



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

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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.

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AGENDA

1 OFFICIAL OPENING

The Meeting was officially opened at 2.02 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; and Minute Secretary

Absent: Cr Fiona White-Hartig

3 DECLARATIONS OF INTEREST

Nil.

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

OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION

Res No : AOR51
MOVED : Cr Long
SECONDED: : Cr Cucel

That the Minutes of the Audit and Organisational Risk Committee Meeting held on Tuesday, 21 February 2017, be confirmed as a true and correct record of proceedings.

CARRIED

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

5 ITEMS FOR DISCUSSION

5.1 FINANCIAL MANAGEMENT SYSTEMS REVIEW

File No:	FM.1
Responsible Executive Officer:	Director Corporate Services
Reporting Author:	Management Accountant Manager Governance & Organisational Strategy
Date of Report:	21 July 2017
Applicant/Proponent:	AMD Chartered Accountants
Disclosure of Interest:	Nil
Attachment(s):	Confidential - 2017 Financial Management Systems Review

PURPOSE

For the Audit & Organisational Risk Committee to consider the recent Financial Management Systems Review undertaken by AMD Chartered Accountants.

BACKGROUND

In accordance with Regulation 5 of the *Local Government (Financial Management) Regulations 1996* the CEO is to ensure the appropriateness and effectiveness of the financial management systems and procedures of the local government. This review is to be undertaken every four (4) financial years. As part of the scope of the Audit contract with the City's external auditor, AMD Chartered Accountants, this task was undertaken in May 2017 and their findings are provided for consideration by the Audit and Organisational Risk Committee and Council.

Findings identified by the Auditors are summarised below. A full confidential report is attached for reference.

FMSR Area	Findings
Collection of money	<ul style="list-style-type: none"> Key underlying policies and processes in relation to the proper collection of money owing to the Local Government are appropriate, in line with best practice and operating effectively.
Custody and security of money	<ul style="list-style-type: none"> Site End of Day Receipting procedures require review and sign off Cash security and till discrepancies (unders/overs) to be recorded correctly and stored securely Cash Float/Petty Cash records to be reviewed to reflect all cash on hand
Maintenance and security of the financial records	<ul style="list-style-type: none"> Master file accuracy and validity require periodic independent review Business Continuity Plan to be tested periodically to its full extent Recommend development of a fraud policy.

Accounting for municipal or trust transactions	<ul style="list-style-type: none"> • Formal register of insurance claims be developed and maintained. • Review of trust balances (old balances need to be returned or recognised as income).
Authorisation for incurring liabilities and making payments	<ul style="list-style-type: none"> • Greater analysis of fuel consumption and more regulation of Fuel Card usage • Corporate Credit Card holders to sign CCC Agreement and process to verify compliance with acquittal requirements • Conflicts of interest to be disclosed when evaluating tender submissions • BAS checklist to be complete, signed and dated.
Maintenance of payroll, stock control and costing records	<ul style="list-style-type: none"> • Fuel card usage entitlements be reviewed to reflect employment contract entitlements • Stock takes be reconciled and signed off and processes be introduced for random checks
Preparation of budgets, budget reviews, accounts and reports required by the Act or the regulations	<ul style="list-style-type: none"> • <i>Key underlying policies and processes in relation to the preparation of budgets, budget reviews, accounts and reports required by the act or the regulations are appropriate, in line with best practice and operating effectively</i>

A supplementary report was also provided by AMD on issues outside of the FMSR in relation to other housekeeping matters related to IT and HR functions.

Following the completion of FMSR, AMD reported that in context of Council's overall operations and size, the operating procedures and systems in place are adequate, and have operated effectively from July 2016 to the date of the site visit.

AMD consider many of the findings contained within the attached report to be minor in nature, when taken in context of the overall operations of the City.

LEVEL OF SIGNIFICANCE

In accordance with Council Policy *CE-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 between numerous teams across the organisation in the Financial Management Systems Review. The CEO and Director Corporate Services were briefed on the outcomes of the review by AMD.

COMMUNITY CONSULTATION

No community consultation is required.

STATUTORY IMPLICATIONS

The review was completed in accordance with Regulation 5 of the *Local Government (Financial Management) Regulations 1996*.

POLICY IMPLICATIONS

Financial management policies are considered in the review.

FINANCIAL IMPLICATIONS

\$11,000 (ex-GST) was allocated for this discrete piece of work which was undertaken in association with the interim audit for the 2016/17 financial year.

STRATEGIC IMPLICATIONS

This item is relevant to the Council's approved Strategic Community Plan 2012-2022 and Corporate Business Plan 2012-2016. In particular, the Operational Plan 2017-2018 provided for this activity:

Program/Services:	4.c.1.1	Management Accounting Services
Program/Services:	4.e.1.3	Risk Management

RISK MANAGEMENT CONSIDERATIONS

The interim and annual audits assist Council in minimising risk from a financial management perspective.

IMPACT ON CAPACITY

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

RELEVANT PRECEDENTS

The last FMSR was undertaken was in May 2013 by Grant Thornton Audit.

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 5 of the *Local Government (Financial Management) Regulations 1996* RESOLVES to RECEIVE the Financial Management Systems Review subject to consideration of the following:

CONCLUSION

The independent report by AMD Chartered Accountants concluded that effective systems exist to provide a high level of assurance of the integrity of the City's financial management systems. Improvement opportunities are being addressed and updates on status will be provided to the Audit and Organisational Risk Committee.

At 2.14 pm Cr Smeathers left the room.

At 2.16 pm Cr Smeathers re-entered the room.

OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION

Res No : **AOR52**

MOVED : **Cr Scott**

SECONDED: : **Cr Long**

That the Audit and Organisational Risk Committee by SIMPLE Majority pursuant to Regulation 5 of the *Local Government (Financial Management) Regulations 1996* RESOLVES to:

- 1. RECEIVE the Financial Management Systems Review; and**
- 2. REQUEST an update be provided to future Audit and Organisational Risk Committee meetings on progress related to issues identified in the review.**

CARRIED

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

5.2 EXTERNAL AUDIT – INTERIM MANAGEMENT REPORT

File No:	FM.1
Responsible Executive Officer:	Director Corporate Services
Reporting Author:	Management Accountant
Date of Report:	18 May 2017
Applicant/Proponent:	AMD Chartered Accountants
Disclosure of Interest:	Nil
Attachment(s):	Interim Management Report

PURPOSE

For the Audit & Organisational Risk Committee to consider outcomes from the interim audit conducted by the City's appointed external auditors AMD Chartered Accountants.

BACKGROUND

AMD Chartered Accountants was appointed to provide external audit services commencing with the financial period ending 30 June 2016. AMD visited the City during the week of 1-5 May 2017 and undertook the interim audit. This will be followed up with a site visit during the week 14-17 August 2017 to commence finalising the annual financial report for 30 June 2017.

The interim management report focuses on the first visit which examined the operations of the City with particular regard to understanding internal control structures and accounting system as they relate to the City's financial reporting. The interim audit visit included testing of critical audit areas in accordance with legislative and accounting standard frameworks.

The interim audit focused on revenue/receipting, purchasing and payments, payroll, reconciliation activities and reconciliations of key accounts.

Attached is a copy of the Interim Management Report provided by AMD Chartered Accountants including interim findings and management comments. Findings included:

Finding	Recommendation	Action
Evidence of monthly reconciliation sign off	All month end checklists are signed and dated to evidence independent review of the key account monthly reconciliations	All independent reviews will be substantiated with a signature
Trust Reconciliation Variance	Variances between the trust ledger and trust bank account are to be investigated and amended accordingly	Surplus funds in the trust bank account have been returned to the municipal account
Leave forms unavailable	Leave forms are authorised and retained on file for all leave taken by employees	Online leave has been implemented

All findings were rated as minor risk issues, which are not of primary concern but still warrant action. All items have been addressed with recommendations now actioned or implemented.

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

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

COMMUNITY CONSULTATION

No community consultation is required.

STATUTORY IMPLICATIONS

Under Part 7 of the *Local Government Act 1995*, the Auditors are required to comply with legislative obligations including approved accounting and auditing standards. There is a requirement for reports issued by the auditors to be considered by the City's Audit and Organisational Risk Committee.

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 2017-2018 provided for this activity:

Programs/Services:	4.c.1.1	Management Accounting Services.
Projects/Actions:	4.c.1.1.1	Conduct monthly and annual financial reviews and reporting.

RISK MANAGEMENT CONSIDERATIONS

The interim and annual audits assist Council in minimising risk from a financial management perspective.

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 this matter to the next Audit and Organisational Risk Committee meeting to enable staff to seek clarification on matters within the Interim Management Report.

CONCLUSION

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 30 June 2017. AMD has advised that the City's controls are robust and stringent, and three minor risk issues have been actioned as a result of the interim audit.

OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION

Res No : AOR53
MOVED : Cr Cucel
SECONDED: : Cr Scott

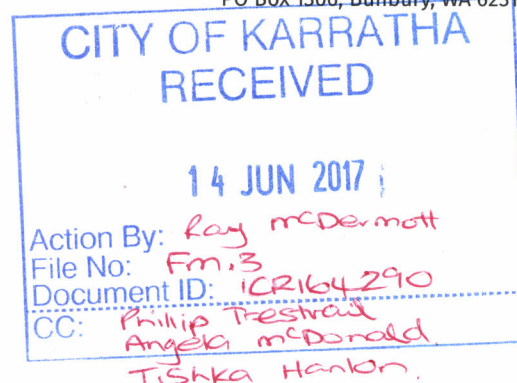
That the Audit & Organisational Risk Committee by SIMPLE Majority pursuant to Part 7 of the *Local Government Act 1995* RESOLVES to RECEIVE the Interim Management Report from AMD Chartered Accountant for the period ending 30 June 2017.

CARRIED

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

31 May 2017

Cr E Smeathers
Chairperson
Audit Committee
City of Karratha
PO Box 219
KARRATHA WA 6714



Dear Evette

**CITY OF KARRATHA
INTERIM MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2017**

We provide our Interim Management Report following completion of our City of Karratha 30 June 2017 interim audit site visit conducted 1 May to 5 May 2017.

1.0 OUR AUDIT APPROACH

Australian Auditing Standards require us to obtain an understanding of the internal control structure and accounting system relevant to City of Karratha's financial reporting, as part of our annual audit process.

During our interim audit, we carried out audit procedures necessary for us to comply with the requirements of the auditing standards in respect to audit planning, risk assessment, assessment of fraud and assessment of the control environment.

The interim audit included preparation of our audit plan and completing our assessment of risks, in accordance with a risk based audit approach required under Australian Auditing Standards. A review of City of Karratha's compliance with the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996 was also completed.

We reviewed, documented and tested the critical audit areas as outlined within Section 5 of our Audit Services Proposal, including key accounting systems and related internal controls in place at the City of Karratha, including the following key areas:

- Revenue and receipting;
- Purchasing and payments;
- Payroll; and
- Reconciliation of key accounts and preparation of monthly financial reports including:
 - Bank and investment reconciliations;
 - sundry debtors;
 - rates debtors reconciliations;
 - ratable value reconciliations;
 - sundry creditor reconciliations;
 - fixed asset reconciliations; and
 - loan reconciliations.

Please note our procedures were performed for financial report audit purposes only, and therefore did not include a complete review of all controls and transactions. We will follow up on the status of our recommendations on our final visit in September to determine whether appropriate action has been taken.

This letter and the attached matters are provided for the purposes of general information only and are not part of our formal audit reporting process. Our audit and management reports will be formally issued at the conclusion of our audit in respect of the year ended 30 June 2017.

2.0 FAIR VALUE

As required by Local Government (Financial Management) Regulations 1996, section 17A, City of Karratha's land and building assets or infrastructure assets must be reassessed at fair value by 30 June 2017.

Discussions with management indicate that land (internally by management) and building (utilising external valuer) fair values are being reassessed prior to 30 June 2017, thereby ensuring compliance with stated requirements.

3.0 EXIT MEETING DISCUSSIONS

The matters raised within this interim management report were discussed during our onsite exit meeting conducted on the 5 May 2017 attended by Ray McDermott (Manager Financial Services / CFO) and Angela McDonald (Management Accountant) from City of Karratha and Rebecca Broad from AMD.

4.0 INTERIM AUDIT RECOMMENDATIONS

We are pleased to report our interim audit did not identify any significant matters required to be brought to the Audit Committee's attention. Our testing identified internal controls are generally operating effectively with management being proactive to continual improvement.

The interim audit result is a credit to the finance team indicating their diligence in maintaining internal controls to a high standard throughout the audit period.

Please refer to Appendix 1 for three minor comments and recommendations raised following our interim audit procedures. Please note interim recommendations raised by us do not take into account materiality, and are raised in accordance with Local Government best practice guidelines.

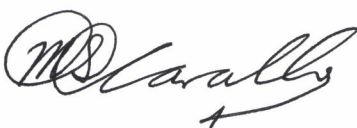
5.0 OTHER MATTERS

We would like to take this opportunity to thank Ray, Angela and the City of Karratha finance team for the assistance provided to us during our audit.

Should you have any queries in respect to this report or any other matters relating to our audit, please do not hesitate to contact me.

Yours sincerely

AMD Chartered Accountants

A handwritten signature in black ink, appearing to read 'M. Cavallo', with a stylized flourish at the end.

MARIA CAVALLO CA
Director

cc Mr C Adams
Chief Executive Officer

APPENDIX 1
Audit Recommendations for the period ended 30 April 2017

GUIDANCE TO FINDINGS RATING / IMPLICATION

Findings identified during the final audit have been weighted in accordance with the following scale:

Non Compliance: Those findings where there is non compliance with Local Government Act or Regulations.

Significant: Those findings where there is potentially a significant risk to the entity should the finding not be addressed promptly.

Moderate: Those findings which are of sufficient concern to warrant action being taken by the entity as soon as possible.

Minor: Those findings that are not of primary concern however still warrant action being taken.

AUDIT FINDINGS

1. MONTHLY RECONCILIATIONS

Finding Rating: Minor

We noted key account monthly reconciliations are now filed in a month end reconciliation file with a cover checklist signed by the relevant reconciliation preparer and also signed as evidence of independent review.

While we understand the monthly reconciliations are subject to independent review, our interim testing identified instances where the cover checklist had not been signed as evidence of review.

Implication

Risk of material misstatement or error not being detected in a timely manner.

Recommendation

We recommend all month end checklists are signed and dated to evidence independent review of the key account monthly reconciliations.

Management Comment

Month end checklists are prepared and reviewed as part of the financial reporting process to Council. Independent review is undertaken however; we note instances of the checklist not being signed. In future, the independent review will be substantiated with a signature.

APPENDIX 1
Audit Recommendations for the period ended 30 April 2017

2. TRUST RECONCILIATION VARIANCE

Finding Rating: Minor

During our review of the 31 March 2017 trust account bank reconciliation, we noted a variance of \$6,770.30 between the trust register balance and the reconciled trust general ledger balance.

Implication

Unreconciled trust items being undetected in a timely manner and variances continue to be carried forward without identification.

Recommendation

We recommended variances be investigated and amended accordingly to ensure the trust ledger is correctly reconciled on a monthly basis.

We understand the variance on the 31 March 2017 trust bank reconciliation has subsequently been rectified.

Management Comment

The trust register has been verified, leading to a surplus of funds in the trust bank account which have subsequently been returned to the municipal account.

3. PAYROLL DOCUMENTATION

Finding Rating: Minor

We noted instances whereby authorised leave forms were unavailable to support for personal leave taken by various employees selected for testing.

Implication

Risk of unauthorised leave being processed within payroll.

Recommendation

We recommend leave forms are authorised and retained on file for all leave taken by employees.

Management Comment

We have now implemented online leave so leave forms are no longer required.

5.3 RISK REGISTER UPDATE

File No:	RM.8
Responsible Executive Officer:	Director Corporate Services
Reporting Author:	Governance Officer - Compliance
Date of Report:	12 May 2017
Applicant/Proponent:	Nil
Disclosure of Interest:	Nil
Attachment(s):	Risk Register Extract

PURPOSE

To consider proposed triggers for reporting risks to the Audit and Organisational Risk Committee and Council.

BACKGROUND

At the previous meeting held 21 February 2017, the Committee resolved to 'Request the Risk Register be updated to include triggers for when risks are reported to the Committee and Council'.

In order to keep the Audit & Organisational Risk Committee (AORC) informed regarding the status of organisational risks it is proposed to:

1. Provide a Risk Heat Map to each AORC meeting displaying the *residual* risk rating of all identified risks. The current heat map is displayed below showing the 165 identified risks for information:

<u>Consequence</u>		Insignificant	Minor	Moderate	Major	Catastrophic
<u>Likelihood</u>		1	2	3	4	5
Almost Certain	5	1	0	1	0	0
Likely	4	6	5	2	0	0
Possible	3	16	21	10	0	0
Unlikely	2	10	33	19	10	1
Rare	1	2	11	6	7	2

2. Report to each AORC meeting details of any *residual* risks currently with a 'high' or 'extreme' risk rating as per Council's Risk Matrix. There are currently four risks that have a high *residual* rating once controls are in place. An extract of these risks and their controls is attached for information.
3. Report to each AORC meeting any changes in the Risk Register that result in an increase in the number of *inherent* risks rated high or extreme.

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

Consultation has taken place with the Director Corporate Services and the Manager Governance & 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

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 2016-2026 and Corporate Business Plan 2016-2021. In particular, the Operational Plan 2017-2018 provided for this activity:

Program/Services: 4. e.1.3 Risk Management

RISK MANAGEMENT CONSIDERATIONS

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

IMPACT ON CAPACITY

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

RELEVANT PRECEDENTS

There are no relevant precedents related to this matter.

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 APPROVE the proposed triggers 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 this matter pending further development.

CONCLUSION

Regular reporting of all risks and in particular those residual risks with a high or extreme rating will assist the Audit & Organisational Risk Committee to fulfil its responsibilities in relation to risk management.

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 APPROVE the proposal to report the following to each Committee meeting:

- 1. Risk Heat Map;**
- 2. Details of *residual risks* with a high or extreme risk rating; and**
- 3. Changes to the Risk Register that result in an increase in the number of inherent risks rated high or extreme.**

COMMITTEE RESOLUTION

Res No : **AOR54**
MOVED : **Cr Smeathers**
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 REQUEST the following be reported at each Committee meeting:

- 1. Risk Heat Map;**
- 2. Details of all risks with major or catastrophic inherent consequences; and**
- 3. Changes to the Risk Register that result in an increase in the number of inherent risks rated high or extreme.**

CARRIED

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

REASON : The Committee modified the Officer's recommendation as members considered risks with major and catastrophic inherent consequences were more relevant indicators.

ATTACHMENT TO 5.3

CITY OF KARRATHA RISK REGISTER

Area	Risk Description	Cause	Effect	Primary Measure	Current Controls	Control(s) Rating	Residual Likelihood	Residual Consequence	Residual Risk	Responsibility	Interval or Milestone Check	Action Items
Parks & Gardens	Failure of Irrigation system or components	Burst Pipes Age Pumps Running at capacity Power Vandalism Initial design and materials implemented	Lack of water (outages) Too much (flooding) Complaints	Service Interruption	Weekly checks on major grounds Computer software controlling waste water delivery 20 year replacement plan on irrigation Fencing protecting irrigation pumping systems Local contractors utilised to assist maintenance	Needs Improvement	5	3	15	Parks & Gardens Coordinator	Ongoing	Current lack of staff to cover high number of grounds for checking and maintenance. Current reticulations systems are ageing. High number of vandalism incidents on sites.
Partnerships & Engagement	Inability to secure land access	Lack of Planning Policy issues Timeline Agency sharing	Project delayed stop Scope change Increase cost Reputation Relationships	Financial	PIIG Process Quality control sheets Planning policies Use DAA website	Needs Improvement	4	3	12	Manager Partnerships & Engagement	Per project	Current review of Projects underway to improve process
Projects	Incident on construction site	Inadequate OH&S plans Non compliance with OH&S plans	Loss of Life Injury Project Delays Negative Publicity Cost implications	Health	Review and Acceptance of Contractor SMP Monthly Contractor Project Reports OH&S to review Safety Documents	Needs Improvement	2	5	10	Project Manager	Monthly	Increased involvement and understanding by CoK OH&S Consistency across Projects processes on monitoring site OH&S Tender document to have a standard template on what the contractor manages against
Records Management	Fail to comply with State Records Act	Lack of knowledge and training Apathy Oversight Work pressures System constraints Third party contractor handling	Non-compliance - regulatory penalties Loss of corporate knowledge Reputation damage Service interruption if vital records destroyed/lost	Service Interruption	Records Management staff Induction training Quarterly refresher training On site records advisory service Internal auditing by records staff Records Management Policy and Procedures Record Keeping plan Managers and supervisors	Adequate	4	3	12	Records Coordinator	Ongoing	Management need to ensure a more proactive approach to ensure staff comply. Despite high number of controls an individual's decision can result in non-compliance due to the high volume of records required to be captured. Feb 2017 - Refresher course run by Records Coordinator.

6 ITEMS FOR INFORMATION ONLY

Responsible Officer: Director Corporate Services

Reporting Author: Minute Secretary

Disclosure of Interest: Nil

PURPOSE

To advise the Audit and Organisational Risk Committee of the information items for period ending June 2017.

OFFICER'S RECOMMENDATION

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

- 6.1 Business Improvement – Progress Report
- 6.2 Internal Audit Update
- 6.3 Confidential Item – CyberSecurity

COMMITTEE RESOLUTION

Res No : AOR55

MOVED : Cr Long

SECONDED: : Cr Scott

That the Audit and Organisational Risk Committee:

1. **NOTE** the following information items:

- 6.1 Business Improvement – Progress Report
- 6.2 Internal Audit Update
- 6.3 Confidential Item – CyberSecurity; and

2. **PROPOSE** an independent audit be undertaken on the security of the City's IT network.

CARRIED

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

REASON : The Committee modified the Officer's recommendation to propose an independent audit be undertaken on the City's IT network to ensure that the City's data and systems are adequately protected from cyber-attacks.

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: 12 May 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. Strategic Community Plan 2016-2026	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"> • Vision • Strategies • Community Engagement • Resources and Commitments 	<ul style="list-style-type: none"> • Review undertaken by Councillors community and staff during 2105/16 • Adopted by Council in September 2016 	<ul style="list-style-type: none"> • June 2020
2. Corporate Business Plan 2016-2020	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"> • Activates Strategic Community Plan • Progress Measures to achieve delivery of outcomes • Budget information for five years 	<ul style="list-style-type: none"> • Approved by Council at October 2016 OCM 	<ul style="list-style-type: none"> • Desktop review 2018
3. Operational Plan 2017-2018	Annual slice and dice of Corporate Business Plan. Has been extensively reworked internally to ensure consistency and compliance.	<ul style="list-style-type: none"> • Annual Budget. • Annual Projects and Services 	<ul style="list-style-type: none"> • Approved by Council at June 2017 SCM 	<ul style="list-style-type: none"> • June 2018
4. Asset Management Plan	What Assets are required at what service level to deliver the services expressed by our communities?	<ul style="list-style-type: none"> • Asset Conditions & Ratings • Levels of Service, operational, technical and community • Financial information for maintenance of assets at an agreed level of service 	<ul style="list-style-type: none"> • Approved by Council in June 2013. • Asset Management Policy reviewed and submitted to Council in Nov 2016 however deferred 	<ul style="list-style-type: none"> • To be completed by Sept 2017

Focus Areas	Brief Description	Indicative Activities/Outputs	Current and Future Status	Review Date
		<ul style="list-style-type: none"> Asset Disposal Strategy and Lifecycle Costing Action Plans 	pending further review.	
5. Long Term Financial Plan	<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"> Sensitivity Analysis Long Term Financial Sustainability Capital Works Program for next 10 years Financial Modelling Assumptions and Scenarios 	<ul style="list-style-type: none"> 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 2017 reviewing key assumptions. 	<ul style="list-style-type: none"> July 2017
6. Workforce Plan 2013-2018	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"> Structural Review Performance Measurement Systems Performance Appraisal System Retention Recruitment Succession Planning Development and training Staff housing & accommodation 	<ul style="list-style-type: none"> Approved by Council in August 2013. Annual review has been completed and incorporated in the LTFP assumptions. 	<ul style="list-style-type: none"> To be reviewed again in 2017
7. Housing Strategy	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"> Short term review and modifications undertaken. Options for staff housing to be developed (ownership vs leasing vs paying allowances). 	<ul style="list-style-type: none"> Strategy currently under review to reflect normalisation of the housing market. 	<ul style="list-style-type: none"> June 2017
8. Corporate Performance Management System	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"> Ability for all reporting teams to update their quarterly performances. 	<ul style="list-style-type: none"> Contract awarded to Civica Pty Ltd. KPIs for 2016/17 loaded. 	<ul style="list-style-type: none"> Q4 KPIs to be reported to Council in August 2017
9. Procurement and Tendering	Given the large growth and volume of projects that the City is accountable for,	<ul style="list-style-type: none"> Centralise and streamline the approach to 	<ul style="list-style-type: none"> Induction and awareness training 	<ul style="list-style-type: none"> Ongoing

Focus Areas	Brief Description	Indicative Activities/Outputs	Current and Future Status	Review Date
	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.	procurement and tendering. <ul style="list-style-type: none"> Create knowledge management and succession .planning of procurement and tendering through the organisation. 	commenced June 2014. <ul style="list-style-type: none"> eQuotes for local suppliers introduced in November 2015. Management training provided at October 2016 EMG meeting. 	
10. Functional Processes	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"> Define what a process is and how these will be recorded. Conduct a review of current functional processes across the organisation. Define what functional processes are needed, how they will be recorded, understood and applied consistently throughout the organisation. 	<ul style="list-style-type: none"> Policies adopted. Current practices are being process mapped as an internal resource and guide to all staff. 632 processes have been developed with 83% published for organisation to use. 	<ul style="list-style-type: none"> Ongoing and annual reviews of processes undertaken
11. Service Reviews	Review of all service areas to ensure efficacy and alignment with strategic direction and community	<ul style="list-style-type: none"> Thorough review of individual service area with recommendations targeting business improvement and efficiency 	<ul style="list-style-type: none"> Service reviews have been undertaken across 38 service areas (81% complete) with over 296 recommended actions put forward to EMT. 	<ul style="list-style-type: none"> Service reviews to be completed mid- 2017 Service reviews summaries included in contentious issues for consideration.
12. Risk Management Review	Review of existing policies, procedures and supporting documentation. Development of Risk Management Framework.	<ul style="list-style-type: none"> Common, contemporary, compliant framework was developed and utilised for the four (4) Pilbara LGA's. 	<ul style="list-style-type: none"> Risk plan and policies approved by Council in Feb 2017 Major review of Risk Register is being undertaken. 	<ul style="list-style-type: none"> Highlight risks to be provided to Audit and Organisational Risk Committee each meeting.
13. Business Continuity Management Project	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"> BCM Policy and Plan. BCM Governance Framework. Exercise Maintenance and Awareness Plan. 	<ul style="list-style-type: none"> BCM Plan prepared and training undertaken by PRC with Critical Response Team in November 2015. 	<ul style="list-style-type: none"> BCM Plan under review and to be submitted to Audit and Organisational Risk Committee.
14. DLGC Governance	External review by AICD of City's governance	<ul style="list-style-type: none"> Independent review and benchmarking 	<ul style="list-style-type: none"> Surveys completed and responses 	<ul style="list-style-type: none"> Presentation to be made in May

Focus Areas	Brief Description	Indicative Activities/Outputs	Current and Future Status	Review Date
Review Program	structures and practices. Online feedback required by Crs and Exec, followed with workshop by AICD.	of governance systems. <ul style="list-style-type: none"> Identify any areas of weakness that need to be improved upon. 	collated by AICD. <ul style="list-style-type: none"> AICD has provided overview to Mayor and CEO. 	to Councillors and EMT.
15. Internal Audit Program	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"> IA Schedule developed of internal audit program. Identify any weaknesses and reduce risks by examining existing control measures and providing recommendations for improvement. 	<ul style="list-style-type: none"> Completed Delegations and Authorisations IA with 22 improvement opportunities identified. Currently undertaking Credit Card IA. 	<ul style="list-style-type: none"> Credit Card IA to be presented to the next Audit Committee meeting.
16. Staff Engagement Survey	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"> Online and hard copy survey sent to all employees every 2 years. Each department to develop an action plan in consultation with staff to respond to survey results. 	<ul style="list-style-type: none"> Survey released on 16 May 2017. Closing date 30 May. 	<ul style="list-style-type: none"> 2019






6.2 UPDATE - INTERNAL AUDIT – DELEGATIONS & AUTHORISATIONS**File No:** CM.131**Responsible Executive Officer:** Director Corporate Services**Reporting Author:** Governance Officer - Compliance**Date of Report:** 19 July 2017**Disclosure of Interest:** Nil**Attachment(s):** Nil**PURPOSE**














To provide the Audit & Organisational Risk Committee with a status update regarding implementation of recommendations from the internal audit into Delegations & Authorisations.





BACKGROUND

At the last meeting of the AORC on 21 February 2017, a report was presented detailing the findings and recommendations arising from the internal audit report into Delegations & Authorisations.

The table below outlines the status of recommendations from the report:

Recommendation	Responsibility	Comments	Timing	Status
Guidelines for City staff to ensure future delegations are substantiated	Governance	<ul style="list-style-type: none"> Information added to new Delegations Register. To be added to Compliance training for all new staff. Communication to staff that Governance are to be liaised with for delegation matters. 	Q4 2017	
CEO to appoint staff under <i>Food Act 2008</i>	Governance	<ul style="list-style-type: none"> Completed 	Complete	
Consolidate various old delegations	Governance	<ul style="list-style-type: none"> Completed 	Complete	
Finance to provide improved training around Purchase Orders	Finance	<ul style="list-style-type: none"> Currently arranging resources in order to implement this prior to end of year. 	Q2 2018	
Training for staff with purchasing authority	Governance	<ul style="list-style-type: none"> Staff with no training targeted immediately. Refresher training being finalised and will be implemented before year end. Liaison with HR for new starters. 	Ongoing	

Recommendation	Responsibility	Comments	Timing	Status
Invoices to be stored electronically	Finance	<ul style="list-style-type: none"> Governance to liaise with Finance for best ways to achieve this outcome. 	Q3 2018	
Ensure latest purchase forms are available to all staff. Increased education in this space.	Governance	<ul style="list-style-type: none"> Completed 	Complete	
Removal of unwarranted purchasing delegations	Governance	<ul style="list-style-type: none"> Review completed for EMT consideration 	Complete	
Mandatory Compliance / Code of Conduct training for new full time staff.	Governance	<ul style="list-style-type: none"> Liaison with HR completed - now linked to probation. 	Complete	
Education surrounding circumstances to obtain external legal advice.	Governance	<ul style="list-style-type: none"> Instructions provided to staff by Manager GOS. 	Complete	
Health staff to maintain better records utilising Synergy.	Regulatory Services	<ul style="list-style-type: none"> Governance to meet with Regulatory Services staff for advice and education surrounding improving record keeping. 	Q4 2017	
Proper process to be developed for the withdrawal / cancellation of infringements.	Regulatory Services	<ul style="list-style-type: none"> Regulatory Services assisted by Governance to develop policy as to how this is best carried out. 	Complete	
Proper processes to be developed for accountability of infringements.	Regulatory Services	<ul style="list-style-type: none"> As per above recommendation. 	Q1 2018	
Fee waiver / fee concession policies to be better communicated to staff.	Governance	<ul style="list-style-type: none"> Ongoing education to be provided by Governance and Finance. 	Ongoing	
Fee concessions / waivers to be documented in Annual Budget.	Finance	<ul style="list-style-type: none"> Included in annual budget as per legislation. 	Complete	
Fee waiving delegation for minor matters to Airport and Rec Facilities Managers.	EMT	<ul style="list-style-type: none"> Governance have liaised with all parties regarding system to track exercise of delegation. 	Q3 2017	
Merge various delegations.	Governance	<ul style="list-style-type: none"> Completed 	Complete	
All significant records to be captured in the record keeping system rather than hard copy only.	Governance	<ul style="list-style-type: none"> Requires communication to all staff holding delegations. Ongoing spot checks of record keeping. 	Q4 2017	

Recommendation	Responsibility	Comments	Timing	Status
Governance to educate staff regarding delegation of legal power/duty and 'Acting Through'.	Governance	<ul style="list-style-type: none"> Minutes will be monitored for areas requiring further education. Revised Delegations Register will assist in this area. 	Ongoing	
Improved electronic workflow process to replace paper based slower systems surrounding delegations.	Governance	<ul style="list-style-type: none"> Working toward system utilising SharePoint. 	Q2 2018	
Use of ID cards in accordance with legislation.	Governance	<ul style="list-style-type: none"> ID card printer sourced from within organisation. 	Complete	
New Delegations Register.	Governance	<ul style="list-style-type: none"> Approved at March 2017 OCM. 	Complete	

CONCLUSION

Various teams are collaborating in order to implement the outstanding recommendations, some of which may take longer to fully implement due to the complex nature of the recommendations.

A further update will be provided at the next AORC meeting later this year.

6.3 CONFIDENTIAL ITEM – CYBER SECURITY**File No:** IT.7**Responsible Executive Officer:** Director Corporate Services**Reporting Author:** Manager Information Systems**Date of Report:** 21 July 2017**Applicant/Proponent:** Nil**Disclosure of Interest:** Nil**Attachment(s):** IT Security – Layers of Protection

7 CLOSURE & DATE OF NEXT MEETING

The meeting closed at 3.06 pm.

The date of the next meeting is to be held on Tuesday, 17 October 2017 at 3:00 pm in Council Chambers - Welcome Road, Karratha.

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 25 July 2017.

..... Date ____/____/____