



## **AUDIT AND ORGANISATIONAL RISK COMMITTEE MEETING**

# **MINUTES**

**The Audit and Organisational Risk Committee Meeting  
was held in Council Chambers,  
Welcome Road, Karratha,  
on Tuesday, 27 October 2020**

A handwritten signature in black ink, appearing to read "Chris Adams", is positioned above a horizontal line.

**CHRIS ADAMS  
CHIEF EXECUTIVE OFFICER**



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### **WRITTEN CONFIRMATION**

of the outcome of the application, and any conditions attaching to the decision made by the City of Karratha in respect of the application.

Signed:   
**Chris Adams - Chief Executive Officer**

## DECLARATION OF INTERESTS (NOTES FOR YOUR GUIDANCE) (updated 13 March 2000)

A member who has a **Financial Interest** in any matter to be discussed at a Council or Committee Meeting, which will be attended by the member, must disclose the nature of the interest:

- (a) In a written notice given to the Chief Executive Officer before the Meeting or;
- (b) At the Meeting, immediately before the matter is discussed.

A member, who makes a disclosure in respect to an interest, must not:

- (c) Preside at the part of the Meeting, relating to the matter or;
- (d) Participate in, or be present during any discussion or decision-making procedure relative to the matter, unless to the extent that the disclosing member is allowed to do so under Section 5.68 or Section 5.69 of the Local Government Act 1995.

## NOTES ON FINANCIAL INTEREST (FOR YOUR GUIDANCE)

The following notes are a basic guide for Councillors when they are considering whether they have a **Financial Interest** in a matter. I intend to include these notes in each agenda for the time being so that Councillors may refresh their memory.

1. A Financial Interest requiring disclosure occurs when a Council decision might advantageously or detrimentally affect the Councillor or a person closely associated with the Councillor and is capable of being measure in money terms. There are exceptions in the *Local Government Act 1995* but they should not be relied on without advice, unless the situation is very clear.
2. If a Councillor is a member of an Association (which is a Body Corporate) with not less than 10 members i.e. sporting, social, religious etc), and the Councillor is not a holder of office of profit or a guarantor, and has not leased land to or from the club, i.e., if the Councillor is an ordinary member of the Association, the Councillor has a common and not a financial interest in any matter to that Association.
3. If an interest is shared in common with a significant number of electors or ratepayers, then the obligation to disclose that interest does not arise. Each case needs to be considered.
4. If in doubt declare.
5. As stated in (b) above, if written notice disclosing the interest has not been given to the Chief Executive Officer before the meeting, then it **MUST** be given when the matter arises in the Agenda, and immediately before the matter is discussed.
6. Ordinarily the disclosing Councillor must leave the meeting room before discussion commences. The **only** exceptions are:
  - 6.1 Where the Councillor discloses the **extent** of the interest, and Council carries a motion under s.5.68(1)(b)(ii) or the Local Government Act; or
  - 6.2 Where the Minister allows the Councillor to participate under s5.69 (3) of the Local Government Act, with or without conditions.

## INTERESTS AFFECTING IMPARTIALITY

**DEFINITION:** *An interest that would give rise to a reasonable belief that the impartiality of the person having the interest would be adversely affected, but does not include an interest as referred to in Section 5.60 of the 'Act'.*

A member who has an **Interest Affecting Impartiality** in any matter to be discussed at a Council or Committee Meeting, which will be attended by the member, must disclose the nature of the interest;

- (a) in a written notice given to the Chief Executive Officer before the Meeting; or
- (b) at the Meeting, immediately before the matter is discussed.

## IMPACT OF AN IMPARTIALITY CLOSURE

There are very different outcomes resulting from disclosing an interest affecting impartiality compared to that of a financial interest. With the declaration of a financial interest, an elected member leaves the room and does not vote.

With the declaration of this new type of interest, the elected member stays in the room, participates in the debate and votes. In effect then, following disclosure of an interest affecting impartiality, the member's involvement in the Meeting continues as if no interest existed.



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# MINUTES

## 1 OFFICIAL OPENING

The Meeting was officially opened at 3.08 pm.

## 2 RECORD OF ATTENDANCES AND APOLOGIES

Committee Members:	Cr Evette Smeathers	(Chairperson)
	Cr Peter Long	(From Agenda item 5.1)
	Cr Kelly Nunn	
	Cr Daniel Scott	
Staff:	Chris Adams	Chief Executive Officer
	Phillip Trestrail	Director Corporate Services
	Henry Eaton	Manager Governance & Organisational Strategy
	Linda Phillips	Minute Secretary
External:	Nil	
Apologies:	Nil	

## 3 DECLARATIONS OF INTEREST

Nil.

## 4 CONFIRMATION OF MINUTES AND BUSINESS ARISING FROM MINUTES OF PREVIOUS MEETINGS

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### OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION

Res No : AOR91  
MOVED : Cr Scott  
SECONDED : Cr Smeathers

That the Minutes of the Audit and Organisational Risk Committee Meeting held on Tuesday, 10 March 2020, be confirmed as a true and correct record of proceedings.

CARRIED

---

FOR : Cr Smeathers, Cr Nunn Cr Scott  
AGAINST : Nil





## 5 ITEMS FOR DISCUSSION

At 3.10 pm Cr Long arrived at the meeting.

### 5.1 OAG – INTERIM AUDIT REPORT 2019/20

<b>File No:</b>	<b>FM.3</b>
<b>Responsible Executive Officer:</b>	<b>Director Corporate Services</b>
<b>Reporting Author:</b>	<b>Manager Governance &amp; Organisational Strategy</b>
<b>Date of Report:</b>	<b>5 October 2020</b>
<b>Applicant/Proponent:</b>	<b>Office of Auditor General</b>
<b>Disclosure of Interest:</b>	<b>Nil</b>
<b>Attachment(s):</b>	<b>OAG Interim Audit Report dated 30 July 2020</b>

#### PURPOSE

For the Audit & Organisational Risk Committee to consider the Interim Audit Report prepared by the Office of the Auditor General (OAG) for the 2019/20 financial year.

#### BACKGROUND

The OAG has been undertaking audits of the City's financial affairs since the 2018/19 financial year and has engaged AMD Chartered Accountants to complete the onsite field work. Audit work began remotely, due to COVID-19 and regional border restrictions, on 4-8 May 2020.

The focus of the interim audit is to evaluate the overall control environment and understand the key business processes, risks and internal controls in operation. Attached is a copy of the OAG's Interim Management Report dated 30 July 2020. This includes interim findings and management comments.

The report identifies five findings - three with minor risk ratings for the 2019/20 financial year and two with moderate risk ratings identified in prior years:

<b>Audit Finding</b>	<b>Rating</b>	<b>Recommendation</b>	<b>City Response</b>
<b>2019-20 FY</b>			
Payroll Exceptions	Minor	Request Employee 7301 to complete and authorise the appropriate deduction form.  Termination Checklist to be signed and dated [for Employee 9614] to evidence that all the City's items have been returned accordingly.	Employee 7301 has been employed by the City for 23 years, with the superannuation deduction in question being ongoing for at least that last 11 years. The City will request that the employee complete the new deduction form so there is an authorisation on record. The City will also review all long term deductions and ensure there are authorisation on file.  The unsigned Termination Clearance form does not identify items that the employee is to return. This is identified on the Termination Checklist that is

Audit Finding	Rating	Recommendation	City Response
			<p>completed and signed by the Manager once an employee resigns.</p> <p><b>Manager Human Resources</b> <b>Completion Date: December 2020</b></p>
Outdated Remote Access Procedure	Minor	Recommend the [Remote Access] procedure is reviewed and updated where deemed relevant.	<p>Remote Access Procedure will be updated to incorporate reference to the current policy <i>OP-IS-01 Conditions of Use of Information Technology Facilities</i>.</p> <p><b>Manager Information Services</b> <b>Completion Date: Completed</b></p>
Timeliness of Recording Fixed Asset Additions	Minor	All [fixed asset] additions are recorded into the Asset Module in a timely manner.	<p>The implementation of a new Asset Management System occurred during the 2019/20 financial year, with the entry of subsequent asset additions dependent on the transfer of financial values into the newly implemented system. During this period, depreciation on existing assets continued to be processed on a monthly basis. Assets procured/completed during that period were depreciated post system implementation, with depreciation being calculated and processed from the date they became available for use.</p> <p>Following the successful implementation of the City's Asset Management System, current processes are adequate to ensure the timely processing of asset additions into the asset module.</p> <p><b>Manager Financial Services / CFO</b> <b>Completion Date: Completed</b></p>
<b>2018-19 FY</b>			
Non-compliance with Internal Purchasing Policy	Moderate	<p>The City should ensure compliance with Regulation 11A of <i>Local Government (Functions and General) Regulations 1996</i> and CG-12 Purchasing Policy including the Authorising Officer having the correct level of delegated authority and purchase orders being raised prior to receiving the goods or services rendered.</p> <p>In addition, the City should conduct regular spot checks of the purchasing function to</p>	<p>The Purchasing Policy was amended by Council in April 2020 to address the previously identified gap in purchases under \$5,000. As reported in the 2019 Compliance Audit Return, systems and procedures are adequate to address the non-compliances identified by the City and staff involved have had subsequent training.</p> <p><b>Manager Governance and Organisational Strategy</b> <b>Completion Date: Completed</b></p>

Audit Finding	Rating	Recommendation	City Response
		ensure compliance with <i>Internal Policy CG-12 Purchasing Policy</i> - those Officers that are found to consistently not comply with the requirements of the policy should be provided with additional training or their purchasing authority should be removed.	
Related Party Disclosure Policy	Moderate (was noted as Minor last year)	We recommend the City develops and implements a Related Party Disclosure Policy. This policy should define who qualifies as a Key Management Personnel (KMP) and the process in place to identify related party transactions i.e. the completion of KMP declarations and how often they are required to be completed.	<p>Management has addressed this matter previously and does not see a need for an additional policy as it repeats the provisions of the legislation and the AASB Standard. The City provides Guidelines that accompany the RPD Form that is issued to all KMP. These Guidelines identify the requirements of disclosure.</p> <p><b>Manager Governance and Organisational Strategy</b>  <b>Completion Date: N/A</b></p>

### LEVEL OF SIGNIFICANCE

In accordance with Council Policy CG-8 Significant Decision Making Policy, this matter is considered to be of low significance in terms of Council's ability to perform its role.

### COUNCILLOR/OFFICER CONSULTATION

The Finance team together with the Manager Financial Services/CFO, the Director Corporate Services and CEO have been engaged with the auditors and have been kept informed of the progress in findings and undertakings.

### COMMUNITY CONSULTATION

No community consultation is required.

### STATUTORY IMPLICATIONS

Part 7 of the *Local Government Act 1995* provides for conduct of audits and duties of local governments with respect to audits. There is a requirement for reports issued by the auditors to be considered by the City's Audit and Organisational Risk Committee.

### POLICY IMPLICATIONS

As a result of this Interim Audit, there will be a review of the City's CG-12 Purchasing Policy to ensure it remains appropriate.

### FINANCIAL IMPLICATIONS

There are no financial implications.

**STRATEGIC IMPLICATIONS**

This item is relevant to the Council's approved Strategic Community Plan 2020-2030 and Corporate Business Plan 2020-2025. In particular, the Operational Plan 2020-2021 provided for this activity:

Our Programs/Services: 4.c.1.1 Management Accounting Services.  
 Our Projects/Actions: 4.c.1.1.19.1 Conduct monthly and annual financial reviews and reporting.

**RISK MANAGEMENT CONSIDERATIONS**

The level of risk to the City is considered to be as follows:

Category	Risk level	Comments
Health	N/A	Nil
Financial	Moderate	Interim and annual audits assist the City in minimising financial risk from fraudulent activity or erroneous reporting. Improving controls and independent oversight greatly assists in providing surety to the quality of reporting.
Service Interruption	N/A	Nil
Environment	N/A	Nil
Reputation	Low	Good controls in place to monitor financial risks reduce impacts on reputation.
Compliance	Low	Good controls in place to monitor financial risks reduce the risk of legislative non-compliance.

**IMPACT ON CAPACITY**

There is no impact on capacity or resourcing to carry out the Officer's recommendation.

**RELEVANT PRECEDENTS**

Interim audits are carried out each year in preparation for the end of year financial audit.

**VOTING REQUIREMENTS**

Simple Majority.

**OPTIONS:**Option 1

As per Officer's recommendation.

Option 2

That the Audit & Organisational Risk Committee by SIMPLE Majority pursuant to Part 7 of the *Local Government Act 1995* RESOLVES to DEFER consideration of this item pending clarification of matters within the 2019/20 Interim Management Report.

**CONCLUSION**

The OAG, through AMD Chartered Accountants, has completed an interim audit of the City's financial systems and procedures in the lead up to the final audit for 2019/20. The OAG recommended improvements in five areas - two considered moderate risks and three considered minor risks. All internal controls were examined and where appropriate corrective action has been, or is being taken as a result of the interim audit.

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**OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION****Res No : AOR92****MOVED : Cr Long****SECONDED : Cr Nunn**

**That the Audit & Organisational Risk Committee by SIMPLE Majority pursuant to Part 7 of the *Local Government Act 1995* RESOLVES to RECEIVE the 2019/20 Interim Management Report from the Office of the Auditor General dated 30 July 2020 for the period ending 30 June 2020.**

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**CARRIED**

**FOR : Cr Smeathers, Cr Long, Cr Nunn Cr Scott**  
**AGAINST : Nil**





Our Ref: 8322

7th Floor, Albert Facey House  
469 Wellington Street, Perth

Mr Peter Long  
Mayor  
City of Karratha  
Lot 1083 Welcome Road  
PO Box 219  
KARRATHA WA 6714

**Mail to:** Perth BC  
PO Box 8489  
PERTH WA 6849

**Tel:** 08 6557 7500  
**Fax:** 08 6557 7600  
**Email:** info@audit.wa.gov.au

Dear Mr Long

**ANNUAL FINANCIAL REPORT  
INTERIM AUDIT RESULTS FOR THE YEAR ENDED 30 JUNE 2020**

We have completed the interim audit for the year ended 30 June 2020. We performed this phase of the audit in accordance with our audit plan. The focus of our interim audit was to evaluate the overall control environment, but not for the purpose of expressing an opinion on the effectiveness of internal control, and to obtain an understanding of the key business processes, risks and internal controls relevant to our audit of the annual financial report.

**Management Control Issues**

I would like to draw your attention to the attached listing of deficiencies in internal control and other matters that were identified during the course of the interim audit. These matters have been discussed with management and their comments have been included on the attachment. The matters reported are limited to those deficiencies that were identified during the interim audit that we have concluded are of sufficient importance to merit being reported to management. Some of the matters may be included in our auditor's report in accordance with section 7.9(2) of the *Local Government Act 1995* or regulation 10(3)(a) and (b) of the *Local Government (Audit) Regulations 1996*. If so, we will inform you before we finalise the report.

An audit is not designed to identify all internal control deficiencies that may require management attention. It is possible that irregularities and deficiencies may have occurred and not been identified as a result of our audit.

This letter has been provided for the purposes of your local government and may not be suitable for other purposes.

We have forwarded a copy of this letter to the CEO. A copy will also be forwarded to the Minister for Local Government when we forward our auditor's report on the annual financial report to the Minister on completion of the audit.

Feel free to contact me on 6557 7683 if you would like to discuss these matters further.

Yours faithfully

KIEN NEOH  
DIRECTOR  
FINANCIAL AUDIT  
30 July 2020

Attach

<b>CITY OF KARRATHA RECEIVED</b>	
04 AUG 2020	
Action By:	Phillip Trestraul
File No:	FM-3
Document ID:	KR232947
CC:	Ray McDermott Henry Eaton Tishka Hamilton

## CITY OF KARRATHA

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
<b>Findings Identified in Current Year</b>			
1. Payroll Exceptions			✓
2. Remote Access Procedure			✓
3. Timeliness of Recording Additions			✓
<b>Findings Identified in Prior Year</b>			
4. Non-compliance with Internal Purchasing Policy		✓	
5. Related Party Disclosure Policy		✓	

**KEY TO RATINGS**

The ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.



**CITY OF KARRATHA**

**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020**

**FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**

**FINDINGS IDENTIFIED IN CURRENT YEAR**

**1. Payroll Exceptions**

**Finding**

During our payroll testing we noted the following exceptions:

- Support for the additional 5% superannuation contribution deduction for Employee 7301 could not be located; and
- Termination checklist for Employee 9614 was not signed and dated as evidence of who completed the form.

**Rating: Minor**

**Implication**

The City may be deducting amounts from employee wages which have not been authorized by the employee.

Terminated employee may have not returned all City issued assets or relevant security passes / keys etc. resulting in the terminated employee still having access to the City's assets and information subsequent to their resignation.

**Recommendation**

We recommend the City requests Employee 7301 to complete and authorise the appropriate deduction form.

In addition, we recommend the Termination Checklist is signed and dated to evidence that all the City's items have been returned accordingly.

**Management Comment**

Employee 7301 has been employed by the City for 23 years, with the superannuation deduction in question being ongoing for at least the last 11 years (as far back as Synergy records go). The City will request that the employee complete the new deduction form so there is an authorisation on record. The City will also review all long-term deductions and ensure we have authorisation on file.

The Termination Clearance Form completed by Human Resources does not identify items that the employee is to return. This is identified on the Termination Checklist that is completed and signed by the Manager once an employee resigns.

<b>Responsible Officer:</b>	Manager Human Resources
<b>Completion Date:</b>	December 2020

CITY OF KARRATHA

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

**2. Outdated Remote Access Procedure**

**Finding**

Perusal of the Remote Access Procedure dated 20 October 2017 identified that the procedure references 2 Council Policies that are no longer located on the City's website (*CI-03 Use of Information Technology Facilities* and *CI-03 1 Conditions of Use of IT Facilities*) indicating the procedure may be out of date.

**Rating: Minor**

**Implication**

Out dated procedures may not reflect actual practices followed by City representatives.

**Recommendation**

We recommend the above named procedure is reviewed and updated where deemed relevant.

**Management Comment**

The Remote Access Procedure will be updated to incorporate reference to the current policy OP-IS-01 Conditions of Use of Information Technology Facilities.

**Responsible Officer:** Manager Information Services  
**Completion Date:** September 2020

**CITY OF KARRATHA**

**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020**

**FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**

**3. Timeliness of Recording Fixed Asset Additions**

**Finding**

Perusal of the monthly Fixed Asset Reconciliation identified asset variances between the general ledger and Asset Module. This pertained to the delay in entering additions into the Asset Module.

**Rating: Minor**

**Implication**

Incomplete records in respect to fixed assets whereby depreciation expense is not recorded in a timely manner, resulting in an understatement of expenses reported to Council on a monthly basis.

**Recommendation**

We recommend all additions are recorded into the Asset Module in a timely manner.

**Management Comment**

The implementation of a new Asset Management System occurred during the 2019/20 financial year, with the entry of subsequent asset additions dependent on the transfer of financial values into the newly implemented system. During this period, depreciation on existing assets continued to be processed on a monthly basis. Assets procured/ completed during that period were depreciated post system implementation, with depreciation being calculated and processed from the date they became available for use.

Following the successful implementation of the City's Asset Management System, current processes are adequate to ensure the timely processing of asset additions into the asset module.

**Responsible Officer:** Manager Financial Services / CFO

**Completion Date:** Not required



## CITY OF KARRATHA

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

## FINDINGS IDENTIFIED IN PRIOR YEARS

## 4. Non-Compliance with Internal Purchasing Policy

**Finding 2019**

The City's *Internal policy CG-12 Purchasing Policy* requires that purchases within prescribed thresholds meet certain conditions in order to comply with the *Local Government Act 1995* and accompanying regulations.

During our procurement testing, we identified 4 purchases out of a sample of 21 where there was insufficient documentation to indicate that written quotations had been obtained for all purchases up to \$5,000 and in all cases identified documentation was attached to the payment record.

**Finding 2020**

As disclosed by the City within the 2019 Compliance Audit Return:

- There were 2 known non-compliances with the City's Purchasing Policy for contracts under the value of \$150,000 pertaining to the 2019/20 financial period.
  - 1 purchase order being prepared after the supplier invoices were received;
  - 1 unauthorised variations and contract splitting (Regulation 11A of Local Government (Functions and General) Regulation 1996);

During our sample procurement testing, we identified 1 instance where there was no purchase order raised.

**Rating: Moderate****Implication**

- Non-compliance with Regulation 11A of Local Government (Functions and General) Regulation 1996 and *Internal policy CG-12 Purchasing Policy*.
- Increased risk of fraud and unauthorised expenditure due to the City's Officer's being able to circumvent internal controls.

**Recommendation**

The City should ensure compliance with Regulation 11A of Local Government (Functions and General) Regulation 1996 and *Internal policy CG-12 Purchasing Policy* including the Authorising Officer having the correct level of delegated authority and purchase orders being raised prior to receiving the goods or services being rendered.

In addition, we recommend the City conducts regular spot checks of the purchasing function to ensure compliance with *Internal Policy CG-12 Purchasing Policy*, those Officers that are found to consistently not comply with the requirements of the policy should be provided with additional training and/or their purchasing authority should be removed.

**Management Comment**

The Purchasing Policy was amended by Council in April 2020 to address the previously identified gap in purchases under \$5,000. As reported in the 2019 Compliance Audit Return, systems and procedures are adequate to address the non-compliances identified by the City and the staff involved have had subsequent training.

**Responsible Officer:**

Manager Governance and Organisational Strategy

**Completion Date:**

April 2020

CITY OF KARRATHA

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

**5. Related Party Disclosure Policy**

**Finding 2019**

We noted that the City does not currently have a Related Party Disclosures Policy in place.

**Finding 2020**

We noted that the City still does not currently have a Related Party Disclosures Policy in place as the City believes that Part 5, Division 6 of the *Local Government Act 1995* and Part 7 of the *Code of Conduct* deals with related parties. However, the *Local Government Act 1995* and *Code of Conduct* does not address related parties matters as required by *AASB 124 Related Party Disclosures*.

**Rating: Moderate**

**Implication**

Without a Related Party Disclosure Policy, there is increased risk that a relevant person does not understand what transactions and/or person are considered a related party and therefore related party relationships are not adequately disclosed in the City's annual report.

These disclosures are required by Australian Accounting Standard *AASB 124 Related Party Disclosures*.

**Recommendation**

We recommend the City develops and implements a Related Party Disclosure Policy. This policy should define who qualifies as a Key Management Personnel (KMP) and the process in place to identify related party transactions i.e. the completion of KMP declarations and how often they are required to be completed.

**Management Comment**

Management has addressed this matter previously and does not see a need for an additional policy to address Related Party Disclosures given that the policy would only repeat the provisions of legislation and the AASB Standard. The City provides Guidelines that accompany the Related Party Disclosure form that is issued to all KMP. These Guidelines identify the requirements of disclosure.

**Responsible Officer:**

Manager Governance and Organisational Strategy

**Completion Date:**

Not required



**5.2 FINANCIAL MANAGEMENT REVIEW 2020**

<b>File No:</b>	<b>FM.3</b>
<b>Responsible Executive Officer:</b>	<b>Director Corporate Services</b>
<b>Reporting Author:</b>	<b>Manager Governance &amp; Organisational Strategy</b>
<b>Date of Report:</b>	<b>5 October 2020</b>
<b>Applicant/Proponent:</b>	<b>Nil</b>
<b>Disclosure of Interest:</b>	<b>Nil</b>
<b>Attachment(s):</b>	<b>Confidential - Financial Management Review Report</b>

**PURPOSE**

For Council to consider the independent report conducted by Avant Edge Consulting to review the City of Karratha's financial management systems and procedures as required by Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*.

**BACKGROUND**

Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* requires that a review of financial management systems be conducted every three years. This review provides a level of assurance on the appropriateness and effectiveness of the City's management controls over its financial management systems.

Avant Edge Consulting was appointed on 2 June to review the City's systems for the period 1 May 2019 to 30 April 2020. With COVID-19 preventing access to the City's premises, Avant Edge was reliant on information being supplied by staff and through online resources.

Based on the review, no high risk management control matters or non-compliances were identified and the City was found to be generally sound and have satisfactory management control processes.

A number of medium risk and low risk issues were identified in addition to general observations for improvement. These are listed below:

<b>Finding</b>	<b>Avant Edge's Recommendation</b>	<b>City's Response</b>
<b>MEDIUM RISK</b>		
<b>1. Monitoring compliance with Procurement Policy</b>  Sample testing of payments made to suppliers revealed suppliers with cumulative payments that exceeded \$50k with no formal RFQ and some that exceeded \$150k in total, which	The City obtain a monthly supplier expenditure report of suppliers paid >\$50k over the last 12-18 months to identify expenditure that is approaching RFT / RFQ levels and follow up if an RFT / RFQ needs to be called.  Payments in excess of \$250k within a 12 month period to be investigated to determine	Most purchases related to RFQs undertaken independently for different works or emergency expenditure for cyclone recovery authorised by the Mayor.  Additional reporting tools will be implemented to monitor payments made to suppliers.

Finding	Avant Edge's Recommendation	City's Response
could have been procured through a public tender process.	<p>whether better value for money could be obtained via a RFT process.</p> <p>Contract managers to better monitor payments against contracts. If payments are to exceed the contract value, the contract manager should determine a revised contract value. If it exceeds the new tender limit (\$250,000), then a public tender process should be applied in the future.</p>	<p><b>Responsibility:</b> Governance</p> <p><b>Action Due Date:</b> 31 December 2020</p>
<p><b>2. Formal RFQ Process</b></p> <p>Request for Quotation - Sample testing of payments to suppliers revealed no formal RFQ called for two suppliers that exceeded \$50k.</p>	<p>Create a supplier expenditure report of cumulative payments in excess of \$50k and check against the Contracts Register.</p> <p>Any supplier payments greater than \$50k not on the Contracts Register as either a RFT or RFQ should be followed up to determine why such procurements did not proceed to RFQ.</p>	<p>One of the suppliers was related to emergency procurement approved by the Mayor for cyclone recovery works.</p> <p>Contract administration procedures to be developed to monitor payments to suppliers.</p> <p><b>Responsibility:</b> Governance</p> <p><b>Action Due Date:</b> 31 December 2020</p>
<p><b>3. Cash handling – Security Cameras and Duress Alarm over Point of Sale Systems</b></p> <p>Existence of security systems varied across sites that have point of sales systems installed.</p>	<p>Management to consider installing CCTV and duress alarms over POS systems where cash is collected.</p> <p>CCTV footage be restricted to approved staff.</p>	<p>The City is moving towards fewer sites with cash on site.</p> <p>The City is also installing additional CCTV at City facilities which is due to commence July 2020.</p> <p><b>Responsibility:</b> Information Services</p> <p><b>Action Due Date:</b> 30 June 2021</p>
<b>LOW RISK</b>		
<p><b>1A. Procurement (formal quotations and tender process)</b></p> <p>Obtaining quotes between \$5k - \$50k</p> <p>Generally only 3 quotes requested and often only 2 received.</p>	<p>Policy to be reviewed to determine if 3 quotes practicable and perhaps change levels (e.g. 2-3 quotes for &gt;\$20k).</p> <p>Process map to be reviewed to require evaluations at higher levels (consistent with practice).</p>	<p>The City's Purchasing Policy is due for a complete review later in 2020 and will consider changes to how many quotes required and evaluations.</p> <p><b>Responsibility:</b> Governance</p> <p><b>Action Due Date:</b> 31 December 2020</p>



Finding	Avant Edge's Recommendation	City's Response
<b>1B. Procurement (formal quotations and tender process)</b>  Confidentiality and conflict of interest declarations to be made before commencing the evaluation process.	Declarations be made before commencing evaluations.  Declarations not required for purchases below \$50k. Recommend declarations for purchases between \$30,000 to \$50,000.	The City's Purchasing Policy is due for a complete review later in 2020 and will consider recommended changes.  <b>Responsibility:</b> Governance  <b>Action Due Date:</b> 31 December 2020
<b>2. Contract management</b>  No existing guidelines or protocols for contract management, variations, contract renewal and post contract assessment.	Comprehensive guidelines or protocols be developed so that they can be applied consistently by relevant contract managers.	Consideration will be given to this in the 2020/21 financial year.  <b>Responsibility:</b> Governance  <b>Action Due Date:</b> 30 June 2021
<b>3. General Ledger Application Controls</b>  Not all balance sheet accounts are listed on the end of month checklist for reconciliation.	All balance sheet accounts be reconciled and signed off by a responsible person.	To be incorporated into Finance's procedures.  <b>Responsibility:</b> Financial Services  <b>Action Due Date:</b> 31 December 2020
<b>4. Asset Management</b>  Prevention of theft/loss of portable and attractive assets	City to undertake a revolving (quarterly) audit of its four asset (site specific) registers to be signed off by an officer as evidence that the audit has been conducted.	To be incorporated into Finance's procedures.  <b>Responsibility:</b> Governance  <b>Action Due Date:</b> 31 December 2020
<b>5A. Human Resources (Staff recruitment and leave entitlement reporting)</b>  Employee Identity and qualifications not adequately verified	Employee's identity should be verified through 100 point identity check – passport and driver's licence.  Proof of professional qualifications should be obtained prior to appointment.	To be considered in HR procedures.  <b>Responsibility:</b> Human Resources  <b>Action Due Date:</b> 30 June 2021
<b>5B. Human Resources (Staff recruitment and leave entitlement reporting)</b>  More and more staff being employed on a continuous basis over 12 months.	City to develop a policy on long term casual positions including additional approvals for extending casual employment.	To be considered in HR procedures.  <b>Responsibility:</b> Human Resources  <b>Action Due Date:</b> 30 June 2021
<b>6. IT General System Access Controls</b>	Recommend that access rights be reviewed, generic user access be maintained only if necessary and staff not	<b>Responsibility:</b> Information Services  <b>Action Due Date:</b>

Finding	Avant Edge's Recommendation	City's Response
Staff outside of their area of responsibility have edit access to Synergy systems. Also 28 generic user accesses and 15 users not current.	current be removed from system.	31 December 2020

**OBSERVATIONS (No recommendations made)**

Operational Area	Avant Edge's Observation	City's Response
1. Procurement	<p><i>Approval to advertise RFT</i> One instance where RFT was advertised prior to approval.</p> <p><i>Selection of panel members for RFT</i> One instance where the selection of panel members was not determined prior to tender being advertised.</p> <p><i>Individual panel member assessments for RFT</i> One instance where a panel members' evaluation could not be located.</p> <p><i>Confidentiality and conflict of interest declarations</i> Two instances where declarations of interest were not completed prior to the evaluation.</p>	<p>Disclosed in 2019 CAR.</p> <p>To be reviewed in procurement procedures.</p> <p>To be reviewed in procurement procedures.</p> <p>Process amended after this event to require completion of declarations prior to any evaluations.</p> <p><b>Responsibility:</b> Governance</p> <p><b>Action Due Date:</b> 31 December 2020</p>
2. Investment Management	<p><i>Policy limits</i> Policy limits not adhered to for A2 credit institution as at 30 /4 2020</p>	<p>COVID-19 required early withdrawal of funds which impacted upon the percentages between investment categories.</p> <p><b>Responsibility:</b> Financial Services</p> <p><b>Action Due Date:</b> No further action</p>

Overall constructive feedback has been received with a view to City staff implementing changes to strengthen existing systems and procedures.

**LEVEL OF SIGNIFICANCE**

In accordance with Council Policy CG-8 Significant Decision Making Policy, this matter is considered to be moderate significance in terms of Council's ability to perform its role.

**COUNCILLOR/OFFICER CONSULTATION**

Staff impacted by these reviews have been involved in the consultation process.

**COMMUNITY CONSULTATION**

No community consultation is required.

**STATUTORY IMPLICATIONS**

Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* requires that a Financial Management Review be undertaken every three years to ensure the appropriateness and effectiveness of the City's financial management controls.

**POLICY IMPLICATIONS**

Recommendations from the Consultant are likely to impact upon CG-12 Purchasing Policy and OP-IS-01 Conditions of Use of IT Facilities [Operational] Policy.

**FINANCIAL IMPLICATIONS**

There are no financial implications. Cost to undertake the review was \$7,875 ex-GST.

**STRATEGIC IMPLICATIONS**

This item is relevant to the Council's approved Strategic Community Plan 2020-2030 and Corporate Business Plan 2020-2025. In particular, the Operational Plan 2020-2021 provided for this activity:

Programs/Services:	4.e.1.2	Organisational Risk Management
Projects/Actions:	4.e.1.2.19.1	Implement Internal Audit Program
Programs/Services:	4.e.1.2	Organisational Risk Management
Projects/Actions:	4.e.1.2.20.2	Review and maintain a contemporary set of council policies

**RISK MANAGEMENT CONSIDERATIONS**

The level of risk to the City is considered to be as follows:

Category	Risk level	Comments
Health	N/A	Nil
Financial	Moderate	Systems are generally sound to prevent and identify fraud.
Service Interruption	N/A	Nil
Environment	N/A	Nil
Reputation	Low	Having sound financial management systems will minimise risks to the City's reputation.
Compliance	Low	This review satisfies the City's legislative obligations in relation to financial management systems review.

**IMPACT ON CAPACITY**

There will be minimal impact on capacity to carry out the recommendations proposed by the Consultants over the course of the 2020/21 financial year.

**RELEVANT PRECEDENTS**

The City last carried out a Financial Management Service Reviews in 2017.

**VOTING REQUIREMENTS**

Simple Majority.

**OPTIONS:**Option 1

As per Officer's recommendation.

Option 2

That Council by SIMPLE Majority pursuant to Regulation 5 (2) of the *Local Government (Financial Management) Regulations 1996* RESOLVES to DEFER the acceptance of the Financial Management Service Review by Avant Edge Consulting dated 22 July 2020.

Option 3

That Council by SIMPLE Majority pursuant to Regulation 5 (2) of the *Local Government (Financial Management) Regulations 1996* RESOLVES to ACCEPT the Financial Management Service Review by Avant Edge Consulting dated 22 July 2020 with the following amendments:

1. \_\_\_\_\_
2. \_\_\_\_\_

**CONCLUSION**

The Financial Management Services Review found the City's financial management systems to be generally sound with satisfactory management control processes. No high risk management control matters or non-compliances were identified, however a number of moderate and low risk findings were identified to improve the City's current systems.

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**OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION**

**Res No** : **AOR93**  
**MOVED** : **Cr Scott**  
**SECONDED** : **Cr Long**

**That the Audit and Organisational Risk Committee by SIMPLE Majority pursuant to Regulation 5 (2) of the *Local Government (Financial Management) Regulations 1996* RESOLVES to ACCEPT the Financial Management Service Review by Avant Edge Consulting dated 22 July 2020.**

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**CARRIED**

**FOR** : Cr Smeathers, Cr Long, Cr Nunn Cr Scott  
**AGAINST** : Nil

### 5.3 INTERNAL AUDIT PROGRAM – 2020-2023

<b>File No:</b>	<b>FM.1 / CM.131</b>
<b>Responsible Executive Officer:</b>	<b>Director Corporate Services</b>
<b>Reporting Author:</b>	<b>Governance Officer - Compliance</b>
<b>Date of Report:</b>	<b>6 October 2020</b>
<b>Applicant/Proponent:</b>	<b>Nil</b>
<b>Disclosure of Interest:</b>	<b>Nil</b>
<b>Attachment(s):</b>	<b>Nil</b>

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#### **PURPOSE**

For the Audit and Organisational Risk Committee to consider a three year internal audit program.

#### **BACKGROUND**

Regulation 17 of the *Local Government (Audit) Regulations 1996* requires review of the appropriateness and effectiveness of a local government's systems and procedures in regards to risk management, internal control and legislative compliance. The results of those reviews are to be submitted to the audit committee for consideration.

An audit plan with an indicative 3 year audit program was endorsed by the Audit and Organisational Risk Committee in August 2016 and the following audits have been completed since:

- Delegations and Authorisations
- Credit Card Usage
- Stock Management

Unscheduled audits were also carried out on Network Vulnerability and Schedule of Rates Contracts. In addition, the OAG conducted a performance audit on the City's procurement systems and practices.

The proposed internal audit will be undertaken by the Governance Officer – Compliance with the aim of conducting a minimum of two internal audits annually and a cyclical spot audit program. These will be categorised as either major reviews requiring substantial investigations and minor reviews requiring shorter turnarounds and sample testing.

In accordance with Regulation 17 the audits will target key organisational processes and systems by assessing general compliance, identify gaps and providing recommendations on business improvements.

The proposed audit projects identified for the period 2020 – 2023 are detailed in the Table below:

Proposed Period	Key Audit Area	Objective
2020/21	<u>Major Review</u> Contract Management and Administration	Reviewing existing systems and procedures to ensure contracts are administered appropriately including specific focus on extensions and variations to contracts. <i>(Referenced in 2020 FMSR; OAG Report #20, May 2020)</i>
	<u>Minor Review</u> Preferred Supplier Contracts	Examining the preferred supplier list for accumulative spend over \$250k <i>(Referenced in 2020 FMSR)</i>
2021/22	<u>Major Review</u> Risk Controls	Testing the effectiveness of controls identified for: 1. primarily high and extreme risks in the organisational risk register; and 2. a sample of secondary moderate risks.
	<u>Minor Review</u> Interim Valuation process	Reviewing systems and processes to ensure a timely process connecting completion of building improvements to generate interim rating income.
2022/23	<u>Major Review</u> Council and Operational Policies	Testing the application of current practices against Council and Operational Policies.
	<u>Minor Review</u> Grant Approvals	Investigating the compliance of individual grant programs with existing policies and acquittal procedures.
	<u>Minor Review</u> Use of delegations	Taking a sample of each set of delegations and checking to ensure they are being exercised and recorded in accordance with Section 5.46 of the LG Act and Regulation 19 of the Admin Regs.

In addition to the above reviews, spot audits will be conducted on a cyclical basis throughout each year examining areas previously audited to ensure recommendations are being adhered to or adapted to strengthen existing systems:

Key Audit Area	Objective
Fee Concessions	Sample testing of procedures related to fee waivers including the application of delegations, policies and reporting.
Cash Handling	Sample testing of cash handling procedures across the organisation to ensure safety of monies collected and reducing the risk for misappropriation of funds.
Credit Card Usage	Sample testing of credit card transactions for compliance with internal policies and procedures.
Stock Management	Spot check systems and controls on areas previously audited for uptake of recommendations.

#### LEVEL OF SIGNIFICANCE

In accordance with Council Policy CG-8 Significant Decision Making Policy, this matter is considered to be of moderate significance.

#### COUNCILLOR/OFFICER CONSULTATION

No Councillor or Officer consultation is required.

**COMMUNITY CONSULTATION**

No community consultation is required.

**STATUTORY IMPLICATIONS**

Regulation 17 of the *Local Government (Audit) Regulations 1996* requires the CEO to review the appropriateness and effectiveness of local government systems and procedures in regards to risk management, internal controls and legislative compliance.

**POLICY IMPLICATIONS**

There are no policy implications.

**FINANCIAL IMPLICATIONS**

There are no financial implications.

**STRATEGIC IMPLICATIONS**

This item is relevant to the Council's approved Strategic Community Plan 2020-2030 and Corporate Business Plan 2020-2025. In particular, the Operational Plan 2020-2021 provided for this activity:

Programs/Services:	4.e.1.2	Organisational Risk Management
Projects/Actions:	4.e.1.2.19.1	Implement Internal Audit Program
Programs/Services:	4.e.1.2	Organisational Risk Management
Projects/Actions:	4.e.1.2.20.2	Review and maintain a contemporary set of council policies

**RISK MANAGEMENT CONSIDERATIONS**

The level of risk to the City is considered to be as follows:

Category	Risk level	Comments
Health	N/A	Nil
Financial	Moderate	Outcomes from the audits are intended to reduce the financial risks associated with the audited activities.
Service Interruption	N/A	Nil
Environment	N/A	Nil
Reputation	Low	Undertaking internal audits adds a level of assurance that systems and procedures used in the City are being appropriately followed in accordance with approved policies and practices.
Compliance	Moderate	A regular audit program will reduce compliance risk in organisational programs.

**IMPACT ON CAPACITY**

There is no impact on capacity or resourcing to carry out the Officer's recommendation based on current program proposed. In the event that other priority work takes precedence, the internal audit activities may be deferred.

**RELEVANT PRECEDENTS**

An indicative 3 year audit program was endorsed by the Audit and Organisational Risk Committee in August 2016.

**VOTING REQUIREMENTS**

Simple Majority.

**OPTIONS:**Option 1

As per Officer's recommendation.

Option 2

That the Audit and Organisational Risk Committee by SIMPLE Majority pursuant to Regulation 17 of the *Local Government (Audit) Regulations 1996* RESOLVES to DEFER consideration of the Internal Audit Program.

Option 3

That the Audit and Organisational Risk Committee SIMPLE Majority pursuant to Regulation 17 of the *Local Government (Audit) Regulations 1996* RESOLVES to ENDORSE consideration of the Internal Audit Program with the following variations:

1. \_\_\_\_\_
2. \_\_\_\_\_

**CONCLUSION**

A formal internal audit program has been proposed to assist the City in meeting its obligations under Regulation 17 of the *Local Government (Audit) Regulations 1996* to review the appropriateness and effectiveness of a local government's systems and procedures in regards to risk management, internal control and legislative compliance.

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**OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION**

**Res No** : **AOR94**

**MOVED** : **Cr Nunn**

**SECONDED** : **Cr Long**

That the Audit and Organisational Risk Committee by SIMPLE Majority pursuant to Regulation 17 of the *Local Government (Audit) Regulations 1996* RESOLVES to ENDORSE the following Internal Audit Program:

AUDIT YEAR	AUDIT PROGRAM
2020/2021	Contract Management and Administration Preferred Supplier Contracts
2021/2022	Risks Controls Interim Valuation Process
2022/2023	Council and Operational Policies Grant Approvals Use of Delegations

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**CARRIED**

**FOR** : Cr Smeathers, Cr Long, Cr Nunn Cr Scott  
**AGAINST** : Nil



## 5.4 RISK REGISTER UPDATE

<b>File No:</b>	<b>RM.8</b>
<b>Responsible Executive Officer:</b>	<b>Director Corporate Services</b>
<b>Reporting Author:</b>	<b>Governance Officer - Compliance</b>
<b>Date of Report:</b>	<b>6 October 2020</b>
<b>Applicant/Proponent:</b>	<b>Nil</b>
<b>Disclosure of Interest:</b>	<b>Nil</b>
<b>Attachment(s):</b>	<b>Confidential Risk Register Extract</b>

### PURPOSE

To provide an update on relevant indicators relating to the organisation's management of risks.

### BACKGROUND

Managers have reviewed and updated the Risk Register (Register) where appropriate. Changes have been made to airport risk descriptions to consolidate risks where possible. Changes to the Register are summarised below:

- Community Programs identified one new risk regarding safety measures including pandemic.
- Airport identified one new risk regarding business disruptions that could result in a full or partial shutdown.
- Corporate Services added a risk to capture managing business during a pandemic.
- Building Maintenance added one new risk regarding failure to respond to building maintenance requests in a timely manner.

After reviews, the total number of risks has increased from 180 to 184. The table below provides the *inherent* and *residual* risk totals and percentage representation.

Number of Risks	184	
Number with Inherent Consequences rated Major or Catastrophic	33	17.9%
Number of Inherent Risks rated High or Extreme	47	25.5%
Number of Residual Risks rated High or Extreme	1	0.5%

The below extract from the risk register provides details of the 47 *inherent* risks rated high or extreme, however with current controls in place only 1 of these risks have a high *residual*.

The heat map below displays the current assessed *residual* rating for all 184 identified risks.

Consequence		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood		1	2	3	4	5
Almost Certain	5	0	0	0	0	0
Likely	4	2	8	0	0	0
Possible	3	17	28	15	0	0
Unlikely	2	12	40	23	9	1
Rare	1	2	14	8	4	1

Since the last Audit and Organisational Risk Committee (AORC) meeting some minor settling has occurred in the low to moderate range of risks as tests are undertaken to ensure controls are adequate.

Risk Acceptance	Aug 2018	Oct 2018	Feb 2019	Mar 2020	May 2020	Change
Low	100	100	99	97	99	+2
Moderate	75	76	76	79	84	+5
High	4	4	4	4	1	-3
Extreme	0	0	0	0	0	0

### LEVEL OF SIGNIFICANCE

In accordance with Council Policy CG-8 Significant Decision Making Policy, this matter is considered to be of moderate significance in terms of Council's ability to perform its role.

### COUNCILLOR/OFFICER CONSULTATION

Consultation has taken place with the Executive Management Group.

### COMMUNITY CONSULTATION

No community consultation is required.

### STATUTORY IMPLICATIONS

Regulation 17 of the *Local Government (Audit) Regulations 1996* requires the CEO to ensure that there are appropriate risk management systems and procedures in place for the City.

### POLICY IMPLICATIONS

This is consistent with Council Policy - CG01 *Risk Management Policy* and how risk is managed across the organisation.

### FINANCIAL IMPLICATIONS

There are no financial implications.

### STRATEGIC IMPLICATIONS

This item is relevant to the Council's approved Strategic Community Plan 2020-2030 and Corporate Business Plan 2020-2025. In particular, the Operational Plan 2020-2021 provided for this activity:

Program/Services: 4.e.1.2 Operational Risk Management  
 Projects/Actions: 4.e.1.2.19.2 Review Risk Management Framework

### RISK MANAGEMENT CONSIDERATIONS

The level of risk to the City is considered to be as follows:

Category	Risk level	Comments
Health	N/A	Nil
Financial	N/A	Nil
Service Interruption	N/A	Nil
Environment	N/A	Nil
Reputation	N/A	Nil
Compliance	High	Local Government Audit Regulations require appropriate risk management systems and procedures to be in place. A Risk Register and supporting policy documents ensure that the City is constantly reviewing identified risks and managing them appropriately.

**IMPACT ON CAPACITY**

There is minimal impact on capacity or resourcing to carry out the Officer's recommendation.

**RELEVANT PRECEDENTS**

The Risk Register is reviewed on an ongoing basis.

**VOTING REQUIREMENTS**

Simple Majority.

**OPTIONS:**Option 1

As per Officer's recommendation.

Option 2

That the Audit and Organisational Risk Committee by SIMPLE Majority pursuant to Regulation 17 of the *Local Government (Audit) Regulations 1996* RESOLVES to DEFER consideration of the risk register pending further review.

**CONCLUSION**

Following the most recent review of the Risk Register, several new risks have been identified bringing the total of identified risks to 184. Overall the City is managing risk effectively with no *residual* risks rated extreme and only 0.5% of *residual* risks rated high. These risks are considered acceptable with some minor work required to enhance some controls to ensure effective management and monitoring of our risks.

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**OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION**

Res No : AOR95  
MOVED : Cr Long  
SECONDED : Cr Scott

That the Audit and Organisational Risk Committee by SIMPLE Majority pursuant to Regulation 17 of the *Local Government (Audit) Regulations 1996* RESOLVES to NOTE the current status of risk management

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**CARRIED**

FOR : Cr Smeathers, Cr Long, Cr Nunn Cr Scott  
AGAINST : Nil



## **6 ITEMS FOR INFORMATION ONLY**

**Responsible Officer:** Director Corporate Services

**Reporting Author:** Minute Secretary

**Disclosure of Interest:** Nil

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### **PURPOSE**

To advise the Audit and Organisational Risk Committee of the information items for period ending October 2020

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### **OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION**

**Res No** : AOR96

**MOVED** : Cr Scott

**SECONDED** : Cr Long

That the Audit and Organisational Risk Committee note the following information items:

**6.1 Business Improvement – Progress Report**

**6.2 Update on External Audits**

**6.3 Records Management in Local Government**

**6.4 Fraud Prevention in Local Government**

**6.5 Regulation 17 Reviews**

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**CARRIED**

**FOR** : Cr Smeathers, Cr Long, Cr Nunn Cr Scott  
**AGAINST** : Nil

**6.1 BUSINESS IMPROVEMENT – PROGRESS REPORT****File No:** FM.3**Responsible Executive Officer:** Director Corporate Services**Reporting Author:** Manager Governance & Organisational Strategy**Date of Report:** 6 October 2020**Disclosure of Interest:** Nil**Attachment(s):** Nil**PURPOSE**

To provide the Audit & Organisational Risk Committee with a progress update on Business Improvement activities and initiatives:

<b>Focus Areas</b>	<b>Brief Description</b>	<b>Indicative Activities/Outputs</b>	<b>Current and Future Status</b>	<b>Review Date</b>
<b>1. Strategic Community Plan 2020-30</b>	Outlines the outcomes expressed by our communities and our response as an organisation in achieving those agreed outcomes in the next 10 years.	<ul style="list-style-type: none"> <li>• Vision</li> <li>• Strategies</li> <li>• Community Engagement</li> <li>• Resources and Commitments</li> </ul>	<ul style="list-style-type: none"> <li>• Full review undertaken in 2020</li> <li>• SCP adopted by Council in August 2020</li> </ul>	<ul style="list-style-type: none"> <li>• June 2022</li> </ul>
<b>2. Corporate Business Plan 2020-25</b>	Outlines what the organisation needs to deliver in the next five years.	<ul style="list-style-type: none"> <li>• Activates Strategic Community Plan</li> <li>• Progress Measures to achieve delivery of outcomes</li> <li>• Budget information for five years</li> </ul>	<ul style="list-style-type: none"> <li>• Full review undertaken in 2020</li> <li>• CBP adopted by Council in August 2020</li> </ul>	<ul style="list-style-type: none"> <li>• June 2022</li> </ul>
<b>3. Operational Plan 2020-21</b>	Annual slice and dice of Corporate Business Plan. Has been extensively reworked internally to ensure consistency and compliance.	<ul style="list-style-type: none"> <li>• Annual Budget.</li> <li>• Annual Projects and Services</li> </ul>	<ul style="list-style-type: none"> <li>• Budget approved by Council in June 2020.</li> <li>• ISP documents adopted by Council in August 2020</li> </ul>	<ul style="list-style-type: none"> <li>• June 2021</li> </ul>
<b>4. Asset Management Plan</b>	What Assets are required at what service level to deliver the services expressed by our communities?	<ul style="list-style-type: none"> <li>• Asset Conditions &amp; Ratings</li> <li>• Levels of Service, operational, technical and community</li> <li>• Financial information for maintenance of assets at an agreed level of service</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic Asset Management Plan approved by Council in Feb 2020</li> </ul>	<ul style="list-style-type: none"> <li>• February 2022</li> </ul>

Focus Areas	Brief Description	Indicative Activities/Outputs	Current and Future Status	Review Date
		<ul style="list-style-type: none"> <li>Asset Disposal Strategy and Lifecycle Costing</li> <li>Action Plans</li> </ul>		
<b>5. Long Term Financial Plan</b>	<p>Informs the Strategic Community Plan and Corporate Business Plan.</p> <p>CEO has reviewed with EMT. Staff believe that assumptions that inform the financial modelling need review prior to Council adoption.</p>	<ul style="list-style-type: none"> <li>Sensitivity Analysis</li> <li>Long Term Financial Sustainability</li> <li>Capital Works Program for next 10 years</li> <li>Financial Modelling</li> <li>Assumptions and Scenarios</li> </ul>	<ul style="list-style-type: none"> <li>Review of key assumptions and 10 year Capital Works Plan completed annually.</li> <li>LTFP approved by Council 2019/20 – 2028/29</li> </ul>	<ul style="list-style-type: none"> <li>June 2021</li> </ul>
<b>6. Workforce Plan 2013-2018</b>	Development of an all-encompassing strategy which addresses staff turnover rates and an appreciation of the full number of staff required to deliver City business now and into the future.	<ul style="list-style-type: none"> <li>Structural Review</li> <li>Performance Measurement Systems</li> <li>Performance Appraisal System</li> <li>Retention</li> <li>Recruitment</li> <li>Succession Planning</li> <li>Development and training</li> <li>Staff housing &amp; accommodation</li> </ul>	<ul style="list-style-type: none"> <li>Approved by Council in June 2019.</li> <li>Annual review has been completed and incorporated in the LTFP assumptions</li> <li>New plan being finalised.</li> </ul>	<ul style="list-style-type: none"> <li>October 2020</li> </ul>
<b>7. Housing Strategy</b>	Development of a strategy to address the housing and accommodation needs of the City from retention and recruitment perspective.	<ul style="list-style-type: none"> <li>Short term review and modifications undertaken.</li> <li>Options for staff housing to be developed (ownership vs leasing vs paying allowances).</li> </ul>	<ul style="list-style-type: none"> <li>Review completed and endorsed by Council in July 2018.</li> </ul>	<ul style="list-style-type: none"> <li>Review due 2021.</li> </ul>
<b>8. Corporate Performance Management System</b>	A tool to integrate all operations including projects and services delivered by the organisation and report on the individual status and financials.	<ul style="list-style-type: none"> <li>Ability for all reporting teams to update their quarterly performances.</li> </ul>	<ul style="list-style-type: none"> <li>In house reporting every quarter.</li> <li>90 KPIs proposed for 2020/21 FY.</li> <li>Q4 2019-20 KPIs presented to Council in September 2020</li> </ul>	<ul style="list-style-type: none"> <li>Q1 2020-21 KPIs to be presented in November 2020.</li> </ul>
<b>9. Procurement and Tendering</b>	Given the large volume of projects that the City is accountable for, a more centralised approach with procurement is	<ul style="list-style-type: none"> <li>Centralise and streamline the approach to procurement and tendering.</li> <li>Create knowledge management and</li> </ul>	<ul style="list-style-type: none"> <li>Induction and awareness training provided quarterly to staff.</li> </ul>	<ul style="list-style-type: none"> <li>Review of Purchasing Policy and Regional Price Preference Policy due Dec 2020</li> </ul>

Focus Areas	Brief Description	Indicative Activities/Outputs	Current and Future Status	Review Date
	applied for regulatory compliance.	succession planning of procurement and tendering through the organisation.	<ul style="list-style-type: none"> <li>eQuotes for local suppliers introduced in November 2015.</li> <li>Procurement guidelines introduced.</li> </ul>	
<b>10. Functional Processes</b>	A review of the key processes that link how things are done within the organisation and examine the need to streamline and avoid duplication of activity that further create efficiencies in time and cost on how activities are undertaken.	<ul style="list-style-type: none"> <li>Define what a process is and how these will be recorded.</li> <li>Conduct a review of current functional processes across the organisation.</li> <li>Define what functional processes are needed, how they will be recorded, understood and applied consistently throughout the organisation.</li> </ul>	<ul style="list-style-type: none"> <li>Policies adopted.</li> <li>Current practices are being process mapped as an internal resource and guide to all staff.</li> <li>&gt;550 processes have been developed with 94% published for organisation to use.</li> <li>Currently investigating opportunities for automation in workflows.</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing and annual reviews of processes undertaken</li> </ul>
<b>11. Service Reviews</b>	Review of all service areas to ensure efficacy and alignment with strategic direction and community	<ul style="list-style-type: none"> <li>Thorough review of individual service area with recommendations targeting business improvement and efficiency</li> </ul>	<ul style="list-style-type: none"> <li>Service reviews have been undertaken across all service areas with 337 recommended actions put forward to EMT.</li> <li>79% of recommended actions are complete and 21% in progress.</li> </ul>	<ul style="list-style-type: none"> <li>Phase II Service Reviews completed and under consideration.</li> </ul>
<b>12. Risk Management Review</b>	Review of existing policies, procedures and supporting documentation. Development of Risk Management Framework.	<ul style="list-style-type: none"> <li>Common, contemporary, compliant framework was developed and utilised for the four (4) Pilbara LGA's.</li> </ul>	<ul style="list-style-type: none"> <li>Risk plan and policies approved by Council in August 2019.</li> <li>Review of register undertaken for consideration at each AORC meeting.</li> </ul>	<ul style="list-style-type: none"> <li>Risk Management Policy due 2021</li> </ul>
<b>13. Business Continuity</b>	A project funded by the PRC to assist Pilbara councils to	<ul style="list-style-type: none"> <li>BCM Policy and Plan.</li> </ul>	<ul style="list-style-type: none"> <li>BCM Plan prepared and training to be</li> </ul>	<ul style="list-style-type: none"> <li>BCM Plan under review and will be</li> </ul>



Focus Areas	Brief Description	Indicative Activities/Outputs	Current and Future Status	Review Date
<b>Management Project</b>	establish a business continuity framework for their local authorities.	<ul style="list-style-type: none"> <li>• BCM Governance Framework.</li> <li>• Exercise Maintenance and Awareness Plan.</li> </ul>	undertaken by consultant.	submitted to AORC in 2020.
<b>14. Internal Audit Program</b>	A program to examine and test internal controls established within the organisation to ensure sound governance systems are effective.	<ul style="list-style-type: none"> <li>• IA Schedule developed of internal audit program.</li> <li>• Identify any weaknesses and reduce risks by examining existing control measures and providing recommendations for improvement.</li> </ul>	<ul style="list-style-type: none"> <li>• Completed Delegations &amp; Authorisations; Credit Card Usage and Stock Control IAs.</li> <li>• Unscheduled audits conducted on IT security and Schedule of Rates contracts.</li> </ul>	<ul style="list-style-type: none"> <li>• Three year internal audit plan developed for consideration by AORC</li> </ul>
<b>15. Staff Engagement Survey</b>	All staff are invited to participate in a survey to provide feedback on a wide range of work related topics that will help to shape our people policies and ensure a positive workplace for all employees.	<ul style="list-style-type: none"> <li>• Online and hard copy survey sent to all employees every 2 years.</li> <li>• Each department to develop an action plan in consultation with staff to respond to survey results.</li> </ul>	<ul style="list-style-type: none"> <li>• Last survey conducted in May 2019.</li> <li>• Action plans prepared to respond to feedback.</li> </ul>	<ul style="list-style-type: none"> <li>• Next survey to be undertaken in 2021</li> </ul>

**6.2 UPDATE ON EXTERNAL AUDITS**

<b>File No:</b>	<b>CM.131</b>
<b>Responsible Executive Officer:</b>	<b>Director Corporate Services</b>
<b>Reporting Author:</b>	<b>Manager Governance &amp; Organisational Strategy</b>
<b>Date of Report:</b>	<b>7 October 2020</b>
<b>Disclosure of Interest:</b>	<b>Nil</b>
<b>Attachment(s):</b>	<b>Nil</b>

**PURPOSE**

To provide the Audit and Organisational Risk Committee (AORC) with a status update regarding implementation of recommendations from past external or independent audits on the City's activities.



**BACKGROUND**


At the meeting of the AORC on 25 July 2017, a report was presented detailing the findings and recommendations arising from a review of the City's Financial Management Systems. A more recent review of the City's Financial Management Systems conducted in June this year forms part of a separate report to this month's agenda.

On 16 November 2018 a report was presented to the AORC on the City's IT Network Security.

On 10 March 2020 the Independent Auditor's Report and Management Report for 2018/19 was presented to the AORC identifying one significant finding.

The table below outlines the status of outstanding recommendations from past audit reports:

<b>Recommendation</b>	<b>Responsibility</b>	<b>Comments</b>	<b>Timing</b>	<b>Status</b>
<b>2017 Financial Management System Review - AMD</b>				
Maintenance and security of financial records				
BCP to be tested periodically to its full extent	Governance	<ul style="list-style-type: none"> <li>Testing carried out every two years.</li> <li>BCP exercises undertaken at Airport in 2017 and REAP in 2018.</li> <li>BCP tested annually in relation to cyclonic events – last being TC Damien Feb 2020.</li> <li>A review of the current BCP document is being finalised and will be put in practice with an exercise planned in late 2020.</li> </ul>	Dec 2020	
<b>Network Vulnerability Assessment and Penetration Testing</b>				
The report identified:	Information Services	<ul style="list-style-type: none"> <li>41% of the recommendations have been</li> </ul>	June 2021	

Recommendation	Responsibility	Comments	Timing	Status
15 recommendations for external penetration testing; 33 recommendations for Security Process Review; 5 recommendations for Social Engineering – Phishing; and 15 recommendations for Technical Security Review		<p>completed. Of the remaining 40 recommendations:</p> <ul style="list-style-type: none"> <li>- 3 are high priority</li> <li>- 19 are medium priority</li> <li>- 18 are low priority.</li> </ul> <ul style="list-style-type: none"> <li>• Some recommendations require significant system upgrades, policy development and establishing communication strategies.</li> <li>• Since last advice, inroads have been made into: <ul style="list-style-type: none"> <li>○ Physical Security improvements.</li> <li>○ Change management improvements.</li> <li>○ IT Asset Management improvements.</li> </ul> </li> </ul>		
<b>2019 Annual Financial Report</b>				
Rehabilitation of 7 Mile Waste Facility identified as a contingent liability but costs not quantified.	Financial Services	<ul style="list-style-type: none"> <li>• The City maintains sufficient funds within its Waste Management Reserve to cover rehabilitation.</li> <li>• The City has made a provision for the 2019/20 year however DWER has not finalised its review of the Filling Sequence Plan and Closure and Post Closure Management Plan.</li> </ul>	Dec 2020	

**CONCLUSION**

A further update on the outstanding recommendations will be provided at the next AORC meeting.

### 6.3 RECORDS MANAGEMENT IN LOCAL GOVERNMENT

<b>File No:</b>	<b>IM.2</b>
<b>Responsible Executive Officer:</b>	<b>Director Corporate Services</b>
<b>Reporting Author:</b>	<b>Manager Governance &amp; Organisational Strategy</b>
<b>Date of Report:</b>	<b>6 October 2020</b>
<b>Disclosure of Interest:</b>	<b>Nil</b>
<b>Attachment(s):</b>	<b>Nil</b>

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#### **PURPOSE**

To inform Council about City record keeping practices following an Office of the Auditor General (OAG) performance audit related to records management on four other local governments.

#### **BACKGROUND**

The OAG presented its findings on “*Records Management in Local Government*” to State Parliament in April 2019. The [report](#) noted 137 local governments and 9 regional councils had a Record Keeping Plan (RKP) approved by the State Records Commission and are complying with the *State Records Act 2000*. However it was noted that four local governments were not effectively implementing their RKPs.

The OAG report suggested that:

*All LGs, including those not sampled in this audit, should review their record keeping policies and procedures to ensure they adequately support their RKP. LGs should implement:*

- *regular and thorough records training;*
- *regular reviews of staff record keeping practices;*
- *timely disposal of records; and*
- *adequate protection over digital records.*

As a consequence, officers have undertaken an internal review of the City’s systems which highlighted the following:

#### **1. Regular and thorough records training:**

- 1.1. New staff who are responsible for creating, collecting and using records are required to attend a records management induction session within 1-2 weeks of their commencement. At the conclusion of the induction, staff receive an induction booklet that provides them with the City Record Keeping Policy, SynergySoft user guide and State Records Office documentation relating to emails, recordkeeping responsibilities, etc. Staff are required to sign a form to confirm their awareness of the City procedures and agreement to abide by the City’s RKP. This attendance form is placed on their Personnel File.
- 1.2. Record keeping training sessions are offered to all staff 2-3 times a year (the RKP specifies quarterly).
- 1.3. Personalised refresher/training sessions are offered upon request.

## 2. Regular reviews of staff record keeping practices

2.1. The Records team consistently work with departments across the organisation to review their processes and practices and identify ways of improving records management across the board. Examples include:

- a) Depot Services – The Records team reviewed processes for tracking action requests recommending that they utilise the Customer Service Module to improve efficiency and compliance. This was implemented and has proved to be working well.
- b) Ranger Services – The Records team recently identified that there was double handling in entering of records. The Customer Service Module was suggested as an alternative to capture these records and save this team time.
- c) Health Services – The Records team has eliminated the need for duplicate files for health premises (the records file and a health service working file).
- d) Human Resources – The Records team has worked with HR to improve record keeping processes surrounding Personnel Records (including workers compensation).
- e) The Records team has recommended the use of Synergy Profiles and Templates to a number of teams. Implementing these functions saves time when registering certain records.
- f) Monthly overdue record reports are circulated to all departments to prompt staff to action their records in a timely manner.
- g) The Records team has visited most of the external offices to address records related issues such as disposal of records, archiving, registration of records, etc.

2.2. Records Management Policy and Procedures are reviewed regularly.

## 3. Timely disposal of records

3.1. The Records team conduct a regular disposal program for physical records, on an annual and/or biannual basis, dependant on the quantity of records identified for destruction.

3.2. The City does not dispose of electronic records at this stage. This is listed as an initiative for the Records team, however the destruction of electronic records will most likely not occur until other initiatives have been fully implemented.

## 4. Adequate protection over digital records

4.1. Electronic backups of the City's computer records are conducted several times each day.

4.2. Daily backups are held off-site in a purpose build fire retardant safe located in a fire proof telecommunications/server room that is temperature controlled 24hrs a day.

4.3. Complete data backups are scheduled and occur daily, weekly, monthly, quarterly and annually.

4.4. Monthly backup tapes are rotated quarterly, and by the end of a quarter backup tapes are stored permanently offsite.

## 5. Security and Access

5.1. All users are provided with secure log in and passwords to core systems.

5.2. All users of the records management system are assigned an appropriate security level, dependent on the area of employment, their role within the City and the authorisation from the Director/Manager.

5.3. All records are classified at registration and appropriate security levels applied depending on content.

5.4. Security Levels are assigned to files.

5.5. Access to records in Synergy is recorded via an audit history trail.

## 6. Recovery of Lost Information

- 6.1. The City is able to quickly recover lost information should a disaster occur. The quick response strategy includes the fully redundant electronic data duplication capability which covers most of the City's electronic information.
- 6.2. A Disaster Recovery Plan for Records is under consideration for the City's amended RKP next year.

Whilst the City is meeting its obligations under the *State Records Act* and RKP there is one area that requires improvement:

- All City websites and social media pages are not being captured as digital records in the City's record keeping system. This will be rectified through the website upgrade project currently being tendered.

## **CONCLUSION**

For information only.

## 6.4 FRAUD PREVENTION IN LOCAL GOVERNMENT

<b>File No:</b>	<b>CM.167</b>
<b>Responsible Executive Officer:</b>	<b>Director Corporate Services</b>
<b>Reporting Author:</b>	<b>Manager Governance &amp; Organisational Strategy</b>
<b>Date of Report:</b>	<b>6 October 2020</b>
<b>Disclosure of Interest:</b>	<b>Nil</b>
<b>Attachment(s):</b>	<b>Nil</b>

### PURPOSE

To inform the Audit and Organisational Risk Committee of the results of the Office of Auditor General (OAG) audit on the effectiveness of management of fraud risk in local government.

### BACKGROUND

The OAG has published a report on *Fraud Prevention in Local Governments*. The OAG examined five local governments (East Pilbara, Katanning, Nedlands, Serpentine-Jarrahdale and Vincent). An online survey was also sent by the OAG to all local governments, which the City responded to.

The Auditor General reported:

*This audit found that many local governments have not assessed their fraud risks, and do not have comprehensive fraud management plans and programs. Most could do more to educate their staff on integrity policies and controls to reinforce anti-fraud messages and consider fraud risks in their daily duties. Local governments also need to make sure they have clear and easy processes for people to report any fraud concerns.*

*It was pleasing to find that all the local governments we reviewed had some fraud controls in place and the staff my audit team dealt with during the audit were diligent. But, high staff turnover and work load makes implementing good fraud controls even more of a priority.*

The five local governments were assessed against *Australian Standard AS 8001-2008 Fraud and Corruption Control* that is used as a better practice standard for controlling fraud risks.

The standard has four components:

- Planning – developing coordinated approach to managing fraud risk;
- Prevention – assessing fraud risks, putting controls in place, building an ethical culture;
- Detection – systems and reporting avenues, aimed at identifying fraud as soon as possible;
- Response – policies and procedures to act on suspected fraud or corruption.

The following table provides a summary of areas examined and the City's position on each. Where there are areas for improvement, measures are proposed to fill these gaps.

Area examined	OAG Commentary on Sample Group	City's position	Proposed Response
Planning			

Area examined	OAG Commentary on Sample Group	City's position	Proposed Response
Risks are understood	<p>All entities reviewed had not assessed all their fraud risks. Some LGs considered external theft and fraud in their risk registers.</p> <p>25% of surveyed LGs indicated they had not completed a fraud risk assessment.</p>	City has undertaken a review of risks across all operations. Fraud has not been specifically highlighted however is continually being monitored.	This will be considered in more detail in the next review
Approach is documented	<p>Expected that all entities have a Fraud and Corruption Control Management Plan. LGs reviewed did not have a Plan except for East Pilbara however no actions within the Plan had been carried out.</p> <p>54% of surveyed LGs did not have a Plan.</p>	The City does not have a Plan. The City considers the existing internal control systems coupled with the City's Code of Conduct and risk management policies, are sufficient to monitor and report any risks associated with fraud.	No further action
Internal audit considers fraud risks	<p>No LG engaged with audit committee on risks in Plan.</p> <p>No commentary provided on surveyed LGs.</p>	<p>The Audit and Organisational Risk Committee is presented a risk register at each meeting.</p> <p>Fraud is considered as part of annual audits..</p>	No further action
<b>Prevention</b>			
Policy Framework is in place	<p>Entities could make their organisations more fraud resistant if they raise staff awareness of risks, improve how they manage conflicts of interests, and better screen employees and suppliers.</p> <p>55% of LGs surveyed did not train staff in fraud risks and controls.</p> <p>All the entities we reviewed provided employees with key integrity policies at induction. However, none required staff to revisit the policies.</p> <p>OAG recommends to comply with the Standard, staff should</p>	<p>City employees receive regular induction and refresher training on the City's Code of Conduct, PID, delegations, conflicts of interest, policies and purchasing practices. Reference material is also available on Sharepoint.</p> <p>Code of Conduct is reviewed every 2 years.</p>	<p>Training packages to be reviewed to ensure they adequately address a strong anti-fraud culture at the City.</p> <p>Consideration will be given to reviewing the Online staff induction in relation to the Code of Conduct where employees sign off annually with their annual performance reviews.</p> <p>Governance to coordinate with HR and Finance</p> <p>December 2020</p>



Area examined	OAG Commentary on Sample Group	City's position	Proposed Response
	sign annually an understanding of the Code of Conduct. 89% of entities surveyed indicated that they do not require staff to do this.		
Internal controls are in place	<p>Three audited LGs captured conflicts of interest for elected members and executive staff, but did not require disclosures to be completed for other staff. Staff need to be aware that they have a responsibility to declare any interests that could conflict with performing their public duties.</p> <p>Entities reviewed did not have adequate policies to screen staff or suppliers. Good screening controls would give entities some assurance of the identity, integrity and credentials of employees and suppliers.</p> <p>None of the entities reviewed had policies in place to screen staff to ensure integrity of their qualifications, identity and work histories.</p> <p>None of the entities reviewed routinely screened suppliers' credentials – ABN's and confirming that directors are not bankrupt or disqualified.</p>	<p>HR undertake necessary checks as part of the recruitment process and prior to contracts being signed.</p> <p>ABN verifications are undertaken when suppliers are first entered into the City's systems. Greater emphasis is applied to larger contracts where financials are checked as part of the tender assessment process to ensure the financial viability of the supplier to undertake works.</p>	HR to review checks.
<b>Detection</b>			
Detection systems in place	OAG noted it was not always clear how staff, the public or suppliers should report suspected fraud. The entities reviewed did not have ways for individuals to make anonymous reports of potential fraud, other than Public	<p>Checks undertaken at various stages of works and throughout financial payments to ensure probity and proper allocation of funds.</p> <p>Reporting options, including PID, HR, CCC, PSC, etc are</p>	No further action required.

Area examined	OAG Commentary on Sample Group	City's position	Proposed Response
	<p>Interest Disclosures (PID). They also did not have a process in place to analyse all information they received about potential fraud.</p> <p>All the entities reviewed had clear processes around making a PID and had PID officers in place. However, entities should not rely only on PIDs and can use other reporting avenues such as the CCC, PSC or WA Police.</p>	communicated through the City's Governance and Induction programs.	
<b>Response</b>			
All information is considered	<p>None of the entities reviewed have a way to capture, collate and analyse all information about potential fraud. The Standard expects organisations to develop a program and recommends the development of a fraud register. Capturing records in a central location would make it easier for entities to look for trends, identify issues early and act appropriately.</p>	<p>Incident reporting available to record, analyse and escalate incidents.</p> <p>Fraud incidents are rare hence comprehensive systems do not exist.</p>	<p>Governance to review recording systems with HR and Information Services.</p> <p>December 2020</p>

## CONCLUSION

The City has acknowledged the risk of fraud in the workplace and has attempted to address this through policies and the Code of Conduct. Systems have also been developed to mitigate any opportunities for fraud to go undetected. As always there is room for improvement and as a review is undertaken on potential gaps identified above, they will be reported to future Audit and Organisational Risk Committee meetings.

**6.5 REGULATION 17 REVIEWS****File No:** FM.1**Responsible Executive Officer:** Director Corporate Services**Reporting Author:** Manager Governance & Organisational Strategy**Date of Report:** 17 August 2020**Disclosure of Interest:** Nil**Attachment(s):** Nil**PURPOSE**

To provide the Audit and Organisational Risk Committee an outline of ongoing activity to review systems and procedures in relation to risk management, internal controls and legislative compliance.

**BACKGROUND**

Once in every three years the City is required to undertake a review of the appropriateness and effectiveness of the local government's systems and procedures in relation to:

- risk management;
- internal control; and
- legislative compliance.

In 2019 the OAG noted that the City does not report such activity to the Audit and Organisational Risk Committee or Council for monitoring. Rather than a fixed review of all systems and procedures every three years, the City undertakes variable reviews on a regular basis throughout the year. Following is a summary of all reviews regularly undertaken by the City:

	Area of assessment	Date last reviewed	Status / Actions / Recommendations	Report to AORC / Council
<b>1.0</b>	<b>RISK MANAGEMENT</b>			
1.1	Risk Management Policy and Framework	Mar 2019	➤ This is reviewed every 2 years and presented to the AORC for consideration. Next review due in 2021.	● ✓
1.2	Risk monitoring and reporting	Oct 2020	➤ Register is updated by managers with assessments undertaken on risk measures, control measures and incidents arising. Reports presented to AORC every meeting on high and extreme residual risks. ➤ Every Council agenda report also is assessed against risk framework.	● ✓
1.3	Business Continuity Plan	2014/15	➤ Draft review of documents in progress - desktop exercise yet to be carried out. ➤ Plan put into effect each tropical cyclone season. Last Feb 2020 TC Damien and more recently COVID-19.	● ✓

	Area of assessment	Date last reviewed	Status / Actions / Recommendations	Report to AORC / Council
1.4	Tropical Cyclone Checklist	Sept 2020	➤ Checklist reviewed by all responsible areas and changes made to ensure adequate precautions and actions are undertaken before, during and after a tropical cyclone event. Checklist reviewed after a major event to ensure potential improvements are made to plan for the next season.	●
1.5	Council Policies	Various	➤ Policies are reviewed generally every 2-3 years and a report provided for Council consideration. Latest versions are listed on website.	● ✓
1.6	Operational Policies	Various	➤ Policies are reviewed generally every 3 years for EMT consideration. Latest versions are listed on Sharepoint.	●
1.7	Airport Risk Management			
	(a) Civil Aviation Safety Authority Audit	Oct 2019	➤ Audit examines compliance with air transport legislation, physical infrastructure, security and processes. CASA dictates when audits are completed.	●
	(b) Annual Technical Inspections	Aug 2020 (electrical)	➤ Inspections undertaken every three years on electrical, aerodrome, pavement and drainage to airside.	●
	(c) Department of Home Affairs – Aviation Security	Aug 2019	➤ Inspections carried every second year out on aviation security, screening and general compliance with operative procedures.	●
	(d) Bird and Wildlife Management	Dec 2019	➤ Bird count inspections carried out daily and a report compiling the full review of systems carried out on compliance, procedures and risk assessments is undertaken annually.	●
	(e) Emergency Management (CASA)	Oct 20 (AMS Audit)	➤ Table top exercise and full exercise conducted on alternate years. ➤ Independently tested by AMS. Improvements made to emergency management plans.	●
1.8	Waste Management Compliance Audit	Mar 2020	➤ Annual audit conducted and signed off by CEO for submission to DWER.	●
1.9	Waste Management Environmental Audits	Feb 2020	➤ Conducted annually at 7MWF, Wickham Transfer Station and Airport Waste Water Treatment Plant and signed off by CEO for submission to DWER.	●
1.10	Occupational Health and Safety	Dec 2019	➤ Monthly inspections carried out with all workplaces inspected at least once a quarter. Reports provided to HR and status updates to EMG. ➤ Full external OHS Audit carried out in July 2019. ➤ Incident reporting completed by employees is compiled each week and reported to EMT.	●

	Area of assessment	Date last reviewed	Status / Actions / Recommendations	Report to AORC / Council
1.11	Training and Induction			
	(a) Employee Inductions	Within first month	<ul style="list-style-type: none"> <li>➤ All employees undertake online inductions and work area inductions within the first few weeks of start. HR monitor progress and follow up on overdue inductions.</li> <li>➤ Probationary performance reviews require inductions to be completed prior to accepting employee on a permanent basis.</li> <li>➤ Risk management included in Performance Reviews and Position Descriptions.</li> </ul>	●
	(b) Contractor Inductions	Pre start-up	<ul style="list-style-type: none"> <li>➤ Contractors receive onsite induction from work teams prior to commencing work.</li> </ul>	●
	(c) Compliance Training	Sep 2020	<ul style="list-style-type: none"> <li>➤ All new employees are required to undertake in-house compulsory compliance training (conducted every 6 weeks by Governance).</li> </ul>	●
	(d) Procurement Training	Oct 2020	<ul style="list-style-type: none"> <li>➤ All new employees exposed to procurement activity are required to undertake in-house procurement training on various software, RFQ and RFT systems (conducted every 3 months by Governance).</li> </ul>	●
	(e) Promapp Training	Sep 2020	<ul style="list-style-type: none"> <li>➤ All new employees encouraged to attend Promapp Introduction training to understand tools and practices employed by the City (conducted monthly by Governance).</li> </ul>	●
1.12	Record Keeping Plan	Oct 2019	<ul style="list-style-type: none"> <li>➤ Plan adopted and applied to daily records management activities. Reporting by exception provided to EMG. The Plan is reviewed every 5 years.</li> </ul>	● ✓
1.13	IT Service Backups	Daily	<ul style="list-style-type: none"> <li>➤ As a minimum, backups are completed twice a day and hardware saved offsite. Redundancy measures in place to minimise data loss.</li> </ul>	●
<b>2.0</b>	<b>INTERNAL CONTROLS</b>			
2.1	Procurement and Tendering	Annual	<ul style="list-style-type: none"> <li>➤ A comprehensive suite of procedures and tools are available for staff. Templates and procedures reviewed annually as a minimum.</li> <li>➤ Inductions and training offered to all staff. (See 1.11(d))</li> </ul>	●
2.2	Functional Processes	Annual	<ul style="list-style-type: none"> <li>➤ All work areas have documented process maps.</li> <li>➤ Procedures are reviewed annually or less frequent. Automatic notifications are sent to all stakeholders of new and changed processes and reference documents. Reminders also provided to</li> </ul>	●

	Area of assessment	Date last reviewed	Status / Actions / Recommendations	Report to AORC / Council
			staff and management of overdue processes. ➤ Training offered to all staff (see 1.11(e))	
2.3	Internal Audit Program	Annual	➤ Internal audit program commenced in 2013. The following audits have been completed: • Cash Handling • Delegations • Credit Card Usage • Stock Management ➤ Unscheduled audits completed on Network Vulnerability and Schedule of Rates contracts. ➤ Reports provided to AORC and Council.	✓
2.4	IT Systems and Controls			
	(a) Backups	Daily	➤ Directory monitored and managed daily. ➤ Audit reports prepared on access to systems and creation of creditor/HR files. Exception reporting provided to management.	
	(b) Security Checks	Daily	➤ Security features enabled to prevent unauthorised access to system folders and websites. Controlled access to downloading and installation of executable files. ➤ Active Directory monitored and managed and terminated employees are deactivated.	
	(c) Hardware - UPS	Daily	➤ Constant automatic monitoring and alarm on UPS.	
	(d) IT Systems and Security Audit	Jul 2017	➤ Audit undertaken by ES2 relating to system architecture and network vulnerability. ➤ Report provided to AORC and recommendations being actioned.	✓
	(e) Quarterly web usage reports	Quarterly	➤ Reports provided to EMT on internet usage by staff, i.e. time and data download.	
2.5	Financial Management Systems Review	Jun 2020	➤ Recommendations from independent FMSR presented to the AORC.	✓
2.6	Financial Management Reporting	Oct 2020	➤ Monthly variance reporting completed by managers. ➤ Reports presented monthly to Council include monthly financial reports, list of payments, list of significant debtors.	✓
2.7	Contentious Issues Reports	Oct 2020	➤ Any contentious issues emerging or existing are discussed by EMT and reported to Council	✓
2.8	Spot Audits	Adhoc	➤ Spot audits undertaken where issues are identified. These are reported to staff, Managers and EMT. Referrals to HR also considered.	

	Area of assessment	Date last reviewed	Status / Actions / Recommendations	Report to AORC / Council
2.9	Registers			
	(a) Lease Register	Oct 2020	➤ Established. Used to identify expired leases and management of lease payments and renewals. Project underway to update airport leases.	●
	(b) Cemetery Register	Weekly	➤ Updated with new burial information. Historical records being uploaded progressively.	●
2.10	Service Reviews	Oct 2019	➤ All services reviewed and improvement opportunities identified.	● ✓
2.11	Staff Engagement Survey	May 2019	➤ Survey undertaken every two years. ➤ EMG has developed action plans to address improvement opportunities.	● ✓
<b>3.0</b>	<b>LEGISLATIVE COMPLIANCE</b>			
3.1	Compliance Audit Return	Mar 2020	➤ Annual return required by DLGSCI. Report provided to AORC and Council for approval before being submitted to DLG. (96.2% compliance rate for 2019)	● ✓
3.2	Planning for the Future	Aug 2020	➤ Quarterly reporting provided to Council on identified performance measures related to the Corporate Business Plan.	● ✓
3.3	Legislative Updates	Ad hoc	➤ Updates obtained through a range of sources, including WALGA, DLGSCI, statutory bodies, professional groups, etc.	● ✓
3.4	Statutory Registers			
	(a) Delegation Register	Jul 2020	➤ The Delegations Register is reviewed annually and reported to Council.	● ✓
	(b) Tender Register	Monthly	➤ Public tender register is available on the City's website. An internal register is also maintained containing confidential information. Both registers are updated simultaneously with latest tender information.	●
	(c) Complaints (Elected Members) Register	Aug 2020	➤ Register in place but no entries recorded for current year.	●
	(d) Gift and Travel Register	Monthly	➤ Register is maintained weekly with disclosures provided monthly to EMT.	●
	(f) Electoral Gift Register	Oct 2019	➤ Register in place but no entries related to last election.	●
	(g) Primary and Annual Returns Register (Financial Interests Register)	Aug 2020	➤ Register in place and all Annual Returns completed by 31 August.	●
	(h) Declaration of Interests Register	Monthly	➤ Disclosures of interests at Council meetings are entered into Register and available for inspection.	●
	(i) Investments Register	Sep 2020	➤ Quotes obtained for all Term Deposits for review by CFO, Director Corporate Services and CEO. ➤ All current Term Deposits are reported to Council in the monthly financial statements.	● ✓

	Area of assessment	Date last reviewed	Status / Actions / Recommendations	Report to AORC / Council
3.5	Statutory Reporting			
	(a) Annual Budget	Jun 2020	➤ 2020/21 Budget adopted June 2020. Annual reviews conducted in November, March and May and reported to Council.	● ✓
	(b) Annual Report	Sep 2020	➤ Financial statements presented to auditors for final audit in September 2020.	● ✓
3.6	Related Party Disclosures	Sep 2020	➤ Returns received from all elected members and executive officers.	●
3.7	Development Services Compliance	Monthly	➤ Compliance program (KIE audit of unlicensed premises, sea containers, etc) implemented with regular updates provided to Council. ➤ 4 yearly inspections conducted of all residential premises that have an established swimming pool/spa as part of licensing process or fee for service. ➤ Annual inspections carried out prior to fire and cyclone seasons to ensure property owners comply with legislation. ➤ Health premises inspections carried out annually as part of a licensing process or as a fee for service	● ✓
3.8	City Property	Fortnightly	➤ Inspections of all public playground equipment with any subsequent maintenance actioned in accordance with approved SLA. ➤ Inspections undertaken by Parks and Gardens of all sporting fields with any subsequent maintenance actioned in accordance with approved SLA. ➤ 3 year audits conducted of all roads with any subsequent maintenance actioned in accordance with approved SLA.	●
3.9	Employee Performance Reviews	Annual	➤ Annual reviews conducted of all staff. ➤ Legislative compliance included in all EMG reviews. ➤ Overdue reviews are reported by HR to EMG	●
3.10	Inductions and Training			
	(a) Compliance Training	Sep 2020	➤ Compulsory compliance training (including Code of Conduct) provided every six weeks for new and existing staff.	●
	(b) Procurement Training	Oct 2020	➤ Procurement training conducted quarterly for new and existing staff on all aspects related to purchasing and includes quotation and tender processes.	●
	(d) Elected Member Compulsory Training	Oct 2020	➤ Policy adopted by Council in July 2020. ➤ <a href="#">Training profile</a> reported on website.	●



**CONCLUSION**

Activity is constantly being undertaken to ensure the City has appropriate and effective systems and procedures in relation to risk management, internal controls and legislative compliance.



## **7 MATTERS BEHIND CLOSED DOORS**

### **CONFIDENTIAL ITEM 7.1 INTERNAL AUDIT – SCHEDULE OF RATES CONTRACTS**

Also included is the following:

**ATTACHMENT TO ITEM 5.2 FINANCIAL MANAGEMENT REVIEW**

**ATTACHMENT TO ITEM 5.4 RISK REGISTER UPDATE**

**These matters if disclosed would reveal information about the business, professional, commercial or financial affairs of a person.**



**7.1 CONFIDENTIAL ITEM - INTERNAL AUDIT – SCHEDULE OF RATES CONTRACTS**

**File No:** CM.131  
**Responsible Executive Officer:** Director Corporate Services  
**Reporting Author:** Governance Officer - Compliance  
**Date of Report:** 8 October 2020  
**Disclosure of Interest:** Nil

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**OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION**

**Res No** : AOR97  
**MOVED** : Cr Scott  
**SECONDED** : Cr Long

**That the Audit and Organisational Risk Committee by SIMPLE Majority pursuant to Regulation 17 of the *Local Government (Audit) Regulations 1996* RESOLVES to NOTE the outcomes of the Internal Audit - Schedule of Rates Contracts.**

**CARRIED**

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**FOR** : Cr Smeathers, Cr Long, Cr Nunn Cr Scott  
**AGAINST** : Nil



## **8 CLOSURE & DATE OF NEXT MEETING**

The meeting closed at 3.59 pm.

The date of the next meeting is to be advised.

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I, Cr Evette Smeathers, Chairperson for the Audit and Organisational Risk Committee of the City of Karratha, hereby declare on behalf of the Committee that the enclosed Minutes are a true and accurate record of the Audit and Organisational Risk Committee Meeting held 27 October 2020.

..... Date\_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_