit) Regulations 1996*.

The internal auditor regularly reviews and tests the financial management systems of the Shire and prepares regular reports of his findings, management's comments and recommendations to the Audit and Risk Committee on the appropriateness and effectiveness of the systems in relation to risk management, internal control and legislative compliance. The review of financial management systems during the past two financial years ending 30 June 2013 and 2014 included:

- Cash Floats and Petty Cash.
- Rates and Rate Rebates, Concessions, Discount and Interest.
- Assets- Fixed Assets.
- Records.

5

- Expenses – Payroll.
- Liabilities – Employee Provisions.
- Bank Reconciliation.
- Home and Community Care (HACC).
- Cell 9 Contributions Calculations and Financial Statements – Trust Funds.
- Planning for the Adoption of Fair Value Accounting.
- Tendering.
- Procurement and Accounts Payable.
- Investments.
- FBT on Motor Vehicles.
- Contributions by Lessees/Asset Additions.
- Trust Cell 9 – GST Payable on Reimbursements to Education Department.
- Expenses – Corporate Credit Card Policy.
- Review of Compliance Audit Return 2013.
- Mail Remittances and Cash Receipts.
- Fees and Charges.
- Budget Reviews.
- Monthly Statement of Financial Activity.
- Long Term Financial Plan 2023.
- Annual Budget 2012/2013.

During the past two financial years there have been no significant non-compliance issues identified.

The audit findings requiring attention have either been actioned or entered in an Audit Risk Register with an estimated date for the items to be actioned (Refer Appendix 9).

- Information systems and access.

There are proper controls in place restricting access to computer information systems and records. In October 2009 the State Records Commission approved the Recordkeeping Plan on the control and storage of information held by the Shire. This plan has been reviewed and updated. It was approved for submission by Council in September 2014, and submitted to the State Records Commission on the 26th September 2014.
The Shire uses a fully integrated local government computer financial accounting system (Synergy) for its budgeting, financial reporting and records management. The system provides restricted access to various levels of information by employees for the protection and integrity of data. Appropriate access controls are operating effectively.

- Managements operating style.

Management provides professional advice and well researched agenda reports for councillors. These reports are prepared by management, reviewed by the Manager for Governance and examined by the Executive team made up of the CEO, Directors and Manager of Governance before they are accepted and circulated to Councillors. Management conveys its reports in a compliant and transparent manner with an officer's recommendation based on all the information provided.

6

- Human resource management and practices.

  There are proper controls and procedures in place in Human Resources for the control and protection of employee's confidential information. There are policies and procedures for Occupational Health and Safety, Staff Training and other operational matters affecting employees. Management practices includes a regular review of leave entitlements to ensure this is being regularly taken by all employees and does not exceed certain levels.

- Reviewing the effectiveness of the local government's internal control systems with management and the internal and external auditors.

  A review of Key Control Activities and Recommended Monitoring Activities were conducted by the internal auditor and the findings summarised in the following attachments presented to the Audit and Risk Committee:

  - Key Control Activities (Refer Appendix 7)
  - Recommended Monitoring Activities (Refer Appendix 8)

  The key control and recommended monitoring activities will now form part of the internal audit plan for 2014/2015 and for future years to be reported regularly to the Audit and Risk Committee.

Risk Management

- Risk Management in Local Government

  Risk management in local government is about the systematic identification, analysis, evaluation, control and monitoring of risk within the organisation. While risk cannot be totally eliminated, the Shire is strongly committed towards establishing robust structures, processes and controls that are cost effective in reducing the risk profile, thereby protecting the interests of the Shire, the public and other key stakeholders. Risk management is an integral part of the management style of the Shire of Kalamunda embedded in the culture and business processes, and is applied at all levels and functions within the organisation.

  The CEO, Directors and Managers are primarily responsible for managing strategic and operational risk on a day to day basis which forms a critical first line of defence for Council. The powers are delegated in writing to the CEO by Council and by the CEO to staff. Management establishes an appropriate control environment which includes the relevant financial internal controls for addressing the underlying accounting, financial systems and processes along with legislative requirements.

  The Shire's Governance framework establishes the policies and procedures which govern organisational activities and processes. This is established through monitoring activities such as self-assessments, regular reviews, management evaluation and process monitoring and improvement. This element has been strengthened following two forensic audits into the Shire resulting in a review of current policies, the

7

introduction of new policies and procedures, and a tightening up of processes particularly in procurement and tendering.

The internal audit function is charged with the responsibility to perform an objective assessment on the evaluation of performance of internal control activities and business processes. The internal audit includes an evaluation of key operational and financial internal controls, an assessment of risk, and compliance with legislation. Internal audit findings, management responses and recommendations are reported to the CEO and the Audit and Risk Committee.

The external audit function is independent and provides management with an audit opinion on whether the Shire's accounts are properly kept, and whether its financial report is presented fairly in accordance with the requirements of the *Local Government Act 1995, Local Government (Financial Management) Regulations 1996 (as amended)* and other professional reporting requirements. The external auditor conducts an interim audit on financial processes and procedures to substantiate the accuracy of information reported in the annual financial statements, and issues an interim management report with management's responses, and a final audit report on the annual financial statements. These reports are presented to the Audit and Risk Committee for consideration. During the past two financial years the interim management reports issued by the external auditors have provided minor recommendations to improve procedural matters which have or are being addressed by management. The Audit Report on the annual financial statements for year ending 30 June 2013 included a qualification on a matter of procedural non-compliance that has been addressed. The Interim Audit Report on the Financial Statements for the year ending 30 June 2014 was presented to the Audit and Risk Committee with items being addressed by management. The final report on the Financial Statements has yet to be issued.

- Providing an Effective Risk Management System

Council noted and adopted a Risk Management Policy in March 2012 to establish a consistent, efficient and effective assessment of risk within the organisation (Refer Appendix 1) Risk Management Procedures were prepared on the application of the policy (Refer Appendix 2).

Council adopted a Risk Management Plan in May 2014 (Refer Appendix 3). The document provides the necessary foundation and organisational arrangements and framework for managing risk. The document describes how the Shire will manage its strategic, operational and project risks associated with governance, management and operations of the Shire. Risks identified in the plan are to be treated using the standard AS/NZS/ISO 31000:2009 Risk Management – Principles and Guidelines.

The risk management processes are an integral part of management, embedded in the culture and tailored to the business processes of the Shire. It applies to all levels and functions within the organisation and helps stakeholders understand the basis by which decisions are made and enhances the Shire's capacity in achieving its objectives.

All risks identified that have an extreme or a high rating are included in an Audit Risk register for actioning and monitoring by management and executive (refer Appendix 9). These risks are regularly reviewed and reported to the Audit and Risk Committee.

8

- Implement a Business Continuity Plan (including disaster recovery)

The Shire has developed a Business Continuity Framework comprised of a Business Continuity Policy, Procedures and Business Continuity Plan. The Framework enables the Shire to respond to major incidents that have the potential to significantly impact on the ability of the Shire to deliver its key business activities and primary services. A major incident may also result in casualties, property damage, business interruption, financial loss and damage to the Shire's reputation and image.

The plan incorporates the prevention, preparedness, response and recovery framework which aims to return the Shire to a timely resumption of business activity before the business interruption critically impacts service delivery.

Ancillary to the Business Continuity Plan is an IT Disaster Recovery Plan. The primary focus of this document is to provide a plan to respond to a disaster that destroys or severely cripples the Shires central computer system operated by the Technology and Corporate Support Group. The intent being to restore operations as quickly as possible with the latest and most up-to-date data available.

- Managing and Assessing Risk

Material risks require prompt action and the implementation of or compensating procedures to help reduce or mitigate risk. These controls are assessed to establish whether there are available options to remove the source of the risk, change the likelihood of a risk reoccurring, share the risk with insurers or ensure it is continually monitored. A risk register is in place to manage, monitor, review and update material risks.

Strategic level risks are controlled by Council and/ or the Executive team and are associated with achieving the long term objectives of the Shire. Operational levels of risk are risks associated with developing the operational plans, functions or activities of the Shire and are owned and managed by the relevant business unit managers. Project risks are managed by personnel associated with the project and are associated with the delivery of projects on time and within budget.

Following the identification of risks, analysis of the risk in terms of for likelihood and the consequences is carried out. From this analysis the level of inherent risk can be determined. The inherent risk represents the level of risk associated with a particular issue without considering any controls that might be in place. The residual risk represents the level of risk remaining after controls have been successfully implemented and assessed for their effectiveness.

A risk matrix is used for quantification of likelihood and consequences as provided in the Integrated Risk Management Plan.

Items identified with an unacceptable level of risk are entered in an Audit Risk Register for regular review to ensure the matters identified are being regularly monitored or addressed.

9

- Regular Report - identifying key risks, monitoring new risks and mitigating risks.

  The internal auditor undertakes regular reviews of business practices and internal control to ensure key controls are in place and operating effectively.
  The review undertaken ensures that there are proper segregation of duties, documented procedures, staff with the necessary skills, experience and qualifications to undertake the task and processes. The review of IT controls ensures information access is properly managed.

  Regular internal audit reports are issued to the Audit and Risk Committee on completion of internal audit reviews. These reports identify breakdowns in internal control, the nature, impact and potential risk to the Shire. Breakdowns in internal control, likelihood of reoccurrence, their potential consequences, management's responses and actions or strategies to address risk are evaluated and reported.

  Management includes all identified risks in an Audit Risk Register (Refer to Appendix 9) for actioning, monitoring and regular reporting.

- Effective Management of Insurable Risk

  Every year the Local Government Insurance Service (LGIS) presents to Council the renewal report of all the Shire's Insurance Policies. Renewal terms and conditions of all its policies are based on the risk information provided by the Shire of Kalamunda. As a full member of the Scheme, i.e. participating in all Scheme segments and as a WALGA member, the Shire of Kalamunda receives all the benefits associated as a full member.

  The Shire is covered for the following insurance classes:

  - Corporate Practices Liability
  - Councillors and Officers Liability
  - Journey Injury
  - Marine Cargo
  - Motor Vehicle
  - Personal Accident and Travel
  - Casual Hirers Liability
  - Fidelity Guarantee
  - Bushfire Injury
  - Property
  - Liability (Public Liability and Products Liability)
  - Work Care (Workers Compensation)

  The Shire annually reviews its insurance coverage so that risk can be effectively managed. Particular attention is focused on assessing activities that may present the Shire with an unacceptable level of risk. For example, in the case of major land development projects a business plan is required in order to comply with legislation for proposed major land transactions, and in support of officer's reports and recommendation. To reduce or mitigate risk associated with a land development project, other options are also considered such as joint venture arrangements. A formal presentations to Council on the major land development proposal is also undertaken so that Council is fully briefed before any decision is made.

  10

All agendas contain a risk assessment as part of an officer's recommendation. Reports are often backed by independent advice from consultants and where required, legal advice is also obtained for transactions that carry more than an acceptable level of risk.

Further controls include regular budget reviews in order to identify unusual types of transactions and major variances of income and expenditure. This is in addition to a statutory budget review of all line item of income and expenditure with all significant variances properly investigated. Budget reviews and amendments are approved and adopted by Council.

Monthly Statements of Financial Activity are prepared in accordance with legislative requirements and presented to Council. Significant variances in income and expenditure in these monthly statements are identified and included in the monthly report to Council.

There are controls in place for payment of accounts to ensure supplier's payments do not exceed the tender threshold. A list of all payments are presented to Council each month with the name of the payee, amount and nature of the payment.

- Assessing procurement compliance to ensure probity and probity and transparency of policies and procedures/processes and whether these are being applied.

    As referred to before, policies and procedures in relation to procurement and tendering have been reviewed and strengthened following two Forensic Audits. New procedures on purchases and tendering were introduced that conform with legislative requirements to ensure tenders are properly advertised, recorded and evaluated in accordance with the Local Government Act 1995 and the Local Government (Functions and General) Regulations 1996. The internal auditor has conducted regular tests on processes in relation to procurement and tendering to ensure policies and procedures have been followed and processes comply with legislation. Management has centralised the procurement process within Corporate Services to strengthen internal control and compliance with legislation.

    All policies are being reviewed and new policies introduced where required. All Council approved policies are listed on the Shires web site.

- Managing changes to the changes in the local government's control environment.

    The Audit and Risk Committee meets regularly (normally every quarter) to review reports issued by the internal and external auditors and make its recommendation to Council.

    Detailed planning has been carried out to ensure the Shire complies with the introduction of Fair Value Asset Accounting.

- Managing Fraud and Misconduct Risk

    Following the completion of forensic audits in 2012 and 2013, a significant review of existing policies was undertaken. Additionally, new policies were established including:

11

- Corporate Credit Cards Policy;
- Payment and Reimbursement of Expenses Policy;
- Travel Policy; and
- Whistle-blower (Public Interest Disclosure) Policy.

The Whistle-blower (Public Interest Disclosure) Policy and procedures was prepared to encourage employees, elected members, contractors and consultants to report unlawful and unethical, or undesirable conduct that they genuinely believe has occurred or been committed by a person or persons in breach of the Shire of Kalamunda's Code of Conduct, policies or the law.

The internal auditor conducts regular risk assessments of financial management systems and procedures, to ensure internal controls are in place and operating effectively, and that there is compliance with legislation and policies. Regular internal audit reports with management's responses and recommendations are presented to the Audit and Risk Committee. This has strengthened the corporate governance processes and the internal control environment.

Conclusion

The Shire of Kalamunda provides an effective operating environment which ensures it has the necessary resources, skills, and expertise to deliver services to the community and discharge its obligations under law. Its corporate governance practices has enhanced the organisational performance, identified, managed and minimised risk, and ensured the organisation is meeting its legal and ethical obligations, assisting in preventing and detecting dishonest or unethical behaviour.

Whilst a number of areas have been identified for improvement, the overall effectiveness of the financial management systems and procedures of the Shire of Kalamunda in relation to legislative requirements, internal control and risk management remains sound and appropriate for the current level of operations and meet the requirements of regulation 17 of the Local Government (Audit) Regulations 1996. The strengths and weaknesses of the risk assessment review of legislative compliance, internal control is summarised as follows:

Strengths

In Governance and Organisational Management

- The Shire has adopted a governance framework which provides guidance and strategies for the development of critical operational and compliance documentation.
- A high level of reporting and information content in Agendas and Minutes.
- A high standard of reporting information and content in the Annual Report.
- Adoption of a Risk Management Policy and Risk Management Plan.
- Developed a Risk Register for addressing and monitoring risks.
- Risk Management integrated into all levels of planning and reporting to Council.
- A robust disaster recovery arrangement in place for IT systems and electronic records
- Council policies and procedures reviewed, updated and new policies adopted by Council.

12

- Council and Management addressing the recommendations emanating from two forensic audits.
- Content and structure of Agendas and Minutes includes a comprehensive index which meets the requirements of the Act and includes all information to be considered by Council, with a comprehensive officer's report and recommendation. Each individual report also tests risk management considerations.
- There is an Effective Business Continuity Plan in place.
- Regular internal audit reports prepared and issued to the Audit and Risk Committee identify areas requiring attention in order to strengthen the internal control structure to improve operations and mitigate potential exposure to risk.
- Management are addressing the internal control deficiencies and have introduced an audit risk register to record all risks and assign these risks to responsible managers for regular review.
- Councillors and staff understand their obligations under the Code of Conduct relating to corruption and acceptance of gifts by disclosing all gifts in the gift register.
- Regular Audit and Risk Committee Meetings are held to review internal and external auditor's reports, new policies and other information and provide its recommendations to Council.
- A detailed customer service policy and customer service complaints handling process
- A well-managed and operated records keeping system.

Weaknesses / Best Practice

- Proper documentation of operational procedures within a number of areas to enable new employees to understand systems especially in the rates and payroll areas.
- Comprehensive induction training required for new employees.
- There is limited workforce succession planning.
- Training at present is unstructured although steps are being taken to address this matter.

Strengths

In Financial Management

- Adopting and implementing the Integrated Planning and Reporting Framework which included the Strategic Community Plan and Corporate Business Plan, Asset Management and Long Term Financial Plans and submitting these documents to the Department of Local Government and Communities.
- High level of reporting information and content in the Annual Budget
- High level of reporting information and content in the Annual Financial Statements.
- Phasing in of assets at Fair Value in accordance with legislative requirements.
- Meeting majority of the preferred benchmarks for Key Performance Indicators (KPI's) for long term financial sustainability.
- Improvements in the Shire's liquidity and cash backed reserves.
- Undertaking more than one budget review during the financial year.
- Preparing regular internal audit reports for the Audit and Risk Committee on financial, operational and procedural matters on internal control, risk and legislative compliance.

13

Weaknesses / Best Practice

- Lack of good procedural documentation for staff working in certain areas to prevent errors being made in data entry. This has been placed on the audit risk register for attention by management
- Training required for new and existing employees especially in the areas of procurement, tendering and FBT. Management are taking steps to address this matter.

Appendix
1. Risk Management Policy
2. Risk Management Procedures
3. Risk Management Plan
4. Business Continuity Policy
5. Business Continuity Procedures
6. Business Continuity Plan
7. Key Control Activities
8. Recommended Monitoring Activities
9. Audit Risk Register
10. Statutory and Good Practice Documentation

14

Attachment 2

C-HR06 – Risk Management	
Management Procedure	**Relevant Delegation**
CM-HR06 – Risk Management	

Purpose

To establish 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

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

Related Local Law			
Related Policies			
Related Budget Schedule			
Legislation	Local Government Act 1995 Local Government (Administration) Regulations 1996 Risk Management AS/NZS/ISO 31000:2009		
Conditions			
Authority			
Adopted		Next Review Date	

Page 1

Attachment 3

Xx: Risk Management Procedure

Council Policy

Relevant Council Policy

Risk Management Policy

Purpose

To provide guidance on the application of the risk management procedure in accordance with the Risk Management Plan and Risk Management Policy to provide a consistent approach to effectively manage and monitor risks within the organisation.

Application

To apply risk management at all levels and functions of the organisation as part of its practices and procedures using the Australian/New Zealand ISO 31000:2009 Risk Management Standard (AS/NZS ISO 31000:2009).

Objectives

To establish roles and responsibilities for managing risk within the organisation from a:

- strategic;
- operational; and
- project level

On a Strategic Level to achieve the objectives of the Strategic Community Plan and deliver on the Corporate Business Plan Objectives

On an Operational Level delivery of the Long Term Financial Plan, the Asset Management Plan, the Workforce Plan, the Annual Budget and Annual Report by Business Unit Managers.

On a Project Level delivery of risks associated with developing and delivering projects successfully during each stage of the project to final completion by Business Unit Managers in control of individual projects.

Page 1

Risk Management Steps

The risk management process should be an integral part of management, embedded in the culture and tailored to the business process of the Shire. The risk management process is shown in the following diagram (AS/NZ 31000:2009)

Communication and Consultation

Communication and consultation with external and internal stakeholders should take place throughout the risk management process. Therefore plans for communication and consultation should be developed at an early stage. These should address issues relating to the risk itself, its causes, its consequences (if known), and the measures being taken to treat or address them.

It is an essential element of risk management as it helps stakeholders understand the basis on which decisions are made, and the reasoning behind particular actions.

Transparent clear communications throughout the process will help meet the obligations on local government for accountability and transparency.

Consulting with all stakeholders using a planned consultation process helps identify and address risks through improved understanding and backed by proper documentation.

Establishing the Context

By establishing the context, the Shire articulates its objectives, defines the external and internal parameters to be taken into account when managing risk, and sets the scope and risk criteria for the remaining process. While many of these parameters are similar to those considered in the design of the risk management framework, when establishing the context for the risk management process, they need to be considered in greater detail and particularly how they relate to the scope of the particular risk management process.

Page 2

Risk Assessment

Risk assessment is the overall process of risk identification, risk analysis and risk evaluation.
It includes the following components:
- Establishing the context
- Identification of the risk
- Analysing the level of risk and establishing whether it meets acceptable levels of tolerance
- Evaluating the risk in relation to the benefits it may provide
- Consideration on whether there are ways to mitigate risk and the treatment of risk.

Risk Identification

The Shire should identify sources of risk, areas of impact, events including changes in circumstances) and their causes and their 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 achievements of those objectives. It is also important to identify any risks associated with not pursuing an opportunity.

The techniques used to identify risks associated with the development, transition and operation of the SOK include:

Activity	Detail / timeframe	Participants
Strategic risk assessment as part of the decision making process	In planning processes and phased implementation timelines	Council, Executive and key stakeholders
Corporate risk analysis	In annual planning cycle and at key review points	Council, Executive and key stakeholders
Operational risk analysis	Agenda item on all regular Council, project, committee and staff team meetings	All relevant Elected Members and Officers
Internal and external Emergency management	As required	Executive, relevant staff and LEMC
Business Continuity	Ongoing with regular review	All relevant Elected Members and Staff
Review of current risk treatments and assessment of future organisational and project plans in relation to risk	Annually and as relevant	All relevant Elected Members and Officers
Incident / Issue reporting, investigation and review	When reported and monthly	All relevant staff and stakeholders
Feedback processes	Ongoing	All relevant staff and key stakeholders

Page 3

Risk Assessment Categories

The SOK assesses risk in the areas of:

- Financial
- Environment
- Health
- Compliance
- Reputation
- Operation
- Project

Risk Management is a core component of the Shire's corporate governance framework and is embedded within our strategic and corporate planning process. The table below outlines the key reference points applicable to each risk level.

- Strategic Risk Table

  - The Strategic Community Plan
  - The Corporate Plan
  - Business Continuity
  - Internal and External Emergency Management
  - Reports for Council
  - Insurances
  - Occupational Health and Safety of Employees
  - Protection of Assets
  - Legislative Compliance
  - Biennial Risk Review
  - Completion of Annual Budget
  - Completion of Annual Report

- Operational Risk Table

  - Compliance with legislative requirements.
  - Completion of the annual budget
  - Completion of annual report.
  - Statutory Budget Review
  - Monthly reporting
  - Rates
  - Investments
  - Payroll
  - Debtors and Other Receivables
  - Procurement and Tenders
  - Purchases and Payments
  - Records
  - Information Technology (IT)

- Project Risk Table

  - Completion of Projects on budget and on time
  - Variances investigated

Page 4

Risk Analysis

Risk analysis involves developing an understanding of risk. Risk analysis provides an input to risk evaluation and the decision on whether risks need to be treated, and on the most appropriate risk treatment strategies and methods. Risk analysis can also provide an input into making decisions where choices must be made and the options involve different types and levels of risk.

Risk Evaluation

The purpose of risk evaluation is to assist in making decisions, based on the outcomes of risk analysis, about which risks need treatment and the priority for treatment implementation.
Risk evaluation involves comparing the level of risk found during the analysis process with risk criteria established when the context was considered. Based on this comparison, the need for treatment can be considered.

The Shire has a low appetite for risks relating to:

- health, safety and the wellbeing of staff and the community
- administration of finances and assets
- legislative compliance

There is a potentially higher appetite where benefits created by innovative concepts and ideas outweigh the risks. Benefits may include improved service delivery, and/ or increases in efficiency and effectiveness of the shire's operations.

The following chart provides examples to assist in the evaluation process in establishing whether risks are considered to be:

- insignificant – immaterial and less than a $10,000 financial impact, a minor breach of policy and will result in no health, safety or reputational impacts of the shire
- minor- financial effect of between $ 10,000 and $100,000, may result in minor injury and reputation but can be contained within the shire
- major – financial impact of between $100,000 and $500,000, may result in serious injury of individuals and may result in adverse finding on reputation
- critical – financial impact of between $500,000 and $ 1 million resulting in significant injuries, breach of reputation of the shire, inability to deliver on deliverables
- extreme – financial impact greater than $ 1 million, resulting in death and permanent disabilities of individuals, breach in legislation resulting in external investigations and serious injury to the reputation of the shire

Likelihood /Consequences

LEVEL	DESCRIPTION	EXAMPLES	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.

Page 5

Matrix used to determine perceived level of risk

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

E = **Extreme Risk**: Immediate action required by EM or Executive Management
H = **High risk**: Senior management attention needed
M = **Medium risk**: Managed by specific monitoring or response procedures
L = **Low risk**: Manage by routine procedures, unlikely to need specific application of resources

Risk Treatment

Step 1: Identify Risks

The first step is to identify the key risks facing the shire. The aim of the risk identification is to consider all financial and non-financial events which might affect the achievement of the shire's objectives and operations. Comprehensive identification of risk is important because a potential risk not identified at this stage may not be included in further analysis.

Step 2: Analyse Risks

Once the risks have been identified they are analysed in terms of how likely the risk event is to occur **(likelihood)** and the possible magnitude **(consequences)** of the risk event. From this analysis the level of inherent risk can be determined. The inherent risk represents the level of risk associated with a particular issue without considering any controls that might already be in place. The residual risk represents the level of risk remaining after controls have been successfully implemented and assessed for their effectiveness.

Step 3 Evaluate control activities

The next step is to identify the control activities in place and evaluate the effectiveness of these controls on a scale of 1 – 5, with 1 being a low or ineffective rating to a high of 5 being highly effective.

Where a control activity has been given an effective rating of 3 or below by the responsible officer, some level of explanation should be provided for the deficiency in the control activity. In addition where a control activity has been given an effective rating of 3 or below by the checking officer, an action plan should be recorded. Further to this, where a control has not been implemented, an action plan should be recorded to implement the control, or a strong rational provided for its omission.

Page 6

Once the control activity has been evaluated, an accurate assessment of the actual residual risk can be determined.

Step 4 Treat risks and control activities

The final step is to treat risks and control activities with the implementation of any action plans to correct deficiencies. It is also appropriate to identify the further controls that should be implemented to ensure the risks are being managed at an acceptable level. Consistent with the accountability principles of a robust corporate governance environment, each additional control to be implemented should be assigned to a nominated responsible officer.

Roles/Responsibilities

Risk Management is an integral part of the management process of the Shire of Kalamunda embedded in the culture and business processes of the Shire, and applied to all levels and functions of the organisation.

CEO and Directors (Executive)

The CEO and Directors are responsible for managing the strategic risks of the shire and ensuring procedures for the management and review of this risk. The Executive team is also responsible for the corporate functions by establishing the policies and procedures which govern organisational activities and processes.

Business Unit Managers

Business unit managers are primarily responsible for managing operational risk on a day by day basis which forms a critical first line of defence for Council. Management achieves this by establishing an appropriate internal control environment which includes the relevant financial internal controls addressing the underlying accounting assertions and an assessment of risk for all reports it presents to Council.

Internal Audit

Internal audit is charged with the responsibility to perform an objective assessment of control activities and business processes. This includes an evaluation of internal controls and business processes, assessment of risk and compliance with legislation and accounting principles. The internal auditor provides his findings and recommendations to the CEO and Audit and Risk Committee.

External Audit

The external auditor is required to form an opinion on whether the Shire's accounts are properly kept and whether its financial report is presented fairly in accordance with the *Local Government Act 1995, Local Government (Financial Management) Regulations 1996 (as amended)* and other professional reporting requirements. The external auditor issues an interim management report and a final report on the Annual financial statements to the Audit and Risk Committee

Audit/Risk Committee

The Audit and Risk Committee has a role governed by the *Local Government Act 1995, Local Government (Audit) Regulations 1996.* This role is to provide guidance and assistance to the local government as to the carrying out of its functions in relation to audits, the appointment of external auditors, review reports given to it by the CEO, review the annual Compliance Audit Return and consider the CEO's biennial reviews of the appropriateness and effectiveness of the local

government's systems and procedures in regard to risk management, internal control and legislative compliance.

Monitoring/Review

Reporting System

- Quarterly Review

Strategic and risks with a major or extreme level of risk are to be reviewed each quarter by Executive and reported to the Audit and Risk Committee.

Operational risks included in the Audit Risk Register are to be reviewed by Business Unit Managers every quarter and the outcomes reported to SMG.

Project risks identified for all major projects are to be reviewed by the Business Unit Managers every quarter and the outcomes reported to SMG.

- Biennial Review

A biennial review of legislative compliance, internal control and risk management is a requirement under Regulation 17 of the *Local Government (Audit) Regulations 1996*. The results of the review is to be presented to Audit and Risk Committee for consideration and the results of the review reported to Council. The first review since the introduction of the amendments to the audit regulations on the 9 February 2013 is to be completed and reported to Council by the 31 December 2014.

The biennial review is more encompassing than the four yearly financial management review and includes items specified in Local Government Operational Guideline 09 – "Audit in Local Government" and covered under Section 7 – "Internal Control Framework" of the Western Australian Local Government Accounting Manual. Both of these documents are issued by the Department of Local Government and Communities.

That Key Control Activities and Recommended Monitoring Activities under Section 7 – "Internal Control Framework" of the Western Australian Local Government Accounting Manual will be form part of the Biennial Review.

- Half Yearly Review

Provide the Audit and Risk Committee with a report on the outcomes of the quarterly reviews covering Strategic, Operational and Project Risks and the action being taken to address all items identified.

Page 8

Attachments

1. Risk Assessment Worksheet
2. Risk Evaluation Worksheet
3. Completed Example

Related Budget Schedule			
Authority			
Adopted		Next Review Date	

Page 9

Attachment 4

shire of
kalamunda

Integrated Risk Management Plan

Shire of Kalamunda

Contents

Introduction

Legislative Framework

A Framework for Managing Risk

Implementing Risk Management

Introduction

- ## Purpose

The Risk Management Plan provides the necessary foundation and organisational arrangements for managing risk. This document describes how the Shire of Kalamunda will manage the strategic operational and project risks associated with governance, management and operations of the Shire. Risks will be identified and treated using AS/NZS /ISO 31000:2009 using the risk appetite and tolerance levels of the Shire of Kalamunda as a guideline. It defines roles and responsibilities for those involved in the risk processes, the risk management activities undertaken, the schedule and budget for risk management activities and any applications that will be applied.

- ## What is risk management?

A risk is defined as the effect of uncertainty (either positive or negative) on business objectives.

Risk management is the coordination of activities that directs and controls the organisation with regard to risks. It is commonly accepted that risk management involves both the management of potentially adverse effects as well as the realisation of potential opportunities.

In performing daily activities, risk management can be described as the collection of deliberate actions and activities carried out at all levels to identify, understand and manage risk in order to achieve the objectives of the shire.

- ## Benefits of risk management

The benefits of risk management embedded in all aspects of management are:

- effective management of adverse events or opportunities that impact on our purpose and objectives
- ability to make informed decisions regarding management of potential negative effects of risk and take potential advantage of opportunities
- improved planning and performance management processes enabling a strong focus on core business service delivery and implementation of business improvements
- ability to direct resources to risks of greatest significance or impact
- improvement in culture of the organisation enhancing staff capacity to understand their role in contributing to the achievement of objectives
- greater organisational efficiencies

- ## Goals of the plan

The Plan aims to:
- integrate risk management within the shire's performance management cycle
- communicate the benefits of risk management
- convey the shire's policy, approach and attitude to risk management
- set the scope and application of risk management within the organisation
- establish the roles and responsibilities for managing risk

Page | 3

- set out a consistent approach for managing risk across the organisation, aligned with relevant standards and industry best practice
- detail the process for escalating and reporting risk
- convey the shire's commitment to the periodic review and verification of the Risk Management Plan and its continual improvement
- describe the resources available to assist those with accountability or responsibility for managing risks
- ensures the shire meets its risk reporting obligations

- **Principles underpinning the plan**

The Australian Standard for Risk Management – Principles and guidelines (AS/NZ ISO 31000:2009) is based on 11 best practice principles. These principles underpin the Plan and guide how to effectively and efficiently manage risk at all levels.

1. **Creating and protecting value** – risk management contributes to the achievement of the Shire's objectives and improves performance in areas such as corporate governance, program and project management, and employee health and safety.
2. **An integral part of all organisational processes** – risk management is not a stand-alone activity performed in isolation. Rather, it is an integral part of our governance and accountability framework, performance management, planning and reporting processes.
3. **Part of decision making** – risk management aids decision-makers to make informed choices, prioritise activities and identify the most effective and efficient course of action.
4. **Explicitly addressing uncertainty** – risk management identifies the nature of uncertainty and how it can be addressed through a range of mechanisms, such as sourcing risk assessment information and implementing risk controls.
5. **Systemic, structural and well timed** – risk management contributes to efficiency and to consistent, comparable and reliable results.
6. **Based on the best available information** – risk management should draw on diverse resources of historic data, expert judgement and stakeholder feedback to make evidence-based decisions. As decision-makers, we should be cognisant of the limitations of data, modelling and divergence amongst experts.
7. **Tailored** – risk management aligns with the internal and external environment within which the Shire operates, and in the context of its risk profile.
8. **Human and cultural factors** - risk management recognises that the capabilities, perceptions and aims of people (internal and external) can aid or hinder the achievement of objectives.
9. **Transparent and inclusive** – risk management requires appropriate and timely involvement of stakeholders to ensure that it stays relevant and up to date. Involving stakeholders in decision making processes enables diverse views to be taken into account when determining risk criteria.
10. **Dynamic, interactive and responsiveness to change** – risk management responds swiftly to both internal and external events, changes in the environmental context and knowledge, results of monitoring and reviewing activities, new risks that emerge and others that change or disappear.
11. **Continual improvement of the organisation** – risk management facilitates continuous improvement of our operation by developing and implementing strategies to improve risk management maturity.

Page | 4

Legislative Framework

- ## Risk Management Policy

Intent

- The Shire of Kalamunda is committed to organisation-wide risk management principles, systems and processes that ensure consistent, efficient, and effective assessment of risk in all planning, decision making and operational processes. This will ensure compliance with the Financial Reporting, Budgeting and Integrated Planning requirements of the *Local Government Act (1995)*, *Local Government (Financial Management) Regulations 1996* and the *Local Government (Audit) Regulations 1996*.

Definition of Risk:

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

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

Principles – Framework - Process

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

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

In particular it will be applied to:

- Strategic and operational planning
- Expenditure of large amounts of money
- New strategies and procedures
- Management of projects, tenders and proposals
- Introducing significant change
- The management of sensitive issues.
- The achievement of organisational goals and objectives.
- Compliance with Local Government Act (1995), Local Government (Audit) Regulations 1996
- The ongoing health and safety of all employees at the workplace
- Ensuring public safety within the Council's jurisdiction is not compromised.
- Limited loss or damage to property and other assets.
- Limited interruption to business continuity.
- Positive public perception of Council and the Shire.
- Application of equal opportunity principles in the workforce and the community.

Page | 5

Responsibilities

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

Monitor and review

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

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

Signed: .... Name ....
Date / / 2014 Chief Executive Officer
Review Date / / 2014

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

▪ Legislation

- Section 5.56(1) and (2) of the *Local Government Act 1995*- Planning for the Future; Regulation 17(1) (a) of the *Local Government (Audit) Regulations*: "The CEO is to review the appropriateness and effectiveness of a local government's system and procedures in relation to risk management".
- Under regulation 17 (1) of the *Local Government (Audit) Regulations 1996* the CEO is to review the appropriateness and effectiveness of a local government's system and procedures in relation to –
  (a) risk management; and
  (b) internal control; and
  (c) legislative compliance.
  17 (2) the review may relate to any or all of the matters referred to in sub regulation (1) (a),(b) and (c), but each of those matters is to be the subject at least once every 2 calendar years.

Page | 6

17(3) The CEO is to report to the audit committee the results of that review.

- **Australian/ New Zealand Standard**

- Alignment with the Australian/New Zealand Standard ISO 31000:2009 Risk management – Principles and guidelines (AS/NZS ISO 31000).

A Framework for Managing Risk

Risk management should be implemented by ensuring that the risk management process is applied to all relevant levels and functions of the organisation as part of its practices and processes (principles and guidelines (AS/NZS ISO 31000:2009)).

Risk Management requires strong and sustained commitment by management of the organisation as well as strategic and rigorous planning to achieve commitments at all levels (Risk management – principles and guidelines (AS/NZS ISO 31000:2009).

Principles → Mandate and Commitment

Framework design for managing risk

Continual improvement of the framework

Implementing risk management

Monitoring and review of the framework

Page | 7

Mandate and Commitment

The introduction of risk management and ensuring its ongoing effectiveness require strong and sustained commitment by management of the organisation, as well as strategic and rigorous planning to achieve commitment at all levels. Management should:
- define and endorse the risk management policy;
- ensure that the organisation's culture and risk management policy are aligned;
- determine risk management performance indicators that align with performance indicators of the organisation;
- align risk management objectives with the strategies of the organisation;
- ensure legal and regulatory compliance

Framework Design for Managing Risk

The component of a framework for managing risk includes:
- An understanding of the organisation and its context
- Establishing a risk management policy
- Accountability
- Integration into organisational processes
- Resources
- Establishing internal communication and reporting mechanisms
- Establishing external communication and reporting mechanisms

Risk Governance & Accountabilities

Structures
- Chief Executive Officer
- Audit and Risk Committee
- External Auditor
- Internal Auditor

Risk Hierarchy

Strategic Level Risks
- Achieving Objectives of Strategic Community Plan
- Delivering Corporate Business Plan

Operational Level Risks
- Delivery of Long Term Financial Plan
- Delivery of Asset Management Plan
- Delivery of Workforce Plan
- Delivery of Annual Budget

Project level Risks

Risk System

Artefacts
- Framework
- Policy
- Process
- Tools- Risk Registers
- Tools- Learning
- Performance Monitoring
- Risk Reports

- Risk Governance and Accountabilities

Risk management is part of the shire's strategy to promote accountability through good governance and robust business practices, which contributes to the strategic objective of creating a sustainable organisation to manage resources effectively in order to strengthen service delivery.

Page | 8

The Shire is committed to embedding risk management principles and practices into its organisational culture, governance and accountability arrangements, planning, information technology, engineering, community services, reporting, performance reviews, business transformation and improvement processes.

Through the framework and its supporting processes, the Shire formally establishes and communicates its risk appetite, guiding staff in their actions and ability to manage risk.

The Shire has a low appetite for risks relating to:

- health, safety and the wellbeing of staff and the community
- administration of finances and assets
- legislative compliance

There is a potentially higher appetite where benefits created by innovative concepts and ideas outweigh the risks. Benefits may include improved service delivery, and/ or increases efficiencies and effectiveness of the shire's operations.

In accordance with the Framework, each business unit and directorate will communicate their appetite for risk as part of the risk assessment process.

To position the Shire as a risk-aware, responsive and resilient organisation, its risk management approach is directed through:

- compliance with relevant legislation, policies and procedures
- alignment with standards and better practice guides to soundly support decision making and continuous improvement or risk management practices

Effective risk management is modelled by:

- leadership demonstrated by the Chief Executive Officer and the executive management team
- staff in all work contexts through their identification, analysis, evaluation, treatment, monitoring and review of risks that may impact in achieving the shire objectives

The scope of responsibility and accountability for risk management is the business of everyone. The success of the Shire's risk management strategy relies on all staff enacting the risk management approach outlined in this framework.

Structures

The Chief Executive Officer (CEO) - under legislation the CEO is required to review the appropriateness and effectiveness of a local governments systems and procedures in relation to risk management, internal control and legislative compliance at least once in every two years and report to the audit and risk committee the results of that review.

Audit and Risk Committee – each local government is to establish an audit and risk committee made up of at least three or more persons with the majority to be elected members. It has an oversight role on all matters that relate to audits including the appointment of the external auditor and review of reports from the CEO, external auditor and internal auditor. The audit and risk committee supports Council in its endeavours to

Page | 9

provide effective corporate governance and fulfil its responsibilities in relation to controlling and directing the affairs of the shire.

External Auditor – is the person appointed by the local government under the Local Government Act 1995 to undertake the audit of the accounts and financial report for each financial year. An audit report and management report is then issued to the Audit and Risk Committee.

Internal Auditor – is a person appointed by a local government to undertake an audit of the adequacy and effectiveness of the internal control, legislative compliance, accounting systems and procedures, review of policies, procedures and risk management in accordance with an audit plan. The internal auditor is to report his findings to the CEO, and as directed by the CEO, to the Audit and Risk Committee.

- **Risk Hierarchy**

The levels of risks can be identified at different levels depending on what activity is being assessed. These include:

Strategic Level Risks

Strategic Level risks are associated with achieving the long term objectives of the Shire. These risks can be of an internal or external nature and they are usually controlled by Council and/or the Executive Management Team.

In the context of integrated Planning and Reporting, Strategic Level Risks may include:

- Risks associated with achieving the objectives of the Strategic Community Plan:
    - Effective engagement with the community
    - Equity in involvement
    - Transparency of process
    - Integration of informing strategies
    - Organisational acceptance of Strategic Community Plan
- Risks associated with delivering the Corporate Business Plan:
    - Impact of new assets on changes to services
    - Aligning service delivery to meet organisational objectives
    - Resourcing and sustainability
    - Alignment of local government structures and operations to support achievement of objectives.

Operational Level Risks

Operational Level risks are associated with developing the operational plans, functions or activities of the local government. These risks have day to day impacts on the Shire and are owned and managed by the person who has responsibility for the activity to the level of delegated authority or capability.

In the context of Integrated Planning and reporting, Operational risk may include:

- Risks associated with delivery of the Long Term Financial Plan

Page | 10

- Risks associated with the development or delivery of the Asset Management Plan
- Risks associated with the delivery of the Workforce Plan:

Project Level Risks

Project level risks are associated with developing or delivering projects or discreet activities. Project risks should be managed at each stage of the project by the person who has responsibility for them.

Implementing the Risk Management Plan

Risk management should be implemented by ensuring that the risk management process is applied to all relevant levels and functions of the organisation as part of its practices and processes (principles and guidelines (AS/NZS ISO 31000:2009)).

- **Risk System**

  - Risk management process

The risk management process should be an integral part of management, embedded in the culture and tailored to the business process of the Shire. The risk management process is shown in the following diagram (AS/NZ 31000:2009)

Page | 11

○ Communication and Consultation

Communication and consultation with external and internal stakeholders should take place throughout the risk management process. Therefore plans for communication and consultation should be developed at an early stage. These should address issues relating to the risk itself, its causes, its consequences (if known), and the measures being taken to treat or address them.

It is an essential element of risk management as it helps stakeholders understand the basis on which decisions are made, and the reasoning behind particular actions.

Transparent clear communications throughout the process will help meet the obligations on local government for accountability and transparency.

Consulting with all stakeholders using a planned consultation process helps identify and address risks through improved understanding and backed by proper documentation.

○ Establishing the Context

By establishing the context, the Shire articulates its objectives, defines the external and internal parameters to be taken into account when managing risk, and sets the scope and risk criteria for the remaining process. While many of these parameters are similar to those considered in the design of the risk management framework, when establishing the context for the risk management process, they need to be considered in greater detail and particularly how they relate to the scope of the particular risk management process.

○ Risk Assessment

Risk assessment is the overall process of risk identification, risk analysis and risk evaluation. It includes the following components:

- Establishing the context
- Identification of the risk
- Analysing the level of risk and establishing whether it meets acceptable levels of tolerance
- Evaluating the risk in relation to the benefits it may provide
- Consideration on whether there are ways to mitigate risk and the treatment of risk.

○ Risk Identification

The Shire should identify sources of risk, areas of impact, events including changes in circumstances) and their causes and their 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 achievements of those objectives. It is also important to identify any risks associated with not pursuing an opportunity.

The techniques used to identify risks associated with the development, transition and operation of the SOK include:

Page | 12

Activity	Detail / timeframe	Participants
Strategic risk assessment as part of the decision making process	In planning processes and phased implementation timelines	Council, Executive and key stakeholders
Corporate risk analysis	In annual planning cycle and at key review points	Council, Executive and key stakeholders
Operational risk analysis	Agenda item on all regular Council, project, committee and staff team meetings	All relevant Elected Members and Officers
Internal and external Emergency management	As required	Executive, relevant staff and LEMC
Business Continuity	Ongoing with regular review	All relevant Elected Members and Staff
Review of current risk treatments and assessment of future organisational and project plans in relation to risk	Annually and as relevant	All relevant Elected Members and Officers
Incident / Issue reporting, investigation and review	When reported and monthly	All relevant staff and stakeholders
Feedback processes	Ongoing	All relevant staff and key stakeholders

□ Risk Assessment Categories

- Assets and Infrastructure
- Operation and maintenance
- Community
- Key Decision Making process
- Environment and Heritage
- Financial (short and long term)
- Information Technology (IT)
- Legal
- Political
- Technical
- Health and Safety
- Workforce Planning
- People Management
- Services and Functions

□ Risk Analysis

Risk analysis involves developing an understanding of risk. Risk analysis provides an input to risk evaluation and to decision on whether risks need to be treated, and on the most appropriate risk treatment strategies and methods. Risk analysis can also provide an input into making decisions where choices must be made and the options involve different types and levels of risk.

Page | 13

◻ Risk Evaluation

The purpose of risk evaluation is to assist in making decisions, based on the outcomes of risk analysis, about which risks need treatment and the priority for treatment implementation.

Risk evaluation involves comparing the level of risk found during the analysis process with risk criteria established when the context was considered. Based on this comparison, the need for treatment can be considered.

The Shire has a low appetite for risks relating to:

- health, safety and the wellbeing of staff and the community
- administration of finances and assets
- legislative compliance

There is a potentially higher appetite where benefits created by innovative concepts and ideas outweigh the risks. Benefits may include improved service delivery, and/ or increases efficiencies and effectiveness of the shire's operations.

Risk should be evaluated on the basis of materiality consideration to other matters including:

- health
- safety
- reputation to the organisation
- impact on operations
- the environment
- compliance
- timeframes
- financial impact
- delays in meeting deadlines

The following chart provides examples to assist in the evaluation process in establishing whether risks are considered to be:

- insignificant – immaterial and less than a $10,000 financial impact, a minor breach of policy and will result in no health, safety or reputational impacts of the shire
- minor- financial effect of between $ 10,000 and $100,000, may result in minor injury and reputation but can be contained within the shire
- major – financial impact of between $100,000 and $500,000, may result in serious injury of individuals and may result in adverse finding on reputation
- critical – financial impact of between $500,000 and $ 1 million resulting in significant injuries, breach of reputation of the shire, inability to deliver on deliverables
- extreme – financial impact greater than $ 1 million, resulting in death and permanent disabilities of individuals, breach in legislation resulting in external investigations and serious injury to the reputation of the shire

Page | 14

FINANCIAL	DESCRIPTION	HEALTH	REPUTATION	OPERATION	ENVIRONMENT	COMPLIANCE	PROJECT
<Less than $10,000	**Insignificant**	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
$10,000 – 100,000	**Minor**	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
$100,000- $500,000	**Major**	Medical treatment	Substantiated, public embarrassment, moderate impact, moderate news profile	Significant delays to major deliverables	Environmental damage requiring restitution or internal clean up	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
$500,000 - $1million	**Critical**	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
>More than $1 million	**Extreme**	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 Appetite and Tolerance

Given that local governments have limited resources, it is important to focus on the key risks. The risk management methodology outlined below has been adapted from the Australian /New Zealand Standard on Risk Management (AS/NZ ISO 31000:2009) to provide a structured approach for the Shire. This methodology will assist in the risk management process with particular emphasis on the following:

- Identifying the key risks facing the organisation
- Assessing whether the associated internal controls are effective
- Identifying whether further controls may be required

Step 1: Identify Risks

The first step is to identify the key risks facing the shire. The aim of the risk identification is to consider all financial events which might affect the achievement of the shire's objectives and operations. Comprehensive identification of risk is important because a potential risk not identified at this stage may not be included in further analysis.

Step 2: Analyse Risks

Once the risks have been identified they are analysed in terms of how likely the risk event is to occur **(likelihood)** and the possible magnitude **(consequences)** of the risk event. From this analysis the level of inherent risk can be determined. The inherent risk represents the level of risk associated with a particular issue without considering any controls that might already be in place. The residual risk represents the level of risk remaining after controls have been successfully implemented and assessed for their effectiveness.

Likelihood /Consequences

LEVEL	DESCRIPTION	EXAMPLES	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.

Page | 16

Matrix used to determine perceived level of risk

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

E = **Extreme Risk:** Immediate action required by EM or Executive Management
H = High risk : Senior management attention needed
M = Medium risk : Managed by specific monitoring or response procedures
L = Low risk : Manage by routine procedures, unlikely to need specific application of resources

Step 3 Evaluate control activities

The next step is to identify the control activities in place and evaluate the effectiveness of these controls on a scale of 1 – 5, with 1 being a low or ineffective rating to a high of 5 being highly effective.

Where a control activity has been given an effective rating of 3 or below by the responsible officer, some level of explanation should be provided for the deficiency in the control activity. In addition where a control activity has been given an effective rating of 3 or below by the checking officer, an action plan should be recorded. Further to this, where a control has not been implemented, an action plan should be recorded to implement the control, or a strong rational provided for its omission.

Once the control activity has been evaluated, an accurate assessment of the actual residual risk can be determined.

Step 4 Treat risks and control activities

The final step is to treat risks and control activities with the implementation of any action plans to correct deficiencies. It is also appropriate to identify the further controls that should be implemented to ensure the risks are being managed at an acceptable level. Consistent with the accountability principles of a robust corporate governance environment, each additional control to be implemented should be assigned to a nominated responsible officer.

Key Success Factors

In using the risk matrix, it is important to recognise that in initial debate, unless there are subject professionals or experts in the conversations the results will guide the discussions, but more information will be needed to further define the risk level.

o Risk Treatment

When a risk has been assessed there are a number of options available including:
- Not undertake or continue with an activity
- Increase the risk to pursue an opportunity
- Remove the source of the risk
- Change the likelihood of the risk
- Share the risk with another party such as insurers
- Retain the risk and ensure it is continually monitored.

o Monitoring and Review of Risk

An essential element of the risk management process is the monitoring and review of risk. This may be by internal audit review of process and internal controls depending on the nature

o Tools – risk registers

The risk register enables staff to document, manage, monitor, review and update strategic, corporate and operational risk information. Maintaining and updating the risk register allows management to monitor and review risks in alignment with the strategic plan, divisional operational plans, programs of change and other related plans.

o Risk reporting

As there is no one single risk report that meets the decision making needs of the Shire, risk reports are to tailored by the accountable area and summarised using the preferred templates to support management decision during the planning and review processes, and in support of reports to Council.

o Tools for building risk capability

A range of guides and publications are available to build staff awareness and develop skills by enabling staff to proactively manage risk. This increased awareness and understanding provides staff with greater self-confidence and willingness to take responsibility for the management of risk across their business unit directorate.

Recommended guides and publications include:
- Risk Management Resources – Department of Local Government March 2013
- Section 7 of the Western Australian Local Government Accounting Manual – Department of Local Government
- AS/NZS ISO 31000:2009 Risk Management – Principles and guidelines by Standards Australia

Page | 18

○ Monitoring and Review

- Review risk management performance against objectives
- Review risk management IT system (CAMMS Module)
- Review organisational risk management culture
- Include review of the risk registers in strategic and operational planning and budgeting.
- Include Risk Management in all new business ventures and activities
- Include Risk Management as part of purchasing process.
- Include risk management in annual performance appraisals
- Conduct annual risk management internal audit
- Look for continuous improvement opportunities
- Review if the Integrated Organisational Risk Management Plan used as reference and orientation document
- Review if risk management accountabilities and responsibilities are included in position descriptions and KPIs.
- Review if hazard management processes aligned for both OSH and all organisational risks

○ KPIs and Performance Measures

Key Performance Indicators (KPIs)
These indicators are a quantitative measure of the level of performance of a business function or activity. It will be a requirement to measure the KPIs of the Risk Management objectives of the Shire of Kalamunda, to ensure accountability and continuous improvement of each business unit.

Monitoring, Review and Continual Improvement of the Framework

The monitoring and review should be a planned part of the risk management process and involve regular checking and surveillance. Strategic risks should be reviewed quarterly by Executive. Project risks should be reviewed on an ongoing basis and operational risk should be reviewed by each Directorate quarterly.

Responsibilities for monitoring and review should be carried our periodically and clearly defined. The review process should encompass all aspects of the risk management process.

The main aim of the monitoring and review process is to:
- Ensure key controls remain efficient and effective within the shire
- Provide early identification of changes in the risk context or risk assessment which may require revision of the risk treatment
- Identify any new or emerging risk due to changes in circumstances
- Review risks due to changes in legislation and procedures
- Independent investigations and reports with adverse findings requiring steps to be taken in relation to risk and processes.

Page | 19

Appendix

A. Risk Assessment Worksheet

B. Template for Inclusion in Reports to Council on Risk Management

C. Example of Completed Template for Inclusion in Reports to Council on Risk Management

Page | 20

A Risk Assessment Worksheet

Organisational Unit	Context/ Subcontext	Risk	Cause		Resulting in	Risk Owner
Corporate Services	Strategic	Failure to respond to a bushfire emergency in a timely fashion	Lack of communication Poor advice from FESA Severe change to weather conditions		Property Damage Infrastructure Damage Staff or residents suffer serious injury or death Reputational damage	Coordinator Ranger Services

Control Name	Control Description	Control Owner	Assessed Y/N	Control Assessor	Assessment Due Date	Assessed Date	Control Effectiveness	Controls Rating	Consequence Category	Assessed Ratings		
										Consequence	Likelihood	Level of Risk
MOU with Fire and Emergency Services		Coordinator Ranger Services	Yes	Director Development Services	9/30/2014			Adequate	Health and Safety	Major	Unlikely	Medium
Communications Strategy		Coordinator Ranger Services	Yes	Director Development Services	9/30/2014			Adequate	Reputation	Major	Unlikely	Medium
Procedures for responding to bushfire emergency		Coordinator Ranger Services	Yes	Director Development Services	9/30/2014			Adequate	Compliance	Critical	Unlikely	High
Incident Response Team		Coordinator Ranger Services	Yes	Director Development Services	9/30/2014			Adequate	Property	Major	Unlikely	High

Treatment Action Plan (TAP)	TAP Owner	Recommendation Due Date	Recommendation Y/N	Approved Y/N	Implementation Due Date	% Complete	Predicted Controls Rating	Consequence Category	Overall Predicted Ratings		
									Consequence	Likelihood	Level of Risk
Desktop review of Fire Management Strategy conducted annually	Director Development Services	9/30/2014	Yes	Yes							

Risk Category	Impact Range	Generic Reporting Category	Highly Sensitive	Risk Acceptance Due Date	Acceptance Decision	Risk Accepted By	Risk Accepted Date	Risk Review Date	Notes

Page | 21

B. Template for Inclusion in Reports to Council on Risk Management

B	Template for Inclusion in Reports to Council on Risk Management			
RISK	**LIKELIHOOD**	**CONSEQUENCES**	**RISK RATING**	**ACTION/STRATEGY**

Page | 22

C Example of Completed template for inclusion in Reports to Council on Risk Management

C	Example of Risk management Considerations for Inclusion in Reports to Council			
RISK	**LIKELIHOOD**	**CONSEQUENCES**	**RISK RATING**	**ACTION/STRATEGY**
1. Delays in supporting Planning amendments	Unlikely	Minor	Low	Ensure the WA Planning Commission is fully briefed on the planning merits of this proposal
2. Inadequate response to bushfire emergency	Possible	Critical	Extreme	Establish the reasons for the inadequate response to the bushfire emergency

Page | 23

Attachment 5

Crisis & Business Continuity Management Plan

Shire of Kalamunda
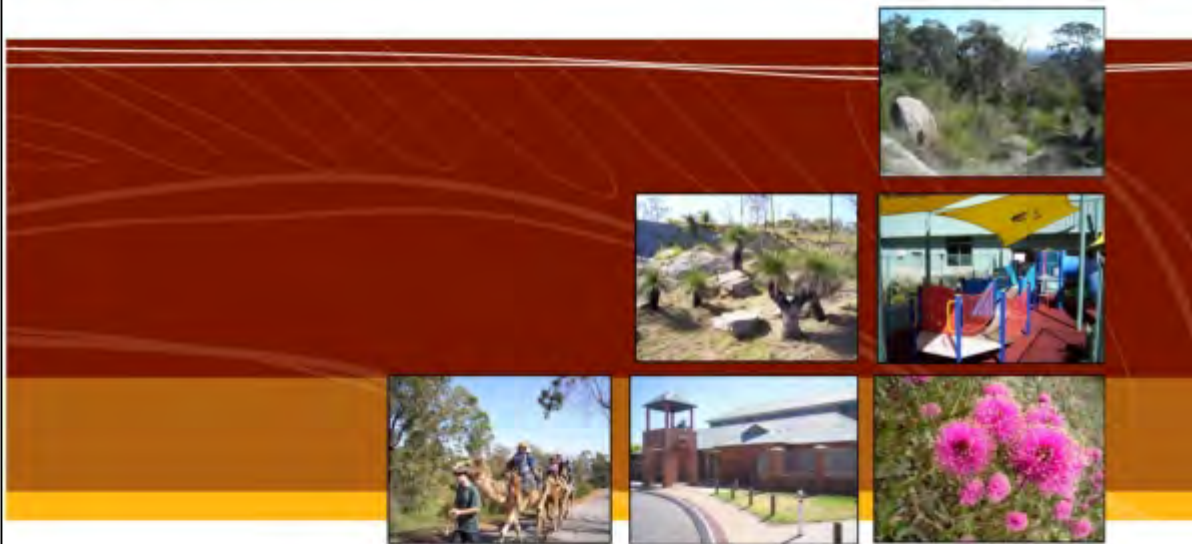
shire of
kalamunda

Preparation

Action	Name	Date
Prepared by:	Gary Ticehurst	10 February 2014
Reviewed by:		
Approved by:		

Release

Version	Date Released	Pages Affected	Remarks
0.1	10 February 2014	All	Draft Document
0.2	28 February 2014	All	Draft Document
0.3	25 March 2014	All	Draft Document
0.4	15 September 2014	All	Final Document

Table of Contents

2

Shire of Kalamunda Business Continuity Plan

Introduction

The purpose of developing a Business Continuity Plan is to enable the Shire to implement a planned response to major incidents that have the potential to significantly impact the Shire's ability to deliver Key business activities. A major incident has the potential to significantly impact the Shire's ability to deliver its priority services and functions and which may cause casualties, property damage, business interruption, financial loss and damage to the Shire's reputation and image.

Developing a Business Continuity Plan

The Shire's Plan incorporates the Prevention, Preparedness, Response and Recovery (PPRR) framework. Each of the four elements is represented by a part in the Business Continuity Planning Process.

The key objectives of Business Continuity Management are to:

- Undertake a risk assessment of the Shire's business services;

- Establish and implement a structured process that will enable the Shire to effectively manage and respond to any anticipated or unanticipated major incidents in a timely manner;

- Detail strategies and actions to be undertaken to enable the Shire to continue to deliver key business activities;

- Safeguard the health and safety of employees and visitors before, during and after a major incident; and

- Ensure the continuity of critical business processes within the required timeframes.

The business continuity strategies and plans have been developed to consider that a major incident will render some or all business facilities, including premises and information technology services at the Shire inaccessible or unusable for a prolonged period of time.

3

Business Continuity Management Process

Business Continuity Management aims to ensure the timely resumption of essential business activities that are interrupted as a result of a major disruption. The primary output of the BCM process is a Business Continuity Plan (BCP) which enables the mitigation of some of the Shire's key business risks.

The BCP is initiated when a risk event occurs resulting in a business interruption consequence. Such interruptions are typically referred to as outages and usually involve a significant disruption to or loss of key business activities over a prolonged period of time. The concept of an outage has a critical time dimension as well as a business impact dimension. The BCM process establishes the maximum periods for which each activity can be disrupted before business impacts (reputational damage, financial loss, and regulatory breaches) become unacceptable to the Shire. Business Continuity Management focuses on the consequences of an outage and the necessary steps to contain or minimise the negative consequences of that outage.

The steps required to activate the BCP are highlighted in **attachment 1.** The BCP activation incorporates the following critical phases:

Emergency Response

The initial response to a disruption, which involves the protection of people, and property from immediate harm.

Continuity Response

Processes, controls and resources are made available immediately following an interruption to ensure that the Shire continues to deliver its critical business functions.

Recovery Response

Processes, resources and capabilities of the Shire are re-established to return the organisation to normal operations.

In order to ensure the resumption of critical business activities within specified timeframes, for each activity an assessment of resources including people, data, services and supplies is undertaken.

Identification and implementation of response options includes:

- Temporary suspension of the business activity – Activities that have been determined non-essential are suspended temporarily enabling the Shire to free up resources required in order to deliver higher priority activities.

- Transferring the activity – Where activities are performed at alternative locations, the work at a location affected by a business outage, will be transferred to non- affected locations.

- Working from home – Business activities may be carried out by enabling staff to work from home, where those activities require little or no dependency on the infrastructure of a normal office environment.

- Relocation to an alternative back site – Business activities may be resumed at an alternative site where the primary site is impacted by a major disruption.

Crisis Management Team and restoration of critical business operations

Implementing the response plan is the responsibility of the Crisis Management Team which is convened by the Director Corporate Services, following a critical interruption to business services. The Crisis

4

Management Team has the authority to respond in the best interests of all stakeholders and its crisis response decisions may override the existence or normal interpretation of policies and standard procedures. The Crisis Management Team is required to provide a focused response to a crisis event by focusing on:

- Minimising injury or loss of life and protecting the safety of employees and stakeholders;

- Providing a flexible but structured response process scalable to a variety of emergencies;

- The facilitation of reasoned decision making during potentially stressful environments.

Where urgent action is required, the Shire President may authorise emergency expenditure without reference to purchasing and procurement requirements.

Processes, controls and resources are made available immediately following an interruption to ensure that the Shire continues to deliver its critical business functions.

Coordination of the Shire's return to normal business operations by convening the Crisis Management Team, who will work through the emergency response, continuity response and recovery response phases of the BCM process. Following an assessment of the business interruption, the Crisis Management Team will identify an appropriate site from which to commence the resumption of critical business services. The recovery operation may be led from a number of centres, including, the Operations Centre, the High Wycombe Recreation Centre, Kalamunda Performing Arts Centre, or the Hartfield Park Recreation Centre. Other Shire facilities may also be used from which to coordinate the resumption of critical business services.

The process for restoration of critical business operations is driven by the Maximum Allowable Outage table which prioritises the Shire's business operations and identifies the maximum length of time that a business activity may be unavailable before the Shire suffers significant detrimental effects to its business operations. The Staff Accommodation table specifies the minimum number of staff required to perform each priority business activity.

5

Definitions

It is important to make a distinction between business continuity management and disaster recovery.

Business Continuity Management provides the mechanisms by which the Shire's business becomes resilient to disruptions caused by crisis and emergencies. Business Continuity Management focuses on the timely restoration of business as usual.

Crisis Management Team the nominated team responsible for implementing the business continuity response.

Disaster Recovery refers to the process of regaining access to the necessary systems required to resume critical business operations following a natural or manmade disaster.

Business Impact Analysis the process of gathering information to establish basic recovery requirements for priority business services in the event of a crisis or disaster.

Key business activities those activities assessed as essential to deliver outputs and achieve business objectives.

Maximum Allowable Outage the time frame from which a crisis or disaster is declared compared to the time for which the critical business functions must be fully operational before an outage compromises the Shire's ability to achieve its business objectives.

Risk Management the process of defining and analysing risks, and defining the appropriate course of action in order to minimise those risks, whilst still achieving business goals.

Coverage of the Business Continuity Plan

This plan covers events that interrupt the delivery of the Shire's services for a period of time greater than 1 working day.

This plan relates to the Shire Administration building, the Operations Centre and the Home and Community Care centre (HACC).

This includes (but is not limited to) events such as fire, civil disruption or natural disasters as well as losses of Information Services (IS), power and other services, that are expected to continue for a period of time (generally longer than a day).

This plan is not to be invoked for things such as brief outages of IT services or losses of power, or short disruptions due to maintenance issues. It is considered that these would be managed within standard operational activities.

6

CMT Membership and roles

CMT Members	Actions and Responsibilities
Director Corporate Services	Convenes the CMT. Liaises with Directors. Allocates resources, sets priorities and resolves conflicts. Ensures the security of assets and staff. Monitors the emergency response. Ensures CMT has up to date information on the status of business continuity efforts.
Chief Executive Officer	Single source of information to internal and external stakeholders and the media. Approves all communications prior to issuance.
Director Development Services	Coordinates advice regarding environmental or public health impacts resulting from a service interruption.
Corporate Support Manager	Coordinates execution of the Disaster Recovery Plan. Resolve systems, networks and applications issues. Provides updates to CMT on status of ISB recovery actions. Coordinates execution of business recovery plans.
Director Infrastructure Services	Liaises with Building Management or external agencies to assess damage, salvage and repair operations. Coordinates relocation to alternative site. Plans for relocation to primary site.
Manager Financial Services	Supports the Insurance Claims process. Facilitates the acquisition of (non ISB) goods and services required to effect business continuity. These include but are not limited to accommodation, office furniture and vehicles.
Manager Strategy and People Services	Provide employee assistance such as medical assistance, counselling, insurance claims and payroll. Liaise with victim's families. Provides recruitment support.
Manager Community Development	Liaises with Community Groups that are affected by the business interruption.
Public Relations Co-ordinator	Provides assistance with the media and public relations activities.
Executive Research Officer CEO	Provides administrative support to the CMT.

7

Tasks and Actions Kalamunda Shire locations

When an event occurs at the Shire Offices, the following actions should occur.

Action	Responsibility
Should an event (e.g. fire) require partial or full evacuation of the building, established emergency procedures are to be followed.	Fire Wardens and Director Infrastructure Services
The nature and extent of the event will be established, through consultation with staff, building management and, where necessary, emergency services.	Director Corporate Services
Where the event is expected to cause significant interruptions to Shire activities (i.e. of more than one day) the Director Corporate Services will convene the CMT by contacting team members by telephone.	Director Corporate Services
The CMT meets as a matter of priority at the Operations Centre, High Wycombe Recreation Centre, Kalamunda Performing Arts Centre or the Hartfield Park Recreation Centre. The CMT emphasis will be on establishing and confirming short term measures, in response to the event. This includes (but is not limited to): - Safeguarding the health and safety of employees and visitors; - Actions to ensure the continuity and recovery of Shire services; and - Communication with staff, other agencies and the media. The CMT should meet daily during the outage, until such time as it determines that meetings can be held with less frequency.	CMT
Where an event impacts upon the Shire's Information Systems, authorise the enactment of the ISB Disaster Recovery Plan.	Manager Corporate Support
Arrangements are made to accommodate staff in accordance with established priorities and protocols (see section on Accommodating Staff below).	CMT
Maintain liaison with building management and emergency services, where required.	Director Infrastructure Services

Please note that priority activities will be restored according to their maximum allowable outage specified with the Maximum Allowable Outages table.

8

Events at other Shire locations

Business Disruption Location	Relocation
Operations Centre	The minimum number of staff identified in the respective appendix 1 activities will be relocated to the nearest back up site not affected by the business interruption event.
Recreation Centres (2)	The minimum number of staff identified in the respective appendix 1 activities will be relocated to the nearest back up site not affected by the business interruption event.
Kalamunda Home and Community Care Centre	The minimum number of staff identified in the respective appendix 1 activities will be relocated to the nearest back up site not affected by the business interruption event.
Libraries (4)	The minimum number of staff identified in the respective appendix 1 activities will be relocated to the nearest back up site not affected by the business interruption event.
Kalamunda Performing Arts Centre	The minimum number of staff identified in the respective appendix 1 activities will be relocated to the nearest back up site not affected by the business interruption event.

Accommodating Staff – Shire Administration Office

The following protocols are to be followed in relocating staff affected by an outage:

➤ The numbers of staff that will need accommodation will depend upon the area affected and the expected outage.

➤ As far as possible, staff will be accommodated in the timeframes scheduled (e.g. 1 day, 3 days and so on), as noted in the Minimum Staff Requirements.

➤ Staff will be accommodated into vacant desks, at the following locations, in order:

- Operations Centre;
- High Wycombe Recreation Centre;
- Kalamunda Performing Arts Centre
- Hartfield Park Recreation Centre

When accommodating staff, vacant workstations (including those occupied by part time or casual staff, staff on leave, hot desks etc.) would be utilised in the first instance.

9

The number of possible work stations for each location is:

	Desks	Potential work areas in meeting rooms etc.	Total	Notes
Operations Centre	25			
High Wycombe Recreation Centre	50			
Kalamunda Performing Arts Centre	120			
Hartfield Park Recreation Centre	80			

➢ Where the expected outage and the number of affected staff dictate, meeting and training rooms will be converted to offices. This will be determined by the CMT and actioned by the Director Infrastructure Services. Where necessary the Manager Financial Services will authorise such work in accordance with financial delegations.

➢ Where necessary, staff may be relocated to desks occupied by staff engaged in non-critical activities (i.e. an identified lower priority). This will be determined by the CMT.

➢ Depending upon the nature of the event, and the expected outage, more staff may be accommodated than the minimum numbers detailed in the schedules. This will be decided upon by the CMT.

➢ It is expected that staff not accommodated within an office, will work remotely.

➢ Where the expected outage occurs at other than the Shire Administration Office, the relocation protocols specified above are to be followed.

10

Contacts

Crisis Management Team

Title/Description	Name	Contact
Director Corporate Services	Gary Ticehurst	0458 227 230
Chief Executive Officer	Rhonda Hardy	0467 745 068
Corporate Support Manager	Gerard Thomas	0457 541 674
Director Infrastructure Services	Charles Sullivan	0418 160 649
Director Development Services	Warwick Carter	0467 767 925
Manager Financial Services	Rajesh Malde	0477 307 223
Manager Strategy and People Services	Davina Sandhu	0428 863 043
Manager Community Development	Darren Jones	0400 300 672
Public Relations Co-ordinator	Nicole O'Neill	0417 591 777
Executive Research Officer CEO	Donna McPherson	0471 098 547 (private)

Key Contacts – Shire Offices

Title/Description	Name	Contact
Manager Governance	Darrell Forrest	0428 980 837
Manager Development Services	Andrew Fowler-Tutt	0448 870 508
Coordinator Community and Cultural Services	Darren Von Bergheim	0429 038 438
Coordinator Safety and Health	Dawn Veltman	0467 980 837
Procurement Coordinator	Steve McKay	0488 771 300
Principal Building Surveyor	Duncan Wilson	0400 204 691
Manager Health and Rangers	Jonathan Smith	0419 832 230
Manager Infrastructure Operations	Sam Assaad	0467 768 959
Manager Community Emergency Services	Les Woodcock	0419 866 544
Administrator KPAC	Catherine Daniels	0429 147 803
Coordinator Ranger Services (LEMC)	Mike Starling	0448 893 078

11

Key Contacts – Other Shire Facilities

Title/Description	Name	Contact
Manager Kalamunda Home and Community Care	Kerry Fryers	0408 922 672

Other Contacts

Title/Description	Name	Contact
Shire President	Sue Bilich	0408 002 333
Deputy Shire President	John Giardina	0418 950 498
Department of Local Government & Communities	Perth	(08) 6551 8700
WALGA	Perth	(08) 9213 2000
Insurers	LGIS (Yonni or Luke)	(08) 9483 8888

12

Maximum Allowable Outages

Activity	Maximum Acceptable Outage (MAO)					Comments
	1 day	3 days	1 wk	2 wks	1 mth	
Public Relations	✓					
Customer Service		✓				
Payroll	✓					
Creditors		✓				
Rates			✓			
ICT	✓					Includes Telephony, E-mail, Mobile, Security database, Intranets, Internets & Infrastructure.
Records Management			✓			
Library Services					✓	
Cultural Centre Activities					✓	
Community Centre Activities					✓	
Community Care Services		✓				There is a need to provide high care support to priority clients
Community Emergency Services	✓					
Recreation Services					✓	
Environmental Coordination					✓	
Strategic and Statutory Planning			✓			
Economic Development					✓	
Environmental Health	✓					
Ranger Services	✓					
Development Services		✓				
Operations Support	✓					This support includes stock control, mechanical services, customer service, and fuel supply. Provides support for the Emergency and Infrastructure operations.
Community Facility Maintenance	✓					This includes tree removal, building repairs, vegetation clearing and emergency generators.

13

Infrastructure Services	✓					This includes waste management, road, footpath and drainage maintenance, traffic control, plant and equipment operations.
Building Services	✓					
Survey and Design				✓		
Project Delivery				✓		
Asset Management				✓		
Organisational Development			✓			
Governance		✓				
Functions and Events				✓		
Procurement	✓					
Community Services				✓		
Occupational Safety and Health	✓					

14

Minimum Staff Requirements

Activity	1 day	3 days	1 week	2 weeks	1 month	How many could work remotely?	How long before full staff would need accommodation? Other notes.
Public Relations	2	2	2	2	2		2 Weeks
Customer Service	2	3	3	4	4		1 Month
Payroll	1	1	2	2	2		1 Week
Creditors		1	1	2	2	1	1 Month
Rates			1	1	2	2	1 Month
ICT	2	3	4	4		2	1 Month
Records Management		1	1	2	2	2	2 Months
Library Services					1		3 Months
Cultural Centre Activities					1		3 Months
Community Care Activities		5	5	10	10		5 Days
Community Care Services	7	7	7	7	7	3	1 week
Community Emergency Activities	1	1	1	1	1	1	1 Day
Recreation Services					2	5	3 Months
Environmental Coordination		1	1	3	3	3	3 Months
Strategic and Statutory Planning		1	2	2	2	2	3 Months

15

Economic Development						1	1	1 month
Environmental Health	3	5	6	6	6			1 week
Ranger Services	2	6	6	6	6	6		3 days
Director Development Services		1	2	2	2	2		1 week
Building Services	2	4	4	4	5			1 month
Survey and Design	0	0	0	4	7	**1** Coordinator only could work off site.		1 month
Asset Management				4	5	**All** Ascetic can be accessed remotely.		2 weeks
Operations Support	6	6	8	8	8	**2** Customer service operators		1 week
Community Facility Maintenance	33	33	33	33	33	33		2 Days
Infrastructure Services	22	22	30	30	30	30		1 week
Project Delivery				3	4	4		1 month
Organisational Development					2	2		3 months
Governance		1	1	1	2	1		1 month

16

Functions and Events		1	1	2	2	2	1 month
Procurement	1	1	1	2	2	2	1 month
Community Services					1	3	3 months
Occupational Health and Safety	1	1	1	1	1	1	1 day

17

Related Documents

IT Disaster Recovery Plan – Outlines the steps the department should take in the event of a disaster.

Risk Management Plan

Business Continuity Policy

Business Continuity Procedure

18

Attachment 1   **BCM Programme Schedule**

	Tasks	Person Responsible
1.	**Programme Management**	
1.1	**Preparation and set-up**	
1.1.1	Appoint BCM programme manager	
1.1.2	Understand organisational structure	
1.1.3	Define BCM process and deliverables	
1.1.4	Develop BCM programme schedule and budget	
1.2	**Risk Management Steering Committee (RMSC)**	
1.2.1	Develop terms of reference for RMSC	
1.2.2	Identify and appoint RMSC members	
1.2.3	Conduct first RMSC meeting	
1.3	**BCM Policy**	
1.3.1	Develop BCM policy document	
1.3.2	Obtain RMSC approval for BCM policy	
1.3.3	Communicate approved BCM policy to employees	
2.	**Risk and Business Impact Analysis**	
2.1	**Preparation and set-up**	
2.1.1	Review and understand existing risk analysis	
2.1.2	Customise BIA templates	
2.1.3	Develop list of activities by business areas	
2.2	**Business impact analysis**	
2.2.1	Conduct BIA workshops by business areas	
2.2.2	Consolidate findings and develop business impact profile	
2.2.3	Present BC strategy impact profile to RMSC / Executive	
2.3	**Business continuity strategy and requirements**	
2.3.1	Conduct BC strategy and requirements workshop	
2.3.2	Consolidate findings	
2.3.3	Present BC strategy and requirements to RMSC	
3.	**Identify Response Options**	
3.1	**Preparation and set-up**	
3.1.1	Form working group	
3.1.2	Review BC strategy and requirements with working group	
3.2	**Response options**	
3.2.1	Identify and evaluate response options for	
	- People	
	- IT systems and networks	
	- Premises and facilities	
	- Data backup and offsite storage	
3.2.2	Prepare evaluation report	
3.2.3	Present recommendation to RMSC for approval	

19

4.	**Develop Response Plan**	
4.1	**Preparation and set-up**	
4.1.1	Customise plan formats	
4.2	**Notification and escalation**	
4.2.1	Define notification and escalation process	
4.2.2	Define criteria for plan activation	
4.3	**BCM Plan Overview**	
4.3.1	Draft BCM Plan Overview document	
4.3.2	Submit BCM plan to RMSC for approval	
4.4	**Emergency Response (ER) Plan**	
4.4.1	Review existing ER response plan	
4.4.2	Revise / update ER plan if necessary	
4.5	**Crisis Management (CM) Plan**	
4.5.1	Define CM team structure	
4.5.2	Draft CM plan document	
4.5.3	Submit CM plan to RMSC for approval and sign-off	
4.5.4	Conduct briefing for CM team members	
4.6	**Continuity and Recovery Response (C&RR) Plan**	
4.6.1	Define C&RR team structure	
4.6.2	Conduct C&RR plan development workshops	
4.6.3	Draft C&RR plan documents	
4.6.4	Submit C&RR plans to business heads for sign-off	
4.6.5	Conduct briefing for business continuity teams	
4.7	**Physical implementation**	
4.7.1	Implement IT backup systems and disaster recovery facilities	
4.7.2	Implement business continuity backup site and facilities	
4.7.3	Implement data backup and offsite storage facilities	

5.	**Train, Exercise and Maintain**	
5.1	**Preparation and set-up**	
5.5.1	Identify training, exercise and maintenance requirements	
5.2	**Training**	
5.2.1	Develop training strategy, programme and schedule	
5.2.2	Develop and conduct BCM awareness training for all staff	
5.2.3	Develop and conduct crisis management team training	
5.2.4	Develop and conduct BC training for key appointments	
5.3	**Exercise**	
5.3.1	Develop exercise strategy, programme and schedule	
5.3.2	Develop and conduct crisis management exercise	
5.3.3	Develop and conduct business continuity exercise	
5.3.4	Develop and conduct IT disaster recovery exercise	
5.4	**Maintenance**	
5.4.1	Develop maintenance strategy, programme and schedule	

20

Attachment 6

Risk Assessment Worksheet							
Organisational Unit	Context/ Subcontext	Risk		Cause		Resulting in	Risk Owner
		Failure to effectively respond to an emergency event		Inaccurate advice. Lack of coordination. Extreme weather conditions.		Property damage. Injury or death. Environmental issues. Financial loss. Reputational damage. Interruption to services.	Executive

Control name	Control Description	Control Owner	Assessed Y/N	Control Assessor	Assessment Due Date	Assessed Date	Control Effectiveness	Controls Rating	Consequence Category	Assessed Ratings		
										Consequence	Likelihood	Level of Risk
Plans, MOU's. LEMC Committee.		Director Development Services								Extreme	Possible	Extreme
Succession Planning. Role descriptions.		Directors										
Back up Generator		Manager Corporate Support										

Treatment Action Plan (TAP)	TAP Owner	Recommendation Due Date	Recommended Y/N	Approved Y/N	Implementation Due Date	Is Complete	Predicted Controls Rating	Consequence Category	Overall Predicted Ratings		
									Consequence	Likelihood	Level of Risk

Risk Category	Impact Range	Generic Reporting Category	Highly Sensitive	Risk Acceptance Due Date	Acceptance Decision	Risk Accepted By	Risk Accepted Date	Risk Review Date	Notes

Risk Assessment Worksheet

Organisational Unit	Context/ Subcontext	Risk	Cause	Resulting In	Risk Owner
		Failure to ensure that projects are managed on time, on budget and to the required standard.	Lack of Project Management skills. Lack of Project Management Framework. Inability to manage competing priorties.	Budget overruns. Non delivery of projects. Grant funding compromised. Damge to reputation and image.	Principal Project Manager.

Control Name	Control Description	Control Owner	Assessed Y/N	Control Assessor	Assessment Due Date	Assessed Date	Control Effectiveness	Controls Rating	Consequence Category	Assessed Ratings		
										Consequence	Likelihood	Level Of Risk
Project Management templates and framework.										Major	Possible	High
Project Management Training.												
Quarterly Reviews												

Treatment Action Plan (TAP)	TAP Owner	Recommendation Due Date	Recommended Y/N	Approved Y/N	Implementation Due Date	% Complete	Predicted Controls Rating	Consequence Category	Overall Predicted Ratings		
									Consequence	Likelihood	Level Of Risk
Implementation of Project Management Framework											

Risk Category	Impact Range	Generic Reporting Category	Highly Sensitive	Risk Acceptance Due Date	Acceptance Decision	Risk Accepted By	Risk Accepted Date	Risk Review Date	Notes

Risk Assessment Worksheet

Organisational Unit	Context/ Subcontext	Risk	Cause	Resulting in	Risk Owner
		Failure to effectively manage financial systems and processes.	Inadequate procedures, lack of system controls, lack of accountability, unforeseen adverse events, human competanticies, corruption	Budget overruns, misuse of financial resources, regulatory breaches, reputation damage, non-compliance, legal risk, service disruption,	Manager Financial Services

Control Name	Control Description	Control Owner	Assessed Y/N	Control Assessor	Assessment Due Date	Assessed Date	Control Effectiveness	Controls Rating	Consequence Category	Assessed Ratings		
										Consequence	Likelihood	Level of Risk
Financial systems /internal controls		Manager Financial Services		Auditors						Major	Possible	High
Reconciliations		Manager Financial Services		Auditors								
Governance Framework		Director Corporate Services		Auditors								
External Review Parties		Chief Executive Officer		Auditors								
Internal/External Audit Reviews		Director Corporate Services		Auditors								

Treatment Action Plan (TAP)	TAP Owner	Recommendation Due Date	Recommended Y/N	Approved Y/N	Implementation Due Date	% Complete	Predicted Controls Rating	Consequence Category	Overall Predicted Ratings		
									Consequence	Likelihood	Level of Risk

Risk Category	Impact Range	Generic Reporting Category	Highly Sensitive	Risk Acceptance Due Date	Acceptance Decision	Risk Accepted By	Risk Accepted Date	Notes

Risk Assessment Worksheet

Organisational Unit	Context/ Subcontext	Risk	Cause	Resulting in	Risk Owner
		Failure to maintain a safe and healthy workplace.	Lack of training, non-compliance with procedures, regulatory breaches, staff competency, equipment failure	Injury, death, damage to property, regulatory breaches, reputational damage, service disruption, cultural and morale issues	All Managers

Control Name	Control Description	Control Owner	Assessed Y/N	Control Assessor	Assessment Due Date	Assessed Date	Control Effectiveness	Controls Rating	Consequence Category	Assessed Ratings		
										Consequence	Likelihood	Level of Risk
OSH Training and OSH Representative.		Line Managers								Major	Possible	High
OSH policy and procedures.		Manager Strategy & People Services										
Workers Compensation Insurance		Manager Financial Services										
OSH audit and reviews		Manager Strategy & People Services										

Treatment Action Plan (TAP)	TAP Owner	Recommendation Due Date	Recommended Y/N	Approved Y/N	Implementation Due Date	% Complete	Predicted Controls Rating	Consequence Category	Overall Predicted Ratings		
									Consequence	Likelihood	Level of Risk

Risk Category	Impact Range	Generic Reporting Category	Highly Sensitive	Risk Acceptance Due Date	Acceptance Decision	Risk Accepted By	Risk Accepted Date	Risk Review Date	Notes

Risk Assessment Worksheet					
Organisational Unit	Context / Subcontext	Risk	Cause	Resulting In	Risk Owner
		Failure to adequately protect visitors from injury whilst visiting Shire facilities.	Unsafe premises, lack of evacuation procedures, slipping hazards, unsafe practices, lack of awareness, preventative maintenance, equipment failure, staff competency, slipping and general hazards	Injury, death, regulatory breaches, reputational damage, financial loss, staff morale, service disruption.	All Managers

Control Name	Control Description	Control Owner	Assessed Y/N	Control Assessor	Assessment Due Date	Assessed Date	Control Effectiveness	Controls Rating	Consequence Category	Assessed Ratings		
										Consequence	Likelihood	Level of Risk
		Manager Financial Services								Major	Possible	High
Evacuation procedures.		Director Infrastructure Services										
OSH Committee		Chief Executive Officer										
Equipment Inspection and Maintenance		Business Unit Manager										
Client Induction		Business Unit Manager										
Safety Audits		OSH Coordinator										

Treatment Action Plan (TAP)	TAP Owner	Recommendation Due Date	Recommended Y/N	Approved Y/N	Implementation Due Date	% Complete	Predicted Controls Rating	Consequence Category	Overall Predicted Ratings		
									Consequence	Likelihood	Level of Risk

Risk Category	Impact Range	Generic Reporting Category	Highly Sensitive	Risk Acceptance Due Date	Acceptance Decision	Risk Accepted By	Risk Accepted Date	Risk Review Date	Notes

Risk Assessment Worksheet

Organisational Unit	Context/ Subcontext	Risk	Cause	Resulting in	Risk Owner
		Failure to effectively manage stakeholder relationships.	Lack of effective stakeholder engagement, political interference, poor internal communication, staff competency, awareness of strategic direction, lack of policies and procedures, negative organisational culture	Reputational damage, service disruption, adverse environmental outcomes, disruption to projects, staff morale, community distrust and disengagement, financial loss, project failure.	Chief Executive Officer and Directors

Control Name	Control Description	Control Owner	Assessed Y/N	Control Assessor	Assessment Due Date	Assessed Date	Control Effectiveness	Controls Rating	Consequence Category	Assessed Ratings		
										Consequence	Likelihood	Level of Risk
Community Engagement Strategy		Manager Governance								Minor	Possible	Medium
Contentious issues review		Executive Management Team										
Policies and Procedures		Manager Governance										
Stakeholder satisfaction survey		Manager Governance										

Treatment Action Plan (TAP)	TAP Owner	Recommendation Due Date	Recommended Y/N	Approved Y/N	Implementation Due Date	% Complete	Predicted Controls Rating	Consequence Category	Overall Predicted Ratings		
									Consequence	Likelihood	Level of Risk

Risk Category	Impact Range	Generic Reporting Category	Highly Sensitive	Risk Acceptance Due Date	Acceptance Decision	Risk Accepted By	Risk Accepted Date	Risk Review Date	Notes

Risk Assessment Worksheet

Organisational Unit	Context / Subcontext	Risk	Cause	Resulting in	Risk Owner
		Failure to adequately maintain business and information systems.	Inadequate security, Inadequate back up, Policy Breaches, Staff Competencies, Power failure, System Failure, untested IT Systems and software.	Project disruption, data corruption, reputational damage, financial loss, service interuption, system reporting, cultural frustration, inefficencies, regulatory breach.	Manager Technology and Corporate Support

Control Name	Control Description	Control Owner	Assessed Y/N	Control Assessor	Assessment Due Date	Assessed Date	Control Effectiveness	Controls Wking	Consequence Category	Assessed Ratings		
										Consequence	Likelihood	Level of Risk
Firewall security		Manger Technology and Corporate Support								Minor	Possible	Medium
Security access controls		Manger Technology and Corporate Support										
Intrusion detection		Manger Technology and Corporate Support										
System backups		Manger Technology and Corporate Support										
Policies and Procedures		Manger Technology and Corporate Support										
Audit		Manger Technology and Corporate Support										
Business Continuity Plan and Disaster Recovery		Manger Technology and Corporate Support										
Hardware protection		Manger Technology and Corporate Support										

Treatment Action Plan (TAP)	TAP Owner	Recommendation Due Date	Recommended Y/N	Approved Y/N	Implementation Due Date	% Complete	Predicted Controls Rating	Consequence Category	Overall Predicted Ratings		
									Consequence	Likelihood	Level of Risk
Implement Disaster Recovery Plan	Manager Corporate Support	31/08/2014									

Risk Category	Impact Range	Generic Reporting Category	Highly Sensitive	Risk Acceptance Due Date	Acceptance Decision	Risk Accepted By	Risk Accepted Date	Risk Review Date	Notes

Risk Assessment Worksheet

Organisational Unit	Context/ Subcontext	Cause	Resulting in	Risk Owner
		Failure to deliver services to approved standards.	Resource constraints, Unclear & unrealistic expectations, competencies, lack of approved standards, policies and procedures, inadequate training.	Disastifaction client, reputational damage, service interuption, customer complaints, non-compliance, state intervention, legal claims, political interferance.	Corporate Executive

Control Name	Control Description	Control Owner	Assessed Y/N	Control Assessor	Assessment Due Date	Assessed Date	Control Effectiveness	Controls Rating	Consequence Category	Assessed Ratings		
										Consequence	Likelihood	Level of Risk
Customer Service performance indicators		Corporate Executive								Minor	Possible	Medium
Satisfaction surveys		Corporate Executive										
Policy Manual		Corporate Executive										
Policies and Procedures		Corporate Executive										
Performance Reviews		Corporate Executive										
Integrated Strategic Planning Framework		Corporate Executive										
Internal Communication Framework		Corporate Executive										
Quarterly Performance Report		Corporate Executive										

	TAF Owner	Recommendation Due Date	Recommended Y/N	Approved Y/N	Implementation Due Date	% Complete	Predicted Controls Rating	Consequence Category	Overall Predicted Ratings		
									Consequence	Likelihood	Level of Risk

Risk Category	Impact Range	Generic Reporting Category	Highly Sensitive	Risk Acceptance Due Date	Acceptance Decision	Risk Accepted By	Risk Accepted Date	Risk Review Date	Notes

Risk Assessment Worksheet

Organisational Unit	Context/ Subcontext	Risk	Cause	Resulting in	Risk Owner
		Failure to comply with statutory requirements.	Lack of knowledge, expediency, third party pressures, lack of staff, staff competencies, incorrect interpretation of Statutory Law and policy, lack of policy and procedure, lack of senior review, lack of compliance.	Non-compliance, financial loss, environmental impact, reputational damage, project delays, adverse findings, cultural morale, third party enquiry/investigations, political damage, loss of trust,	Corporate Executive

Control Name	Control Description	Control Owner	Assessed Y/N	Control Assessor	Assessment Due Date	Assessed Date	Control Effectiveness	Controls Rating	Consequence / Category	Assessed Ratings		
										Consequence	Likelihood	Level of Risk
Legislation		Manager Governance								Minor	Possible	Medium
Delegations Register		Manager Governance										
Training and Development		Manger Strategy & People Services										
Codes of Conduct		Manager Governance										
Recruitment of Staff		Manger Strategy & People Services										
Public Relations Policies		Manager Governance										
Governance and Policy Framework		Manager Governance										
Audit Review		Internal Auditor										

Treatment Action Plan (TAP)	TAP Owner	Recommendation Due Date	Recommended Y/N	Approved Y/N	Implementation Due Date	% Complete	Predicted Controls Rating	Consequence /Category	Overall Predicted Ratings		
									Consequence	Likelihood	Level of Risk

Risk Category	Impact Range	Generic Reporting Category	Highly Sensitive	Risk Acceptance Due Date	Acceptance Decision	Risk Accepted By	Risk Accepted Date	Risk Review Date	Notes

Risk Assessment Worksheet

Organisational Unit	Context/ Subcontext	Risk	Cause	Resulting in	Risk Owner
		Failure to develop and implement effective succession planning.	Resource pressures, staff capability, lack of workforce planning, competing priorities, failure to recruit staff in a timely fashion.	Loss of corporate knowledge, staff stress, reputation damage, delay and disruption to projects and service delivery, financial and opportunity costs, staff morale.	Business Unit Managers

Control Name	Control Description	Control Owner	Assessed Y/N	Control Assessor	Assessment Due Date	Assessed Date	Control Effectiveness	Controls Rating	Consequence Category	Assessed Ratings		
										Consequence	Likelihood	Level of Risk
Workforce Planning		Business Unit Managers								Minor	Possible	Medium
Documentation of workflows		Business Unit Managers										
Regular Performance Managing and Monitoring		Business Unit Managers										
Business Planning		Directors										
Maintaining a positive organisational culture		Corporate Executive										
Operational Policy and Procedures		Business Unit Managers										

Treatment Action Plan (TAP)	TAP Owner	Recommendation Due Date	Recommended Y/N	Approved Y/N	Implementation Due Date	% Complete	Predicted Controls Rating	Consequence Category	Overall Predicted Ratings		
									Consequence	Likelihood	Level of Risk

Risk Category	Impact Range	Generic Reporting Category	Highly Sensitive	Risk Acceptance Due Date	Acceptance Decision	Risk Accepted By	Risk Accepted Date	Risk Review Date	Notes

Risk Assessment Worksheet

Organisational Unit	Context/ Subcontext	Risk	Cause	Resulting in	Risk Owner
		Failure to effectively manage local government reform program.	Lack of resources, lack of engagement, unrealistic time frames, political differences, cultural integration	Interruption to service delivery, reputational damage, stakeholder disengagement; financial and opportunity costs, poor staff morale, long term community angst, inability to attract and retain skilled staff.	Chief Executive Officer

Control Name	Control Description	Control Owner	Assessed Y/N	Control Assessor	Assessment Due Date	Assessed Date	Control Effectiveness	Controls Rating	Consequence Category	Assessed Ratings		
										Consequence	Likelihood	Level of Risk
Local Government Reform Toolkit.		Chief Executive Officer								Major	Likely	High
Project Management Framework		Business Unit Managers										
Access to legal and professional expertise		Chief Executive Officer										
Dedicated resources		Corporate Executive										

Treatment Action Plan (TAP)	TAP Owner	Recommendation Due Date	Recommended Y/N	Approved Y/N	Implementation Due Date	% Complete	Predicted Controls Rating	Consequence Category	Overall Predicted Ratings		
									Consequence	Likelihood	Level of Risk

Risk Category	Impact Areas	Generic Reporting Category	Highly Sensitive	Risk Acceptance Due Date	Acceptance Decision	Risk Accepted By	Risk Accepted Date	Risk Review Date	Notes

Risk Assessment Worksheet						
Organisational Unit	Context/ Subcontext	Risk	Cause	Resulting in		Risk Owner
		Failure to effectively manage the Long Term Financial Plan.	Lack of integrated asset planning, inadequate asset information, lack of resourcing, lack of financial rigour, staff competancy.	Financial unsustainability, Deterioration in asset condition, lack of alignment with financial consideration, stakeholder dissatisfaction and criticism, disruption to project delivery, grant funding missed, inability to achieve our strategic plan, political impact.		Chief Executive Officer

Control Name	Control Description	Control Owner	Assessed Y/N	Control Assessor	Assessment Due Date	Assessed Date	Control Effectiveness	Controls Rating	Consequence Category	Assessed Ratings		
										Consequence	Likelihood	Level of Risk
Asset management system/software		Director Infrastructure Services								Major	Possible	High
Asset and Capital Works Planning		Director Infrastructure Services										
Annual Financial Statements		Director Corporate Services										
Quarterly Reporting		Business Unit Managers										
Competant Staff		Business Unit Managers										
External Reviews		DLGC and Auditors										
Integrated Planning Framework		DLGC										

Treatment Action Plan (TAP)	TAP Owner	Recommendation Due Date	Recommended Y/N	Approved Y/N	Implementation Due Date	% Complete	Predicted Controls Rating	Consequence Category	Overall Predicted Ratings		
									Consequence	Likelihood	Level of Risk

Risk Category	Impact Range	Generic Reporting Category	Highly Sensitive	Risk Acceptance Due Date	Acceptance Decision	Risk Accepted By	Risk Accepted Date	Risk Review Date	Notes

Declaration of financial / conflict of interests to be recorded prior to dealing with each item.

20.   2013/14 Integrated Planning and Reporting Assessment

Previous Items	OCM 10.2.5, 10.2.6/2013
Responsible Officer	Director Corporate Services
Service Area	Internal Auditor
File Reference	
Applicant	N/A
Owner	N/A
Attachment 1	2013/14 Integrated Planning and Reporting Assessment

PURPOSE

1.   To inform members of the Audit and Risk Committee that the Department of Local Government and Communities (the Department) conducted an assessment of the Integrated Planning and Reporting (IPR) Framework submitted by the Shire in September 2013.

BACKGROUND

2.   The Department has reviewed key documents submitted by the Shire of Kalamunda against the Integrated Planning Assessment Criteria. The documents evaluated included the Strategic Community Plan, Corporate Business Plan, Long Term Financial Plan, and Asset Management Plan.

DETAILS

3.   The Shire met all the criteria on the four documents that were assessed except for:

- Item 10 of the Strategic Community Plan regarding whether local public notice had been given for a minimum of seven days with details of where and when the plan could be inspected; and

- Item 2a of the Asset Management Plan to address the Asset Consumption Ratio. In relation to this ratio the Shire did state it was unable to calculate this ratio at present until the Fair Value of assets had been assessed and determined.

STATUTORY AND LEGAL CONSIDERATIONS

4.   Section 5.56 of the *Local Government Act 1995*
        Part 5 of the *Local Government (Administration) Regulations 1996*

POLICY CONSIDERATIONS

5.   Nil.

COMMUNITY ENGAGEMENT REQUIREMENTS

6.   Nil.

FINANCIAL CONSIDERATION

7.   Nil.

STRATEGIC COMMUNITY PLAN

Strategic Planning Alignment

8.   *Kalamunda Advancing: Strategic Community Plan to 2023*

Strategy 6.8.4   Provide effective financial services to support the Shire's operations to meet sustainable planning, reporting and accountability requirements.

SUSTAINABILITY

Social Implications

9.   Nil.

Economic Implications

10.   Nil.

Environmental Implications

11.   Nil.

RISK MANAGEMENT CONSIDERATONS

12.

Risk	Likelihood	Consequence	Rating	Action/Strategy
Failure to advertise and provide seven days local public notice on where and when the Strategic Community Plan can be inspected.	Possible	Minor	Low	There was community consultation and the document was placed on the Shire's web site
Addressing the Asset Consumption Ratio	Unlikely	Minor	Low	This ration will be addressed when assets are brought in at fair value.

OFFICER COMMENT

13.   The Shire has been commended on the implementation of the Integrated Planning and Reporting Framework by the Department (Attachment 1).

14.   The Shire requested information from the Department regarding how its assessment compared to that of other local governments. The Department advised that it did not conduct a comparative assessment as they have not scored the assessments and were therefore unable to provide this information.

15.   Giving local public notice appears to have been inadvertently overlooked. The Asset Consumption Ratio will be addressed when assets are all brought in at fair value.

Voting Requirements: Simple Majority

OFFICER RECOMMENDATION (A&R 20/2014)

That Council:

1.   Notes the result and comments received from the Department of Local Government and Communities on the assessment of the Shire of Kalamunda's Integrated Planning and Reporting Framework.

Moved: **Cr Sue Bilich**

Seconded: **Cr Bob Emery**

Vote: **CARRIED UNANIMOUSLY (9/0)**

Attachment 1

Government of **Western Australia**
Department of **Local Government and Communities**

Your Ref:
Our Ref: KM3-14; E1430074

Ms Rhonda Hardy
Chief Executive Officer
Shire of Kalamunda
PO Box 42
KALAMUNDA WA 6926

Dear Ms Hardy

2013/14 INTEGRATED PLANNING AND REPORTING (IPR) ASSESSMENT

I would like to take this opportunity to commend your council and administration on its progress in adopting and implementing the Integrated Planning and Reporting (IPR) Framework.

In August last year, we requested all local governments and regional local governments to submit their Strategic Community Plans and Corporate Business Plans as part of the 2013/14 IPR review process. In addition, Asset Management and Long Term Financial Plans were requested from a random sample of 15 metropolitan local governments, 54 country local governments and 4 regional local governments. A total of 465 plans were received and assessed.

Department officers have reviewed the plans submitted against the IPR assessment criteria outlined in Circular No 15-2013. These criteria (see Attachment 1), along with the overall IPR achievement rates for the sector, are available for viewing on the IPR website http://integratedplanning.dlg.wa.gov.au/.

I am pleased to enclose, as Attachment 2, the Department's feedback on your IPR plans. This is based on the documents received by the Department during the review process and may not reflect any recent modifications to your local government's plans.

Advice has also been provided to you on achieving elements of recommended practice. This advice does not affect the results of your assessment, but is designed to support a commitment to continuous improvement as your plans become due for their regular reviews.

I therefore invite you to note the feedback provided and make any suggested changes in the next revision of your plans. Should you have any queries about your assessment, or if you would like further advice on specific elements, please contact the following officers:

Gordon Stephenson House
140 William Street Perth WA 8000
GPO Box R1250 Perth WA 6844
Tel: (08) 6551 8700 Fax: (08) 6552 1555 Freecall: 1800 620 511 (Country only)
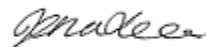Email: info@dlgc.wa.gov.au Website: www.dlgc.wa.gov.au

Ms Crystal Bell
Project Officer
Local Government Regulation and Support
crystal.bell@dlgc.wa.gov.au
(08) 6552 1644

Ms Ning Yan
Senior Project Officer
Local Government Regulation and Support
ning.yan@dlgc.wa.gov.au
(08) 6552 1701

Your Strategic Community Plan and Corporate Business Plan provide a strong foundation for your council and administration to meet the immediate and long-term sustainability challenges facing your community. In particular, they will continue to be valuable planning tools in addressing the community development priorities that you have set for the years ahead. Further, these plans will provide valuable guidance to the State Government, for example through the development of Regional Investment Blueprints, and as input into the service delivery plans of individual State agencies.

I hope that you will find the enclosed feedback useful in reviewing and using these plans to build partnerships with the government, business and community sectors that will meet the evolving needs of your local community.

Yours sincerely

Jennifer Mathews
DIRECTOR GENERAL

ATTACHMENT 1: IPR STANDARDS

Plan	Item	Criterion
A. Strategic Community Plan	1.	Plan exists
	2.	A 10 year timeframe
	3.	States community aspirations, vision and objectives
	4.	Is adopted by an absolute majority of council
	5.	Is developed with community input which is documented
	6.	Has consideration of current and future resources
	7.	Has regard to demographic trends
	8.	Has regard to strategic performance measures
	9.	A strategic review of the Strategic Community Plan is to be *scheduled* for 2 years from when it is adopted; and A full review of the Strategic Community Plan is to be *scheduled* for 4 years from when it was adopted.
	10.	Upon adoption of the Strategic Community Plan, local public notice is given.
B. Corporate Business Plan	1.	Plan exists
	2.	A minimum 4 year timeframe
	3.	Identifies and prioritises Council strategies and activities in response to the aspirations and objectives of the Strategic Community Plan.
	4.	States the service, operations and projects that a local government will deliver, the method for delivering these and the associated costs.
	5.	References resourcing considerations such as Asset Management Plans, Finances and Workforce Plan.
	6.	Is adopted by an absolute majority of Council
	7.	A review of the Plan is conducted every year
C. Long Term Financial Plan	1.	Long Term Financial Plan exists
	2.	Addresses Finance Ratios: a. Operating Surplus Ratio b. Current Ratio c. Debt Service Cover Ratio d. Own Source Revenue Coverage Ratio
D. Asset Management Plan	1.	An Asset Management Plan exists
	2.	Addresses Asset Ratios, or provides reference to them in the Long Term Financial Plan: a. Asset Consumption Ratio b. Asset Sustainability Ratio c. Asset Renewal Ratio

ATTACHMENT 2: IPR ASSESSMENT – SHIRE OF KALAMUNDA

A. STRATEGIC COMMUNITY PLAN

IPR Standards achieved as outlined in Attachment 1 except for:

Item 10. Upon adoption of the Strategic Community Plan, local public notice is given.

- No evidence indicating that local public notice was given for a minimum of 7 days with details on where and when the plan can be inspected (i.e. a copy of the newspaper advertisement) was provided to DLGC.

B. CORPORATE BUSINESS PLAN

IPR Standards achieved as outlined in Attachment 1.

C. LONG TERM FINANCIAL PLAN

IPR Standards achieved as outlined in Attachment 1.

D. ASSET MANAGEMENT PLAN

IPR Standards achieved as outlined in Attachment 1 except for:

Item 2a. Address Asset Consumption Ratio

- The requirement to address this ratio in the Asset Management Plan or provide reference to the Ratio in the Long Term Financial Plan has not been met.

- However DLGC notes the Shire has stated that it is unable to calculate this ratio at present until Fair Value of assets have been assessed and determined and anticipated this to occur by June 2015. Therefore DLGC would recommend the Shire amend the plans as soon as data becomes available.

Declaration of financial / conflict of interests to be recorded prior to dealing with each item.

21.　　Policy Review – Code of Conduct

Previous Items	OCM 49/2008
Responsible Officer	Chief Executive Officer
Service Area	Office of the Chief Executive Officer
File Reference	OR-CMA-022
Applicant	N/A
Owner	N/A
Attachment 1	Code of Conduct for Elected Members
Attachment 2	Code of Conduct for Employees

PURPOSE

1.　　To consider and adopt revised Codes of Conduct for Elected Members (Attachment 1) and Employees (Attachment 2).

BACKGROUND

2.　　As part of the ongoing review of the Policy Register, the current Code of Conduct (Codes) was identified as needing revision and updating to ensure compliance with legislative requirements and is aligned with the current strategic and operational directions of the Shire.

DETAILS

3.　　The current Code was adopted in 2008 and with some amendments being made to the legislative requirements since then and to the operational and strategic directions of the Shire, particularly the adoption of the Governance Framework in May 2013, changes and improvements are required to the code.

4.　　Additionally, due to different requirements for Elected Members and Employees, a decision was made to develop two Codes to ensure there is no confusion between these requirements. A number of other local governments have also recently adopted this process.

5.　　Enhancements have been made to the overall content of the Codes including:

- Tighter processes/controls with respect to acceptance of gifts.
- Stronger and clearer alignment with Policies.
- Stronger requirement for staff to comply with the Code through a declaration of compliance, similar to the councillor oath.
- Inclusion of a formal complaints process.
- Introduction of comprehensive referencing information.

STATUTORY AND LEGAL CONSIDERATIONS

6.　　Section 5.103 (1) of the *Local Government Act 1995* requires the adoption of a code of conduct.

7.   Regulations 34B and 34C of the *Local Government (Administration) Regulations 2009* provide for certain matters that must be included in a code of conduct.

POLICY CONSIDERATIONS

8.   The proposed Codes of Conduct continues the revision and updating of the Shire's Policies.

COMMUNITY ENGAGEMENT REQUIREMENTS

9.   Not required for this item.

FINANCIAL CONSIDERATIONS

10.   There are no financial impacts from this item.

STRATEGIC COMMUNITY PLAN

Strategic Planning Alignment

11.   *Kalamunda Advancing: Strategic Community Plan to 2023*

OBJECTIVE 6.3 To lead motivate and advance the Shire of Kalamunda.

Strategy 6.1.2   Regularly review the organisation's structure, policies and procedures in response to changing circumstances.

SUSTAINABILITY

Social Implications

12.   Nil.

Economic Implications

13.   Nil.

Environmental Implications

14.   Nil.

RISK MANAGEMENT CONSIDERATIONS

15.

Risk	Likelihood	Consequence	Rating	Action/Strategy
That Council will not adopt the new Codes of Conduct.	Unlikely	Minor	Low	Ensure Council is aware of the need for Codes that meet the current needs of the organisation and are compliant with legislative requirements.

OFFICER COMMENT

16.   The draft Codes of Conduct were referred to the Shire's lawyer for review and comment. A small number of minor corrections were recommended to ensure compliance with legislative requirements and to clarify some provisions contained in the draft Codes.

17.   The development of two Codes and the overall approach and content was commended by the lawyer.

A Councillor requested a copy of the previous code with tracked changes to identify what had altered. The Manager Governance explained that the document had changed in its entirety and what had been one document was now separated for Elected Members and Staff. A Councillor requested the decision be deferred until a comparison with the old document could be made. A copy of the previous policy and an email from the Shire's Lawyer Neil Douglas commending the changes will be circulated to Councillors.

The Officer Recommendation lapsed and the Committee passed a motion to defer the item until the November Ordinary Council Meeting.

Voting Requirements: Simple Majority

OFFICER RECOMMENDATION (A&R 21/2014)

That Council:

1.   Pursuant to section 5.103 (1) of the *Local Government Act 1995*:-

- Adopts the Code of Conduct for Elected Members (Attachment 1)

- Adopts the Code of Conduct for Employees (Attachment 2)

2.   Revokes the current Code of Conduct Policy ADM 5.

Moved: **LAPSED**

Seconded:

Vote:

COMMITTEE RECOMMENDATION TO COUNCIL (A&R 21/2014)

That Council:

1.   The Item be deferred to the November Ordinary Council Meeting.

Moved: **Cr Simon Di Rosso**

Seconded: **Cr Sue Bilich**

Vote: **CARRIED UNANIMOUSLY (9/0)**

Attachment 1

Code of Conduct for Elected Members

Click HERE to go directly to the document

Attachment 2

Code of Conduct for Employees

Click HERE to go directly to the document

Declaration of financial / conflict of interests to be recorded prior to dealing with each item.

Item 22, Adoption of Annual Financial Report 2013/2014 was considered as the first item. David Tomasi left the meeting at the conclusion of this item.

22.   Adoption of Annual Financial Report 2013/2014

Previous Items	N/A
Responsible Officer	Chief Executive Officer
Service Area	Office of the Chief Executive Officer
File Reference	FI-SRR-005
Applicant	N/A
Owner	N/A
Attachment 1	2013/2014 Annual Financial Report
Attachment 2	Auditor's Management Report for the year ended 30 June 2014
Attachment 3	Local Government Operational Guidelines – Financial Ratios No 18

PURPOSE

1.   To receive the Auditor's Report and the 2013/2014 Annual Financial Report (Attachment 1).

2.   To consider the Auditor's Management Report for the year ended 30 June 2014 (Attachment 2) and the administration's response.

BACKGROUND

3.   Section 6.4 (1) of the *Local Government Act 1995* (The Act) requires a local government to prepare an Annual Financial Report for each financial year and details what the Annual Financial Report is to contain.

4.   Section 6.4 (2) of the Act requires a local government to submit by 30 September following each financial year or as such time as the Minister allows, submit to its auditor –

(a)   The accounts of the local government, balanced up to the last day of the preceding financial year; and

(b)   The annual financial report of the local government for the preceding financial year.

5.   Section 7.12 (3) of the Act requires the local government to examine the report of the auditor under section 7.9(1) and any other report prepared under section 7.9(3) forwarded to it, and is to –

(a)   Determine if any matters raised by the report or reports require action to be taken by the local government; and

(b)   Ensure that appropriate action is taken in respect of those matters.

6.   Section 7.12 (4) of the Act requires the Shire to –

(a)   Prepare a report on any actions under subsection (3) in respect of an audit conducted in respect of a financial year; and

(b)   Forward a copy of that report to the Minister,

By the end of the next financial year, or six months after the last report prepared under section 7.9 is received by the local government, whichever is the latest time.

DETAILS

7.   The 2014 Annual Financial Report is presented for the Council's acceptance.

8.   The Auditors, UHY Haines Norton, conducted the field work in May and August of 2014 and concluded their work on 12 November 2014. The audit certificate is provided on page 60-61 of the Annual Financial Report. As noted by the auditors, there were no indications of significant adverse trends in the financial position or financial management practices of the Shire.

9.   The Auditors, UHY Haines Norton, as per normal practice also issue a Management Report which provides comment on the Financial Ratios as required by the Local Government *(Financial Management) Regulations 1996* regulation 50. As indicated in the report, all ratios except one were within the acceptable range as provided by the Department of Local Government and Communities (Attachment 3). More effort is required in investing in the Shire's renewable assets which has been targeted in the Asset Management Plan and reflected in the Long Term Financial Plan for 2014-24.

10.   The Asset ratios will be further impacted by recalculations on depreciation and asset conditions with the coming revaluation of infrastructure assets which is planned to be completed by 30 June 2015.

11.   As noted in the report, the ratios will need to be closely monitored by the administration to ensure the continued long term financial sustainability of the Shire.

STATUTORY AND LEGAL CONSIDERATIONS

12.   Sections 6.4, 7.9, 7.12 of the Act.

13.   Regulation 51 of the *Local Government (Financial Management) Regulations 1996.*

POLICY CONSIDERATIONS

14.   There are no policy implications.

COMMUNITY ENGAGEMENT REQUIREMENTS

15.   Although no community engagement consultation is required in the preparation of the Annual Financial Report, Section 5.55 of the Act requires that the Chief Executive Officer give local public notice of the availability of the Annual Report as soon as practicable after the Annual Report has been accepted by the local government. The Annual Financial Report forms one part of the contents in the Annual Report.

FINANCIAL CONSIDERATION

16.   The 2013/2014 Budget includes provision for the cost of having the accounts and the Annual Financial Report audited by an externally appointed registered auditor. The audit fees for 2013/14 is estimated at $55,142.

STRATEGIC COMMUNITY PLAN

Strategic Planning Alignment

17.   *Kalamunda Advancing: Strategic Community Plan to 2023*

OBJECTIVE 6.8   To ensure financial sustainability through the implementation of effective financial management, systems and plans.

Strategy 6.8.4   Provide effective financial services to support the Shire's operations and to meet sustainability planning, reporting and accountability requirements.

SUSTAINABILITY

Social Implications

18.   Nil.

Economic Implications

19.   Nil.

Environmental Implications

20.   Nil.

RISK MANAGEMENT CONSIDERATIONS

21.

Risk	Likelihood	Consequence	Rating	Action/Strategy
The Annual Financial Report is not sent to the Local Government Department within the stipulated 30 days from receipt of the auditor's report.	Unlikely	Major	Medium	Ensure the Annual Financial Report is prepared, presented and received in time to meet the legislative requirements.

OFFICER COMMENT

22.   The 2013/14 Annual Financial Statement include:

- Statement by the Chief Executive Officer
- Statement of Comprehensive Income by Nature and Type
- Statement of Comprehensive Income by Program
- Statement on Financial Position
- Statement of Changes in Equity

- Cash Flow Statement
- Rate Setting Statement
- Notes to and forming part of the Financial Report
- Independent Auditor Report
- Supplementary Ratio Information

23. Regulation 51 of the *Local Government (Financial Management) Regulations 1996* requires the CEO to provide a copy of the Annual Financial Report to the Department of Local Government and Communities within 30 days of the receipt by the auditor's report on that financial report.

David Tomasi, Partner UHY Haines Norton, Shire of Kalamunda External Auditor gave a summary of the work carried out for this audit; he commended the very detailed approach of staff in the finance area of the Shire. As this will be the final year working with the Shire of Kalamunda he wished the best to the Shire's Councillors and staff as they move forward through the anticipated changes in 2015.

A Councillor asked David Tomasi if the target ratios (Attachment 2) set by the Auditors aligned with those of the Department of Local Government and Communities. This was confirmed for all but the Debt Service Cover Ratio.

The Chief Executive Officer thanked David Tomasi and agreed that the use of ratios has been a huge benefit to local governments when considering projects and the whole thinking has changed due to these ratios.

David Tomasi left the meeting at 7.05pm.

Voting Requirements: Simple Majority

COMMITTEE RECOMMENDATION TO COUNCIL (A&R 22/2014)

That Council:

1. Pursuant to Section 6.4 of the *Local Government Act 1995*, accepts the 2013/2014 Annual Financial Report (Attachment 1).

2. Pursuant to Section 7.12 (3) of the *Local Government Act 1995,* notes the response to the issue raised by the Auditor in the Management Report (Attachment 2).

3. Request the Chief Executive Officer to ensure the Annual Financial Statements are forwarded to the Department of Local Government & Communities before the due date required.

Moved: **Cr Margaret Thomas**

Seconded: **Cr Justin Whitten**

Vote: **CARRIED UNANIMOUSLY (9/0)**

Attachment 1

2013/2014 Annual Financial Report

Click HERE to go directly to the document

Attachment 2

UHY Haines Norton
Chartered Accountants

12 November 2014

16 Lakeside Corporate, 24 Parkland Road
Osborne Park | Perth | WA | 6017
PO Box 1707 | Osborne Park | WA | 6916
t + 61 8 9444 3400 | f + 61 8 9444 3430
perth@uhyhn.com.au | www.uhyhn.com

Cr S Bilich
The Shire President
Shire of Kalamunda
PO Box 42
KALAMUNDA WA 6926

Dear Cr Bilich

MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2014

We advise that we have completed our audit procedures for the year ended 30 June 2014 and enclose our Audit Report.

We are required under the Local Government Audit Regulations to report certain compliance matters in our audit report. Other matters which arise during the course of our audit that we wish to bring to Council's attention are raised in this management report.

It should be appreciated that our audit procedures are designed primarily to enable us to form an opinion on the financial statements and therefore may not bring to light all weaknesses in systems and procedures which may exist. However, we aim to use our knowledge of the Shire's organisation gained during our work to make comments and suggestions which, we hope, will be useful to you.

COMMENT ON RATIOS

Last year (the year ended 30 June 2013) saw the introduction of new financial reporting ratios for local governments in Western Australia.

This year (the year ended 30 June 2014) is the second year of these new ratios and the information relating to these ratios is summarised below:

	Target Ratio[1]	Shire's Actual Ratios			3 Year Trend[2]
		2014	2013	2012	
Current Ratio	≥ 1	1.064	1.165	0.856	↑
Asset Sustainability Ratio	≥ 1.1		0.395	0.957	↓
Debt Service Cover Ratio	≥ 15	12.964	9.168*	11.634	↑
Operating Surplus Ratio	≥ 0.15	0.089	(0.004)*	0.042	↑
Own Source Revenue Coverage Ratio	≥ 0.9	0.853	0.828*	0.850	↑
Asset Consumption Ratio	≥ 0.75	0.764	0.812	N/A	↓
Asset Renewal Funding Ratio	≥ 1.05	0.897	0.981	N/A	↓

Key

Above target as per guidelines	Within acceptable banding as per guidelines	

[1] Target ratios per Department of Local Government (DLG) Guidelines except the Debt Service Cover Ratio which is a target devised by UHY Haines Norton (and based on experience). For information, DLG Guidelines establish a target Debt Service Cover Ratio of 5.

[2] The 3 year trend compares the 2014 ratio to the average of the last 3 years (except for the Asset Consumption and Asset Renewal Funding Ratios which are the 2 year trend).

* Adjusted for "one-off" non-cash items.

An association of independent firms in Australia and New Zealand and a member of UHY International, a network of independent accounting and consulting firms.

UHY Haines Norton – ABN 87 365 232 295

Liability limited by a scheme approved under Professional Standards Legislation

Powerful insights
Astute advice

UHY Haines Norton
Chartered Accountants

COMMENT ON RATIOS (CONTINUED)

Ratios provide useful information when compared to industry and internal benchmarks and assist in identifying trends. Whilst not conclusive in themselves, understanding ratios, their trends and how they interact is beneficial for the allocation of scarce resources and planning for the future.

We provide commentary on specific ratios (identified as red in the table above) as follows:

Asset Sustainability Ratio

This ratio measures the extent to which assets are being renewed/replaced as compared to the amount consumed (depreciation).

A ratio less than 0.90 indicates the local government may be having difficulty undertaking a sustained capital investment program sufficient to renew/replace assets whilst, at the same time, negating the effect of inflation on purchasing power over time.

The 2014 ratio (0.668) shows an improvement from the 2013 ratio (0.395) although it is still below the acceptable banding provided in DLG guidelines. In addition the three year average is trending downwards.

Interpretation of this ratio should be considered together with the Asset Consumption Ratio (ACR) (above target at 0.764) and the Asset Renewal Funding Ratio (ARF) (within acceptable banding at 0.897).

The ACR and the ARF for the year suggest the Council is currently replacing or renewing its existing assets at about the same rate they are wearing out. Notwithstanding this, the Council should consider reviewing the Shire's long term capital investment program to help ensure asset renewal is maintained at an appropriate level with sufficient funding support in the future.

Another consideration is the recent revaluation of land and buildings (during the current year ended 30 June 2014) and future revaluation of infrastructure (during the coming year ended 30 June 2015). The resultant effect the depreciation expense will have on these ratios following the revaluation will also need to be monitored.

A final point is the interpretation of these ratios is much improved if they are calculated as an average over time (at least 5 years) as this reduces skewing by large scale intermittent investment in major infrastructure.

Summary

Whilst all ratios (with the exception of the Current Ratio) are new and we accept it may take some time for their implication to be fully understood, they should be duly considered as part of the overall financial management of the Shire.

In addition to other financial practices, we suggest it is prudent for Council and management to monitor all ratios in future financial years as they strive to manage the scarce resources of the Shire.

Management Response

We agree with observations above in regards to the asset sustainability ratio and provide further comment as follows:

The Shire has been making a concerted effort in the investment of renewing existing assets illustrated by the significant increase in the ratio from 0.395 to 0.668 between 2012-13 and 2013-14, a change of 169% representing a significant improvement. The Asset Management Plans for 2014-24 is forecasting an average expenditure on renewable assets of 0.988 which is in line with the Department of Local Government and Communities (The Department) Guidelines.

2

UHY Haines Norton
Chartered Accountants

COMMENT ON RATIOS (CONTINUED)

Management Response (Continued)

The Department has provided Local Authorities best practice guidelines (Circular no. 18 –June 2013) on ratios a target band which starts at the basic and ends at the advanced level. These advanced targets were placed in the Integrated Planning Framework with the intention that the Shire would be meeting most if not all advance targets by 2017.

Verbal discussions with the officers of the Department confirm that they do not have any immediate concerns with the Shire's performance as long as the basic standards are being met. This is collaborated by the Department writing to the Shire in September with the following comments in reference to the 2013/14 Integrated Planning and Reporting Assessment.

Excerpt from the letter to the Shire:

"Your Strategic Community Plan and Corporate Business Plan provide a strong foundation for your council and administration to meet the immediate and long-term sustainability challenges facing your community. In particular, they will continue to be valuable planning tools in addressing the community development priorities that you have set for the years ahead."

The Local Government Advisory Board also acknowledged in their report to the Minister for Local Government and Communities on the amalgamation of Local Metro Councils that the financial position of the Shire changed from being "vulnerable" to "good" which is reflection of the hard work undertaken by the administration in the last three years to ensure that Shire is being run responsibly with a view to long term sustainability.

In this light, we agree that the monitoring of these ratios is vital and need to be considered in a longer term for which the current statistics are in-adequate to make a call on.

We noted no other matters we wish to draw to Council's attention.

UNCORRECTED MISSTATEMENTS

We advise there were no uncorrected misstatements noted by us during the course of our audit.

We take this opportunity to thank the Chief Executive Officer and all staff for the assistance provided during the audit.

Should you wish to discuss any matter relating to the audit or any other matter, please do not hesitate to contact us.

Yours faithfully

DAVID TOMASI
PARTNER

Encl

2

Attachment 3

Local Government Operational Guidelines – Financial Ratios No 18

Click HERE to go directly to the document

7.0   URGENT BUSINESS APPROVED BY THE PERSON PRESIDING OR BY DECISION

7.1   Nil.

8.0   CLOSURE

8.1   There being no further business, the Presiding Member declared the meeting closed at 7.11pm.

I confirm these Minutes to be a true and accurate record of the proceedings of this Committee.

Signed: _____

                      Presiding Member

Dated this _____ day of _____ 2015