



City of Perth

**Audit and Risk Committee  
Minutes**

**19 February 2020  
4.30pm**

**Committee Room 1  
Level 9  
Council House**

APPROVED FOR RELEASE

Mr Bill Parker  
Acting Chief Executive Officer



City of Perth

**Audit and Risk Committee  
Minutes**

**19 February 2020  
4.30pm**

**Committee Room 1  
Level 9  
Council House**

Minutes to be confirmed at the next Audit and Risk Committee meeting.

THESE MINUTES ARE HEREBY CERTIFIED AS CONFIRMED

Presiding Member's Signature

\_\_\_\_\_

DATE: \_\_\_\_\_

## Order of Business

### Item

1. Declaration of opening
2. Apologies and Members on Leave of Absence
3. Question Time for the Public
4. Confirmation of minutes
5. Correspondence
6. Disclosures of members interest
7. Matters for which the meeting may be closed
8. Reports

Item No.	Item Title	Page No.
8.1	2019 Compliance Audit Return	1
8.2	Internal Audit Plan 2019/20 – Validation of Key Risk Mitigation Strategies Review January 2020	10
8.3	Outstanding Audit Items – January 2020	15

9. Motions of which Previous Notice has been given
10. General Business
11. Items for consideration at a future meeting
  - 11.1 COVID-19 (Coronavirus)
  - 11.2 Western Australia Industrial Manslaughter Legislation
  - 11.3 Climate Change
  - 11.4 Audit and Risk Committee Terms of Reference
11. Closure

**Attendance**

Minutes of the Audit and Risk Committee meeting of the City of Perth in Committee Room 1, Level 9, Council House, 27 St Georges Terrace, Perth on Wednesday, 19 February 2020.

**Members in Attendance**

Commissioner Gaye McMath      Presiding Member  
Commissioner Len Kosova

**Officers in Attendance**

Mr Bill Parker	Acting Chief Executive Officer
Mr Chris Kopec	General Manager Infrastructure and Operations (arrived at 4.50pm and departed at 5.42pm)
Ms Karin Strachan	Project Director Corporate Recovery
Mr Michael Kent	Project Director Strategic Finance
Mr Lloyd Peters	Alliance Manager ICT
Mr Mario Cheldi	Internal Auditor
Ms Niloha Mendoza	Assistant Internal Auditor
Ms Siobhan Rippington	Governance Coordinator
Mr Anthony Sharpe	Coordinator ICT (Technology Infrastructure)
Mr Chris Noble	Corporate Strategy and Risk Advisor
Mr Darren Turner	Strategic Procurement Lead
Ms Vanessa Phillips	Governance Officer

**Observers**

No members of the public  
Two members of staff  
No members of the media

**1. Declaration of opening**

The Presiding Member declared the meeting open at 4.35pm.

**2. Apologies**

Chair Commissioner Andrew Hammond  
Robert Maurich, Independent Member  
Murray Jorgensen, Chief Executive Officer

**3. Question Time for the Public**

Nil

**4. Confirmation of Minutes**

**Committee Resolution**

**Moved:** Commissioner McMath  
**Seconded:** Commissioner Kosova

That the Committee CONFIRMS the minutes of the Audit and Risk Committee Meeting held on 19 November 2019 as a true and correct record.

**CARRIED 2 / 0**

**For:**  
Commissioner McMath  
Commissioner Kosova

**Against:**  
Nil

**5. Correspondence**

Nil

**6. Disclosures of Members Interest**

Nil

**7. Matters for which the meeting may be closed**

Nil

## 8. Reports

### 8.1 2019 Compliance Audit Return

<b>File reference</b>	P1013788-5
<b>Report author</b>	Niloha Mendoza, Assistant Internal Auditor
<b>Other contributors</b>	Mario Cheldi, Internal Auditor
<b>Reporting Service Unit and Alliance</b>	CEO Unit, CEO Alliance
<b>Report author disclosure of interest</b>	Nil
<b>Date of report</b>	28 January 2020
<b>Nature of Council's role</b>	Executive
<b>Voting requirement</b>	Absolute Majority
<b>Attachment/s</b>	Attachment 8.1A – 2019 Compliance Audit Return

#### Purpose

Western Australian local governments are required to complete a Compliance Audit Return (CAR) annually to the Department of Local Government, Sport and Cultural Industries (DLGSCI) in accordance with the requirements of the *Local Government Act 1995* (Act) and *Local Government (Audit) Regulations 1996*.

The completed 2019 CAR is required to be:

- Presented for review by the Audit and Risk Committee before being presented for adoption by Council;
- Subsequently certified by the Chair Commissioner and the Chief Executive Officer; and
- Returned to the DLGSCI with a copy of the relevant Council minutes by 31 March 2020.

#### Background

The CAR is a checklist of a local government's compliance with the requirements of the Act and its Regulations [i.e. *Local Government (Administration) Regulations 1996*, *Local Government (Audit) Regulations 1996*, *Local Government (Functions and General) Regulations 1996*, *Local Government (Financial Management) Regulations 1996*, *Local Government (Elections) Regulations 1997* and *Local Government (Rules of Conduct) Regulations 2007*] as approved by the Minister. It focuses on areas considered high risk as determined by the DLGSCI. The 2019 CAR has a total of 104 questions under the following sections:

- Commercial Enterprises by Local Governments (5 questions);
- Delegation of Power / Duty (13 questions);
- Disclosures of Interest (19 questions);

- Disposal of Property (2 questions);
- Elections (2 questions);
- Finance (14 questions);
- Integrated Planning and Reporting (7 questions);
- Local Government Employees (5 questions);
- Official Conduct (6 questions);
- Optional Questions (4 questions); and
- Tenders for providing Goods and Services (27 questions).

This Compliance Audit covers the period 1 January to 31 December 2019.

## **Details**

The Compliance Audit has been undertaken as an internal audit, sourcing evidence of compliance through the City's record keeping system and where required, through additional information held by respective service units. Each legislative requirement listed on the 2019 CAR has been examined either wholly or by sample, dependent on the volume of activity and known risk factors.

This approach has been successful in achieving a more rigorous assessment of the City's compliance whilst facilitating identification of opportunities for improvement. It is important to note that where a sample has been examined the audit results are based only on that sample.

The completed 2019 CAR is provided as Attachment 8.1A.

The following is a summary of sections reviewed as part of the 2019 CAR and includes a description of instances of non-compliances.

### **Commercial Enterprises by Local Governments**

There was one instance of non-compliance identified during the audit period for this section of the 2019 CAR. This instance refers to question 1 below.

**Question 1:** *Has the local government prepared a business plan for each major trading undertaking in 2019?*  
s3.59(2)(a)(b)(c)  
F&G Reg 7,9

The City had prepared and given Statewide public notice for a business plan for City of Perth Parking (CPP) in 2018. However, this plan was not endorsed by Council in Ordinary Council Meeting (OCM) held on 31 July 2018 item 13.4. As per OCM 30 July 2019 Item 13.18 the reappointed CEO is to "Deliver a business plan for the City of Perth Off Street Parking business (by 31 December 2020)".

**Delegation of Power / Duty**

There were no non-compliances identified during the audit period for this section of the CAR.

**Disclosures of Interest**

There were two instances of non-compliance identified during the audit period for this section of the 2019 CAR. These instances refer to questions 7 and 13 below.

**Question 7:** *Was a primary return lodged by all newly designated employees within three months of their start day?*  
s5.75(1) Admin  
Reg 22 Form 2

One instance of non-compliance whereby a newly designated employee (from 5 August 2019) did not lodge a primary return within the required three month period (late lodgement).

Since July 2019 the Governance Unit has relied upon a staff movements report to be produced from the HRIS human resources system (implemented on 1 July 2019) to identify employees required to complete a Primary/Annual Return. It was confirmed that the employee in question did not appear on the HRIS staff movements report provided to Governance Unit for July and August 2019 due to these reports not being correctly configured at this time.

This instance has been communicated to the Governance Coordinator and a Primary Return for the abovementioned employee was obtained on 12 December 2019.

**Question 13:** *Did the CEO keep a register of gifts which contained a record of disclosures made under section 5.71A, in the form prescribed in Administration Regulation 28A?*  
s5.89A  
Admin Reg 28A

The current City's Register of Gifts was found not to be in the form prescribed in Administration Regulation 28A (amended legislation listed below came into operation on 19 October 2019) due to the following issues:

- Current register contains detailed street addresses of individuals providing gifts. Regulation 28A of the *Local Government (Administration) Regulations 1996* requires that "In the version of the register of gifts published under section 5.89A(5) information about individuals' addresses must be modified as required by section 5.89A(5A)".

Section 5.89A(5A) states "The version of the register published under subsection (5) must not, in the case of a disclosure about a gift made by an individual, include the address disclosed under section 5.87C(3)(b) and must instead include the town or suburb mentioned in the address".



- Current register does not contain a column for recording excluded gift details as per section 5.62(1B) i.e. the date of the approval and the reasons for the approval as required under section 5.89A(2B) of the Act and in the form of Form 4 as per regulation 28A of the *Local Government (Administration) Regulations 1996*. Excluded gifts are required to be approved in accordance with a policy for attendance at events as per section 5.90A of the Act.

According to section 5.90A(2) of the Act “A local government must prepare and adopt a policy that deals with matters relating to the attendance of council members and the CEO at events, including:

- (a) the provision of tickets to events [a concert, conference, function, sporting event, an occasion of a kind prescribed as per legislation]; and
- (b) payments in respect of attendance; and
- (c) approval of attendance by the local government and criteria for approval; and
- (d) any prescribed matter [ includes excluded gifts as per Administration Regulation 20B]”.

The above mentioned policy has not been prepared and adopted by Council.

The above issues have been confirmed with relevant Governance Unit staff who have agreed to amend the City’s Register of Gifts accordingly as well as develop the above mentioned policy by June 2020.

### **Disposal of Property**

There were no non-compliances identified during the audit period for this section of the CAR.

### **Elections**

There were no non-compliances identified during the audit period for this section of the CAR.

### **Finance**

There was one instance of non-compliance identified during the audit period for this section of the CAR. This instance refers to question 12 below.

**Question 12**            *Did the agreement between the local government and its auditor include a plan*  
Audit Reg 7            *for the audit?*

In accordance with regulation 7 of the *Local Government (Audit) Regulations 1996*, an agreement between a local government and its auditor is to include the following requirements:

- Objectives of the audit;
- Scope of the audit;
- Plan for the audit;
- Remuneration/expenses to be paid to the auditor; and
- The method to be used by the local government to communicate with, and supply information to, the auditor.

The above requirements except for the plan for the audit were provided within an “Arrangement for the Audit of the Annual Financial Report of the City of Perth” letter by the City’s auditor, Office of the Auditor General (OAG). This letter applies to the audit for the year ended 30 June 2019 as well as subsequent financial years.

A request for an amended Arrangement Letter to include a reference to the plan for the audit was sought from the OAG Director responsible for the City of Perth financial audit by the City’s Senior Financial Accountant on 20 December 2019. To date, no response has been received from the OAG Director. This issue is being followed up by the Internal Audit Team.

Despite no mention of the plan for the audit within the above mentioned letter (agreement), Ernst & Young (appointed external audit contractor by the Auditor General) provided an Audit Plan report for the year ended 30 June 2019 to the Finance Unit (not to the Audit and Risk Committee as required by the Terms of Reference for this committee).

### **Integrated Planning and Reporting**

There was one instance of non-compliance identified during the audit period for this section of the CAR. This instance refers to question 2 below.

**Question 2**                    *Has the local government reviewed the Corporate Business Plan in the 2018-  
s5.56 Admin Reg            2019 Financial Year. If Yes, please provide date of Council meeting the review  
19DA (4)                    was adopted at?*

Current Corporate Business Plan 2017-2021 was adopted at the Ordinary Council Meeting held on 19 December 2017.

No review of the above mentioned plan in accordance with regulation 19DA (4) of the *Local Government (Administration) Regulations 1996* was undertaken in 2019.

A Corporate Business Plan is currently under development by the Strategic Finance team in close collaboration with the Strategy and Risk team. This plan is scheduled for completion by June 2020.

### **Local Government Employees**

There were no non-compliances identified during the audit period for this section of the CAR.

### **Official Conduct**

There were no non-compliances identified during the audit period for this section of the CAR.

**Optional Questions**

There were no non-compliances identified during the audit period for this section of the CAR.

**Tenders for Providing Goods and Services**

There was one instance of non-compliance identified during the audit period for this section of the CAR. This instance relates to question 1 overleaf.

**Question 1:** *Did the local government invite tenders on all occasions (before entering into s3.57; F&G Reg 11 contracts for the supply of goods or services) where the consideration under the contract was, or was expected to be, worth more than the consideration stated in Regulation 11(1) of the Local Government (Functions & General) Regulations (Subject to Functions and General Regulation 11(2))?*

Audit identified three occasions where the procurement values exceeded the tender threshold of \$150,000 during 2019 as identified within supplier expenditure reports provided for analysis by the Procurement Team.

Procurement/Contracts module within the Finance One system is currently being configured and tested by the Procurement Team with implementation planned for February/March 2020. This module will provide improved reporting and monitoring controls in relation to supplier expenditure.

**Stakeholder engagement**

The following stakeholders were engaged in relation to this report:

- Chief Executive Officer;
- General Manager Corporate Services;
- Alliance Manager Parking Services;
- Alliance Manager Infrastructure and Assets;
- Alliance Manager Customer Experience;
- Manager Governance;
- Governance Coordinators;
- Governance Officers;
- Paralegal;
- City Records Team;
- Senior Business Analyst;
- Senior Financial Accountant;
- Financial and Systems Accountant;
- Directorate/Assistant Financial Accountant;
- Strategic Procurement Lead;
- Contracts Coordinator – Business Development (CPP);
- Category Specialist;
- Payroll Supervisor;
- HR Team;

- Senior Assets & Leasing Officer;
- Asset Management Specialist;
- Asset and Insurance Accountant;
- Administration Officer – Infrastructure & Assets;
- Leasing and Finance Officer;
- Coordinator Library Services;
- Customer Service Officer;
- Senior Sponsorship Officer;
- Obstruction Permits – Officer;
- Governance Advisor, Sector Support and Advice at WALGA; and
- Department of Local Government, Sport and Cultural Industries (LG Hotline).

**Strategic alignment**

Strategic Community Plan

This item addresses the community’s vision for the future and specifically the following Aspiration and Strategic Objective(s) contained in the Strategic Community Plan 2019 – 2029:

<b>Aspiration:</b>	Performance
<b>Strategic Objective:</b>	5.6 - Decision-making that is ethical, informed and inclusive.

This report provides assurance that the City is working to deliver good governance in line with the abovementioned strategic objective.

**Legal and statutory implications**

Completion of the CAR assesses whether the City is meeting its key legislative requirements as determined by the DLGSCI.

Non-completion of the CAR is a breach of the section 7.13(1)(i) of the *Local Government Act 1995* as well as regulation 14 and 15 of the *Local Government (Audit) Regulations 1996*.

Connection with mandates in the *City of Perth Act 2016*

8(1)(a) - to provide for the good government of persons in the City of Perth, including residents, ratepayers and visitors

### Risk implications

Impact of decision	
Organisation	High
Community	Medium

Risk domain	Consequence	Likelihood	Risk rating
Service Delivery/Strategic Objectives	Minor	Likely	Medium
Legal and Regulatory/Ethical	Moderate	Likely	High
Reputation and External Stakeholders	Minor	Possible	Medium

The decision to approve the CAR has a high impact for the organisation. Failure to obtain this approval results in a breach of the Act and *Local Government (Audit) Regulations 1996*. In addition, existing risk ratings for the above mentioned risk domains may be adversely affected.

### Approval implications

As mentioned above, if Council does not adopt the completed 2019 CAR and submit to the DLGSCI by 31 March 2020 then the City will not comply with the requirements of the Act and its Audit Regulations.

### Financial implications

There are no financial implications related to this report.

### Policy references

19.1 - Risk Management

### Comments

The following table provides a comparative summary of the City's compliance per sections of the CAR for the 2017, 2018 and 2019 calendar years.

Section of the CAR	Non-compliances (Questions) Reported		
	2017	2018	2019
Commercial Enterprises by Local Governments	0	1	1
Delegation of Power / Duty	1	1	0
Disclosure of Interest	5	3	2
Disposal of Property	1	1	0
Elections	1		0
Finance	1	1	1
Integrated Planning and Reporting		0	1
Local Government Employees	1	1	0
Official Conduct	0	0	0
Optional Questions			0
Tenders for Providing Goods and Services	1	1	1
<b>Totals</b>	<b>11</b>	<b>9</b>	<b>6</b>

Note: The shaded boxes above denote section of the CAR not included for that year.

A comparison between 2017, 2018 and 2019 results show a gradual decrease in a number of non-compliances reported via the CAR.

Each of the non-compliances reported in the 2019 CAR have been discussed and confirmed with relevant staff.

The cooperation and assistance received from various staff to enable the completion of the 2019 CAR is appreciated.

### Officer Recommendation

That Council ADOPTS the completed 2019 Compliance Audit Return as detailed in Attachment 8.1A for certification by the Chair Commissioner and the Chief Executive Officer in accordance with Regulation 15(2) of the *Local Government (Audit) Regulations 1996*.

### Amendment and Committee Resolution

**Moved:** Commissioner Kosova  
**Seconded:** Commissioner McMath

That the Audit and Risk Committee recommends to Council that Council ADOPTS the completed 2019 Compliance Audit Return as detailed in Attachment 8.1A for certification by the Chair Commissioner and the Chief Executive Officer in accordance with Regulation 15(2) of the *Local Government (Audit) Regulations 1996*, subject to further detail and context being provided in

response to the following questions to better articulate the actions taken by the City to address the issues identified:

1. Commercial Enterprises by Local Governments – Question 1;
2. Disclosures of Interest – Questions 4 and 7;
3. Finance – Question 12; and
4. Tenders for Providing Goods and Services – Question 1.

**CARRIED 2 / 0**

**For:**

Commissioner Kosova  
Commissioner McMath

**Against:**

Nil

**Reason:**

To provide additional context and outline the actions taken by the City to address the issues raised in the Compliance Audit Return.

**4.50pm**      The General Manager Infrastructure and Operations entered the meeting.

## 8.2 Internal Audit Plan 2019/20 – Validation of Key Risk Mitigation Strategies Review January 2020

<b>File reference</b>	P1026043-2
<b>Report author</b>	Mario Cheldi, Internal Auditor
<b>Other contributors</b>	Nil
<b>Reporting Service Unit and Alliance</b>	CEO Unit, CEO Alliance
<b>Report author disclosure of interest</b>	Nil
<b>Date of report</b>	28 January 2020
<b>Nature of Council's role</b>	Executive
<b>Voting requirement</b>	Simple Majority
<b>Attachment/s</b>	Attachment 8.2A – Analysis of key risks reviewed

### Purpose

Approval of the Validation of Key Risk Mitigation Strategies Review January 2020 completed in accordance with the Internal Audit Plan 2019/20.

### Background

The idea for this review was first proposed by the former External Member of the Audit and Risk Committee in April 2016 during the seeking of potential audit areas for inclusion within the 2016/17 Internal Audit Plan.

Recognition of the value of this review has resulted in its inclusion within the Internal Audit Plans for 2016/17, 2017/18, 2018/19 and 2019/20 as approved by the Audit and Risk Committee and Council.

This January 2020 review is the fourth instalment of this review which was previously titled, Validation of Critical/Major Risk Mitigation Strategies Review.

Completion of this review is supported by two Organisational Risk Management Maturity Assessments undertaken in recent years by Local Government Insurance Services (LGIS) Risk Management and Riskwest in 2016 and 2018 respectively. Each of these assessments has recommended the implementation of assurance plans to ensure the effectiveness of risk management processes, controls and treatments.

Undertaking this review meets the requirement for implementation of the above mentioned assurance plans.



**Details**Objective

The objective of this review is to obtain evidence to provide assurance that mitigation strategies (treatment actions) for key risks of the City are in progress and being adequately resourced (budget and staff).

Scope

As per the City's Risk Management Framework the highest rating to be assigned to a risk is extreme. The Risk Management Quarterly Update Report presented at the last Audit and Risk Committee meeting held on 19 November 2019 shows five extreme rated risks as follows:

- Risk ID 101 Procurement\*;
- Risk ID SR 1 Strategic Direction;
- Risk ID SR 2 Financial Sustainability;
- Risk ID SR 5 Homelessness; and
- Risk ID SR 6 Integrated Financial Systems.

Each of the above risks were examined in this review. Risk ID 101 is an operational risk while the remainder of the above risks are strategic risks.

\*In December 2019 Risk ID 101 Procurement was reassessed by the Corporate Strategy and Risk Advisor (assumed the risk management coordination role within the City in November 2019 from the previously employed Risk Management Coordinator). This reassessment has resulted in the risk rating for Risk ID 101 being downgraded from extreme to high and controls effectiveness upgraded from inadequate to adequate.

The focus of this review was on mitigation strategies (treatment actions) in place to address the above key risks of the City.

Approach

The following steps were undertaken in completing this review:

- Details of key risks as described above were obtained from the latest available Risk Management Quarterly Update Report (November 2019) as produced by the Risk Management Team;
- Confirmation of these key risks and the validity of their inclusion within this review was obtained from the Corporate Strategy and Risk Advisor;
- Progress on recorded mitigation strategies (treatment actions) for each of the above key risks was researched and reviewed. This involved discussions with officers responsible for implementing treatment actions for each of the key risks as well as review of relevant documentation;

- Monitoring on the progress of implementation of treatment actions was carried out. This monitoring was undertaken up until late January 2020 to enable this report to be included within the agenda for the 19 February 2020 Audit and Risk Committee meeting;
- Findings in relation to the key risks reviewed were documented within Attachment 8.2A;
- These findings were discussed and agreed with the Corporate Strategy and Risk Advisor;
- This report was then drafted summarising the review undertaken; and
- The final report will be included in the agenda for the Audit and Risk Committee Meeting to be held on 19 February 2020.

### Conclusion

Evidence was obtained to provide assurance that mitigation strategies (treatment actions) for key risks of the City are in progress and being adequately resourced (budget and staff).

### Analysis

Attachment 8.2A (Analysis of key risks reviewed) shows risk assessment information within tables for each of the City's key risks. This information was accessed from the Risk Management Quarterly Update (November 2019) as produced by the Risk Management Team.

The progress of implementation of treatment actions for each of the key risks examined in this review is summarised within Attachment 8.2A under the heading of "Validation of Treatment Actions".

Treatment actions for the key risks examined are largely major initiatives underway by the organisation. This includes the Procurement Transformation Plan (Risk ID 101 Procurement), Corporate Recovery Implementation Plan (Risk ID SR 1 Strategic Direction and Risk ID SR 2 Financial Sustainability), Finance Transformation Plan (Risk ID SR 2 Financial Sustainability and Risk ID SR 6 Integrated Financial Systems) and Homelessness Response (Risk ID SR 5 Homelessness). As described within Attachment 8.2A under the heading of "Validation of Treatment Actions" these treatment actions are not fully implemented at the time of this review. As a result, no reduction in the risk ratings or improvement in the effectiveness of existing controls (as per the abovementioned risk assessment information) is considered warranted at the time of this review for each of the key risks examined.

### **Stakeholder engagement**

Engagement with the following internal stakeholders was undertaken in relation to this report.

- Corporate Strategy and Risk Advisor;
- Strategic Procurement Lead;
- Project Director Corporate Recovery;
- Project Director Strategic Finance; and
- Alliance Manager Community Services.

**Strategic alignment**

Strategic Community Plan

This item addresses the community’s vision for the future and specifically the following Aspiration and Strategic Objective(s) contained in the Strategic Community Plan 2019 – 2029:

<b>Aspiration:</b>	Performance
<b>Strategic Objective:</b>	5.6 Decision-making that is ethical, informed and inclusive.

This report provides assurance that the City’s key risks including its strategic risks are being addressed by appropriate mitigation strategies (risk treatment actions).

**Legal and statutory implications**

There are no legal or statutory implications associated with this report.

Connection with mandates in the *City of Perth Act 2016*

8(1)(a) - to provide for the good government of persons in the City of Perth, including residents, ratepayers and visitors

**Risk implications**

<b>Impact of decision</b>	
Organisation	High
Community	Low

There are no direct risk implications related to this report.

The key risks examined as part of this review have been assessed by the Risk Management Team in accordance with the City’s Risk Assessment Matrix (refer tables within Attachment 8.2A – Analysis of key risks reviewed).

**Approval implications**

If Council does not adopt the recommendation of this report there will be no formal acceptance of the Validation of Key Risk Mitigation Strategies Review January 2020 completed in accordance with the 2019/20 Internal Audit Plan.

**Financial implications**

There are no financial implications related to this report.

**Policy references**

19.1 – Risk Management

**Comments**

It should be noted that the City’s existing approach to risk management is currently under review. This review is being led by the Project Director Corporate Recovery and includes the process for the identification and assessment of risks, recording of risks and follow up actions as well as the means of reporting on risks.

The cooperation and assistance received from various staff to enable the completion of this review is appreciated.

**Officer Recommendation**

That Council APPROVES the Validation of Key Risk Mitigation Strategies Review January 2020 completed as part of the 2019/20 Internal Audit Plan.

**LAPSED**

**Alternate Motion and Committee Resolution**

**Moved:** Commissioner McMath  
**Seconded:** Commissioner Kosova

That the Audit and Risk Committee:

1. NOTES the review of the Key Risk Mitigation Strategies; and
2. REQUESTS that the new risk management approach be applied to the Key Risk Mitigation Strategies and that a new review be considered by the Audit and Risk Committee at the earliest possible time.

**CARRIED 2 / 0**

**For:**  
 Commissioner Kosova  
 Commissioner McMath

**Against:**  
 Nil

**Reason:**

To enable the new risk management approach to be applied to the Key Risk Mitigation Strategies.

**Meeting Note**

The Committee made note of its appreciation of the work undertaken on the new risk management approach.

**5.42pm**      The General Manager Infrastructure and Operations departed the meeting and did not return.

**8.3 Outstanding Audit Items – January 2020**

<b>File reference</b>	P1026043-2
<b>Report author</b>	Mario Cheldi, Internal Auditor
<b>Other contributors</b>	Niloha Mendoza, Assistant Internal Auditor
<b>Reporting Service Unit and Alliance</b>	CEO Unit, CEO Alliance
<b>Report author disclosure of interest</b>	Nil
<b>Date of report</b>	31 January 2020
<b>Nature of Council's role</b>	Information and Executive
<b>Voting requirement</b>	Simple Majority
<b>Attachment/s</b>	Attachment 8.3A – Status of the implementation of internal audit and other report recommendations as at 31 January 2020 Attachment 8.3B – Risk and Audit Response Matrix

**Purpose**

Provide a summary of the status of outstanding audit items as at 31 January 2020 to the Audit and Risk Committee.

**Background**

This report is a standard item on the agenda for the Audit and Risk Committee meeting. It provides a status of audit findings/recommendations for prior audits carried out by the Internal Audit Team or by external parties.

**Risk and Audit Response Matrix**




A Risk and Audit Response Matrix was approved by the Audit and Risk Committee at their meeting held on 20 May 2019. The Matrix (refer Attachment 8.3B) includes guidelines in relation to addressing risk and audit items. Based on the risk rating assigned to these items, the Matrix provides a timeframe for management to implement an action plan to address the items arising from the risk and audit reviews carried out.

The report on the Risk and Audit Response Matrix as presented at the 20 May 2019 Audit and Risk Committee meeting states "Following approval, the Risk Management and Internal Audit Teams will apply the requirements of the Matrix to all risks and internal audits reported to the Committee from August 2019".

**Details**

The status of outstanding audit items (as at 31 January 2020) from prior audits carried out is shown within Attachment 8.3A.

A summary of the status of outstanding audit items as at the above date is provided in the table below.

	Behind schedule	5
	On track	16
	Completed	14
<b>Total</b>		<b>35</b>

Extended timeframes for outstanding audit items

Outstanding audit items for the Compliance Audit Return Controls Review July 2018 (one item) as well as Fraud and Corruption Controls Review July 2019 (two items) are behind schedule and staff responsible for implementation of these audit recommendations are seeking acceptance from the Audit and Risk Committee of an extended completion date, refer to Attachment 8.3A for details on these items.

New exceptions to audit response

Two outstanding audit items from the Moore Stephens Financial Management Review September 2019 will not be met by the original completion date of 28 February 2020. These two items are being addressed via the Financial Systems and Process Transformation Plan with specific timeframes of 30 June 2021 (item 4.3) and 30 June 2020 (item 4.15) as documented within this plan. As a result, these two items are considered exceptions under the Risk and Audit Response Matrix which require acceptance from the Audit and Risk Committee. Details of these items can be found in Attachment 8.3A.

**Stakeholder engagement**

Engagement with internal stakeholders as listed within Attachment 8.3A was undertaken in relation to this report.

**Strategic alignment**

Strategic Community Plan

This item addresses the community’s vision for the future and specifically the following Aspiration and Strategic Objective(s) contained in the Strategic Community Plan 2019 – 2029:

<b>Aspiration:</b>	Performance
<b>Strategic Objective:</b>	5.5 A financial business model underpinned by a culture of cost management, best value and strategic financial analysis that is subject to ongoing oversight, transparency and accountability. 5.6 Decision-making that is ethical, informed and inclusive.

	5.7 Asset management, community services and major projects all guided by strategies that are inclusive, transparent, contemporary and intrinsically linked to the community’s strategic vision.
--	--

This report facilitates the monitoring of implementation of outstanding audit items which may contribute towards the abovementioned strategic objectives.

**Legal and statutory implications**

The Audit and Risk Committee is to oversee the implementation of any action that Council has accepted should be taken following receipt of an audit report (regulation 16 of the *Local Government (Audit) Regulations 1996*).

Connection with mandates in the *City of Perth Act 2016*

8(1)(a) - to provide for the good government of persons in the City of Perth, including residents, ratepayers and visitors

**Risk implications**

Impact of decision	
Organisation	High
Community	Low

The outstanding audit items within Attachment 8.3A have been risk rated by the Internal Audit Team in accordance with the City’s Risk Assessment Matrix.

**Approval implications**

This report is submitted to the Audit and Risk Committee for information as well as seeking the acceptance of extended timeframes and exceptions for outstanding audit items as described above. If the Committee does not adopt the officer recommendation, there will be a lack of formal accountability within the organisation for addressing the actions of outstanding audit items.

**Financial implications**

There are no financial implications related to this report.

**Policy references**

19.1 – Risk Management.

**Comments**

Provision of this report facilitates the monitoring of action to implement the outstanding audit items from prior audits carried out.



The format of Attachment 8.3A (Status of the implementation of internal audit and other report recommendations as at 31 January 2020) has been based on an Australian National Audit Office template used for the follow up of outstanding audit recommendations.

**Officer Recommendation**

That the Audit and Risk Committee RECEIVES the report Outstanding Audit Items – January 2020 and accepts the extended timeframes and new exception dates for completion of action to address the outstanding audit recommendations.

**Amendment and Committee Resolution**

**Moved:** Commissioner Kosova  
**Seconded:** Commissioner McMath

That the Audit and Risk Committee RECEIVES the report Outstanding Audit Items – January 2020 and accepts the extended timeframes and new exception dates for completion of action to address the outstanding audit recommendations, subject to:

1. The revised completion date for the “Employment Screening” item on page 4 of Attachment 8.3A being amended to 31 March 2020; and
2. A progress report being presented to the Audit and Risk Committee by December 2020 on the City’s implementation of the Cyber Security Review that was approved by the Committee at its meeting on 19 November 2019 (Item 8.7).

**CARRIED 2 / 0**

**For:**  
 Commissioner Kosova  
 Commissioner McMath

**Against:**  
 Nil

**9. Motions of which previous notice has been given**

Nil

**10. General Business**

Nil

## **11. Items for consideration at a future meeting**

### **11.1 COVID-19 (Coronavirus)**

The Presiding Member raised that the spread of COVID-19 (Coronavirus) presents a public health risk and sought assurance that the Administration had appropriate plans in place should an outbreak occur within the City.

### **11.2 Western Australia Industrial Manslaughter Legislation**

The Presiding Member requested the changes in industrial manslaughter legislation be reflected in the City's policies, procedures and practices as the changes may present operational and reputational risks to the City.

### **11.3 Climate Change**

The Presiding Member noted that the State Government will introduce a Climate Change Strategy by the end of this year and requested that the City keep abreast of this important international, national and local issue.

### **11.4 Audit and Risk Committee Terms of Reference**

The Presiding Member requested a review of the Audit and Risk Committee Terms of Reference.

## **12. Closure**

The Presiding Member declared the meeting closed at 6.20pm.