



AGENDA

**AUDIT AND RISK MANAGEMENT
COMMITTEE MEETING**

THURSDAY, 5 AUGUST 2021

Notice is given that the next Audit and Risk Management Committee Meeting of Tiwi Islands Regional Council will be held on:

- Thursday, 5 August 2021 at
- Local Government Association of the Northern Territory
- Commencing at 10:45am
- **Teleconferene (08) 8944 9677**

Your attendance at the meeting will be appreciated.

Valerie Rowland
Chief Executive Officer

AGENDA**1 WELCOME & APOLOGIES**

- 1.1 WELCOME
- 1.2 PRESENT
- 1.3 APOLOGIES
- 1.4 LEAVE OF ABSENCE
- 1.5 DECLARATION OF INTEREST OF MEMBERS OR STAFF

2 CONFIRMATION OF PREVIOUS MINUTES

Audit and Risk Management Committee - 7 June 2021..... 1

3 GENERAL BUSINESS

Nil

4 REPORTS FOR INFORMATION

- 4.1 STRATEGIC RISK PROFILE 3
- 4.2 INTERIM AUDIT UPDATE 21



**MINUTES OF THE AUDIT AND RISK MANAGEMENT COMMITTEE MEETING HELD IN
THE DARWIN ON MONDAY, 7 JUNE 2021 AT 10:00AM**

1 WELCOME & APOLOGIES

1.1 Welcome

The meeting opened at 11:05am

1.2 Present

Committee Members

Aswin Kumar	Independent Chairperson
David Blair	Independent Member
Mayor Leslie Tungatulum	Wurrumiyanga Ward
Deputy Mayor Lynette De Santis	Milikapiti Ward
Councillor Therese Bourke	Pirlangimpi Ward

Officers

Valerie Rowland	Chief Executive Officer
Bala Donepudi	Chief Financial Officer
Helen Daiyi	Governance & Compliance Manager

Minuter	Helen Daiyi
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1.3 Apologies

Nil

1.4 Leave of Absence

Nil

1.5 Declaration of Interest of Members or Staff

2 CONFIRMATION OF PREVIOUS MINUTES

Audit and Risk Management Committee - 26 October 2020

RECOMMENDATION

That the minutes of the Audit and Risk Management Committee on 26 October 2020 as circulated, be confirmed as a true and correct record of that meeting.

3 GENERAL BUSINESS

Nil

4 REPORTS FOR INFORMATION

4.1 DRAFT REGIONAL PLAN AND BUDGET 2021/2022

23 RESOLUTION

Moved: Lynette DeSantis

Seconded: Therese (Wokay) Bourke

That the Committee notes the status of the TIRC 2021/22 Regional Plan for Information.

CARRIED

4.2 2021/2022 COUNCIL BUDGET

24 RESOLUTION

Moved: Leslie Tungatulum

Seconded: Therese (Wokay) Bourke

That the Audit and Risk Management Committee receive and note the 2021-22 Tiwi Islands Regional Council draft Budget

CARRIED

5 NEXT MEETING

Thursday, 5 August 2021

6 CLOSURE

The meeting closed at 12:55pm.

5 NEXT MEETING

Monday, 25 October 2021

REPORTS FOR INFORMATION

ITEM NUMBER	4.1
TITLE	Strategic Risk Profile
REFERENCE	239626
AUTHOR	Bala Donepudi, Chief Financial Officer

**SUMMARY**

To provide an update to the committee about the Council's Risk Register

BACKGROUND

David Howie, managing Partner of KPMG has been hired by the council to prepare the TIRC Risk Register. David have carried out an in-depth analysis of the council operations, He has held several meeting the Chief financial officer and the chief executive officer about the risks facing the organisation .All TIRC managers were given a questionnaire to capture on the risks that face individual business unit .On 27th February 2020 we organised a risk register workshop led by David Howie.

A comprehensive risk register is Prepared based on the inputs received from all the stakeholders. As per the attached register TIRC faces nine key risks. They include

1. Be Financially Sustainable
2. Prevent, detect & appropriately respond to fraud and misconduct
3. Design and implement appropriate governance
4. Comply with key regulatory requirements
5. Strategically manage its service asset portfolio
6. Protect Safety & Well-being for its staff & Public
7. Attract, retain & Develop key staff
8. Restore to BAU after events interrupting business continuity
9. Effectively attract, govern and deliver grants programs.

Several Control measure have been suggested to manage the risks effectively. New priority opportunities have also been identified. The attached risk register will become the template to manage the council's risks going into the future.

Council has adopted the strategic Risk Review in March 2020. Presentation will be tabled on the day with further discussion

ISSUES/OPTIONS/CONSEQUENCES

For council to better monitor its risk regular risk management meetings to take place in the new financial year

CONSULTATION & TIMING

Nil

RECOMMENDATION:

That Committee accepts the the Council Risk Profile Pack

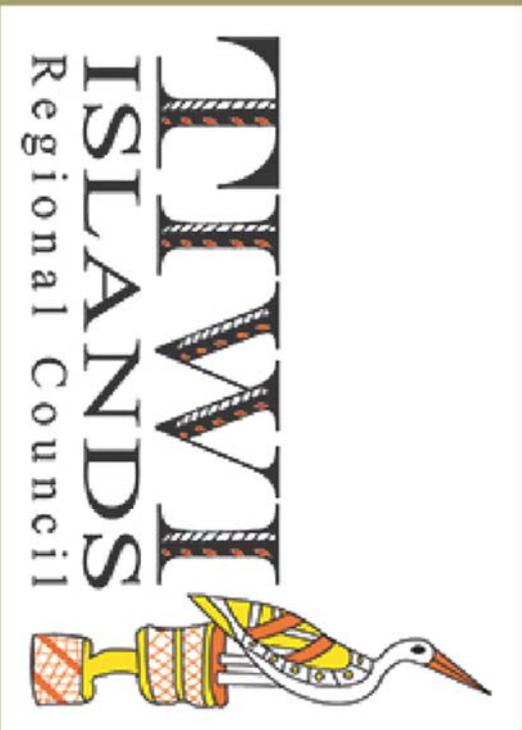
ATTACHMENTS:

- 1 TIRC20-Strategic Risk Profile Final Report-270220 (002).pdf 17 Pages

Strategic Risk Review

Engagement deliverable

March 2020





Tiwi Islands Regional Council
28 February 2020

Dear Audit Committee Members

Facilitation of strategic risk review
KPMG has now completed the strategic risk review engagement for the Tiwi Islands Regional Council (the Council or TIRC) and present our report of deliverables.

The engagement comprised:

- Formulating the Risk Management Policy which is now available for the Audit Committee's review and approval.
- Formulating the risk assessment rating frameworks (likelihood and consequence frameworks).
- Facilitating the identification of strategic risks and documenting these in a strategic risk register with ratings at a gross and net risk level.
- Presenting at the Audit Committee in November an update of progress.
- Presenting to the Executive Leadership Group (ELG) the risk profiles and confirming the improvement opportunities.
- Presenting to the ELG educational training on tips on how to operationally develop and embed a risk aware culture throughout the organisation.

Key to my approach is ensuring that your resulting risk registers are contemporary, yet **'fit for purpose'** and able to be understood across not only your Executive Management Group and Elected Members, but across the whole council, as risk management is everyone's responsibility.

This pack also provides some insight into the next steps of maturing risk management at the Council.

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Darwin NT 0800

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www.kpmg.com.au

In closing I make the following observations:

- The Council have a good ELG with a good knowledge on the theory of risk management and an attitude of 'caring', hence providing a good foundation for strategic success with risk management.
 - The key areas to focus on in the next 3-4 months are the development of a more robust long term financial plan (LTFP) that includes robust inputs from the business on both opex and capex. To this end the Council also need in parallel to the LTFP robust long term capital plans that feed into it. This will support the Council to move from a reactive Council without any reserves, to one that plans ahead and has the funding to spend when it is needed.
 - The next layer of priority includes:
 - Developing strategies to enhance the culture at the Council amongst its people.
 - Formalise Disaster Recovery and Business Continuity Planning.
- If you have any queries or need more information then please contact us directly.

Yours faithfully

Dave Howie
Partner - Risk
0448 913 075

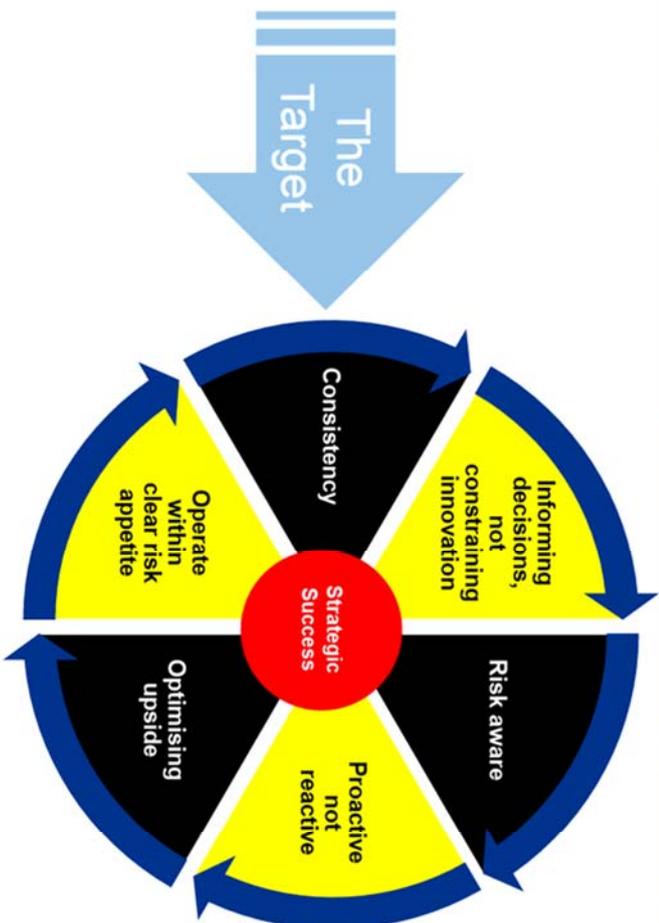
Tiwi Island Regional Council: Strategic Risk Management

Strategy	
2016-2025 Strategic Goals	<ul style="list-style-type: none"> Develop & retain employees & emphasise the recruitment of local people. Provide effective Council services to the Tiwi Communities and other stakeholders. Management of finances, assets & infrastructure will be responsible, accountable & transparent. Manage resources in an environmentally sustainable manner, respecting country & culture Improve Council operations Facilitate the development of socio-economically responsible opportunities on the Tiwi Islands. Communicate in an open, honest & culturally appropriate way
Key Focus Areas	<ul style="list-style-type: none"> Improve financial management and sustainability Statutory compliance Upgrading and maintenance of roads and drainage Improve public transport Deliver services to the community as set out in the annual Regional Council Plans Strengthen relationships with all stakeholders and develop alliances and partnerships for the benefit of the Tiwi community

Strategy:
Sets the intended direction of the organisation

Strategic Risks:
Uncertainties and opportunities that can stop you adopting or executing the strategy

Strategic Risk Management:
Your organisations response to the uncertainties and opportunities



A strategic risk is the threat that an event, action or inaction will adversely affect the organisation from successfully achieving its strategic objectives

Defining Risk Framework

Setting Risk Measurement Framework

Strategic Risk Rating Framework

The consequence of risk is measured as follows...

Consequence Factors	Consequence Category			
	Insignificant	Minor	Moderate	Major
Council Services – impact on delivery of the right services	Incidental/isolated failure to meet the expectations of Council	Minor failure to achieve the expectations of Council – more regular but adhoc incidents	Moderate failure to achieve the expectations of Council – Regular incidents	Major failure to achieve expectations of Council – Regular and systemic incidents with significant consequence
Regional Plan Initiatives - impact on delivery of the Council's priority initiatives	Challenges, in completing priority initiatives within scheduled timeframes, but still achievable in normal circumstances	Failure to achieve 0% >10% of priority initiatives within scheduled timeframes	Failure to achieve 10% >25% of priority initiatives within scheduled timeframes	Failure to achieve 25% >50% of priority initiatives within scheduled timeframes
Regulatory, legal & internal policy compliance –impact on compliance	An insignificant regulatory, legal or internal policy failure	Minor legal, regulatory or internal policy failure - more regular but segmented incidents	Limited legal, regulatory or internal policy failure - Regular incidents	Major level, regulatory or internal policy failure – possible prosecution by authorities.
Reputation –impact on the Organisation's reputation	An insignificant impact on reputation	An event which could lead to limited adverse media coverage and decline to reputation.	An event leading to significant but intermittent adverse media coverage/ damage to reputation.	An event leading to significant and ongoing (shorter-term) adverse media coverage/ damage to reputation.
Workplace health and safety –Impact on personal health and safety	An insignificant workplace injury(s) to staff/student and/or loss of morale	Minor workplace injury to staff and/or damage to staff morale that is isolated and can be quickly contained.	An event causing lost time injuries to staff or broader damage to staff morale	An event with potential to cause significant/multiple lost time injuries to staff/ and/or a significant /pervasive reduction in staff morale.
Management effort – impact on management effort required to respond to an event	An event, the impact of which can be absorbed through normal activity	An event, the consequences of which can be absorbed but management effort is required to minimise the impact.	A significant event which can be managed with concerted effort under normal circumstances.	A critical event which with proper management can be endured with dedication of significant resources
Financial –impact on the budget	< 5% of Council budget	5% >10% of Council budget	10% >20% of Council budget	20% >30% of Council budget

Inherent Risk

Residual Risk

A strategic risk is the threat that an event, action or inaction will adversely affect the organisation from successfully achieving its strategic objectives

Strategic Risk Rating Framework

The likelihood of risk is measured as follows...

Likelihood rating	Scale	Indicative frequency (expected to occur)
Almost certain	Is expected to occur in most circumstances	Less than a year or more frequently
Likely	Will probably occur in most circumstances	Once a year
Possible	Aware of instances that have occurred at some time	Once every 3 years
Unlikely	Could occur at some time	Once every 10 years
Rare	May occur only in exceptional circumstances	Once every 20 years

The risk rating is determined by combining likelihood and consequence as follows...

RISK MATRIX					
	Insignificant	Minor	Moderate	Major	Catastrophic
Almost certain	Medium	High	Extreme	Extreme	Extreme
Likely	Medium	High	High	Extreme	Extreme
Possible	Low	Medium	High	High	Extreme
Unlikely	Low	Low	Medium	High	High
Rare	Low	Low	Low	Medium	Medium

Control effectiveness rating helps to determine the net risk rating and is determined as follows...

Control is understood to mean anything which comprises those elements of an organisation (including its resources, systems, processes, culture, structure and tasks) that, taken together, support people in the achievement of the organisation's objectives. The following three levels are used to rate control effectiveness:

Satisfactory	Controls are strong and operating properly, providing a reasonable level of assurance that objectives are being achieved.
Some weaknesses	Some control weaknesses / inefficiencies have been identified. Although these are not considered to present a serious risk exposure, improvements are required to provide a reasonable assurance that objectives will be achieved.
Weak	Controls do not meet an acceptable standard, as many weaknesses/inefficiencies exist. Controls do not provide reasonable assurance that objectives will be achieved.

Controllability

The following three levels are used to rate the capacity of the organisation to influence the risk:

Controllable	Organisation has the capacity to significantly influence the risk rating.
Partially controllable	Organisation has some capacity to influence the risk rating.
Not controllable	Organisation has limited or no capacity to influence the risk rating.

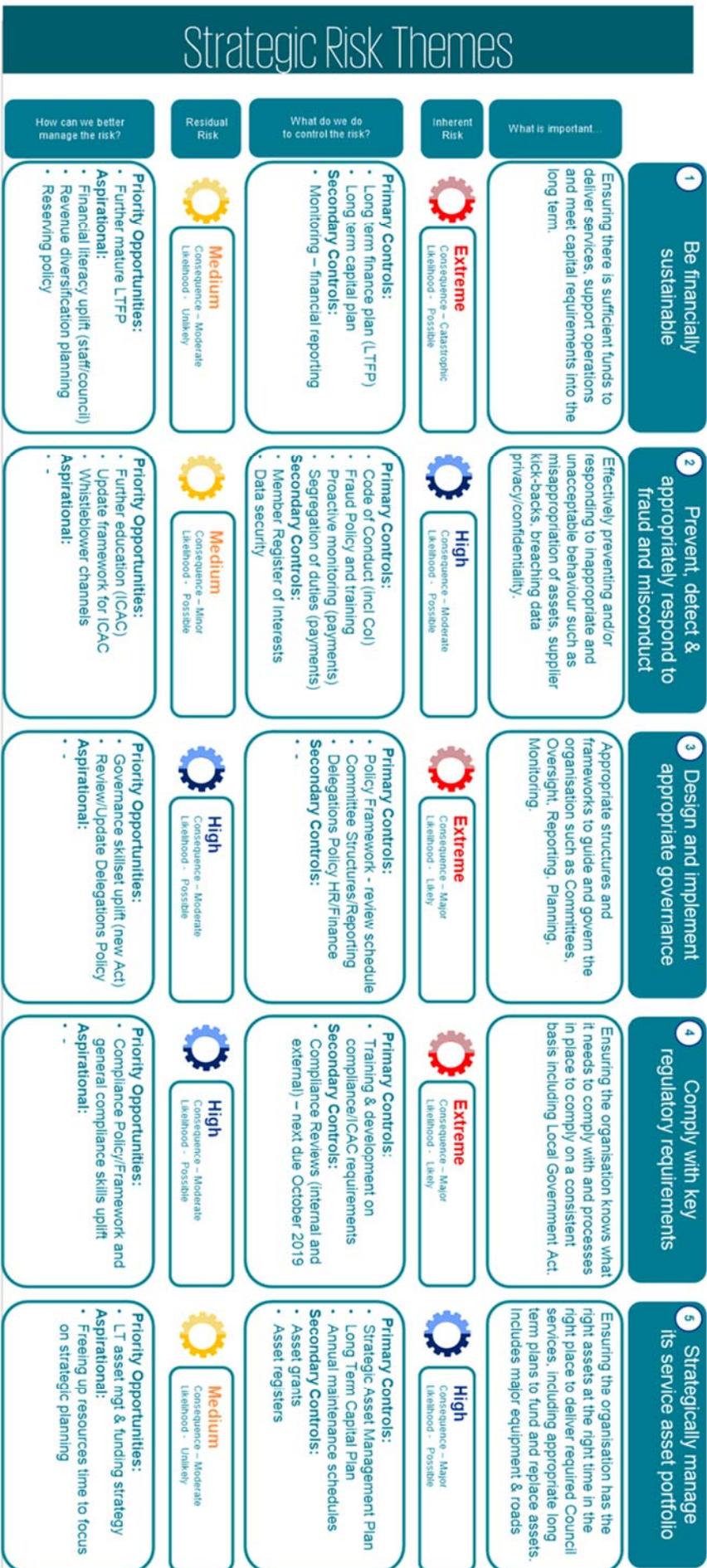
A strategic risk is the threat that an event, action or inaction will adversely affect the organisation from successfully achieving its strategic objectives



Strategic Risk Summary



The risk that the Council fails to...

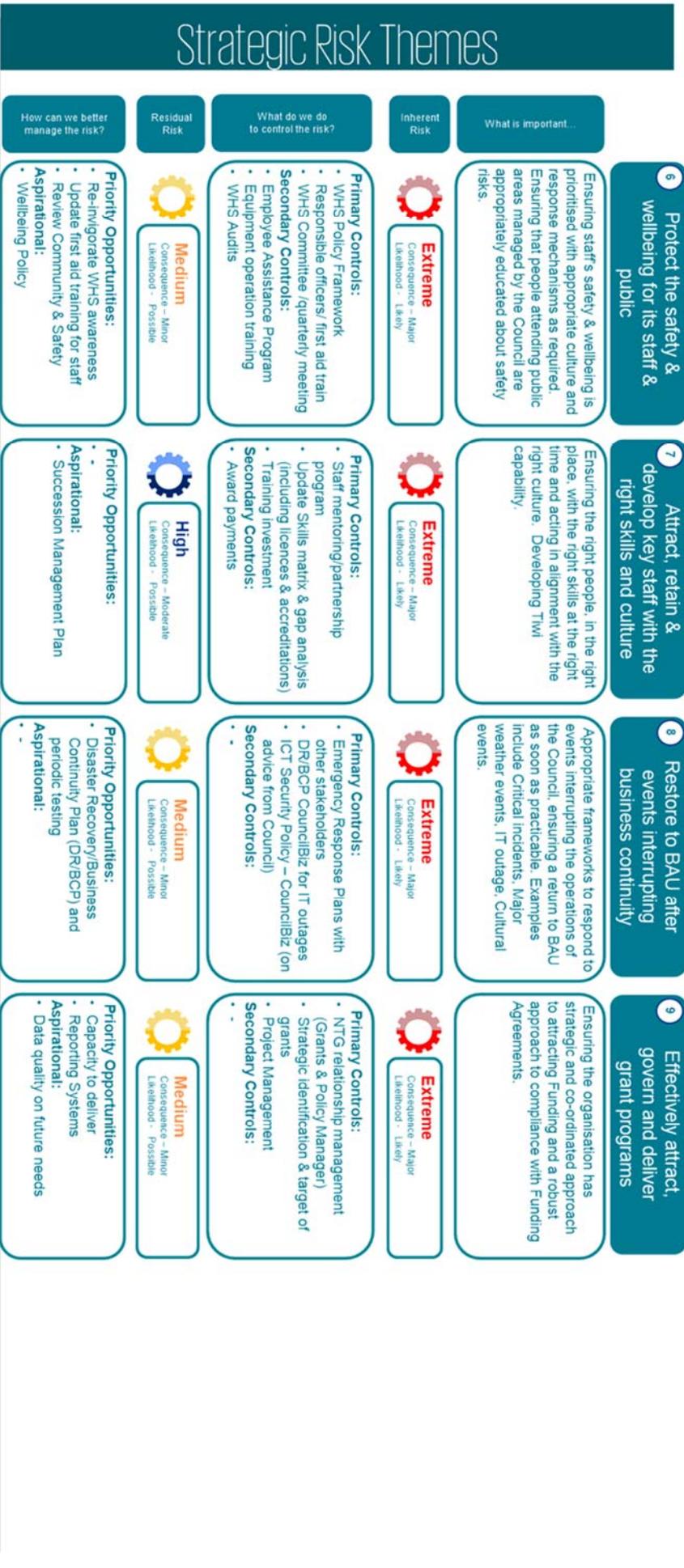


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Strategic Risk Summary



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A strategic risk is the threat that an event, action or inaction will adversely affect the organisation from successfully achieving its strategic objectives

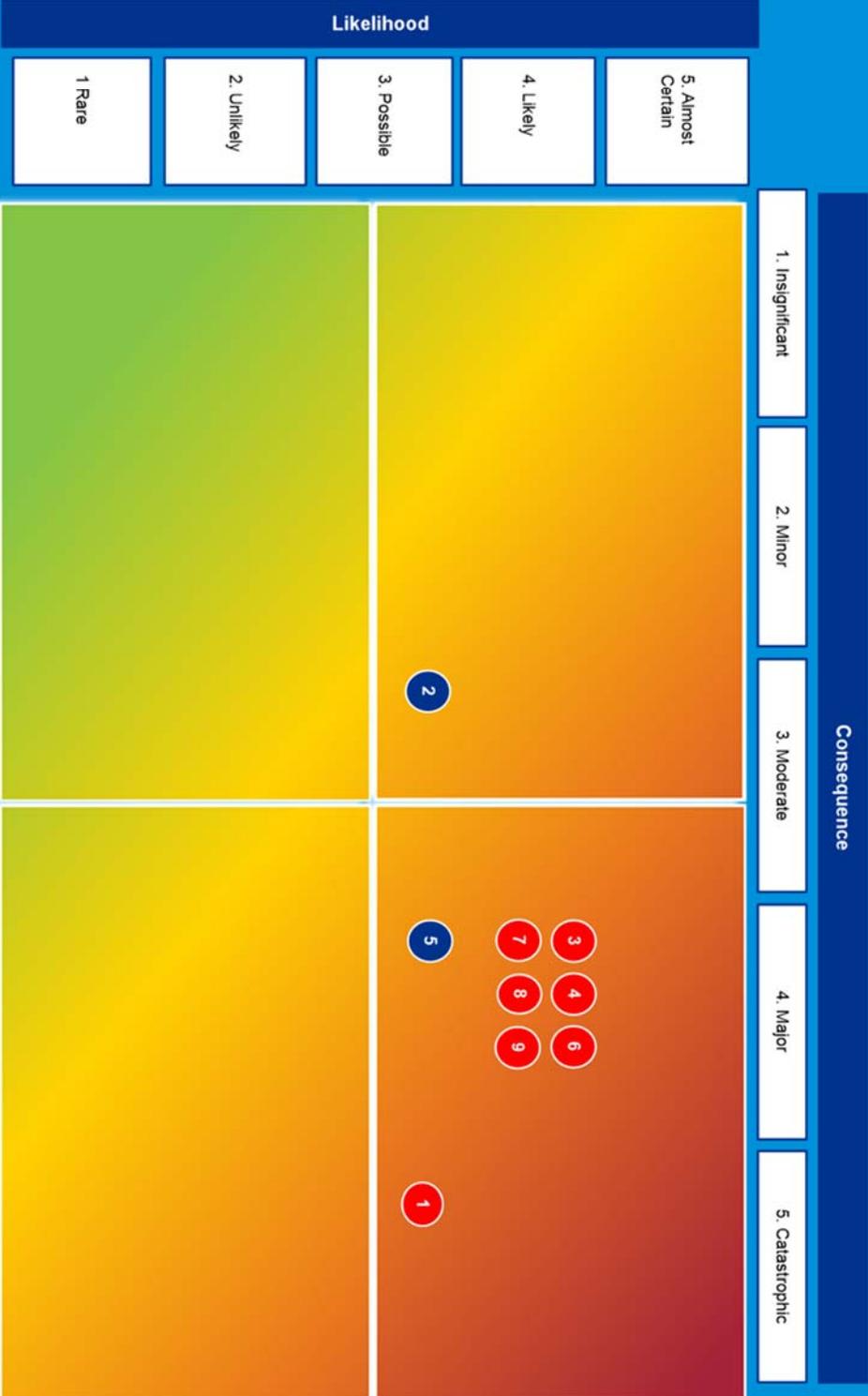
Strategic Risks at a glance
October 2019

Inherent Risks: Before consideration of key controls in place to manage the risk

Key Strategic Risks

The Council fails to...

1. Be financially sustainable
2. Prevent, detect & appropriately respond to fraud and misconduct
3. Design and implement appropriate governance
4. Comply with key regulatory requirements
5. Strategically manage its service asset portfolio
6. Protect the safety & wellbeing for its staff & public
7. Attract, retain & develop key staff
8. Restore to BAU after events interrupting business continuity
9. Effectively attract, govern and deliver grant programs



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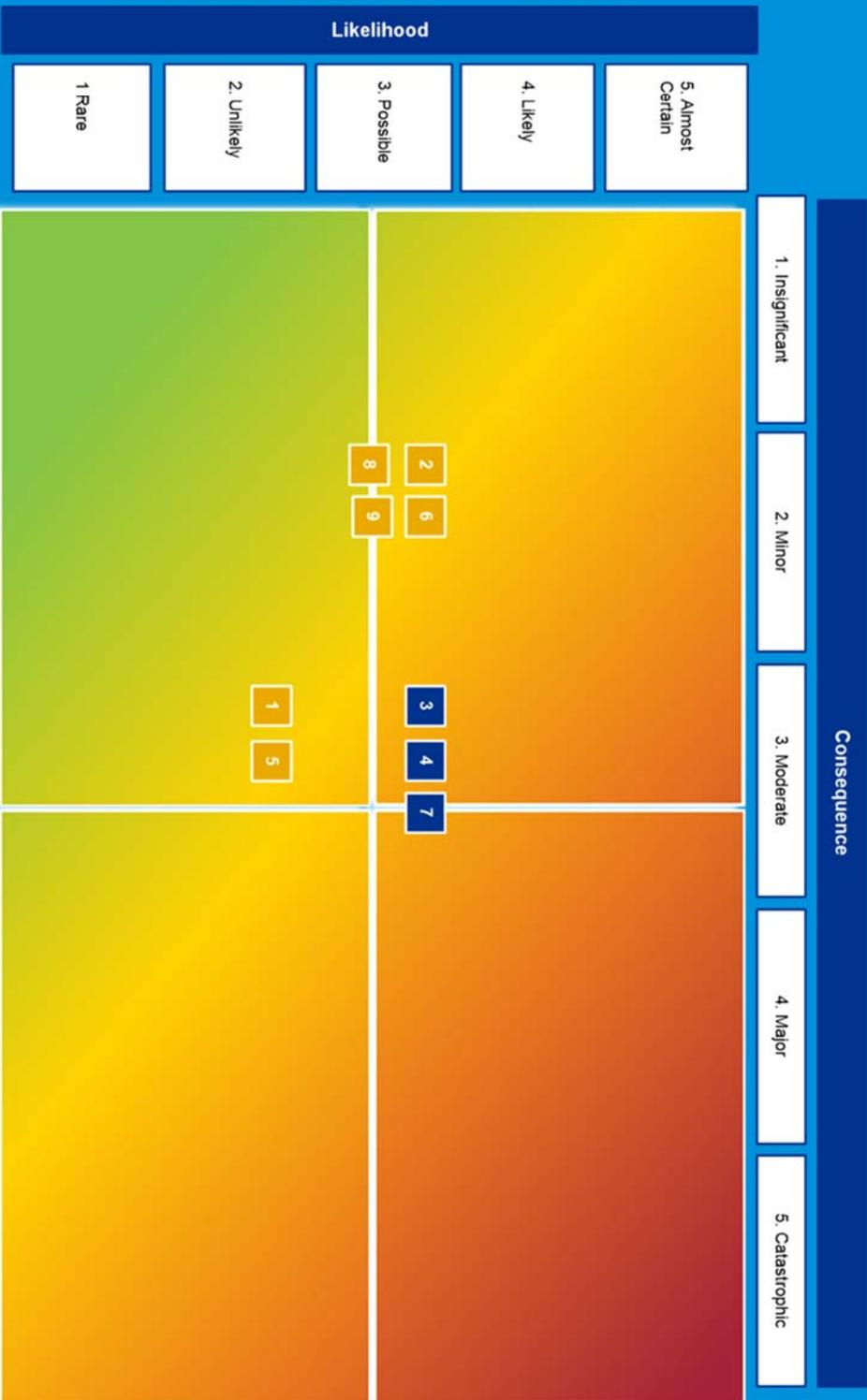
Strategic Risks at a glance
October 2019

Residual Risks: After consideration of key controls in place to manage the risk

Key Strategic Risks

The Council fails to...

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Next Steps

Strategic Risk Management

Strategic Risk Management...Next Steps

A risk policy and a strategic risk register are a good start, and now the focus should turn to embedding a risk aware culture at TIRC...

To help mature the risk aware culture, it is recommended that TIRC undertake and implement the following in the next 3 months:

- **Risk Policy:**
 - Update and promulgate the new Risk Policy within TIRC.
 - **Risk Owners:**
 - Identify a risk owner for each risk. This risk owner isn't the person with sole responsibility for managing the risk, their role however will be to communicate with those responsible for management of the risk in their day-to-day roles and those responsible for implementing actions associated with the risk to ensure momentum is occurring.
 - Risk Owners to report to the CEO on: overall progress on the agreed actions; and any changes to the risk ratings or control environment.
 - **Risk Actions Implementation & Monitoring:**
 - Allocate a responsible officer and an estimated completion date to each priority opportunity identified for each risk.
 - Add to either a Business Unit Plan or Action Worklist the action, responsible officer and estimated completion date, so that the progress can be regularly monitored.
 - **Risk Reporting:**
 - Formalise the design of periodic risk reporting and implement reporting to the Audit Committee at least once a quarter. See *Attachment One* for recommended example.
 - Discuss regularly at TIRC Leadership Group meetings (place on Agenda) the progress of risk actions and also any changes to the risk register.
 - **Risk Education:**
 - Each Manager to discuss with their line staff the existence of the Risk Policy, the Strategic Risk Register and their roles in managing risk at TIRC.
 - Each Manager to review the 'Practical Tips to Maturing a Risk Culture' guide provided by KPMG and implement the recommended actions.
- To help mature the risk aware culture, it is recommended that TIRC undertake and implement the following in the next 12-18 months:
- **Risk Appetite:**
 - Develop and implement Risk Appetite Framework and Risk Appetite Statements, with KPI measures against each. Refer *Attachment Two* for example.

Attachment One: Example Risk Reporting

Strategic Risk Report
MONTH 2020

The Council fails to ...

Progress

- Emerging Risks**
- Add in here any material risks that are emerging in relation to the strategic achievement that you will need to keep an eye on. Otherwise just state 'No material emerging risks noted since last ARMC report'.

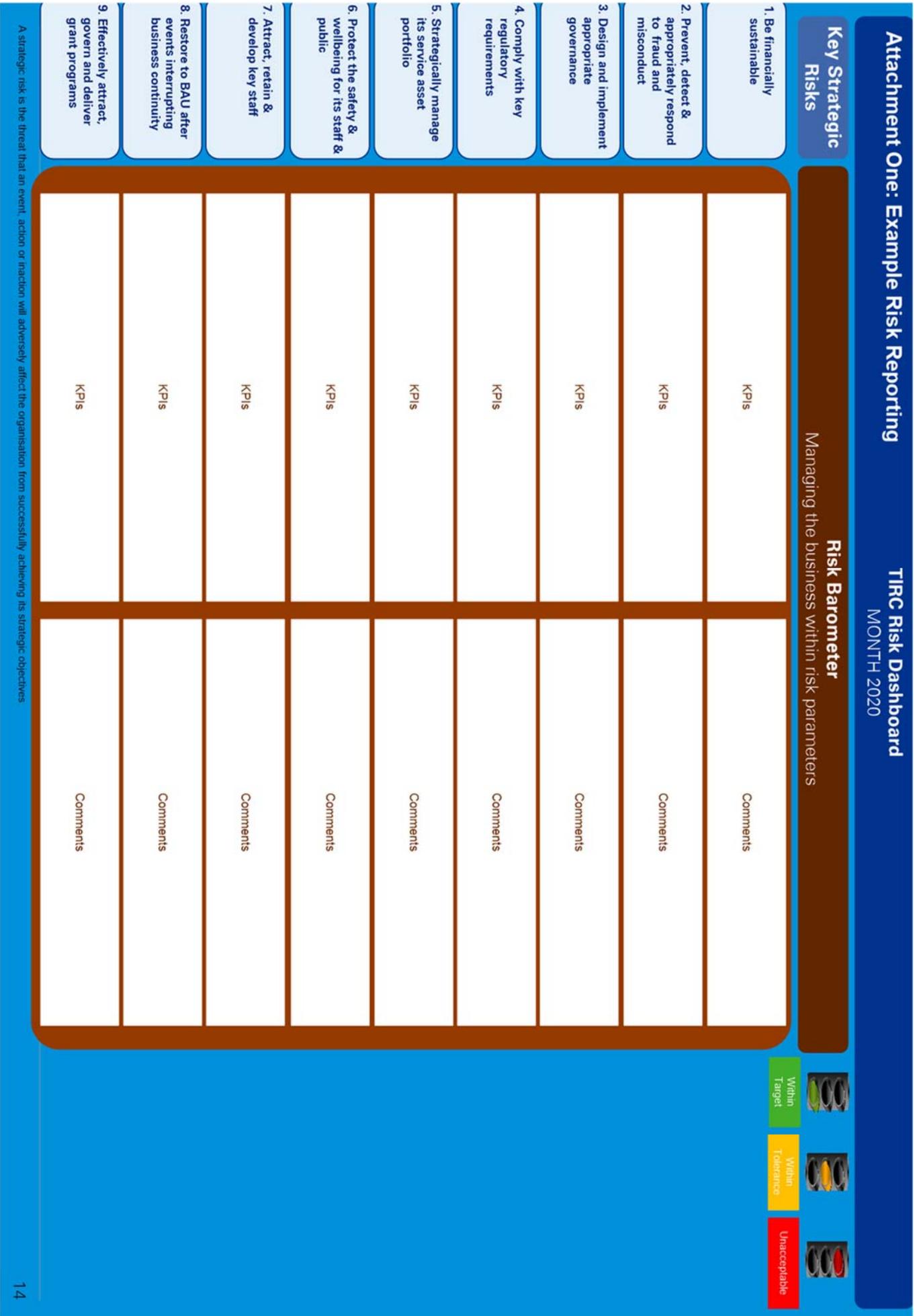
- Existing Risks – any changes**
- Add in here if since the last ARMC report, any of the strategic risks have changed in terms of controls, ratings (inherent or residual) or any new improvement opportunities. Otherwise just state 'No change to strategic risk profile since last ARMC report'.

1. Be financially sustainable	
2. Prevent, detect & appropriately respond to fraud and misconduct	
3. Design and implement appropriate governance	
4. Comply with key regulatory requirements	
5. Strategically manage its service asset portfolio	
6. Protect the safety & wellbeing for its staff & public	
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Existing Risk Mitigation - Progress

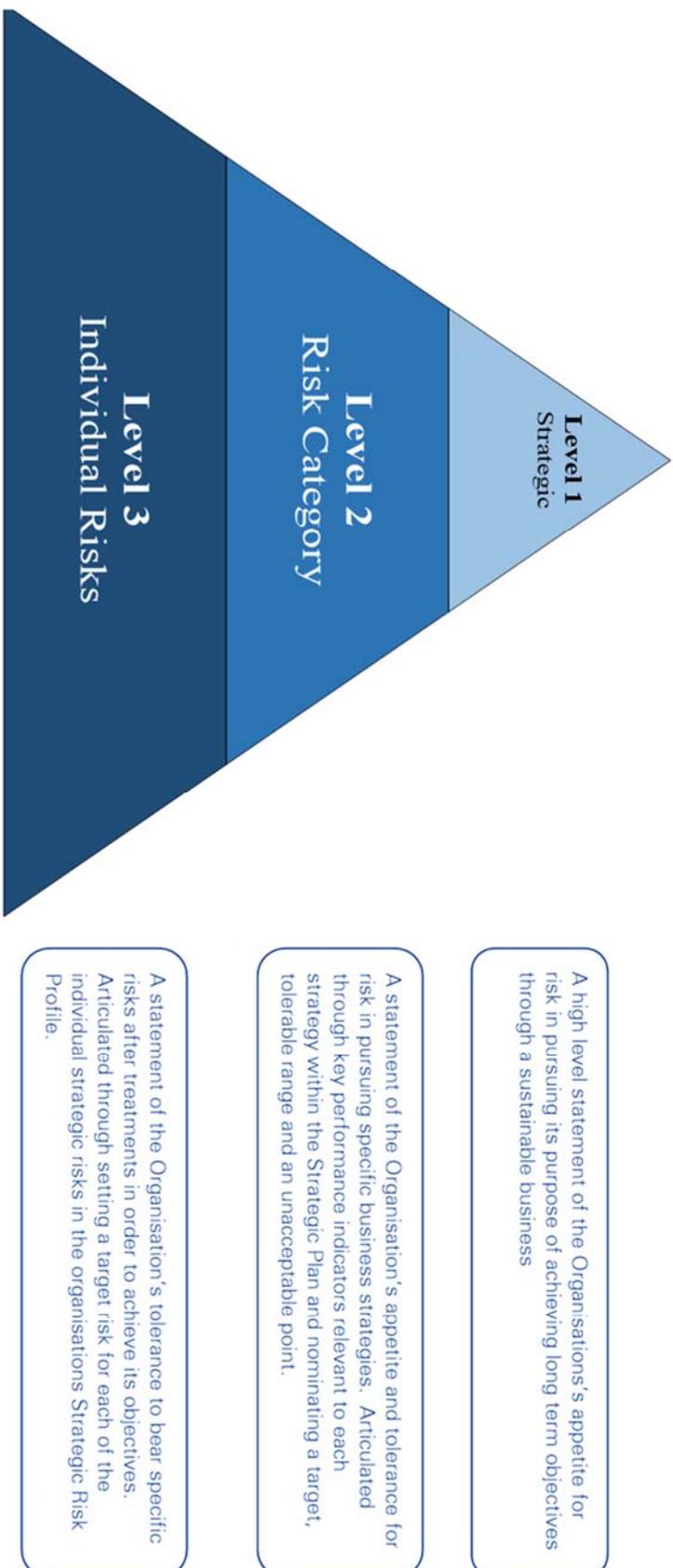
- Add in here commentary, by exception, whether any of the agreed actions the Council have identified through the risk review to improve, is not on target

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Attachment Two: Example Risk Appetite Framework Risk Appetite Framework

There are three levels at which NT PHN articulate its risk appetite ...



A strategic risk is the threat that an event, action or inaction will adversely affect the organisation from successfully achieving its strategic objectives

Attachment Two: Example Risk Appetite Framework

TIRC RISK APPETITE STATEMENTS

Level 2: Risk Category

Level 2: Risk Category – Operations

TIRC aspire to achieve...

A long term sustainable financial future ... with a risk appetite as follows...

Strong appetite for maintaining reserves for developing the business

Low appetite for returning underspent funding

Strong appetite to diversify revenue streams to lessen reliance on government funding

Strong appetite for capital structure with minimal debt and physical assets

Employer of choice...with a risk appetite as follows...

Strong appetite to retain high performing (HP) staff & appropriately manage succession

Strong appetite for effective career development planning (CDP) for key staff

Zero appetite for unsafe work environment & practices for staff & contractors

Strong appetite for employee diversity

Strong appetite for high engaged workforce with a culture that values ideas & learning

Exemplary governance and compliance ...with a risk appetite as follows...

Zero appetite for fraud & significant misconduct (Code of Conduct)

Zero appetite for 'significant' regulatory breaches

Responsible consumer centered decision making & delivery ...with a risk appetite as follows...

Strong appetite for XXX

Strong appetite for exemplary data governance

Influence over XXXX... a risk appetite as follows...

Strong appetite to XXXX

Strong appetite for working collaboratively with all stakeholders with value to the NT a primary focus

Level 1: Strategic – TIRC has a strong appetite to be credible in its role to provide quality services and to deliver this with exemplary governance.

The parameters for the business to work within

KPI's



BD Reserve

>\$1m
250k-\$1m
<\$250k

Funding Returned

<\$1m
\$1-\$M
>\$5M

% Non-Govt Revenue

>5% per annum
1-4% per annum
<1% per annum

Debt/Equity Ratio
Physical Assets

<1%
1-4%
>5%

HP Staff turnover
Succession Plans (key)

Nil
100%
>2 per annum
>50%

Key Staff CDP Progress
Internally filled
Promotions

>60%
progress
>50%
25-75%
Progress
30-50%

Workplace Injuries (TI)

Nil
1 or less

Male/Female Ratio
Indigenous Ratio

25/75
>5%
20/80
1-5%

Engagement Scorecard

???

COC Breaches

Nil Major &
Minor
Nil Major
1-2 Minor

Regulatory Breaches

Nil Major pa
Nil Major
1-2 Minor

Commissioning
Framework, Breaches
Urban/Remote Balance
Evaluation

Nil Major &
Minor
???
Nil Major
1-2 Minor
???

Data governance breach

Nil Major pa
Nil Major
1-2 Minor

Partner Complaints
Consumer Scorecards?

Very minor
Minor
Significant

Stakeholder
Scorecards?

???

Level 3: Individual Risks

Target Risk Ratings

1 Be financially sustainable
Low

2 Prevent, detect & appropriately respond to fraud and misconduct
Low

3 Design and implement appropriate governance
Low

4 Comply with key regulatory requirements
Low

5 Strategically manage its service asset portfolio
Low

6 Protect the safety & wellbeing for its staff & public
Low

7 Attract, retain & develop key staff
Low

8 Restore to BAU after events interrupting business continuity
Low

9 Effectively attract, govern and deliver grant programs
Low

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REPORTS FOR INFORMATION

ITEM NUMBER	4.2
TITLE	Interim Audit Update
REFERENCE	239629
AUTHOR	Bala Donepudi, Chief Financial Officer

**SUMMARY**

To provide an update to the committee about the Interim Audit for 2020-21

BACKGROUND

Merit Partners are the Council's External Auditors, They have conducted the interim audit for 2020-21 from 12th July to 15th July 2021. Merit partners was station at the council office during this time .All the necessary information and paperwork is provided as needed.

The Council's Final Audit will take place in September .Today's audit committee meeting will be attended my Audit Partner Ms MunLi Chee to provide an update on the progress of the audits

CONSULTATION & TIMING

Nil

RECOMMENDATION:

That the committee note the progress of Interim Audit

ATTACHMENTS:

There are no attachments for this report.