



TOWN OF  
VICTORIA PARK



# Audit Committee

## Minutes – 3 February 2020

---



**WE'RE OPEN**  
**VIC PARK**

Please be advised that an **Audit Committee** was held at **5:30 pm** on **Monday 3 February 2020** in the **Council Chambers**, Administration Centre at 99 Shepperton Road, Victoria Park.

**Cr Brian Oliver – Presiding Member**  
6 February 2020

## Table of contents

Item	Page no
1 Declaration of opening .....	3
2 Attendance.....	4
2.1 Apologies.....	5
2.2 Approved leave of absence.....	6
3 Declarations of interest.....	7
4 Confirmation of minutes.....	8
5 Presentations.....	9
6 Method of dealing with agenda business.....	10
7 Reports.....	12
7.1 Independent Audit Report and Annual Financial Report 2018-2019.....	12
7.2 Compliance Audit Return 2019 .....	18
7.3 Review of Risk Management Framework and Strategic Risk Register.....	31
7.4 Audit Committee meeting dates for 2020 .....	36
7.5 Appointment of Independent Audit Committee Member .....	40
8 Motion of which previous notice has been given.....	43
9 Meeting closed to the public .....	43
9.1 Matters for which the meeting may be closed .....	43
9.2 Public reading of resolutions which may be made public.....	43
10 Closure .....	44

## 1 Declaration of opening

Cr Jesvin Karimi, Deputy Presiding Member opened the meeting at 05:30 pm.

## 2 Attendance

<b>Mayor</b>	Mayor Karen Vernon
<b>Banksia Ward</b>	Cr Wilfred Hendriks
<b>Jarrah Ward</b>	Cr Jesvin Karimi (Deputy Presiding Member) Cr Brian Oliver (Presiding Member)
<b>Independent Committee Members</b>	Mr Dane Ethridge
<b>Chief Financial Officer</b>	Mr Michael Cole
<b>Manager Governance and Strategy</b>	Ms Danielle Uniza
<b>Financial Controller</b>	Ms Ann Thampoe
<b>Secretary</b>	Mr Liam O'Neill
<b>Office of the Auditor General</b>	Mr Jordan Langford-Smith
<b>Office of the Auditor General</b>	Mr Kien Neoh
<b>Macri Partners</b>	Mr Tony Macri
<b>Macri Partners</b>	Mr Suren Herathmudalige

### 2.1 Apologies

Nil.

### 2.2 Approved leave of absence

Nil.

## 3 Declarations of interest

Nil.

## 4 Confirmation of minutes

### COMMITTEE RESOLUTION:

**Moved:** Mayor Karen Vernon

**Seconded:** Cr Wilfred Hendriks

That the Audit Committee confirms the minutes of the Audit Committee held on 4 November 2019.

**CARRIED (4 - 0)**

**For:** Cr Jesvin Karimi, Cr Wilfred Hendriks, Dane Etheridge, Mayor Karen Vernon

**Against:** nil

## 5 Presentations

Nil.

## 6 Method of dealing with agenda business

### COMMITTEE RESOLUTION:

**Moved:** Mayor Karen Vernon

**Seconded:** Cr Jesvin Karimi

That Audit Committee in accordance with clause 58 of the *Meeting Procedures Local Law 2019* suspends clause 50 - Speaking twice of the *Meeting Procedures Local Law 2019* for the duration of the meeting.

**CARRIED (4 - 0)**

**For:** Cr Jesvin Karimi, Cr Wilfred Hendriks, Dane Etheridge, Mayor Karen Vernon

**Against:** nil

## 7 Reports

### 7.1 Independent Audit Report and Annual Financial Report 2018-2019

<b>Location</b>	Town-wide
<b>Reporting officer</b>	Ann Thampoe
<b>Responsible officer</b>	Graham Pattrick
<b>Voting requirement</b>	Simple majority
<b>Attachments</b>	<ol style="list-style-type: none"><li>1. TOVP Audit Completion Report 2019. docx [7.1.1 - 10 pages]</li><li>2. Draft Auditor Report - Town of Victoria Park For year ended 30 June 2019 [7.1.2 - 3 pages]</li><li>3. 2018-2019 Annual Financial Statement [7.1.3 - 61 pages]</li><li>4. 02380 Annual Report 1819 [7.1.4 - 35 pages]</li></ol>

#### Recommendation

That the Audit Committee recommends that Council:

1. Acknowledges the Audit Completion Report and draft Independent Auditor's Report
2. Notes the adverse trend of the Asset Sustainability Ratio and the action being taken to monitor the ratio in 2019/20 financial year.
3. Accepts the Annual Report 2018/19 and the Annual Financial Report for the 2018-2019 financial year, as attached.
4. Holds the Annual General Electors' Meeting on Tuesday, 10 March 2020, commencing at 6.00pm in the Council Chambers (99 Shepperton Road, Victoria Park WA 6100) for the purpose of consideration the annual report and any other general business, subject to point 3 above.

### Purpose

To present the Audit completion Report, draft Independent Auditor's report and the Annual Report 2018-2019, inclusive of the Annual Financial Report for that year.

### In brief

- As part of Council's committee structure, the Audit Committee has been established to review areas of an audit or compliance nature. The Audit completion report, draft Independent Auditor's report and the audited Annual Financial report are presented as attachments to this report.
- The Annual Financial Report gives a true and fair view of the financial position of the Town of Victoria Park as at 30 June 2019 and of its financial performance for the year ended on that date
- The Annual Financial Report complies with the *Local Government Act 1995* (as amended), the *Local Government (Financial Management) Regulation 1996* (as amended) and the Australian Accounting Standards.

### Background

- Each year, as part of Council's audit process, an Independent Audit is undertaken to assess Council's Annual Financial Report and the legitimacy and accuracy of Council's accounts. An Independent Audit Report is then produced by the Auditor. The Auditor, after completing the audit, is to forward a copy of the audit and / or management report to –

- (a) The Mayor
- (b) The Chief Executive Officer
- (c) The Minister, via the Department of Local Government, Sport and Cultural Industries.

- The Independent Audit Report is also required to be included in Council's Annual Report. Any issues arising from the Independent Audit Report are to be investigated and action taken to resolve those issues.

## Strategic alignment

Civic Leadership	
Strategic outcome	Intended public value outcome or impact
CL06 - Finances are managed appropriately, sustainably and transparently for the benefit of the community.	. To make available timely and relevant information on the annual financial position and performance of the Town so that Council and public could make informed decision for the future.
CL10 - Legislative responsibilities are resourced and managed appropriately, diligently and equitably.	. Ensure Town meets its legislative responsibility in accordance with Part 7 of the <i>Local Government Act 1995</i>

## Engagement

Internal engagement	
Service Area Leaders and Senior Management	Service area leaders were consulted and engaged during the external annual audit to provide information and responses to auditor queries.
External engagement	
Tamala Park Regional Council	Tamala Park Regional Council was contacted to obtain responses to additional auditor queries.

## Legal compliance

[Local Government Act 1995 Part 7](#)

## Risk management consideration

Risk and consequence	Consequence rating	Likelihood rating	Overall risk analysis	Mitigation and actions
<b>Financial Impact:</b> Council not accepting Independent Auditor's report	Moderate	Unlikely	Moderate	Provide reasoning and detailed explanations to Council to enable informed decision making.

<b>Compliance:</b> Annual financial report not complying with the requirements of the <i>Local Government (Financial Management) Regulations 1996</i>	Moderate	Unlikely	Moderate	Engage external auditors to audit the annual financial statement.
<b>Financial Impact:</b> Misstatement or significant error in Annual financial report	Major	Unlikely	Moderate	Conduct daily and monthly reconciliations and internal audits. External interim audits and annual report audit
<b>Financial Impact:</b> Fraud and illegal acts	Major	Unlikely	Moderate	Stringent internal controls. Internal audits. Segregation of duties.

## Financial implications

<b>Current budget impact</b>	The costs to perform the Annual financial audit is within the budget constraints.
<b>Future budget impact</b>	Acceptance of the Annual financial report would confirm the closing financial position for the 2018-2019 financial year which was estimated during the preparation of the 2019-2020 Annual Budget. Once accepted, a Report will be forwarded to Council with recommendations on adjustments required to the 2019-2020 Budget to accommodate movements within the opening position and adjustments to carryforward budgets.

## Analysis

### *Audited Financial Report 2018-2019*

- The Annual Financial Report was audited by the Office of Auditor General and given there were no identified areas of non-compliance, it is recommended that the Committee recommend to Council to accept the 2018-2019 Annual Financial Report. In accordance with the *Local Government Act 1995 (as amended)* (Section 7.12A – Duties of local government with respect to audits) a representative(s) who conducted the audit, will also be in attendance at the meeting to speak to the audit and take questions from committee members.
- That said, a few matters were identified by the auditor in their report which is explained in further detail below.
- The Auditor notes that the financial report:
  - Gives a true and fair view of the financial position of the Town of Victoria Park as at 30 June 2019 and of its financial performance for the year ended on that date; and*
  - Complies with the Local Government Act 1995 (as amended) and the Australian Accounting Standards.*

(c) In the Auditor reported the material matter of the significant adverse trend in the financial position of the Town in relation to the Asset Sustainability Ratio. This ratio is below the Department of Local Government for the past 3 years.

- Further to part c of the Auditor's statement above, the identified adverse trend in the financial position or the financial management practices of the Town was due to the asset sustainability ratio being below the Department of Local Government, Sport and Cultural Industries standard for the past three financial years.
- The following points are provided in response to the auditor's findings above:
  - a. The Town's asset sustainability ratio indicates an improvement in the trend and is expected to meet the Department's standard of 0.9 within the 2019-2020 financial year.
  - b. Progress towards completing the capital works program will be monitored throughout the year and reported to Council on a monthly basis.
  - c. In addition, the Town's depreciation expense will be revised as required as part of the ongoing review of asset data, condition monitoring, etc. for the Town's Asset Management Plans under the Integrated Planning and Reporting Framework.
  - d. The Town will also be conducting a comprehensive revaluation of its non-current assets within the 2019-2020 financial year, which would provide updated fair values for these assets as well as revised depreciation rates which in turn would provide an accurate reflection on the asset sustainability ratio.
- In addition, the Auditor's have also provided the following recommendation:  
*We recommend that management review their accounting treatment for the Tamala Park Land development inventory in conjunction with Tamala Park Regional Council, to re-confirm that the current accounting treatment is appropriate.*
- The Town's Management Comment to the above recommendation is as follows:  
*Management notes the observations as stated, and will engage with Tamala Park Regional Council to work through a way forward to ensure information on land development inventory reported are consistent across all eight member councils.*
- It is also to be noted that Section 7.12A(4) of the Local Government Act 1995 requires a local government to prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and give a copy of that report to the Minister within 3 months after the audit report is received by the local government. Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website. Due to an oversight, this has not occurred.

### Annual Report 2018-2019

- In accordance with s5.53(2) of the *Local Government Act*, it is proposed that the additional information (attached as Annual Report 2018/19) be adopted by Council alongside the Annual Financial Report 2018-2019.
- The development of the content in the above attachment has been conducted through the following process:

<b>1<sup>st</sup> Draft Service Area contributions</b>
--

<b>June</b>
-------------



Include Introduction, Mayor and CEO Messages and EM Attendance list	July
Insert visuals: Org Chart, Vision, Profile ID stats, Councillor Contact Sheet and Ward Maps etc	Aug
Review/ edit service area content contributions	Aug
<b>Include Statutory Reporting items</b>	<b>Aug</b>
<i>Local Laws, FOI /PID/DAIP, Financial Assistance Reporting, Employee Salary table, Leases</i>	
<b>2<sup>nd</sup> Draft Service Area contributions</b>	<b>Aug</b>
<b>Managers review</b>	<b>Aug</b>
<b>Chiefs review</b>	<b>Sept</b>
Final Edit	Sept
<b>Councillor Content Review</b>	Sept
Incorporate final feedback	Sept
Graphic Design (outsourced)	Sept / Oct
Final Review in design – 2 rounds of amends	Oct
<b>Final print read artwork</b>	End of Oct

- Once the above content and the audited financial statement are adopted by Council, the final Annual Report 2018/19 will be collated and published shortly after.

### *Annual Electors' Meeting 2019*

- Section 5.27 of the *Local Government Act 1995* requires that the Annual General Electors' Meeting be held on a day and at a time selected by the local government, but not more than 56 days after the annual report is accepted.
- In order to comply with its statutory obligations following the adoption of the Annual Report 2018/19, it is recommended that the Annual General Electors' Meeting be held on Tuesday, 10 March 2020, commencing at 6.00pm in the Council Chambers (99 Shepperton Road, Victoria Park WA 6100) for the purpose of discussing the annual report and any other general business.

## **Relevant documents**

Not applicable.

*Cr Brian Oliver arrived at the meeting at 5:38pm.*

## **COMMITTEE DISCUSSION**

- The Auditors advised the Committee that they will be recommending to the Auditor General that she sign an unqualified audit opinion.
- The Committee acknowledged that the asset-sustainability ratio did not meet the Department's benchmark, and it has worsened from previous years due to works not being completed within the financial year. The Management Report details some improvements that could be made for future years.

3. The Committee queried why the 2018/2019 budget had included the intention of taking out loans for the State Underground Power Program round 6 when this was only resolved by Council late last year. The Town advised that due to delays with Western Power, this occurred instead in 2019/2020. The financial statements 2018/2019 reflect that it did not happen in that financial year.

4. The Committee queried why paragraph 10 of the officer's report stated that "Due to an oversight, this has not occurred". It was confirmed that this was an error copied from the previous report. This will be corrected in the report to Council.

5. The Committee queried the Auditor's finding in relation to issues with internal controls in information technology. The Town advised that this has since been resolved through Council's adoption of Policy 331 Information Systems Security at the December Ordinary Council meeting.

6. The Committee discussed the depreciation expenses and the deviation from budget. It was acknowledged that processes are underway to forecast this more accurately in future years.

*Ms Ann Thampoe, Mr Jordan Langford-Smith, Mr Kien Neoh, Mr Tony Macri and Mr Suren Herathmudalige departed the meeting at 5:55pm.*

#### **COMMITTEE RESOLUTION:**

**Moved:** Cr Jesvin Karimi

**Seconded:** Mayor Karen Vernon

That the Audit Committee recommends that Council:

1. Acknowledges the Audit Completion Report and draft Independent Auditor's Report
2. Notes the adverse trend of the Asset Sustainability Ratio and the action being taken to monitor the ratio in 2019/20 financial year.
3. Accepts the Annual Report 2018/19 and the Annual Financial Report for the 2018-2019 financial year, as attached.
4. Holds the Annual General Electors' Meeting on Tuesday, 10 March 2020, commencing at 6.00pm in the Council Chambers (99 Shepperton Road, Victoria Park WA 6100) for the purpose of consideration the annual report and any other general business, subject to point 3 above.

**CARRIED (5 - 0)**

**For:** Cr Brian Oliver, Cr Jesvin Karimi, Cr Wilfred Hendriks, Dane Etheridge, Mayor Karen Vernon

**Against:** nil

## 7.2 Compliance Audit Return 2019

<b>Location</b>	Town-wide
<b>Reporting officer</b>	Danielle Uniza
<b>Responsible officer</b>	Anthony Vuleta
<b>Voting requirement</b>	Simple majority
<b>Attachments</b>	1. 2019 Compliance Audit Return - Final Draft [7.2.1 - 13 pages]

### Recommendation

That the Audit Committee recommends that Council:

1. Endorses the Compliance Audit Return for the period of 1 January to 31 December 2019, as attached, in accordance with the provisions of Regulation 14(3) of the Local Government (Audit) Regulations 1996.
2. Authorises the Mayor and Chief Executive Officer to complete the Joint Certification contained in the Department of Local Government, Sport and Cultural Industries Compliance Audit Return.
3. Submits the 2019 Compliance Audit Return to the Director General, Department of Local Government, Sport and Cultural Industries by 31 March 2019.

### Purpose

To present the response to the 2019 Compliance Audit Return for review by the Audit Committee and Council's endorsement.

### In brief

5. Regulation 14 of the Local Government (Audit) Regulations 1996 (Regulations) requires that a Compliance Audit Return be completed and submitted to the Department of Local Government by 31 March 2020.
6. A joint certification is to be completed by the Mayor and Chief Executive Officer and the document is to be forwarded to the Department of Local Government, Sport and Cultural Industries through 'SmartHub'.
7. The Town remains compliant of the Local Government Compliance Audit for 2019 calendar year.

### Background

1. Regulation 14 of the Regulations requires that a compliance audit return for the period 1 January to 31 December is completed each year. The CAR is a statutory reporting tool that seeks to evaluate the Town's compliance with targeted sections of the *Local Government Act 1995* (Act).
2. The Regulations require that the CAR is presented to Council for adoption following review of its Audit Committee. Once adopted, the CAR is to be certified by both the Mayor and Chief Executive Officer before it is submitted to the Executive Director of the Department of Local Government and Communities by 31 March 2020 through SmartHub.
3. The CAR covers a range of matters that require actions to be completed by local governments in performing their functions to maintain legislative compliance with the Act.
4. The CAR requires that responsible officers respond to the audit questions, whether the Town was compliant of required actions, by answering: yes, no or n/a.

5. Local governments are required to provide feedback or comments on areas of non-compliance. This assists the Department in better understanding any problems or issues that have resulted in a local government's inability to achieve full compliance in a particular area.
6. The following table summarises the Town's performance in each of the relevant categories, along with a comparison between the 2018 and 2019 CARs.
7. The Town remains 98% compliant for the 2019 Compliance Audit Return.

Category <sup>A</sup>	2018 Audit Questions	Compliance Rating	2019 Audit Questions	Compliance Rating
Commercial Enterprises by Local Governments	5	100%	5	100%
Delegation of Power / Duty	13	100%	13	100%
Disclosure of Interest	16	100%	19	100%
Disposal of Property	2	100%	2	100%
Elections	1	100%	2	100%
Finance	16	100%	14	100%
Integrated Planning & Reporting	7	100%	7	100%
Local Government Employees	5	100%	5	100%
Official Conduct	6	100%	6	100%
Tenders for Providing Goods and Services	25	100%	27	100%
Optional questions	N/A	N/A	4	75%
<b>TOTAL</b>	<b>96</b>	<b>100%</b>	<b>104</b>	<b>99.03846153 846154%</b>

## Strategic alignment

Civic Leadership	
Strategic outcome	Intended public value outcome or impact
CL10 - Legislative responsibilities are resourced and managed appropriately, diligently and equitably.	As the completion of a Compliance Audit Return is statutory under the Act, it is important that this review be submitted to the Department of Local Government by 31 March.

## Engagement

Internal engagement	
Stakeholder	Comments
Governance and Strategy	Provided responses under the following sections: commercial enterprises by local governments, delegations, disclosures, election, integrated planning and reporting, official conduct and optional questions.
People and Culture	Provided responses under the following sections: integrated planning and reporting and local government employees.
Finance	Provided responses under the following sections: finance, integrated planning and reporting, tenders and optional questions.
Operations	Provided a response under the following section: disposal of property.
Business Services	Provided a response under the following section: commercial enterprises by local governments.
Property and Leasing	Provided responses under the following sections: commercial enterprises by local governments and disposal of property.

## Legal compliance

Regulation 14 of the Local Government (Audit) Regulations 1996 (Regulations)

## Risk management consideration

Risk and consequence	Consequence rating	Likelihood rating	Overall risk analysis	Mitigation and actions
Compliance Not completing the Compliance Audit Return will result in non-compliance with the Town's statutory reporting obligations.	Moderate	Likely	High	The submission of the attached Compliance Audit Return to the Department of Local Government.

## Financial implications

Current budget impact	Sufficient funds exist within the annual budget to address this recommendation.
Future budget impact	Not applicable.

## Analysis

8. In completing the CAR, relevant officers were required to undertake an audit of the Town's activities, practices and procedures in line with the Act and its associated regulations. While the survey presented by the Department does not require inclusion of evidentiary information, the Town has made it a requirement that the responses provided by officers are evidenced by either a comment, or where applicable, citing references to relevant internal and external documents under the 'Comments' section of Attachment 1. This practice was first introduced in 2018. This is to ensure that all responses to the audit questions are substantiated.

### Areas of non-compliance and opportunity for improvement

9. The internal audit has identified one area of non-compliance and one general opportunity for improvement (OFI).

Compliance Area	Compliant	Non-Compliant	OFI
Commercial Enterprises by Local Government	5	0	N
Delegation of Power/Duty	13	0	N
Disclosure of Interest	19	0	N
Disposal of Property	2	0	N
Elections	2	0	N
Finance	14	0	N
Integrated Planning and Reporting	7	0	N
Local Government Employees	5	0	N
Official Conduct	6	0	N
Tenders for Providing Goods and Services	27	0	N
Optional Questions	3	1	N

**Table 1 – Town of Victoria Park Compliance Audit Return Result Summary**

10. The one area of non-compliance identified in this year's CAR is an optional question regarding the review of the Town's financial management systems. The Town sought to appoint an appropriate external consultant to conduct the review; however, the Town was unsatisfied with the responses received and, thus, will recommence the process to be completed by 30 June 2020.
11. As the Town seeks to continually improve its internal processes and procedures, one general opportunity for improvement has been identified. In conducting the CAR, it is noted that some documents were not uploaded into the Town's record management system. Whilst such documents have since been uploaded, an identified opportunity for improvement is to ensure that the uploading of documents into the record management system is part of the workflow.

## Relevant documents

Not applicable.

## COMMITTEE DISCUSSION

1. The Committee discussed the Town's response within the attached Compliance Audit Return to questions 1 and 27 under the 'Tenders for Providing Goods and Services' section, and queried whether the 'yes' answer provided was correct, in light of there being purchases made which have been exempted from tendering requirements, as is the case with the Town's procurement of its insurance services through Local Government Insurance Services (LGIS).

## AMENDMENT:

**Moved:** Mayor Karen Vernon

**Seconded:** Cr Brian Oliver

That point 1 be amended to read: "Endorses the Compliance Audit Return for the period of 1 January to 31 December 2019, as attached, in accordance with the provisions of Regulation 14(3) of the Local Government (Audit) Regulations 1996, subject to the provision of further information to question 1 and 27 under the 'Tenders of Goods and Services' section."

**CARRIED (5 - 0)**

**For:** Cr Brian Oliver, Cr Jesvin Karimi, Cr Wilfred Hendriks, Dane Etheridge, Mayor Karen Vernon

**Against:** nil

**Reason:** To clarify a question arising about the Town's reliance on tender exemptions, and the 'yes' answer provided in questions 1 and 27.

## COMMITTEE RESOLUTION:

**Moved:** Cr Jesvin Karimi

**Seconded:** Dane Etheridge

That the Audit Committee recommends that Council:

1. Endorses the Compliance Audit Return for the period of 1 January to 31 December 2019, as attached, in accordance with the provisions of Regulation 14(3) of the Local Government (Audit) Regulations 1996, subject to the provision of further information to question 1 and 27 under the 'Tenders of Goods and Services' section.
2. Authorises the Mayor and Chief Executive Officer to complete the Joint Certification contained in the Department of Local Government, Sport and Cultural Industries Compliance Audit Return.
3. Submits the 2019 Compliance Audit Return to the Director General, Department of Local Government, Sport and Cultural Industries by 31 March 2019.

**CARRIED (5 - 0)**

**For:** Cr Brian Oliver, Cr Jesvin Karimi, Cr Wilfred Hendriks, Dane Etheridge, Mayor Karen Vernon

**Against:** nil

## 7.3 Review of Risk Management Framework and Strategic Risk Register

<b>Location</b>	Town-wide
<b>Reporting officer</b>	Danielle Uniza
<b>Responsible officer</b>	Michael Cole
<b>Voting requirement</b>	Simple majority
<b>Attachments</b>	<ol style="list-style-type: none"><li>1. Town of Victoria Park - Revised Risk Management Framework [7.3.1 - 7 pages]</li><li>2. Town of Victoria Park - Review Risk Management Framework (Incl. further comments) [7.3.2 - 7 pages]</li><li>3. Current Town of Victoria Park - Risk Assessment and Acceptance Criteria [7.3.3 - 2 pages]</li><li>4. Town of Victoria Park Strategic Risks Register [7.3.4 - 1 page]</li></ol>

### Recommendation

That Council

1. Adopts the amended Risk Management Framework, as attached.
2. Adopts the Strategic Risk Register, as attached.
3. Requests that the Chief Executive Officer presents a bi-annual report to the Audit Committee on the status of its strategic risks commencing from September 2020.

## Purpose

To present the results of the review conducted of the Town's Risk Management Framework, and to propose the adoption of the Strategic Risk Register by Council.

## In brief

At its meetings held in November 2018 and February 2019, Council resolved to request that the Chief Executive Officer conduct a review of its Risk Management Framework (RMF).

The review conducted sought to update the current register in line with industry best practice, and with AS/NZS ISO 31000:2018.

As part of this review, the Strategic Risk Register has also reviewed and updated.

## Background

1. Resulting from a motion moved at the December Annual Electors' Meetings, Council, at its February 2019 Ordinary Council Meeting (OCM), resolved that a review of the Risk Management Framework, and its associated matrices, be conducted. Prior to this, Council resolved to include the review of the Town's Risk Management Framework as part of the CEO's KPIs which were adopted in November 2018.
2. The existing Risk Management Framework (RMF) was first created and adopted by Council at its meeting held on 8 November 2016. The RMF has not been reviewed since its adoption. As the current framework was based on AS/NZS ISO 31000-2009, the review has sought to align the RMF with the updated Australian standard [AS ISO 31000:2018](#) for risk management. This review was first done internally, before being reviewed by both elected members and the executive team, through two facilitated workshops.
3. Following the adoption of the RMF, the Town identified its strategic risks in 2018. The strategic risks identified and assessed in 2018 were identified through a workshop facilitated by the Town's insurers



and the executive team. To ensure elected member involvement in the setting and identifying of strategic risks, this review process also sought to review and re-develop the Strategic Risk Register.

## Strategic alignment

Civic Leadership	
Strategic outcome	Intended public value outcome or impact
CL08 - Visionary civic leadership with sound and accountable governance that reflects objective decision-making.	To display accountable governance, it is important to ensure that there is a relevant and reviewed risk management framework which aligns with industry best practice.

## Engagement

Internal engagement	
Stakeholder	Comments
Elected members	Two facilitated workshops were held with elected members for the purpose of (1) reviewing the Risk Management Framework, and (2) to set and assess its strategic risks.
C-Suite	Members of C-Suite attended both risk workshops and reviewed both the RMF and strategic risks with elected members.
Business Services	Two facilitated workshops were held with this line of business for the purpose of (1) identifying enterprise-level operational risks, and (2) testing the parameters within the proposed amended Risk Management Framework.

## Legal compliance

Not applicable.

## Risk management consideration

Risk and consequence	Consequence rating	Likelihood rating	Overall risk analysis	Mitigation and actions
<b>Compliance</b> Regulation 17 of the Local Government (Audit) Regulations 1996 requires that the systems and procedures relating to risk management is appropriate and effective.	High	Likely	High	The adoption of the reviewed RMF and the strategic risk register .

## Financial implications

<b>Current budget impact</b>	Sufficient funds exist within the annual budget to address this recommendation.
<b>Future budget impact</b>	Not applicable.

## Analysis

4. In accordance with Council's resolution, the Town has reviewed the RMF, and has consequently, reviewed the Strategic Risk Register. Both reviews were conducted through two workshops, facilitated by an external risk management consultant, with both the executive team and elected members in November 2019.

### Review of the Risk Management Framework

5. The Risk Management Framework was first reviewed internally by officers, with support from the appointed consultant. The intent of this review was to ensure that the RMF aligned with the current Australian Standard and is in line with industry best practice.
6. Following that initial review, the proposed changes were live-tested by using it to assess enterprise-wide operational risks for the Town's Business Services area. This identification and assessment of operational risks, in line with the proposed Risk Management Framework, was facilitated by the risk management consultant.
7. As a result, minor changes were made to the RMF before the final draft was reviewed by elected members and the executive team at the Risk Management Workshops. Following this, elected members were provided an opportunity to review and comment on the draft RMF through the Councillor Portal.
8. The main changes proposed to the current RMF is as follows:
  - (a) The addition of the 'Risk Impact Categories' section to define and explain the different risk categories. There are no set risk categories in the current RMF
  - (b) Minor amendments to the 'Risk Likelihood' table to align with industry best practice
  - (c) Minor amendments to the 'Risk Scoring Matrix' to align with consequences outlined in the 'Consequence' table, and a change in terminology from 'Catastrophic' to 'Severe'
  - (d) Amendments to the 'Effectiveness of Controls' table which includes changes to the 'Effectiveness ratings' and updated descriptions to account for substantial and partial effectiveness of existing controls
  - (e) The addition of the 'Risk Appetite' section to set Council's risk appetite relating to the 'Risk Impact Categories'. The addition of this section was identified as an opportunity for improvement in the CEO's review of systems and processes relating to risk management, which was resolved by Council at its December 2019 Ordinary Council Meeting
  - (f) The addition of the 'Risk Treatment Options' to set the next steps associated with each identified risk
  - (g) Amendments to the 'Risk Consequences' table to include further, more detailed definitions of consequences to the Risk Impact Categories
9. A document outlining the proposed changes from the current RMF has been attached to this report for reference.

## Review of the Strategic Risk Register

10. The reason for the review of the Strategic Risk Register (SRR) was to ensure that such risks were identified, assessed and discussed by both elected members and the executive team, as the previous SRR compiled in 2018, was done only with the executive team. The review was conducted through facilitated workshops which resulted in the identification of the following strategic risk events:
  - (a) Non-compliance with Council's governance obligations under the Local Government Act
  - (b) Failure to maintain a sustainable long-term financial position
  - (c) Boundary change
  - (d) Dissolution of the Mindarie Regional Council
  - (e) Failure to meet the infrastructure needs of future growth requirements
  - (f) Failure to take action to reduce the Town's impact on climate change
11. Whilst the strategic risks were identified through the first Risk Management Workshop, further detail relating to the 'Risk Event' and its causes were completed through a facilitated discussion between elected members and the executive team. The assessment of identified risks and the proposed subsequent risk treatment actions were then completed internally by relevant officers. The draft of the Strategic Risk Register was placed on the Councillor Portal for elected member comment.
12. As a result of this comment period, an additional risk event relating to 'Failure to prevent occurrences of fraud and corruption' was added as an additional strategic risk. As with the other identified risks, the subsequent risk treatment actions were then completed internally by relevant officers.

## Regular review of Strategic Risk by the Audit Committee

13. As part of the CEO's review of systems and processes relating to risk management, an action to present regular risk reports to the Audit Committee was recommended by the Town; this was later resolved by Council at its December OCM. It is proposed that this report be made on a bi-annual basis to the Audit Committee commencing from September 2020.

## Relevant documents

None.

## COMMITTEE DISCUSSION

1. The Committee discussed the inclusion of officer names within the Strategic Risk Register. The Town advised that this was incorrect and will be updated in the final report to Council.
2. The Committee discussed its risk mitigation role in relation to the 'Fraud and Corruption' risk identified within the Strategic Risk Register.

## AMENDMENT:

**Moved:** Mayor Karen Vernon

**Seconded:** Cr Jesvin Karimi

That point 2 be amended to read "with the inclusion of an additional risk treatment action to 'regularly review the Audit Committees' terms of reference', in relation to the identified 'Fraud and Corruption' risk in the attached Strategic Risk Register."

**CARRIED (5 - 0)**

**For:** Cr Brian Oliver, Cr Jesvin Karimi, Cr Wilfred Hendriks, Dane Etheridge, Mayor Karen Vernon

**Against:** nil

**Reason:** To enhance the risk treatment actions to involve the Audit Committee.

#### COMMITTEE RESOLUTION:

**Moved:** Dane Etheridge

**Seconded:** Cr Brian Oliver

That Council

1. Adopts the amended Risk Management Framework, as attached.
2. Adopts the Strategic Risk Register, as attached, with the inclusion of an additional risk treatment action to 'regularly review the Audit Committees' terms of reference' , in relation to the identified 'Fraud and Corruption' risk in the attached Strategic Risk Register
3. Requests that the Chief Executive Officer presents a bi-annual report to the Audit Committee on the status of its strategic risks commencing from September 2020.

**CARRIED (5 - 0)**

**For:** Cr Brian Oliver, Cr Jesvin Karimi, Cr Wilfred Hendriks, Dane Etheridge, Mayor Karen Vernon

**Against:** nil

## 7.4 Audit Committee meeting dates for 2020

<b>Location</b>	Town-wide
<b>Reporting officer</b>	Amy Noon
<b>Responsible officer</b>	Danielle Uniza
<b>Voting requirement</b>	Simple majority
<b>Attachments</b>	Nil

### Recommendation

That the Audit Committee schedules its future meetings to be held at 5.30pm in the Council Chambers at 99 Shepperton Road, Victoria Park on:

- 23 March 2020
- 22 June 2020
- 28 September 2020
- 23 November 2020
- 25 January 2021

### Purpose

To set the future meeting dates for the Audit Committee.

### In brief

The Audit Committee, through recommendations, provides guidance and assistance to Council in fulfilling its governance and oversight responsibilities in relation to financial reporting, internal control, risk management and external audit.

The committee's terms of reference allow the committee to set their meeting schedule.

The dates recommended have been proposed to allow the Audit Committee to meet their purpose.

### Background

1. In line with the Local Government (Audit) Regulations 1996, the purpose of the Audit Committee is to:
  - Support council in fulfilling its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems and external audit functions and ethical accountability.
  - Critically examine the audit and management reports from external audits and ensure that the Town appropriately implements any actions.
  - Receive and review reports prepared by the Chief Executive Officer in accordance with the Regulations, and present a report back to Council on its findings and recommendations.
- The role of the committee is to provide guidance and assistance to Council in fulfilling its governance and oversight responsibilities in relation to financial reporting, internal control, risk management and external audit. This guidance is provided through recommendations from the committee to Council.

- As per the committee's terms of reference, a schedule of meetings is to be developed and agreed to by the committee.

## Strategic alignment

Civic Leadership	
Strategic outcome	Intended public value outcome or impact
CL08 - Visionary civic leadership with sound and accountable governance that reflects objective decision-making.	Having the meeting dates for the committee set allows for the committee to be aware of when they are expected to be across all items that fall within their terms of reference.
CL10 - Legislative responsibilities are resourced and managed appropriately, diligently and equitably.	The setting of meeting dates ensures that Council can meet their obligations under the Act and Regulations.

## Engagement

Internal engagement	
Stakeholder	Comments
Financial Services	The Chief Financial Officer provided advice on when meetings should be held to help meet financial and auditing requirements.

## Legal compliance

[Part 7 – Audit of the Local Government Act 1995](#)

[Local Government \(Audit\) Regulations 1996](#)

## Risk management consideration

Risk and consequence	Consequence rating	Likelihood rating	Overall risk analysis	Mitigation and actions
<b>Compliance</b> If meeting dates are not set, the committee may not fulfil their responsibilities or there may be delays in doing so.	Minor	Unlikely	Low	Committee to set meeting dates with awareness of when they need to make recommendations to Council.

## Financial implications

<b>Current budget impact</b>	Sufficient funds exist within the annual budget to address this recommendation.
<b>Future budget impact</b>	Not applicable.

## Analysis

- These meeting dates are being recommended to meet deadlines for items that fit the terms of reference of the Audit Committee. Meeting dates, with expected agenda items, are provided below. The timing of agenda items is subject to change if matters out of the Town's control arise.

Meeting date	Agenda items
23 March 2020	<ul style="list-style-type: none"><li>• Update on actions resulting from Reg. 17 review on internal controls</li><li>• Development and implementation of an Internal Audit Program</li></ul>
22 June 2020	<ul style="list-style-type: none"><li>• Interim Audit results</li><li>• Update on actions resulting from Reg. 17 review on risk management</li></ul>
28 September 2020	<ul style="list-style-type: none"><li>• Progress update on strategic risks</li></ul>
23 November 2020	<ul style="list-style-type: none"><li>• Independent Audit Report and Annual Financial Report 2019/2020</li></ul>
25 January 2021	<ul style="list-style-type: none"><li>• Compliance Audit Return 2020</li><li>• Audit Committee meeting dates for 2021</li></ul>

- The proposed meeting dates will allow for recommendations from the Audit Committee to flow into the Council meeting schedule in a timely manner, allowing for decisions of Council to be made. They also provide enough time for the Town to deal with items administratively between meetings, ensuring that deadlines for agenda settlement and creation are met.

## Relevant documents

[Audit Committee Terms of Reference](#)

### OFFICER RECOMMENDATION:

That the Audit Committee schedules its future meetings to be held at 5.30pm in the Council Chambers at 99 Shepperton Road, Victoria Park on:

- 23 March 2020
- 22 June 2020
- 28 September 2020
- 23 November 2020
- 25 January 2021

### ALTERNATE COMMITTEE RESOLUTION:

**Moved:** Cr Brian Oliver

**Seconded:** Mayor Karen Vernon

That the Audit Committee schedules its future meetings to be held at 5.30pm at 99 Shepperton Road, Victoria Park on:

- 23 March 2020

- 22 June 2020
- 14 September 2020
- 23 November 2020
- 1 February 2021

**CARRIED (5 - 0)**

**For:** Cr Brian Oliver, Cr Jesvin Karimi, Cr Wilfred Hendriks, Dane Etheridge, Mayor Karen Vernon

**Against:** nil

**Reason:** To amend the dates as they clashed with other events.

*Cr Jesvin Karimi and Ms Danielle Uniza departed the meeting at 6:55pm.*



## 7.5 Appointment of Independent Audit Committee Member

<b>Location</b>	Town-wide
<b>Reporting officer</b>	Amy Noon
<b>Responsible officer</b>	Danielle Uniza
<b>Voting requirement</b>	Absolute majority
<b>Attachments</b>	Nil

### Recommendation

That Council appoints an Independent Member of the Audit Committee for a term expiring on the next election day.

## Purpose

To present applications received for the Independent Committee Member (ICM) vacancies on the Audit Committee.

## In brief

- 1 The Audit Committee is a standing committee of Council and is required to exist under the *Local Government Act 1995*. As per its terms of reference adopted on 21 May 2019, the Audit Committee consists of four elected members and two ICMs.
- 2 Under section 5.11 of the *Local Government Act 1995*, the terms of the previous ICMs expired on election day.
- 3 Applications were sought from the public on 9 January 2020 with nine applications being received at the close of the application period on Friday 24 January 2020.

## Background

1. At its meeting held on 12 June 2018, Council appointed 'other persons' to its committees, including the recently renamed Finance and Audit Committee (now the Audit Committee).
2. At its meeting on 17 December 2019, Council appointed one ICM to the Audit Committee and resolved to advertise for an additional ICM.

## Strategic alignment

<b>Civic Leadership</b>	
Strategic outcome	Intended public value outcome or impact
CL08 - Visionary civic leadership with sound and accountable governance that reflects objective decision-making.	Appointing suitably qualified individuals to the Audit Committee will assist the Council in ensuring the delivery of good government.

## Engagement

Internal engagement	
Stakeholder	Comments
Audit Committee members	Received the applications via a confidential attachment.

## Legal compliance

[Part 5, Division 2, Subdivision 2 of the Local Government Act 1995](#)

[Part 7, Division 1A of the Local Government Act 1995](#)

## Risk management consideration

Risk and consequence	Consequence rating	Likelihood rating	Overall risk analysis	Mitigation and actions
<b>Reputational</b> Applicants feel aggrieved with the appointment made by Council.	Moderate	Unlikely	Moderate	Council appoints ICMs based on the merit and relevant skills of each candidate.

## Financial implications

<b>Current budget impact</b>	Sufficient funds exist within the annual budget to address this recommendation.
<b>Future budget impact</b>	Not applicable.

## Analysis

3. In accordance with the Committee's terms of reference, when appointing an ICM, the person's experience, skills or qualifications should be considered to enable him or her to contribute to the Committee's functions.
4. The vacancies were advertised through local public notice, the Town's social media channels and the website. At the close of the application period on 24 January 2020, nine applications were received.
5. The applications have been provided to elected members prior upon the close of the application period.
6. The applications were provided as confidential attachments.
7. To progress the appointment process, the Committee may decide to make a recommendation to Council on their preferred appointment or resolve to re-advertise the role should there be no suitable candidates.

## Relevant documents

[Terms of Reference – Audit Committee](#)

*Cr Jesvin Karimi left the meeting at 7:00pm.*

### COMMITTEE DISCUSSION

1. The Committee considered the applications received.

### OFFICER RECOMMENDATION:

That Council appoints an Independent Member of the Audit Committee for a term expiring on the next election day.

### ALTERNATE COMMITTEE RESOLUTION:

**Moved:** Cr Brian Oliver

**Seconded:** Mayor Karen Vernon

That Council appoints Jonathan Carly as an Independent Member of the Audit Committee for a term expiring on the next election day.

**CARRIED (4 - 0)**

**For:** Cr Brian Oliver, Cr Wilfred Hendriks, Dane Etheridge, Mayor Karen Vernon

**Against:** nil

**Reason:** The committee reviewed the applications and selected a candidate.

**8 Motion of which previous notice has been given**

**9 Meeting closed to the public**

**9.1 Matters for which the meeting may be closed**

**9.2 Public reading of resolutions which may be made public**

Nil.

**10 Closure**

There being no further business, Cr Brian Oliver closed the meeting at 07:13 pm.

I confirm these minutes to be true and accurate record of the proceedings of the Council.

Signed: .....

Cr Brian  
Oliver

Dated this: .....

Day of: .....

2020