



Audit Committee

NOTICE OF MEETING

Notice is hereby given that a meeting of the Audit Committee will be held in the

**Kingston Room, Civic Centre
24 Jetty Road, Brighton**

Wednesday 31 January 2018 at 6.30pm

Justin Lynch
CHIEF EXECUTIVE OFFICER

Please note: This agenda contains Officers' reports and recommendations that will be considered by the Committee. Any confidential items listed on the agenda will be circulated to Members separately.



Audit Committee Agenda

1. OPENING

The Chairman, Councillor Smedley will declare the meeting open at _____ pm.

2. APOLOGIES

2.1 Apologies received

2.2 Absent

3. DECLARATION OF INTEREST

If a Member has an interest (within the terms of the Local Government Act 1999) in a matter before the Committee they are asked to disclose the interest to the Committee and provide full and accurate details of the relevant interest. Members are reminded to declare their interest before each item.

4. CONFIRMATION OF MINUTES

Motion

That the minutes of the Audit Committee held on 25 October 2017 be taken as read and confirmed.

Moved _____, Seconded _____

Carried

5. ACTION ITEMS

6. REPORTS BY OFFICERS

6.1 Standing Items – January 2018 (Report No: 12/18)

6.2 Internal Audit – Municipal Payroll Process (Report No: 21/18)

6.3 Risk Management Framework (Report No: 22/18)

7. URGENT BUSINESS – Subject to the Leave of the Meeting

8. CONFIDENTIAL ITEMS

9. DATE AND TIME OF NEXT MEETING

The next meeting of the Audit Committee will be held on Wednesday 21 March 2018 in the Kingston Room, Civic Centre, 24 Jetty Road, Brighton.

10 CLOSURE

**JUSTIN LYNCH
CHIEF EXECUTIVE OFFICER**

Item No: **6.1**
Subject: **STANDING ITEMS – JANUARY 2018**
Date: 31 January 2018
Written By: Manager Finance
General Manager: Business Services, Mr R Bria

SUMMARY

The Audit Committee is provided with a report on standing items at each ordinary meeting.

RECOMMENDATION

That the Audit Committee advises Council it has received and considered a Standing Items Report addressing:

- **Monthly financial statements**
 - **Internal control**
 - **Risk management**
 - **Whistleblowing**
 - **Internal audit**
 - **Economy and efficiency audits**
 - **Audit Committee Meeting Schedule for 2018**
-

COMMUNITY PLAN

Culture: Enabling high performance
Culture: Being financially accountable
Culture: Supporting excellent, efficient operations

COUNCIL POLICY

Not applicable

STATUTORY PROVISIONS

Local Government Act 1999, Sections 41 and 126
Whistleblowers Protection Act 1993

BACKGROUND

At its meeting on 23 January 2008, the Audit Committee resolved that a report be included in the agenda of each meeting of the Committee addressing the following standing items:

- Monthly financial statements
- Internal control and risk management
- Whistle blowing
- Internal audit
- Economy and efficiency audits

Also included in this Standing Items report is an item to formally advise the Committee of the outcomes of its recommendations and advice to Council. This is aimed at 'closing the communication loop' between the Committee and Council.

REPORT

Monthly Financial Reports

Members of the Committee receive copies of the monthly financial reports as soon as practical after they are provided to Council.

Financial reports for Municipal and Alwyndor operations for the month ended 31 October 2017 were considered by Council at its meeting on 28 November 2017. The Committee has received copies of this report. Due to the reduced number and timing of Council meetings during December no financial report was prepared for the month ended 30 November 2017.

The half yearly budget update report for the period ended 31 December 2017 (11/18) was presented to Council on 23 January 2018. Members of the Committee have received copies of this report.

Risk Management

With the tragic drowning of two teenagers on separate incidents at Glenelg beach in December 2017, Council has asked the Minister of Transport and Infrastructure to lead a comprehensive risk assessment of the surrounding marine infrastructure and develop necessary remediation actions to improve public safety.

Refer Attachment 1

Internal Controls

Administration is not aware of any material changes to Council's internal controls not otherwise disclosed since the previous Standing Items report on 25 October 2017.

Internal Audit

Council's internal auditor, Bentleys, commenced a Payroll Process audit in November 2017. This included separate audits of Municipal and Alwyndor payroll processes. The Municipal audit is

complete and a report on the outcomes is included in this agenda. The Alwyndor audit is to be finalised and will be reported to the next Audit Committee meeting.

External Audit

Council's external auditor, BDO, attended the Audit committee on 25 October 2017 to discuss the final audit of the 2016/17 financial statements. The 2016/17 consolidated financial statements were adopted by Council on 14 November 2017. BDO subsequently issued an unqualified audit opinion on the Council and Alwyndor 2016/17 Financial Statements and Internal Controls.

Refer Attachment 2

Whistle-Blowing

There have been no whistleblower complaints made to Council since the previous standing items report on 25 October 2017.

ICAC and Whistleblower training was conducted with all staff between October and December 2017. The awareness of the policy has been included in the induction process for new staff and the training module has been included in our annual training program for staff.

Sec 130A Economy and Efficiency Audits

Council has not initiated any review pursuant to section 130A of the *Local Government Act* since the previous Standing Items Report on 25 October 2017.

Council Recommendations

At its meeting on 14 November 2017 Council received the minutes and endorsed the recommendations of the meeting of the Audit Committee held on 25 October 2017.

2018 Meeting Schedule

The Audit Committee's terms of reference require it to meet at least 4 times each year and at least once each quarter. Meetings are usually set to align with two important financial programs in which the Audit Committee plays important roles:

- Development of the annual business plan and budget
- Completion of the annual financial statements and external audit

In order to accommodate the above reporting requirements the following ordinary meeting schedule is proposed for 2018:

- Wednesday 21 March 2018
- Wednesday 18 April 2018
- Wednesday 29 August 2018
- Wednesday 17 October 2018.

BUDGET

TRIM Reference: B330

This report does not have any budget implications.

LIFE CYCLE COSTS

This report does not have any full life cycle costs implications.



holdfast.sa.gov.au

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Glenelg Customer Service Centre and Library

2 Colley Terrace, Glenelg SA 5045

8 January 2018

Hon Stephen Mullighan MP
Minister for Transport and Infrastructure
Level12, Roma Mitchell House
136 North Terrace
ADELAIDE SA 5000

Dear Stephen,

Subsequent to the tragic drowning of two teenagers, on separate incidents at the Glenelg beach in December 2017, we seek your assistance to undertake a comprehensive risk assessment of the surrounding marine infrastructure and develop necessary remediation actions to improve public safety. Below is a summary of events.

As you know, on 11 December 2017, a school girl from India drowned near the Glenelg break water rocks. A number of girls were rescued by the lifeguards at the same time. It was reported that the girls were walking in knee deep water approaching the rocks where they possibly were swept into the deep channel by a wave near the rock groyne.

On 18 December 2017, a teenager of African background was drowned at the Glenelg Jetty. Paramedics gave him CPR but were unable to revive the boy. It was reported that the boy might have been jetty jumping before he died, he had suffered significant head trauma. However the Coroner's report will decide this.

On Tuesday 12 December 2017, Holdfast Bay Council unanimously voted to restrict public access to the Glenelg break water rocks in response to the public risk. Warning signs were immediately installed to restrict public access with joint efforts by DPTI and Council.

Subsequently on the 19 December 2017, the State Government as owner of the breakwater structure enacted the Harbors and Navigation (Restrictions on Aquatic Activities-Glenelg) Variation Regulations 2017 to ban swimming around the rocks. Two permanent signs were already in place to warn the public about these dangers.

Subsequent to the drowning incident at the Jetty, the signs there were further improved to discourage jetty jumping by children and adults. The lead agency representatives (Department of Planning, Transport and Infrastructure, Surf Life Saving SA, Glenelg Surf Life Saving Club, City of Holdfast Bay, Department of Water, Environment and Natural Resources, South Australian Police) met immediately after both of these incidents to discuss issues and coordinate responses. They discussed various ways to further prevent such incidents in the future. Most of the suggestions lead to undertaking a thorough examination of the nearby infrastructure, eliminating any hidden dangers, ensuring safe practices by members of the community and improving education.



The problems identified by the lead agency representatives were:

Unsafe infrastructure;

- a disused ferry platform as part of the Glenelg jetty (for the kids to jump off into the ocean);
- large platform support poles extending above the platform forming a high pillar used for jumping;
- a breakwater rock groyne near the beach (walkable during low tide);

Hidden dangers;

- Rock / caving type cavities under the break water rock groyne caused by sand erosion;
- an approximately 5m deep channel formed at the base of the rock groyne which then feeds into a rip on the beach side;
- Members of the public walking or swimming in the water beach side near the break water rock groyne fall into the channel and subsequently are at high risk of being pushed out to sea by the rip or becoming entrapped under the rock shelf or within a cave under the rocks unseen ocean currents;
- low visibility due to seaweed build up;
- heavy fall from the jetty on to a hidden part of the infrastructure;
- sand movement creating shallow water through sand bars;
- changing sand and water depth conditions

Unsafe Practice;

- Members of the public disobeying warning signs;
- Members of the public jumping into the ocean without considering the conditions (depth, awkward landing);
- Members of the public walking on the rocks without noticing the gaps or currents;
- Strong rip pushes swimmers of all swimming abilities into the rock groyne entering the hazard area

The following solutions were discussed at the lead agencies meeting:

- Eliminate dangers surrounding the existing infrastructure at the Glenelg beach;
- Provide appropriate monitoring of emergency situations (such as life guards, cctvs, etc) and response capabilities;
- Provide additional signs at the beach (visual signs at the jetty showing shallow water);
- Ensure sufficient enforcement power is available to the agencies to ban certain activities such as jumping from an inappropriate location;
- Provide swimming lessons to vulnerable communities

It is therefore suggested that the State Government undertake an appropriate and comprehensive risk assessment of the existing infrastructure at Glenelg beach and develop a program of activities to improve public safety at the beach. It would be appropriate for DPTI to lead the proposed risk assessment as that department owns both the rock wall and the jetty at Glenelg beach.

Further information can be obtained from Rajiv Mouveri on (m) 0477 003 800, who coordinated the lead agency meetings and responses.

Sincerely



Justin Lynch,
Chief Executive Officer

CC: Hon Chris Picton MP, Minister for Emergency Services
Clare Harris, CEO, Surf Life Saving SA
Georgina Cole, President, Glenelg Surf Life Saving Club

INDEPENDENT AUDITOR'S REPORT TO THE PRINCIPAL MEMBER OF THE CITY OF HOLDFAST BAY

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of the City of Holdfast Bay ("the Council"), which comprises the statement of financial position as at 30 June 2017, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the certification of the financial statements.

In our opinion the financial report of the City of Holdfast Bay, presents fairly, in all material respects, the Council's financial position as at 30 June 2017 and its financial performance for the year ended on that date in accordance with Australian Accounting Standards, the *Local Government Act 1999*, and the *Local Government (Financial Council's officers) Regulations 2011*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Council in accordance with the *Local Government Act 1999* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Local Government Act 1999*, which has been given to the Council, would be in the same terms if given to the Council as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Report and Auditor's Report Thereon

Management is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report of the City of Holdfast Bay, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Council's responsibility for the Financial Report

The Council's officers are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, the *Local Government Act 1999* and the *Local Government (Financial Council's officers) Regulations 2011* and for such internal control as the Council's officers determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Council's officers are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council's officers either intend to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: http://www.auasb.gov.au/auditors_files/ar3.pdf.

This description forms part of our auditor's report.

A handwritten signature in blue ink, appearing to read 'G K Edwards'.

BDO Audit (SA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'G K Edwards'.

G K Edwards
Director

Adelaide, 15 November 2017

INDEPENDENT ASSURANCE REPORT ON THE INTERNAL CONTROLS OF THE CITY OF HOLDFAST BAY

Scope

We have undertaken a reasonable assurance engagement on the design and the operating effectiveness of controls established by the City of Holdfast Bay (“the Council”) in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, throughout the period 1 July 2016 to 30 June 2017 relevant to ensuring such transactions have been conducted properly and in accordance with law.

The Council’s Responsibility for the Internal Controls

The Council is responsible for:

- a) the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities;
- b) identifying the control objectives;
- c) identifying the risks that threaten achievement of the control objectives;
- d) designing controls to mitigate those risks, so that those risks will not prevent achievement of the identified control objectives; and
- e) operating effectively the controls as designed throughout the period.

Our Independence and Quality Control

We have complied with the relevant ethical requirements relating to assurance engagements, which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. In accordance with Auditing Standard ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements, BDO Audit Partnership (SA) maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Assurance Practitioner’s Responsibility

Our responsibility is to express an opinion on the suitability of the design to achieve the control objectives and operating effectiveness of controls established by the Council in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, based on our procedures. We conducted our engagement in accordance with Standard on Assurance Engagements ASAE 3150 Assurance Engagements on Controls issued by the Auditing and Assurance Standards Board. That standard requires that we comply with relevant ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the control objectives and the controls operated effectively throughout the period.



An assurance engagement to report on the design and operating effectiveness of controls involves performing procedures to obtain evidence about the suitability of the design of controls to achieve the control objectives and the operating effectiveness of controls throughout the period. The procedures selected depend on our judgement, including the assessment of the risks that the controls are not suitably designed or the controls did not operate effectively. Our procedures included testing the operating effectiveness of those controls that we consider necessary to achieve the control objectives identified. An assurance engagement of this type also includes evaluating the suitability of the control objectives.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Limitations of Controls

Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and operating effectively, the control objectives may not be achieved and so fraud, error, or non-compliance with laws and regulations may occur and not be detected.

An assurance engagement on operating effectiveness of controls is not designed to detect all instances of controls operating ineffectively as it is not performed continuously throughout the period and the tests performed are on a sample basis. Any projection of the outcome of the evaluation of controls to future periods is subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

Opinion

Our opinion has been formed on the basis of the matters outlined in this report.

In our opinion, in all material respects:

- (a) the controls established by the City of Holdfast Bay in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities were suitably designed to ensure such transactions have been conducted properly and in accordance with law; and
- (b) the controls operated effectively as designed throughout the period from 1 July 2016 to 30 June 2017.

A handwritten signature in blue ink that reads 'BDO'.

BDO Audit (SA) Pty Ltd

A handwritten signature in blue ink that reads 'G K Edwards'.

G K Edwards
Director

Adelaide, 15 November 2017

CERTIFICATION OF AUDITOR INDEPENDENCE

I confirm that, for the audit of the financial statements of the City of Holdfast Bay for the year ended 30 June 2017, I have maintained my independence in accordance with the requirements of APES 110 - Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011 made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22 (5) Local Government (Financial Management) Regulations 2011.



G K Edwards
Director

BDO Audit (SA) Pty Ltd

Adelaide, 15 November 2017

Item No: **6.2**

Subject: **INTERNAL AUDIT REPORT – MUNICIPAL PAYROLL PROCESS**

Date: 31 January 2018

Written By: Manager Finance

General Manager: Business Services, Mr R Bria

SUMMARY

Councils Internal Auditor, Bentleys, have provided their Internal Audit Report on the Municipal Payroll Process and is presented for discussion and noting. The internal audit report of the Alwyndor payroll process is yet to be finalised and will be reported to the next Audit Committee meeting.

RECOMMENDATION

That the Audit Committee notes the Internal Audit regarding the Municipal Payroll Process.

COMMUNITY PLAN

Culture: Enabling High Performance

STATUTORY PROVISIONS

Local Government Act 1999, section 126

REPORT

Council's internal auditor, Bentleys, undertook an internal audit on the municipal Payroll Process in November 2017. A separate internal audit of the Alwyndor payroll process has also commenced and will be reported to the next Audit Committee meeting. The outcomes, recommendations and Administration's agreed actions are included in the attached report.

Refer Attachment 1

BUDGET

This report does not have any budget implications.

LIFE CYCLE COSTS

This report does not have any full life cycle cost implications.

City of Holdfast Bay

Payroll Process Internal Audit Report

November 2017





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16 January 2018

Roberto Bria
General Manager Business Services
City of Holdfast Bay
PO Box 19
BRIGHTON SA 5048

Dear Roberto,

Internal Audit Report – Payroll Process

Please find attached our report on the Payroll Process for the City of Holdfast Bay.

We would like to take this opportunity to thank management and staff for the assistance provided to us during the course of our audit.

If you have any queries please feel free to contact me on 08 8372 7900 at any time.

Yours sincerely,

DAVID PAPA
PARTNER

Enclosure

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Inherent Limitations

Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that have been subject to this review operate, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to its effectiveness of the greater internal control structure. This review is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed on the control procedures are on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate. We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by City of Holdfast Bay management and personnel. We have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed. The findings expressed in this report have been formed on the above basis.

Third Party Reliance

This report is solely for the purpose set out in the Official Order and for City of Holdfast Bay information, and is not to be used for any other purpose or distributed to any other party without Bentleys (SA) Pty Ltd's prior consent.

This summary report has been prepared at the request of City of Holdfast Bay management or its delegate. Other than our responsibility to the management of City of Holdfast Bay, neither Bentleys (SA) Pty Ltd nor any member or employee of Bentleys (SA) Pty Ltd undertakes responsibility arising in any way from reliance placed by a third party, including but not limited to City of Holdfast Bay external advisors, on this summary report. Any reliance placed is that party's sole responsibility. Liability limited by a scheme approved under Professional Standards Legislation.

EXECUTIVE SUMMARY

Background

The Council has engaged Bentleys SA Pty Ltd to conduct an internal audit project – Payroll Process review in November 2017 in line with the Audit Committees Internal Audit Program.

Payroll management is concerned with all aspects of the arrangements that are in place to ensure that employees of an organisation receive remuneration which is in accordance with their terms of employment, is lawful and is appropriately recognised in the financial statements of the organisation.

This report outlines findings and recommendations in respect of Payroll Process.

Audit Objectives

The overall objective of the audit was to review the system of internal controls and related management processes, providing reasonable assurance that adequate management controls exist to mitigate risk and maximise opportunity.

The specific objectives of the audit were to:

- Review and assess the controls over existing processes for pay runs, time sheeting, adding, editing and terminating employees from the payroll system;
- Perform testing on a sample basis to ensure adequacy and effectiveness of key controls; and
- Assess whether policies, procedures and relevant legislation have been complied with and adhered to.

Governance objectives, where relevant, were considered. This included an assessment of whether governance processes were in place, including:

- Defined roles and responsibilities;
- Segregation of duties;
- Appropriate levels of delegated authority;
- Monitoring and reporting of abnormal activity; and
- Records management and documented audit trails.

Audit Scope and Approach

The Audit considered whether payroll processes were efficient and effective; and assess the controls in place to mitigate the risk of fraud and theft in payroll (#2) identified in the Council's Risk Workshop Report 2017. Specifically, the audit scope included the following for the payroll activities from July 2016 onwards:

Compliance

- Assess compliance with the Local Government Act 1999, relevant Enterprise Agreements and Award;
- Assess compliance with the Council's payroll policies; and
- Assess compliance with the internal controls framework focusing on the implementation of the ControlTrack action plans.

Payroll system

- Determine whether the requirements of relevant Enterprise Agreement and Award, including wage rate, are accurately incorporated in the system;
- Determine whether standard programmed formulas performing employee provision calculations are incorporated in the system and reviewed regularly in accordance with statutory reporting requirements;
- Review and ensure consistent and appropriate processes of adding, editing and terminating employees from the system are in place;
- Perform data analytics on payroll bank accounts to purchasing bank accounts to determine whether controls are in place to prevent fraudulent payments; and
- Review and determine whether user access is assigned appropriately to ensure implementation of payroll processes (including reconciliations, review and payment authorisation) and segregation of duties.

Fortnightly pay run management

- Understand and assess the fortnightly pay run process, including the payroll master file data entry, and authorisation of payment;
- Assess the validity and integrity of timesheets, including timesheet reconciliations against rostering and leave/overtime applications; and
- Determine whether appropriate reporting, exception reporting and escalation is in place.

Leave/Overtime management

- Understand and assess the leave/overtime application process;
- Determine whether leave/overtime approval and records in timesheets are appropriate and correct; and
- Determine whether correct leave/overtime payment is made.

Our approach involved reviewing the process, procedures, policies and documentation; interviewing key staff; observation, walkthrough and substantive testing where possible.

Our audit reviewed the key processes and documents which drive the Council' Payroll process. Refer to Documents Accessed and Consultation (Appendix 3) for detailed information.

We conducted this audit in accordance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.

Good Practices Observed

Throughout this review we compared the Council processes (for flow charts refer to Appendix 4) to our knowledge and understanding of Local Government Association guidance for payroll management, and good business practice. The following good practices were observed during the review:

- TechnologyOne, accounting software, has been applied in the Council over ten years and was modified to include the function of electronic timesheets since August 2016. A test group of Finance and Information Services personnel plus a few representatives from other business areas ran the trial before full implementation. From June to September 2017, the function was rolled out and relevant training was provided. Inside administrative officers and library officers (155 headcount in total) started to use the electronic timesheets since then; and the rest depot staff (46 headcount) still use manual timesheets due to limited resources, such as no laptops in their work environment. Use of electronic timesheets has improved the efficiency and effectiveness of the payroll process. Currently, a system function of My Leave (leave entitlements monitoring and recording program)

will be introduced to depot staff; and existing authorised leave was transferred into the system during transition;

- Internal controls related to payroll addressed in the ControlTrack action plans were implemented by Finance and monitored by the Audit Committee;
- Fortnightly payroll EFT transfer is checked by the Senior Payroll Officer and appropriately authorised by two Accountants/Finance Officers within the Finance;
- Payroll reconciliations were independently reviewed by the Manager Finance; and
- Payroll payment including leave, allowances and overtime was accurately paid according to the Enterprise Agreements and Award.

Key Findings and Observations

A summary of the risk rated findings are provided below:

Ref #	Description of Findings	Risk Rating
1	Excess annual leave balance	Low
2	Sick leave without certificate	Low
3	EFT Payments Report Audit Trail	Low
Ref #	Improvement Opportunities	
1	Policies and flowcharts	n/a
2	Periodic review of user access in payroll system	n/a

Refer to Detailed Findings and Agreed Action Plan (Appendix 1), Improvement Opportunities (Appendix 2) for detailed information.

Each key finding is rated based on the impact to the process considered. Refer to Risk Framework (Appendix 5) for detailed information.

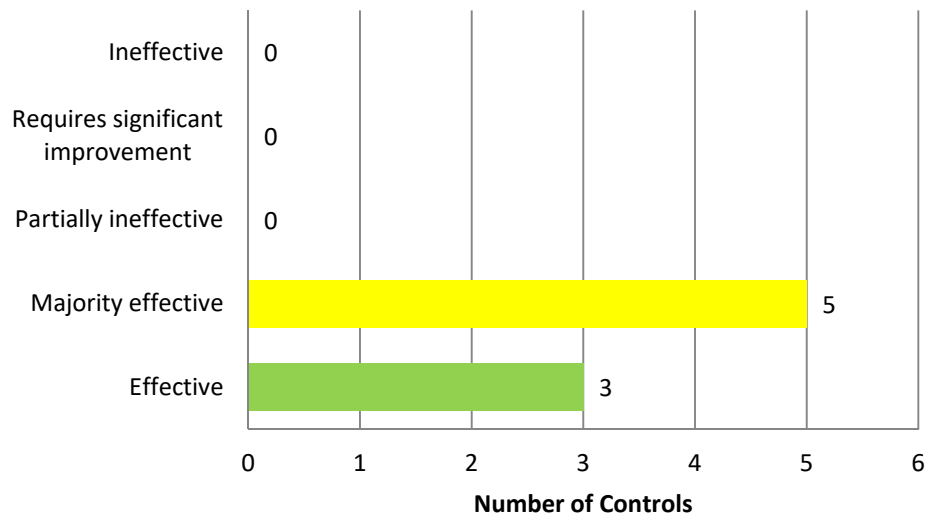
Controls Assessment

The control effectiveness assessment below is an indicator of the current state of the control environment within business operations and its ability to mitigate against the risk exposures.

Key controls were identified during the audit. Refer to Controls Assessment (Appendix 5) for detailed information.

Based on the internal audit work completed, documents inspected and interviews with key stakeholders, it is the view of Bentleys SA that the control environment of Payroll Process is Majority Effective.

Control Effectiveness Graph



Overall Controls Assessment ⁽¹⁾				
Effective	Majority effective	Partially ineffective	Requires significant improvement	Ineffective

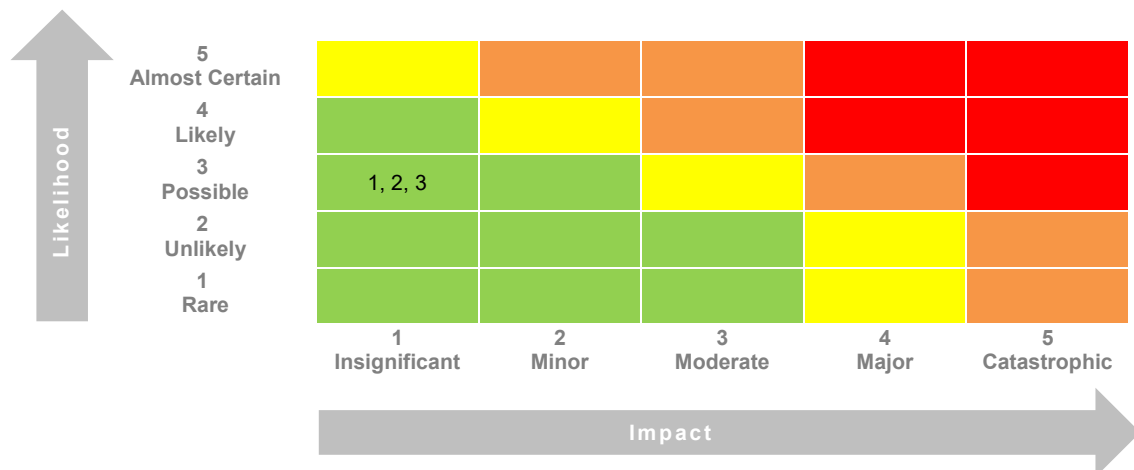
(1) Limited to audit scope and based on test results.

Refer to Detailed Findings and Agreed Action Plan (Appendix 1), Improvement Opportunities (Appendix 2) for detailed information.

Each key finding is rated based on the impact to the process considered. Refer to Risk Framework (Appendix 6) for detailed information.


Risk Assessment

Provided below is an audit assessment of the residual risk (based on the Council's risk framework) in respect of the process reviewed, having regard to the issues identified by the audit.



Key inherent risks (before controls) include:

- Non-compliance with the *Local Government Act 1999* and regulations;

- 
- Non-compliance with Enterprise Agreements and awards;
 - Non-compliance with policies and procedures;
 - Payroll calculation is inaccurate or incomplete and incorrect payment is made;
 - Integrity of business data and information assets, including inaccurate employee information could be entered into the payroll system and duplicate employees etc; and
 - Payroll-related fraud risks such as unauthorised access to payroll master file and modification of records.

Acknowledgement

We appreciate the assistance and cooperation received from management and staff of City of Holdfast Bay in completing this review.

APPENDIX 1

Detailed Findings and Agreed Action Plan

Finding 1. Excess annual leave balance	Risk Category	B																				
	Impact:	Insignificant																				
	Likelihood:	Possible																				
	Risk Rating:	Low																				
Finding(s)																						
<p>Review of the Leadership Team Summary Leave Entitlement Report (LT Leave Report) dated 27 October 2017 found that three employees (of 201 employees in total, i.e. 1.5%) had excess annual leave (A/L) balance over 304 hours (i.e. 40 work days) with no leave plan scheduled.</p> <p>LT Leave Report is a monthly monitoring and reporting tool of all leaves including excess A/L and the leave plan for a number of years. The Senior Payroll Officer developed the LT Leave Report with consolidated information from TechnologyOne and manual timesheets/leave approvals. The Manager People & Culture reviewed and escalated issues addressed in the LT Leave Report for the leadership team including General Managers and Managers to action.</p> <p>Details of findings were as follows:</p> <table border="1"> <thead> <tr> <th>Division</th> <th>Business Unit</th> <th>Employee ID</th> <th>A/L Balance 27/10/2017 (hours)</th> <th>A/L Balance 23/6/2017 (hours)</th> </tr> </thead> <tbody> <tr> <td>City Assets & Services</td> <td>Buildings & Facilities</td> <td>5090</td> <td>340.42</td> <td>307.01</td> </tr> <tr> <td>City Assets & Services</td> <td>Development Services</td> <td>3478</td> <td>337.49</td> <td>368.47</td> </tr> <tr> <td>City Assets & Services</td> <td>Parks & Reserves</td> <td>5077</td> <td>314.25</td> <td>Within threshold</td> </tr> </tbody> </table> <p>Discussion with these employees found that they were fully occupied with the work due to staff shortage and latest legislative changes. One of them (ID 3478) advised that he will plan to take A/L for about nine weeks in March, April, September and October 2018 after he finishes the current urgent work in January 2018.</p> <p>The above findings were not compliant with the Council Enterprise Agreements' (EA) requirements and the Council had a large liability to pay A/L on employment termination. Section 30.2 of the Australian Services Union (ASU) Administrative Staff EA and Section 40.1 of the Field/Depot Staff EA require that Council may give an employee reasonable written notice to reduce their A/L entitlements greater than 40 work days (i.e. 304 hours) by no more than one quarter of the current balance.</p>			Division	Business Unit	Employee ID	A/L Balance 27/10/2017 (hours)	A/L Balance 23/6/2017 (hours)	City Assets & Services	Buildings & Facilities	5090	340.42	307.01	City Assets & Services	Development Services	3478	337.49	368.47	City Assets & Services	Parks & Reserves	5077	314.25	Within threshold
Division	Business Unit	Employee ID	A/L Balance 27/10/2017 (hours)	A/L Balance 23/6/2017 (hours)																		
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City Assets & Services	Development Services	3478	337.49	368.47																		
City Assets & Services	Parks & Reserves	5077	314.25	Within threshold																		
Risk																						
<ul style="list-style-type: none"> ➤ Financial commitment of excess A/L balance on employment termination; ➤ Increasing leave liability as pay increases are applied each year; ➤ Reliance on one employee subjects the council to risks such as "key man risk" and succession issues; ➤ A reluctance to take leave is an indicator for fraud; ➤ Employee's health and welfare may be influenced if no leave taken for a long time; and ➤ Non-compliance with the EAs requirements. 																						
Recommendation	Management Response and Agreed Action Plan																					
<p>We recommend management:</p> <ul style="list-style-type: none"> ➤ Direct employees who have accrued in excess of 40 work days (i.e. 304 hours) A/L to take their 	<p>The leave report is provided to SLT on a monthly basis through the People & Culture Strategic meeting held on a fortnightly basis. General Managers are tasked with advising Managers to ensure that excess leave is reduced. If no</p>																					

<p>annual leave with written notice as suggested by EAs; and</p> <p>➤ Provide refresher training to the relevant managers to enhance the controls.</p>	<p>indication of planned leave in the payroll system, written requests to be provided to relevant Manager and employee to be scheduled in leave reduction.</p> <p>Leave management/responsibility refresher to be provided to the Leadership Team to ensure leave is managed appropriately</p> <table border="1" data-bbox="855 409 1458 728"> <thead> <tr> <th data-bbox="855 409 1270 443">Responsible Officer</th> <th data-bbox="1270 409 1458 443">Target Date</th> </tr> </thead> <tbody> <tr> <td data-bbox="855 443 1270 728"> <p>Senior Payroll Officer provides monthly report to Manager, People & Culture.</p> <p>Manager, People & Culture/Manager Finance to provide refresher at Leadership Team Meeting</p> </td> <td data-bbox="1270 443 1458 728"> <p>8/2/2018 – Leadership Team meeting.</p> <p>Excess balances already addressed.</p> </td> </tr> </tbody> </table>	Responsible Officer	Target Date	<p>Senior Payroll Officer provides monthly report to Manager, People & Culture.</p> <p>Manager, People & Culture/Manager Finance to provide refresher at Leadership Team Meeting</p>	<p>8/2/2018 – Leadership Team meeting.</p> <p>Excess balances already addressed.</p>
Responsible Officer	Target Date				
<p>Senior Payroll Officer provides monthly report to Manager, People & Culture.</p> <p>Manager, People & Culture/Manager Finance to provide refresher at Leadership Team Meeting</p>	<p>8/2/2018 – Leadership Team meeting.</p> <p>Excess balances already addressed.</p>				

Finding 2. Sick leave without certificate	Risk Category	A, B
	Impact:	Insignificant
	Likelihood:	Possible
	Risk Rating:	Low

Finding(s)

Sample testing of 30 timesheets and relevant leave/overtime/allowances approvals from July 2016 onwards identified that two employees had sick leave (S/L) taken over two consecutive work days without a medical certificate or statutory declaration. This increased the risks of financial loss due to granting invalid S/L; and was not compliant with the Council EAs' requirements. Section 31.3.2 of the ASU Administrative Staff EA and Section 40.2 of the Field/Depot Staff EA require employees to produce a medical certificate or statutory declaration for any absence taken for personal leave more than two consecutive work days.

Details of findings were as follows:

Employee ID	Business Unit	Sick Leave Start Date	Sick Leave End Date	Work Days
2379	Personal Leave (Sick) Taken No Certificate	31/7/2017	3/8/2017	4
3012	Personal Leave (Sick) Taken No Certificate	25/7/2017	27/7/2017	3

Risk

- Financial loss due to granting invalid S/L;
- Potential dispute if similar requests approved or denied; and
- Non-compliance with the EAs requirements.

Recommendation	Management Response and Agreed Action Plan	
We recommend management: <ul style="list-style-type: none"> ➤ Provide refresher training of the EAs' requirements to the relevant managers to enhance the approval of S/L taken over two consecutive work days; and ➤ Enforce the controls by increasing the review responsibilities of Senior Payroll Officer. 	Leave management/responsibility refresher to be provided to the Leadership Team to ensure leave is managed appropriately.	
	Senior Payroll Officer to refer future issues back to the relevant Manager to ensure appropriate documentation is provided in accordance with EA requirements.	
	Responsible Officer	Target Date
Manager, People & Culture/Manager Finance to provide refresher at Leadership Team Meeting	8/2/2018	

Finding 3. EFT Payments Report Audit Trail	Risk Category	A, B
	Impact:	Insignificant
	Likelihood:	Possible
	Risk Rating:	Low
Finding(s)		
<p>The Fortnightly Payroll EFT Transfer is all (100%) checked by Senior Payroll Officer and appropriately authorised by two Accountants/Finance Officers within the Finance. The current practice requires an EFT Payments Report, which shows total amount paid and amounts paid to individual employees, after making the EFT payment. The Senior Payroll Officer creates the EFT Payments Report and performs verification.</p> <p>Our review found two out of ten pay runs tested (20%), where no EFT Payments Report was on file to indicate the verification process. It indicates a weakness in the payment detective controls that should be strengthened to reduce the risk of error or misappropriation.</p>		
Risk		
<ul style="list-style-type: none"> ➤ Changing of bank accounts may not be detected; and ➤ Incorrect payment to individual employees is made. 		
Recommendation	Management Response and Agreed Action Plan	
We recommend management ensure the EFT Payments Report is reviewed and verified appropriately before payment is made and is retained on file as audit trail.	The EFT report is normally prepared before transmitting payments to employees bank accounts. The report will now be additionally verified by by Manager Finance/Finance Officers who will sign/date the report.	
	Responsible Officer	Target Date
	Manager Finance	Immediately – January 2018

APPENDIX 2

Improvement Opportunities

1. Policies and flowcharts		
Observation(s)		
<p>The audit highlighted that improvement could be made to payroll related policies and procedures relating to areas such as recruitment, leave, overtime, allowance, reclassification, and termination etc.– While EAs and awards can compel or prohibit behaviors, policy clearly guides actions toward those that are most likely to achieve a desired outcome of the Council.</p> <p>The existing human resources (HR) flowcharts of New Employees, Parental Leave, Reclassification, Separation, and Change to Employment Conditions for Existing Employees are designed with the intention to document and manage the process; however, these flowcharts do not use the standardised symbols according to the ISO 5807:1985 Information Processing.</p> <p><i>The Local Government Act 1999</i> Section 125 “Internal control policies” requires the Council to maintain current documentation of policies, procedures and systems.</p>		
Opportunity(ies)	Management Response	
<p>We recommend management</p> <ul style="list-style-type: none"> ➤ Prioritise resources to formalise the payroll related policies and procedures relating to areas such as: <ul style="list-style-type: none"> ○ Recruitment; ○ Leave; ○ Overtime; ○ Allowance; ○ Reclassification; ○ Termination; and ➤ Update flowcharts according to the ISO 5807:1985 Information Processing. 	<p>Procedural documents and flowcharts exist as observed. An overall policy framework exists and is up to date. Reliance is placed on the EA's and Awards for correct policy treatment of leave, overtime, allowances. A review will be done to ascertain any additional policy requirements. When documents are updated flowcharts will use standardised symbols as deemed appropriate.</p>	
	Responsible Officer	Target Date
	<p>Manager Finance/Manager People and Culture.</p>	<p>30 June 2018</p>

2. Periodic review of user access in payroll system

Observation(s)

The audit also highlighted that improvement could be made to individual IT profiles that need to be reviewed and any inactive accounts to be deleted.

User access of the payroll system TechnologyOne was not reviewed regularly. It contained users that had terminated employment of the Council. Although their access to the Council's Windows domain networks Active Directory was removed, there is a potential security risk of the "ghost user" account hijacked by an external hacker.

Opportunity(ies)

We recommend management:

- Enhance controls for the user access in payroll system where possible, such as use expiry dates on users set up; and
- Review user access on a regular basis, at least quarterly.

Management Response

Employees do not have access the payroll master file. Terminated employees can not access the payroll system as they are automatically made inactive on the payroll system once their entitlements are paid. Accordingly this observation is seen as low risk and refers to individual IT profiles which will be reviewed quarterly.

Responsible Officer

Manager IT

Target Date

Commence in March 2018

APPENDIX 3

Documents Accessed and Consultation

Documents provided by City of Holdfast Bay and accessed include:

- Council enterprise agreements and awards
- Payroll policy and procedures
- Overtime report, leave report, and allowance report
- Leave records for the period from July 2016 to October 2017
- Timesheet records for the period from July 2016 to October 2017
- Pay run reconciliations for the period from July 2016 to October 2017
- Technology payroll system user access
- People & Culture Delegations of Authority (Excludes WHS)

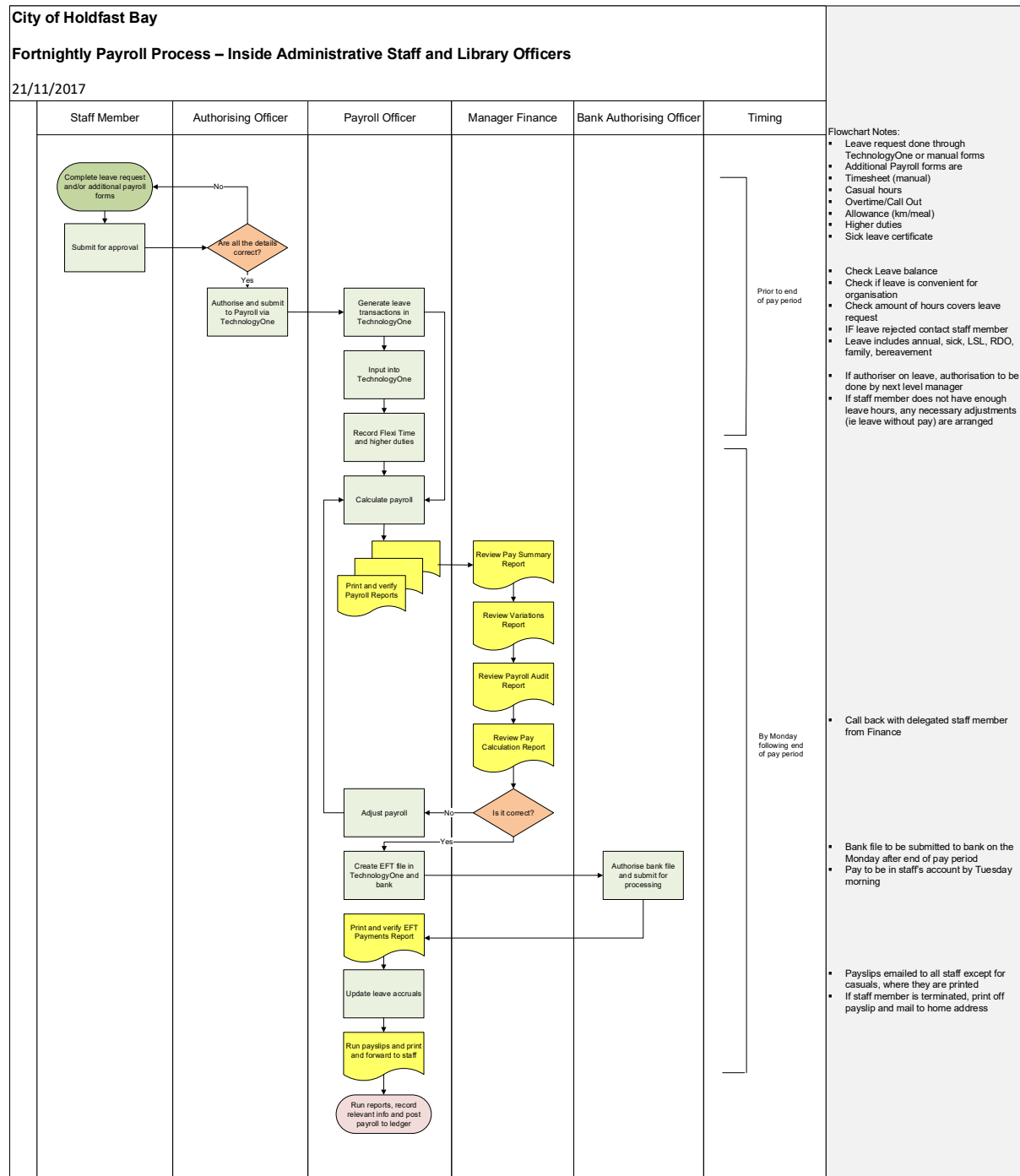
We would like to extend our appreciation to the following individuals who participated in, and provided information during this internal audit review.

- Roberto Bria, General Manager Business Services
- John Newton, Manager Finance
- Susie Walters, Senior Payroll Officer
- David Tregoning, ICT Infrastructure Coordinator
- Lyn Fuller, Accountant
- Sharon Somerville, Manager People & Culture
- Anthony Marroncelli, Manager Development Services

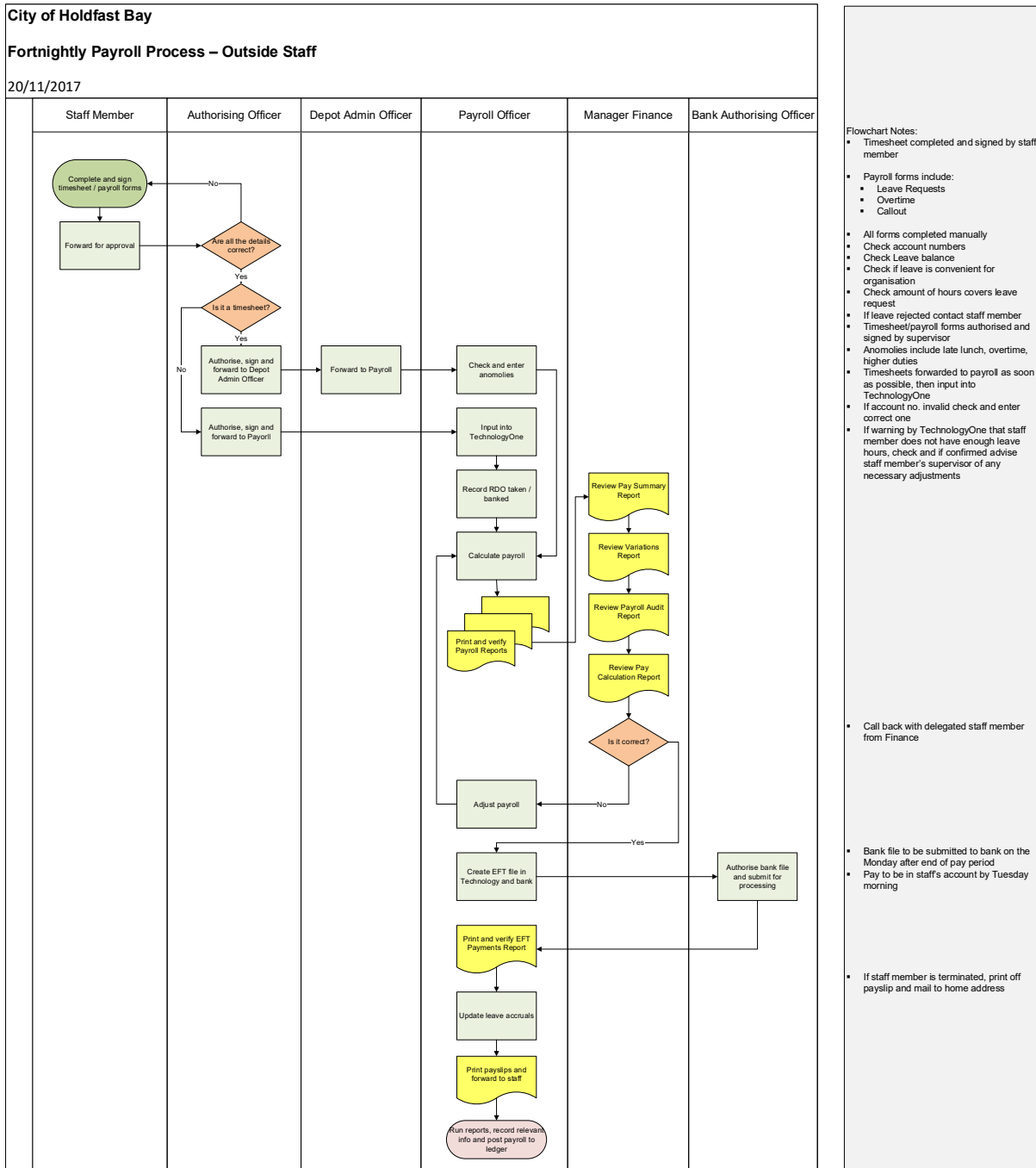
APPENDIX 4

Process Flow Chart

The fortnightly payroll process of inside administrative staff and library officers are included below:



The fortnightly payroll process of outside staff is included below:



APPENDIX 5

Controls Assessment

Key Controls

Key controls identified during the audit include:

NO.	CONTROL NAME	CONTROL EFFECTIVENESS
1	Defined policies and procedures	Majority effective
2	Defined roles and responsibilities	Effective
3	Segregation of duties	Majority effective
4	Delegated authority	Effective
5	Payroll Master File (Time Entry, Add/Edit/Terminate Employees, Leave)	Majority effective
6	Fortnightly Payroll Reconciliation	Effective
7	Monitoring and Reporting	Majority effective
8	Records management	Majority effective

APPENDIX 6

Risk Framework

The following framework for Assurance ratings was developed by the Council to prioritise findings according to their relative significance depending on their impact to the process.

LIKELIHOOD	CONSEQUENCES				
	Insignificant 1	Minor 2	Moderate 3	Major 4	Catastrophic 5
Almost Certain (E)	Moderate	High	High	Extreme	Extreme
Likely (D)	Low	Moderate	High	Extreme	Extreme
Possible (C)	Low	Low	Moderate	High	Extreme
Unlikely (B)	Low	Low	Low	Moderate	High
Rare (A)	Low	Low	Low	Moderate	High

Measures of Corporate Risk Likelihood

The likelihood of a risk eventuating must be identified in the context of existing controls using the following as a reference:

LIKELIHOOD RATING	DESCRIPTION
Almost Certain (E)	Is expected to occur in most circumstances – 95% to 100% probability over next 5 years or had occurred in the last 12 months.
Likely (D)	Will probably occur in most circumstances – 76% to 94% probability over next 5 years or had occurred in the last 12 -24months.
Possible (C)	Might occur at some time – 26% to 75% probability over next 5 years or had occurred in the last 2-10years.
Unlikely (B)	Could occur at some time– 6% to 25% probability over next 5 years or had occurred in the last 10-100 years.
Rare (A)	May occur only in exceptional circumstances– 0% to 6% probability over next 5 years or had occurred in over 100 years.

Measures of Corporate Risk Consequence or Impact

Where a risk has implications across a number of areas of impact, the highest rating should be used to determine the overall level of risk. However each identified risk should be assessed from a mitigation / action.

IMPACT SCALE	REPUTATION (A)	BUSINESS IMPACT (B)	PUBLIC SAFETY (C)	ENVIRONMENT (D)	SERVICE DELIVERY (E)
1. Insignificant	<ul style="list-style-type: none"> No adverse effect on public image No media interest Insignificant level of community concern. A slight but manageable increase in the number of adverse resident complaints Negligible adverse impact upon social health and wellbeing of the community which has little or no impact upon established community relationships and links. 	<ul style="list-style-type: none"> Low financial loss – impact of less than \$5k Operational issues manageable within normal activities 	<ul style="list-style-type: none"> No injuries Minor repairs required of an insignificant nature to property / infrastructure. 	<ul style="list-style-type: none"> “Nuisance” category under the SA Environment Protection Act (1993) met Short term, immediately reversible effects on ecosystem 	<ul style="list-style-type: none"> Insignificant impact on Council’s ability to achieve strategic outcomes
2. Minor	<ul style="list-style-type: none"> Minor adverse effect on public image Minor media coverage in paper distributed within the local area (small scale single article). Minor level of community concern, an increase in the number of resident complaints requiring direct effort to resolve/attend to. Minor adverse impact upon social health and wellbeing of the community that may have a minor impact upon established community relationships & links. 	<ul style="list-style-type: none"> Medium financial loss – impact of between \$5k and \$20k Minor impact in undertaking routine activities 	<ul style="list-style-type: none"> Only First Aid treatment required Minor loss or infrastructure damage. Normal seasonal illness leading to minor disruption to activities 	<ul style="list-style-type: none"> “Nuisance” category under SA Environment Protection Act (1993) Some minor adverse effects to few species/ ecosystem parts that are short term and immediately reversible. Contamination – on-site release immediately contained 	<ul style="list-style-type: none"> Some delays in delivery of strategic initiatives, but only minor aspects impacted. Overall strategic intent still achievable
3. Moderate	<ul style="list-style-type: none"> Moderate adverse effect on public image Adverse media campaign in Messenger over two or more issues, supported by uptake of issue in Advertiser and or local electronic media Moderate level of community concern, large number of complaints and letters to editor in Messenger Paper Minor common law action or ombudsman investigation threatened/ initiated. 	<ul style="list-style-type: none"> Moderate financial loss – impact of between \$20k and \$50k Impaired ability to maintain normal operations. Reprogramming required. Minor legal issues, non-compliances and breaches of regulation. 	<ul style="list-style-type: none"> Medical treatment required which may include short term admission to hospital Moderate loss/or infrastructure damage Local epidemic leading to noticeable disruption of activities 	<ul style="list-style-type: none"> “Material” category under the SA Environment Protection Act (1993) Contamination – on-site release contained with outside assistance Ecosystems- temporary, reversible damage, loss of habitat and migration of animal populations, some reduction in numbers and die back of plants. Pollution requires physical removal, air quality constitutes potential long term health problems. Manageable restrictions in resource usage 	<ul style="list-style-type: none"> Some key components of the Strategic Plan cannot be achieved within expected timeframes. Additional funding/resources or some strategies reprioritisation is required
4. Major	<ul style="list-style-type: none"> Significant adverse effect on public image Widespread adverse media campaign including electronic local and national media. Social media going viral requiring management intervention. Pressure on State Government and Agencies to intervene Significant level of community concern Social health and wellbeing of the community seriously affected by major community unrest and/or significant breakdown of established community relationships and links. Significant Common Law Action threatened, major ombudsman investigation initiated 	<ul style="list-style-type: none"> Major financial loss - impact of between \$50k and \$100k Significant effects loss of ability to complete programs, major restrictions to services and project delivery Serious breach of regulation with investigation or report to authority with prosecution and/or moderate fine possible. 	<ul style="list-style-type: none"> Serious & extensive injuries Serious structural damage to infrastructure or serious loss of assets. Widespread epidemic that causes significant disruption to activities 	<ul style="list-style-type: none"> “Serious” category under the SA Environment Protection Act (1993) Contamination – off-site release with no detrimental effects Ecosystems – recoverable damage, death of animals in large numbers, widespread habitation destruction, significant air quality issues. Pollution issues requiring long term management, serious introduction of invasive species Restrictions on resource usage threatening viability of accepted lifestyle 	<ul style="list-style-type: none"> Key Strategic Objectives unable to be achieved, review of Strategic Plan is required
5. Catastrophic	<ul style="list-style-type: none"> Major effect on public image Widespread adverse media campaign including electronic local, national and international media. Widespread community outrage Social media going viral, unable to be contained. State Government and Agencies to intervene. Social health & wellbeing of the community severely affected resulting in fracturing of established community relationships & links. Class Actions, Judicial Inquiries Initiated 	<ul style="list-style-type: none"> Critical financial loss/exposure – impact greater than \$100k Projects & programs failure, inability to meet minimum acceptable standards, Major breaches of regulation, sanctions imposed 	<ul style="list-style-type: none"> Fatalities Critical loss, irreversible damage property / infrastructure with a replacement cost that overwhelms the capital budget (>25%) Community movements restricted under State Emergency Plan 	<ul style="list-style-type: none"> “Serious Material harm” category under the SA Environment Protection Act (1993) and EPA actions initiated Off-site contamination requiring immediate and significant remediation actions Ecosystems – irreversible damage, widespread loss of animals, and key stone species extinctions, destruction of flora species, widespread domination of invasive species. Pollution unable to be effectively remediated. Restriction on resource usage resulting in permanent disruption of accepted life-style 	<ul style="list-style-type: none"> Goals of Strategic Plan not achievable; total and immediate re-work of Plan is required

Item No: **6.3**

Subject: **RISK MANAGEMENT FRAMEWORK**

Date: 31 January 2018

Written By: Team Leader Governance

General Manager: Business Services, Mr R Bria

SUMMARY

The Risk Management Framework, Policy and Procedure were presented to the Audit Committee for comment at its last meeting. The documents have now been reviewed to incorporate the comments received. These documents provide a comprehensive suite of documents that detail Council's approach to Risk Management activities. The documents outline the key requirements, purpose, scope and responsibilities in relation to Risk Management. The documents are presented to the Audit Committee for endorsement.

RECOMMENDATION

That the Audit Committee endorse the Risk Management Framework, Policy and Procedure.

COMMUNITY PLAN

Culture: Enabling high performance
Culture: Being financially accountable
Culture: Supporting excellent, efficient operations

COUNCIL POLICY

Risk Management Policy

STATUTORY PROVISIONS

Local Government Act 1999

BACKGROUND

The current Risk Management Framework and Risk Management Policy were endorsed by Council in 2015. The Proposed Risk Management Framework, Risk Management Policy and Risk Management Procedure were presented to the last meeting of the Audit Committee for comment.

REPORT

The Risk Management Framework and Risk Management Policy have been reviewed and a Risk Management Procedure has been developed in order to provide a comprehensive suite of documents that detail Council's approach to Risk Management activities. The documents outline the key requirements, purpose, scope and responsibilities in relation to Risk Management.

Following the receipt of relevant feedback, the documents were reviewed and finalised by administration. The final versions are now presented for approval of the Audit Committee, and will then be further presented to Council for endorsement.

Risk Management Framework

A Risk Management Framework has been developed by Council's Internal Auditors, Bentleys, in consultation with administration. The Framework is the overarching document that details Council's guidelines for the identification, monitoring and reporting of risks at both a strategic and operational level. The new Framework provides a comprehensive description of the activities, processes and responsibilities that contribute to risk management for the Council.

Refer Attachment 1

Risk Management Policy

Council's Risk Management Policy has been reviewed, with one of the main changes to this document is the removal of the descriptions of each of the Risk Management Principals from the Australian Standard. A reference to this standard is still included within the policy, and the list of each of the principles is now captured in the Risk Management Procedure. The roles and responsibilities have been clarified at a policy level in relation to the Chief Executive Officer and the Audit Committee. All other details, and the administration allocation of roles and responsibilities that have been deleted, are now captured in the Risk Management Procedure.

Refer Attachment 2

Risk Management Procedure

A Risk Management Procedure has been drafted by administration to support the operation of the Risk Management Framework and Policy. The Procedure captures the Risk Management Principles from the Australian Standard, the roles and responsibilities of the Council, Audit Committee, Chief Executive officer and all levels of administration. The Procedure also includes all the risk management tables referenced in the Framework.

Refer Attachment 3

Once adopted these documents will form the basis of the risk management training that will be rolled out to staff across the organisation by the end of the financial year. Also the integration of risk management into Council processes will also be undertaken after the training so as to imbed the risk management framework.

BUDGET

There are no budget implications with the review of these documents.

LIFE CYCLE COSTS

There are no life cycle costs associated with this report.

Trim Container	xxxx
Trim Document Number:	DOC/17/xxxx
First Issued / Approved:	October 2017
Last Reviewed:	October 2017
Next Review:	October 2020
Parent Policy	Risk Management Framework
TRIM Container	xxxxx
Responsible Officer:	Melissa Kretschmer
Date placed on Intranet	Xx xxxxx 2017

1. PREAMBLE

The structure of managing risk, includes the roles and responsibilities for risk management within the City of Holdfast Bay and the risk management recording and reporting requirements.

1.1 Background

The international risk management standard (ISO 31000:2009) provides a generic risk management process that can be applied to any organisation of any size and in any jurisdiction or sector.

The City of Holdfast Bay (Council) needs to ensure that it has an appropriate risk management framework that meets Council's strategic and operational objectives and promotes a positive risk culture across Council.

1.2 Purpose and Scope

This framework provides guidelines and step by step processes for all Council employees in the identification, management and reporting of risks across all areas of Council operations which will minimise potential negative exposures and maximise opportunities. This framework is supported by Council's Risk Management Policy and Risk Management Procedure.

2. RISK MANAGEMENT

2.1 What is risk management?

Risk is defined in Australian Standard ISO 31000: Risk Management – Principles and Guidelines (the Standard) as *"the effect of uncertainty on objectives"*. The Standard defines risk management as *"the process designed to identify potential events that may affect an entity and manage risk to be within its risk appetite and provide reasonable assurance regarding the achievement of entity objectives"*.

Risk includes a failure to identify, assess, evaluate and manage threats and recognise and seize opportunities. Risk is measured in terms of likelihood of

RISK MANAGEMENT FRAMEWORK

occurrence and consequences in light of the existing management strategies and controls in place to manage the risk.

Risk management includes:

- the identification, sourcing and measurement of risk;
- design and implementation of capabilities for avoiding, retaining, transferring and exploiting risk; and
- monitoring risk within acceptable tolerance levels.

The goal is not to eliminate all risks, but instead manage risks involved in Council's operations and services.

2.2 Benefits of risk management

Risk influences every aspect of the operations of Council and are both internal and external. Understanding risks and managing them appropriately will enhance our ability to make better decisions, safeguard our assets, enhance the ability to provide services to the community and to meet Council's strategic objectives.

The benefits of a coordinated and systematic approach to risk management include:

- having a clear understanding of the key risks facing the City of Holdfast Bay;
- providing assurance to Council, the CEO, senior management and stakeholders that critical risks are being appropriately managed;
- encouraging proactive management of strategies to identify and manage risks;
- promoting a positive risk management culture; and
- establishing an effective method for decision making, planning and reporting.

3. RISK MANAGEMENT PROCESS

A graphic summary of the risk management process is included in **Appendix 1**.

Each component of the risk management process is detailed below.

3.1 Communicate and Consult

Ongoing communication and consultation with all involved parties to ensure understanding of the risk management process and its intended outcomes is performed by the Risk Manager. This includes the following:

- collating reports for presentation to the Senior Leadership Team, the Audit Committee and Council;
- facilitating ongoing operational reviews of risk registers;
- coordinating risk assessments for specific projects and events and ongoing advice and support to ensure compliance with the Risk Management Framework.

A consultative approach will:

- help define the context;

RISK MANAGEMENT FRAMEWORK

- ensure risks are identified effectively;
- bring different areas of expertise together (internal as well as external parties) in analysing risks;
- ensure that different views are appropriately considered in evaluation risks and appropriate change management occurs during risk treatment;
- promote the ownership of risk by managers; and
- facilitate the engagement of stakeholders allowing them to understand and appreciate the benefits of controls and the need to endorse and support a treatment plan.

3.2 Establish Context

The internal and external contexts in which the risk management process is addressing need to be considered. Establishment of the context is required to define the basic parameters for risks to be identified, examined and managed and sets the scope for the risk management process.

3.2.1 External Context

Consideration of the external context includes the following:

- opportunities and threats associated with the local, regional, state and global economic, social, political, cultural, regulatory and competitive environments;
- Government policies, legislation and objectives/strategies;
- other external stakeholders and their objectives and strategies.

3.2.2 Internal Context

Consideration of the internal context includes the following:

- Council's plans, objectives and strategies;
- Council's organisational capabilities;
- risk appetite, including when risk is tolerable or not;
- operational constraints, including budget, resources and capabilities;
- Council policies, procedures and guidelines.

3.3 Risk Identification

Risk identification is a critical activity at both a strategic and operational level. It needs to include all significant sources of risk, including those beyond Council's control. If a risk or threat has not been identified, then strategies cannot be created to defend against it. Identification should include all risks whether or not they are under the influence of Council. An example of a documented risk from Council's Strategic Risk Register is contained at **Appendix 2**.

The process for identifying risks will usually involve the use of:

- workshops (using brainstorming approaches, SWOT analysis techniques, project or business categories) with key stakeholders that are best equipped to identify and assess the risks and those who will be involved in risk mitigating processes and actions;
- interviews with respective Risk Owners by the Risk Manager;
- documentation of risks in a Risk Register; and

RISK MANAGEMENT FRAMEWORK

- verification of the output by the key stakeholders.

Risk management activities should be directed towards the identification and capture of key risks ensuring the benefit outweighs the potential increased cost and effort in capturing all possible risks.

Council has identified eight risk categories, including the Business Unit responsible. Details of the risk categories are contained in the Risk Management Procedure.

3.4 Risk Analysis

Risk analysis is the process of developing an understanding of each risk. The analysis is based on an assessment of the:

- **risk likelihood** (the chance of something happening); and
- **risk consequence** (the outcome or impact of an event)

and considers the controls or mitigating activities already in place that reduce the level of risk.

The following tables are used in estimating risk likelihood and risk consequence in order to determine an overall risk rating.

Likelihood Ratings for Risk Occurrence		
Level	Descriptor	Description
E	Almost certain	Event is expected to occur in most circumstances
D	Likely	Event could occur in most circumstances
C	Possible	Event could occur at some time
B	Unlikely	Event could occur in circumstances
A	Rare	Event may only occur in exceptional circumstances

Consequence Ratings for Risks		
Level	Descriptor	Description
1	Insignificant	Not worthy of intervention. Existing controls and procedures are able to cope with the event.
2	Minor	Minor event with consequences which can be readily absorbed but requires management effort to minimise the impact
3	Moderate	Moderate event which can be managed under normal circumstances
4	Major	Major event which will be endured with proper management
5	Catastrophic	Critical event with potential to lead to business, project or event failure

RISK MANAGEMENT FRAMEWORK

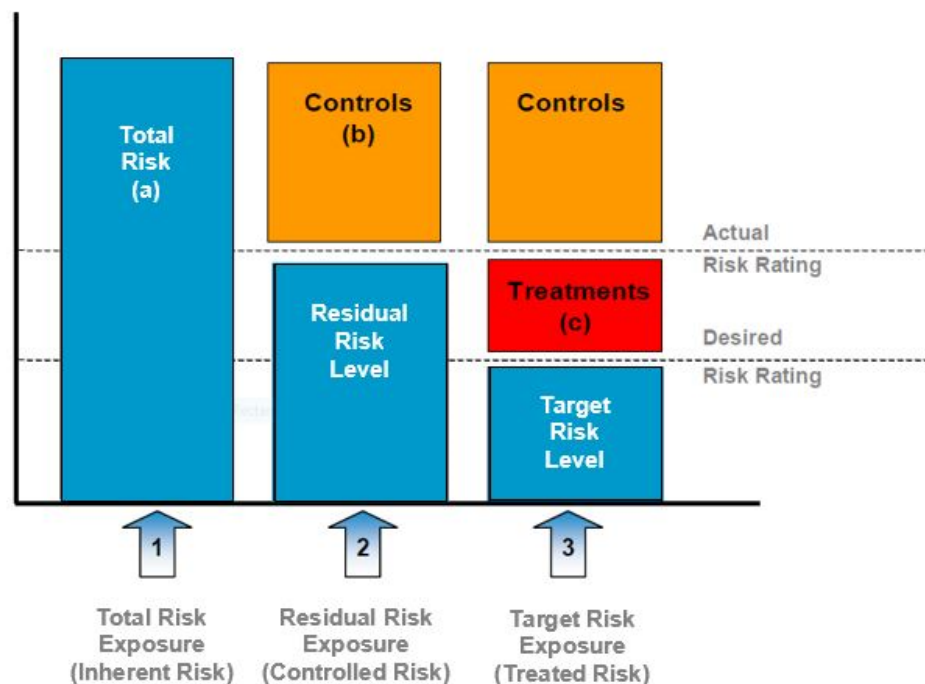
Additional detail on consequences in terms of reputation, business impact, public safety, environment and service delivery is contained at **Appendix 3**.

Once the likelihood and consequence have been assessed for a particular risk, the overall risk can be calculated using the following risk priority matrix:

		Consequence				
		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood		1	2	3	4	5
Almost Certain	E	Moderate	High	High	Extreme	Extreme
Likely	D	Low	Moderate	High	Extreme	Extreme
Possible	C	Low	Low	Moderate	High	Extreme
Unlikely	B	Low	Low	Low	Moderate	High
Rare	A	Low	Low	Low	Moderate	High

3.5 Risk Evaluation

Risk evaluation is the process used to develop and document a greater understanding of the risk as a basis for future management and treatment. The following diagram illustrates the risk decision process for the City of Holdfast Bay.



Inherent risk is the risk level prior to the implementation of risk treatment and controls.

RISK MANAGEMENT FRAMEWORK

Residual risk is the risk level that takes into account the effectiveness of existing controls to reduce or mitigate risk exposures.

Target risk is the aspirational risk level deemed acceptable with additional treatment and controls over and above those of the residual level.

3.6 Risk Treatment

Each risk is evaluated against a range of different risk management strategies including:

- Risk Acceptance
- Risk Reduction
- Risk Avoidance
- Risk Sharing

The following table details these risk treatment options with the aim of reducing residual risk exposure to a tolerable level in a cost effective and timely manner. The treatment plan may incorporate one or more of the options below.



Risk treatment plans should be integrated into the relevant work area of Council, have a designated owner and timeframes for completion. A final risk analysis should then be conducted to determine the proposed residual risk rating assuming the treatments will be correctly implemented.

3.7 Monitoring and Review

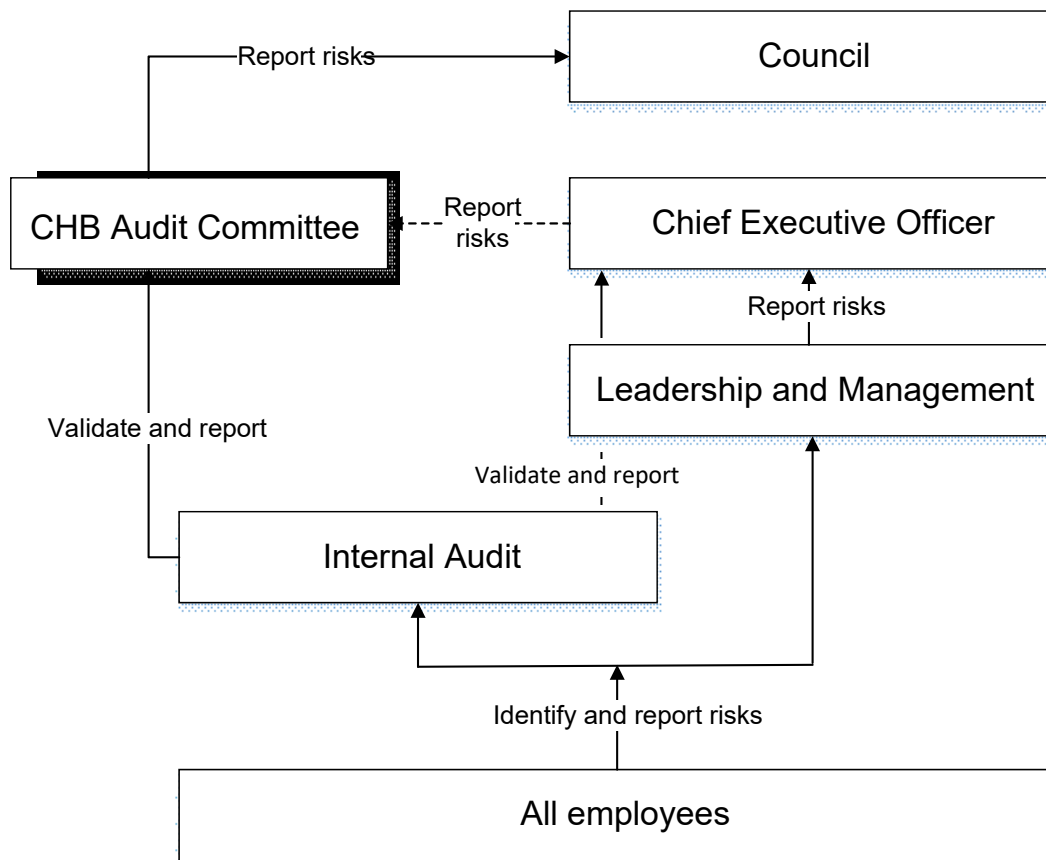
An effective risk management process requires ongoing monitoring and review of all risks, controls and treatments and is part of normal management activities. The City of Holdfast Bay has a process that ensures risk registers are

RISK MANAGEMENT FRAMEWORK

monitored and reviewed regularly and risk owners are engaged in the process. This ensures that treatment plans are achieving their aim and remain relevant. It also highlights changes in risk analysis ratings and identifies any new risks arising from any changed internal or external context.

3.7.1 Reporting

Reporting is undertaken on a regular basis to ensure that key stakeholders have visibility of relevant risks and the implications of risks can be considered by management and in decision making. The following diagram provides a high-level overview of reporting of risk information for the City of Holdfast Bay.



3.7.2 Review of Risk Registers

Review of risk registers aims to validate the accuracy and trends of risk related information and is coordinated by the Team Leader Governance. A summary of risk reporting requirements is provided in the tables below:

Risk Rating	Strategic Risk Reporting
Extreme	All Strategic risks, regardless of rating, are reported to the CHB Audit Committee, Senior Leadership Team and CEO.
High	
Moderate	

RISK MANAGEMENT FRAMEWORK

Low	Strategic Risks are managed by CHB Leadership and Management.
-----	---

All strategic risks will be reported to the CHB Audit Committee at each Audit Committee meeting, including the status of each risk and any mitigating action occurred in managing the risk.

Residual Risk Rating	Operational Risk Reporting
Extreme	All Extreme Operational risks are reported to the CHB Audit Committee, Senior Leadership Team and the CEO.
High	All High Operational risks are reported to the CHB Audit Committee, Senior Leadership Team and the CEO.
Moderate	Reported and managed by CHB Leadership and Management
Low	Reported and managed by CHB Leadership and Management

All extreme and high rated risks will be reported to the CHB Audit Committee at each Audit Committee meeting, including the status of each risk and any mitigating action occurred in managing the risk.

5. INTEGRATION OF RISK MANAGEMENT INTO COUNCIL PROCESSES

An integrated risk management process requires embedding risk management into every aspect of Council’s operations to manage risks and achieve its objectives. This includes both strategic and operational activities, processes, functions, projects, services and assets. Risk management is integrated into the following activities and processes:

5.1 Strategic and Operational Risks

Strategic and Operational Risk Registers will be reviewed, reassessed and monitored on an annual basis. The review will be undertaken by a group coordinated by the Risk Manager including both Elected Members and Senior Management as deemed appropriate by the Risk Manager. Risks are recorded in terms of the inherent risk, residual risk and target risk and mitigation strategies identified for those risks with gaps between the residual and target risk.

The Internal Audit Program will address the key risks identified in the Risk Registers, which can be ranked according to their likelihood and consequence.

Who responsible: Risk Manager

Frequency: Annual

5.2 Financial Risks

RISK MANAGEMENT FRAMEWORK

Financial Risks including fraud and theft in the areas of payroll, purchasing, contracting, cash handling and investment are captured as a part of the Strategic Risk Register. Controls to mitigate these risks include policies and procedures, controls within the finance system, and compliance monitoring using Control Track.

Who responsible: Manager Finance

Frequency: Annual

5.3 **Budget and Annual Business Planning**

Throughout the development of the Annual Business Plan and the budget planning process, key risks and opportunities facing Council are considered. The planning process identifies and reviews key risks that may impact its ability to meet its strategic and legislative requirements and objectives. Council's New Initiative process includes a risk assessment for all new requests for funding, and risk is incorporated into the prioritisation of projects.

Who responsible: Senior Leadership Team

Frequency: Annual

5.4 **Procurement and Contractor Management**

Council balances risk and opportunity in ensuring that the right mix of risk between suppliers and Council is maintained. It also ensures that suppliers have sufficient professional indemnity and public liability insurance, including the obtaining of Certificates of Currency over the contract duration. It also ensures that its suppliers are committed to workplace health and safety as well as being competent in the provision of goods or services.

Who responsible: Staff with financial delegation, project managers, Team Leader Governance

Frequency: Ongoing

5.5 **Event Management**

For any events to be undertaken, a risk management plan is developed, consistent with this framework that includes the recording of risks, consequences, likelihood, risk rating, preventative action required, responsive action required. It also includes a guide of possible risks to assist event organisers complete the plan eg. food handling, traffic disruption, trip hazards, etc.

Who responsible: Manager City Activation

Frequency: Every Event application

5.6 **Alwyndor Aged Care Accreditation**

RISK MANAGEMENT FRAMEWORK

All aged care homes receiving government subsidies need to meet quality standards called accreditation standards. They cover areas such as management, staffing, health and personal care, resident lifestyle, living environment, catering, cleaning, continuous improvement, and safety and security. Accreditation assessment teams provide ongoing monitoring and make planned visits and yearly unannounced visits to aged care homes as part of the monitoring activities. Alwyndor has its own compliance program ensuring it meets the 44 accreditation requirements. Alwyndor also has its own Risk Management Plan and also maintains a corporate risk register.

Who responsible: General Manager Alwyndor

Frequency: Ongoing

5.7 Workplace Health and Safety

Workplace health and safety (WHS) is managed throughout the City of Holdfast Bay in dealing with its employees, contractors and volunteers. These groups are thoroughly inducted in WHS principles before commencing work at the City of Holdfast Bay and include topics such as worksite hazard management, personal safety, plant and equipment storage, electrical safety and reporting of incidents. Different induction checklists are used for approved contractors depending on the nature (risk) of the work to be performed. Job Safety Assessments are also performed consistent with this framework that includes the recording of hazards and risks, risk ratings, risk control measures and the name of the person responsible for implementing the control measures.

WHS also includes healthy catering to ensure that Council's staff, elected members, volunteers and visitors always have access to healthy catering options when attending City of Holdfast Bay meetings, workshops, events and facilities.

Who responsible: All staff, WHS Coordinator

Frequency: Ongoing

5.8 Project Management

Key risks are considered as part of projects to ensure they are effectively managed from concept to implementation. All major projects require a formal documented risk assessment be performed, consistent with this framework, at the concept stage, ongoing and post project completion, as part of the post project review process.

Who responsible: Project Managers

Frequency: Throughout the project lifecycle

5.9 Asset Management

RISK MANAGEMENT FRAMEWORK

Council performs regular assessments of risks associated with service delivery from its assets. Council's Asset Management Plans are reviewed every 4 years and include an assessment of risk. Individual asset classes are also reviewed more frequently with risk management forming a part of the condition assessment. Council's Capital Works Program is also determined as a result of risk management processes with project prioritised accordingly.

Who responsible: Project Managers, General Manager City Assets and Services

Frequency: Ongoing

5.10 Business Continuity

Key risks that impact on the ongoing continuity of service delivery of Council following a disruptive incident have been considered and assessed and included in the Business Continuity Plan.

Who responsible: Senior Leadership Team

Frequency: Yearly

5.11 Emergency Risk Management Plan

The Cities of Holdfast Bay, Marion, Mitcham and Unley have developed a regional framework that is designed to provide support to current Council systems in place to manage emergencies as well as provide scope for future, ongoing planning and development of improved strategies to prevent, prepare to respond to or recover from emergencies within the community.

Who responsible: Senior Leadership Team

Frequency: Yearly

6. REFERENCES

6.1 Policies and Procedures

- Risk Management Policy
- Risk Management Procedure
- Procurement Policy
- Internal Purchasing Policy
- Internal Tendering Policy
- Climate Change Policy
- WorkHealth and Safety Policy
- WHS Contractor Management Procedure
- Healthy Catering Policy

6.2 Forms and Templates

- Risk Register
- Events @ The Bay – Risk Management Plan Template

RISK MANAGEMENT FRAMEWORK

- Job Safety Assessment
- Induction Checklist for Approved Contractors providing High risk or Construction Works
- Induction Checklist for Approved Contractors – Medium Risk and/or repeated works
- WHS Hot Work Permit Form
- WHS Construction Activities Guidance Checklist
- Contractor Feedback Form
- Induction checklist for Consultants and Temporary Staff
- WHS Contractor Induction Handbook
- Procurement Plans

6.3 Legislation

- Civil Liability Act 1936
- Work Health and Safety Act 2012
- Local Government Act 1999
- Emergency Management Act 2004
- Aged Care Act 1997
- Quality of Care Principles 2014
- South Australian Public Health Act 2011

6.4 Other References

- AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines
- Audit Committee Terms of Reference
- Better Practice Model – Internal Financial Controls 2017 SALGFMG
- City of Holdfast Bays Strategic Plan
- Public Health Plan 2014 - 2019
- Events @ The Bay – Risk Management Plan Guidelines and Template
- Asset Management Plans
- Emergency Risk Management Plan
- Business Continuity Plan
- Community Emergency Management Framework
- Workplace Emergency Evacuation Plan

6.5 Definitions

Key Term	Definition
Consequence	The outcome of an event expressed qualitatively or quantitatively, being a loss, injury, disadvantage or gain. There may be a range of possible outcomes associated with an event.
Control	Any action taken by staff, management, Council, event organisers and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved.

RISK MANAGEMENT FRAMEWORK

Key Term	Definition
Cost	Of activities, both direct and indirect, involving any negative impact, including money, time, labour, disruption, goodwill, political and intangible losses.
Contingency	Budget (cost benefit) or time (duration) that may be used in the event of a risk occurrence.
Event	An incident or situation, which occurs in a particular place during a particular interval of time.
Frequency	A measure of the rate of occurrence of an event expressed as the number of occurrences of their event in a given time. See also Likelihood and Probability.
Hazard	A source of potential harm or a situation with a potential to cause loss.
Inherent limitations	Those limitations of all enterprise Risk Management Frameworks. The limitations relate to the limits of human judgment; resource constraints and the need to consider the cost of controls in relation to expected benefits; the reality that breakdowns can occur; and the possibility of management override and collusion.
Inherent risk	High inherent risks that are well controlled may fall out of our field of view if only the residual risk is assessed. The purpose of assessing inherent risk is to ensure that we maintain focus on compliance with controls. The inherent risk should be considered in the absence of added controls.
Likelihood	Used as a qualitative description of probability or frequency of a risk occurring.
Loss	Any negative consequence, financial or otherwise. Can be differentiated as follows: <ul style="list-style-type: none"> • Maximum foreseeable loss- highest possible loss after considering controls • Maximum possible loss – highest possible loss without considering controls
Monitor	To check, supervise, observe critically or record the progress of an activity, action or system on a regular basis in order to identify change.
Probability	The likelihood of a specific event or outcome, measured by the ratio of specific events or outcomes to the total number of possible events or outcomes.
Reasonable assurance	The concept that enterprise risk management, no matter how well designed and operated, cannot guarantee that an entity's objectives will be met. This is because of inherent limitations in all Risk Management

RISK MANAGEMENT FRAMEWORK

Key Term	Definition
	Frameworks.
Residual risk	The remaining risk after action has occurred to alter the risk's likelihood or consequence.
Risk	The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of consequence and likelihood.
Risk Acceptance	An informed decision to accept the consequences and the likelihood of a particular risk.
Risk acceptance criteria	The formal establishment of criteria or boundaries designed so that the residual risk does not exceed the selected range of financial and operating outcomes.
Risk analysis	A systematic use of available information to determine how often specified events may occur and the magnitude of their consequences.
Risk appetite	The level of risk that is acceptable to Council. This may be set for Council as a whole, for different groups of risks or at an individual risk level.
Risk assessment	The overall process of risk analysis and risk evaluation.
Risk avoidance	An informed decision not to become involved in a risk situation.
Risk evaluation	The process used to determine risk management priorities by comparing the level of risk against predetermined standards, target risk levels or other criteria.
Risk identification	The process of determining what can happen, why and how.
Risk Management Framework	The totality of the structures, methodology, procedures and definitions that Council has chosen to use to implement its Risk Management Processes.
Risk Management Processes	Processes to identify, assess, manage, and control potential events or situations, to provide reasonable assurance regarding the achievement of Council's objectives.
Risk Register	The summary report of all individual risks within each assessment, which include risk ratings (inherent, residual and targeted), level of control, risk decision, risk owner and summary of key controls and/or mitigating actions.

RISK MANAGEMENT FRAMEWORK

Key Term	Definition
Risk Treatment	The means by which an entity elects to manage or treat the individual risks. The main categories are to accept the risk; to mitigate it by reducing its consequence or likelihood; to transfer it to another party or to avoid the activity creating it.
Stakeholders	Parties and stakeholders who may affect, be affected by, or perceive themselves to be affected by, a decision or activity.
Target risk	The aspirational risk level deemed acceptable with additional controls over and above those of the residual level.

RISK MANAGEMENT FRAMEWORK

APPENDIX 1 – Documented Risk Example

Identify Risk			
Risk Number	1	Risk Owner	GM City Assets
Risk Description	Damage and destruction of major council assets (infrastructure and operational assets)		
Sources of Risk	Asset/Infrastructure		
Causes of Risk	<ul style="list-style-type: none"> • Adverse Weather • Lack of maintenance program • Vandalism • Worker Error • Impact of other new development • Terrorism • Public disruption • Incorrect design and poor planning and engineering 		
Consequences	<ul style="list-style-type: none"> • Business continuity of council • Reputation damage • Disruption of trade • Loss of revenue • Financial liability to repair asset replacement • Loss of life 		

Assess Risk – Inherent Risk (Before Controls)		
Consequence Rating	Likelihood Rating	Inherent Risk Rating
Catastrophic	Possible	Extreme

Evaluate Risk			
Mitigation Strategy	Reduce		
Existing Controls		Last Review	Effectiveness
<ul style="list-style-type: none"> • Insurance policies • Maintenance programs IAMP • Safe operating procedures • Security measures and deterrents • Trained staff • Good project management framework • Spare ticket machines on hand plus, spare parts to repair 			Effective / Partial / Not effective
Overall Effectiveness of Controls	Effective / Partial / Not Effective		

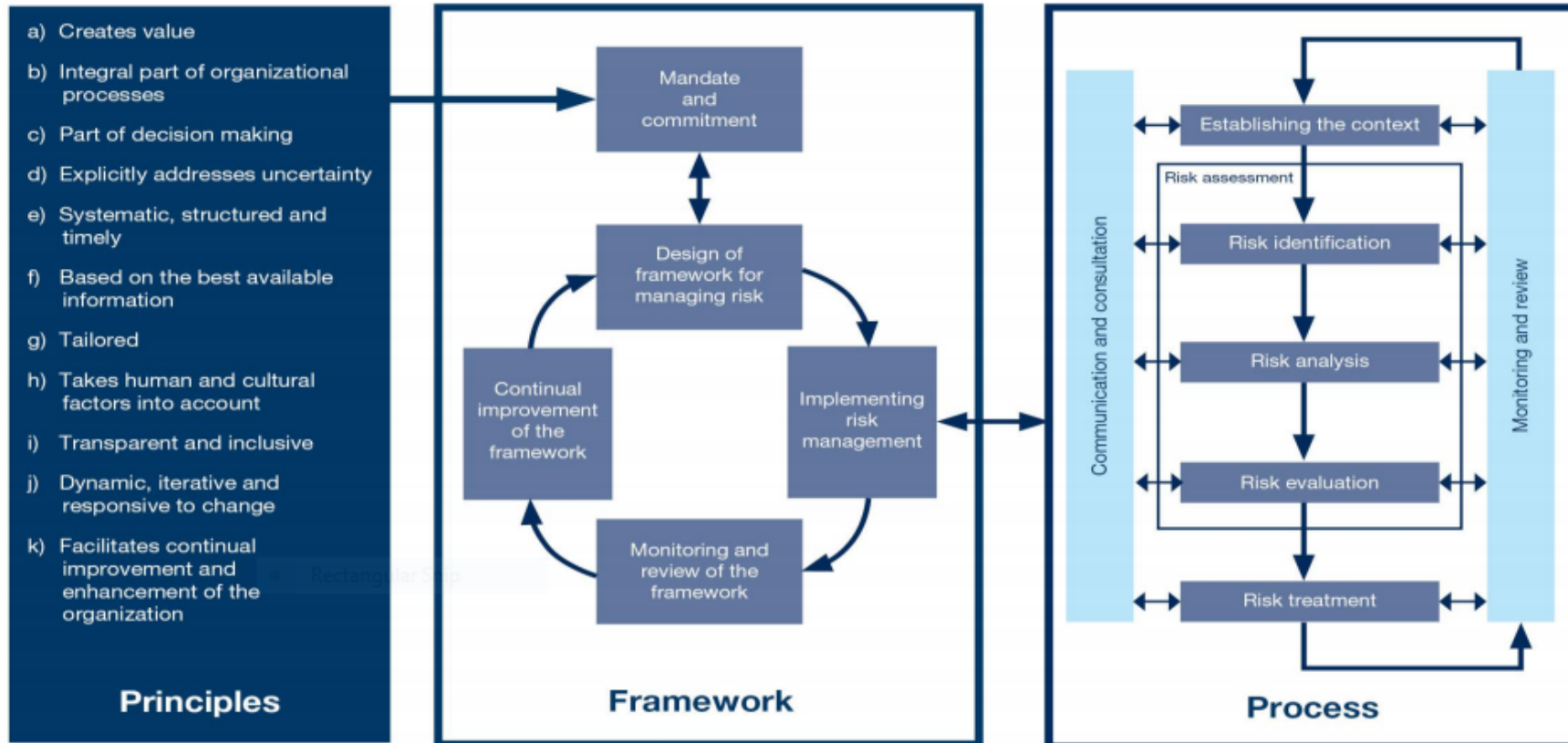
Assess Risk – Residual Risk (After Controls)		
Consequence Rating	Likelihood Rating	Residual Risk Rating
Moderate	Possible	Moderate

Target Risk		
Consequence Rating	Likelihood Rating	Target Risk Rating
Moderate	Unlikely	Low

Treat Risk			
Treatment Number	Treatment Plan	Responsibility	Due Date
1.1	Review IAMPs and related maintenance programs		

APPENDIX 2 – Risk Management Process

The risk management process is based upon the Standard as shown below:



RISK MANAGEMENT FRAMEWORK

APPENDIX 3 – Consequence Scale and Descriptions

Impact Scale	Reputation	Business impact	Public Safety	Environment	Service Delivery
1. Insignificant	<p>No adverse effect on public image</p> <p>No media interest</p> <p>Insignificant level of community concern. A slight but manageable increase in the number of adverse resident complaints</p> <p>Negligible adverse impact upon social health and wellbeing of the community which has little or no impact upon established community relationships and links.</p>	<p>Low financial loss – impact of less than \$5k</p> <p>Operational issues manageable within normal activities</p>	<p>No injuries</p> <p>Minor repairs required of an insignificant nature to property / infrastructure.</p>	<p>“Nuisance” category under the SA Environment Protection Act (1993) met</p> <p>Short term, immediately reversible effects on ecosystem</p>	<p>Insignificant impact on Council’s ability to achieve strategic outcomes</p>
2. Minor	<p>Minor adverse effect on public image</p> <p>Minor media coverage in paper distributed within the local area (small scale single article).</p> <p>Minor level of community concern, an increase in the number of resident complaints requiring direct effort to resolve/attend to.</p> <p>Minor adverse impact upon social health and wellbeing of the community that may have a minor impact upon established community relationships & links.</p>	<p>Medium financial loss – impact of between \$5k and \$20k</p> <p>Minor impact in undertaking routine activities</p>	<p>Only First Aid treatment required</p> <p>Minor loss or infrastructure damage.</p> <p>Normal seasonal illness leading to minor disruption to activities</p>	<p>“Nuisance” category under SA Environment Protection Act (1993)</p> <p>Some minor adverse effects to few species/ ecosystem parts that are short term and immediately reversible.</p> <p>Contamination – on-site release immediately contained</p>	<p>Some delays in delivery of strategic initiatives, but only minor aspects impacted. Overall strategic intent still achievable</p>
3. Moderate	<p>Moderate adverse effect on public image</p> <p>Adverse media campaign in Messenger over two or more issues, supported by uptake of issue in Advertiser and or local electronic media</p> <p>Moderate level of community concern, large number of complaints and letters to editor in Messenger Paper</p> <p>Minor common law action or ombudsman investigation threatened/ initiated.</p>	<p>Moderate financial loss – impact of between \$20k and \$50k</p> <p>Impaired ability to maintain normal operations. Reprogramming required.</p> <p>Minor legal issues, non-compliances and breaches of regulation.</p>	<p>Medical treatment required which may include short term admission to hospital</p> <p>Moderate loss/or infrastructure damage</p> <p>Local epidemic leading to noticeable disruption of activities</p>	<p>“Material” category under the SA Environment Protection Act (1993)</p> <p>Contamination – on-site release contained with outside assistance</p> <p>Ecosystems- temporary, reversible damage, loss of habitat and migration of animal populations, some reduction in numbers and die back of plants. Pollution requires physical removal, air quality constitutes potential long term health problems.</p> <p>Manageable restrictions in resource usage</p>	<p>Some key components of the Strategic Plan cannot be achieved within expected timeframes.</p> <p>Additional funding/resources or some strategies reprioritisation is required</p>
4. Major	<p>Significant adverse effect on public image</p> <p>Widespread adverse media campaign including electronic local and national media.</p> <p>Social media going viral requiring management intervention. Pressure on State Government and Agencies to intervene</p> <p>Significant level of community concern</p> <p>Social health and wellbeing of the community seriously affected by major community unrest and/or significant breakdown of established community relationships and links.</p> <p>Significant Common Law Action threatened, major ombudsman investigation initiated</p>	<p>Major financial loss - impact of between \$50k and \$100k</p> <p>Significant effects loss of ability to complete programs, major restrictions to services and project delivery</p> <p>Serious breach of regulation with investigation or report to authority with prosecution and/or moderate fine possible.</p>	<p>Serious & extensive injuries</p> <p>Serious structural damage to infrastructure or serious loss of assets.</p> <p>Widespread epidemic that causes significant disruption to activities</p>	<p>“Serious” category under the SA Environment Protection Act (1993)</p> <p>Contamination – off-site release with no detrimental effects</p> <p>Ecosystems – recoverable damage, death of animals in large numbers, widespread habitation destruction, significant air quality issues. Pollution issues requiring long term management, serious introduction of invasive species</p> <p>Restrictions on resource usage threatening viability of accepted lifestyle</p>	<p>Key Strategic Objectives unable to be achieved; review of Strategic Plan is required</p>
5. Critical	<p>Major effect on public image</p> <p>Widespread adverse media campaign including electronic local, national and international media.</p> <p>Widespread community outrage</p> <p>Social media going viral, unable to be contained. State Government and Agencies to intervene.</p> <p>Social health & wellbeing of the community severely affected resulting in fracturing of established community relationships & links.</p> <p>Class Actions, Judicial Inquiries Initiated</p>	<p>Critical financial loss/exposure – impact greater than \$100k</p> <p>Projects & programs failure, inability to meet minimum acceptable standards,</p> <p>Major breaches of regulation, sanctions imposed</p>	<p>Fatalities</p> <p>Critical loss, irreversible damage property / infrastructure with a replacement cost that overwhelms the capital budget (>25%)</p> <p>Community movements restricted under State Emergency Plan</p>	<p>“Serious Material harm” category under the SA Environment Protection Act (1993) and EPA actions initiated</p> <p>Off-site contamination requiring immediate and significant remediation actions</p> <p>Ecosystems – irreversible damage, widespread loss of animals, and key stone species extinctions, destruction of flora species, widespread domination of invasive species. Pollution unable to be effectively remediated.</p> <p>Restriction on resource usage resulting in permanent disruption of accepted life-style</p>	<p>Goals of Strategic Plan not achievable; total and immediate re-work of Plan is required</p>

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1. PREAMBLE

This Policy outlines the Council’s responsibilities and commitment to risk management within Council operations. This approach is intended to protect Council’s employees, assets, liabilities and community against potential exposures. By undertaking risk management practices Council will minimise uncertainty in achieving its goals and objectives, and maximise opportunities to achieve its Strategic Plan.

1.1 Background

This Policy is part of Council’s Risk Management Framework and various management systems processes and procedures, and forms an integral part of the City of Holdfast Bay’s continuous improvement process and ultimately the Council’s Strategic Planning process.

1.2 Purpose

The purpose of this Policy is to give outline the key principles in Council’s Risk Management Framework, providing an effective process for the identification, analysis and management of both negative and positive impacts on physical, social and economic capital. This will support sustainability and safeguard Council’s assets, infrastructure, people, finances and reputation.

1.3 Scope

This policy applies to all internal and external stakeholders, authorised to act on behalf of Council, including Elected Members, employees, contractors and volunteers at the City of Holdfast Bay.

1.4 Strategic Reference

Culture: Supporting excellent, efficient operations

RISK MANAGEMENT POLICY

2. PRINCIPLES

- 2.1 In managing risk at the City of Holdfast Bay, Council will ensure that the organisation has an ethos and operating culture, which integrates risk management processes into management activities at both strategic and operational levels.
- 2.2 Council's Risk Management Framework is based on the principles contained within AS/Nz ISO 31000:2009 Risk Management – Principles and Guidelines.
- 2.3 Council will ensure that appropriate policies and procedures of internal control are implemented and maintained.
- 2.4 Council will apply risk management strategies to all business activities using contemporary and industry best practice models to ensure all staff are provided with the tools to achieve the objectives of the Risk Management Framework, Policy and Procedure.
- 2.5 Council will implement a monitoring and reporting process to ensure that risks are regularly reviewed, amended and mitigated as required.
- 2.6 Risk Registers
 - 2.6.1 Council will establish a Strategic Risk Register and an Operational Risk Register.
 - 2.6.2 Within the registers, the individual risks will be rated for inherent, residual and target risks.
 - 2.6.3 Treatments plans will be developed where action is required to achieve the desired target risk rating.
- 2.7 Risk Appetite
 - 2.7.1 Council will determine a target risk rating for all strategic and operational risks.
 - 2.7.2 Council will tolerate an inherent or residual risk rating of moderate or low, unless:
 - a. action is required to achieve the target risk rating
 - b. there is a legal or statutory requirement to take further action
 - c. there is a specific Council direction requiring further action
 - d. it is in the public interest to take further action
 - e. the benefit to be gained from implementing the treatment plan is greater than the costs required to implement the treatment plan.
 - 2.7.3 Any treatment plans that are within the above tolerance will not be given priority for action.

2.8 Roles and Responsibilities

- 2.8.1 Council is responsible for facilitating resources and guidance in relation to the Risk Management Policy and setting the organisation's risk appetite. Council must also review and consider any report or recommendations regarding the Risk Management Framework. .
- 2.8.2 The Chief Executive Officer is responsible for ensuring overall effectiveness of risk management process in accordance with Council's Risk Management Framework by ensuring that adequate resources are available and employees have the necessary knowledge and skills. The Chief Executive Officer must also ensure that annual risk management planning is undertaken.
- 2.8.3 The Audit Committee is responsible for assisting Council in discharging its responsibility in relation to risk management. The responsibilities of the Committee are contained in the Committee's Terms of Reference.

3. REFERENCES

3.1 Legislation

- *Civil Liability Act 1936*
- *Work Health and Safety Act 2012*
- *Local Government Act 1999*
- *Emergency Management Act 2004*

3.2 Other References

- *AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines*
- *Audit Committee Terms of Reference*
- *Better Practice Model – Internal Financial Controls 2012 SALGFMG*
- *Business Continuity Plan*
- *Community Emergency Management Framework*
- *Risk Management Framework*
- *Risk Management Procedure*
- *Workplace Emergency Evacuation Plan*

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1. PREAMBLE

This procedure details the Council’s Risk Management processes and responsibilities in relation to Council operations, to protect Council’s employees, assets, liabilities and community against potential exposures.

1.1 Background

This procedure is part of Council’s Risk Management Framework and is required to contribute to Council’s continuous improvement and strategic planning processes and minimise uncertainty in achieving its goals and objectives.

1.2 Purpose

This procedure provides a process by which key principles from the *Australian/New Zealand Risk Management Standard ISO31000:2009* are used to effectively manage risk and uncertainties for Council, employees, community and assets, while maximising opportunities to achieve strategic plans

1.3 Scope

This procedure applies to all internal and external stakeholders, authorised to act on behalf of Council, including Elected Members, employees, contractors and volunteers at the City of Holdfast Bay.

The Risk Management Process should be fully informed at all stages to ensure ownership and acceptance at all levels. Communication with all relevant stakeholders should be an ongoing and holistic process.

1.4 Definitions

Risk the effect of uncertainty on objectives

Risk assessment overall process of risk identification, risk analysis, risk evaluation

Risk identification process of finding, recognizing and describing risks

Risk analysis process to comprehend the nature of risk and determine the level of risk

Risk evaluation process of comparing the results of risk analysis with risk criteria to determine whether the risk magnitude is acceptable or tolerable

Risk treatment process to modify risk

2. RISK MANAGEMENT PRACTICE

2.1 Principles of Risk Management

- 2.1.1 Risk Management creates and protects value
- 2.1.2 Risk Management is an integral part of all organizational processes
- 2.1.3 Risk Management is part of decision making
- 2.1.4 Risk Management addresses uncertainty
- 2.1.5 Risk Management is systematic, structured and timely
- 2.1.6 Risk Management is based on best available information
- 2.1.7 Risk Management is tailored
- 2.1.8 Risk Management takes human and cultural factors into account
- 2.1.9 Risk Management is transparent and inclusive
- 2.1.10 Risk Management is dynamic and responsive to change
- 2.1.11 Risk Management facilitates continual improvement of the organisation

2.2 Roles and responsibilities

RISK MANAGEMENT PROCEDURE

- 2.2.1 Council is responsible for:
- Facilitating resources and guidance in relation to the Risk Management Policy;
 - Reviewing and considering any report or recommendations regarding the Risk Management Framework; and
 - Setting the organisation's risk appetite.
- 2.2.2 The Chief Executive Officer is responsible for ensuring:
- Overall effectiveness of risk management process in the organisation and that Council is not exposed to unnecessary or uncontrolled risks;
 - The direction, methodology and on-going management of risk across the organisation is in accordance with Council's Risk Management Framework;
 - Adequate resources are made available for the planning and implementation of the Risk Management Framework;
 - General Managers, Managers and employees have the necessary knowledge and skills to effectively fulfil their risk management responsibilities and are accountable for risks arising from the activities of their business units;
 - Annual risk management planning is undertaken.
- 2.2.3 General Managers are responsible for:
- Ensuring that the Council's assets and operations are adequately protected through appropriate risk management plans and programs;
 - The implementation of risk management procedures and programs within their department;
 - Ensuring risk management action plans are developed for activities or responsibilities of the department;
 - Ensuring annual risk management planning is undertaken
 - Reporting on compliance with the Risk Management Framework.
- 2.2.4 Managers will are responsible for:
- Ensuring that they identify risk for operations within their business units;
 - Developing action plans to mitigate and control risk;
 - The inclusion of risks to the Council's risk register;
 - Identifying and re-evaluating risks annually;
 - Applying Council's Risk Management Framework to risks associated with any planned new activity or proposal being presented to Council.
- 2.2.5 Employees (and Contractors) are responsible for:

RISK MANAGEMENT PROCEDURE

- Performing their duties and functions in a safe manner;
- Adhering to safe work practices and ensuring that they are familiar with the Council's Risk Management Framework.
- Identifying and reporting risk in their area of responsibility;
- Assisting to identify ways of controlling those risks;
- Taking action attributed to them by any action plan;
- Ensuring they remain alert to and report any risks which they might identify while carrying out their normal duties.

2.2.6 The Audit Committee is responsible for assisting Council in discharging its responsibility in relation to risk management. The responsibilities of the Committee are contained in the Committee's Terms of Reference, specifically:

- Reviewing annual financial statements;
- Reviewing the adequacy of Council – wide risk management systems;
- Proposing, and providing information relevant to, a review of Councils Strategic/Annual Business Plans;
- Proposing and reviewing, the exercise of powers under Section 130A of the LG Act;
- Liaising with Council's Auditor;
- Reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices.

2.2.7 Risk Manager will support the Chief Executive Officer in discharging their responsibilities and is responsible for:

- Providing appropriate risk management resources to guide and support the Risk Management Framework;
- Assisting Management and their direct reports in managing risks;
- Updating and maintaining CHB's Risk Register;
- Co-ordinating an annual formal risk review process with reporting to the Audit Committee (and the Council) on the outcomes of the review; and
- Conducting periodic reviews and recommending improvements to the Risk Management Framework as appropriate.

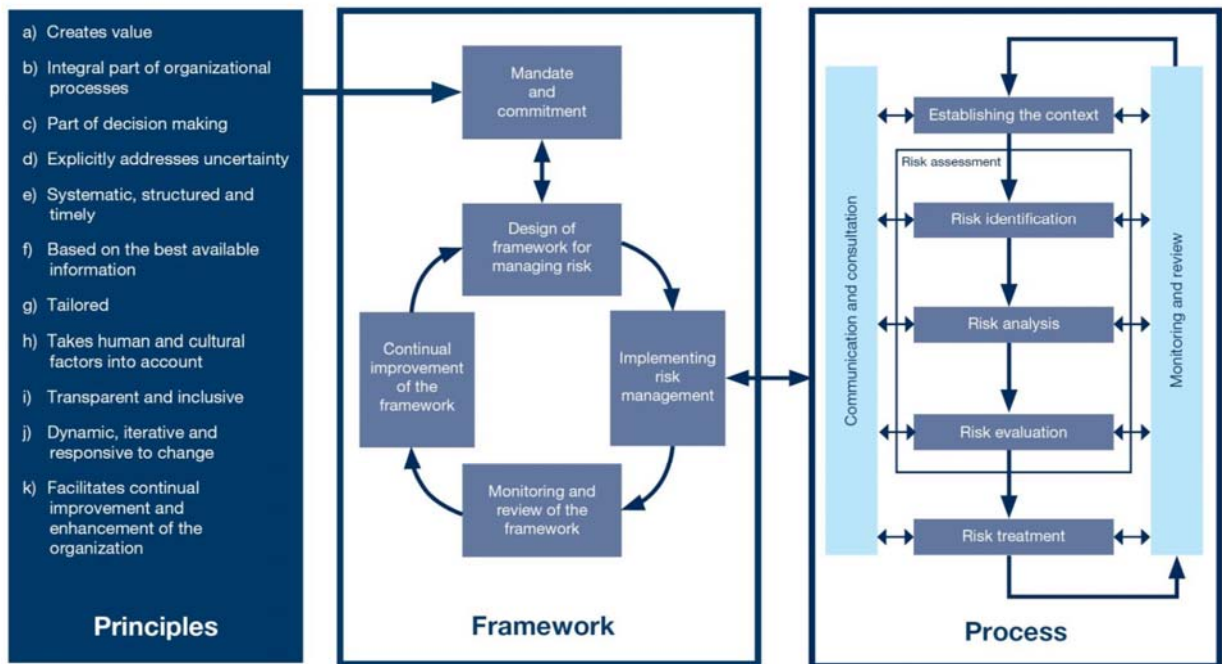
2.2.8 The Risk Owner is responsible for:

- Recommending to CEO whether the level of risk is acceptable
- Providing progress reports to CEO and Audit Committee on risk status
- Securing agreement to:

RISK MANAGEMENT PROCEDURE

- a. The organisation’s assessment of the risk, title; description; tolerance and “acceptable level of risk”
- b. The risk mitigation strategy (e.g. accept, treat, terminate)
- c. Actions and their owners to take forward the agreed controls or treatment plans. Can task people to undertake the treatment strategies that are to be directed towards that particular risk.
- d. Assisting control / treatment owner in seeking resources / budget for mitigation actions
- e. Setting and monitoring key milestones, risk indicators and review dates

2.3 Risk Management Process



2.4 Risk Categories

RISK MANAGEMENT PROCEDURE

Category	Description	Business Unit Responsibility
Asset/Infrastructure	Managing assets – including condition assessment, replacement and planning new assets	Assets & Depot
Financial	Risks associated with budgetary requirements and allocation. Tax obligations. Grants	Finance
Customer/service delivery	Meeting the current and changing expectations of customers	Customer Service
Environment	The risks arising from the management of the environment when applying Council services and functions	Environment
Human Resources	Risks associated with recruitment and retention of employees and workforce planning	People & Culture
Compliance/legal	Compliance with legislative and policy framework	Governance
Political/Reputation	Risks associated with the delivery of State/Local Government legislation and meeting Council's overall strategic goals	CEO/COUNCIL
Safety & Welfare	Risk associated with the safety and welfare of employees and contractors of Council.	People & Culture

2.5 Risk Consequence and Likelihood

Consequence \ Likelihood		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Almost Certain	E	Moderate	High	High	Extreme	Extreme
Likely	D	Low	Moderate	High	Extreme	Extreme
Possible	C	Low	Low	Moderate	High	Extreme
Unlikely	B	Low	Low	Low	Moderate	High
Rare	A	Low	Low	Low	Moderate	High

2.6 Risk Acceptance Criteria / Tolerance

Exceptions to this must be authorized by the Chief Executive Officer and/or the Senior Leadership Team.

Residual Risk Descriptions		
Extreme	<ul style="list-style-type: none"> - Immediate implementation if risk mitigation plans/actions to reduce current residual risk or halt/remove activity - Successful reduction of residual risk to be regularly reported (daily or weekly) to the management group responsible, until risk becomes acceptable 	Not acceptable
High	<ul style="list-style-type: none"> - Senior management attention required to regularly monitor the risk (monthly or quarterly) - Review of current controls and further risk assessment required - Consideration of development and implementation of further mitigating actions/strategies 	Not acceptable (without approval)
Moderate	<ul style="list-style-type: none"> - Managers to monitor and reassess periodically (6 months – 1 year) - Report to senior management as to effectiveness of existing controls - Ensure rating does not increase over time 	Acceptable (Post review with General Manager)
Low	<ul style="list-style-type: none"> - Managed through routine - Consideration should be given to streamlining of excessive or redundant controls 	Acceptable

RISK MANAGEMENT PROCEDURE

2.7 Consequence scale and descriptions

E. Almost Certain	Is expected to occur in most circumstances – 95% to 100% probability over next 5 years or had occurred in the last 12 months.
D. Likely	Will probably occur in most circumstances – 76% to 94% probability over next 5 years or had occurred in the last 12 -24months.
C. Possible	Might occur at some time – 26% to 75% probability over next 5 years or had occurred in the last 2-10years.
B. Unlikely	Could occur at some time– 6% to 25% probability over next 5 years or had occurred in the last 10-100 years.
A. Rare	May occur only in exceptional circumstances– 0% to 6% probability over next 5 years or had occurred in over 100 years.

3. REFERENCES

3.1 Legislation

- *Civil Liability Act 1936*
- *Emergency Management Act 2004*
- *Local Government Act 1999*
- *Work Health and Safety Act 2012*

3.2 Other References

- AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines
- Audit Committee Terms of Reference
- Better Practice Model – Internal Financial Controls 2012 SALGFMG
- *Business Continuity Plan*
- *Community Emergency Management Framework*
- *Risk Management Framework*
- *Risk Management Policy*
- *Workplace Emergency Evacuation Plan*

Date Endorsed by Senior Leadership Team	click here to enter date
General Manager Signature	Signature placed here
Date of General Manager Signature	click here to enter date



**AUDIT COMMITTEE
ACTION ITEMS
As at 23 August 2017**

Meeting	Agenda Item	Action Required	Responsibility	Estimated Completion Date	Current Status
18 February 2015	10.1: Standing Items	Review Whistleblower Policy and provide appropriate training to all staff.	P. Jackson	December 2017	Whistleblower Policy was reviewed and endorsed by Council on 8 August 2017. ICAC and Whistleblower training was conducted with all staff between October and December 2017. It has now been included in the induction process for new staff and is included in the training program for staff. Amendments to the Whistleblowers Act presented to Parliament have been postponed and a new bill will need to be presented to Parliament following the elections in March 2018.
27 April 2016	12.1: Urgent Business – Glenelg Football Club	Provide a report on findings of review, recommendations and actions.	R. Bria	October 2017	Audit Committee received a report in October 2017 on the GFC loan impairment which included an update on what actions had been undertaken by Council in regards to this.
5 October 2016	8.1: 2015-16 Financial Statements	Provide report on Council's IT DRP and BCP at January 2017 meeting.	R. Bria	June 2018	IT Disaster Recovery Plan has now been updated to include the transition to the cloud. A review of the BCP is included in the business plan and scheduled for completion by June 2018.
31 October 2016	8.1: Standing Items	Advise on the practice of advising new staff on the Whistleblower Policy.	P Jackson	December 2017	Refer to above.
25 October 2017	7.1 2016-17 General Purpose Financial Statements	Check whether the new accounts payable system, to go into service in November, will prevent a transaction being submitted and approved by the same person, even if the	J. Newton		The new P2P system was introduced in November 2017. The system was designed taking into consideration the Bentleys Internal Audit review of the P2P implementation. This review was reported to the Audit Committee in August 2017. The



**AUDIT COMMITTEE
ACTION ITEMS
As at 23 August 2017**

Meeting	Agenda Item	Action Required	Responsibility	Estimated Completion Date	Current Status
		<p>person has delegated authority to approve for the amount of the transaction.</p>			<p>report identified good business practice, observing that “invoice verification and authorization were in compliance with Council’s instrument of Sub-Delegations”. The report also stated that budget allocations and creditor expenditure were reviewed, explained and monitored monthly. The new P2P system was designed to incorporate an approval process that permits officers to raise requisitions/orders and approve invoices only within their delegated authority. The system prohibits a user raising a transaction outside of their authority. Council’s external auditors, BDO, have been informed of the new system and will be conducting a review as part of their 2017/18 transaction audit.</p>