



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

# **MINUTES**

**Audit and Organisational Risk Committee Meeting  
held in Council Chambers, Welcome Road, Karratha,  
on Monday, 11 September 2023**

  
\_\_\_\_\_  
**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 4.02pm.

## 2 RECORD OF ATTENDANCES AND APOLOGIES

Committee Members:	Cr Peter Long	Chairperson
	Cr Travis McNaught	
	Cr Garry Bailey	
	Cr Daniel Scott	
Staff:	Virginia Miltrup	Chief Executive Officer A/Director Corporate & Commercial Manager Governance & Organisational Strategy Minute Secretary
	Angela McDonald	
	Henry Eaton	
	Jodie Swaffer	

External:

Apologies:

## 3 DECLARATIONS OF INTEREST

Nil

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

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### OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION

Res No : AOR125  
MOVED : Cr Bailey  
SECONDED : Cr Scott

That the Minutes of the Audit and Organisational Risk Committee Meeting held on Monday, 19 June 2023, be confirmed as a true and correct record of proceedings.

CARRIED 4/0

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

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## 5 ITEMS FOR DISCUSSION

### 5.1 FINANCIAL MANAGEMENT SYSTEMS REVIEW 2023

**File No:** FM.3  
**Responsible Executive Officer:** A/Director Corporate & Commercial  
**Reporting Author:** Manager Governance and Organisational Strategy  
**Date of Report:** 4 September 2023  
**Applicant/Proponent:** Nil  
**Disclosure of Interest:** Nil  
**Attachment(s):** Australian Audit – FMR Dated 3 August 2023

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#### PURPOSE

For the Audit and Organisational Risk Committee and Council to consider the recommendations resulting from the most recent Financial Management Review.

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#### OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION

**Res No** : AOR126  
**MOVED** : Cr Scott  
**SECONDED** : Cr Bailey

**That the Audit and Organisational Risk Committee:**

1. **RECEIVE** the recommendations outlined in the Financial Management Review carried out by Australian Audit in 2023; and
2. **UPDATE** the Audit and Organisational Risk Committee on progress towards resolving outstanding actions.

**CARRIED 4/0**

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

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#### BACKGROUND

A financial management review of systems is required under r.5(2)(c) of the *Local Government (Financial Management) Regulations 1996* every three years to ensure that the CEO has considered the appropriateness and effectiveness of financial management systems and procedures of the local government. The last review was undertaken in July 2020 by Avant Edge Consulting.

Audit field work commenced in June 2023 and concluded in July 2023 and examined an extensive range of key financial systems both revenue and expenditure in nature as well as IT security, asset management, investment management and budget processes. The audit field work was also addressing the arrangements and transition of work across two recording/reporting systems namely IT Visions Synergysoft and the new Technology One CiAnywhere product.

A summary of the audit concluded:

*“Based on our review (which was not an audit) of the management controls and processes that exist at the City, regarding the above key financial management system areas, nothing came to our attention that would indicate any **high risk** management control matters that would require immediate attention by the City.*

*Based on the matters raised in the body of this final review report under Executive Management Detailed Findings, we can conclude that the financial management systems in place within the City, are overall satisfactory. Although considered to be satisfactory, we believe they can be further improved, and several recommendations have been included in this final review report for management consideration.*

*We believe that the City’s implementation of the suggested and recommended process improvements will strengthen the existing financial management controls that are currently in place and will provide greater overall governance within the City’s financial management operations.*

*We consider management action to remedy the matters noted in this final review report are satisfactory and we thank the City’s management for their positive action to these matters.”*

The following observations and recommendations were detailed:

Finding	Australian Audit's Recommendation	City's Response
<b>MEDIUM RISK</b>		
1. Contract Management		
2. Procurement		



Finding	Australian Audit’s Recommendation	City’s Response
LOW RISK		
3. Procurement – Proper Use of		

Finding	Australian Audit's Recommendation	City's Response
4. Staff System Access		

Finding	Australian Audit's Recommendation	City's Response

Finding	Australian Audit's Recommendation	City's Response

OBSERVATIONS	City's Response
1. Exempt rateable properties	
2. General Ledger	

OBSERVATIONS	City's Response
3. Payroll Procedures	
4. Duress Alarms and CCTV over POS	

**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 effectively and efficiently perform its role.

**STATUTORY IMPLICATIONS**

r.5(2)(c) *Local Government (Financial Management) Regulations 1996* stipulate a regular review of financial management systems.

**COUNCILLOR/OFFICER CONSULTATION**

Officers impacted by the audit were consulted and made aware of deficiencies noted in their review.

**COMMUNITY CONSULTATION**

No community consultation is required.

**POLICY IMPLICATIONS**

There are no policy implications.

**FINANCIAL IMPLICATIONS**

There are no financial implications. Cost to undertake the review was \$8,950 ex-GST.

**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 2023-2024 provided for this activity:

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

**RISK MANAGEMENT CONSIDERATIONS**

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

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

**IMPACT ON CAPACITY**

There will be minimal impact on capacity to carry out the recommendations proposed by the Consultants over the course of the 2023/24 financial year.

**RELEVANT PRECEDENTS**

The City last carried out a Financial Management Service Reviews in 2020.

**VOTING REQUIREMENTS**

Simple Majority.

**OPTIONS:**Option 1

As per Officer's recommendation.

Option 2

That the Audit and Organisational Risk Committee DEFER the acceptance of the Financial Management Service Review by Australian Audit dated 3 August 2023.

Option 3

That the Audit and Organisational Risk Committee ACCEPT the Financial Management Service Review by Australian Audit dated 3 August 2023 with the following amendments:

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

**CONCLUSION**

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

## 5.2 INTERNAL AUDIT – CREDIT CARDS 2023

**File No:** FM.3

**Responsible Executive Officer:** A/Director Corporate and Commercial

**Reporting Author:** Manager Governance and Organisational Strategy

**Date of Report:** 5 September 2023

**Applicant/Proponent:** Nil

**Disclosure of Interest:** Nil

**Attachment(s):** Internal Audit on Credit Card Usage - June 2023

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### PURPOSE

For the Audit and Organisational Risk Committee to consider recommendations resulting from a recent internal audit on the use of corporate credit cards.

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### OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION

**Res No** : **AOR127**

**MOVED** : **Cr McNaught**

**SECONDED** : **Cr Bailey**

**That Audit and Organisational Risk Committee to:**

- 1. RECEIVE the recommendations from the Internal Audit on Credit Cards; and**
- 2. UPDATE the Audit and Organisational Risk Committee on progress towards resolving outstanding actions.**

**CARRIED 4/0**

**FOR** : Cr McNaught, Cr Bailey, Cr Long, Cr Scott

**AGAINST** : Nil

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### BACKGROUND

An internal audit was carried out on the use of corporate credit cards as part of the Internal Audit program proposed in October 2020. Due to Covid and resourcing limitations, progress on the internal audit program has been significantly delayed.

This audit was carried out for the 6 month period 1 July 2022 – 31 December 2022 to:

- ascertain usage by those employees possessing a corporate credit card for City operational purposes; and
- ensure general compliance with Council's *Corporate Credit Card Policy CF-07* and associated reporting protocols.

A previous audit was undertaken in 2017 and in part a comparison was to be made as to what improvements had occurred between periods.

The 2022 internal audit in retrospect had some limiting environmental impacts mostly associated with the introduction of a new financial management software that was being implemented during the audit period and staff were also unfamiliar with the reporting and reconciliation requirements. Further, in mid 2023 (post internal audit) a purchasing card



system was implemented in CiAnywhere to assist cardholders to better record and report on their usage.

It is proposed that a further internal audit be conducted when new systems are better bedded down and better procedures are documented.

Overall observations concluded that the majority of card holders were complying with Council's *Corporate Credit Card Policy CF-07* and getting statements reconciled in a timely manner.

15 instances were noted throughout the internal audit and are detailed below.

Finding	Risk	Recommendation



Finding	Risk	Recommendation

**CONCLUSION**

Overall, the City's custodians of credit cards have maintained a high degree of rigour in the use of their corporate credit cards, with greater clarity in the Policy surrounding business related use, better overall acquittals of credit card statements including a reduction in average acquittal times, and greater awareness of staff responsibilities. The most obvious area requiring improvement was the reconciliation of cards which was hampered by the transitional arrangements of new software and a lack of understanding of the new reconciliation procedures required both by the credit card holder and the accounts payable teams.

Finance continue to act as a control in this space and, along with Governance, will continue to monitor corporate credit card use informally in the future with any information supplied to the AORC where requested.

## 6 ITEMS FOR INFORMATION ONLY

**Responsible Officer:** Director Corporate Services

**Reporting Author:** Minute Secretary

**Disclosure of Interest:** Nil

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### PURPOSE

To advise the Audit and Organisational Risk Committee of the information items for period ending September 2023.

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### OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION

**Res No** : AOR128

**MOVED** : Cr Bailey

**SECONDED** : Cr Scott

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

**6.1 Local Government Professionals (WA) – Audit Survey Analysis**

**6.2 Office of Auditor General – Audit Fee 2023**

**CARRIED 4/0**

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

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## 6.1 LOCAL GOVERNMENT PROFESSIONALS (WA) – AUDIT SURVEY ANALYSIS

<b>File No:</b>	GR.51
<b>Responsible Executive Officer:</b>	A/Director Corporate and Commercial
<b>Reporting Author:</b>	Manager Governance and Organisational Strategy
<b>Date of Report:</b>	4 September 2023
<b>Applicant/Proponent:</b>	Nil
<b>Disclosure of Interest:</b>	Nil
<b>Attachment(s):</b>	Local Government Professionals (WA) – Audit Survey Analysis

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### PURPOSE

For Council to consider Local Government Professionals (WA) surveyed responses from the sector to the local government audit process between 2021/22 and 2020/21.

### BACKGROUND

Responsibility for financial auditing of Western Australia's local governments transitioned from the Department of Local Government, Sport, and Cultural Industries to the Office of the Auditor General with the proclamation of the *Local Government Amendment (Auditing) Act 2017*.

Since this time there has been a range of comments and criticisms of the audit that needed to be examined with the OAG in order to get clarity and better understand how to improve the audit performance and outcomes for local governments. The OAG is supportive of constructive feedback to inform their continued improvement.

Key emerging issues (not totally inconsistent with the experiences that the City of Karratha had):

- **Timeframe and delays**  
52% of respondents either disagreed or strongly disagreed that *"the audit was completed in the scheduled timeframe"*. Comments from respondents suggested disruptions to the timeframe were caused by things like; consecutive periods of leave taken by the Auditors and OAG staff; difficulties with asset valuations, and; collection of information. One respondent noted that the Auditors continually asked for more information from Local Government staff but refused to acknowledge the delays these requests were causing or allowing for any flexibility in the times allocated.
- **Additional workload on Local Government staff**  
60% of respondents either agreed or strongly agreed that *"there was additional workload placed on Local Government staff during the conduct of the audit, beyond the tasks anticipated in the pre-audit preparation advice"*. Only 15% of respondents disagreed or strongly disagreed with this statement. Respondents noted that the tasks expected of Local Government staff "far exceeded" what was anticipated, and this led to a "very high workload" for staff and a strain on resources. Unclear instructions, poor communication and being asked to answer the same question multiple times were cited by respondents as causes for the additional workload.

- **Cost**

Almost half of respondents either disagreed or strongly disagreed with the statement that *“the estimated audit costs were reasonable, given the Audit Brief and the comparative cost of previous audits”*. Comments from some respondents reported that the costs were more than twice that incurred prior to the OAG assuming responsibility for Local Government auditing. There was also feedback about a lack of transparency from the OAG in its failure to provide a cost breakdown.

- **Inconsistent advice from contract Auditors and OAG**

Whilst a majority of respondents either agreed or strongly agreed that *“consistent advice was received from both contract Auditors and the OAG”*, 20% disagreed. Several comments indicated that when inconsistent advice was received it led to confusion, delays, and frustration. One respondent suggested that *“requiring the Local Government to only communicate with the contract auditors, and not also the OAG, would avoid these outcomes”*. In this scenario, it would be up to the contract Auditors and the OAG to be on the same page in terms of the advice given, and this in turn would reduce *“inconsistent advice or information from both parties”*.

- **Asset Valuation Requirements**

There were a number of comments throughout the survey raising the need for simplification and clarification of the Fair Value asset valuation requirements.

LG Professionals (WA) will continue to work with the OAG to reform the audit process by seeking:

- That the OAG review the requirements for pre-audit information with a view to reducing the need for additional information where possible.
- That auditors be required to improve their communication and information management and avoid repeated requests for information that has already been provided.
- That a ceiling of 20% be placed on variances from the quoted estimated cost of the audit in any single financial year.
- That the transparency of the audit costing quotation be enhanced and any variance be fully explained to the local government as part of the final billing process.
- That local governments only be required to communicate with contract Auditors (*unless the OAG is directly auditing the local government*) and the onus be placed on the contract auditors to confirm their advice with the OAG before instructing the local government.
- The application of Fair Value principles be reviewed in the context of the audit.

## **CONCLUSION**

For information only.

**6.2 OFFICE OF AUDITOR GENERAL – AUDIT FEE 2023**

<b>File No:</b>	FM.3
<b>Responsible Executive Officer:</b>	A/Director Corporate and Commercial
<b>Reporting Author:</b>	Manager Governance and Organisational Strategy
<b>Date of Report:</b>	4 September 2023
<b>Disclosure of Interest:</b>	Nil
<b>Attachment(s):</b>	Letter from OAG - Audit Fee 2023

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**PURPOSE**

To acknowledge the indicative audit fee by the Office of Auditor General for the 2022-23 financial year.

**BACKGROUND**

Notice is provided that the indicative audit fee for 2022-23 is to be \$82,150 (ex-GST) as compared to 2021-22 which was \$86,000 (ex-GST). The OAG's fees are based on a cost recovery basis across the LG audit portfolio. The OAG has identified through recent retendering with subcontracting audit firms of an average increase in their fees of approximately 35%.

Costs will be reassessed closer to the completion of individual audits.

**CONCLUSION**

For information only.



## **7 MATTERS BEHIND CLOSED DOORS**

No confidential reports.

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

The meeting closed at 4.38pm.

The date of the next meeting is to be held on Tuesday, 14 November 2023 at 3:00 pm in Council Chambers - Welcome Road, Karratha.