

## Audit and Risk Committee

Notice of Meeting  
22 May 2017  
4.30pm

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



### Agenda

#### ORDER OF BUSINESS AND INDEX

- 1 Declaration of Opening
- 2 Apologies and Members on Leave of Absence  
Cr Davidson (Apology)
- 3 Question Time for the Public
- 4 Confirmation of minutes – 27 February 2017
- 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 8.3 and Attachment 8.3A	City of Perth Internal Audit Plan 2017/18	s5.23(2)(e)(iii)
Confidential Item 8.4 and Attachment 8.4A	Outstanding Internal Audit Recommendations – May 2017	s5.23(2)(e)(iii)

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 Attachment 8.1A	Item 8.1 – Risk Management Update – May 2017	s5.23(2)(e)(iii)
Confidential Attachment 8.2A	Item 8.2 – Internal Audit 2016/17 - Parking Infringements Review	s5.23(2)(e)(iii)

- 8 Reports  
8.1 - Risk Management Update – May 2017  
8.2 - Internal Audit 2016/17 – Parking Infringements Review

8.3 - City of Perth Internal Audit Plan 2017/18

8.4 - Outstanding Internal Audit Recommendations – May 2017

**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

A handwritten signature in black ink, appearing to read 'Martin Mileham', is centered on the page.

**MARTIN MILEHAM**  
**CHIEF EXECUTIVE OFFICER**

18 May 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		
Robert Maurich (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.

<p><u>Delegated Authority 1.1.3 – Audit and Risk Committee</u> 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)].</p>
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# 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](mailto:governance@cityofperth.wa.gov.au).
- Question Sheets are also available on the City's web site: [www.perth.wa.gov.au](http://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](http://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.



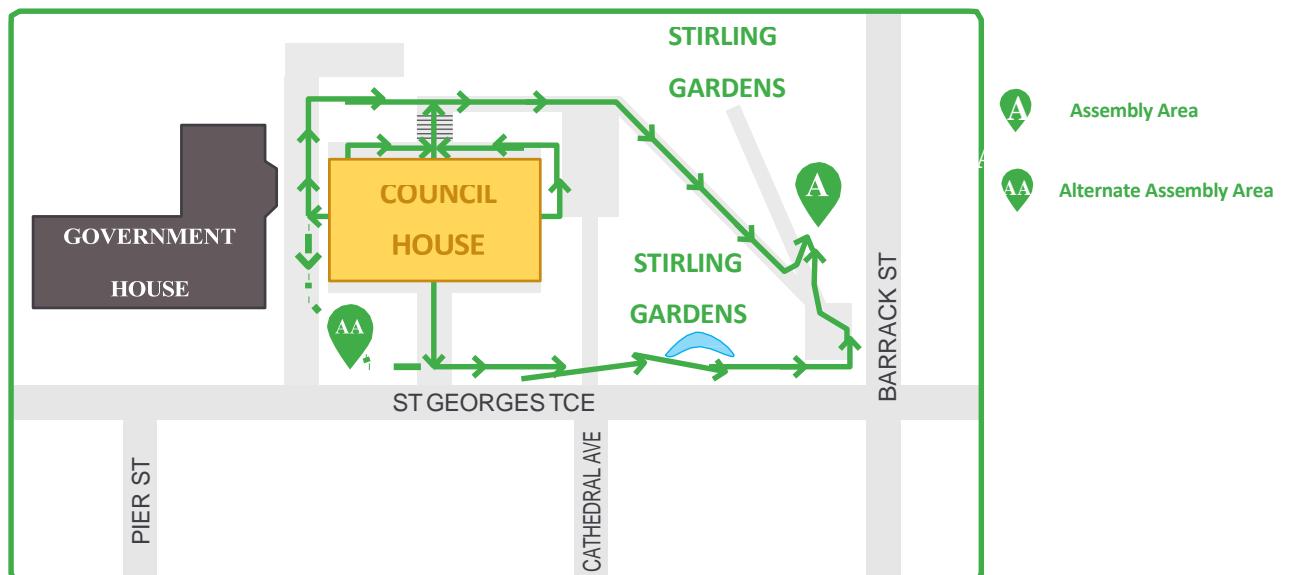
## EVACUATION ALARM / PROCEDURES

**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



**Recommendation:*****That Council receives the report titled Risk Management Update – May 2017.***

FILE REFERENCE:	P1013822-3
REPORTING UNIT:	Governance
RESPONSIBLE DIRECTORATE:	Corporate Services
DATE:	11 May 2017
ATTACHMENT/S:	Confidential Attachment 8.1A – High and Extreme Risk Update (Distributed to Elected Members under separate cover)

**Legislation / Strategic Plan / Policy:**

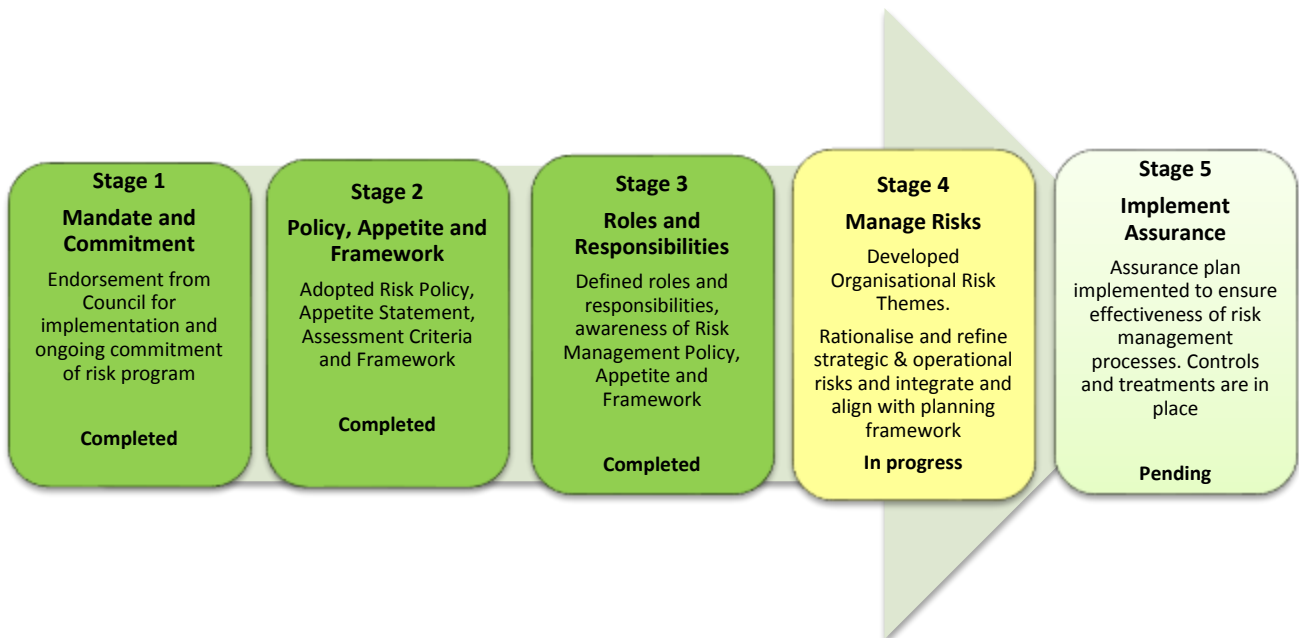
<b>Legislation</b>	<i>Local Government Act 1995</i> <i>Regulation 17 of the Local Government (Audit) Regulations 1996</i>
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<b>Integrated Reporting Implications</b>	<b>Planning and Framework</b>	<b>Strategic Community Plan</b> Council Four Year Priorities: 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
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<b>Policy</b>	
Policy No and Name:	19.1 – Enterprise Risk Management

**Purpose and Background:**

The City is progressing in implementing the recommendations contained within the Risk Management Maturity Assessment Report. The following table is a representation of the progress in implementing the “Road Map” from the Assessment.



### **Stage 1: Mandate and Commitment (Complete)**

The recommendations and findings of the Risk Management Maturity Assessment were received by the Audit and Risk Committee on 8 August 2016. At the meeting, the Committee endorsed the implementation of the recommendations and 'Road Map'.

### **Stage 2: Policy, Appetite and Framework (Complete)**

The amended Risk Management Policy 19.1, risk assessment criteria and risk appetite were endorsed by Council on **22 November 2016**.

### **Stage 3: Roles and Responsibilities (Complete)**

Risk management awareness sessions were held with Managers to highlight the new risk management processes and reporting as outlined in the Risk Assessment and Acceptance Criteria. The New City of Perth Risk Management Framework was endorsed by Council on **27 February 2017**.

### **Stage 4: Manage Risks (In Progress)**

Operational Risk assessment workshops have commenced with the City's Business Units. Detail from this process is provided within this report and Confidential Attachment 8.1A. The Strategic Risk Assessment is scheduled to begin in May 2017 upon completion of the community engagement process 'Share to Shape' project which is currently underway.

### **Stage 5: Implement Risk Assurance (pending)**

As part of the City's Internal Audit Plan 2016/17, the following Audit item is scheduled to commence in June 2017. Moving forward this will be done in two parts, being in July and February of every year.

- **Validation of Critical/Major Risk Mitigation Strategies** - To determine whether risk mitigation strategies are adequately resourced (budget and HR), address the root cause of the nominated risks, and are effective (for those that have been implemented).



## **Details:**

### **OPERATIONAL RISK UPDATE**

As at 11 May 2017, 10 of the City's 29 Units' operational risk assessments have been completed.

**Process:** 2.5 hour risk assessment workshops with each Unit, with the process aligned with the new Risk Management Framework and Risk Assessment and Acceptance Criteria.

**Context for the operational risk assessments:** Key Services (as contained in the 2017/18 Business Unit Plans)

**Objective:** Working through each key service, defining the critical success factors and the uncertainty (risks) to the delivery of the Units' key services.

**Output:** Unit Operational Risk Registers with identified risk owners, risk review and monitoring actions. Further risk mitigation identified for high and extreme risks and risks with inadequate controls in place.

**Monitoring:** All risk registers are being uploaded into the Risk Management Software System (RMSS) upon completion of each workshop, progressively. Concurrently, all responsible officers for risk actions are being trained on updating actions in RMSS, progressively as the City works through the process.

**Risk reviews and Reporting:** Following completion of workshops all risks will be subject to ongoing review and reporting to the Executive Leadership Group and the Audit and Risk Committee/ Council as per the City's Risk Assessment and Acceptance Criteria (below)

### **Risk Assessment and Acceptance Criteria**

RISK RATING	DESCRIPTION	CRITERIA FOR RISK ACCEPTANCE	RESPONSIBILITY
<b>EXTREME</b>	Urgent Attention Required	Risk only acceptable with effective controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority and subject to <u>monthly</u> continuous monitoring Quarterly reports will be provided to Council on all Extreme Risks.	CEO
<b>HIGH</b>	Attention Required	Risk acceptable with effective controls, managed by senior management / executive and subject to <u>quarterly</u> monitoring Quarterly reports will be provided to Council on all High Risks.	Director / CEO
<b>MEDIUM</b>	Monitor	Risk acceptable with adequate controls, managed by specific procedures and subject to <u>semi-annual</u> monitoring.	Business Unit Manager / Director
<b>LOW</b>	Acceptable	Risk acceptable with adequate controls, managed by routine procedures and subject to <u>annual</u> monitoring.	Business Unit Manager

The Business Units completed are listed below:

- |                        |                            |
|------------------------|----------------------------|
| 1. Parks               | 6. Coordination and Design |
| 2. Properties          | 7. Development Approvals   |
| 3. Waste and Cleansing | 8. City Planning           |
| 4. Construction        | 9. Library                 |
| 5. Plant and Equipment | 10. Customer Services      |

The remaining Business Unit risk assessment workshops have been scheduled to be completed over the next three months. The process is anticipated to be completed in August 2017. However, interim risk reports will continue to be provided to the Corporate OSH and Risk, Audit and Risk Committee and Council during the process.

As at 11 May 2017, there are 34 operational risks.

3 EXTREME risks;  
 3 HIGH risks;  
 24 MEDIUM risks; and  
 4 LOW risks.

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

#### **INTERIM OPERATIONAL RISK PROFILE**

An overview of the distribution of risk ratings for the operational risks is shown in the below risk matrix and pie chart, in Figure 1 and 2 respectively.

Figure 1 demonstrates the overall image of the City's operational risks (as identified to date) categorised into Low, Medium, High and Extreme risks.

**CONFIDENTIAL ATTACHMENT 8.1A  
ITEM 8.1 – RISK MANAGEMENT UPDATE – MAY 2017**

**FOR THE AUDIT AND RISK COMMITTEE MEETING**

**22 MAY 2017**

**DISTRIBUTED TO ELECTED MEMBERS UNDER SEPARATE COVER**

Figure 1: Interim City of Perth Risk Profile (as at 11 May 2017)



City of Perth

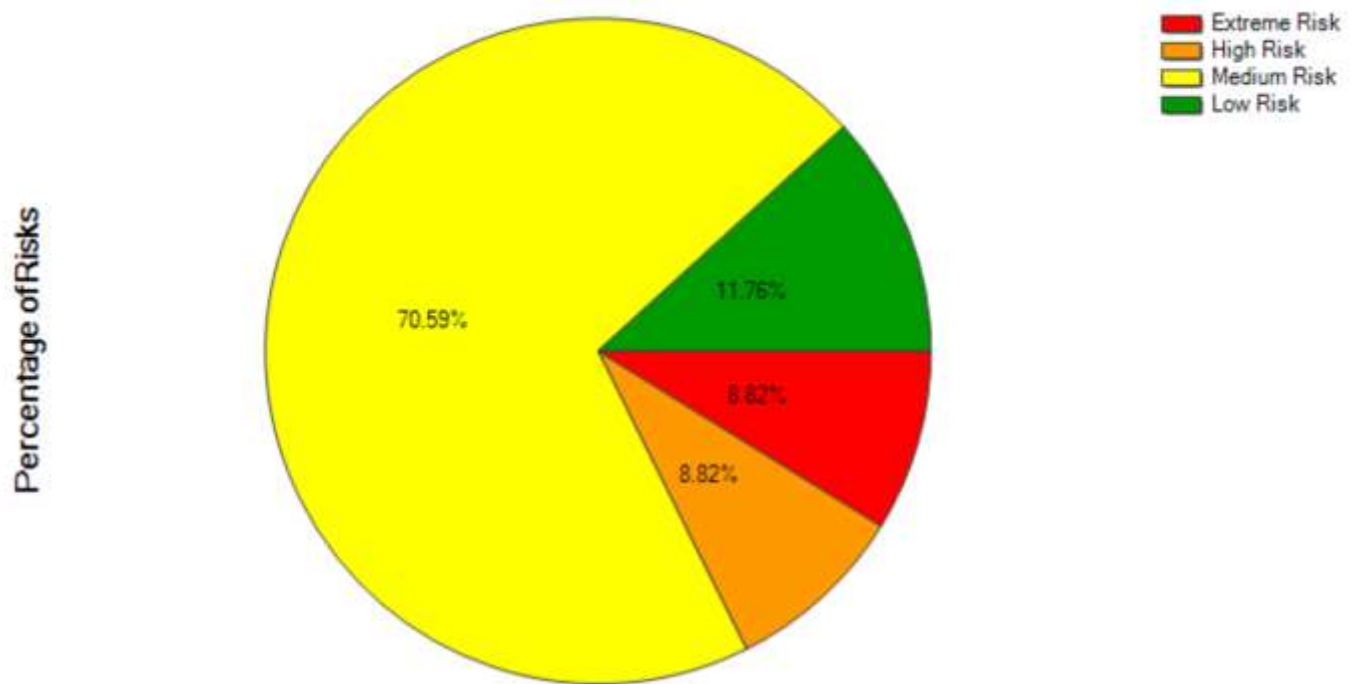
Risk Area Operational

## Residual Risk Matrix

		Consequence				
		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood	Almost Certain	M	1 Risk(s)	H	1 Risk(s)	E
	Likely	M	M	H	1 Risk(s)	1 Risk(s)
	Moderate	L	2 Risk(s)	4 Risk(s)	2 Risk(s)	E
	Unlikely	L	3 Risk(s)	10 Risk(s)	6 Risk(s)	1 Risk(s)
	Rare	L	1 Risk(s)	L	1 Risk(s)	M

L	Low	Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring
M	Medium	Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring
H	High	Risk acceptable with effective controls, managed by senior management / executive and subject to quarterly monitoring. Quarterly reports will be provided to Council on all high risks
E	Extreme	Risk only acceptable with effective controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority and subject to monthly continuous monitoring. Quarterly reports will be provided to Council on all Extreme Risks.

**Figure 2: Interim Distribution of risk ratings as at 11 May 2017**



EXTREME Risks – 8.82%

HIGH Risks – 8.82%

MEDIUM Risks – 70.59%

LOW Risks – 11.76%

### **Strategic Risk**

Currently the City is reviewing the Strategic Community Plan using principles 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 late May 2017, with the outcomes of this process to be reported through the Audit and Risk Committee and Council.

Once finalised, the strategic risks will also be subject to monitoring and reporting in line with the Risk Assessment & Acceptance Criteria.

### **Financial Implications:**

Each risk identified may have its own financial implications which will be the subject of normal budget consideration.

**Agenda  
Item 8.2****Internal Audit 2016/17 - Parking Infringements Review**

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**Recommendation:**

***That Council approves the Parking Infringements Review as part of the Internal Audit Plan 2016/17 as detailed in Confidential Attachment 8.2A.***

FILE REFERENCE:	P102969-8
REPORTING UNIT:	Corporate Services Office
RESPONSIBLE DIRECTORATE:	Corporate Services
DATE:	26 April 2017
ATTACHMENT/S:	Confidential Attachment 8.2A – Parking Infringements Review (Confidential attachments distributed to Elected Members under separate cover)

**Legislation / Strategic Plan / Policy:**

<b>Legislation</b>	<i>Local Government (Audit) Amendment Regulations 2013</i>
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<b>Integrated Reporting Implications</b>	<b>Planning and Framework</b>	<b>Strategic Community Plan</b> 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.
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**Policy**

Policy No and Name:	19.1 – Risk Management
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**Purpose and Background:**

Approval of the Parking Infringements Review completed in accordance with the Internal Audit Plan 2016/17.

**Details:**

The findings of the review are detailed in the attached Confidential Attachment 8.2A.

**Financial Implications:**

There are no financial implications related to this report.

**Comments:**

Nil

CONFIDENTIAL ATTACHMENT 8.2A  
ITEM 8.2 – INTERNAL AUDIT 2016/17 – PARKING INFRINGEMENTS  
REVIEW

FOR THE AUDIT AND RISK COMMITTEE MEETING

22 MAY 2017

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**Recommendation:**

***That Council approves the City of Perth Internal Audit Plan 2017/18 attached as Confidential Attachment 8.3A.***

FILE REFERENCE:	P102969-8
REPORTING UNIT:	Corporate Services Office
RESPONSIBLE DIRECTORATE:	Corporate Services
DATE:	4 April 2017
ATTACHMENT/S:	Confidential Attachment 8.3A – City of Perth Internal Audit Plan 2017/18 (Confidential attachments distributed to Elected Members under separate cover)

**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.**



CONFIDENTIAL ATTACHMENT 8.3A  
ITEM 8.3 – CITY OF PERTH INTERNAL AUDIT PLAN 2017/18

FOR THE AUDIT AND RISK COMMITTEE MEETING

22 MAY 2017

DISTRIBUTED TO ELECTED MEMBERS UNDER SEPARATE COVER

**Recommendation:**

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

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

**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.**

CONFIDENTIAL ATTACHMENT 8.4A  
ITEM 8.4 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS –  
MAY 2017

FOR THE AUDIT AND RISK COMMITTEE MEETING

22 MAY 2017

DISTRIBUTED TO ELECTED MEMBERS UNDER SEPARATE COVER