

minutes

Audit Committee

MEETING HELD ON **MONDAY 12 AUGUST 2013**

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CITY OF JOONDALUP

MINUTES OF THE AUDIT COMMITTEE MEETING HELD IN CONFERENCE ROOM 2, JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP ON MONDAY 12 AUGUST 2013.

ATTENDANCE

Committee Members:

Cr Tom McLean, JP	<i>Presiding Member</i>
Mayor Troy Pickard	
Cr Geoff Amphlett, JP	
Cr Brian Corr	<i>Deputy Presiding Member</i>
Cr Sam Thomas	

Officers:

Mr Garry Hunt	Chief Executive Officer	<i>absent from 6.21pm until 6.23pm</i>
Mr Mike Tidy	Director Corporate Services	
Mr Brad Sillence	Manager Governance	
Ms Christine Robinson	Acting Manager Executive and Risk Services	
Mr Peter McGuckin	Internal Auditor	
Mr John Byrne	Governance Coordinator	
Mrs Deborah Gouges	Governance Officer	

Guest:

Mr Patrick Warr	Audit Partner, Grant Thornton	<i>until 6.21pm</i>
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DECLARATION OF OPENING

The Presiding Member declared the meeting open at 6.02pm.

APOLOGIES/LEAVE OF ABSENCE

Apology

Cr Christine Hamilton-Prime.

Leave of Absence previously approved

Cr Russ Fishwick, JP	12 August to 16 August 2013 inclusive.
Cr Teresa Ritchie	12 August to 16 August 2013 inclusive.
Cr Brian Corr	13 August to 17 August 2013 inclusive.

CONFIRMATION OF MINUTES

MINUTES OF THE AUDIT COMMITTEE HELD 18 MARCH 2013

MOVED Cr Thomas, SECONDED Cr Amphlett that the minutes of the meeting of the Audit Committee held on 18 March 2013 be confirmed as a true and correct record.

The Motion was Put and

CARRIED (5/0)

In favour of the Motion: Cr McLean, Mayor Pickard, Crs Amphlett, Corr and Thomas.

MINUTES OF THE SPECIAL AUDIT COMMITTEE HELD 15 MAY 2013

MOVED Cr Amphlett, SECONDED Mayor Pickard that the minutes of the special meeting of the Audit Committee held on 15 May 2013 be confirmed as a true and correct record.

The Motion was Put and

CARRIED (5/0)

In favour of the Motion: Cr McLean, Mayor Pickard, Crs Amphlett, Corr and Thomas.

MINUTES OF THE AUDIT COMMITTEE HELD 10 JUNE 2013

MOVED Mayor Pickard, SECONDED Cr Thomas that the minutes of the meeting of the Audit Committee held on 10 June 2013 be confirmed as a true and correct record.

The Motion was Put and

CARRIED (5/0)

In favour of the Motion: Cr McLean, Mayor Pickard, Crs Amphlett, Corr and Thomas.

ANNOUNCEMENTS BY THE PRESIDING MEMBER WITHOUT DISCUSSION

Nil.

DECLARATIONS OF INTEREST

Disclosure of interest affecting impartiality

Elected Members (in accordance with Regulation 11 of the *Local Government [Rules of Conduct] Regulations 2007*) and employees (in accordance with the Code of Conduct) are required to declare any interest that may affect their impartiality in considering a matter. This declaration does not restrict any right to participate in or be present during the decision-making process. The Elected Member/employee is also encouraged to disclose the nature of the interest.

Name/Position	Mr Garry Hunt, Chief Executive Officer.
Item No./Subject	Item 6 – Confidential Report - Chief Executive Officer's Credit Card Expenditure for the quarter ended 31 March 2013.
Nature of interest	Interest that may affect impartiality.
Extent of Interest	The Chief Executive Officer is the card holder.

Name/Position	Mr Garry Hunt, Chief Executive Officer.
Item No./Subject	Item 7 – Confidential Report - Chief Executive Officer's Credit Card Expenditure for the quarter ended 30 June 2013.
Nature of interest	Interest that may affect impartiality.
Extent of Interest	The Chief Executive Officer is the card holder.

IDENTIFICATION OF MATTERS FOR WHICH THE MEETING MAY SIT BEHIND CLOSED DOORS

In accordance with Clause 76 of the City's *Standing Orders Local Law 2005*, this meeting was not open to the public.

CONSIDERATION OF CHANGE TO ORDER OF BUSINESS

CONSIDERATION OF CHANGE TO ORDER OF BUSINESS - [02154]

MOVED Mayor Pickard, **SECONDED** Cr Amphlett that the Audit Committee suspends clause 14(4) of the City's *Standing Orders Local Law 2005 – Order of Business*, to allow the items of business to be considered out of sequence as they are listed on the agenda, dealing with:

Item 3 Amendments to Local Government (Audit) Regulations 1996,

prior to consideration of Item 1 – Half Yearly Report - Contract Extensions – 1 January 2013–30 June 2013.

The Motion was Put and

CARRIED (5/0)

In favour of the Motion: Cr McLean, Mayor Pickard, Crs Amphlett, Corr and Thomas.

PETITIONS AND DEPUTATIONS

Mr Patrick Warr, Audit Partner, Grant Thornton presented on the 2013 Audit Plan for the City of Joondalup.

REPORTS**ITEM 3 AMENDMENTS TO LOCAL GOVERNMENT (AUDIT) REGULATIONS 1996**

WARD	All
RESPONSIBLE DIRECTOR	Mr Garry Hunt Office of the CEO
FILE NUMBER	49586, 101515
ATTACHMENTS	Nil.
AUTHORITY / DISCRETION	Information – includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

PURPOSE

For the Audit Committee to be provided with details on amendments made to the *Local Government (Audit) Regulations 1996*.

EXECUTIVE SUMMARY

The amendments extend the responsibilities of local government Audit Committees and the Chief Executive Officer, as well as requiring the inclusion of an additional statement in the report by the auditor in regard to the asset consumption ratio and asset renewal funding ratio.

The amendments to the *Local Government (Audit) Regulations 1996* require the following:

- 1 A local government's Chief Executive Officer to review, at least once every two years, the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance. The results of that review are to be reported to the local government's Audit Committee for their consideration.
- 2 That the auditor form an opinion as to whether the asset consumption ratio and the asset renewal funding ratio included in the annual financial report are supported by verifiable information and reasonable assumptions.

It is recommended that the Audit Committee NOTES the amendments to the Local Government (Audit) Regulations 1996.

BACKGROUND

The *Local Government (Audit) Regulations 1996* prescribe the requirements for local government authorities in relation to the engagement of auditors, the annual compliance audit return and the functions of the audit committee.

The Department of Local Government released the following circulars:

- Circular No. 05-2013 in February 2013 advising local government authorities of amendments to the *Local Government (Audit) Regulations 1996*. The amendments were gazetted on 8 February 2013 and came into effect on 9 February 2013.
- Circular No. 14-2013 in June 2013 advising local government authorities of amendments to the *Local Government (Financial Management) Regulations 1996* and a further amendment to the *Local Government (Audit) Regulations 1996*. The amendments were gazetted on 21 June 2013 and came into effect on 22 June 2013.

The February 2013 amendments extend the responsibilities of audit committees and chief executive officers of local government authorities in relation to the reviewing and reporting of the local government's systems and procedures in regard to risk management, internal control and legislative compliance.

The June 2013 amendments follow the introduction in 2012 of more meaningful financial ratios which took effect for the financial statements for the year ending 30 June 2013.

DETAILS

February 2013 Amendments

These amendments relate to extending regulation 16, functions of an audit committee, and inserting a new regulation 17, review of certain systems and procedures by a CEO. The amendments are detailed as follows:

Regulation 16 – Functions of Audit Committee

Regulations 16(a) and 16(b) in relation to the Audit Committee providing assistance to the local government remain unchanged. A new section 16(c) has been inserted and states as follows:

16 *Audit committee, functions of*

An audit committee –

- (c) *is to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to –*
 - (i) *report to the council the results of that review; and*
 - (ii) *give a copy of the CEO's report to the council.*

Regulation 17 – CEO to review certain systems and procedures

A new regulation 17 has been inserted and states as follows:

- 17 *CEO to review certain systems and procedures*
- (1) *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to –*
 - (a) *risk management; and*
 - (b) *internal controls; and*
 - (c) *legislative compliance.*
 - (2) *The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.*
 - (3) *The CEO is to report to the audit committee the results of that review.*

The Department of Local Government and Communities is preparing a guideline to provide more detail to assist local government authorities and audit committees as to what falls within the terms 'risk management', 'internal control' and 'legislative compliance'. The draft guideline is currently in the final stages of review and a circular will be issued to advise of its release.

June 2013 Amendments

These amendments relate to extending regulation 10, report by auditor, to include an additional clause which states as follows:

- 10 *Report by auditor*
- (3) *The report is to include –*
 - (e) *the opinion of the auditor as to whether or not the following financial ratios included in the annual financial report are supported by verifiable information and reasonable assumptions –*
 - (i) *The asset consumption ratio; and*
 - (ii) *The asset renewal funding ratio.*

The changes to the *Local Government (Financial Management) Regulations 1996* simplify and clarify a number of terms including clause 50 relating to the asset consumption ratio and the asset renewal funding ratio. The changes to the *Local Government (Audit) Regulations 1996* requires that the auditor form an opinion as to whether these ratios included in the annual financial report are supported by verifiable information and reasonable assumptions.

Legislation / Strategic Community Plan / policy implications

Legislation *Local Government (Audit) Regulations 1996.*
Local Government (Financial Management) Regulations 1996.

Strategic Community Plan

Key theme Governance and Leadership.

Objective Corporate capacity.

Strategic initiative Demonstrate accountability through robust reporting that is relevant and easily accessible by the community.

Policy Not applicable.

Risk management considerations

The amendments to the *Local Government (Audit) Regulations 1996* will enhance the reporting of the City's approach to managing risk with increased transparency and involvement for the Elected Members.

Financial/budget implications

Not applicable.

Regional significance

Not applicable.

Sustainability implications

Not applicable.

Consultation

Not applicable.

COMMENT

The City has been undertaking a review of its risk profile in order to identify areas where awareness of risk can be enhanced and a positive risk culture promoted and embedded throughout its operations, which the amendments to the *Local Government (Audit) Regulations 1996* will assist in. The amendments will also increase the involvement for Elected Members with improved transparency, accountability and reporting on risk management, internal control, legislative compliance, asset consumption ratios and asset renewal funding ratios.

VOTING REQUIREMENTS

Simple Majority.

MOVED Cr Amphlett, SECONDED Cr Thomas that the Audit Committee NOTES the amendments to the *Local Government (Audit) Regulations 1996*.

The Motion was Put and

CARRIED (5/0)

In favour of the Motion: Cr McLean, Mayor Pickard, Crs Amphlett, Corr and Thomas.

Mr Patrick Warr and the Chief Executive Officer left the room, the time being 6.21pm.

The Chief Executive Officer returned to the Room, the time being 6.23pm.

ITEM 1 HALF YEARLY REPORT – CONTRACT EXTENSIONS – 1 JANUARY 2013– 30 JUNE 2013

WARD	All
RESPONSIBLE DIRECTOR	Mr Mike Tidy Corporate Services
FILE NUMBER	07032
ATTACHMENTS	Attachment 1 Contract Expenditure Report
AUTHORITY / DISCRETION	Information – includes items provided to Council for information purposes only that do not require a decision of Council (that is for ‘noting’).

PURPOSE

For the Audit Committee to be provided with details of contracts extended by the Chief Executive Officer between 1 January 2013 and 30 June 2013.

EXECUTIVE SUMMARY

The schedule of contracts extended by the Chief Executive Officer during the half-year ended on 30 June 2013 is provided in Attachment 1.

It is recommended that the Audit Committee NOTES the contracts extended by the Chief Executive Officer during the period 1 January 2013–30 June 2013, as detailed in Attachment 1 to this Report.

BACKGROUND

At its meeting held on 1 November 2005 (Item CJ231-11/05 refers), Council resolved that a half-yearly report be prepared for the Audit Committee detailing contracts that were originally approved by Council and have subsequently been extended by the Chief Executive Officer.

DETAILS

Council has delegated to the Chief Executive Officer the authority to approve all contract extensions on tenders approved by Council subject to a report to the Audit Committee being prepared on a half-yearly basis providing details of those contracts extended.

During the period 1 January 2013–30 June 2013 seven contracts were extended.

Issues and options considered

The option to extend the contracts by the Chief Executive Officer is required to maintain continuity of the applicable services to the City.

Legislation / Strategic Community Plan / policy implications**Legislation**

The City's legal advice is that under section 5.41(d) of the *Local Government Act 1995* the Chief Executive Officer may be delegated the power to extend a contract – provided the Chief Executive Officer does not extend the contract beyond the “total term of the contract” specified by the Council in the resolution.

Strategic Community Plan**Key theme**

Governance and Leadership.

Objective

Corporate capacity.

Strategic initiative

Demonstrate accountability through robust reporting that is relevant and easily accessible by the community.

Policy

Not applicable.

Risk management considerations

The delegated authority to extend contracts is limited to the original terms and conditions approved by resolution of Council when the tender was first awarded.

Financial/budget implications

In accordance with each individual contract and approved budget limits.

Regional significance

Not applicable.

Sustainability implications

Not applicable.

Consultation

Not applicable.

COMMENT

This report provides the Audit Committee with details of contracts originally approved by Council or by the Chief Executive Officer under delegated authority, which have subsequently been extended by the Chief Executive Officer during the period from 1 January 2013 to 30 June 2013.

VOTING REQUIREMENTS

Simple Majority.

MOVED Cr Amphlett, SECONDED Mayor Pickard that the Audit Committee NOTES the contracts extended by the Chief Executive Officer during the period 1 January 2013–30 June 2013, as detailed in Attachment 1 to this Report.

The Motion was Put and

CARRIED (5/0)

In favour of the Motion: Cr McLean, Mayor Pickard, Crs Amphlett, Corr and Thomas.

Appendix 1 refers

To access this attachment on electronic document, click here: [Attach1agnAUDIT130812.pdf](#)

ITEM 2 EXTERNAL MEMBER TO AUDIT COMMITTEE

WARD	All
RESPONSIBLE DIRECTOR	Mr Jamie Parry Governance and Strategy
FILE NUMBER	50068, 101515
ATTACHMENTS	Nil.
AUTHORITY / DISCRETION	Executive - The substantial direction setting and oversight role of Council, such as adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.

PURPOSE

For Council to consider its options regarding the appointment of an external member to the Audit Committee.

EXECUTIVE SUMMARY

The previous external member to the Audit Committee resigned effective 10 January 2013. At its meeting held on 16 April 2013 (CJ057-04/13 refers), Council resolved to call for expressions of interest to fill the position of external member to the Audit Committee.

The expressions of interest process commenced on Thursday 16 May 2013 and concluded on Monday 3 June 2013. No submissions were received.

It is therefore recommended that Council reconsider appointing an external member to the Audit Committee following the local government elections to be held in October 2013.

BACKGROUND

The Audit Committee was established by Council at its meeting held on 14 March 2000 (CJ042-03/00 refers). The purpose of the committee is to oversee the internal and external audit, risk management and compliance functions of the City.

Membership of the Audit Committee comprises the Mayor; one Councillor from each Ward; and an external member. The previous external member, Mr Cowin, was first appointed as the external member to the Audit Committee by Council at its meeting held on 17 February 2009 (C06-02/09 refers) and subsequently re-appointed to the role following the 2011 local government elections by Council, at its meeting held on 3 November 2011 (JSC2-11/11 refers).

Mr Cowin submitted his resignation from the Audit Committee in a letter dated 10 January 2013, as he was relocating interstate.

The Audit Committee and subsequently Council considered the issue of appointing a replacement external member. At its meeting held on 16 April 2013 (CJ057-04/13 refers), Council resolved to call for expressions of interest to fill the position of external member to the Audit Committee.

DETAILS

The expressions of interest process was commenced on Thursday 16 May 2013 and concluded on Monday 3 June 2013, with the following activities undertaken to encourage expressions of interest:

- Advertisement placed in the *Joondalup Weekender*.
- Email distributed to CPA Australia and the Institute of Chartered Accountants, requesting they inform their members of the opportunity.
- Public notice placed on the City's website directing interested applicants to an information pack developed for prospective members.
- Development of an online form to simplify the expression of interest process.

Despite the City undertaking both a community based advertising approach, as well as a targeted approach of finance professionals, no submissions were received and no enquiries were received by City officers regarding the external member vacancy.

Issues and options considered

The Council now needs to consider whether or not to re-advertise the external member position on the committee; leave the committee position vacant until after the 2013 local government elections; or amend the composition of the Audit Committee by removing the position of external member.

Any appointment to the vacant position will expire in October 2013, with the option open to Council at that time to re-appoint the same person or alternatively re-commence the appointment process. The Audit Committee has only one more scheduled meeting prior to the elections in October 2013.

Council can either:

- re-advertise expressions of interest for the position of external member of the Audit Committee for a term to expire in October 2013
- leave the position of external member of the Audit Committee vacant and reconsider an appointment after the October 2013 local government elections
or
- amend the composition of the Audit Committee and remove the position of external member.

Should Council opt to remove the external member position from the committee, it would need to amend the Audit Committee Charter.

Legislation / Strategic Community Plan / policy implications

Legislation *Local Government Act 1995.*
Local Government (Audit) Regulations 1996.

Strategic Community Plan

Key theme Governance and Leadership.

Objective Active democracy.

Strategic initiative Optimise opportunities for the community to access and participate in decision-making processes.

Policy Although not a policy, the *Audit Committee Charter* makes provision for the objectives, functions and operation of the Audit Committee. Section 4 of the charter sets out provisions in relation to membership and that includes clauses making provision for the appointment of an external member to the Audit Committee.

Risk management considerations

The Audit Committee is an important element of risk management and a contributor to the mitigation of risk. It plays a significant oversight role. Having an external member on that committee adds an additional element to that oversight role by bringing a focus that is not influenced by other issues before Council. It offers the opportunity from a fresh perspective.

Financial/budget implications

Nil as recommended, however advertising costs seeking an expression of interest to fill the position of external member can be accommodated in operational budgets.

Regional significance

Not applicable.

Sustainability implications

The Audit Committee plays a role in providing financial oversight of the City's activities and thereby helps in securing the long-term sustainability of the City.

Consultation

An advertisement seeking expressions of interest was placed in a local newspaper, as well as advertising of the vacancy on the City's website. An email was sent to both CPA Australia and the Institute of Chartered Accountants, requesting they inform their members of the opportunity.

COMMENT

It is not considered prudent to re-advertise calling for expressions of interest, given the lack of response to date and the limited timeframe for meaningful involvement of a potential appointee prior to the local government elections in October 2013.

The inclusion of an external member on the Audit Committee warrants merit; meeting strategic initiatives of the City and offering an impartial view of auditing, compliance and risk management activities at the City.

It is therefore recommended that Council leave the position of external member to the Audit Committee vacant and reconsider an appointment following the October 2013 local government elections.

VOTING REQUIREMENTS

Simple Majority.

MOVED Cr Amphlett, SECONDED Mayor Pickard that Council leaves the position of external member to the Audit Committee vacant and reconsiders an appointment following the October 2013 local government elections.

The Motion was Put and

CARRIED (5/0)

In favour of the Motion: Cr McLean, Mayor Pickard, Crs Amphlett, Corr and Thomas.

**ITEM 3 AMENDMENTS TO LOCAL GOVERNMENT (AUDIT)
REGULATIONS 1996**

WARD	All
RESPONSIBLE DIRECTOR	Mr Garry Hunt Office of the CEO
FILE NUMBER	49586, 101515
ATTACHMENTS	Nil.
AUTHORITY / DISCRETION	Information – includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

This item was discussed prior to Item 1 – Half Yearly Report - Contract Extensions – 1 January 2013–30 June 2013, page 6 refers.

ITEM 4 EXECUTIVE AND RISK SERVICES PROGRAM 2013-14

WARD	All
RESPONSIBLE DIRECTOR	Mr Garry Hunt Office of the CEO
FILE NUMBER	49586, 101515
ATTACHMENTS	Attachment 1 Executive and Risk Services Program 2013-14
AUTHORITY / DISCRETION	Information – includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

PURPOSE

For the Audit Committee to be provided with the *Executive and Risk Services Program*, which includes the *Internal Audit Program* and details the proposed areas of internal audit activity for 2013-14.

EXECUTIVE SUMMARY

The *Executive and Risk Services Program* sets out the program of audits to guide audit activity, the work of the Internal Auditor and other monitoring and reviewing activities to be undertaken.

The *Internal Audit Program* section allows for Chief Executive Officer and other unspecified management requests, specialist advice and investigations. This section is subject to change and modification during the year on the authorisation of the Chief Executive Officer.

It is recommended that the Audit Committee NOTES the Executive and Risk Services Program for 2013-14 forming Attachment 1 to this Report.

BACKGROUND

The City has for the past 12 months been undertaking a review of its risk profile, and a gap analysis found that a greater focus and rigour on risk and assurance was required.

This resulted in the establishment of an Executive and Risk Services Business Unit from 1 July 2013 to oversee the *Executive and Risk Services Program*, review issues that are outside of the core activities for local government and to monitor the high number of City projects.

The Internal Auditor will continue to perform internal audit reviews based on an annual Internal Audit Program and reports directly to the Chief Executive Officer for assigned activities.

DETAILS

The program has incorporated the *Internal Audit Program* which sets out the internal audit activity for the year 2013-14 to be carried out by the City's Internal Auditor. The *Internal Audit Program* section is established in consultation between the Chief Executive Officer and the Internal Auditor and where appropriate includes input from Directors or Managers to address areas that present risks to the City's operations. This section is subject to change and modification during the year on the authorisation of the Chief Executive Officer. The audit activity is relied upon by external auditors as part of their audit.

The monitoring and reviewing activities are determined by the Chief Executive Officer on an annual basis and include for 2013-14 the deployment of the City's revised *Risk Management Framework* and the development and monitoring of service level agreements.

Legislation / Strategic Community Plan / policy implications

Legislation Regulation 6 of the *Local Government (Financial Management) Regulations 1996* and the *Local Government (Audit) Regulations 1996*.

Strategic Community Plan

Key theme Governance and Leadership.

Objective Corporate capacity.

Strategic initiative Demonstrate accountability through robust reporting that is relevant and easily accessible by the community.

Continuously strive to improve performance and service delivery across all corporate functions.

Policy Not applicable.

Risk management considerations

Internal audit is an independent appraisal service and audit activity is an important element of risk management and a contributor to the mitigation of risk.

Monitoring and reviewing activities will provide evidence of the appropriateness and effectiveness of systems and procedures in regard to risk management, internal control and legislative compliance, as required by the *Local Government (Audit) Regulations 1996*.

Financial/budget implications

Not applicable.

Regional significance

Not applicable.

Sustainability implications

Not applicable.

Consultation

Not applicable.

COMMENT

Internal audit activity focuses on areas of risk including financial and non-financial systems and compliance with legislation, regulations, policies and best practice. Action plans are developed and agreed with management for audit recommendations and follow-ups conducted to ensure that they are implemented as agreed. Criteria has been established to determine and report on the status of each recommendation and the overall status of each internal audit assignment. The status of internal audit recommendations is reported to the Executive Leadership Team on a monthly basis.

VOTING REQUIREMENTS

Simple Majority.

MOVED Cr Thomas, SECONDED Cr Amphlett that the Audit Committee NOTES the Executive and Risk Services Program for 2013-14 forming Attachment 1 to this Report.

The Motion was Put and

CARRIED (5/0)

In favour of the Motion: Cr McLean, Mayor Pickard, Crs Amphlett, Corr and Thomas.

Appendix 2 refers

To access this attachment on electronic document, click here: [Attach2agnAUDIT130812.pdf](#)

ITEM 5 DRAFT RISK MANAGEMENT POLICY AND FRAMEWORK

WARD	All
RESPONSIBLE DIRECTOR	Mr Garry Hunt Office of the CEO
FILE NUMBER	49586, 101515
ATTACHMENTS	Attachment 1 Updated Risk Management Framework Attachment 2 Draft Risk Management Policy
AUTHORITY / DISCRETION	Executive – The substantial direction setting and oversight role of Council, such as adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.

PURPOSE

For the Audit Committee to review the City's updated *Risk Management Framework* prior to being presented to Council. This report also provides the draft *Risk Management Policy* to the Audit Committee for review and recommend that it is presented to the Policy Committee for consideration.

EXECUTIVE SUMMARY

The City has for the past 12 months been undertaking a review of its risk profile in order to identify areas where awareness of risk can be enhanced and a positive risk culture promoted that helps embed risk management throughout the City's operations. As part of this review the City has developed a draft *Risk Management Policy* and updated its *Risk Management Framework*.

It is recommended that the Audit Committee REVIEWS the:

- 1 *updated Risk Management Framework forming Attachment 1 to this Report prior to being presented to Council;*
- 2 *Draft Risk Management Policy forming Attachment 2 to this Report and recommends that it is presented to the Policy Committee for consideration.*

BACKGROUND

In January 2009 a *Risk Management Framework* was finalised and the Chief Executive Officer approved its deployment within the City. The framework was later updated through the City's Risk Management Taskforce to comply with the new standard AS/NZS ISO 31000:2009 – *Risk management – Principles and guidelines*.

Prior to 2009 the City did not have in place a system for formally identifying, assessing and putting in place controls to mitigate against risks that may impact on its strategies and objectives. A formal risk management process is recognised as an integral part of good corporate governance that will assist in improving business practice across the City.

Internal Business Unit risk register templates were also established in 2009 for documenting risks and include action plans for further treatment; risk management is embedded into the City's business planning process.

A draft *Risk Management Policy* has also been developed which aligns with the Australian Standard and the Department of Local Government and Communities' *Model Risk Management Policy*.

DETAILS

Risk Management Framework

The framework details a method of formally identifying, assessing and treating risks. It also explains the benefits and basic principles of risk management and follows a process as described in the former standard *AS/NZS 4360:2004 – Risk management* and later in the updated standard *AS/NZS ISO 31000:2009 – Risk management – Principles and guidelines*.

The standard recommends that criteria is established for assessing the overall level of risk based on a combination of likelihood and consequence prior to initiating the risk management process. The framework includes a *Risk Level Matrix and Assessment Criteria* as Appendix A and a *Qualitative Measures of Risk Consequences* as Appendix B to assist in risk assessment.

The framework includes:

- 1 An Introduction
- 2 Common Risk Definitions and Explanations
 - Risk.
 - Risk Management.
 - Risk Framework.
 - Risk Assessment.
 - Risk Monitoring and Review.
- 3 Benefits of Risk Management
 - Eleven benefits have been identified in the framework as examples.
- 4 Risk Appetite
 - Risk appetite may be described using various terms such as high / medium / low or risk averse, risk prudent or risk tolerant.

5 Principles of Risk Management

- Eleven principles have been identified in the framework.

6 Risk Management Process

- Communication and Consultation.
- Establish the Context.
- Risk Identification.
- Risk Analysis.
- Risk Evaluation.
- Risk Treatment.
- Monitor and Review.

7 Risk Categories

- Risk to Human Safety and Wellbeing.
- Legal and Economic Risk.
- Risk to the Environment.
- Risk to the City's Strategic and Governance Position or Reputation.
- Risk to the City's Capacity to Deliver Services.

8 Roles and Responsibilities

- Audit Committee.
- Chief Executive Officer.
- Risk Management Taskforce.
- Executive Leadership Team.
- Directors.
- Manager Executive and Risk.
- Managers.
- Internal Auditor.
- Employees.

9 Key Outcomes

- Five key outcomes have been identified in the framework.

The recent key changes to the framework include the following:

- Recognition of the amendments made on 8 February 2013 to the *Local Government (Audit) Regulations 1996* that extend the responsibilities of Audit Committees and Chief Executive Officers. The Chief Executive Officer is required to review, at least once every two years, the appropriateness and effectiveness of the City's systems and procedures in regard to 'risk management', 'internal control' and 'legislative compliance' and provide a report of that review to the Audit Committee. The Audit Committee is required to consider the Chief Executive Officer's review and report the results of its consideration to Council.
- Revision of the responsibilities for risk management to improve accountability and recognising that it is every employee's responsibility to contribute to the risk management process.

- Broadening and enhancement of the risk level matrix and risk assessment criteria.
- The addition of qualitative criteria to assist in the evaluation of the consequences of risk.
- Simplifying the risk register template.

The improvements are intended to provide a sound foundation for embedding risk management across the City through the design, implementation, monitoring and review and continual improving of risk management in a systematic and consistent manner.

The updated *Risk Management Framework* is included as Attachment 1.

Draft Risk Management Policy

Australian Standard AS/NZS 31000:2009 recommends that an organisation develops a risk management policy which should “*clearly state the organisations objectives for, and commitment to, risk management.*” The draft *Risk Management Policy* is designed to align with this and make a statement on the City’s objectives, approach and commitment to effective risk management across all its operations.

The policy includes:

1 Application

The *Risk Management Policy* and any associated frameworks, guidelines and protocols will apply across all operations of the City. All employees within the City are encouraged to develop an understanding and awareness of risk and contribute to the risk management process.

2 Definitions

- Risk.
- Risk Management.
- Risk Framework.

3 Statement

The City is committed to ensuring that effective risk management remains central to all its operations while delivering a wide and diverse range of services to its residents and visitors. The management of risk is the responsibility of everyone and should be an integral part of organisational culture and be reflected in the various policies, protocols, systems and processes used to ensure efficient and effective service delivery. The *Risk Management Framework* will reflect good practice and sound corporate governance and be consistent with *AS/NZS ISO 31000:2009 Risk management – Principles and guidelines*.

4 Details

4.1 Risk Management Outcomes

Five key outcomes and eight benefits have been identified in the policy.

4.2 Risk Appetite

Resources available to control risks are limited and the cost of any controls should be considered along with the value of expected benefits. The City's risk appetite will be risk prudent. The City will accept the taking of controlled risks, the use of innovative approaches and the development of new opportunities to improve service delivery provided that the risks are properly identified, analysed and evaluated to ensure that exposures are acceptable and managed accordingly.

The draft *Risk Management Policy* is included as Attachment 2.

Legislation / Strategic Community Plan / policy implications

Legislation *Local Government (Audit) Regulations 1996.*

Strategic Community Plan

Key theme Governance and Leadership.

Objective Corporate capacity.

Strategic initiative Continuously strive to improve performance and service delivery across all corporate functions.

Policy Not applicable.

Risk management considerations

The City provides a wide and diverse range of services that are subject to a variety of risks. Having in place a framework that provides a systematic and consistent approach across the City for the identification, assessment and treatment of risks will better place the City to achieve its objectives and provide the services that the community expect. Furthermore, the introduction of a *Risk Management Policy* will make a statement on the City's commitment and approach to risk management principles, systems and processes which can be made visible to the community.

Financial/budget implications

Not applicable.

Regional significance

Not applicable.

Sustainability implications

Not applicable.

Consultation

Not applicable.

COMMENT

The on-going review of the City's risk management profile is intended to raise the profile of risk, improve the City's approach to risk and embed risk management across all its systems and processes. The updating of the *Risk Management Framework* and the development of a draft *Risk Management Policy* will assist the City in achieving this. As part of the on-going review, in May 2013 the City tested its *Business Continuity Plan* via a desktop scenario facilitated by LGIS Risk Management. This scenario was Phase 6 of the Business Continuity Management Project that commenced in October 2012 by LGIS Risk Management.

Following completion of the 2013-14 Business Unit Risk Registers, a Corporate Risk Register will be developed which will capture any risks assessed as high or extreme. The Chief Executive Officer will report on this annually to the Audit Committee.

The framework is also aligned to the City's *Project Management Framework* which ensures that all major projects, general projects, process improvement projects and events are developed using the risk management process.

VOTING REQUIREMENTS

Simple Majority.

MOVED Mayor Pickard, SECONDED Cr Thomas that the Audit Committee REVIEWS the:

- 1 updated *Risk Management Framework* forming Attachment 1 to this Report prior to being presented to Council;**
- 2 Draft *Risk Management Policy* forming Attachment 2 to this Report and recommends that it is presented to the Policy Committee for consideration.**

The Motion was Put and

CARRIED (5/0)

In favour of the Motion: Cr McLean, Mayor Pickard, Crs Amphlett, Corr and Thomas.

Appendix 3 refers

To access this attachment on electronic document, click here: [Attach3agnAUDIT130812.pdf](#)

Disclosure of interest affecting impartiality

Name/Position	Mr Garry Hunt, Chief Executive Officer.
Item No./Subject	Item 6 – Confidential Report - Chief Executive Officer's Credit Card Expenditure for the quarter ended 31 March 2013.
Nature of interest	Interest that may affect impartiality.
Extent of Interest	The Chief Executive Officer is the card holder.

ITEM 6 CONFIDENTIAL REPORT - CHIEF EXECUTIVE OFFICER'S CREDIT CARD EXPENDITURE FOR THE QUARTER ENDED 31 MARCH 2013

WARD	All
RESPONSIBLE DIRECTOR	Mr Mike Tidy Corporate Services
FILE NUMBER	09882, 101515
ATTACHMENTS	Attachment 1 Chief Executive Officer's Credit Card Expenditure – Quarter Ended 30 March 2013 <i>(Please Note: This attachment is confidential and will appear in the official Minute Book only)</i>
AUTHORITY / DISCRETION	Information - Includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting')

This report is confidential in accordance with Section 5.23(2)(a) of the *Local Government Act 1995*, which also permits the meeting to be closed to the public for business relating to the following:

a matter affecting an employee.

A full report was provided to Elected Members under separate cover. The report is not for publication.

MOVED Cr Amphlett, SECONDED Mayor Pickard that the Audit Committee NOTES the report on the corporate credit card usage of the Chief Executive Officer for the quarter ended 31 March 2013 forming Attachment 1 to this Report.

The Motion was Put and

CARRIED (5/0)

In favour of the Motion: Cr McLean, Mayor Pickard, Crs Amphlett, Corr and Thomas.

Disclosure of interest affecting impartiality

Name/Position	Mr Garry Hunt, Chief Executive Officer.
Item No./Subject	Item 7 – Confidential Report - Chief Executive Officer's Credit Card Expenditure for the quarter ended 30 June 2013.
Nature of interest	Interest that may affect impartiality.
Extent of Interest	The Chief Executive Officer is the card holder.

ITEM 7 CONFIDENTIAL REPORT - CHIEF EXECUTIVE OFFICER'S CREDIT CARD EXPENDITURE FOR THE QUARTER ENDED 30 JUNE 2013

WARD	All
RESPONSIBLE DIRECTOR	Mr Mike Tidy Corporate Services
FILE NUMBER	09882, 101515
ATTACHMENTS	Attachment 1 Chief Executive Officer's Credit Card Expenditure – Quarter Ended 30 June 2013 <i>(Please Note: This attachment is confidential and will appear in the official Minute Book only)</i>
AUTHORITY / DISCRETION	Information - Includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting')

This report is confidential in accordance with Section 5.23(2)(a) of the *Local Government Act 1995*, which also permits the meeting to be closed to the public for business relating to the following:

a matter affecting an employee.

A full report was provided to Elected Members under separate cover. The report is not for publication.

MOVED Cr Amphlett, SECONDED Mayor Pickard that the Audit Committee NOTES the report on the corporate credit card usage of the Chief Executive Officer for the quarter ended 30 June 2013 forming Attachment 1 to this Report.

The Motion was Put and

CARRIED (5/0)

In favour of the Motion: Cr McLean, Mayor Pickard, Crs Amphlett, Corr and Thomas.

**ITEM 8 HALF YEARLY REPORT WRITE OFF OF MONIES
(1 JANUARY 2013 – 30 JUNE 2013)**

WARD	All
RESPONSIBLE DIRECTOR	Mr Mike Tidy Corporate Services
FILE NUMBER	07032, 101515
ATTACHMENTS	Nil.
AUTHORITY / DISCRETION	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

PURPOSE

For the Audit Committee to be informed of monies written off under delegated authority.

EXECUTIVE SUMMARY

The total amount written off under delegated authority during the six months ended 30 June 2013 came to \$13,434.62, mainly comprising 5,623 small amounts of unpaid rates and four other charges below the \$100 reportable limit totalling \$6,713.41.

The total amount includes the following reportable items written off on the recommendation of the City's debt collection agency:

- Six items of unpaid leisure centre membership fees totalling \$1,655.81.
- Two items of unpaid room hire fees of \$3,959.25.
- One item of Swimming Pool fee of \$149.09.
- One item of dog impound fee of \$254.55.
- One item of vegetation clearing of \$300.
- One item of installation of firebreak of \$130.00.
- One item of Fines Enforcement lodgement fees \$272.50.

It is recommended that the Audit Committee receives the report of amounts written off under delegated authority for the period 1 January to 30 June 2013.

BACKGROUND

Section 6.12(1)(c) of the *Local Government Act 1995* gives the Council the power to write off any amount of money owing to the City.

At its meeting held on 6 June 2006 (CJ079-06/06 refers) Council approved to delegate to the Chief Executive Officer (CEO) the authority to write off monies owed to the City, subject to a report being provided to the Audit Committee on a six monthly basis on the exercise of this delegation for amounts between \$100 and \$20,000.

The CEO under section 5.44 of the *Local Government Act 1995* has delegated his authority to nominated employees, up to the limits provided in the instrument of delegation.

DETAILS

During the six months ended 30 June 2013 a total amount of \$13,434.61 was written off as unrecoverable. This amount included the following:

- 5,623 items of small rates balances that are below the reportable limit, totalling \$6,525.73, representing in the main rounding decimals or minor penalty interest charges for a few days late payment where ratepayers did not pay the penalty or the full penalty and the cost of collection was, for all practical purposes, proving to be uneconomical.
- Four small items comprising room hire cancellation fee and Anchors Holiday Program fees totalling \$187.68.

The following table provides the details of other reportable amounts written off during the six month period.

Item	Date of Invoice	Debtor's Name	Nature of Debt	Amount \$
1	23/05/2011	Stageworks	Beaumaris CC Room hire	3,959.25
2	31/01/2011	Jessica Bishop	CLC Membership fee	228.00
3	03/11/2011	Benjamin Geldart	CLC Membership fee	123.27
4	03/11/2011	Ben Simcock	CLC Membership fee	302.09
5	03/11/2011	Jarryd Lynch	CLC Membership fee	246.09
6	03/11/2011	Tara Goodridge	CLC Membership fee	302.09
7	27/02/2012	Pamela Daly	CLC Membership fee	454.27
8	20/06/2011	W C Keung S K Chau	Swimming pool inspection	149.09
9	18/01/2012	Michiko Ishida	Vegetation clearing	300.00
10	18/01/2012	Darkline Holdings Pty Ltd	Installation of firebreak	130.00
11	08/02/2012	Steven Louwenhoven	Dog impound fee	254.55
12	31/08/2012	David Green	Parking infringement (FER) lodgement fees	272.50
			Total	6,721.20

- Item 1 relates to Beaumaris Community Centre room hire for the period January to June 2008. The debt was initially being followed up internally without success but was overlooked when passing debts on for recovery action by the debt collector. Subsequently, despite all efforts the debtor could not be traced and the ABN/ACN number could not be verified and the debt collection agency has recommended it be written off.
- Items 2-7 relate to Craigie Leisure Centre memberships which are direct debited to members' bank accounts on a monthly basis. When a direct debit is declined they are followed up with the member by phone and email. Up until early 2012 a greater amount of latitude was given in the follow up process which meant that a number of direct debit declines could accumulate before they were referred for debt collection. New follow up procedures and more recently the replacement of the booking system software has enabled tighter control over recovery action for unpaid memberships and access to the Centre when memberships are in arrears.
- Item 8 relates to a swimming pool inspection that was invoiced to the property owner prior to them disposing of the property. All recovery action has been unsuccessful. Procedures have changed since this time and swimming pool inspection fees for property owners are now all required to be paid in advance.
- Items 9-10 relate to firebreaks where property owners failed to install the breaks or to clear vegetation and it became necessary for the City to do the works and attempt to recover the costs. In the case of Item 9 the owners were not able to be traced and the Water Corporation took control of the property and sold it. In the case of Item 10 they are still the registered owners of the property concerned however the owner has not been able to be traced and the rates on the property remain unpaid for the last two years.
- Item 11 relates to the pound charges for a dog that the owner did not claim.
- Item 12 relates to a debtor, who is currently serving a prison sentence and will not be out of prison for some time. The debt was written off considering the unlikely chance of any recovery.

Debt recovery processes were initiated when payments were overdue. Debts were written off on the advice of the City's debt collection agency where the debtor could not be traced or it became uneconomical to take any legal action.

Issues and options considered

Not applicable.

Legislation / Strategic Community Plan / policy implications

Legislation

Section 6.12(1)(c) of the *Local Government Act 1995*.
Section 5.42 of the *Local Government Act 1995*.
Section 5.44 of the *Local Government Act 1995*.

Strategic Community Plan

Key theme

Financial Sustainability.

Objective Effective management.

Strategic initiative Not applicable.

Policy Not applicable.

Risk management considerations

The amounts written off are immaterial in value and are either unrecoverable or uneconomical to recover, none of which represent a noteworthy financial risk to the City.

Financial/budget implications

Account no.	3256
Budget Item	Bad Debts written off.
Annual Budget	\$ 14,955
Year to Date Budget	\$ 14,955
Year to Date Actual	\$ 20,223
Year to Date variance	(\$ 5,268)

Regional significance

Not applicable.

Sustainability implications

Not applicable.

Consultation

Not applicable.

COMMENT

Monies written off under delegated authority comprised 5,627 small items totalling \$6,713.41, all of which were below the \$100 reportable limit. The remaining 12 items totalling \$6,721.20 were all written off subsequent to debt recovery action undertaken wherever justified, and ultimately proving to be either uneconomical or impossible to recover.

VOTING REQUIREMENTS

Not applicable.

MOVED Cr Amphlett, **SECONDED** Mayor Pickard that the Audit Committee **RECEIVES** the report of monies written off under delegated authority for the period 1 January–30 June 2013.

The Motion was Put and

CARRIED (5/0)

In favour of the Motion: Cr McLean, Mayor Pickard, Crs Amphlett, Corr and Thomas.

MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil.

REQUESTS FOR REPORTS FOR FUTURE CONSIDERATION

ANALYSIS OF OPERATIONAL COSTS

Mayor Pickard requested a report be submitted to a future meeting of the Audit Committee regarding the scoping of a forensic analysis of operational costs to identify possible efficiencies.

CLOSURE

There being no further business, the Presiding Member declared the Meeting closed at 7.15pm; the following Committee Members being present at that time:

Cr Tom McLean, JP
Mayor Troy Pickard
Cr Geoff Amphlett, JP
Cr Brian Corr
Cr Sam Thomas