



Shire of
Chapman Valley
Love the Rural Life

AGENDA

FINANCE & AUDIT COMMITTEE MEETING THURSDAY 4th FEBRUARY 2016 COUNCIL CHAMBERS NABAWA 1.30PM

Committee Purpose & Delegations

Will meet on an annual basis to provide a review of Council's ongoing financial situation, provide a forum for ongoing review of strategic management plan for Council operations and discuss the Audit System.

Delegation – Nil

The Finance and Audit Committee is comprised of:-

Cr John Collingwood
Cr Pauline Forrester
Cr Trevor Royce
Cr Veronica Wood

Chief Executive Officer	(Observer)
Manager Finance & Corporate Services	(Observer)
Accountant	(Observer)
Executive Assistant	(Minute Taker)
Greg Godwin – Moore Stephens WA	(Auditor)

DISCLAIMER



No responsibility whatsoever is implied or accepted by the Shire of Chapman Valley for any act, omission or statement or intimation occurring during Council Meeting. The Shire of Chapman Valley disclaims any liability for any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission or statement or intimation occurring during Council or Committee Meetings.

Any person or legal entity who acts or fails to act in reliance upon any statement, act or omission made in a Council Meeting does so at that person's or legal entity's own risk.

The Shire of Chapman Valley warns that anyone who has any application or request with the Shire of Chapman Valley must obtain and should rely on

WRITTEN CONFIRMATION

Of the outcome of the application or request of the decision made by the Shire of Chapman Valley.

A handwritten signature in black ink, appearing to read 'M. Battilana', is written over a large, light grey, stylized signature graphic that serves as a background for the signature.

Maurice Battilana
CHIEF EXECUTIVE OFFICER

AGENDA

FINANCE & AUDIT COMMITTEE MEETING TO BE HELD IN THE COUNCIL CHAMBERS, NABAWA THURSDAY 4TH FEBRUARY 2015 AT 1.30PM

ORDER OF BUSINESS

1.0 Election of Presiding Member (and Deputy Presiding Member if considered necessary)

2.0 Declaration of Opening / Announcements of Visitors

3.0 Record of Attendance

3.1 Present

Please note that Mr Greg Goodwin from Moore Stephens WA will be attending the meeting via phone link.

3.2 Apologies

4.0 Disclosure of Interest

Members should fill in Disclosure of Interest forms for items in which they have a financial, proximity or impartiality interest and forward these to the Presiding Member before the meeting commences.

Section 5.60A:

*"a person has a **financial interest** in a matter if it is reasonable to expect that the matter will, if dealt with by the local government, or an employee or committee of the local government or member of the council of the local government, in a particular way, result in a financial gain, loss, benefit or detriment for the person."*

Section 5.60B:

*"a person has a **proximity interest** in a matter if the matter concerns –
(a) a proposed change to a planning scheme affecting land that adjoins the person's land; or
(b) a proposed change to the zoning or use of land that adjoins the person's land; or
(c) a proposed development (as defined in section 5.63(5)) of land that adjoins the person's land."*

Regulation 34C (Impartiality):

*"**interest** means an interest that could, or could reasonably be perceived to, adversely affect the **impartiality** of the person having the interest and includes an interest arising from kinship, friendship or membership of an association."*

5.0 Petitions / Deputations / Presentations

6.0 Confirmation of Minutes from previous meetings

Finance and Audit Committee Meeting held on Monday 2nd February 2015

Recommend that the Minutes of the Finance and Audit Committee of the Shire of Chapman Valley held on Monday 2nd February 2015 be confirmed as a true and accurate record of proceedings. (Supplied under separate cover).

7.0 Agenda Items

7.1 Management Report 30 June 2015 Page 6

7.2 Audit Report 30 June 2015 Page 12

7.3	Compliance Audit Return 2015	Page 17
8.0	Information Items	
8.1	Risk Management Procedure (Review)	Page 27
9.0	Urgent Business Approved by the Presiding Member or by a Decision of the Committee	
10.0	Closure	

Chief Executive Officer February 2016

Contents

7.0 AGENDA ITEMS

- 7.1 Management Report (30 June 2015)
- 7.2 Audit Report (30 June 2015)
- 7.3 Compliance Audit Report (2015)

AGENDA ITEM:	7.1
SUBJECT:	MANAGEMENT REPORT - 30 JUNE 2015
PROPONENT:	FINANCE & AUDIT COMMITTEE
SITE:	COUNCIL CHAMBERS
FILE REFERENCE:	305.05
PREVIOUS REFERENCE:	N/A
DATE:	4th FEBRUARY 2016
AUTHOR:	MAURICE BATTILANA & KRISTY WILLIAMS

DISCLOSURE OF INTEREST

Nil

BACKGROUND

The Shire of Chapman Valley has received the Management Report from its Auditors UHY Haines Norton. (Please refer to Management Report Letter submitted as **Attachment 1**).
The following Management Issues were raised:

COMMENT

The Management Report is attached, which identifies all areas raised by the Auditors for Committee and Council consideration.

STATUTORY ENVIRONMENT

Part 7 *Local Government Act 1995* and the Local Government (Audit) Regulations 1996

POLICY IMPLICATIONS

None applicable

FINANCIAL IMPLICATIONS

The long term financial viability of the Shire is of importance for future service delivery levels provided to the Shire's constituents.

- **Long Term Financial Plan (LTFP):**

The annual audit of the Shire's operations is integral to monitoring how the Shire is tracking with its integrated strategic planning.

STRATEGIC IMPLICATIONS

The annual audit of the Shire's operations is integral to monitoring how the Shire is tracking with its integrated strategic planning.

- **Strategic Community Plan/Corporate Business Plan:**

Objective	Strategy	Outcome
We want to strengthen our community's position for the future	Maintain a resilient and independent Shire	A sustainable and progressive local government

CONSULTATION

Council staff have been in contact and discussion with Council auditors throughout the audit review process.

RISK ASSESSMENT

The audit report has not highlighted any significant areas of risk.

VOTING REQUIREMENTS

Simple Majority

STAFF RECOMMENDATION

The Finance and Audit Committee recommends to Council the Management Report for year ending 30 June 2015 be received and, other than monitoring the levels and trends of all ratios, there are no actions required out of the report.

20 November 2015

Cr J Collingwood
The Shire President
Shire of Chapman Valley
PO Box 1
NABAWA WA 6532

Dear Cr Collingwood

MOORE STEPHENS

Unit 16 Lakeside Corporate,
24 Parkland Road, Osborne Park, WA 6017

PO Box 1707, Osborne Park, WA 6916

T +61 (0)8 9444 3400

F +61 (0)8 9444 3430

www.moorestephenstwa.com.au

MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2015

We advise that we have completed our audit procedures for the year ended 30 June 2015 and enclose our Audit Report.

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

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

COMMENT ON RATIOS

Ratios provide useful information when compared to industry and internal benchmarks and assist in identifying trends. Whilst not conclusive in themselves, understanding ratios, their trends and how they interact is beneficial for the allocation of scarce resources and planning for the future. Information relating to the statutory ratios disclosed in the financial report is summarised in the table below and commentary provided on the following pages.

	Target Ratio ¹	Actual 2015	Shire's Adjusted Ratios				Shire's 4 Year Trend ²	3 Year Average ³	
			2015	2014	2013	2012		Regional	State
Current Ratio	≥ 1	3.70	2.95*	1.56	1.84	1.16	↑	2.37	2.16
Asset Sustainability Ratio	≥ 1.1	0.66	0.66	2.15	1.47	2.80	↓	1.44	1.29
Debt Service Cover Ratio	≥ 15	8.25	5.67*	5.45	1.22*	5.74	↑	11.24	14.43
Operating Surplus Ratio	≥ 0.15	0.07	(0.09)*	0.01	(0.37)*	0.11	↓	(0.14)	0.04
Own Source Revenue Coverage Ratio	≥ 0.9	0.62	0.62	0.82	0.51*	0.47	↑	0.57	0.69
Asset Consumption Ratio	≥ 0.75	0.83	0.83	0.79	0.83	N/A	↑	0.76	0.68
Asset Renewal Funding Ratio	≥ 1.05	0.67	0.67	0.71	0.69	N/A	↓	0.93	0.88

¹ Target ratios per Department of Local Government Guidelines except the Debt Service Ratio which is a target devised by Moore Stephens (and based on experience). For information, DLGC Guidelines indicate a target Debt Service Cover Ratio of 5.

² The 4 year trend compares the adjusted 2015 ratio to the average of the adjusted ratios for the last 4 years (except for the Asset Consumption Ratio and the Asset Renewal Funding Ratio which is a 3 year trend).

³ The average in relation to the Regional and State comparisons is a 3 year average of 2012, 2013 and 2014 as information in relation to 2015 is not yet available.

* Adjusted for "one-off" timing / Non-cash items.

COMMENT ON RATIOS (CONTINUED)

Adjustments relating to 2015

Three of the ratios in the accompanying table have been adjusted for a "one off" timing item as follows:

- Revenue was distorted by the early payment of 2015/16 Financial Assistance Grants (FAGs) totalling \$428,318.

This amount was adjusted when calculating the ratios in the table (as shown by "**") as were comparative year ratios which had been affected by "one off" / non-cash items.

Regional and State 3 Year Averages

Regional and State 3 year averages have not been adjusted for these items even though "one-off" items may have been applicable in prior years as they are based on the statutory ratios which have been reported in published financial reports. However, they still provide a useful reference point as they are indicative of trend.

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

Assets Sustainability Ratio

This ratio is below target levels and is trending downwards.

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

A ratio less than 0.90 indicates the local government is having difficulty undertaking a sustained capital investment program sufficient to renew/replace assets while also negating the effect of inflation on purchasing power over time.

The 2015 ratio (0.66) shows a decrease from the 2014 ratio (2.15) and is below the acceptable banding provided in DLG guidelines. In addition the four year average is trending downwards. This suggests Council is currently replacing or renewing its existing assets at a lower rate than they are wearing out. Notwithstanding this the Council has been involved in projects to widen existing roads. Therefore, even as the Council has been servicing existing road asset, the capital expenditure has been included as 'new' assets and not as replacement renewal of existing assets.

When this ratio is below 0.90, it should prompt a review of depreciation rates and asset valuations to ensure they are reasonable and are generating reliable representative depreciation expenditure.

Depending on the outcome of the depreciation and asset valuation reviews, it may also prompt a review of operations with a view to assessing the revenue raising capacity necessary to support the ongoing asset base.

Interpretation of this ratio should be considered together with the Asset Consumption Ratio (ACR) (above target at 0.83) and the Asset Renewal Funding Ratio (ARF) (below target banding at 0.67).

Council and management should continue to monitor this ratio in the future as it attempts to fully understand the trend.

Debt Service Cover Ratio

Whilst this ratio is trending upwards, it remains below target levels and both the Regional and State 3 year averages.

The Debt Service Cover Ratio measures the Shire's ability to service debt out of its uncommitted or general purpose funds available from its operations.

Council should continue implementing measures which have resulted in the upward trend.

COMMENT ON RATIOS (CONTINUED)

Operating Surplus Ratio

The adjusted ratio is below target levels and is trending downwards.

The Operating Surplus Ratio measures the Shire's financial sustainability having regard to asset management and the community's service level needs.

A negative ratio indicates the local government is experiencing an operating deficit. A sustained period of deficits will erode Council's ability to service debt and maintain both its operational service level and asset base over the longer term whilst a positive ratio which is consistently above 0.15 provides the Shire with greater flexibility in meeting operational service levels and asset management requirements.

Both Council and management will need to consider ways to improve the operating position, either via increasing revenue or by decreasing expenditure (or a combination of both), in order to improve the ratio above the basic acceptable target level of 0.15.

Asset Renewal Funding Ratio

This ratio is below target levels as well as Regional and State averages and is trending downwards.

The Asset Renewal Funding Ratio indicates whether the Shire's planned capital renewal expenditure over the next 10 years per its Long Term Financial Plan is sufficient to meet the required capital renewal expenditure over the next 10 years per its Asset Management Plan.

Interpretation of this ratio should be considered together with the Asset Sustainability Ratio (ASR) (High risk at 0.66) and the Asset Consumption Ratio (ACR) (low risk at 0.83).

Council should identify the reasons why its Asset Management Plans require more renewal expenditure than is provided for in its Long Term Financial Plan. Council should also consider a review of the Shire's long term capital investment program to help ensure asset renewal is maintained at an appropriate level with sufficient funding support in the future.

Summary

We would like to take this opportunity to stress one off assessments of ratios at a particular point in time can only provide a snapshot of the financial position and operating situation of the Shire. As is the case with all ratios and indicators, their interpretation is much improved if they are calculated as an average over time with the relevant trends being considered.

We will continue to monitor the financial position and ratios in future financial years and suggest it is prudent for Council and management to do so also as they strive to manage the scarce resources of the Shire.

If the Shire requires, we have a report available which is able to compare your ratios against other Local Governments across the State and by Region. The report is also able to incorporate a selection of your peer Local Governments, whether they be of near neighbours or similar type in nature. This may be of particular relevance in your case as you are included in the Midwest region when comparison to other, more similar local governments, may be more relevant.

If you are interested in such an expanded report, please contact us.

UNCORRECTED MISSTATEMENTS

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

We take this opportunity to thank all staff for the assistance provided during the audit.

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

Yours faithfully


Greg Godwin
PARTNER
Encl.

AGENDA ITEM:	7.2
SUBJECT:	INDEPENDENT AUDIT REPORT - 30 JUNE 2015
PROPONENT:	FINANCE & AUDIT COMMITTEE
SITE:	COUNCIL CHAMBERS
FILE REFERENCE:	403.05 & 305.12
PREVIOUS REFERENCE:	N/A
DATE:	4TH FEBRUARY 2016
AUTHOR:	MAURICE BATTILANA

DISCLOSURE OF INTEREST

Nil

BACKGROUND

The Shire of Chapman Valley has received the final Independent Audit Report from its Auditors UHY Haines Norton. (Please refer to **Attachment 2**).

COMMENT

As the Independent Audit Report didn't highlight any issues there is nothing to report on or bring to Council attention for further action.

STATUTORY ENVIRONMENT

Part 7 *Local Government Act 1995* and the Local Government (Audit) Regulations 1996

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

The long term financial viability of the Shire is of importance for future service delivery levels provided to the Shire's constituents.

- **Long Term Financial Plan (LTFP):**

The annual audit of the Shire's operations is integral to monitoring how the Shire is tracking with its integrated strategic planning.

STRATEGIC IMPLICATIONS

The annual audit of the Shire's operations is integral to monitoring how the Shire is tracking with its integrated strategic planning.

- **Strategic Community Plan/Corporate Business Plan:**

Objective	Strategy	Outcome
We want to strengthen our community's position for the future	Maintain a resilient and independent Shire	A sustainable and progressive local government

CONSULTATION

Council staff have been in contact and discussion with Council auditors throughout the audit review process.

RISK ASSESSMENT

The audit report has not highlighted any significant areas of risk.

VOTING REQUIREMENTS

Simple Majority

STAFF RECOMMENDATION

The Finance and Audit Committee recommends to Council the Final Audit Report of the Chief Executive Officer the year ending 30 June 2015 be received and it be noted there are no further actions required from the report.

MOORE STEPHENS

Unit 16 Lakeside Corporate,
24 Parkland Road, Osborne Park, WA 6017

PO Box 1707, Osborne Park, WA 6916

T +61 (0)8 9444 3400
F +61 (0)8 9444 3430

www.moorestephenstwa.com.au

20 November 2015

Mr M Battilana
Chief Executive Officer
Shire of Chapman Valley
PO Box 1
NABAWA WA 6532

Dear Maurice

AUDIT OF SHIRE OF CHAPMAN VALLEY FOR THE YEAR ENDED 30 JUNE 2015

We advise that we have completed the audit of your Shire for the year ended 30th June 2015 and enclose our Audit Report and a copy of the Management Report.

A copy of the Audit Report and Management Report has also been sent directly to the President as is required by the Act.

We would like to take this opportunity to thank you and your staff for the assistance provided during the audit.

Please contact us if you have any queries.

Yours sincerely



GREG GODWIN
PARTNER

Encl.

Unit 16 Lakeside Corporate,
24 Parkland Road, Osborne Park, WA 6017

PO Box 1707, Osborne Park, WA 6916

T +61 (0)8 9444 3400

F +61 (0)8 9444 3430

www.moorestephenswa.com.au

INDEPENDENT AUDITOR'S REPORT TO THE ELECTORS OF THE SHIRE OF CHAPMAN VALLEY

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of the Shire of Chapman Valley, which comprises the statement of financial position as at 30 June 2015, statement of comprehensive income by nature or type, statement of comprehensive income by program, statement of changes in equity, statement of cash flows and the rate setting statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Chief Executive Officer.

Management's Responsibility for the Financial Report

Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended) and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Shire's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Shire's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial report.

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

Opinion

In our opinion, the financial report of the Shire of Chapman Valley is in accordance with the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended), including:

- a) giving a true and fair view of the Shire's financial position as at 30 June 2015 and of its financial performance and its cash flows for the year ended on that date; and
- b) complying with Australian Accounting Standards (including Australian Accounting Interpretations).

**INDEPENDENT AUDITOR'S REPORT
TO THE ELECTORS OF THE SHIRE OF CHAPMAN VALLEY (CONTINUED)**

Report on Other Legal and Regulatory Requirements

In accordance with the Local Government (Audit) Regulations 1996, we also report that:

- a) There are no matters that in our opinion indicate significant adverse trends in the financial position or financial management practices of the Shire.
- b) No matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law were noted during the course of our audit.
- c) In relation to the Supplementary Ratio Information presented at page 61 of this report, we have reviewed the calculations as presented and nothing has come to our attention to suggest they are not:
 - i) reasonably calculated; and
 - ii) based on verifiable information.
- d) All necessary information and explanations were obtained by us.
- e) All audit procedures were satisfactorily completed in conducting our audit.

MOORE STEPHENS
CHARTERED ACCOUNTANTS


GREG GODWIN
PARTNER

Signed at Perth this 20th day of November 2015

AGENDA ITEM:	7.3
SUBJECT:	COMPLIANCE AUDIT RETURN (2015)
PROPONENT:	FINANCE & AUDIT COMMITTEE
SITE:	COUNCIL CHAMBERS
FILE REFERENCE:	403.05 & 305.12
PREVIOUS REFERENCE:	N/A
DATE:	4TH FEBRUARY 2016
AUTHOR:	MAURICE BATTILANA

DISCLOSURE OF INTEREST

Nil

BACKGROUND

Every Local Government Authority in Western Australia is required to complete the Compliance Audit Return (CAR) each year. The purpose of this item is to present the 2015 Compliance Audit Return to the Committee to review prior to going to Council for formal adoption and forward a certified copy to the Department of Local Government.

COMMENT

A Draft copy of the Shire of Chapman Valley 2014 Compliance Audit Return has been provided to Councillors as an ***Attachment 3***.

STATUTORY ENVIRONMENT

Local Government Act 1995

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

Nil

VOTING REQUIREMENTS

Simple Majority

STAFF RECOMMENDATION

That the Finance and Audit Committee recommends the following to Council :

1. The 2015 Compliance Audit Return be signed by the CEO and Shire President
2. The 2015 Compliance Audit Return be received and recorded in the Minutes of Council
3. The 2015 Compliance Audit Return is submitted to the Department of Local Government & Communities.

Department of Local Government and Communities - Compliance Audit Return



Chapman Valley - Compliance Audit Return 2015

Certified Copy of Return

Please submit a signed copy to the Director General of the Department of Local Government and Communities together with a copy of section of relevant minutes.

Commercial Enterprises by Local Governments					
No	Reference	Question	Response	Comments	Respondent
1	s3.59(2)(a)(b)(c) F&G Reg 7,9	Has the local government prepared a business plan for each major trading undertaking in 2015.	N/A		Maurice Battilana
2	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2015.	N/A		Maurice Battilana
3	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2015.	N/A		Maurice Battilana
4	s3.59(4)	Has the local government given Statewide public notice of each proposal to commence a major trading undertaking or enter into a major land transaction for 2015.	N/A		Maurice Battilana
5	s3.59(5)	Did the Council, during 2015, resolve to proceed with each major land transaction or trading undertaking by absolute majority.	N/A		Maurice Battilana
Delegation of Power / Duty					
No	Reference	Question	Response	Comments	Respondent
1	s5.16, 5.17, 5.18	Were all delegations to committees resolved by absolute majority.	N/A		Maurice Battilana
2	s5.16, 5.17, 5.18	Were all delegations to committees in writing.	N/A		Maurice Battilana
3	s5.16, 5.17, 5.18	Were all delegations to committees within the limits specified in section 5.17.	N/A		Maurice Battilana
4	s5.16, 5.17, 5.18	Were all delegations to committees recorded in a register of delegations.	N/A		Maurice Battilana
5	s5.18	Has Council reviewed delegations to its committees in the 2014/2015 financial year.	N/A		Maurice Battilana
6	s5.42(1),5.43 Admin Reg 18G	Did the powers and duties of the Council delegated to the CEO exclude those as listed in section 5.43 of the Act.	Yes		Maurice Battilana
7	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO resolved by an absolute majority.	Yes		Maurice Battilana

G:\040 Governance\407 Council Returns\407.04 Compliance Audit Return\CARFullReturn (Jan 16).doc



8	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO in writing.	Yes	Maurice Battilana
9	s5.44(2)	Were all delegations by the CEO to any employee in writing.	Yes	Maurice Battilana
10	s5.45(1)(b)	Were all decisions by the Council to amend or revoke a delegation made by absolute majority.	Yes	Maurice Battilana
11	s5.46(1)	Has the CEO kept a register of all delegations made under the Act to him and to other employees.	Yes	Maurice Battilana
12	s5.46(2)	Were all delegations made under Division 4 of Part 5 of the Act reviewed by the delegator at least once during the 2014/2015 financial year.	Yes	Maurice Battilana
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record as required.	Yes	Maurice Battilana

Disclosure of Interest					
No	Reference	Question	Response	Comments	Respondent
1	s5.67	If a member disclosed an interest, did he/she ensure that they did not remain present to participate in any discussion or decision-making procedure relating to the matter in which the interest was disclosed (not including participation approvals granted under s5.68).	Yes		Maurice Battilana
2	s5.68(2)	Were all decisions made under section 5.68(1), and the extent of participation allowed, recorded in the minutes of Council and Committee meetings.	Yes		Maurice Battilana
3	s5.73	Were disclosures under section 5.65 or 5.70 recorded in the minutes of the meeting at which the disclosure was made.	Yes		Maurice Battilana
4	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly elected members within three months of their start day.	N/A		Maurice Battilana
5	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly designated employees within three months of their start day.	N/A		Maurice Battilana
6	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all continuing elected members by 31 August 2015.	Yes		Maurice Battilana
7	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all designated employees by 31 August 2015.	Yes		Maurice Battilana
8	s5.77	On receipt of a primary or annual return, did the CEO, (or the Mayor/ President in the case of the CEO's return) on all occasions, give written	Yes		Maurice Battilana



			acknowledgment of having received the return.		
9	s5.88(1)(2) Admin Reg 28	Admin	Did the CEO keep a register of financial interests which contained the returns lodged under section 5.75 and 5.76	Yes	Maurice Battilana
10	s5.88(1)(2) Admin Reg 28	Admin	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70 and 5.71, in the form prescribed in Administration Regulation 28.	Yes	Maurice Battilana
11	s5.88 (3)		Has the CEO removed all returns from the register when a person ceased to be a person required to lodge a return under section 5.75 or 5.76.	N/A	Maurice Battilana
12	s5.88(4)		Have all returns lodged under section 5.75 or 5.76 and removed from the register, been kept for a period of at least five years, after the person who lodged the return ceased to be a council member or designated employee.	N/A	Maurice Battilana
13	s5.103 Admin Reg 34C & Rules of Conduct Reg 11	Admin Reg	Where an elected member or an employee disclosed an interest in a matter discussed at a Council or committee meeting where there was a reasonable belief that the impartiality of the person having the interest would be adversely affected, was it recorded in the minutes.	Yes	Maurice Battilana
14	s5.70(2)		Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to the Council or a Committee, did that person disclose the nature of that interest when giving the advice or report.	Yes	Maurice Battilana
15	s5.70(3)		Where an employee disclosed an interest under s5.70(2), did that person also disclose the extent of that interest when required to do so by the Council or a Committee.	Yes	Maurice Battilana
16	s5.103(3) Admin Reg 34B	Admin	Has the CEO kept a register of all notifiable gifts received by Council members and employees.	Yes	Maurice Battilana

Disposal of Property

No	Reference	Question	Response	Comments	Respondent
1	s3.58(3)	Was local public notice given prior to disposal for any property not disposed of by public auction or tender (except where excluded by Section 3.58(5)).	Yes		Maurice Battilana
2	s3.58(4)	Where the local government disposed of property under section 3.58(3), did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property.	Yes		Maurice Battilana



Elections					
No	Reference	Question	Response	Comments	Respondent
1	Elect Reg 30G (1)	Did the CEO establish and maintain an electoral gift register and ensure that all 'disclosure of gifts' forms completed by candidates and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the candidates.	Yes		Maurice Battilana

Finance					
No	Reference	Question	Response	Comments	Respondent
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act.	Yes		Maurice Battilana
2	s7.1B	Where a local government determined to delegate to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority.	N/A		Maurice Battilana
3	s7.3	Was the person(s) appointed by the local government to be its auditor, a registered company auditor.	Yes		Maurice Battilana
4	s7.3, 7.6(3)	Was the person or persons appointed by the local government to be its auditor, appointed by an absolute majority decision of Council.	Yes		Maurice Battilana
5	Audit Reg 10	Was the Auditor's report for the financial year ended 30 June 2015 received by the local government within 30 days of completion of the audit.	Yes		Maurice Battilana
6	s7.9(1)	Was the Auditor's report for 2014/2015 received by the local government by 31 December 2015.	Yes		Maurice Battilana
7	S7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under s7.9(1) of the Act required action to be taken by the local government, was that action undertaken.	Yes		Maurice Battilana
8	S7.12A (4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9(1) of the Act) required action to be taken by the local government, was a report prepared on any actions undertaken.	Yes		Maurice Battilana
9	S7.12A (4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9(1) of the Act) required action to be taken by the local government, was	Yes		Maurice Battilana

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		a copy of the report forwarded to the Minister by the end of the financial year or 6 months after the last report prepared under s7.9 was received by the local government whichever was the latest in time.		
10	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives of the audit.	Yes	Maurice Battilana
11	Audit Reg 7	Did the agreement between the local government and its auditor include the scope of the audit.	Yes	Maurice Battilana
12	Audit Reg 7	Did the agreement between the local government and its auditor include a plan for the audit.	Yes	Maurice Battilana
13	Audit Reg 7	Did the agreement between the local government and its auditor include details of the remuneration and expenses to be paid to the auditor.	Yes	Maurice Battilana
14	Audit Reg 7	Did the agreement between the local government and its auditor include the method to be used by the local government to communicate with, and supply information to, the auditor.	Yes	Maurice Battilana

Local Government Employees

No	Reference	Question	Response	Comments	Respondent
1	Admin Reg 18C	Did the local government approve the process to be used for the selection and appointment of the CEO before the position of CEO was advertised.	N/A		Maurice Battilana
2	s5.36(4) s5.37(3), Admin Reg 18A	Were all vacancies for the position of CEO and other designated senior employees advertised and did the advertising comply with s.5.36(4), 5.37(3) and Admin Reg 18A.	N/A		Maurice Battilana
3	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position of CEO under section 5.36(4).	N/A		Maurice Battilana
4	Admin Regs 18E	Did the local government ensure checks were carried out to confirm that the information in an application for employment was true (applicable to CEO only).	N/A		Maurice Battilana
5	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss a designated senior employee.	N/A		Maurice Battilana



Official Conduct					
No	Reference	Question	Response	Comments	Respondent
1	s5.120	Where the CEO is not the complaints officer, has the local government designated a senior employee, as defined under s5.37, to be its complaints officer.	N/A		Maurice Battilana
2	s5.121(1)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that result in action under s5.110(6)(b) or (c).	Yes		Maurice Battilana
3	s5.121(2)(a)	Does the complaints register maintained by the complaints officer include provision for recording of the name of the council member about whom the complaint is made.	Yes		Maurice Battilana
4	s5.121(2)(b)	Does the complaints register maintained by the complaints officer include provision for recording the name of the person who makes the complaint.	Yes		Maurice Battilana
5	s5.121(2)(c)	Does the complaints register maintained by the complaints officer include provision for recording a description of the minor breach that the standards panel finds has occurred.	Yes		Maurice Battilana
6	s5.121(2)(d)	Does the complaints register maintained by the complaints officer include the provision to record details of the action taken under s5.110(6)(b) or (c).	Yes		Maurice Battilana



Tenders for Providing Goods and Services					
No	Reference	Question	Response	Comments	Respondent
1	s3.57 F&G Reg 11	Did the local government invite tenders on all occasions (before entering into contracts for the supply of goods or services) where the consideration under the contract was, or was expected to be, worth more than the consideration stated in Regulation 11(1) of the Local Government (Functions & General) Regulations (Subject to Functions and General Regulation 11(2)).	Yes		Maurice Battilana
2	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than inviting tenders for a single contract.	N/A		Maurice Battilana
3	F&G Reg 14(1) & (3)	Did the local government invite tenders via Statewide public notice.	Yes		Maurice Battilana
4	F&G Reg 14 & 15	Did the local government's advertising and tender documentation comply with F&G Regs 14, 15 & 16.	Yes		Maurice Battilana
5	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer, notice of the variation.	N/A		Maurice Battilana
6	F&G Reg 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of F&G Reg 16.	Yes		Maurice Battilana
7	F&G Reg 18(1)	Did the local government reject the tenders that were not submitted at the place, and within the time specified in the invitation to tender.	Yes		Maurice Battilana
8	F&G Reg 18 (4)	In relation to the tenders that were not rejected, did the local government assess which tender to accept and which tender was most advantageous to the local government to accept, by means of written evaluation criteria.	Yes		Maurice Battilana
9	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17.	Yes		Maurice Battilana
10	F&G Reg 19	Was each tenderer sent written notice advising particulars of the successful tender or advising that no tender was accepted.	Yes		Maurice Battilana
11	F&G Reg 21 & 22	Did the local governments's advertising and expression of interest documentation comply with the requirements of F&G Regs 21 and 22.	Yes		Maurice Battilana
12	F&G Reg 23(1)	Did the local government reject the expressions of interest that were not	Yes		Maurice Battilana

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		submitted at the place and within the time specified in the notice.		
13	F&G Reg 23(4)	After the local government considered expressions of interest, did the CEO list each person considered capable of satisfactorily supplying goods or services.	Yes	Maurice Battilana
14	F&G Reg 24	Was each person who submitted an expression of interest, given a notice in writing in accordance with Functions & General Regulation 24.	Yes	Maurice Battilana
15	F&G Reg 24AD(2)	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice.	Yes	Maurice Battilana
16	F&G Reg 24AD(4) & 24AE	Did the local government's advertising and panel documentation comply with F&G Regs 24AD(4) & 24AE.	Yes	Maurice Battilana
17	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of F&G Reg 16 as if the reference in that regulation to a tender were a reference to a panel application.	Yes	Maurice Battilana
18	F&G Reg 24AD(6)	If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application, notice of the variation.	Yes	Maurice Battilana
19	F&G Reg 24AH(1)	Did the local government reject the applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time specified in the invitation for applications.	Yes	Maurice Battilana
20	F&G Reg 24AH(3)	In relation to the applications that were not rejected, did the local government assess which application(s) to accept and which application(s) were most advantageous to the local government to accept, by means of written evaluation criteria.	Yes	Maurice Battilana
21	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers, comply with the requirements of F&G Reg 24AG.	Yes	Maurice Battilana
22	F&G Reg 24AI	Did the local government send each person who submitted an application, written notice advising if the person's application was accepted and they are to be part of a panel of pre-qualified suppliers, or, that the application was not accepted.	Yes	Maurice Battilana
23	F&G Reg 24E	Where the local government gave a regional price preference in relation to	Yes	Maurice Battilana



		a tender process, did the local government comply with the requirements of F&G Reg 24E in relation to the preparation of a regional price preference policy (only if a policy had not been previously adopted by Council).		
24	F&G Reg 24F	Did the local government comply with the requirements of F&G Reg 24F in relation to an adopted regional price preference policy.	Yes	Maurice Battilana
25	F&G Reg 11A	Does the local government have a current purchasing policy in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, \$150,000 or less.	Yes	Maurice Battilana

I certify this Compliance Audit return has been adopted by Council at its meeting on _____

Signed Mayor / President, Chapman Valley

Signed CEO, Chapman Valley

8.0 Information Items

AGENDA ITEM:	8.1
SUBJECT:	RISK MANAGEMENT PROCEDURE - REVIEW
PROPONENT:	FINANCE & AUDIT COMMITTEE
SITE:	COUNCIL CHAMBERS
FILE REFERENCE:	411.01
PREVIOUS REFERENCE:	MINUTE REF: 06/14-12
DATE:	4th FEBRUARY 2016
AUTHOR:	MAURICE BATTILANA

DISCLOSURE OF INTEREST

Nil

BACKGROUND

The State Government introduced new legislation under the Local Government (Audit) Audit Regulations, 1996, to stipulate it is a legal requirement for a local government Chief Executive Officer to review the appropriateness and effectiveness of a local government's systems and procedures in relation to:

- a) Risk management,
- b) Internal controls; and
- c) Legislative compliance.

This is known as LG (Audit) Regulation 17.

Council adopted the *Risk Management Policy (CP-017)* at the June 2014 OCM. This Policy is complemented by the *Risk Management Procedure (CMP-028)*.

COMMENT

Procedures are an internal operational document and though a copy has been provided with this Agenda Item for Council information there is no legal requirement for Committee or Council to adopt or endorse amendments these documents. This is an internal document the CEO and staff use to undertake the necessary analysis and review of risk management as required under legislation.

Therefore, the purpose of this item is to simply inform the Committee of the review undertaken by staff of *Risk Management Procedure (CMP-028)* There is no requirement for Committee or Council to formally adopt or endorse the amendments as this is an internal operation procedure to assist the CEO in implementing the Policy.

A copy of the revised Procedure (with amendments tracked) is provided at **Attachment 4** for Committee information.

I have also attached the Summary of the Risk Report associated with the Procedure, which indicates we have introduced significant changes and implemented a number of aspects to improve risk management within the Shire over the past 12 to 18 months.

STATUTORY ENVIRONMENT

Local Government (Audit) Regulations, 1996

17. CEO to review certain systems and procedures
 - (1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —
 - (a) **risk management**; and

- (b) internal control; and
- (c) legislative compliance.
- (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.
- (3) The CEO is to report to the audit committee the results of that review.

[Regulation 17 inserted in Gazette 8 Feb 2013 p. 868.]

POLICY IMPLICATIONS

Risk Management Policy (CP-017). This Policy is complemented by the *Risk Management Procedure (CMP-028)*.

FINANCIAL IMPLICATIONS

Nil affect.

- **Long Term Financial Plan (LTFP):**

No affect on the LFTP

STRATEGIC IMPLICATIONS

It is a legal requirement to have Risk Management Policies and Procedures in place to address risk issues within the organisation.

- **Strategic Community Plan/Corporate Business Plan:**

Objective	Strategy	Actions
We want a representation and governance model that reflects our community's unique attributes	The President and Councillors to be representative of the community and provide strong leadership	Develop Council appropriate policies that enable good: governance, development, services and growth

VOTING REQUIREMENTS

Simple Majority

STAFF RECOMMENDATION

The Committee receives the revised *Risk Management Procedure (CMP-028)* as presented for information only.



Risk Management Governance Framework

➤ Risk Management Procedures

Last Updated: ~~April 2014~~ January 2016

Version: ~~0.040.01~~ 0.040.02

Shire of Chapman Valley

Table of Contents

Introduction	1
Risk Management Procedures	2
Governance.....	2
Framework Review.....	2
Operating Model	2
Governance Structure	3
Roles & Responsibilities	4
Document Structure (Framework).....	5
Risk & Control Management.....	6
Risk & Control Assessment.....	6
Communication & Consultation	8
Reporting Requirements	9
Coverage & Frequency	9
Key Indicators	10
Identification	10
Validity of Source	10
Tolerances.....	10
Monitor & Review	10
Risk Acceptance	11
Appendix A – Risk Assessment and Acceptance Criteria.....	12
Appendix B – Risk Profile Template.....	15
Appendix C – Risk Theme Definitions.....	16

Introduction

The Policy and Procedures form the Risk Management Framework for the Shire of Chapman Valley ("the Shire"). It sets out the Shire's approach to the identification, assessment, management, reporting and monitoring of risks. All components of this document are based on AS/NZS ISO 31000:2009 Risk Management.

It is essential that all areas of the Shire adopt these procedures to ensure:

- Strong corporate governance.
- Compliance with relevant legislation, regulations and internal policies.
- Integrated Planning and Reporting requirements are met.
- Uncertainty and its effects on objectives is understood.

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

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

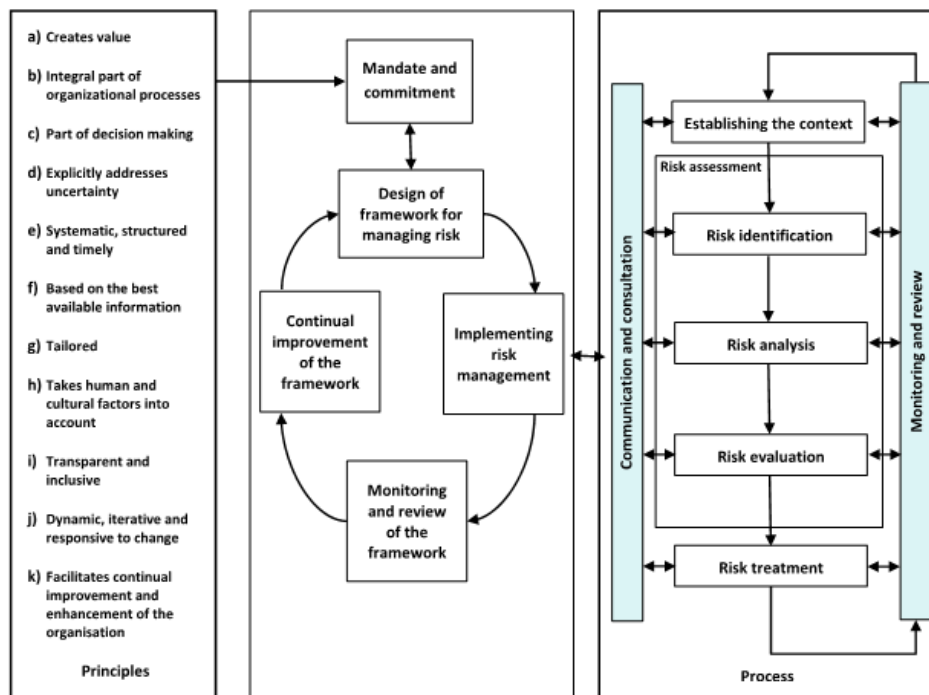


Figure 1: Risk Management Process (Source: AS/NZS 31000:2009)

Risk Management Procedures

Governance

Appropriate governance of risk management within the Shire of Chapman Valley (the "Shire") provides:

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

Framework Review

The Risk Management Framework is to be reviewed for appropriateness and effectiveness at least every two years.

Operating Model

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

First Line of Defence

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

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

Second Line of Defence

The ~~Office Manager~~[Manager Finance & Corporate Services \(MFCS\)](#) acts as the primary '2nd Line'. This position owns and manages the framework for risk management. They draft and implement the governance procedures and provide the necessary tools and training to support the 1st line process.

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

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

Third Line of Defence

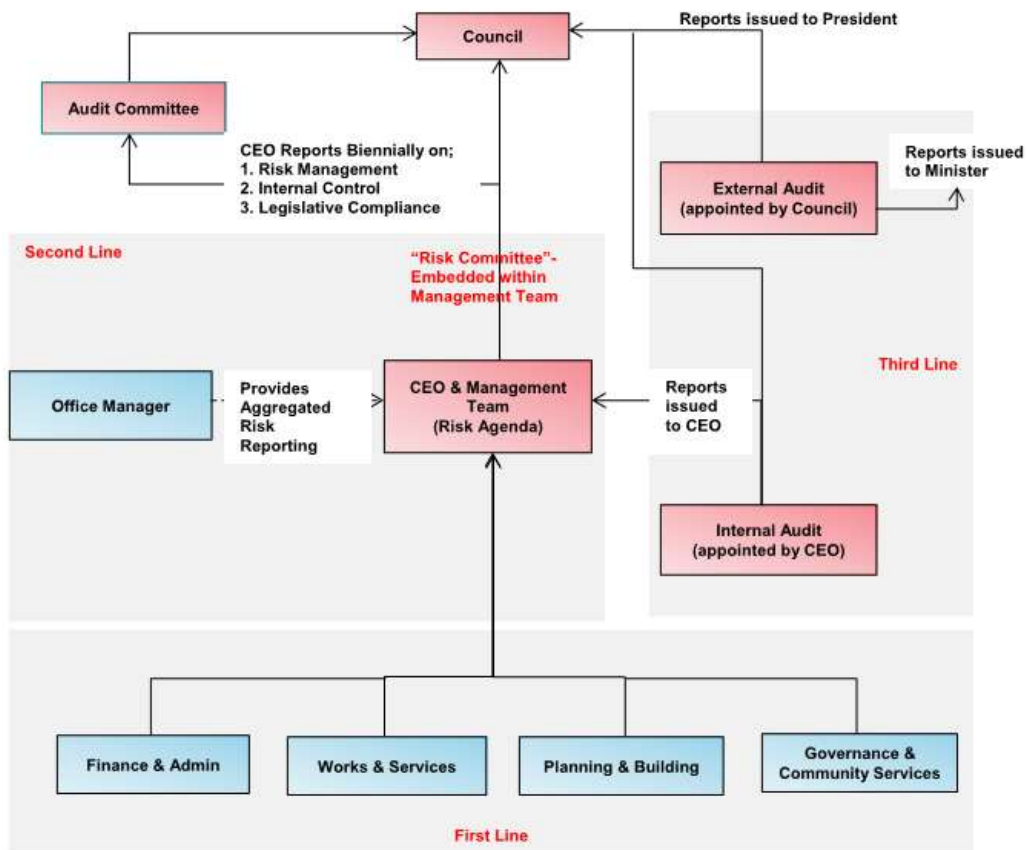
Internal & External Audit are the third line of defence, providing independent assurance to the Council, Audit Committee and Shire Management on the effectiveness of business operations and oversight frameworks (1st & 2nd Line).

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

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

Governance Structure

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



Roles & Responsibilities

Council

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

Audit Committee

- Support Council to provide effective corporate governance.
- Oversight of all matters that relate to the conduct of External Audits.
- Must be independent, objective and autonomous in deliberations.
- Make recommendations to Council on External Auditor appointments.

CEO / ~~Management Team~~ Executive Management Team

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

~~Office Manager~~ Manager Finance & Corporate Services

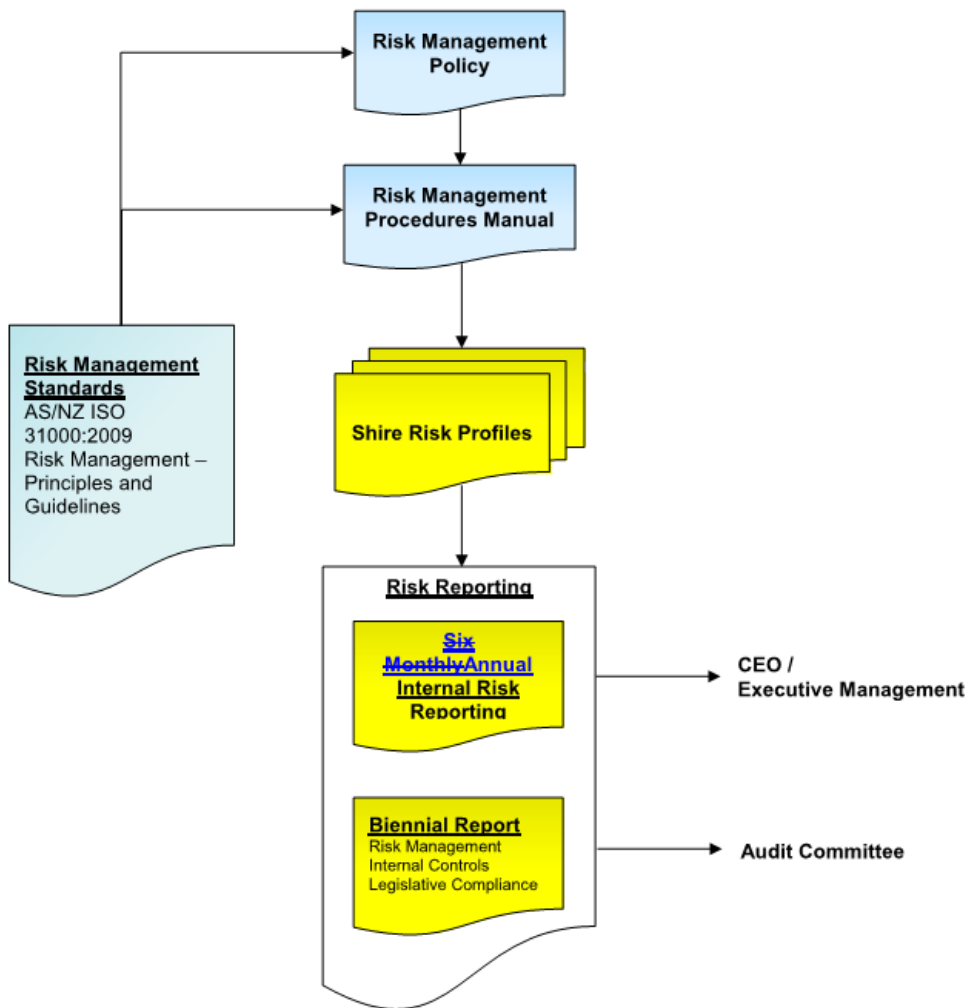
- Oversee and facilitate the Risk Management Framework.
- Support reporting requirements for Risk matters.

Work Areas

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

Document Structure (Framework)

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



Risk & Control Management

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

Each Manager, in conjunction with the ~~Office Manager~~MFC is accountable for ensuring that Risk Profiles are:

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

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

Risk & Control Assessment

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

Establishing the Context

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

Organisational Context

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

Any changes or additions to the Risk Themes must be approved by the ~~Office Manager~~MFC and CEO.

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

Specific Risk Assessment Context

To direct the identification of risks, the specific risk assessment context is to be determined prior to and used within the risk assessment process. For risk assessment purposes the Shire has been divided into three levels of risk assessment context:

Strategic Context

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

- Organisations Vision / Mission
- Stakeholder Analysis
- Environment Scan / SWOT Analysis
- Existing Strategies / Objectives / Goals

Operational Context

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

Project Context

Project Risk has two main components:

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

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

Risk Identification

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

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

Risk Analysis

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

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

Risk Evaluation

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

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

The risk acceptance decision needs to be documented and those risks that are acceptable are then subject to the monitor and review process.

Note: Individual Risks or Issues may need to be escalated due to its urgency, level of risk or systemic nature.

Risk Treatment

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

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

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

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

Monitoring & Review

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

- changes to context,
- a treatment is implemented,
- an incident occurs or due to audit/regulator findings.

| The ~~Office Manager~~(MFCS) is to monitor the status of risk treatment implementation and report on, if required.

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

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

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

Communication & Consultation

Throughout the risk management process, stakeholders will be identified, and where relevant, be involved in or informed of outputs from the risk management process.

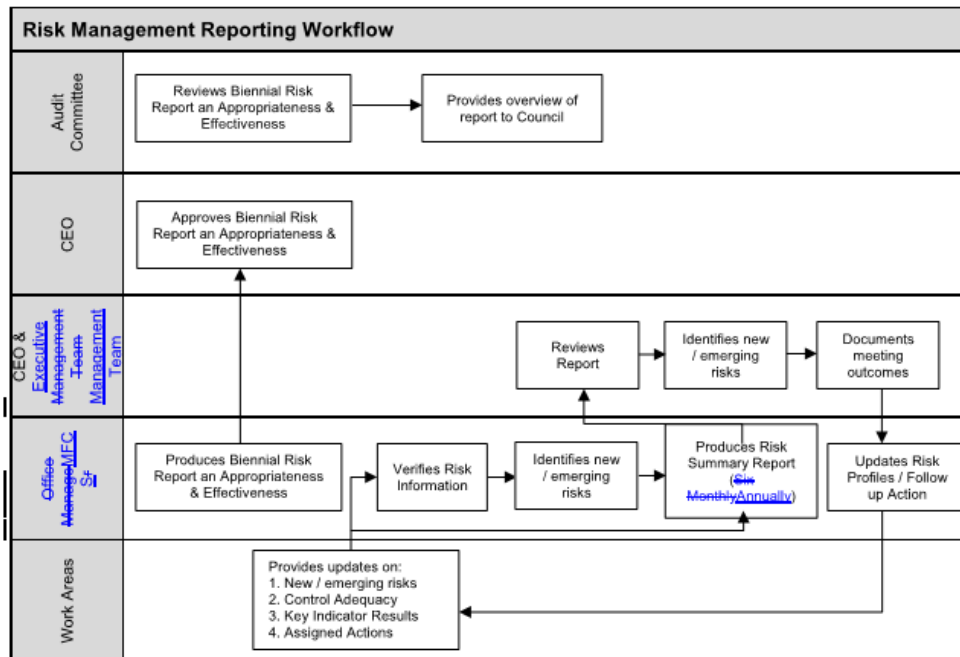
Risk management awareness and training will be provided to all staff.

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

Reporting Requirements

Coverage & Frequency

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



Each Work Area is responsible for ensuring:

- They continually provide updates in relation to new, emerging risks, control effectiveness and key indicator performance to the [Office Manager MFCS](#).
- Work through assigned actions and provide relevant updates to the [Office Manager MFCS](#).
- Risks / Issues reported to the CEO & [Management Team Executive Management Team](#) are reflective of the current risk and control environment.

The [Office Manager MFCS](#) is responsible for:

- Ensuring Shire Risk Profiles are formally reviewed and updated, at least on a [six monthly annual](#) basis or when there has been a material restructure, change in risk ownership or change in the external environment.
- [Six Monthly Annual](#) Risk Reporting for the CEO & [Management Team Executive Management Team](#) – Contains an overview of the Risk Summary for the Shire.
- Annual Compliance Audit Return completion and lodgement.

Key Indicators

Key Indicators (KI's) are required to be used for monitoring and validating key risks and controls. The following describes the process for the creation and reporting of KIs:

- Identification
- Validity of Source
- Tolerances
- Monitor & Review

Identification

The following represent the minimum standards when identifying appropriate KI's key risks and controls:

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

Validity of Source

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

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

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

Tolerances

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

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

Monitor & Review

All active KI's are updated as per their stated frequency of the data source.

When monitoring and reviewing KI's, the overall trend must be considered over a longer timeframe instead of individual data movements. The trend of the KI is specifically used as an input to the risk and control assessment.

Risk Acceptance

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

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

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

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

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

A lack of budget / funding to remediate a material risk outside appetite is not sufficient justification in itself to accept a risk.

Accepted risks must be continually reviewed through standard operating reporting structure (ie. ~~Management Team~~[Executive Management Team](#))

Appendix A – Risk Assessment and Acceptance Criteria

Measures of Consequence							
Rating (Level)	Health	Financial Impact	Service Interruption	Compliance	Reputational	Property	Environment
Insignificant (1)	Negligible injuries	Less than \$1,000	No material service interruption	No noticeable regulatory or statutory impact	Unsubstantiated, low impact, low profile or 'no news' item	Inconsequential or no damage.	Contained, reversible impact managed by on site response
Minor (2)	First aid injuries	\$1,001 - \$10,000	Short term temporary interruption – backlog cleared < 1 day	Some temporary non compliances	Substantiated, low impact, low news item	Localised damage rectified by routine internal procedures	Contained, reversible impact managed by internal response
Moderate (3)	Medical type injuries	\$10,001 - \$50,000	Medium term temporary interruption – backlog cleared by additional resources < 1 week	Short term non-compliance but with significant regulatory requirements imposed	Substantiated, public embarrassment, moderate impact, moderate news profile	Localised damage requiring external resources to rectify	Contained, reversible impact managed by external agencies
Major (4)	Lost time injury	\$50,001 - \$150,000	Prolonged interruption of services – additional resources; performance affected < 1 month	Non-compliance results in termination of services or imposed penalties	Substantiated, public embarrassment, high impact, high news profile, third party actions	Significant damage requiring internal & external resources to rectify	Uncontained, reversible impact managed by a coordinated response from external agencies
Catastrophic (5)	Fatality, permanent disability	More than \$150,000	Indeterminate prolonged interruption of services – non-performance > 1 month	Non-compliance results in litigation, criminal charges or significant damages or penalties	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions	Extensive damage requiring prolonged period of restitution Complete loss of plant, equipment & building	Uncontained, irreversible impact

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

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

Risk Acceptance Criteria			
Risk Rank	Description	Criteria	Responsibility
LOW	Acceptable	Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring	Operational Manager
MODERATE	Monitor	Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring	Operational Manager
HIGH	Urgent Attention Required	Risk acceptable with excellent controls, managed by senior management / executive and subject to monthly monitoring	Director / CEO
EXTREME	Unacceptable	Risk only acceptable with excellent controls, and all treatment plans to be explored and implemented where possible, managed by highest level of authority and subject to continuous monitoring	CEO / Council

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

Appendix B – Risk Profile Template

Risk Theme			Date
This Risk Theme is defined as: <i>Definition of Theme</i>			
Potential causes include: <i>List of potential causes</i>			
Key Controls	Type	Date	Shire Rating
<i>List of Key Controls</i>			
Overall Control Ratings:			
Risk Ratings		Shire Rating	
Consequence:			
Likelihood:			
Overall Risk Ratings:			
Key Indicators	Tolerance	Date	Overall Shire Result
<i>List of Key Indicators</i>			
Comments <i>Rationale for all above ratings</i>			
Current Issues / Actions / Treatments	Due Date	Responsibility	
<i>List current issues / actions / treatments</i>			



Appendix C – Risk Theme Definitions

Misconduct

Intentional activities in excess of authority granted to an employee, which circumvent endorsed policies, procedures or delegated authority. This would include instances of:

- Relevant authorisations not obtained.
- Distributing confidential information.
- Accessing systems and / or applications without correct authority to do so.
- Misrepresenting data in reports.
- Theft by an employee
- Collusion between Internal & External parties

This does not include instances where it was not an intentional breach - refer Errors, Omissions or delays in transaction processing, or Inaccurate Advice.

External Theft & Fraud (inc. Cyber Crime)

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

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

Examples include:

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

Business Disruption

A local physical event causing the inability to continue business activities and provide services to the community. This may or may not result in Business Continuity Plans to be invoked. This does not include disruptions due to:

- IT Systems or infrastructure related failures should be captured under "Failure of IT Systems and Infrastructure".
- Contractor / Supplier issues should be captured under "Inadequate Supplier / Contract Management".
- People issues should be captured under "Inappropriate People Management".

Damage to Physical Assets

Damage to buildings, property, plant & equipment (all assets) that does not result in a disruption to business objectives (refer Business Disruption). This could be a result of a natural disaster or other events, or an act carried out by an external party (inc. graffiti and / or vandalism).

Errors, omissions, delays

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

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

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

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

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

Failure of IT &/or Communications Systems and Infrastructure

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

- Hardware &/or Software
- IT Network
- Failures of IT Vendors

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

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

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

Failure to fulfil statutory, regulatory or compliance requirements

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

This does not include;

- Issues in relation to OH&S – refer "Inadequate employee and visitor safety and security"
- Procurement, disposal or tender process failures – refer "Inadequate Procurement, Disposal or Tender Practices"
- HR based legislation – refer "ineffective People Management"

Providing inaccurate advice / information

Incomplete, inadequate or inaccuracies in professional advisory activities to customers or internal staff. This could be caused by using unqualified staff, however it does not include instances relating Breach of Authority.

Inadequate Change Management

Inadequate analysis, design, delivery and / or status reporting of change initiatives, resulting in additional expenses, time requirements or scope changes. This includes:

- Inadequate Change Management Framework to manage and monitor change activities.
- Inadequate understanding of the impact of project change on the business.
- Failures in the transition of projects into standard operations.
- Failure to implement new systems
- Failures of IT Project Vendors/Contractors

This includes Directorate or Service Unit driven change initiatives except new Plant & Equipment purchases. Refer "Inadequate Plant and Equipment design, delivery and maintenance"

Inadequate Emergency Management

Failure to adequately assess and respond to both internal and external emergencies. Lack of (or inadequate) emergency response plans. Lack of training to specific individuals or availability of appropriate emergency response. Failure in command and control functions as a result of incorrect initial assessment or untimely awareness of incident. This also includes inadequacies in environmental awareness and monitoring of fuel loads, curing rates etc.

Inadequate Document Management Processes

Failure to adequately capture, store, archive, retrieve, provision and / or disposal of documentation. This includes:

- Contact lists.
- Procedural documents.
- 'Application' proposals/documents.
- Contracts.
- Forms, requests or other documents.

Inadequate employee and visitor safety and security

Non-compliance with Occupation Health & Safety (OH&S) Regulations and physical security requirements. This risk includes issues relating to:

- Inadequate Policy, Frameworks, Systems and Structure to prevent the injury of visitors, staff, contractors and/or tenants in the provision of a working or business environment.
- Inadequate security protection measures in place for buildings, depots and other places of work (vehicle, community etc).
- Public Liability Claims, due to negligence or personal injury.
- Employee Liability Claims due to negligence or personal injury.

Inadequate engagement of Community / Stakeholders / Elected Members

Failure to maintain effective working relationships with the Community (including Local Media), Stakeholders, Key Private Sector Companies, Government Agencies and / or Elected Members. This invariably includes activities where communication, feedback and / or consultation is required and where it is in the best interests to do so. For example;

- Following up on any access & inclusion issues.
- Infrastructure Projects.
- Regional or District Committee attendance.
- Local Planning initiatives.
- Strategic Planning initiatives

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

Inadequate Procurement, Disposal or Tender Practices.

Failures in the procurement, acquisition, acceptance or disposal process for assets as governed by the Local Government Act. This risk theme also relates to and includes;

- Lack of formalised process to identify specific requirements prior to procurement.
- Acceptance of assets without reference to a formalised process to ensure correct receipt and / or notification of receipt (transfer of ownership).
- Disposing of P & E (either through sale or decommissioning) that did not meet expectations from either a time or financial perspective.
- Failures in the Tender process from RTF preparation, advertising, due diligence and awarding.

Inadequate Asset Management

Failure or reduction in service of infrastructure assets, plant, equipment or machinery. These include fleet assets in addition to community use based assets including playgrounds, boat ramps and other maintenance based assets. Areas includes in the scope are;

- Inadequate design (not fit for purpose).
- Ineffective usage (down time)
- Outputs not meeting expectations
- Inadequate maintenance activities.
- Inadequate or unsafe modifications.

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

Inadequate Stock Management

Lack of stock to ensure continuity of operations or oversupply of stock resulting in dormant (non-performing) assets. Stock includes, consumables, stationery, spare parts and / or other items used for operational purposes. This could be a result of an ineffective stock management system / processes or the peripheral processes in the issuance and / or recording of 'transactions'.

It does not include theft or loss of stock through ineffective operations; refer;

- Theft – "Misconduct" or "External Theft or Fraud"
- Ineffective operations – "Errors, Omissions or Delays".

Inadequate Supplier / Contract Management

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

- Concentration issues
- Vendor sustainability

It does not include failures in the tender process; refer "Inadequate Procurement, Disposal or Tender Practices".

Ineffective People Management

Failure to effectively manage and lead human resources (full/part time, casuals, temporary and volunteers). This includes not having appropriately qualified or experienced people in the right roles or not having sufficient staff numbers to achieve objectives. This also includes:

- Breaching employee regulations (excluding OH&S).
- Discrimination, Harassment & Bullying in the workplace.
- Key person dependencies without effective succession planning in place.
- Induction issues.
- Terminations (including any tribunal issues).
- Industrial activity.

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

Ineffective management of Facilities / Venues

Failure to effectively manage the day to day operations of facilities and / or venues. This includes;

- Inadequate procedures in place to manage the quality or availability.
- Ineffective signage
- Booking issues
- Financial interactions with hirers / users
- Oversight / provision of peripheral services (eg. cleaning / maintenance)

Not meeting Community expectations

Failure to provide expected levels of service, events and benefit to the community. This includes where precedents have set Community perceptions or where services are generally expected. This will normally result in reputational impacts, however may have financial considerations with re-work, compensations or refunds. Examples include:

- Reducing the number or quality of events.
- Withdrawing support (or not supporting) other initiatives to provide relief/benefits to the Community.
- Loss of new or ongoing funding requirements for projects, events and other initiatives.
- Technology expectations

Shire of Chapman Valley Risk Report

Review: Jan 2016

Executive Summary

Being a review of risk report, this is focussing on driving the framework for ensuring that future reports will continue to provide relevant insight and recommendations to assist the Shire Executive in managing risks. This report is provided in full (dashboard and individual risk profiles) to allow the Executive an opportunity to review and confirm the current risk landscape of the Shire. It is envisaged that future reports will only be in a dashboard format, highlighting the current Risk & Control ratings together with any current actions / treatments underway.

These internal reports are expected to be generated and discussed twice a year as part of the agenda for the Management Team.

Recommendations

Risk Framework

1. Ensure that the Risk Management Policy is approved by Council. COMPLETED
2. Approve the Risk Management Procedures Manual. COMPLETED

Risk Profiles

1. Review and approve all Risk Profiles (from a Risk & Control perspective). REVIEWED BY STAFF IN DECEMBER 2015 & PRESENTED TO F&A COMMITTEE IN JANUARY 2015
2. Confirm Current Issues / Actions / Treatments (Responsibility & Due Date)

Misconduct		Risk	Control
		Moderate	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	

Business Disruption		Risk	Control
		Low	Inadequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
Develop Business Continuity Plan	Jun-16	CEO	

Damage to Physical Assets		Risk	Control
		Not Material	0
Current Issues / Actions / Treatments	Due Date	Responsibility	

Errors, Omissions & Delays		Risk	Control
		Low	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	

External Theft & Fraud (inc. Cyber Crime)		Risk Not Material	Control 0
Current Issues / Actions / Treatments	Due Date	Responsibility	

Failure of IT &/or Communications Systems and Infrastructure		Risk Moderate	Control Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
<i>IT Systems & Backup being improved with upgrades to hardware and software arrangements through Market Creations</i>	<i>Jan-16</i>	<i>MFCS</i>	

Failure to fulfil statutory, regulatory or compliance requirements		Risk Moderate	Control Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
<i>Review new Privacy Act against current procedures</i>	<i>30.06.2016</i>	<i>CEO</i>	

Inadequate safety and security (staff, visitors and community)		Risk Moderate	Control Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
<i>Review Safety Management System</i>	<i>Completed</i>	<i>CEO / Finance Manager</i>	

Providing inaccurate advice / information		Risk Not Material	Control 0
Current Issues / Actions / Treatments	Due Date	Responsibility	

Inadequate Emergency Management		Risk Moderate	Control Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
<i>Batavia Regional LEMC structure now established with CGG, SoCV & SoNR</i>	<i>Completed</i>	<i>CEO</i>	

Inadequate Document Management Processes		Risk Not	Control 0
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Inadequate Project / Change Management		Risk Low	Control Adequate
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		Material
Current Issues / Actions / Treatments	Due Date	Responsibility

Current Issues / Actions / Treatments	Due Date	Responsibility	
<i>Continue improvement of Project Management Procedures.</i>	<i>Ongoing</i>	<i>CEO</i>	
<i>Established Project Management Procedures for Staff</i>	<i>Completed</i>	<i>CEO</i>	
<i>Project Review listed on all Executive Management Team meeting Agendas</i>	<i>Completed</i>	<i>CEO</i>	

Inadequate engagement of Community / Stakeholders / Elected Members		Risk	Control
		Not Material	0
Current Issues / Actions / Treatments	Due Date	Responsibility	
<i>Shop Front Services Trialed Feb - June 2016</i>	<i>Jun-16</i>	<i>CEO</i>	
<i>OCM moved locations other than Nabawa (12 month trial)</i>	<i>Dec-16</i>	<i>CEO</i>	

Inadequate Procurement, Disposal or Tender Practices.		Risk	Control
		Moderate	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	

Inadequate Asset Management		Risk	Control
		Moderate	Adequate
Current Issues / Actions / Treatments	Due Date	Responsibility	
<i>Continue to encourage elected members to embrace the Integrated Planning Framework to ensure asset management is addressed</i>	<i>Ongoing</i>	<i>CEO</i>	
<i>IPR now listed as an item on the Concept Forum.</i>	<i>Ongoing</i>	<i>CEO</i>	

Inadequate Stock Management		Risk	Control
		Not Material	0
Current Issues / Actions / Treatments	Due Date	Responsibility	

Inadequate Supplier / Contract Management		Risk	Control
		Not Material	0
Current Issues / Actions / Treatments	Due Date	Responsibility	

Ineffective People Management		Risk	Control
		Not Material	0
Current Issues / Actions / Treatments	Due Date	Responsibility	

<i>Training Matirx being established with Regional Risk Coordinator</i>	<i>Jun-16</i>	<i>CEO/RRC/MFCS</i>

Ineffective management of Facilities / Venues		Risk	Control
		Not Material	0
Current Issues / Actions / Treatments	Due Date	Responsibility	
<i>Centralised Booking System now in operation.</i>	<i>Completed</i>	<i>MFCS</i>	

Not meeting Community expectations		Risk	Control
		Not Material	0
Current Issues / Actions / Treatments	Due Date	Responsibility	

9.0 Urgent Business Approved by the Presiding Member or by s Decision of the Committee

10.0 Closure