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Regional Council

Building a Positive Risk Management Culture
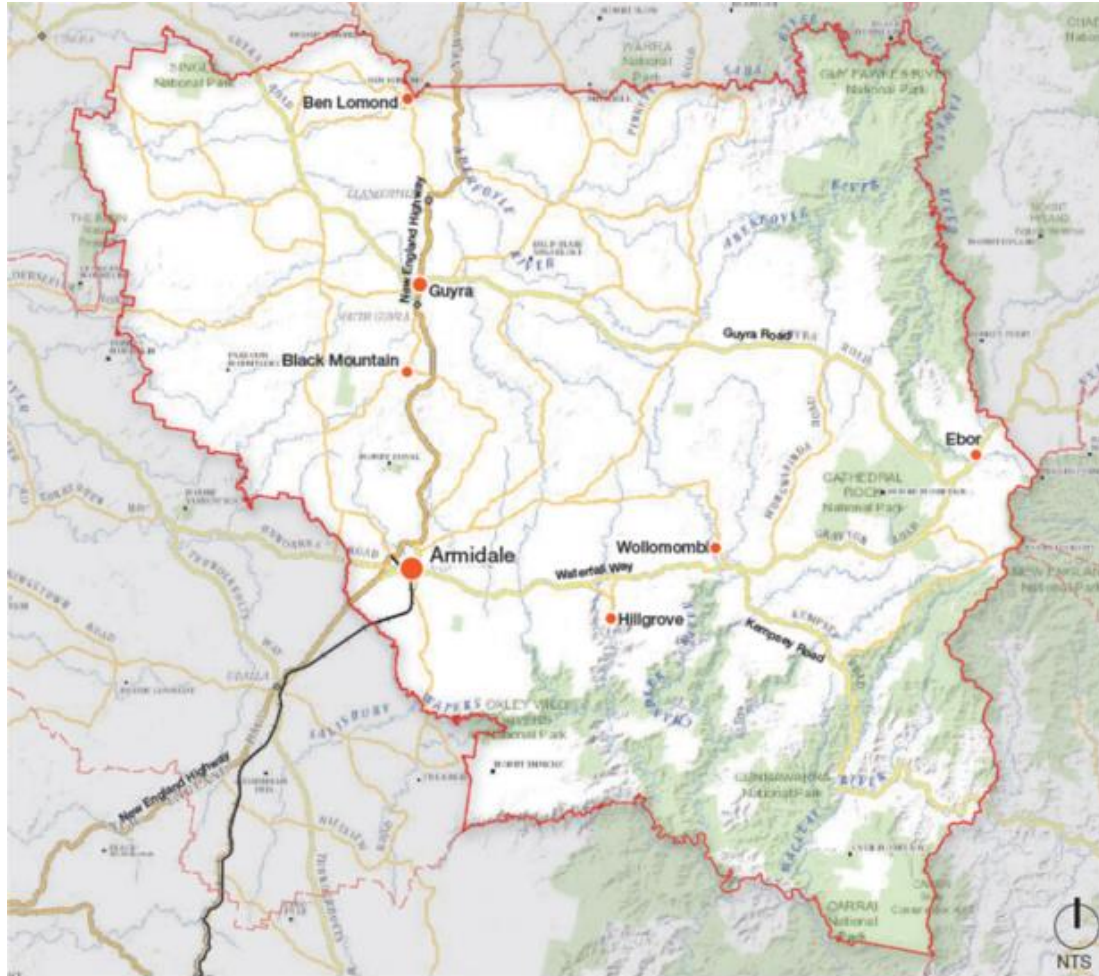
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The Setting

Regional Council

Armidale Regional Council
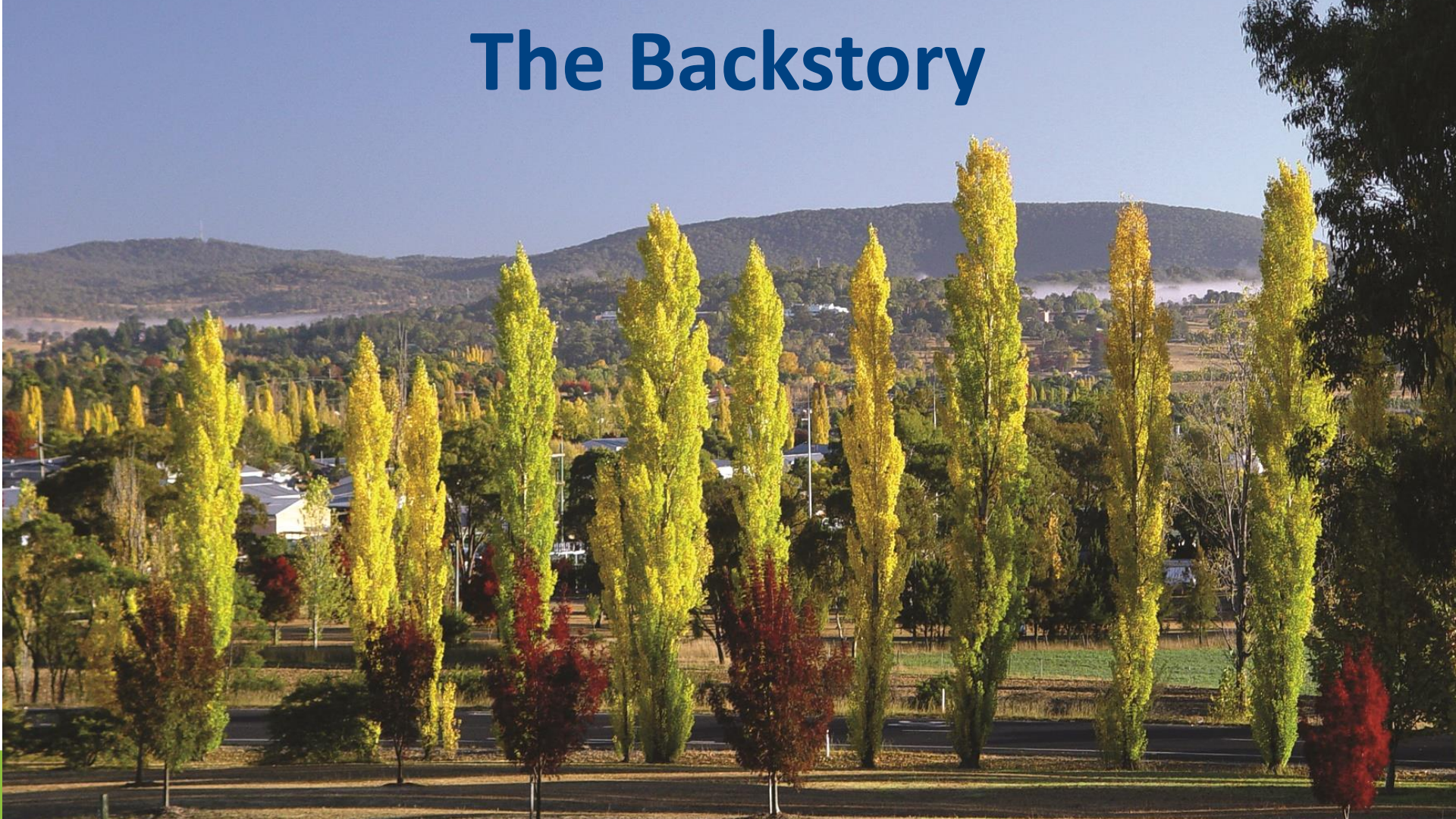
The Backstory

NSW council amalgamations: 19 new local bodies created under forced mergers

By state political reporter Sarah Gerathy

Posted Thu 12 May 2016 at 2:19pm, updated Thu 12 May 2016 at 3:00pm

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Armidale councillors win case likened to Alice in Wonderland

Matt O'Sullivan

June 29, 2020 — 3.59pm

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Five Armidale councillors have won a legal case taken against them by their own council and chief executive in a case a judge likened to the topsy-turvy world in *Alice's Adventures in Wonderland*.

The judgment comes several weeks after the state government suspended Armidale Regional Council for three months due to serious concerns about its ability to function properly.
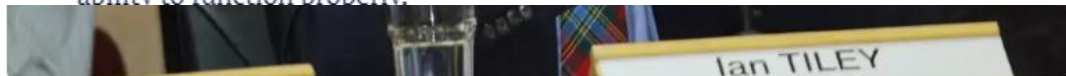
Armidale mayor Ian Tiley

www.ar

DALE Regional Council
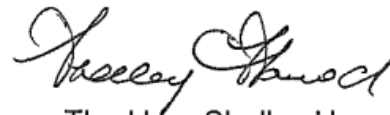
Local Government Act 1993

Section 438A

Performance Improvement Order

I, the Honourable Shelley Hancock MP, Minister for Local Government, do, by this order pursuant to section 438A of the *Local Government Act 1993,* require Armidale Regional Council, for the reasons specified in schedule 1 below, to undertake the actions described in schedule 2 below within the period specified in schedule 2.

I hereby appoint the persons specified in Schedule 3 as financial controller and temporary adviser to Council to exercise the functions for the terms specified in Schedule 3.

This Order takes effect upon service on the council.

Dated this ......9th............day of .December....2020

The Hon. Shelley Hancock, MP.
Minister for Local Government

The Challenge

How to rebuild Armidale Regional Council into a well-functioning local government?

"The biggest determinant in our lives is culture, where we are born, what the environment looks like. But the second biggest determinant is governance, good governance or a certain kind of governance makes a big impact on our lives"

- Nicholas Berggruen

Performance Improvement Order

- Risk Management

- Delegations

- Policies & Procedures

- Financial Performance

- Property Management

- Internal Audit

PIO Risk Management

Recommendation (numbering is as per Governance Review Report)	Description	Status
4.1	Update Risk Management Policy	Completed
4.2	Develop Risk Management Plan	Completed
4.3	Review Council's Corporate Strategic and Operational Risks	BAU
4.4	Identify new definitions for risk categorisation	Completed
4.5	Develop Cyber Security Policy	In progress
4.6	Develop Digital Services Strategy	Not Started
4.7	Develop Cloud services and mobility strategy	Completed
4.8	Review Procurement Function resourcing	Completed
4.9	Review new suppliers establishment process	Completed
4.10	Complete the Fraud Control Checklist to identify areas for improvement	Completed
4.11	Develop Risk Management Roadmap	Completed

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Risk Management Roadmap 2023 – 2024

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100%	75%	100%	25%		15%		
1. Update Risk Management Policy	**2. Review and Update Corporate Risk Register**	**3. Develop/Amend Risk Appetite Statements**	**4. Develop Risk Management Plan**	**5. Fraud and Governance Reviews**	**6. Cyber Threat Security Assessment**	**7. Risk Maturity Assessment**	**8. External review of Internal Audit**
Timeframe for completion COMPLETE	**Timeframe for completion** September 2023	**Timeframe for completion** COMPLETE	**Timeframe for completion** June 2022	**Timeframe for completion** December 2023	**Timeframe for Completion** October 2023	**Timeframe for completion** March 2024	**Timeframe for completion** June 2024

Deliverables

- Risk Management Policy - Report to Council for adoption	- Updated Risk Register, including strategic and operational risks - Updated Controls for identified corporate risks	- Risk Appetite Statement - Risk Tolerances - Report to Council for adoption	- Risk Management Framework - Staff Education Plan - Implementation Plan for changes to risk management approach	- NSWAO Fraud Toolkit Review - NSWAO Governance Toolkit Review - Fraud and Corruption Prevention Improvement Plan - Governance Improvement Plan	- Project Plan - Cyber Threat Risk Register - Cyber Security Capability Assessment - Cyber Security Improvement Plan	- Current Maturity State Assessment - Improvement Plan towards the desired maturity state	- Scope and Methodology document - Final external review report - Improvement Plan for recommendations

Milestones

|							
- Draft Policy developed - Draft presented to ARIC for comment - Briefing to Councillors / Administrator - Report to Council - Place Policy on exhibition - Final report to Council for adoption	- Review of current risk register - Identification of Top 10 Strategic Risks - Review/Develop Control Plans for identified risks - Report to Council Executive for adoption of register - Report to ARIC for notation - Education program with impacted staff	- Workshop session with Council executive - Draft documents confirmed by Executive - Workshop session with ARIC - Briefing to Councillors / Administrator - Adoption by Council	- Review of current risk management approach & documents - Develop draft Risk Management Plan in accordance with OLG Discussion Paper - Report to Council Executive for adoption - Report to ARIC for notation - Education program with impacted staff	- Completion of NSWAO Fraud Toolkit - Completion of NSWAO Governance Toolkit - Results and Improvement Plans reported to Executive - Improvement Plan action items referred to staff for implementation	- Engagement of appropriate consultant - Workshops with key staff - Draft documents from consultant - Final documents from consultant - Incorporate risks into corporate risk register as appropriate - Include capability recommendations into IMT Strategy	- Completion of maturity assessment (e.g. see NSW Treasury example) - Identification of desired maturity state - Develop Improvement Plan to achieve desired state - Report to Council Executive for adoption - Report to ARIC for notation	- Develop scope for review - Select independent external provider to perform review - Review of sample audits - Interviews with key stakeholders - Final report delivered to Council Executive - Results reported to ARIC

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Working with ARIC

OVERSIGHT AND ADVICE

REVIEW OF RISK REGISTER
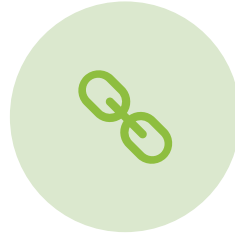
REVIEWING INTEGRATION
OF RISK MANAGEMENT
INTO BUSINESS PROCESSES

PROVIDING ASSURANCE

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Councillor inductions

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Risk Appetite Statements

Category of Risk	Avoid	Resistant	Accept	Receptive
Environmental	Primary		Secondary	
Climate adaptation			Primary	
Financial		Primary	Secondary	
Economic development				**Primary**
Information technology			Primary	
Cyber Security		Primary		
Legal compliance / governance / contractual	Primary	Secondary		
Personnel / industrial relations			Primary	Secondary
WH&S	Primary		Secondary	
Property and infrastructure		Primary	Secondary	
Public liability / professional indemnity		Primary		
Reputation			Primary	Secondary
Service delivery - commercial and business			Primary	Secondary
Service delivery - community and social		Primary	Secondary	
Political Advocacy			Primary	

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Key Achievements

- Enterprise Risk Framework

- Insurance claims handing improvements

- Program of education for staff and Councillors

- Strong partnership with Statewide Mutual

- Business Continuity Plan

Top strategic risks for Council

Category	Description	Inherent Likelihood	Inherent Consequence	Inherent Risk
Culture	Failure to implement effective cultural change which results in improved Council performance.	Likely	Major	**Extreme**
Financial	Failure to plan and execute projects in a manner which ensures Financial Sustainability of Council.	Almost Certain	Major	**Extreme**
Cyber	Failure to adequately prepare for Cyber Security attacks.	Unlikely	Moderate	**Medium**
Critical Infrastructure	Failure to effectively manage aging and critical infrastructure.	Possible	Major	**High**
Disaster Preparedness	Failure to adequately prepare for disasters.	Likely	Moderate	**High**

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Top strategic risks for Council

Category	Description	Inherent Likelihood	Inherent Consequence	Inherent Risk
Governance	Ineffective Governance	Almost Certain	Major	**Extreme**
Waste Management	Failure to meet community expectations while managing a resource constrained asset.	Possible	Major	**High**
WHS	Failure to provide effective resources and procedures to ensure a safe work environment.	Almost Certain	Moderate	**High**
Economic Development	Failure to stimulate jobs growth and economic development	Possible	Major	**High**
Water	Failure to provide adequate water resource and management systems which deliver efficient and sustainable water management.	Possible	Major	**High**
Climate Change	Failure to plan for adaption to climate change.	Likely	Major	**Extreme**

Top strategic risks for Council

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Climate Change	Failure to plan for adaption to climate change.	Likely	Major	**Extreme**

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But what about culture?

Culture is a risk

- Poor workplace culture is a top strategic risk

- Poor workplace culture is a contributing factor to all top strategic risks

Culture is a mitigation

- The culture strategy is a the most effective mitigation for all top strategic risks

Team OPARC (Operation Planet Armidale Regional Council)

Restore & Thrive - Strategy Map

PURPOSE
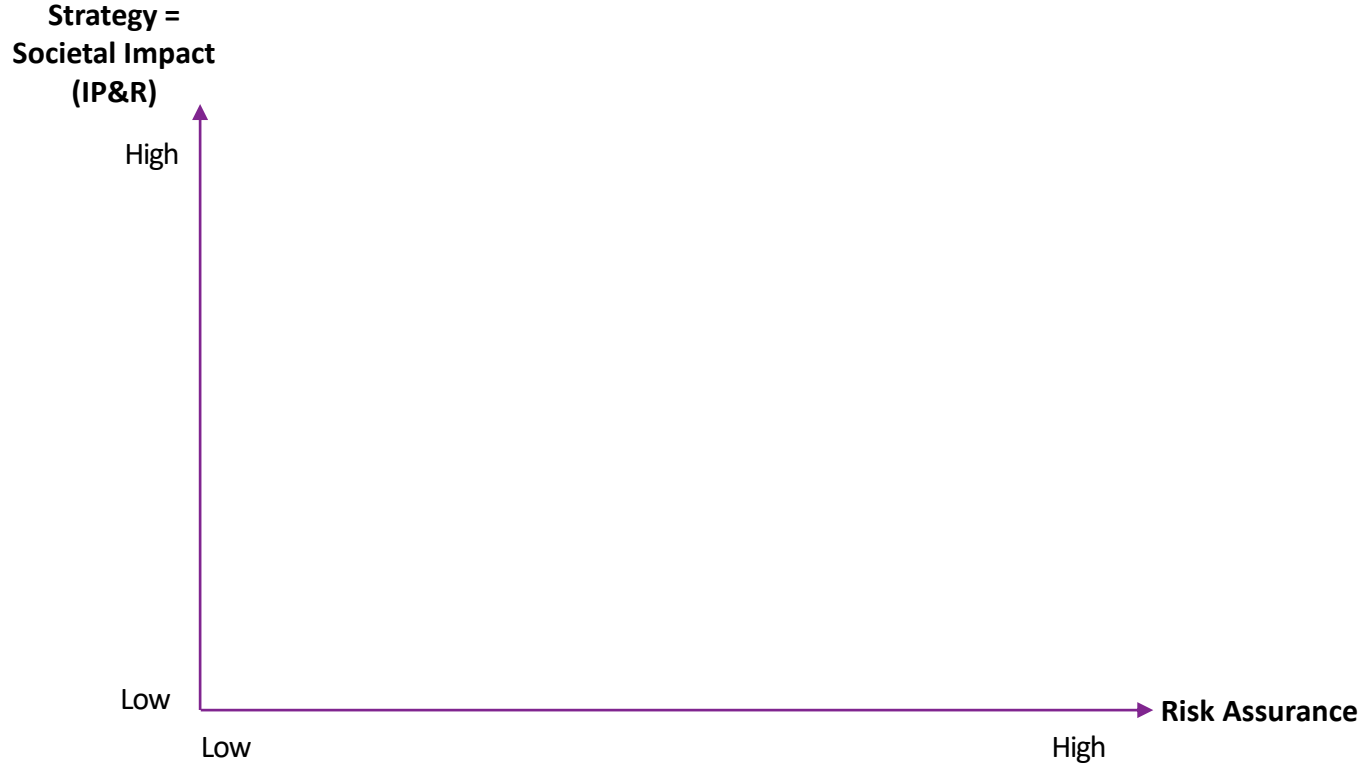Together, proud to deliver to the highest possible standards for ARC in all we do

Visionary Goal
As a result of having a high performing team, by January 2023 we will be connected across the organisation with aligned priorities.

Strategic Aspiration	We will ensure our people are well and enabled – right people for the job	We have the right balance of work commitments and resources and they match our priorities	Our community understands and embraces the work required to achieve community outcomes and we build confidence and trust in ARC as a result

Strategic Priorities	Our structure makes sense	We use technology well.	We will connect with the community to humanise our teams
	We focus on wellbeing	Our priorities match our resources.	We will improve the awareness of what we do in the community
	We develop our people	We set realistic goals.	We will get our people and the community inside the change/challenge/ solutions

Strategic Initiatives	Implement a customer service charter that explains what our customers can expect of us and what we expect of them	Build a communication strategy which ensures those who need to know, know at the right time	Implement a process for review of systems we use to improve them	Become One Council and One Team #ARCproud	We tell the community where we spend our money and why

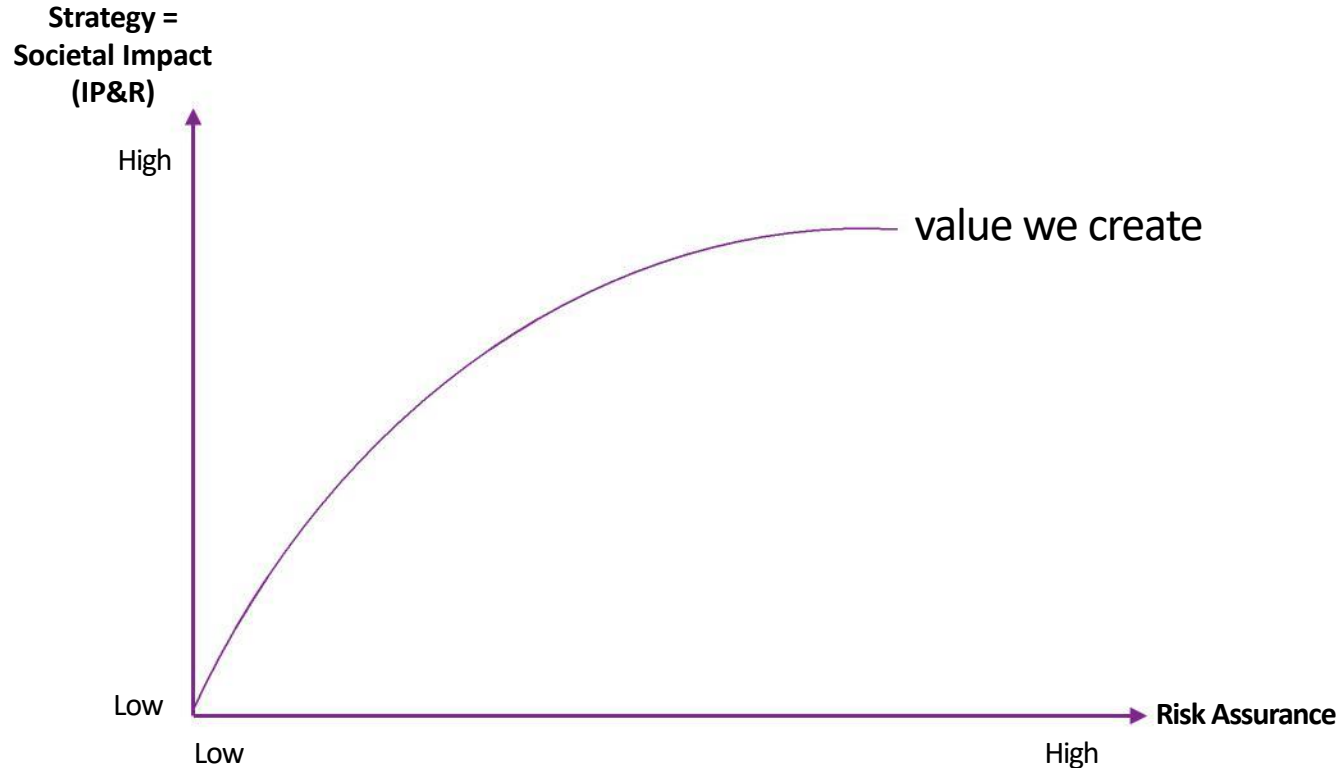| Values	Wellbeing	Commitment	Inclusion	Transparency

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Linking Risk & Strategy

*Risk **is a theory** you have about the future. There is uncertainty, for sure, but the **future (your strategy)** will be determined by your perceived ability to manage uncertainty so that objectives can be achieved.*
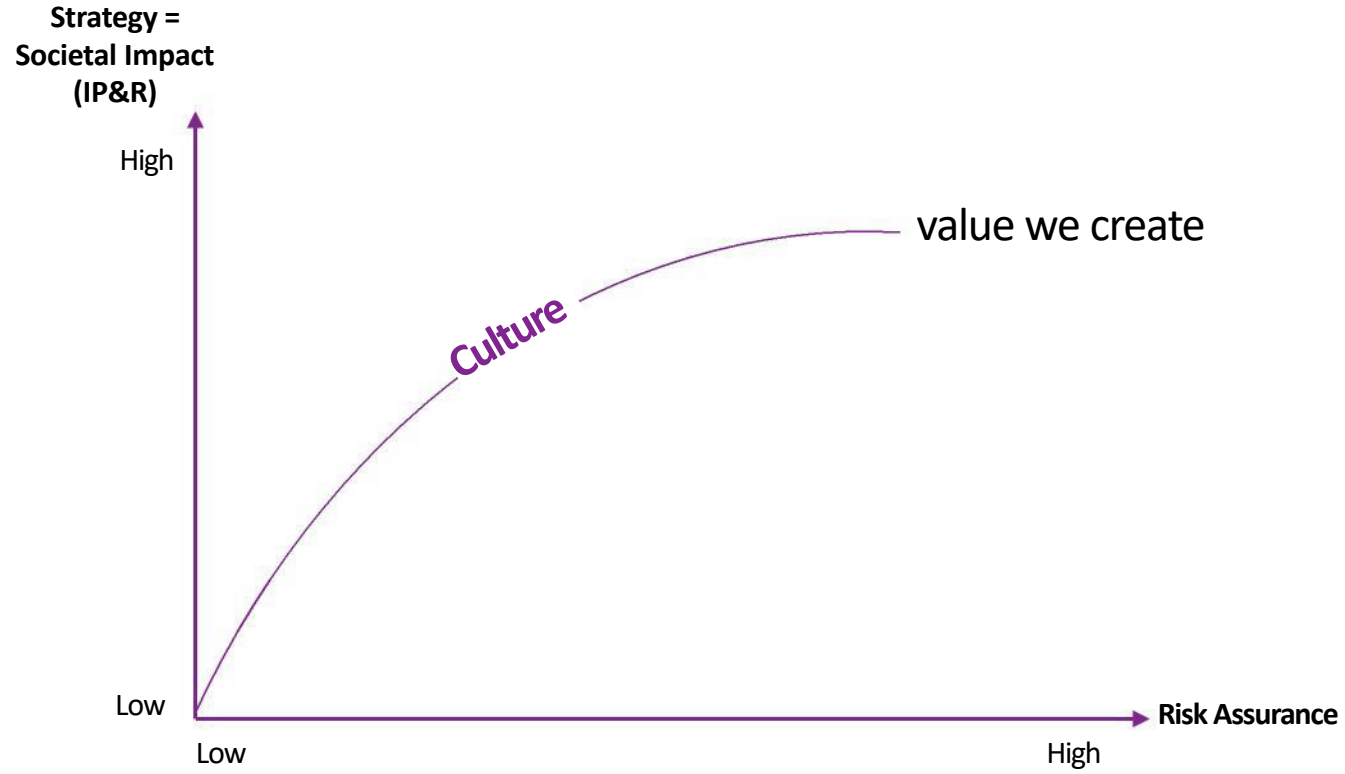
Strategy & Risk (Hand in Glove)

Strategy =
Societal Impact
(IP&R)

High

Low

Low   High   **Risk Assurance**

Strategy & Risk (Hand in Glove)

Strategy =
Societal Impact
(IP&R)

High

value we create

Low

Low — High

Risk Assurance

Culture & Risk Management

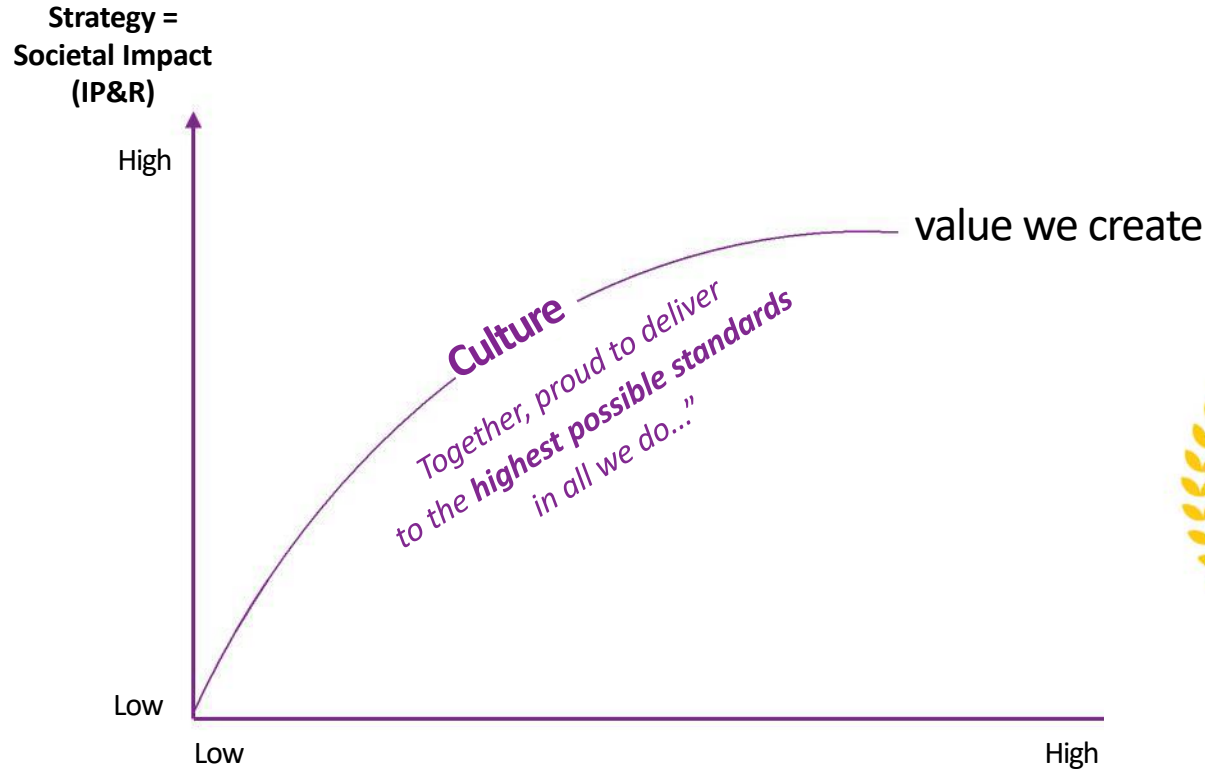# Strategy & Risk Management

**Strategy =
Societal Impact
(IP&R)**

value we create

Culture

*Together, proud to deliver
to the **highest possible standards**
in all we do.."*

High

Low

Low

High

Risk Assurance

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Strategy & Risk Management

Risk Management Awards

Overall Winner: Rural / Regional and County Councils RMEA

Category Winner: Strategic / Enterprise Risk - Rural / Regional and County Councils RMEA

The journey continues

Toward maturity

- Toward a risk informed IP&R

- Councillor risk briefings

- Integration of environmental governance

- Climate Change Risk Assessment

- Business continuity pressure testing

Q & A