

Audit and Risk Committee

Notice of Meeting
27 February 2017
4.30pm

Committee Room 1
Ninth Floor
Council House
27 St Georges Terrace, Perth



City of Perth

Agenda

ORDER OF BUSINESS AND INDEX

- 1 Declaration of Opening
- 2 Apologies and Members on Leave of Absence
- 3 Question Time for the Public
- 4 Confirmation of minutes – 31 October 2016 and 22 November 2016
- 5 Correspondence
- 6 Disclosure of Members' interests
- 7 Matters for which the meeting may be closed

In accordance with Section 5.23(2) of the *Local Government Act 1995*, the meeting will be required to be closed to the public prior to discussion of the following:

Item No.	Item Title	Reason
Confidential Item 8.2 and Confidential Attachment 8.2A	Appointment of External Member – Audit and Risk Committee	s5.23(2)(e)(iii)
Confidential Item 8.3 and Attachment 8.3A	2016 Compliance Audit Return	s5.23(2)(e)(iii)
Confidential Item 8.4 and Confidential Attachment 8.4A	Outstanding Internal Audit Recommendations – February 2017	s5.23(2)(a)

In accordance with Section 5.23(2) of the *Local Government Act 1995*, should an Elected Member wish to discuss the content of the confidential attachments listed below, it is recommended that Council resolve to close the meeting to the public prior to discussion of the following:

Attachment No.	Item No. and Title	Reason
Confidential Attachments 8.1C and 8.1D	Item 8.1 – Risk Management, and Crisis and Business Continuity Management Framework	s5.23(2)(e)(iii)
Confidential Attachment 8.5A	Item 8.5 – Internal Audit 2016/17 – Contract Payment Review	s5.23(2)(e)(iii)

- 8** Reports
- 8.1 - Risk Management, and Crisis and Business Continuity Management Framework
 - 8.2 - Appointment of External Member – Audit and Risk Committee
 - 8.3 - 2016 Compliance Audit Return
 - 8.4 - Outstanding Internal Audit Recommendations – February 2017
 - 8.5 - Internal Audit 2016/17 – Contract Payment Review
- 9** Motions of which Previous Notice has been given
- 10** General Business
- 10.1 - Responses to General Business from a Previous Meeting - Nil
 - 10.2 - New General Business
- 11** Items for consideration at a future meeting
- Outstanding Reports: Nil
- 12** Closure

ROBERT MIANICH
DIRECTOR CORPORATE SERVICES
23 February 2017

This meeting is open to members of the public

AUDIT AND RISK COMMITTEE

Established: 11 May 2010

Members:	1st Deputy:	2nd Deputy:
The Lord Mayor, Scaffidi (Presiding Member)	Cr Adamos	Cr Harley
Cr Davidson		
Cr Green		
Vacant (Independent Member)	N/A	N/A

Quorum: Two

Expiry: October 2017

TERMS OF REFERENCE: [Adopted OCM 24/11/15]

1. The Audit and Risk Committee's role, in accordance with Regulation 16 of the Local Government (Audit) Regulations 1996, is to provide guidance and assistance to the local government regarding:
 - a. the matters to be audited;
 - b. the scope of audits; and
 - c. financial, risk and compliance management functions as prescribed in the Local Government Act 1995; as well as
 - d. other matters specified in these Terms of Reference.
2. The Committee may resolve to request the Chief Executive Officer (CEO) to provide any information or make arrangements to provide independent expert advice, as appropriate and required by the Committee in order to fulfil its duties and responsibilities.
3. The Committee is to review and make recommendations to the Council regarding:
 - a. Financial Management**
 - i. the annual Financial Statements with a view to being satisfied as to their accuracy and timeliness and the inclusion of prescribed disclosures and information;
 - ii. changes in accounting practices, policies and material changes in accounting treatment, providing advice on the appropriateness of implementation strategies; and
 - iii. the City's financial status and performance.
 - b. Risk Management**
 - i. the City's risk management strategies and policies;
 - ii. the adequacy of the City's risk management systems and practices; and
 - iii. the management of strategic risks, identifying as appropriate, specific risks for more detailed review and response.
 - c. Internal Controls**
 - i. the standard and effectiveness of the City's corporate governance and ethical considerations;

(Cont'd)

- ii. the integrity, adequacy and effectiveness of the City's financial and administration policies, systems and controls in providing financial and governance information which:
 - is accurate and reliable;
 - complies with legislative obligations and requirements;
 - minimises the risk of error, fraud, misconduct or corruption; and
- iii. the efficiency and effectiveness on achievement of objectives.

d. Legislative Compliance

- i. the integrity, adequacy and effectiveness of the City's systems and controls for legislative compliance;
- ii. the level of compliance with legislative obligations as well as the City's policies;
- iii. the CEO's report on the review of the City's legislative Compliance systems, at least once biennially; and
- iv. the annual statutory Compliance Audit.

e. Internal and External Audit Planning and Reporting

- i. the process to select and the appointment of an External Auditor;
- ii. the integrity, adequacy and effectiveness of the City's Internal Audit Plan and External Audit Plan;
- iii. reports, findings and recommendations arising from Internal and External Audits;
- iv. the audit of the City's Annual financial statements;
- v. the integrity, adequacy and effectiveness of the management response and any actions proposed to be taken to address issues raised by the Internal or External Auditor; and
- vi. the oversight and monitoring of implementation of agreed actions.

Delegated Authority 1.1.3 – Audit and Risk Committee provides authority for the Committee to fulfil the duty of the Council to meet with the City's External Auditor at least once per year [s.7.12A(2)].

INFORMATION FOR THE PUBLIC ATTENDING COMMITTEE MEETINGS

Question Time for the Public

- An opportunity is available at all Committee meetings open to members of the public to ask a question about any issue relating to the City. This time is available only for asking questions and not for making statements. Complex questions requiring research should be submitted as early as possible in order to allow the City sufficient time to prepare a response.
- The Presiding Person may nominate a Member or officer to answer the question, and may also determine that any complex question requiring research be answered in writing. No debate or discussion is allowed to take place on any question or answer.
- To ask a question please write it on the white Question Sheet provided at the entrance to the Council Chamber and hand it to a staff member at least an hour before the meeting begins. Alternatively, questions can be forwarded to the City of Perth prior to the meeting, by:
 - Letter: Addressed to GPO Box C120, Perth, 6839;
 - Email: governance@cityofperth.wa.gov.au.
- Question Sheets are also available on the City's web site: www.perth.wa.gov.au.

Deputations

A deputation wishing to be received by a Committee is to apply in writing to the CEO who will forward the written request to the Presiding Member. The Presiding Member may either approve the request or may instruct the CEO to refer the request to the Committee to decide whether or not to receive the deputation. If the Presiding Member approves the request, the CEO will invite the deputation to attend the meeting.

Please refer to the 'Deputation to Committee' form provided at the entrance to the Council Chamber for further information on the procedures for deputations. These forms are also available on the City's web site: www.perth.wa.gov.au.

Disclaimer

Members of the public should note that in any discussion regarding any planning or other application that any statement or intimation of approval made by any Member or officer of the City during the course of any meeting is not intended to be and is not to be taken as notice of approval from the City. No action should be taken on any item discussed at a Committee meeting prior to written advice on the resolution of the Council being received.

Any plans or documents contained in this agenda may be subject to copyright law provisions (Copyright Act 1968, as amended) and the express permission of the copyright owner(s) should be sought prior to their reproduction.

EMERGENCY GUIDE

Council House, 27 St Georges Terrace, Perth



The City of Perth values the health and safety of its employees, tenants, contractors and visitors. The guide is designed for all occupants to be aware of the emergency procedures in place to help make an evacuation of the building safe and easy.

BUILDING ALARMS

Alert Alarm and Evacuation Alarm.

ALERT ALARM

beep beep beep

All Wardens to respond.

Other staff and visitors should remain where they are.



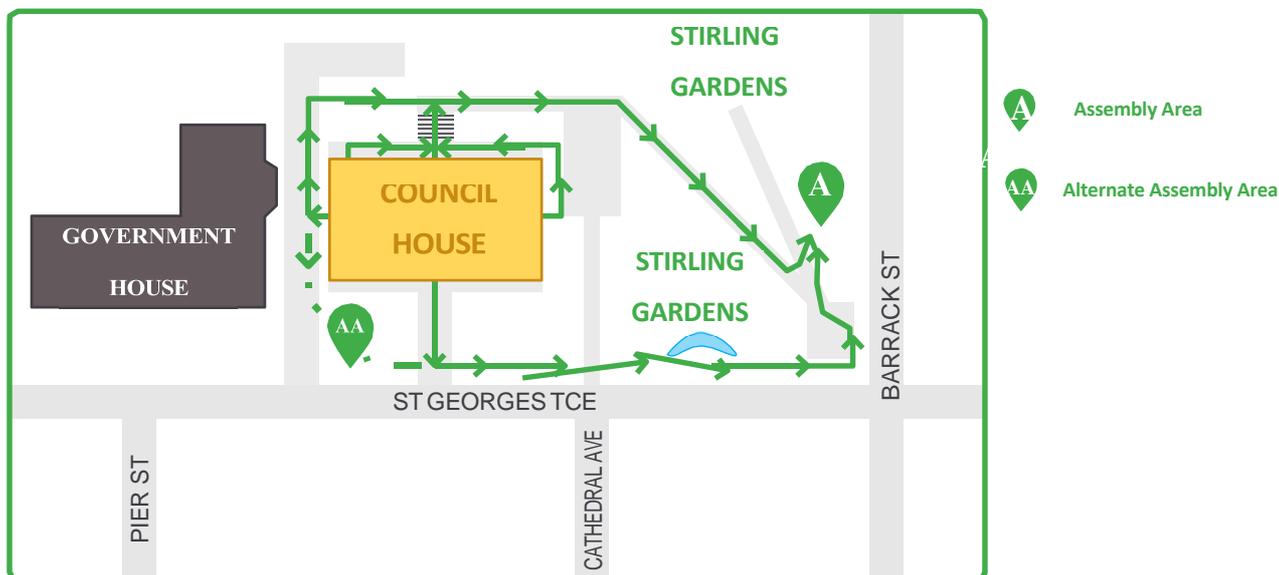
EVACUATION ALARM / PROCEDURES

whoop whoop whoop

On hearing the Evacuation Alarm or on being instructed to evacuate:

1. Move to the floor assembly area as directed by your Warden.
2. People with impaired mobility (those who cannot use the stairs unaided) should report to the Floor Warden who will arrange for their safe evacuation.
3. When instructed to evacuate leave by the emergency exits. **Do not use the lifts.**
4. Remain calm. Move quietly and calmly to the assembly area in **Stirling Gardens** as shown on the map below. Visitors must remain in the company of City of Perth staff members at all times.
5. After hours, evacuate by the nearest emergency exit. **Do not use the lifts.**

EVACUATION ASSEMBLY AREA



Agenda **Risk Management, and Crisis and Business Continuity**
Item 8.1 **Management Framework**

Recommendation:

That Council:

- 1. *approves the amended Risk Management Framework detailed in Attachment 8.1B;***
- 2. *approves the Crisis and Business Continuity Management Framework detailed in Confidential Attachment 8.1C; and***
- 3. *notes the update on High and Extreme Risks detailed in Confidential Attachment 8.1D.***

FILE REFERENCE: P1013822-3
REPORTING UNIT: Governance
RESPONSIBLE DIRECTORATE: Corporate Services
DATE: 9 February 2017
ATTACHMENT/S: Attachment 8.1A – Current Enterprise Risk Management Framework
 Attachment 8.1B – Amended Risk Management Framework
 Confidential Attachment 8.1C – Crisis and Business Continuity Management Framework
 Confidential Attachment 8.1D – Update on High and Extreme Risks
 (Confidential Attachments distributed to Elected Members under separate cover)

Legislation / Strategic Plan / Policy:

Legislation *Local Government Act 1995*
 Regulation 17 of the Local Government (Audit) Regulations 1996

Integrated Reporting Implications **Planning and Framework** **Strategic Community Plan**
 Council Four Year Priorities: Capable and Responsive Organisation
 A capable, flexible and sustainable organisation with a strong and effective governance system to provide leadership as a capital city and deliver efficient and effective community centred services

Policy

Policy No and Name: 19.1 – Enterprise Risk Management

Financial Implications:

ACCOUNT NO:	75B21000-7230
BUDGET ITEM:	Risk Management
BUDGETED AMOUNT:	\$5,000
AMOUNT SPENT TO DATE:	\$0
PROPOSED COST:	\$2,400
BALANCE REMAINING:	\$2,600
ANNUAL MAINTENANCE:	N/A
ESTIMATED WHOLE OF LIFE COST:	\$5,000

All figures quoted in this report are exclusive of GST.

Purpose and Background:

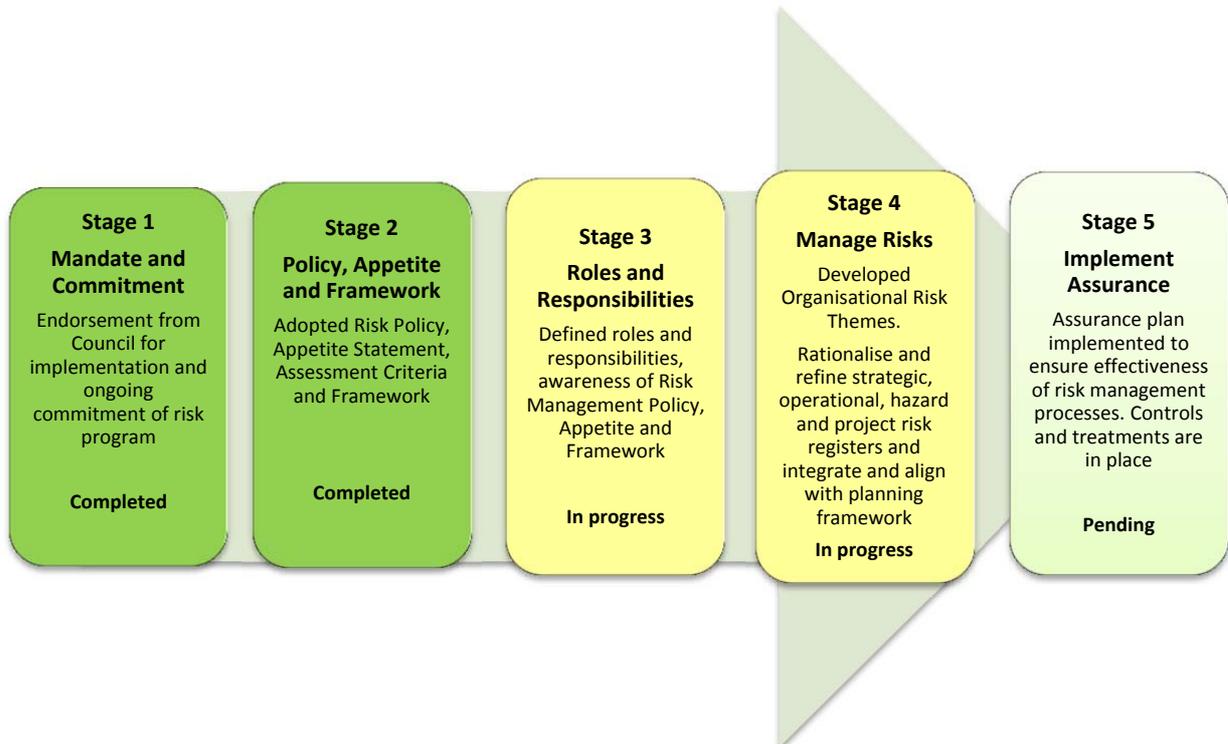
The City of Perth is progressing in implementing the recommendations from the maturity assessment in line with the road map. This report provides an update on the milestones achieved in the last three months following the Council meeting held on **22 November 2016**.

The amended Risk Management and Crisis and Business Continuity Framework documents are included in this report for endorsement by Council.

Details:

RISK MANAGEMENT UPDATE

The following table is a representation of the “road map” from the maturity assessment and outlines the next 12 months of the program.



In line with the road map, the below milestones have been achieved:

1. Stage 1 – Mandate and Commitment (Complete)

A briefing was conducted with the Executive Leadership Group (ELG) and Audit and Risk Committee on the findings, recommendations and road map. The road map was endorsed for implementation, with an agreement for updates to be provided to the Audit and Risk Committee every quarter on how the City was progressing in implementing the road map.

2. Stage 2 (partial) – Risk Management Policy (Complete)

The Enterprise Risk Management Policy has also been amended in line with the recommendations in the risk maturity report. The changes include:

- Removal of the word “Enterprise” in the policy title;
- Additional objective to outline the commitment to achieve best practice in line with the risk management standard - *AS/NZS ISO 31000 2009 Risk Management: Principles and Guidelines*;
- Inclusion of Business Continuity Management in the policy; and
- Formatting of the policy in line with the City’s new policy template.

The amended Council Policy 19.1 was endorsed by Council at its meeting held on **22 November 2016**.

3. Stage 2 (partial) – Risk Appetite Statement and Risk Assessment Criteria (Complete)

Facilitated workshops have been held with the ELG to review the City’s existing Risk Policy, Appetite and Risk Assessment Criteria. The Risk Appetite Statement guides the City’s decision making processes in regards to defining the acceptable level of risk the City is willing to take, as well as, the amount of risk which the City is prepared to be exposed to before necessary action is required.

The Risk Assessment Criteria defines the City’s criteria for assessing risks in line with the Appetite set by ELG and will help guide decision making when it comes to management of risks. The Risk Assessment Criteria has been amended in line with the recommendations in the risk maturity report. The changes include;

- Changes to the format of the consequence table for ease of use;
- Changes to the people and financial categories in the consequence table to align with the Risk Appetite Statement;
- Changes to service delivery / strategic objectives category within the consequence table to align with the Business Continuity provisions of service disruption times;
- Change from moderate to possible in the likelihood table;
- Risk acceptance criteria included in line with the maturity assessment recommendations this determines the frequency to which risks are reviewed and monitored; and
- Criteria included to be used for measuring existing controls in relation to effectiveness.

The Risk Appetite Statement and amended Assessment Criteria was endorsed by Council at its meeting held on **22 November 2016**.

As reported to the Audit and Risk Committee in October 2016, the Risk Policy, Appetite and Criteria have been included in the amended Risk Management Framework, in line with the recommendations of the risk maturity assessment.

4. Stage 3 – Risk Management Framework, including roles and responsibilities

The Enterprise Risk Management Framework has been amended in line with the recommendations in the risk maturity report. The changes include:

- Removal of the work 'enterprise' from the title;
- Inclusion of the reviewed Risk Management Policy 19.1, Risk Appetite and Assessment Tables;
- Incorporation of the Three Lines of Defence Governance Model;
- Further aligning of risk management framework and practices with organisational context and objectives, being the Integrated Planning and Reporting Framework;
- Recognition of other existing City policies, standards and frameworks that address organisational risks, these include Governance, Asset Management, Finance, Human Resources, Occupational Safety and Health, Finance and Procurement Frameworks.
- Review and customisation of roles and responsibilities within the risk management framework;
- Confirmation of Director Corporate Services as the Executive Sponsor for Risk Management;
- Clarification of the reporting and escalation of strategic, operational, hazards and project risks; and
- Provision of ongoing risk management training and awareness.

The amended Risk Management Framework is included in this report as Attachment 8.1B for endorsement by the Audit and Risk Committee and Council.

5. Stage 4 – Manage Risks

Operational Risks

Operational risk reviews for the City's 30 business units have commenced. The risk reviews are being done against the operational deliverables outlined in the unit business plans for the 2017/18 financial year. The reviews align with the changes to the policy, framework and are within the scope of the new risk appetite.

The reviewed operational risks will be reported through the City's Corporate OSH and Risk Management, and the Audit and Risk Committee once this process is complete. The risks will then be subject to monitoring and reporting in line with the risk acceptance criteria on an ongoing basis.

Strategic Risk

Currently the City is reviewing the Strategic Community Plan using philosophies from Open Government and Deliberative Democracy Approaches. A strategic risk analysis will be conducted to feed into this process. This will be done in three parts as follows:

- Post community feedback following the community engagement process;
- During the development of community aspirations, goals and performance measures; and
- Upon finalisation of the Strategic Community Plan.

It is anticipated this analysis will commence in early May 2017, with the outcomes of this process will be reported through the Audit and Risk Committee. Once finalised, the strategic risks will also be subject to monitoring and reporting in line with the risk acceptance criteria.

6. Stage 5 – Implement Risk Assurance

Risk assurance activities are included the City's Internal Audit Plan. A validation of critical and major risk mitigation strategies is planned to take place in June 2017. The reviewed risk registers will be included as part of this validation, with the outcomes reported through to the Audit and Risk Committee by the Internal Auditor.

Recommendations from the risk maturity assessment report which relate to risk assurance have been incorporated into the Risk Management Framework.

CRISIS AND BUSINESS CONTINUITY MANAGEMENT UPDATE

The City's Crisis Management and Business Continuity Framework document has been finalised and is included in this report for endorsement (refer to Confidential Attachment 8.1C).

The framework provides the process by which the City mitigates business disruption risks and affirms the City's commitment to ensuring the continuity of priority services to rate payers, the community and other stakeholders.

The framework has been developed to ensure it meets the below objectives:

- Safeguard the safety of employees, contractors and visitors during a disruptive event;
- Establishes and formalises a structured process that will enable the City to manage and respond to any anticipated or unanticipated incidents as effectively and efficiently as possible, to minimise impacts of service disruptions on rate payers, the community and other stakeholders; and
- Ensures the City complies with the Local Government Operational Guideline No. 09 (2013).

Work is ongoing to embed the City's Crisis and Business Continuity plans and procedures with the below initiatives planned for the remainder of the current financial year;

- Crisis Exercises to be conducted with both the Crisis Management Team and the Critical Incident Control Team, to test the effectiveness of the plans and familiarise relevant staff with their roles and responsibilities;
- Briefing sessions on the City's Crisis and Business Continuity Framework will be held with relevant staff to further raise awareness and build resilience into the City's crisis and business continuity planning; and
- Testing of Citiplace as the alternate location for Council House.

UPDATE ON HIGH AND EXTREME RISKS

The update on high and extreme risks is provided in Confidential Attachment 8.1D of this report.

Comments:

A summary of the review of operational risks will be provided to the Audit and Risk Committee once completed. The outcomes of the crisis exercises will also be reported through the Audit and Risk Committee at its next meeting.

Confidential **Appointment of External Member – Audit and Risk Committee**
Agenda
Item 8.2

Recommendation:

The Council approves the appointment of Mr Rob Maurich as the external member to the Audit and Risk Committee.

In accordance with Section 5.23 (2)(e)(iii) of the *Local Government Act 1995*, this item is confidential and has been distributed to the Elected Members under separate cover.

FILE REFERENCE:	P1028787-2
REPORTING UNIT:	Corporate Services Office
RESPONSIBLE DIRECTORATE:	Corporate Services
DATE:	19 January 2017
ATTACHMENT/S:	Confidential Attachment 8.2A – Mr Rob Maurich – Cover Letter and Resume (Confidential Attachments distributed under separate cover to Elected Members)

Confidential 2016 Compliance Audit Return
Agenda
Item 8.3

Recommendation:

That Council adopts the completed 2016 Compliance Audit Return as detailed in Confidential Attachment 8.3A for certification by the Lord Mayor and the Chief Executive Officer in accordance with Regulation 15(2) of the Local Government (Audit) Regulations 1996.

In accordance with Section 5.23(2)(e)(iii) of the *Local Government Act 1995*, this item is confidential and has been distributed to the Elected Members under separate cover.

FILE REFERENCE:	P1013788-5
REPORTING UNIT:	Corporate Services Office
RESPONSIBLE DIRECTORATE:	Corporate Services
DATE:	03 February 2017
ATTACHMENT/S:	Confidential Attachment 8.3A – Completed 2016 Compliance Audit Return

Confidential **Outstanding Internal Audit Recommendations – February 2017**
Agenda
Item 8.4

Recommendation:

That Council receives the report summarising the status of outstanding internal audit recommendations as at February 2017.

In accordance with Section 5.23 (2)(a) of the *Local Government Act 1995*, this item is confidential and has been distributed to the Elected Members under separate cover.

FILE REFERENCE:	P102969-8
REPORTING UNIT:	Corporate Services Office
RESPONSIBLE DIRECTORATE:	Corporate Services
DATE:	2 February 2017
ATTACHMENT/S:	Confidential Attachment 8.4A – Outstanding Recommendations – February 2017 (Confidential Attachment distributed to Elected Members under separate cover)

Agenda **Internal Audit 2016/17 – Contract Payment Review**
Item 8.5

Recommendation:

That Council approves the Contract Payment Review as part of the Internal Audit Plan 2016/17 as detailed in Confidential Attachment 8.5A.

FILE REFERENCE:	P102969-8
REPORTING UNIT:	Corporate Services Office
RESPONSIBLE DIRECTORATE:	Corporate Services
DATE:	2 February 2017
ATTACHMENT/S:	Confidential Attachment 8.5A – Contract Payment Review January 2017 and Sample Testing (Confidential Attachment distributed to Elected Members under separate cover)

Legislation / Strategic Plan / Policy:

Legislation *Local Government (Audit) Amendment Regulations 2013*

Integrated Planning and Reporting Framework Implications **Corporate Business Plan / Strategic Community Plan**
 Council Four Year Priorities: Capable and Responsive Organisation
 S18 Strengthen the capacity of the organisation.
 A capable, flexible and sustainable organisation with a strong and effective governance system to provide leadership as a capital city and deliver efficient and effective community centred services.

Policy
 Policy No and Name: 19.1 – Enterprise Risk Management

Financial Implications:

There are no financial implications related to this report.

Purpose and Background:

This review seeks Council approval of the Contract Payment Review completed in accordance with the City of Perth Internal Audit Plan 2016/17.

Details:

The findings of the review are detailed in the attached Confidential Attachment 8.5A.