



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

# **MINUTES**

**The Audit and Organisational Risk Committee Meeting  
Was held in the Council Chambers,  
Welcome Road, Karratha,  
on Tuesday, 21 February 2017**

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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The City of Karratha warns that anyone who has any application lodged with the City of Karratha must obtain and should only rely on

### **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.



# TABLE OF CONTENTS

ITEM	SUBJECT	PAGE NO
1	OFFICIAL OPENING .....	5
2	RECORD OF ATTENDANCES AND APOLOGIES .....	5
3	DECLARATIONS OF INTEREST .....	5
4	CONFIRMATION OF MINUTES AND BUSINESS ARISING FROM MINUTES OF PREVIOUS MEETINGS .....	5
5	ITEMS FOR DISCUSSION .....	7
5.1	REVIEW OF RISK MANAGEMENT POLICY .....	7
5.2	COMPLIANCE AUDIT RETURN 2016.....	11
5.3	INTERNAL AUDIT – DELEGATIONS AND AUTHORISATIONS .....	15
6	ITEMS FOR INFORMATION ONLY.....	19
6.1	BUSINESS IMPROVEMENT – PROGRESS REPORT.....	20
7	CLOSURE & DATE OF NEXT MEETING .....	25



# MINUTES

## 1 OFFICIAL OPENING

The Meeting was officially opened at 3.06 pm.

## 2 RECORD OF ATTENDANCES AND APOLOGIES

Committee Members: Cr Evette Smeathers (Chairperson)  
Cr Grant Cucel  
Cr Peter Long  
Cr Daniel Scott

Staff:	Chris Adams	Chief Executive Officer
	Phillip Trestrail	Director Corporate Services
	Henry Eaton	Manager Governance & Organisational Strategy
	Linda Franssen	Minute Secretary

Apologies: Cr Fiona White-Hartig

## 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 : AOR46  
MOVED : Cr Long  
SECONDED: : Cr Scott

That the Minutes of the Audit and Organisational Risk Committee Meeting held on Thursday, 3 November 2016, be confirmed as a true and correct record of proceedings.

CARRIED

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





## **5 ITEMS FOR DISCUSSION**

### **5.1 REVIEW OF RISK MANAGEMENT POLICY**

<b>File No:</b>	<b>CM.164</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>24 January 2017</b>
<b>Applicant/Proponent:</b>	<b>Nil</b>
<b>Disclosure of Interest:</b>	<b>Nil</b>
<b>Attachment(s):</b>	<b>CG-01 Risk Management Policy</b>

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#### **PURPOSE**

To consider proposed amendments to the Risk Management Policy that indicates the organisation's commitment to, and objectives around, managing and mitigating risk.

#### **BACKGROUND**

The Audit and Organisational Risk Committee (AORC) has placed a particular emphasis on ensuring that the City implements adequate internal controls to mitigate risk. Although the City is not completely risk adverse, it is imperative that risks are managed in an appropriate and sustainable manner. It is intended that the Risk Management Policy, principles and procedures will be implemented throughout the City as a management practice across risk themes identified by Local Government Insurance Services (LGIS).

Following the recent restructure of the Governance team to include a dedicated risk management resource, work has commenced on the development of a risk management plan to guide risk management activities across the organisation. As a starting point, the Risk Management Policy has been reviewed to better reflect how the City intends to meet its commitments moving forward.

The policy captures the City's commitment to;

- the full integration of risk management practices into the City's strategic and operational planning processes; and
- ensuring a strong risk management culture exists and undertaking a range of activities to help promote and embed risk management practices; and
- ensuring that all employees are aware of their role in promoting risk management and the need to be vigilant in the identification of risks.

The updated Risk Management Policy and associated documents have been assessed and amended based on consultation with LGIS and on recommendations from the Department of Local Government and Communities (DLGC) model Risk Management Policy.

Key changes proposed to the Risk Management Policy are summarised as follows:

Document reference	Summary of Proposed Changes
<b>CG-01 - Risk Management Policy</b>	
General	It is proposed to combine the current Risk Management Policy with the model policy proposed by DLGC along with amendments suggested after consultation with LGIS.
1.	Updated objectives to better reflect the organisation's commitment to and objectives around managing and mitigating risk.
2.	Definition of ' <i>Risk Management Framework</i> ' to replace ' <i>Risk Management Process</i> ' as recommended by DLGC.
3.1	Principles relevant to City of Karratha to be added as per DLGC Model Risk Management Policy.
3.2	' <i>Responsibilities</i> ' is a proposed new section highlighting the responsibilities of all parties in line with the DLGC model policy. ' <i>Council's Risk Appetite</i> ' heading to be integrated into ' <i>Monitor and Review</i> ' section 3.4.
3.4	' <i>Monitor and Review</i> ' to be updated to include recommendation from DLGC whilst maintaining best aspects of previous policy.
3.5	' <i>Fraud and Corruption</i> ' section to be removed as the Policy that it references does not exist. Misconduct issues such as fraud are referenced in other Governance Policies and Procedures and in the Code of Conduct.
Existing Controls	A ' <i>Needs Improvement</i> ' control rating proposed to better reflect current multiple controls within a work area where some aspects are effective yet others may require improvement.
Risk Acceptance Criteria	Criteria for risk acceptance and responsibility for risk acceptance to be changed based on feedback from LGIS that High and Extreme risks require urgent attention and are the responsibility of the CEO not Council.

### 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 Director Corporate Services and the Manager Governance and Organisational Strategy.

### 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 local government.

### POLICY IMPLICATIONS

Proposed changes to CG01 Risk Management Policy will enhance the effectiveness of 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 2016-2026 and Corporate Business Plan 2016-2021. In particular, the Operational Plan 2016-2017 provided for this activity:

Our Program/Services: 4. e.1.3 Risk Management

**RISK MANAGEMENT CONSIDERATIONS**

The level of risk is considered to be medium to the City in terms of Health, Financial, Service Interruption, Environment, Reputation and Compliance risks.

**IMPACT ON CAPACITY**

A dedicated resource from within the restructured Governance team will enhance the implementation of risk management across organisation.

**RELEVANT PRECEDENTS**

The Risk Management Policy was last reviewed in July 2014.

**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 ADOPT the amended Risk Management Policy with the following amendments:

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

Option 3

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 amended Risk Management Policy pending further development.

**CONCLUSION**

The proposed amendments to the Risk Management Policy are intended to better reflect the future direction of the organisation as it embeds a strong risk management culture over the next few years. The policy review has been informed by the DLGC Model Risk Management Policy and advice from LGIS to ensure that the City has an effective and sustainable Risk Management Policy.

With changes to resourcing in the Governance team, a Risk Management Plan will be developed to implement the Risk Management Policy across the organisation.

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**OFFICER'S RECOMMENDATION**

That the Audit and Organisational Risk Committee by SIMPLE Majority pursuant to Regulation 17 of the *Local Government (Audit) Regulations 1996* RESOLVES to ADOPT the updated CG-01 Risk Management Policy (attached).

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**COMMITTEE AMENDED RESOLUTION**

Res No : AOR47  
MOVED : Cr Cucel  
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:

1. ENDORSE the updated CG-01 Risk Management Policy with the inclusion of 'proactively identifying risks to protect the City in the Objectives (attached);
2. REQUEST that the Risk Register be updated to include triggers for when risks are reported to the Committee and Council; and
3. DISCUSS risk tolerances with Council post October 2017.

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**CARRIED**

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

REASON : The Committee modified the Officer's recommendation as Members wanted the Risk Register to include triggers for when risks are reported to Committee and Council, and a discussion on risk tolerances with Council post October 2017.

# RISK MANAGEMENT

*Document Control Statement – This Policy is maintained by the Governance and Organisational Strategy. Any printed copy may not be up to date and you are advised to check the electronic copy at <http://karratha.wa.gov.au/policies> ~~<http://intranet/>~~ to ensure that you have the current version. Alternatively, you may contact the Customer Service on (08) 9186 8555.*

## 1. OBJECTIVES

The City of Karratha Risk Management Policy ~~documents~~ identifies Council's commitment to and objectives around managing and mitigating risk to:

- ~~• ensure Risk Management is adopted throughout the City of Karratha as a management practice through a series of procedures, plans, and practices;~~ ensure public safety within the City's jurisdiction and the ongoing health and safety of all employees in the workplace;
- ~~•~~
- ~~• ensure all employees~~
- ~~• promote the continuous and consistent use of the City's Risk Management Process Framework as a strategic tool to ensure better informed decision making and management throughout the City; are made aware of the need to manage risk and promote a culture of participation in this process;~~
- ~~•~~ protect the City from adverse incidents, to reduce exposure to loss, and to mitigate and control loss and associated costs should an adverse incident occur;
- ~~•~~ minimise or eliminate adverse impacts relating to the City's services or infrastructure on the community, visitors and the environment;
- ~~•~~
- ~~• ensure the ongoing capacity of the City to fulfil its mission, perform its key functions, meet its strategic objectives, capitalise on identified opportunities, and serve its customers, thus ensuring positive public perception of the Council and the City;~~
- ~~• reduce the costs of risk to the City;~~
- ~~• develop and maintain a Business Continuity Management Program to reduce the impact of disruptions to service and to ensure that business objectives can continue to be met; and~~
- ~~•~~ adhere to relevant Legislation and Australian Standards, in particular the Australian Standard for Risk Management – AS/NZS ISO 31000:2009 (hereinafter referred to as the Standard).

## 2. DEFINITIONS

**Risk:** Effect of uncertainty on objectives (AS/NZS ISO 31000:2009).

Note 1: An effect is a deviation from the expected – positive or negative.

Note 2: Objectives can have different aspects (such as financial, health and safety, and environmental) and can apply at different levels (such as strategic, organisation-wide, project, product or process).

**Risk Management:** The application of Coordinated activities to direct and control an organisation with regard to risk.

**Risk Management ~~Process Framework~~:** Systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring and reviewing risk.

## 3. PRINCIPLES

### 3.1 General

The City of Karratha considers risk management to be an essential management function in its operations. It recognises that the risk management responsibility for managing specific risks lies with the person who has the responsibility for the function, service or activity that gives rise to that risk.

Council is committed to the principles, framework and process of managing risk as outlined in the Standard. As such, it is the policy of the City of Karratha to achieve best practice in the management of all risks that threaten to affect the City of Karratha, its customers, people, reputations, assets, functions, objectives, operations and members of the public. The Risk Management Process Framework will be applied to decision making through all levels of the organisation in relation to planning or executing any function, service or activity.

In particular, it will be applied to:

- Strategic planning
- Expenditure of large amounts of money
- New strategies and procedures
- Management of projects, tenders and proposals
- Operational matters
- Introducing significant change, and
- The management of sensitive issues.
- The City of Karratha is committed to:
  - the full integration of Risk Management practices that are consistent with the current Standard into the City's strategic and operational planning processes to ensure continuous best practice in the identification, assessment and management of risk throughout all work areas of the City; and
  - taking into account relevant legislative requirements and political, social and economic factors when managing risk; and
  - ensuring a strong risk management culture exists and undertaking a range of activities to help promote and embed risk management practices.

### 3.2 Responsibilities

- Risk Management is to form part of the Strategic, Operational, Line Management and Project Management responsibilities and be integrated into Strategic, Business and Project Planning processes. The Risk Management Framework will need to align and integrate with the strategic planning processes.
- Council is committed to the concept and resourcing of risk management.
- The Audit and Organisational Risk Committee will monitor risk management implementation and performance throughout the City.
- Executives, managers and supervisors have the responsibility and accountability for ensuring that all staff manage the risks within their own work areas. Risks should be anticipated and reasonable protective measures taken.
- All managers and supervisors will encourage openness and honesty in the reporting and escalation of risks.
- All staff will be encouraged to alert management to the risks that exist within their area, without fear of recrimination.
- All staff will, after appropriate training, adopt the principles of risk management and comply with all the policies, procedures and practices relating to risk management.
- All staff will, as required, conduct risk assessments during the performance of their daily duties.
- The level of sophistication of the risk assessment will be commensurate with the scope of the task and the associated level of risk identified.

- Failure by staff to observe reasonable directions from supervisors regarding the management of risks and/or failure of staff to take reasonable care in identifying and treating risks in the workplace may result in disciplinary action.
- It is the responsibility of every directorate to observe and implement this policy in an appropriate manner relevant to the requirements of their work and in accordance with procedures and initiatives that are developed by management.
- Every employee is recognised as having a role in Risk Management including vigilance in the identification of risks to treatment and shall be invited and encouraged to participate in that process.
- The City will ensure that each risk must have an 'owner' and ensure there are appropriate controls in place to identify that owner.

### **3.31 Reporting**

~~All decision makers are to assess decisions based on approved risk assessment criteria. Where there are notifiable risks, they are to be reported through approved processes in accordance with policy. These risks will be tabulated and submitted to the Executive Management Team (EMT) for determination.~~

### **3.2 Council's Risk Appetite**

~~Consultation shall be undertaken with various staff to assess Council's measure of consequences tables to activity areas across the organisation. This is to be reviewed and reported periodically to ensure that risks are being closely monitored and within Council's tolerance limits.~~

### **3.33 Training and Development**

Risk management training will be provided on a regular and as needed basis.

### **3.44 Monitor and Review**

The City will implement a robust reporting and recording system that will be regularly monitored to ensure management and closeout of risks, and identification of ongoing issues and trends. Risk monitoring and review should be dynamic and an essential part of the culture of risk management.

Risk owners will be assigned for every risk and will report when requested on the status of risks they own.

Risk management key performance indicators relating to both organisational and personal performance will be developed, implemented and monitored by the City where applicable.

Consultation shall be undertaken with various staff to assess activity areas across the organisation with regard to Council's Measure of Consequences tables (Attachment A). This is to be reviewed and reported periodicallyregularly to ensure that higher risks are being closely monitored and within Council's tolerance limits.

The City will ensure that each identified risk has an 'owner' and ensure there are appropriate controls in place to identify that owner. The risk owner will report when requested on the status of the risks that they own, and will proactively report any changes in the status of risks that they own. monitoring and review process to report on the achievement of the Risk Management Objectives, the management of individual risks and the ongoing identification of issues and trends.

### **3.65 Fraud and Corruption**

~~A Fraud and Corruption Prevention Policy will be developed to provide guidance and direction to the City for:~~

- ~~—preventing fraud, corruption and misconduct;~~
- ~~—detecting fraud and corruption; as welland as~~
- ~~—effectively responding to fraud and corruption.~~

~~The Fraud and Corruption Prevention Policy will expand on the City's commitment to developing and implementing internal controls in regards to fraud and corruption and how to mitigate this risk at the City.~~

## 4. CONSEQUENCES

This policy represents the formal policy and expected standards of the City of Karratha [in relation to the management of risk](#). Appropriate approvals need to be obtained prior to any deviation from the policy. Elected Members and Employees are reminded of their obligations under the Council's Code of Conduct to give full effect to the lawful policies, decisions and practices of the City.



## 5. REFERENCES TO RELATED DOCUMENTS

- Attachment A - Risk Criteria Tables:
  - Existing Controls Rating
  - Measures of Consequence
  - Measures of Likelihood
  - Risk Matrix
  - Risk Acceptance Criteria
- Enterprise Risk Management Framework
- AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines
- ISO Guide 73 Risk Management – Vocabulary
- IEC/ISO 31010 Risk Management – Risk Assessment Techniques

Policy Number:	CG01
Previous Policy Number:	<del>CG01</del> N/A
Resolution Numbers:	152895 - Jul14
Last Review:	<del>December 2016</del> July 2014
Next Review:	<del>December 2018</del> July 2016
Responsible Officer:	Manager Governance and Organisational Strategy

*This Policy takes effect from the date of adoption by Council and shall remain valid until it is amended or deleted.*

### EXISTING CONTROLS RATING

LEVEL	DESCRIPTOR	FORESEEABLE	DESCRIPTION
<b>E</b>	Excellent	Doing more than what is reasonable under circumstances	Controls are fully in place, are being well addressed / complied with, are subject to ongoing maintenance and monitoring and are being continuously reviewed and tested.
<b>A</b>	Adequate	Doing what is reasonable under the circumstances	Controls are in place, are being addressed / complied with and are subject to periodic review and testing.
<b><u>N</u></b>	<u>Needs Improvement</u>	<u>Doing some things reasonable under the circumstances</u>	<u>Some controls are in place but may not be addressed or reviewed. Some controls may be effective, whilst others do not exist or need improvement to ensure they are complied with.</u>
<b>I</b>	Inadequate	Not doing some or all things reasonable under the circumstances	Controls do not exist, or are not being addressed / complied with, or have not been reviewed or tested for some time.

## MEASURES OF CONSEQUENCE

LEVEL	DESCRIPTOR	HEALTH	FINANCIAL	SERVICE INTERRUPTION	ENVIRONMENT	REPUTATION	COMPLIANCE
1	<b>Insignificant</b>	Negligible injuries	Less than \$10K	No material service interruption	Contained, reversible impact managed by on site response	Unsubstantiated, low impact, low profile or 'no news' item	No noticeable regulatory or statutory impact
2	<b>Minor</b>	First aid treatment	\$10K - \$50K	Short term temporary interruption – backlog cleared < 1 day	Contained, reversible impact managed by internal response	Substantiated, low impact, low news item	Some temporary non compliances
3	<b>Moderate</b>	Medical treatment	\$50K - \$200K	Medium term temporary interruption – backlog cleared by additional resources < 1 week	Contained, reversible impact managed by external agencies	Substantiated, public embarrassment, moderate impact, moderate news profile	Short term non compliance but with significant regulatory requirements imposed
4	<b>Major</b>	Death or permanent disablement	\$200K - \$1M	Prolonged interruption of services – additional resources; performance affected < 1 month	Uncontained, reversible impact managed by a coordinated response from external agencies	Substantiated, public embarrassment, high impact, high news profile, third party actions	Non compliance results in termination of services or imposed penalties
5	<b>Catastrophic</b>	Multiple deaths or severe permanent disablements	More than \$1M	Indeterminate prolonged interruption of services – non performance > 1 month	Uncontained, irreversible impact	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions	Non compliance results in litigation, criminal charges or significant damages or penalties

## MEASURES OF LIKELIHOOD

LEVEL	DESCRIPTOR	DESCRIPTION	FREQUENCY
5	<b>Almost Certain</b>	The event is expected to occur in most circumstances.	More than once per year.
4	<b>Likely</b>	The event will probably occur in most circumstances.	<del>At least</del> <u>approximately</u> once per year.
3	<b>Possible</b>	The event should occur at some time.	At least once in 3 years.
2	<b>Unlikely</b>	The event could occur at some time.	At least once in 10 years.
1	<b>Rare</b>	The event may only occur in exceptional circumstances.	Less than once in 15 years.

### RISK MATRIX

Consequence Likelihood		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Almost Certain	5	5	10	15	20	25
Likely	4	4	8	12	16	20
Possible	3	3	6	9	12	15
Unlikely	2	2	4	6	8	10
Rare	1	1	2	3	4	5

### RISK ACCEPTANCE CRITERIA

LEVEL OF RISK	DESCRIPTOR	DESCRIPTION	CRITERIA FOR RISK ACCEPTANCE	RESPONSIBILITY
1 – 4	LOW	Acceptable	Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring.	Operational Manager
5 – 9	MODERATE	Monitor	Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring.	Operational Manager
10 – 16	HIGH	Urgent Attention Required	<u>Management attention is required. Risk treatment plan is required to reduce acceptable with excellent controls, managed by senior management / executive and subject to monthly monitoring risk exposure to an acceptable level. Regular reporting is required.</u>	CEO / Council Director
17 - 25	EXTREME	Unacceptable	<u>Risk only acceptable with excellent controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority and subject to continuous monitoring. Urgent and</u>	CEO / Council

			<u>active management required. Risk treatment plan must be implemented immediately to reduce risk exposure to an acceptable level. Regular reporting required.</u>	
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## 5.2 COMPLIANCE AUDIT RETURN 2016

<b>File No:</b>	<b>FM.12</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>15 February 2017</b>
<b>Applicant/Proponent:</b>	<b>Nil</b>
<b>Disclosure of Interest:</b>	<b>Nil</b>
<b>Attachment(s):</b>	<b>Compliance Audit Return - 2016</b>

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### PURPOSE

To consider the review of the City's compliance with legislation to inform the 2016 Compliance Audit Return (CAR).

### BACKGROUND

Each local government is required to carry out a compliance audit in relation to the period 1 January 2016 to 31 December 2016 against the requirements set out in the 2016 CAR.

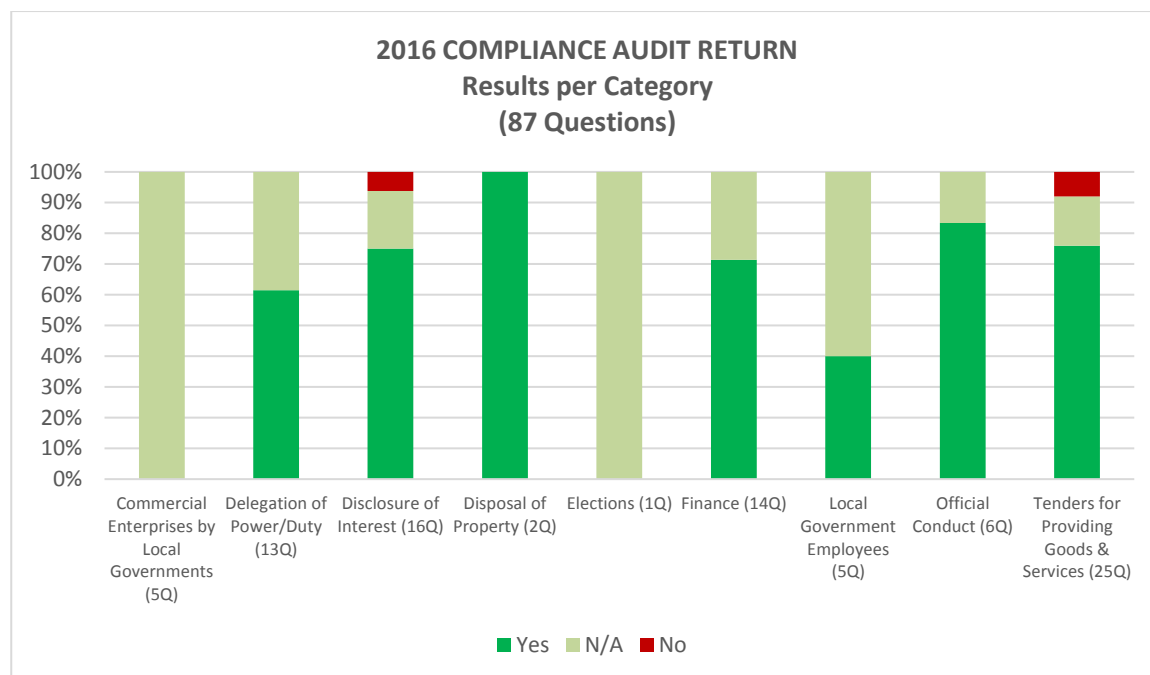
The Audit & Organisational Risk Committee is required to review the completed CAR and report the results to Council. After the CAR has been reviewed by the Audit & Organisational Risk Committee and a report presented to Council, a certified copy of the CAR is to be submitted to the Director General of the Department of Local Government and Communities by 31 March 2017.

The CAR requires local governments to carry out an audit of compliance with statutory requirements in the areas of:

- a) Commercial Enterprises by local governments;
- b) Delegation of Power/Duty;
- c) Disclosure of Interest;
- d) Disposal of Property;
- e) Elections;
- f) Finance;
- g) Local Government Employees;
- h) Official Conduct; and
- i) Tenders for Providing Goods and Services.

The 2016 CAR was essentially a duplicate of last year's return with the same questions asked again. Out of the 87 questions, three instances of non-compliances have been noted resulting in a 96.6% compliance rate.

Continual monitoring and improvements are made each year to ensure staff are educated on their regulatory obligations and repeat breaches are minimised. Following is a summary of the results per category:



The three instances of non-compliance are detailed below:

Category	Legislative Reference	Question	Comments
Disclosure of Interest	s5.67	If a member disclosed an interest, did he/she ensure that they did not remain present to participate in any discussion or decision-making procedure relating to the matter in which the interest was disclosed (not including participation approvals granted under s5.68)?	Matter at August OCM where a member made a declaration but participated in discussion and decision making.  Reported to DLGC 28/08/2016.  DLGC deemed that interest did not require disclosing in first instance.
Tenders for providing goods and services	F&G Reg 19	Was each tenderer sent written notice advising particulars of the successful tender or advising that no tender was accepted?	There were 43 tenders that opened or were finalised in 2016. Of these, there were two unsuccessful letters that could not be located.
Tenders for providing goods and services	F&G Reg 24 <sup>1</sup>	Was each person who submitted an expression of interest, given a notice in writing in accordance with F&G Regulation 24?	There were three EOI's finalised in 2016. Three acceptable tenderer letters and one unsuccessful letter cannot be located for one of the EOI's.

<sup>1</sup> Non-compliant also in 2015.



As reported in previous years, in relation to delegation of power/duty, officers are confident that internal procedures in this area are robust and that compliance is high, however due to the sheer number of delegated decisions being made in a year it is not practical to sight every piece of documentary evidence to confirm with 100% certainty that a written record has been kept on all occasions. There has been no evidence to suggest this has not been complied with in 2016.

Inductions provided to staff incorporate advice to the staff member of the requirements to keep related records. Officers sign off during an induction indicating that they understand their obligations. An internal audit into Delegations and Authorisations was also conducted in 2016 with no examples where written records could not be evidenced.

#### **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 relevant Officers in preparing the response and compiling an evidence folder.

#### **COMMUNITY CONSULTATION**

No community consultation is required.

#### **STATUTORY IMPLICATIONS**

Section 7.13(1)(i) of the *Local Government Act 1995* and Regulations 13-15 of the *Local Government (Audit) Regulations 1996* provide for compliance audits.

#### **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 2016-2026 and Corporate Business Plan 2016-2021. In particular, the Operational Plan 2016-2017 provided for this activity:

Our Program/Services:	4.e.1.2	Corporate Governance Support
Our Projects/Actions:	4.e.1.2.1	Conduct Compliance Audit Return

#### **RISK MANAGEMENT CONSIDERATIONS**

The level of risk is considered to be high to the City in terms of compliance.

#### **IMPACT ON CAPACITY**

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

#### **RELEVANT PRECEDENTS**

The following compliance rates have been recorded in recent years:

- 2013 - 92.3% (6 non-compliances)
- 2014 - 91.0% (7 non-compliances)
- 2015 - 97.7% (2 non-compliances)

**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 Section 7.13 of the *Local Government Act 1995* and Regulation 14 of the *Local Government (Audit) Regulations 1996* RESOLVES to DEFER consideration of the 2016 Compliance Audit Return pending further review.

**CONCLUSION**

Each local government is required to carry out an annual Compliance Audit Return in relation to the calendar year period from 1 January 2016 to 31 December 2016. Overall, the audit indicates a compliance rate of 96.6% for the City. Internal controls continue to be monitored to identify and address those non-compliance issues which have previously been identified in the Compliance Audit Return reflecting the high level of compliance.

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**OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION**

Res No : AOR48  
MOVED : Cr Scott  
SECONDED: : Cr Cucel

That the Audit and Organisational Risk Committee by SIMPLE Majority pursuant to Section 7.13 of the *Local Government Act 1995* and Regulation 14 of the *Local Government (Audit) Regulations 1996* RESOLVES to:

1. RECEIVE the 2016 Compliance Audit Return; and
2. PRESENT the 2016 Compliance Audit Return to Council for adoption prior to submission to the Department of Local Government and Communities.

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**CARRIED**

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



## Karratha - Compliance Audit Return 2016

### Certified Copy of Return

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

Commercial Enterprises by Local Governments					
No	Reference	Question	Response	Comments	Respondent
1	s3.59(2)(a)(b)(c) F&G Reg 7,9	Has the local government prepared a business plan for each major trading undertaking in 2016.	N/A	There were no major trading undertakings in 2016.	Neil Harrison
2	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2016.	N/A	Council commenced in 2013 the development phase of a Major Land Transaction associated with the Lazy Lands initiative for future residential infill development within the Karratha townsite. This transaction was reported in the 2013 Compliance Audit Return. No new major transactions have occurred in 2016.	Neil Harrison
3	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2016.	N/A		Neil Harrison
4	s3.59(4)	Has the local government given Statewide public notice of each proposal to commence a major trading undertaking or enter into a major land transaction for 2016.	N/A		Neil Harrison
5	s3.59(5)	Did the Council, during 2016, resolve to proceed with each major land transaction or trading undertaking by absolute majority.	N/A		Neil Harrison

Delegation of Power / Duty					
No	Reference	Question	Response	Comments	Respondent
1	s5.16, 5.17, 5.18	Were all delegations to committees resolved by absolute majority.	N/A	Nil delegations to Committees in 2016.	Neil Harrison
2	s5.16, 5.17, 5.18	Were all delegations to committees in writing.	N/A	Nil delegations to Committees in 2016.	Neil Harrison
3	s5.16, 5.17, 5.18	Were all delegations to committees within the limits specified in section 5.17.	N/A	Nil delegations to Committees in 2016.	Neil Harrison
4	s5.16, 5.17, 5.18	Were all delegations to committees recorded in a register of delegations.	N/A	Nil delegations to Committees in 2016.	Neil Harrison
5	s5.18	Has Council reviewed delegations to its committees in the 2015/2016 financial year.	N/A	Nil delegations to Committees for review.	Neil Harrison



No	Reference	Question	Response	Comments	Respondent
6	s5.42(1),5.43 Admin Reg 18G	Did the powers and duties of the Council delegated to the CEO exclude those as listed in section 5.43 of the Act.	Yes		Neil Harrison
7	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO resolved by an absolute majority.	Yes		Neil Harrison
8	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO in writing.	Yes		Neil Harrison
9	s5.44(2)	Were all delegations by the CEO to any employee in writing.	Yes	<p>Written notification of relevant delegation(s) was provided to each employee directing them to review the particulars (including any relevant conditions) of their delegation(s) in the Delegation and Authorisation Register.</p> <p>The written notification was acknowledged by way of signing by all relevant employees.</p> <p>Further, all new employees with a delegation as part of their roles were provided one on one inductions by Governance staff.</p>	Neil Harrison
10	s5.45(1)(b)	Were all decisions by the Council to amend or revoke a delegation made by absolute majority.	Yes		Neil Harrison
11	s5.46(1)	Has the CEO kept a register of all delegations made under the Act to him and to other employees.	Yes	City of Karratha Delegations and Authorisations Register.	Neil Harrison
12	s5.46(2)	Were all delegations made under Division 4 of Part 5 of the Act reviewed by the delegator at least once during the 2015/2016 financial year.	Yes	<p>A full review of delegations is conducted on an annual basis including stakeholder consultation and Council review.</p> <p>In 2016 the review was conducted at the June OCM.</p>	Neil Harrison
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record as required.	Yes	An internal audit into delegations was conducted by City of Karratha in 2016, during which, an examination of this requirement was conducted. We were unable to locate an example where a person exercising a delegated power or duty failed to keep a written record.	Neil Harrison

#### Disclosure of Interest

No	Reference	Question	Response	Comments	Respondent
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No	Reference	Question	Response	Comments	Respondent
1	s5.67	If a member disclosed an interest, did he/she ensure that they did not remain present to participate in any discussion or decision-making procedure relating to the matter in which the interest was disclosed (not including participation approvals granted under s5.68).	No	Matter at August OCM where a member made a declaration but participated in discussion and decision making.  Reported to DLGC 28/08/2016.  DLGC deemed that interest did not require disclosing in first instance.	Neil Harrison
2	s5.68(2)	Were all decisions made under section 5.68(1), and the extent of participation allowed, recorded in the minutes of Council and Committee meetings.	N/A	Nil decisions under s.5.68 to allow disclosing member to be present.	Neil Harrison
3	s5.73	Were disclosures under section 5.65 or 5.70 recorded in the minutes of the meeting at which the disclosure was made.	Yes		Neil Harrison
4	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly elected members within three months of their start day.	N/A	No newly elected members in 2016.	Neil Harrison
5	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly designated employees within three months of their start day.	Yes		Neil Harrison
6	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all continuing elected members by 31 August 2016.	Yes		Neil Harrison
7	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all designated employees by 31 August 2016.	Yes		Neil Harrison
8	s5.77	On receipt of a primary or annual return, did the CEO, (or the Mayor/ President in the case of the CEO's return) on all occasions, give written acknowledgment of having received the return.	Yes		Neil Harrison
9	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained the returns lodged under section 5.75 and 5.76	Yes		Neil Harrison
10	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70 and 5.71, in the form prescribed in Administration Regulation 28.	Yes		Neil Harrison
11	s5.88 (3)	Has the CEO removed all returns from the register when a person ceased to be a person required to lodge a return under section 5.75 or 5.76.	Yes		Neil Harrison
12	s5.88(4)	Have all returns lodged under section 5.75 or 5.76 and removed from the register, been kept for a period of at least five years, after the person who lodged the return ceased to be a council member or designated employee.	Yes	Active persons returns are retained on file indefinitely. Upon ceasing to be a council member or designated employee the returns are retained by City of Karratha for seven years.	Neil Harrison



No	Reference	Question	Response	Comments	Respondent
13	s5.103 Admin Reg 34C & Rules of Conduct Reg 11	Where an elected member or an employee disclosed an interest in a matter discussed at a Council or committee meeting where there was a reasonable belief that the impartiality of the person having the interest would be adversely affected, was it recorded in the minutes.	Yes		Neil Harrison
14	s5.70(2)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to the Council or a Committee, did that person disclose the nature of that interest when giving the advice or report.	Yes		Neil Harrison
15	s5.70(3)	Where an employee disclosed an interest under s5.70(2), did that person also disclose the extent of that interest when required to do so by the Council or a Committee.	N/A	There was no request from Council or Committee to disclose extent of interest.	Neil Harrison
16	s5.103(3) Admin Reg 34B	Has the CEO kept a register of all notifiable gifts received by Council members and employees.	Yes		Neil Harrison

### Disposal of Property

No	Reference	Question	Response	Comments	Respondent
1	s3.58(3)	Was local public notice given prior to disposal for any property not disposed of by public auction or tender (except where excluded by Section 3.58(5)).	Yes	There were seven disposals of property not disposed of by auction or tender that were not exempt. All had local public notice.	Neil Harrison
2	s3.58(4)	Where the local government disposed of property under section 3.58(3), did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property.	Yes	Yes, all seven disposals provided prescribed details within the local public notice.	Neil Harrison

### Elections

No	Reference	Question	Response	Comments	Respondent
1	Elect Reg 30G (1)	Did the CEO establish and maintain an electoral gift register and ensure that all 'disclosure of gifts' forms completed by candidates and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the candidates.	N/A	Nil elections in 2016.	Neil Harrison

### Finance

No	Reference	Question	Response	Comments	Respondent
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No	Reference	Question	Response	Comments	Respondent
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act.	Yes	Appointments made on 26 October 2015 by absolute majority, Resolution 153278.	Neil Harrison
2	s7.1B	Where a local government determined to delegate to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority.	N/A	No powers or duties delegated to any Committees.	Neil Harrison
3	s7.3	Was the person(s) appointed by the local government to be its auditor, a registered company auditor.	Yes	Auditor Number 471972. Appendix 1 of submission by auditor as part of Request For Quotation RFQ 16-15/16.	Neil Harrison
4	s7.3, 7.6(3)	Was the person or persons appointed by the local government to be its auditor, appointed by an absolute majority decision of Council.	Yes	21 March 2016 - Resolution number 153410	Neil Harrison
5	Audit Reg 10	Was the Auditor's report for the financial year ended 30 June 2016 received by the local government within 30 days of completion of the audit.	Yes		Neil Harrison
6	s7.9(1)	Was the Auditor's report for the financial year ended 30 June 2016 received by the local government by 31 December 2016.	Yes	The auditor's report for 2015/16 was received on Friday 30 September 2016. Audit Committee received it on 3 November 2016 and Council accepted it on 21 November 2016.	Neil Harrison
7	S7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under s7.9 (1) of the Act required action to be taken by the local government, was that action undertaken.	N/A	No action required.	Neil Harrison
8	S7.12A (4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9 (1) of the Act) required action to be taken by the local government, was a report prepared on any actions undertaken.	N/A	No action required.	Neil Harrison
9	S7.12A (4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9 (1) of the Act) required action to be taken by the local government, was a copy of the report forwarded to the Minister by the end of the financial year or 6 months after the last report prepared under s7.9 was received by the local government whichever was the latest in time.	N/A	No action taken.	Neil Harrison
10	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives of the audit.	Yes	Submitted by auditor as part of Request For Quotation RFQ 16-15/16 which forms part of the agreement.	Neil Harrison



No	Reference	Question	Response	Comments	Respondent
11	Audit Reg 7	Did the agreement between the local government and its auditor include the scope of the audit.	Yes	Submitted by auditor as part of Request For Quotation RFQ 16-15/16 which forms part of the agreement.	Neil Harrison
12	Audit Reg 7	Did the agreement between the local government and its auditor include a plan for the audit.	Yes	Appendix 8 of submission by auditor. Part of Request For Quotation RFQ 16-15/16 which forms part of the agreement.	Neil Harrison
13	Audit Reg 7	Did the agreement between the local government and its auditor include details of the remuneration and expenses to be paid to the auditor.	Yes	All remuneration, fees and expenses were outlined by auditor as part of Request For Quotation RFQ 16-15/16 including agreement with City of Karratha Policy on Consultant's Travel and Accommodation Expenses.	Neil Harrison
14	Audit Reg 7	Did the agreement between the local government and its auditor include the method to be used by the local government to communicate with, and supply information to, the auditor.	Yes	Described in Request for Quotation RFQ 16-15/16 under "Scope of Work" and within audit plan under "Audit Methodology and Approach".	Neil Harrison





<b>Local Government Employees</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	Admin Reg 18C	Did the local government approve the process to be used for the selection and appointment of the CEO before the position of CEO was advertised.	N/A		Neil Harrison
2	s5.36(4) s5.37(3), Admin Reg 18A	Were all vacancies for the position of CEO and other designated senior employees advertised and did the advertising comply with s.5.36(4), 5.37(3) and Admin Reg 18A.	Yes	Director Community Services and Director Development Services.	Neil Harrison
3	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position of CEO under section 5.36(4).	N/A		Neil Harrison
4	Admin Regs 18E	Did the local government ensure checks were carried out to confirm that the information in an application for employment was true (applicable to CEO only).	N/A		Neil Harrison
5	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss a designated senior employee.	Yes	Both senior employees resigned.  Council resolved to approve the appointment of the Director Community Services at the Special Council Meeting on 30 August 2016.  Council will consider the appointment of the Director Development Services in early 2017.	Neil Harrison



### Official Conduct

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

### Tenders for Providing Goods and Services

No	Reference	Question	Response	Comments	Respondent
1	s3.57 F&G Reg 11	Did the local government invite tenders on all occasions (before entering into contracts for the supply of goods or services) where the consideration under the contract was, or was expected to be, worth more than the consideration stated in Regulation 11 (1) of the Local Government (Functions & General) Regulations (Subject to Functions and General Regulation 11 (2)).	Yes		Miranda Geal
2	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than inviting tenders for a single contract.	N/A		Miranda Geal
3	F&G Reg 14(1) & (3)	Did the local government invite tenders via Statewide public notice.	Yes		Miranda Geal
4	F&G Reg 14 & 15	Did the local government's advertising and tender documentation comply with F&G Regs 14, 15 & 16.	Yes		Miranda Geal



No	Reference	Question	Response	Comments	Respondent
5	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer, notice of the variation.	Yes		Miranda Geal
6	F&G Reg 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of F&G Reg 16.	Yes		Miranda Geal
7	F&G Reg 18(1)	Did the local government reject the tenders that were not submitted at the place, and within the time specified in the invitation to tender.	Yes		Miranda Geal
8	F&G Reg 18 (4)	In relation to the tenders that were not rejected, did the local government assess which tender to accept and which tender was most advantageous to the local government to accept, by means of written evaluation criteria.	Yes		Miranda Geal
9	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17.	Yes		Miranda Geal
10	F&G Reg 19	Was each tenderer sent written notice advising particulars of the successful tender or advising that no tender was accepted.	No	There were 43 tenders that opened or were finalised in 2016. Of these, there were two unsuccessful letters that could not be located.	Miranda Geal
11	F&G Reg 21 & 22	Did the local governments's advertising and expression of interest documentation comply with the requirements of F&G Regs 21 and 22.	Yes		Miranda Geal
12	F&G Reg 23(1)	Did the local government reject the expressions of interest that were not submitted at the place and within the time specified in the notice.	Yes		Miranda Geal
13	F&G Reg 23(4)	After the local government considered expressions of interest, did the CEO list each person considered capable of satisfactorily supplying goods or services.	Yes		Miranda Geal
14	F&G Reg 24	Was each person who submitted an expression of interest, given a notice in writing in accordance with Functions & General Regulation 24.	No	There were three EOI's that opened or were finalised in 2016. Three 'acceptable tenderer' letters and one unsuccessful letter cannot be located for one of the EOI's.	Miranda Geal
15	F&G Reg 24AD(2)	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice.	Yes	There was one Panel of pre-qualified suppliers established in 2016.	Miranda Geal
16	F&G Reg 24AD(4) & 24AE	Did the local government's advertising and panel documentation comply with F&G Regs 24AD(4) & 24AE.	Yes		Miranda Geal



No	Reference	Question	Response	Comments	Respondent
17	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of F&G Reg 16 as if the reference in that regulation to a tender were a reference to a panel application.	Yes		Miranda Geal
18	F&G Reg 24AD(6)	If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application, notice of the variation.	Yes		Miranda Geal
19	F&G Reg 24AH(1)	Did the local government reject the applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time specified in the invitation for applications.	N/A		Miranda Geal
20	F&G Reg 24AH(3)	In relation to the applications that were not rejected, did the local government assess which application(s) to accept and which application(s) were most advantageous to the local government to accept, by means of written evaluation criteria.	Yes		Miranda Geal
21	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers, comply with the requirements of F&G Reg 24AG.	Yes		Miranda Geal
22	F&G Reg 24AI	Did the local government send each person who submitted an application, written notice advising if the person's application was accepted and they are to be part of a panel of pre-qualified suppliers, or, that the application was not accepted.	Yes		Miranda Geal
23	F&G Reg 24E	Where the local government gave a regional price preference in relation to a tender process, did the local government comply with the requirements of F&G Reg 24E in relation to the preparation of a regional price preference policy (only if a policy had not been previously adopted by Council).	N/A	Regional Price Preference Policy previously adopted by Council.	Miranda Geal
24	F&G Reg 24F	Did the local government comply with the requirements of F&G Reg 24F in relation to an adopted regional price preference policy.	N/A		Miranda Geal
25	F&G Reg 11A	Does the local government have a current purchasing policy in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, \$150,000 or less.	Yes		Miranda Geal



Government of **Western Australia**  
Department of **Local Government and Communities**

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

\_\_\_\_\_

\_\_\_\_\_  
Signed Mayor / President, Karratha

\_\_\_\_\_  
Signed CEO, Karratha

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### 5.3 INTERNAL AUDIT – DELEGATIONS AND AUTHORISATIONS

<b>File No:</b>	<b>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>17 February 2017</b>
<b>Applicant/Proponent:</b>	<b>Nil</b>
<b>Disclosure of Interest:</b>	<b>Nil</b>
<b>Attachment(s):</b>	<b>Confidential - Internal Audit Report – Delegations and Authorisations (January 2017)</b>

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#### **PURPOSE**

To provide the Audit and Organisational Risk Committee (AORC) with a report on the internal audit conducted into Delegations and Authorisations (D&A) within the organisation as part of the Internal Audit Program. The report completes a lengthy examination into how the organisation manages this area including any areas of risk and recommendations for improvements.

#### **BACKGROUND**

On 23 August 2016 the AORC resolved to endorse the indicative Internal Audit Program. The first proposed audit of that program was Delegations and Authorisations for the City.

This audit was one of the larger ones to be undertaken in the program and accordingly the scope of works for this audit was as follows:

1. Ensure D&A are consistent with current legislation, being interpreted correctly to ensure the organisation is as efficient as possible and ultimately 100% compliant.
2. Ensure all employees are aware of and compliant with current legislation when exercising powers or discharging duties under any D&A with focus on both substantive and acting roles.
3. Liaise with all work areas investigating historic, current and potential future use of D&A.
4. Consider the impact of new legislation that is likely to affect the City such as the *Graffiti Vandalism Act 2016* when it is in effect.
5. Seek feedback from all stakeholders as to where D&A are working effectively and where there is ability to improve. Are some D&A essential in order for an employee to perform their role?
6. Provide a written report with conclusions and, if applicable, recommendations for improvement opportunities in existing systems.
7. Review and report on the intent of each Delegation / Authorisation and ascertain if each is still relevant to the City in line with similar reviews such as with the Strategic Community Plan and Corporate Business Plan.
8. Ascertain ways to reduce 'red-tape' and bureaucracy in order for all areas to manage their time more effectively whilst still complying with legislation.
9. Investigate how areas document use of D&A when legally required and whether current controls are an effective way of prevention or detection to ensure compliance with legislation.
10. Investigate any non-compliance with legislative requirements, errors, irregularities or potential for misconduct.

11. Ascertain the operational impact of each Delegation / Authorisation within all areas including the potential for consolidation, amendment or removal.

Meetings were arranged with managers, supervisors and key staff within directorates that carry risks surrounding the use of delegations. The scope of works was outlined and questions presented to all providing opportunities to contribute toward the audit. Further, extensive searches were conducted utilising the organisation's record management system – Synergysoft, internal databases and searching manual records where relevant.

Key findings from the audit were:

- On the whole, most delegations are being properly executed and records exist to substantiate the exercise of the delegations.
- Confusion surrounding the current Delegations and Authorisations Register (Register) which appeared to have become bloated over time and started to lack order. As a result, it is recommended that a new Register be developed which is easier to read, has a better layout and is streamlined, resulting in a lower number of delegations overall whilst retaining flexibility for amendments and improvements based on annual reviews;
- Misinterpretation of legislation created delegations when there was no statutory requirement for them, creating extra bureaucratic 'red-tape' for Council and employees;
- Some areas within the organisation were non-compliant with legislation surrounding use of identity cards;
- Some staff were conducting activities such as waiving fees or withdrawing infringements without the delegated authority to do so;
- Further development of procedures surrounding the issuing, accountability and withdrawal of infringements is required including better communication between Directorates;
- A majority of staff with delegated purchasing authority had no internal or external training in purchasing;
- Record keeping surrounding the use of delegations needs to be improved; and
- Education surrounding delegations and authorisations needs to be improved.

Subject to consideration by the Audit & Organisational Risk Committee, managers will implement the recommendations in the Internal Audit Report to respond to the findings.

#### **LEVEL OF SIGNIFICANCE**

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

#### **COUNCILLOR/OFFICER CONSULTATION**

Consultation has taken place with the Director Corporate Services, Manager Governance and Organisational Strategy, other managers and key staff across the organisation.

#### **COMMUNITY CONSULTATION**

No community consultation is required.

#### **STATUTORY IMPLICATIONS**

Section 5.46 of the *Local Government Act 1995* requires that the CEO is to keep a register of delegations made to local government employees and at least once every financial year the delegations are to be reviewed by the delegator.



Regulation 17 of the *Local Government (Audit) Regulations 1996* states the CEO is to review the appropriateness and effectiveness of the local governments systems and procedures in relation to - risk management, internal control and legislative compliance.

**POLICY IMPLICATIONS**

Consistent with Council's CG01 Risk Management Policy.

**FINANCIAL IMPLICATIONS**

There are no financial implications.

**STRATEGIC IMPLICATIONS**

This item is relevant to the Council's approved Corporate Business Plan 2016-2021. In particular, the Operational Plan 2016-2017 provides for this activity:

Our Program/Services: 4. e.1.3 Risk Management

Our Projects/Actions: 4. e.1.3.1 Implement Internal Audit Program

**RISK MANAGEMENT CONSIDERATIONS**

The level of risk is considered to be medium to the City in terms of Reputation and Compliance risks.

**IMPACT ON CAPACITY**

As the internal audit program is managed within Governance the impact on capacity is minimal.

**RELEVANT PRECEDENTS**

An annual review is undertaken by Council of Delegations and Authorisations Register.

**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 Section 5.46 of the *Local Government Act 1995* and Regulation 17 of the *Local Government (Audit) Regulations 1996* RESOLVES to ACCEPT the Internal Audit Report and recommendations contained therein with the following AMENDMENTS:

a) \_\_\_\_\_

b) \_\_\_\_\_

Option 3

That the Audit and Organisational Risk Committee by SIMPLE Majority pursuant to Section 5.46 of the *Local Government Act 1995* and Regulation 17 of the *Local Government (Audit) Regulations 1996* RESOLVES to DEFER consideration of the Internal Audit Report pending further review.

**CONCLUSION**

The internal audit found that most delegations are being properly executed and records exist to substantiate the exercise of the delegations. The attached report highlights key findings and proposed recommendations to improve our practices.

A new Delegations and Authorisations Register has been prepared to avoid unnecessary delegations and merge others where practical. Further education of staff on delegations will be implemented to improve understanding of individual obligations under the legislation and record keeping requirements.

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**OFFICER'S RECOMMENDATION**

**Res No** : **AOR49**  
**MOVED** : **Cr Long**  
**SECONDED:** : **Cr Scott**

**That the Audit and Organisational Risk Committee by SIMPLE Majority pursuant to Section 5.46 of the *Local Government Act 1995* and Regulation 17 of the *Local Government (Audit) Regulations 1996* RESOLVES to:**

- 1. ACCEPT the Internal Audit Report and recommendations; and**
- 2. REQUEST an ongoing status report on any outstanding recommendations from this Internal Audit.**

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**CARRIED**

**FOR** : Cr Smeathers, Cr Cucel, Cr Long, 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 February 2017.

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### OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION

**Res No** : AOR50

**MOVED** : Cr Cucel

**SECONDED:** : Cr Long

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

- 6.1 Business Improvement – Progress Report

**CARRIED**

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

**6.1 BUSINESS IMPROVEMENT – PROGRESS REPORT****File No:** FM.3**Responsible Executive Officer:** Director Corporate Services**Reporting Author:** Manager Governance and Organisational Strategy**Date of Report:** 9 February 2017**Disclosure of Interest:** Nil**Attachment(s):** Nil**PURPOSE**

To provide the Audit & Organisational Risk Committee with a progress update on Business Improvement.

Focus Areas	Brief Description	Indicative Activities/Outputs	Current and Future Status	Review Date
1. <b>Strategic Community Plan 2016-2026</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>• Review undertaken by Councillors community and staff during 2105/16</li> <li>• Adopted by Council in September 2017</li> </ul>	<ul style="list-style-type: none"> <li>• June 2020</li> </ul>
2. <b>Corporate Business Plan 2016-2020</b>	Outlines what the organisation needs to deliver in the next five years. Has been extensively reworked internally over the past 4-6 weeks with a focus on consistency and measurability of KPI's.	<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>• Approved by Council at October 2016 OCM</li> </ul>	<ul style="list-style-type: none"> <li>• Desktop review 2018</li> </ul>
3. <b>Operational Plan 2016-2017</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>• Approved by Council at October 2016 OCM</li> </ul>	<ul style="list-style-type: none"> <li>• June 2017</li> </ul>
4. <b>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</li> </ul>	<ul style="list-style-type: none"> <li>• Approved by Council in June 2013.</li> <li>• Asset Management Policy reviewed and submitted to Council in Nov 2016</li> </ul>	<ul style="list-style-type: none"> <li>• To be completed by June 2017</li> </ul>

Focus Areas	Brief Description	Indicative Activities/Outputs	Current and Future Status	Review Date
		assets at an agreed level of service • Asset Disposal Strategy and Lifecycle Costing • Action Plans	however deferred pending further review.	
<b>5. Long Term Financial Plan</b>	Informs the Strategic Community Plan and Corporate Business Plan. CEO has reviewed with EMT. Staff believe that assumptions that inform the financial modelling need review prior to Council adoption.	• Sensitivity Analysis • Long Term Financial Sustainability • Capital Works Program for next 10 years • Financial Modelling • Assumptions and Scenarios	• Submitted to the Department of Local Government in June 2013. • Key assumptions and 10 year Capital Works Plan reviewed by Council in June 2015. • Workshops held with EMT and Councillors in March 2016 reviewing key assumptions.	• March 2017
<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.	• Structural Review • Performance Measurement Systems • Performance Appraisal System • Retention • Recruitment • Succession Planning • Development and training • Staff housing & accommodation	• Approved by Council in August 2013. • Annual review has been completed and incorporated in the LTFP assumptions.	• To be reviewed again in 2017
<b>7. Housing Strategy</b>	Development of a strategy to address the housing and accommodation needs of the City from retention and recruitment perspective.	• Short term review and modifications undertaken. • Options for staff housing to be developed (ownership vs leasing vs paying allowances).	• Strategy currently under review to reflect normalisation of the housing market.	• June 2017.
<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.	• Ability for all reporting teams to update their quarterly performances.	• Contract awarded to Civica Pty Ltd. • KPIs for 2016/17 loaded.	• Q2 KPIs to be reported to Council in March 2017

Focus Areas	Brief Description	Indicative Activities/Outputs	Current and Future Status	Review Date
<b>9. Procurement and Tendering</b>	Given the large growth and volume of projects that the City is accountable for, there needs to be a review of the way procurement and tendering occurs to ensure a more centralised approach is adopted which is connected across the various directorates within the organisation.	<ul style="list-style-type: none"> <li>Centralise and streamline the approach to procurement and tendering.</li> <li>Create knowledge management and succession planning of procurement and tendering through the organisation.</li> </ul>	<ul style="list-style-type: none"> <li>Induction and awareness training commenced June 2014.</li> <li>eQuotes for local suppliers introduced in November 2015.</li> <li>Management training provided at October 2016 EMG meeting.</li> <li>Internal audit finalised on delegations and authorisations</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing</li> <li>Internal Audit results from delegations and authorisations to be submitted to Audit and Organisational Risk Committee in Feb 2017.</li> </ul>
<b>10. Functional Processes / Service Reviews</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>632 processes have been developed with 83% published for organisation to use.</li> <li>Service reviews have commenced across organisation. 49 service areas to be reviewed and into the final tranche.</li> </ul>	<ul style="list-style-type: none"> <li>Service reviews to be completed February 2017</li> <li>Service reviews summaries included in contentious issues for consideration.</li> </ul>
<b>11. 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 June 2014.</li> <li>Major review of Risk Register underway.</li> <li>Risk reports due in February 2017.</li> </ul>	<ul style="list-style-type: none"> <li>Policy reviewed for AORC in Feb 2017</li> </ul>

Focus Areas	Brief Description	Indicative Activities/Outputs	Current and Future Status	Review Date
<b>12. Business Continuity Management Project</b>	A project funded by the PRC to assist Pilbara councils to establish a business continuity framework for their local authorities.	<ul style="list-style-type: none"> <li>• BCM Policy and Plan.</li> <li>• BCM Governance Framework.</li> <li>• Exercise Maintenance and Awareness Plan.</li> </ul>	<ul style="list-style-type: none"> <li>• Documents prepared and training undertaken by PRC with Critical Response Team in November 2015.</li> </ul>	<ul style="list-style-type: none"> <li>• Next review of BCMP due in 2018</li> </ul>
<b>13. DLGC Governance Review Program</b>	External review by AICD of City's governance structures and practices. Initially online feedback and ratings on a series of statements, followed by workshop by AICD.	<ul style="list-style-type: none"> <li>• Independent review and benchmarking of governance systems.</li> <li>• Identify any areas of weakness that need to be improved upon.</li> </ul>	<ul style="list-style-type: none"> <li>• Scheduled to commence in Feb/March 2017.</li> </ul>	<ul style="list-style-type: none"> <li>• Report back to AORC in May 2017</li> </ul>





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

The meeting closed at 4.10 pm.

The date of the next meeting is to be held on Tuesday, 23 May 2017 at 3:00 pm in Council Chambers - Welcome Road, Karratha.

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I, Cr Evette Smeathers, Chairperson for the Audit & 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 & Organisational Risk Committee Meeting held 21 February 2017.

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