



AUDIT AND ORGANISATIONAL RISK COMMITTEE MEETING

MINUTES

**The Audit and Organisational Risk Committee Meeting
held in the Council Chambers,
Welcome Road, Karratha,
on Monday, 19 June 2023 at 4.00pm**



**VIRGINIA MILTRUP
CHIEF EXECUTIVE OFFICER**



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WRITTEN CONFIRMATION

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

Signed: Virginia Miltrup
Virginia Miltrup - Chief Executive Officer

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

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

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

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

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

NOTES ON FINANCIAL INTEREST (FOR YOUR GUIDANCE)

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

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

INTERESTS AFFECTING IMPARTIALITY

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

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

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

IMPACT OF AN IMPARTIALITY CLOSURE

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

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

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MINUTES

1 OFFICIAL OPENING

The Meeting was officially opened at 4.03pm.

2 RECORD OF ATTENDANCES AND APOLOGIES

Committee Members: Cr Peter Long
Cr Garry Bailey
Cr Daniel Scott

Staff:	Virginia Miltrup	Chief Executive Officer
	Angela McDonald	Acting Director Corporate & Legal Services
	Henry Eaton	Manager Governance & Organisational Strategy
	Ray McDermott	Manager Financial Services/CFO
	Jodie Swaffer	Minute Secretary

External: Kien Neoh, Office of Auditor General
Amit Kabra, RSM Audit
Shahnizam Hamid, RSM Audit

Apologies: Cr Travis McNaught

3 DECLARATIONS OF INTEREST

Nil

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

OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION

Res No : AOR119
MOVED : Cr Scott
SECONDED : Cr Bailey

That the Minutes of the Audit and Organisational Risk Committee Meeting held on Monday, 20 March 2023, be confirmed as a true and correct record of proceedings.

CARRIED 3/0

FOR : Cr Bailey, Cr Long, Cr Scott
AGAINST : Nil

5 ITEMS FOR DISCUSSION

5.1 AUDIT AND ORGANISATIONAL RISK COMMITTEE DATES 2023

File No: FM.3
Responsible Executive Officer: A/Director Corporate and Legal Services
Reporting Author: Manager Governance & Organisational Strategy
Date of Report: 7 June 2023
Applicant/Proponent: Nil
Disclosure of Interest: Nil
Attachment(s): Nil

PURPOSE

To consider dates for Audit and Organisational Risk Committee (AORC) meetings for the remainder of 2023.

OFFICER'S RECOMMENDATION

That the Audit and Organisational Risk Committee **SCHEDULE** Audit and Organisational Risk Committee meetings for the remainder of 2023 as follows:

Date and Time of Meeting	Location
Tuesday 12 September 2023 at 3pm	Council Chambers, Karratha
Tuesday 14 November 2023 at 3pm	Council Chambers, Karratha

COMMITTEE AMENDED RESOLUTION

Res No : AOR120
MOVED : Cr Scott
SECONDED : Cr Bailey

That the Audit and Organisational Risk Committee **SCHEDULE** Audit and Organisational Risk Committee meetings for the remainder of 2023 as follows:

Date and Time of Meeting	Location
Monday 11 September 2023 at 3pm	Council Chambers, Karratha
Tuesday 14 November 2023 at 3pm	Council Chambers, Karratha

CARRIED 3/0

FOR : Cr Bailey, Cr Long, Cr Scott
AGAINST : Nil
REASON : Cr Long is unavailable on Tuesday 12 September.

BACKGROUND

The AORC Terms of Reference provides for meetings to be held at least three times per year. These meetings are scheduled to coincide with annual milestones that require Council

consideration and to expedite matters of governance and risk to ensure that the City has effective internal controls in place. Supplementary meetings can be called on as needed.

The Committee met twice in 2021 and only once in 2022 due to a lack of external and internal audit reports being completed.

The following schedule of meetings is proposed for the remainder of 2023. Meetings are proposed to commence at 3pm on the second Tuesday for the months of September and November. Having already convened an Audit and Organisational Risk Committee meeting on 20 March 2023 to accept the Compliance Audit Return for 2022 and today's meeting to receive the Audit Report for 2021/22, the following meeting dates and significant matter for discussion are proposed for the remainder of 2023:

Date	Significant Matters for Discussion
12 September 2023	<ul style="list-style-type: none"> • Receive Interim Audit Report 2022/23 • Receive Financial Management System Review 2023
14 November 2023	<ul style="list-style-type: none"> • Appointment of Chairperson of Audit and Organisational Risk Committee • Review Terms of Reference for Audit and Organisational Risk Committee • Receive Final Audit Report for 2022/23 • Receive progress reports on internal audits • Set Committee dates for 2024

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.

STATUTORY IMPLICATIONS

Division 1A of Part 7 of the *Local Government Act 1995* provides for local government audit committees.

COUNCILLOR/OFFICER CONSULTATION

No Councillor or Officer consultation is required.

COMMUNITY CONSULTATION

No community consultation is required.

POLICY IMPLICATIONS

There are no policy implications.

FINANCIAL IMPLICATIONS

There are no financial implications.

STRATEGIC IMPLICATIONS

This item is relevant to the Council's approved Strategic Community Plan 2020-2030 and the Corporate Business Plan 2020-2025. In particular, the Operational Plan 2022-2023 provided for this activity.

Programs/Services:	4.a.2.6	Agenda and Minutes Preparation
	4.e.1.2	Organisational Risk Management

RISK MANAGEMENT CONSIDERATIONS

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

Category	Risk level	Comments
Health	N/A	Nil
Financial	N/A	Nil
Service Interruption	N/A	Nil
Environment	N/A	Nil
Reputation	Moderate	Regular meetings ensures risks are communicated to members and action taken to manage non-compliances in a responsive and appropriate manner.
Compliance	Moderate	Failure to convene Audit Committee meetings will breach statutory requirements.

IMPACT ON CAPACITY

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

RELEVANT PRECEDENTS

The Committee adopted the 2022 meeting dates at the March 2022 AORC meeting.

VOTING REQUIREMENTS

Simple Majority.

OPTIONS:Option 1

As per Officer's recommendation.

Option 2

That the Audit and Organisational Risk Committee SCHEDULE the 2023 Audit and Organisational Risk Committee meeting dates as follows:

CONCLUSION

It is proposed to continue scheduling at least three Audit and Organisational Risk Committee meetings in 2023, however the timing of the annual financial audit remains uncertain and the November meeting is an additional meeting for this as well as addressing any governance protocols associated with the new members on the committee following the 2023 local government elections.

5.2 INTERNAL AUDIT PROGRAM – 2023-2026

File No: FM.1 / CM.131

Responsible Executive Officer: A/Director Corporate and Legal Services

Reporting Author: Manager Governance and Organisational Strategy

Date of Report: 12 June 2023

Applicant/Proponent: Nil

Disclosure of Interest: Nil

Attachment(s): Nil

PURPOSE

For the Audit and Organisational Risk Committee to consider a three year internal audit program for the period 2023/24 – 2025/26.

OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION

Res No : AOR121

MOVED : Cr Bailey

SECONDED : Cr Scott

That the Audit and Organisational Risk Committee **ENDORSE** the following Internal Audit Program:

AUDIT YEAR	AUDIT PROGRAM
2023/24	Contract Management and Administration Preferred Supplier Contracts
2024/25	Risks Controls Grant Approvals
2025/26	Council and Operational Policies Use of Delegations

CARRIED 3/0

FOR : Cr Bailey, Cr Long, Cr Scott

AGAINST : Nil

BACKGROUND

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

An audit plan with an indicative 3 year audit program was endorsed by the Audit and Organisational Risk Committee in October 2020 however with the onset of Covid 19 and staff resourcing, capacity to complete any planned internal audits have been delayed.

Work had commenced on the minor review of Preferred Supplier Contracts and their accumulated spend over \$250K that was scheduled for 2020/21. This was a follow up to the 2020 Financial Management Services Review to identify opportunities for entering into new tender arrangements. This work is pending completion and is anticipated to be completed later in 2023. Staff engaged on this project have left the City's employment or were redirected to assist with the implementation of the ERP project. This internal audit will resume later this year.

A spot audit on credit card usage is currently underway by the Governance team and will be finalised soon.

Unscheduled internal audits were undertaken to support the Office of Auditor General's performance audits in the areas of:

- Records Management
- Fraud Prevention
- Cyber Security

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

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

The proposed audit projects identified for the period 2023/24 – 2025/26 are detailed in the Table below:

Proposed Period	Key Audit Area	Objective
2023/24	<u>Major Review</u> Contract Management and Administration (planned for 2020/21)	Reviewing existing systems and procedures to ensure contracts are administered appropriately including specific focus on extensions and variations to contracts. (Referenced in 2020 FMSR; OAG Report #20, May 2020) <i>This can also assist with the introduction of the new module in the ERP system.</i>
	<u>Minor Review</u> Preferred Supplier Contracts (rolled over from 2020/21)	Examining the preferred supplier list for accumulative spend over \$250k (Referenced in 2020 FMSR)
2024/25	<u>Major Review</u> Risk Controls (planned for 2021/22)	Testing the effectiveness of controls identified for: 1. primarily high and extreme risks in the organisational risk register; and 2. a sample of secondary moderate risks.
	<u>Minor Review</u> Grant Approvals (planned for 2022/23)	Investigating the compliance of individual grant programs with existing policies and acquittal procedures.
2025/26	<u>Major Review</u> Council and Operational Policies	Testing the application of current practices against a sample set of Council and Operational Policies.

Proposed Period	Key Audit Area	Objective
	Minor Review Use of delegations	Taking a sample of each set of delegations and checking to ensure they are being exercised and recorded in accordance with Section 5.46 of the LG Act and Regulation 19 of the Admin Regs.

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

Key Audit Area	Objective
Fee Concessions	Sample testing of procedures related to fee waivers including the application of delegations, policies and reporting.
Cash Handling	Sample testing of cash handling procedures across the organisation to ensure safety of monies collected and reducing the risk for misappropriation of funds.
Credit Card Usage	Sample testing of credit card transactions for compliance with internal policies and procedures.

LEVEL OF SIGNIFICANCE

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

STATUTORY IMPLICATIONS

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

COUNCILLOR/OFFICER CONSULTATION

No Councillor or Officer consultation is required.

COMMUNITY CONSULTATION

No community consultation is required.

POLICY IMPLICATIONS

There are no policy implications.

FINANCIAL IMPLICATIONS

There are no financial implications.

STRATEGIC IMPLICATIONS

This item is relevant to the Council's approved Strategic Community Plan 2020-2030 and Corporate Business Plan 2020-2025. In particular, the Operational Plan 2022-2023 provided for this activity:

Programs/Services:	4.e.1.2	Organisational Risk Management
Projects/Actions:	4.e.1.2.19.1	Implement Internal Audit Program

RISK MANAGEMENT CONSIDERATIONS

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

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

IMPACT ON CAPACITY

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

RELEVANT PRECEDENTS

An indicative 3 year audit program was endorsed by the Audit and Organisational Risk Committee in August 2016 and again in October 2020.

VOTING REQUIREMENTS

Simple Majority.

OPTIONS:Option 1

As per Officer's recommendation.

Option 2

That the Audit and Organisational Risk Committee DEFER consideration of the Internal Audit Program.

Option 3

That the Audit and Organisational Risk Committee ENDORSE consideration of the Internal Audit Program with the following variations:

1. _____
2. _____

CONCLUSION

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

At 4.35pm external parties, Kien Neoh, Office of Auditor General, Amit Kabra, RSM, Shahnizam Hamid, RSM joined the meeting via electronic means to present on the attached Audit Planning Memorandum for the FY23 Audit.

At 4.50pm external parties left the meeting.

5.3 2021/22 ANNUAL FINANCIAL REPORT AND AUDIT OPINION

File No:	FM.1
Responsible Executive Officer:	A/Director Corporate and Legal Services
Reporting Author:	Manager Governance and Organisational Strategy
Date of Report:	12 June 2023
Applicant/Proponent:	Nil
Disclosure of Interest:	Nil
Attachment(s):	1. Annual Financial Report 2021/22 2. Independent Auditors Report 2021/22 3. Confidential Management Letter

PURPOSE

To receive the Annual Financial Report of the City's affairs for the 2021/22 financial year and to consider the Independent Auditor's Report and Management Letter provided by the Office of the Auditor General (OAG).

OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION

Res No : **AOR122**
MOVED : **Cr Bailey**
SECONDED : **Cr Scott**

That the Audit & Organisational Risk Committee:

- 1. ACCEPT the Annual Financial Report for the Year ended 30 June 2022;**
- 2. ACCEPT the Independent Auditor's Report from the Office of the Auditor General for 2021/22; and**
- 3. NOTE the Management Report for the Financial Audit provided by the Office of the Auditor General for the year ended 30 June 2022.**

CARRIED 3/0

FOR : Cr Bailey, Cr Long, Cr Scott
AGAINST : Nil

BACKGROUND

The OAG subcontracted RSM Australia to undertake the annual financial audit for the City for the 2021/22 financial year. The purpose of the audit is to express an opinion on the financial report and internal controls.

Financial reports were presented to the auditors on 30 September 2022. RSM Australia audit staff attended on site on 17-21 October 2022 to commence their field work. Ordinarily the audit is to be completed by 31 December of each year, however finalisation of the audit was delayed due to ongoing requests for further information by the auditors and adjustments to infrastructure assets.

On completion of the annual financial audit, the OAG provided the attached Independent Auditor's Report and Management Letter dated 25 May 2023, including audit findings and recommendations for the annual financial.

Audit Opinion

An unqualified opinion was issued indicating that the City's financial report is based on proper accounts and fairly represents, in all material respects, the results of the operations of the City for the year ended 30 June 2022 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (Act). The OAG identified one Emphasis of matter related to the restatement of comparative figures contained within Note 32 of the Financial report which states that the amounts reported in the previously issued 30 June 2021 financial report have been restated and disclosed as comparatives in this financial report.

Management Reports and Findings

The auditors prepare a management report that identifying deficiencies in internal controls that require management attention. The matters reported from the Annual Financial Report Audit (Table 2) and the Information Technology General Controls Audit (Table 3) are of sufficient importance to warrant being reported.

Table 1 – Summary risk rating per Finding

Risk Ratings:	Significant	Moderate	Minor
Annual Financial Report Audit 2022	2		
Information Technology General Controls Audit 2022			3
Matters outstanding from prior years		2	2

Table 2 - Findings from the 2022 Annual Financial Report Audit

Audit Finding	Implication	Auditor Recommendation	Management Response
Annual Financial Report 2021/22			
AFR22-1 Revaluation of PPE and Infrastructure Assets Risk Rating: Significant Management engaged independent valuers to value the land and building and infrastructure assets. We noted that management have not reviewed the independent valuation for reasonableness.	N/A	Material adjustments have been made after the review of independent valuers to valuations of land, building and infrastructure assets: 1. Land and building, which do not belong to the City were recorded in the books. These have since been removed and valuation adjusted by \$21.5 million. 2. The Gross Current Replacement Cost (“GCRC”) valuation was taken up for the various asset classes valued by Griffin. As per the valuer’s report, the Depreciated Replacement Cost (“DRC”) was supposed to be taken up as it complies with the fair value under the Accounting Standards AASB 13. This has resulted in a downward adjustment of \$4.1 million to Buildings and Infrastructure assets.	Adjustments carried out to the annual financial statements ending 30 June 2022. Responsible person: Manager Finance / CFO Completion date: Completed
AFR22-2 Prior year audit adjustment – Rehabilitation Assets Risk rating: Significant The City has wrongly depreciated rehabilitation assets. In accordance with AASB 116, the cost of an asset includes any cost of restoring the site on which it is located. The cost of the asset is depreciated over its useful life. The rehabilitation asset, Cell 0 was first recognised only in	N/A	Accordingly, at the time of initial recognition of the rehabilitation provision in FY20, the corresponding debit of \$10.5 m in relation to Cell 0 should have been fully expensed. Based on this, a prior period error exists in both FY20 and FY21. This has been adjusted in the current year’s financial through a prior period restatement.	Recommendation noted and adjusted in the financial statements ending 30 June 2022. Responsible person: Manager Finance / CFO Completion date: Completed

Audit Finding	Implication	Auditor Recommendation	Management Response
<p>FY20. Accordingly, the asset would need to be depreciated over its remaining useful life at the time of recognition.</p> <p>Cell 0 had reached capacity and was no longer in use from 25 August 2020, hence we consider the remaining useful life of the Cell 0 at 30 June 2020 to be Nil.</p>			

Table 3 - Findings from the 2022 Information Technology General Controls Audit

Audit Finding	Implication	Auditor Recommendation	Management Response
<p>This matter is confidential and if disclosed would reveal commercial-in-confidence information</p>			

Table 4 - Findings from the Matters Outstanding from Prior Years

Audit Finding	Implication	Auditor Recommendation	Management Response
<p>This matter is confidential and if disclosed would reveal commercial-in-confidence information</p>			

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.

STATUTORY IMPLICATIONS

Part 7 Division 3A of the Act particular sections 7.12AA-7.12AE and regulation 10 of the *Local Government (Audit) Regulations 1996* provide for the conduct of the annual audit and the report by the auditor.

Section 5.54 of the Act provides for acceptance of annual reports by the local government.

Section 5.55A of the Act provides that the annual report, including the auditor's report and the audited financial report, are to be published on the City's official website within 14 days after the annual report has been accepted by the Council.

Section 7.12A of the Act requires significant matters requiring attention from an audit to be reported to the Minister within 3 months after the audit report is received with what actions are being undertaken and for the report to then also be disclosed on the City's website.

COUNCILLOR/OFFICER CONSULTATION

Financial Services staff, the Chief Financial Officer, Director Corporate and Legal Services and CEO have been involved regarding the finalisation of the annual financial report and a response to the audit opinion.

The CEO, Director Corporate and Legal Services and Councillors McNaught, Scott and Harris participated in the Audit Exit Meeting with the OAG and RSM Australia.

COMMUNITY CONSULTATION

The community will be invited to attend the Annual Electors' Meeting to discuss the contents of the City's Annual Report that will contain the Annual Financial Report and the Independent Auditor's Report.

POLICY IMPLICATIONS

The financial report was prepared in accordance with the Australian and International Accounting Standards and in accordance with Council Policy *CF01 Local Government Accounting Directions*.

FINANCIAL IMPLICATIONS

In summary, the Annual Financial Report indicated that the City had as at 30 June 2022:

	30 June 2022	30 June 2021	Inc /(Dec)
Net Result	\$14,363,886	\$16,944,523	(\$2,580,637)
Net Assets	\$826,009,593	\$762,221,442	\$63,788,151
Total Assets	\$856,928,427	\$795,101,623	\$61,826,804
Total Liabilities	\$30,918,834	\$32,880,181	(\$1,961,347)
Loan Liability	\$16,854	\$33,269	(\$16,415)
Cash Reserves	\$78,025,524	\$73,555,557	\$4,469,967
Property, Plant & Equipment	\$300,523,647	\$250,787,540	\$49,736,107
Investment Property	\$35,125,608	\$31,300,000	\$3,825,608
Infrastructure Assets	\$419,108,677	\$422,015,502	(\$2,906,825)
Final Surplus (Restricted)	\$124,258	\$248,516	(\$124,258)
Final Surplus (Unrestricted)	\$4,745,519	\$452,221	\$4,293,298

STRATEGIC IMPLICATIONS

This item is relevant to the Council's approved Strategic Community Plan 2020-2030 and the Corporate Business Plan 2020-2025. In particular, the Operational Plan 2022-2023 provided for this activity:

Our Program/Services:	4.c.1.1	Management Accounting Services
Our Projects/Actions:	4.c.1.1.19.1	Conduct monthly and annual financial reviews and reporting
Programs/Services:	4.e.1.2	Organisational Risk Management
Projects/Actions:	4.e.1.2.21.1	Assist the Office of Auditor General with financial and performance audits.
Our Program/Services:	4.e.2.1	Publications and media notices
Our Projects/Actions:	4.e.2.1.19.1	Produce Annual Report

RISK MANAGEMENT CONSIDERATIONS

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

Category	Risk level	Comments
Health	N/A	Nil
Financial	Moderate	Significant controls and oversight in place throughout the year to monitor financial performance. Audits assist in minimising risks.
Service Interruption	Low	Improving IT security policies, system and processes will minimise service interruption.
Environment	N/A	Nil
Reputation	Low	Significant controls and oversight in place throughout the year to protect the City from reputational damage.
Compliance	Moderate	Significant controls and oversight in place throughout the year to ensure high levels of compliance.

IMPACT ON CAPACITY

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

RELEVANT PRECEDENTS

The external audit is completed annually and reported to the Audit & Organisational Risk Committee and Council prior to the Annual Electors' Meeting.

VOTING REQUIREMENTS

Simple Majority.

OPTIONS:Option 1

As per Officer's recommendation.

Option 2

That the Audit & Organisational Committee NOT ACCEPT the Independent Auditor's Report from the Office of the Auditor General for the year ended 30 June 2022 and seek further advice and clarification on the report.

CONCLUSION

The OAG has provided an unqualified Audit Opinion indicating that the accounts are a true and fair representation of the City's financial performance for 2021/22.

The OAG's Management Report for the Financial Audit highlighted two significant financial risks in relation to prior year adjustments and revaluation adjustments to infrastructure assets. The Management Report for the Information Technology General Controls Audit identifies three minor risks. Actions have been taken to address findings.

It is recommended that the Annual Financial Report and the Independent Auditor's Report be presented to Council to enable the Annual Electors' Meeting to be convened.

5.4 RISK REGISTER UPDATE

File No:	RM.8
Responsible Executive Officer:	A/Director Corporate and Legal Services
Reporting Author:	Governance Officer - Compliance
Date of Report:	12 June 2023
Applicant/Proponent:	Nil
Disclosure of Interest:	Nil
Attachment(s):	1. Confidential - Risk Register Extract: High Level Residual Risks 2. Confidential - Risk Register Extract: Strategic Risks

PURPOSE

To provide an update of high level residual risks and associated indicators as contained in the City's Risk Register.

OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION

That the Audit and Organisational Risk NOTE the current status of risk management.

Res No : **AOR123**
MOVED : **Cr Scott**
SECONDED : **Cr Bailey**

CARRIED 3/0

FOR : Cr Bailey, Cr Long, Cr Scott
AGAINST : Nil

BACKGROUND

The Risk Register is reviewed periodically by key stakeholders and managers however is a very manual approach. The reviews are then further audited by Governance Officers to ensure currency. The risk register incorporates operational and strategic risks however development of further strategic risks is ongoing.

In mid-2022, a desktop review was conducted by Managers who assessed existing risks and updated the register, including the following additions/deletions:

New risks:

- Diminishing relationship between elected members and CEO (operational)
- Housing supply shortage in City of Karratha (strategic risk)
- Reduced access to critical services to support community (ie child care, teachers, medical, retail) (strategic risk)
- Inflationary pressures and supply chain issues placing additional hardship on project delivery and financial sustainability of services, programs and projects (strategic risk)
- Safeguarding resources and infrastructure in a severe weather event or disaster (operational and strategic risk)

- f) Insufficient audit oversight of City activities
- g) Failure to timely roll out CiAnywhere modules across the City.

Risks no longer applicable or duplicated in other areas:

- a) City exposed to risks due to inadequate and mismanaged contract arrangements (duplicated)

The above change brings the total of identified risks to 194. Further analysis is being undertaken to interrogate and consolidate further duplicated risks.

Notable incidents since March 2022:

- 10 Jan 2023 - Significant power loss at the Karratha Airport potentially creating a catastrophic event overnight with rotary aircraft attempting to land without visual lights on airport runway. Staff and contractors attended to restore secondary power services after emergency generator failed.

The table below provides the *inherent* and *residual* risk totals and percentages for the highest risks.

Number of Risks	194	
Number with Inherent Consequences rated Major or Catastrophic	40	20.6%
Number of Inherent Risks rated High or Extreme	51	26.3%
Number of Residual Risks rated High or Extreme	6	3.1%

Of the 51 *inherent risks* rated high or extreme, 6 risks have a high *residual risk* rating having regard to the implementation of current controls. These are contained in the attachment to this report.

The heat map below displays the current assessed *residual* rating for all 194 identified risks:

Residual Risk Matrix

		Consequence				
		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood		1	2	3	4	5
Almost Certain	5	1	0	1	0	0
Likely	4	1	8	1	1	0
Possible	3	16	31	28	1	1
Unlikely	2	12	38	20	9	1
Rare	1	0	14	6	3	1

Since the last AORC meeting there has been a small increase in the overall number of risks in the Register. The number of risks assessed as moderate has increased however these are acceptable with adequate controls in place, and the number of high risks has slightly decreased.

Risk	Oct 2018	Feb 2019	Mar 2020	May 2020	Mar 2021	Mar 2022	Mar 2023	Change
Low	100	99	97	99	103	89	90	+1
Moderate	76	76	79	84	82	96	98	+2
High	4	4	4	1	3	2	6	+4
Extreme	0	0	0	0	0	0	0	0

LEVEL OF SIGNIFICANCE

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

STATUTORY IMPLICATIONS

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

COUNCILLOR/OFFICER CONSULTATION

Consultation has taken place with the Executive Management Group.

COMMUNITY CONSULTATION

No community consultation is required.

POLICY IMPLICATIONS

Council's CG01 Risk Management Policy is relevant to this matter.

FINANCIAL IMPLICATIONS

There are no financial implications.

STRATEGIC IMPLICATIONS

This item is relevant to the Council's approved Strategic Community Plan 2020-2030 and the Corporate Business Plan 2020-2025. In particular, the Operational Plan 2022-2023 provided for this activity:

Programs/Services:	4.e.1.2	Organisational Risk Management
Projects/Actions:	4.e.1.2.19.2	Review Risk Management Framework

RISK MANAGEMENT CONSIDERATIONS

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

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

IMPACT ON CAPACITY

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

RELEVANT PRECEDENTS

The Risk Register is reviewed periodically to maintain currency.

VOTING REQUIREMENTS

Simple Majority.

OPTIONS:Option 1

As per Officer's recommendation.

Option 2

That the Audit and Organisational Risk Committee DEFER consideration of the risk register pending further review.

CONCLUSION

Following the most recent review of the Risk Register, new risks have been identified and duplicated risks have been removed bringing the total of identified risks to 194. Overall, the City is managing risk effectively with no *residual* risks rated extreme and only 3.1% of *residual* risks rated high. These risks are considered acceptable with ongoing refinement of some controls to ensure effective management and monitoring of the risks.

6 ITEMS FOR INFORMATION ONLY

6.1 REGULATION 17 REVIEWS

File No: FM.1

Responsible Executive Officer: A/Director Corporate and Legal Services

Reporting Author: Governance Officer - Compliance

Date of Report: 12 June 2023

Disclosure of Interest: Nil

Attachment(s): Nil

PURPOSE

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

OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION

Res No : AOR124

MOVED : Cr Scott

SECONDED : Cr Bailey

That the Audit and Organisational Risk Committee NOTE the information item 6.1 Regulation 17 Reviews:

CARRIED 3/0

FOR : Cr Bailey, Cr Long, Cr Scott

AGAINST : Nil

BACKGROUND

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

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

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

	Area of assessment	Date last reviewed	Status / Actions / Recommendations		Report to AORC / Council
1.0	RISK MANAGEMENT				
1.1	Risk Management Policy and Framework	Mar 2022	<ul style="list-style-type: none"> This is reviewed every 3 years and presented to the AORC for consideration. 	●	✓
1.2	Risk monitoring and reporting	Oct 2022	<ul style="list-style-type: none"> Register is updated by managers with assessments undertaken on risk measures, control measures and incidents arising. Reports presented to AORC every meeting on high and extreme residual risks. Every Council agenda report also is assessed against risk framework. 	●	✓
1.3	Business Continuity Plan	2014/15	<ul style="list-style-type: none"> Draft review of BCP in progress and scheduled to be completed by October 2023. Desktop exercises carried out for potential COVID-19 threat in our community in Feb 2022. Existing plan put into effect each tropical cyclone season. Last implementation was Feb 2020 for TC Damien. 	●	✓
1.4	Tropical Cyclone Checklist	Sept 2022	<ul style="list-style-type: none"> Checklist reviewed by all responsible areas and changes made to ensure adequate precautions and actions are undertaken before, during and after a tropical cyclone event. Checklist reviewed after a major event to ensure potential improvements are made to plan for the next season. 	●	
1.5	Council Policies	Various	<ul style="list-style-type: none"> Policies are reviewed generally every 2-4 years and a report provided for Council consideration. Latest versions are listed on website. 13% (9) Council policies and 24% (9) Town Planning Policies require review as at the date of this report. 	●	✓
1.6	Operational Policies	Various	<ul style="list-style-type: none"> Policies are reviewed generally every 1-2 years for EMT consideration. Latest versions are listed on Sharepoint. 67% (8) Operational policies require review as at the date of this report. 	●	
1.7	Airport Risk Management				
	(a) Civil Aviation Safety Authority Audit	May 2022	<ul style="list-style-type: none"> Audit examines compliance with air transport legislation, physical infrastructure, security and processes. CASA dictates when audits are completed. Implemented MOS139 changes in 20/21 	●	
	(b) Annual Technical Inspections	Aug 2022 (electrical)	<ul style="list-style-type: none"> Inspections undertaken every three years on electrical, aerodrome, pavement and drainage to airside. 	●	
	(c) Department of Home Affairs – Aviation Security	Dec 2022	<ul style="list-style-type: none"> Inspections are ad hoc and sometimes multiple times a year in relation to aviation security, screening and general compliance with operative procedures. 	●	
	(d) Bird and Wildlife Management	May 2023	<ul style="list-style-type: none"> Bird count inspections carried out daily. Report compiling the full review of systems carried out on compliance, procedures and risk assessments is undertaken annually. 	●	

	Area of assessment	Date last reviewed	Status / Actions / Recommendations		Report to AORC / Council
	(e) Emergency Management (CASA)	Sep 2022 (AMS Audit)	<ul style="list-style-type: none"> Table top exercise and full exercise conducted in June 2022. Independently tested by AMS. Improvements made to emergency management plans. 	●	
1.8	Waste Management Compliance Audit	Jan 2023	<ul style="list-style-type: none"> Annual audit conducted and signed off by CEO and submitted to DWER. 	●	
1.9	Waste Management Environmental Audits	Jan 2023	<ul style="list-style-type: none"> Conducted annually at 7MWF, Wickham Transfer Station and Airport Waste Water Treatment Plant and signed off by CEO for submission to DWER. 	●	
1.10	Occupational Health and Safety	Feb 2023	<ul style="list-style-type: none"> Monthly inspections carried out with all workplaces inspected at least once a quarter. Reports provided to HR and status updates to EMG. Full external OHS Audit carried out by LGIS in February 2023. 	●	
1.11	Training and Induction				
	(a) Employee Inductions	Within first month	<ul style="list-style-type: none"> All employees undertake online inductions and work area inductions within the first few weeks of start. HR monitor progress and follow up on overdue inductions. Probationary performance reviews require inductions to be completed prior to accepting employee on a permanent basis. Risk management included in Performance Reviews and Position Descriptions. 	●	
	(b) Contractor Inductions	Pre start-up	<ul style="list-style-type: none"> Contractors receive onsite induction from work teams prior to commencing work. 	●	
	(c) Compliance Training	Apr 2023	<ul style="list-style-type: none"> All new employees are required to undertake in-house compulsory compliance training (conducted approximately every 6 weeks by Governance). 	●	
	(d) Procurement Training	Apr 2023	<ul style="list-style-type: none"> All new employees exposed to procurement activity are required to undertake in-house procurement training on various software, RFQ and RFT systems (conducted every 3 months by Governance). Refresher training also provided. 	●	
	(e) Process Manager Training	May 2023	<ul style="list-style-type: none"> All new employees encouraged to attend Promapp Introduction training to understand tools and practices employed by the City (conducted monthly by Governance). 	●	
	(f) Synergysoft Refresher Training	Mar 2023	<ul style="list-style-type: none"> Refresher training offered to new and current staff to assist in navigating and using basic modules in Synergysoft. 	●	
	(g) ERP Training	2022	<ul style="list-style-type: none"> Various modules are available to be sourced on City's Sharepoint page through available user guides. Training also offered as required. 	●	
	(h) Cultural Awareness	May 2023	<ul style="list-style-type: none"> All staff are encouraged to attend cultural awareness training. Run approximately every 6 months. 	●	
	(i) First Aid and CPR Training	May 2023	<ul style="list-style-type: none"> Offered monthly to staff. 	●	

	Area of assessment	Date last reviewed	Status / Actions / Recommendations		Report to AORC / Council
1.12	Record Keeping Plan	Dec 2021	<ul style="list-style-type: none"> Plan adopted and applied to daily records management activities. Reporting by exception provided to EMG. The Plan is reviewed every 5 years. 	●	✓
1.13	IT Service Backups	Daily	<ul style="list-style-type: none"> Most data is backed up nightly, financial system and file systems are backed up more regularly (3 hourly). Initial backups stored onsite, then shipped to separate facilities. Backups are regularly utilised for small restores, however an annual full backup retrieval test is planned. 	●	
2.0	● INTERNAL CONTROLS				
2.1	Procurement and Tendering	Annual	<ul style="list-style-type: none"> A comprehensive suite of procedures and tools are available for staff. Templates and procedures reviewed annually as a minimum. Inductions and training offered to all staff. (See 1.11(d)) 	●	
2.2	Functional Processes	Annual	<ul style="list-style-type: none"> All work areas have documented process maps. Procedures are reviewed annually or less frequent. Automatic notifications are sent to all stakeholders of new and changed processes and reference documents. Reminders also provided to staff and management of overdue processes. Quarterly corporate KPI reported to Council. Training offered to all staff (see 1.11(e)) 	●	
2.3	Internal Audit Program	Annual	<ul style="list-style-type: none"> Internal audit program provided in Oct 2020 with focus on: Contract Management and Administration Preferred Supplier Contracts Risk Controls Interim Valuation Process Council and Operational Policies Grant Approvals Use of Delegations Staffing changes, COVID and reallocation of resources to other governance projects has impacted on any the progress of internal audits. 	●	✓
2.4	IT Systems and Controls				
	(a) Backups	Daily	<ul style="list-style-type: none"> Directory monitored and managed daily. Audit reports prepared on access to systems and creation of creditor/HR files. Exception reporting provided to management. 	●	
	(b) Security Checks	Daily	<ul style="list-style-type: none"> Security features enabled to prevent unauthorised access to system folders and websites. Controlled access to downloading and installation of executable files. Active Directory monitored and managed and terminated employees are deactivated. 	●	
	(c) Hardware - UPS	Daily	<ul style="list-style-type: none"> Constant automatic monitoring and alarm on UPS. 	●	

	Area of assessment	Date last reviewed	Status / Actions / Recommendations		Report to AORC / Council
	(d) IT Systems and Security Audit	Feb 2022	<ul style="list-style-type: none"> Audit undertaken by ES2 relating to system architecture and network vulnerability. Report provided to AORC and recommendations being actioned. 	●	✓
	(e) Quarterly web usage reports	Quarterly	<ul style="list-style-type: none"> Reports provided to EMT on internet usage by staff, i.e. time and data download. 	●	
2.5	Financial Management Systems Review	Jun 2020	<ul style="list-style-type: none"> Recommendations from independent FMSR presented to the AORC. Next independent review is underway by Australian Audit and is expected to be completed by 30 June 2023. 	●	✓
2.6	Financial Management Reporting	Apr 2023	<ul style="list-style-type: none"> Monthly variance reporting completed by managers. Reports presented monthly to Council include monthly financial reports, list of payments, list of significant debtors. 	●	✓
2.7	Contentious Issues Reports	Apr 2023	<ul style="list-style-type: none"> Any contentious issues emerging or existing are discussed by EMT and reported to Council 	●	✓
2.8	Spot Audits	Adhoc	<ul style="list-style-type: none"> Spot audits undertaken where issues are identified. These are reported to staff, Managers and EMT. Referrals to HR also considered. 	●	
2.9	Registers		<ul style="list-style-type: none"> 		
	(a) Lease Register	May 2023	<ul style="list-style-type: none"> Established. Used to identify expired leases and management of lease payments and renewals. 	●	
	(b) Cemetery Register	Weekly	<ul style="list-style-type: none"> Updated with new burial information. Historical records being uploaded progressively when time permits. 	●	
2.10	Service Reviews	Oct 2019	<ul style="list-style-type: none"> All services reviewed and improvement opportunities identified. 	●	✓
2.11	Staff Engagement Survey	2021	<ul style="list-style-type: none"> Survey undertaken every two years. EMG has developed action plans to address improvement opportunities. Next staff survey due in June 2023. 	●	✓
3.0	• LEGISLATIVE COMPLIANCE				
3.1	Compliance Audit Return	Mar 2023	<ul style="list-style-type: none"> 2022 CAR completed with 91.5% compliance and 8 non-compliance incidents. 	●	✓
3.2	Planning for the Future	May 2023	<ul style="list-style-type: none"> Quarterly reporting provided to Council on identified performance measures related to the Corporate Business Plan. Next iteration of the ISP documents to be presented to Council in June 2023. 	●	✓

	Area of assessment	Date last reviewed	Status / Actions / Recommendations		Report to AORC / Council
3.3	Legislative Updates	Ad hoc	<ul style="list-style-type: none"> Updates obtained through a range of sources, including WALGA, DLGSCI, statutory bodies, professional groups, etc. Reforms to the LG Act have been passed by Parliament and awaiting release of regulations. Implementation of reforms will follow. 	●	✓
3.4	Statutory Registers				
	(a) Delegation Register	Jun 2022	<ul style="list-style-type: none"> The Delegations Register is reviewed annually and reported to Council. Next due by Jun 2023. 	●	✓
	(b) Tender Register	Monthly	<ul style="list-style-type: none"> Public tender register is available on the City's website. An internal register is also maintained containing confidential information. Both registers are updated simultaneously with latest tender information. 	●	
	(c) Complaints (Elected Members) Register	May 2023	<ul style="list-style-type: none"> Register in place but no entries recorded for current year. 	●	
	(d) Gift and Travel Register	Monthly	<ul style="list-style-type: none"> Register is maintained weekly. 	●	
	(f) Electoral Gift Register	Oct 2021	<ul style="list-style-type: none"> Register in place but no entries related to last election. 	●	
	(g) Primary and Annual Returns Register (Financial Interests Register)	May 2023	<ul style="list-style-type: none"> Register in place and all Annual Returns completed by 31 August. Primary interests being registered within first 3 months. 	●	
	(h) Declaration of Interests Register	Monthly	<ul style="list-style-type: none"> Disclosures of interests at Council meetings are entered into Register and available for inspection. 	●	
	(i) Investments Register	Monthly	<ul style="list-style-type: none"> Quotes obtained for all Term Deposits for review by CFO, Director Corporate Services and CEO. All current Term Deposits are reported to Council in the monthly financial statements. 	●	✓
3.5	Statutory Reporting		<ul style="list-style-type: none"> 		
	(a) Annual Budget	Mar 2023	<ul style="list-style-type: none"> 2022/23 Budget adopted June 2022. Half yearly review conducted in March and reported to Council. 	●	✓
	(b) Annual Report	May 2023	<ul style="list-style-type: none"> 2021/22 Financial statements completed and presented to Council. Annual Electors Meeting to be scheduled in July 2023. Interim Audit for 2022/23 to commence in June 2023. 	●	✓
3.6	Related Party Disclosures	Aug 2022	<ul style="list-style-type: none"> Returns received from all elected members and executive officers. 	●	
3.7	Development Services Compliance	Monthly	<ul style="list-style-type: none"> Compliance program (KIE audit of unlicensed premises, sea containers, etc) implemented with regular updates provided to Council. 4 yearly inspections conducted of all residential premises that have an established swimming pool/spa as part of licensing process or fee for service. 	●	✓

	Area of assessment	Date last reviewed	Status / Actions / Recommendations		Report to AORC / Council
			<ul style="list-style-type: none"> Annual inspections carried out prior to fire and cyclone seasons to ensure property owners comply with legislation. Health premises inspections carried out annually as part of a licensing process or as a fee for service 		
3.8	City Property	Fortnightly	<ul style="list-style-type: none"> Inspections of all public playground equipment with any subsequent maintenance actioned in accordance with approved SLA. Inspections undertaken by Parks and Gardens of all sporting fields with any subsequent maintenance actioned in accordance with approved SLA. 3 year audits conducted of all roads with any subsequent maintenance actioned in accordance with approved SLA. 	●	
3.9	Employee Performance Reviews	Annual	<ul style="list-style-type: none"> Annual reviews conducted of all staff. Legislative compliance included in all EMG reviews. Overdue reviews are reported by HR to EMG 	●	
3.10	Inductions and Training		<ul style="list-style-type: none"> 		
	(a) Compliance Training	Apr 2023	<ul style="list-style-type: none"> Compulsory compliance training (including Code of Conduct) provided every six weeks for new and existing staff. 	●	
	(b) Procurement Training	Apr 2023	<ul style="list-style-type: none"> Procurement training conducted quarterly for new and existing staff on all aspects related to purchasing and includes quotation and tender processes. 	●	
	(d) Elected Member Compulsory Training	July 2022	<ul style="list-style-type: none"> CG-16 Policy adopted by Council in July 2022. Training profile reported on website. 	●	

CONCLUSION

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

7 MATTERS BEHIND CLOSED DOORS

No reports

8 CLOSURE & DATE OF NEXT MEETING

The meeting was closed at 5.03pm

The date of the next meeting is to be held on Monday, 11 September 2023 at 3:00 pm in Council Chambers - Welcome Road, Karratha.

I, Cr Peter Long, Chairperson for the Audit and Organisational Risk Committee of the City of Karratha, hereby declare on behalf of the Committee that the enclosed Minutes are a true and accurate record of the Audit and Organisational Risk Committee Meeting held 19 June 2023.

..... Date ____/____/____