

# Audit and Risk Committee

Notice of Meeting  
13 August 2018  
4.30pm

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



City of Perth

## Agenda

### ORDER OF BUSINESS AND INDEX

- 1 Declaration of Opening
- 2 Apologies and Members on Leave of Absence
- 3 Question Time for the Public
- 4 Confirmation of minutes –
  - 4.1 – Audit and Risk Committee Meeting – 21 May 2018
  - 4.2 – Special Audit and Risk Committee Meeting – 19 June 2018
- 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*, should a Commissioner wish to discuss the content of the confidential attachment 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 8.2C	Item 8.2 - Risk Management Quarterly Update	s5.23(2)(f)(i)

### 8 Reports

Report No.	Item Title	Page
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8.2	Risk Management Quarterly Update	7
8.3	Organisational Capability and Compliance Assessment – Implementation Plan – Status Report	44
8.4	Internal Audit Recommendations 2015/16 to 2017/18	53
8.5	Proposed Amendment to Internal Audit Plan 2018/19	68
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8.7	Compliance Audits – City of Perth and New South Wales/Victorian Government Transport Authority Agreements	88
8.8	Internal Audit 2018/19 – Compliance Audit Return Controls Review	93

9 Motions of which Previous Notice has been given

10 General Business

10.1 - Responses to General Business from a Previous Meeting

Internal Audit Recommendations (Raised at meeting held 21 May 2018)

Commissioner Hammond requested that a report be presented to the next Committee Meeting listing all the Internal Audit recommendations for the last 3 years with their actions and completion dates.

A report has been prepared and forms part of this agenda as Item 8.4 - Internal Audit Recommendations 2015/16 to 2017/18.

Non-Compliant Investments (Raised at meeting held 21 May 2018)

The Presiding Member raised that he had queried with the Administration two of the City's investments that he believes do not comply with Clause 19C of the *Local Government (Financial Management) Regulations 1996*. The Acting Chief Executive Officer provided a brief history on the investments noting that neither investment mentioned has a maturity date and that a report on the matter will be provided to Council. Commissioner Hammond requested a report on the status of the investments be presented to the June Council meeting.

Correspondence has been received from the Department of Local Government, Sport and Cultural Industries (Attachment 10.1A) advising the City will need to source independent financial or legal advice to determine if the investments comply with applicable legislative requirements. The City is seeking legal advice on this matter.

10.2 - New General Business

11 Items for consideration at a future meeting

Outstanding Reports:

Nil

12 Closure



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

9 August 2018

**This meeting is open to members of the public**

## AUDIT AND RISK COMMITTEE

**Established:** 11 May 2010

Members:
Robert Maurich (Independent Member) (Presiding Member)
Commissioner Eric Lumsden
Commissioner Gaye McMath
Commissioner Andrew Hammond

**Quorum:** Two

**Expiry:** October 2019

**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.

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# EMERGENCY GUIDE

Council House, 27 St Georges Terrace, Perth



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

## BUILDING ALARMS

Alert Alarm and Evacuation Alarm.

### ALERT ALARM

**beep beep beep**

All Wardens to respond.

Other staff and visitors should remain where they are.



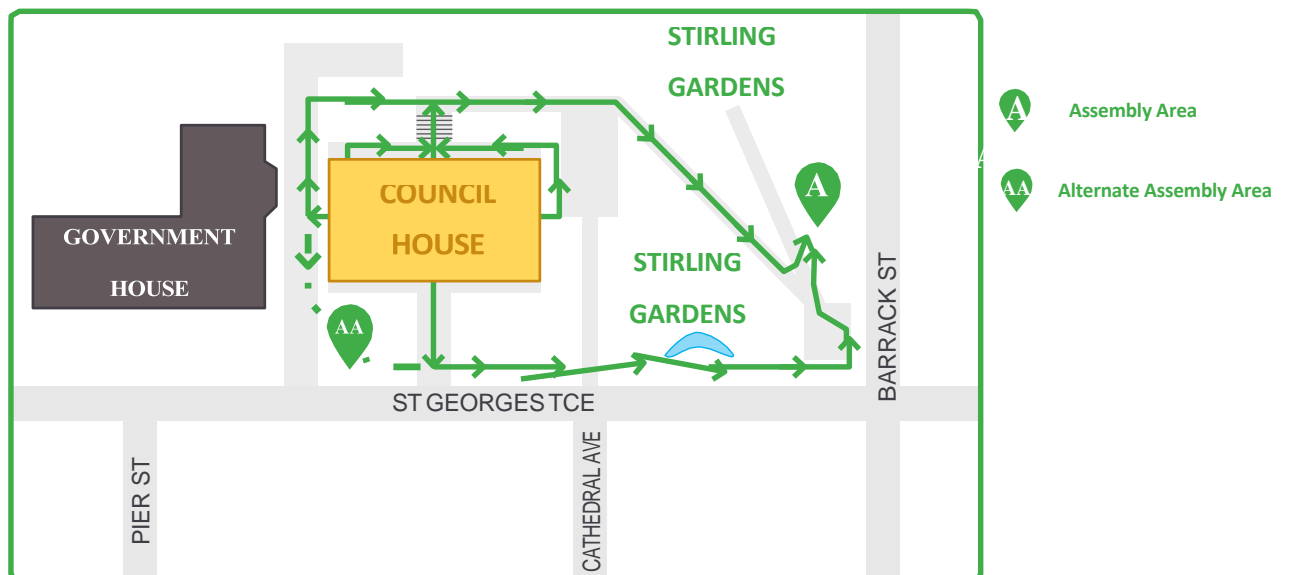
### EVACUATION ALARM / PROCEDURES

**whoop whoop whoop**

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

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

#### EVACUATION ASSEMBLY AREA



**Agenda  
Item 8.1**

**Audit and Risk Committee – Revised Terms of Reference**

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**Recommendation:**

***That Council NOTES the revised Terms of Reference for the Audit and Risk Committee as detailed in attachment 8.1A.***

FILE REFERENCE:	P1026043
REPORTING UNIT:	Governance
RESPONSIBLE DIRECTORATE:	Office of the Chief Executive
DATE:	6 August 2018
ATTACHMENT/S:	Attachment 8.1A – Revised Audit and Risk Committee Terms of Reference

**Council Role:**

- |                                     |                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------------------------------|----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/>            | Advocacy       | <i>When the Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.</i>                                                                                                                                                                                                                                                                                                                                                     |
| <input type="checkbox"/>            | Executive      | <i>The substantial direction setting and oversight role of the Council e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.</i>                                                                                                                                                                                                                                                                                                |
| <input type="checkbox"/>            | Legislative    | <i>Includes adopting local laws, town planning schemes and policies</i>                                                                                                                                                                                                                                                                                                                                                                                                           |
| <input type="checkbox"/>            | Quasi-Judicial | <i>When the Council determines an application/matter that directly affects a person's right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of Quasi-Judicial authority include town planning applications, building licences, applications for other permits/licences (eg under Health Act, Dog Act or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.</i> |
| <input checked="" type="checkbox"/> | Information    | <i>For the Council/Committee to note.</i>                                                                                                                                                                                                                                                                                                                                                                                                                                         |

**Legislation / Strategic Plan / Policy:**

<b>Legislation</b>	Regulations 16 and 17 of the <i>Local Government (Audit) Regulations 1996</i>
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<b>Integrated Planning and Reporting Framework Implications</b>	<b>Strategic Community Plan</b> Goal 8 - A city that delivers for its community
-----------------------------------------------------------------	------------------------------------------------------------------------------------



## **Purpose and Background:**

On 26 June 2018, amendments to the Local Government Audit and Financial Management Regulations were gazetted. The amendments result from the transition of responsibility for oversight of local government audits to the Office of the Auditor General. The amendments strengthen the role of the Audit Committee to assist the Chief Executive Officer (CEO) in carrying out the reviews of audit systems.

The Committee's responsibilities have been extended to 'monitor and advise' the CEO in reviews conducted into financial management systems, audit systems and procedures. The reviews must now take place no less than every three years. In addition, the Committee will support the auditor as required and has functions to oversee the implementation of the auditor's recommendations.

The Department of Local Government, Sport and Cultural Industries has stated that the reforms are intended to help CEO's formulate recommendations to Council to address issues identified in reviews under Regulation 17 of the Audit Regulations.

The Audit Committee's Terms of Reference have been updated administratively to reflect the legislative changes and are attached for the Committee to note.

## **Details:**

Regulation 16 of the *Local Government (Audit) Regulations 1996* has been updated to read as follows:

### **16. Functions of audit committee**

*An audit committee has the following functions —*

- (a) to guide and assist the local government in carrying out —*
  - (i) its functions under Part 6 of the Act; and*
  - (ii) its functions relating to other audits and other matters related to financial management;*
- (b) to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;*
- (c) 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;*
- (d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —*
  - (i) regulation 17(1); and*
  - (ii) the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);*
- (e) to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;*
- (f) to oversee the implementation of any action that the local government —*

- (i) is required to take by section 7.12A(3); and*
- (ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and*
- (iii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and*
- (iv) has accepted should be taken following receipt of a report of a review conducted under the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);*
- (g) to perform any other function conferred on the audit committee by these regulations or another written law.*

### **Stakeholder Engagement**

No stakeholder engagement was undertaken in relation to this report.

### **Financial Implications:**

There are no financial implications associated with this report.

### **Comments:**

It is recommended Council note the revised terms of reference that reflect changes to the *Local Government (Audit) Regulations 1996*.

## Audit and Risk Committee

### TERMS OF REFERENCE:

1. The Audit and Risk Committee's role, in accordance with Regulation 16 of the *Local Government (Audit) Regulations 1996*, is to:
  - a. guide and assist the local government in carrying out:
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    - i. regulation 17(1); and
    - ii. the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c);
  - d. support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;
  - e. oversee the implementation of any action that the local government —
    - i. is required to take by section 7.12A(3); and
    - ii. has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and
    - iii. has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and
    - iv. has accepted should be taken following receipt of a report of a review conducted under the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c);
  - f. perform any other function conferred on the audit committee by these regulations or another written law.
  
2. The Committee may provide guidance and assistance to the local government regarding:
  - a. other 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.
  
3. 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.

4. 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;
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- i. the City's risk management strategies and policies;
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- 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;
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  - complies with legislative obligations and requirements; and
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**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 triennially; and
- iv. the annual statutory Compliance Audit.

**e. Internal and External Audit Planning and Reporting**

- 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.

Agenda  
Item 8.2

## Risk Management Quarterly Update

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### **Recommendation:**

***That Council RECEIVES the Risk Management Quarterly Update for August 2018.***

FILE REFERENCE:	P1013822-3
REPORTING UNIT:	Governance
RESPONSIBLE DIRECTORATE:	Office of the Chief Executive
DATE:	30 July 2018
ATTACHMENT/S:	Attachment 8.2A – High and Extreme Risks Interim Report Attachment 8.2B – City of Perth Risk Assessment Criteria Confidential Attachment 8.2C – High and Extreme Risks Interim Report <i>(Confidential Attachments are distributed to Commissioners under separate cover)</i>

### **Council Role:**

- |                                     |                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------------------------------|----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/>            | Advocacy       | <i>When the Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.</i>                                                                                                                                                                                                                                                                                                                                                     |
| <input type="checkbox"/>            | Executive      | <i>The substantial direction setting and oversight role of the Council e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.</i>                                                                                                                                                                                                                                                                                                |
| <input type="checkbox"/>            | Legislative    | <i>Includes adopting local laws, town planning schemes and policies</i>                                                                                                                                                                                                                                                                                                                                                                                                           |
| <input type="checkbox"/>            | Quasi-Judicial | <i>When the Council determines an application/matter that directly affects a person's right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of Quasi-Judicial authority include town planning applications, building licences, applications for other permits/licences (eg under Health Act, Dog Act or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.</i> |
| <input checked="" type="checkbox"/> | Information    | <i>For the Council/Committee to note.</i>                                                                                                                                                                                                                                                                                                                                                                                                                                         |

**Legislation / Strategic Plan / Policy:****Legislation***Local Government Act 1995**Regulation 17 of the Local Government (Audit) Regulations 1996***Integrated Planning and Reporting Framework Implications****Strategic Community Plan**

Goal 7 - An open and engaged city

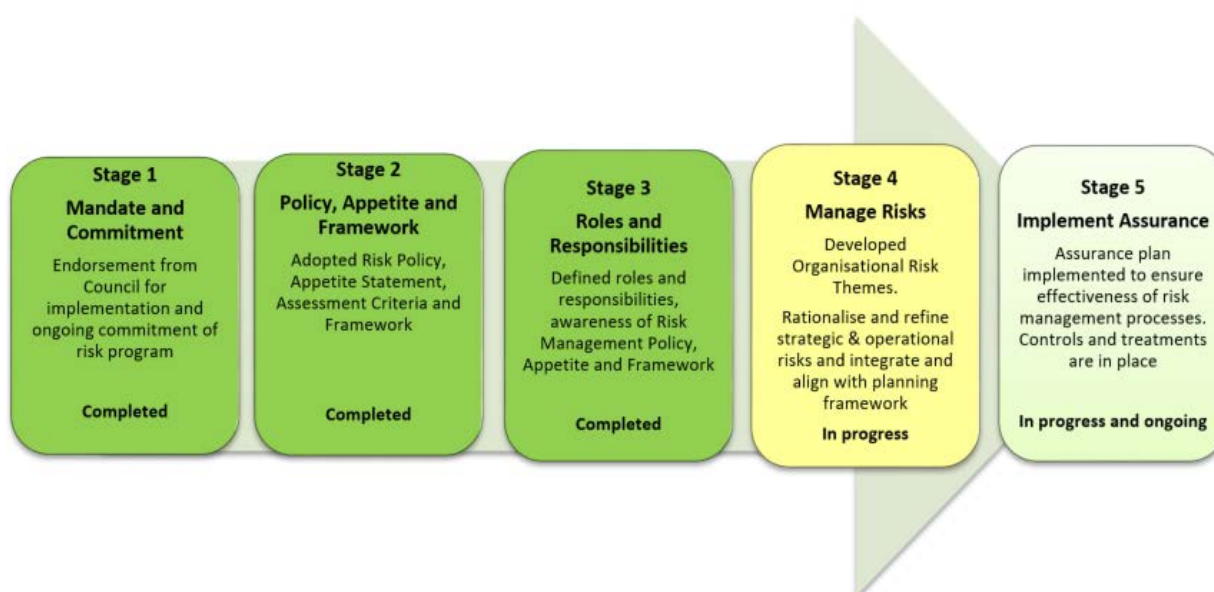
**Policy**

Policy No and Name:

19.1 – Risk Management

**Purpose and Background:**

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



As at 30 July 2018, 22 of the City’s 30 Business Units’ operational risk assessments have been completed over approximately 40 three-hour workshops.

**Process:** Three-hour risk assessment workshops with each Business Unit, with the process aligned with the City’s Risk Management Framework and Risk Assessment and Acceptance Criteria (Attachment 8.2B).

**Context for the Operational Risk Assessments:** Key Services (as contained in the Business Unit Plans).

**Objective:** Working through each key service, defining the critical success factors and the uncertainty (risks) to the delivery of the Business unit’s 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 will be loaded into the City's risk system upon completion of each workshop, for ongoing monitoring and reporting.

**Risk reviews and reporting:** Following completion of workshops all risks will be transitioned into the City's new Risk, Safety and Compliance System. The risk information will be subject to ongoing review and reporting to Executive Leadership Group (ELG) and the Audit and Risk Committee and Council as per the City's Risk Acceptance Criteria (Attachment 8.2B).

The Business Units completed are listed below:

1. Parks	12. Library
2. Properties	13. Customer Services
3. Waste & Cleansing	14. Asset Management
4. Construction	15. Parking Services
5. Plant & Equipment	16. Information Technology
6. Coordination & Design	17. Community Services
7. Community Amenity and Safety	18. Street Presentation & Maintenance
8. Data & Information Management	19. Health & Activity Approvals
9. Development Approvals	20. Finance
10. City Planning	21. Transport
11. Human Resources	22. Sustainability

The remaining Business Unit Risk Assessment Workshops will be scheduled as below:

- Business Support and Sponsorship – 2 August 2018;
- Corporate Communications – 7 August 18;
- Governance – 9 August 2018;
- Marketing and Activation – 14 August 2018;
- Arts, Culture and Heritage – 16 August 2018; and
- Economic Development– 11 September 2018.

The Strategy and Partnership and Commercial Parking Units will be scheduled shortly. The Governance Unit will continue to review the risk information with key units' staff to ensure the information is reflective of current processes. Interim risk reports will continue to be provided to the Corporate OSH and Risk Management and, Audit and Risk Committees during the process.

### **Details:**

#### **Interim Operational Risk Profile**

The distribution of risk ratings for the operational risks is shown in the below risk matrix in Figure 1. Figure 1 demonstrates the overall image of the City's operational risks (as identified to date) categorised into Low, Medium, High and Extreme risks.



Two new risks were identified and included in the City's operational risk profile. The risks are listed below:

1. **Risk Name:** Transport Strategy.  
**Key Service:** Implementation of the City's Transport Strategy and policy (frameworks and guidance for complex decision making for transport matters).  
**Risk Owner:** Manager Transport – Planning and Development Directorate.  
 This risk was identified as part of the rollout of the Risk Management Maturity Assessment Road Map.
  
2. **Risk Name:** Electrical / Lighting / Christmas - Electrical infrastructure.  
**Key Service:** Management of the City's Electrical / Lighting / Christmas – Electrical infrastructure.  
**Risk Owner:** Manager Street Presentation and Maintenance.  
 This risk was identified as part of the rollout of the Risk Management Maturity Assessment Road Map.

Attachment 8.2A and Confidential Attachment 8.2C of this report provide the details for these risks including the risk treatment action plans.

### Operational Risk Summary

As at 30 July 2018, there are 110 operational risks which make up the City's Risk Profile in Figures 1 and 2 below:

0 Extreme Risk
20 High Risks
71 Medium Risks
19 Low Risks

	As at 1 May 2018	As at 30 July 2018
<b>Extreme Risks</b>	1 %	0 %
<b>High Risks</b>	16%	19%
<b>Medium Risks</b>	63%	64%
<b>Low Risks</b>	20%	17%

**Figure 1: Distribution of Risk Ratings as at 30 July 2018**



City of Perth

Risk Area Operational

**Residual Risk Matrix**

		Consequence				
		Insignificant	Minor	Moderate	Major	Catastrophic
Almost Certain		M	1 Risk(s)	H	E	E
Likely		M	2 Risk(s)	11 Risk(s)	1 Risk(s)	E
Possible		L	3 Risk(s)	38 Risk(s)	7 Risk(s)	E
Unlikely		L	15 Risk(s)	14 Risk(s)	12 Risk(s)	2 Risk(s)
Rare		1 Risk(s)	3 Risk(s)	L	1 Risk(s)	M



Low

Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring

Medium

Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring

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

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: City of Perth Risk Profile (as at 30 July 2018)

## **Strategic Risk**

The City's Strategic Risks are in the process of being reviewed by Executive Leadership Group (ELG), with the below planned activities to take place in the next six months:

- Workshop to review current risks, and identify any new risks;
- Alignment of the strategic risks to strategic community goals;
- Assignment of responsibility for risk treatment action plans;
- Refine risk treatment plans with business units to confirm accountability and timeframes; and
- Align risk treatment action plans with business unit plans.

The reviewed strategic risks will be tabled at the next Audit and Risk Committee for endorsement.

## **Business Continuity Management Summary**

Over the past six months, there was a focus on refining and testing the protocols in dealing with critical incidents and major disruptions to the City's operations. Members of ELG, Management Leadership Group (MLG) and specialist teams, worked together to deliver the below outcomes:

### **a) Crisis Exercise (with Crisis Management Team Alternates)**

On 25 June 2018, a crisis exercise was conducted with the alternates of the Crisis Management Team (CMT). Facilitated by an external consultant, the exercise tested various components including crisis communications protocols with the City's Crisis Communications Team as well as raising awareness with the CMT alternates.

Outcomes achieved include:

1. The first exercise conducted with CMT alternates only, with three scenarios tested; and
2. Testing of the Depot as the third alternate Crisis Command Centre.

Next steps include:

1. Joint Crisis Exercise with CMT and Critical Incident Control Team in late 2018; and
2. Minor amendments to the Crisis Management Plan.

### **b) Council House Alternate Site Test**

On 28 June 2018, staff based on Level 6 at Council House were relocated to Citiplace Community Centre for the day. This exercise enabled the partial testing of the capability of Citiplace as the alternate location for Council House as per Phase 1 of the City's Business Continuity Plan (BCP) Arrangements.

Outcomes achieved include:

1. Confirmation of IT capability to support 50 staff (double the previous tests);
2. Activation of the large meeting area at Citiplace; and
3. Raising of awareness with staff involved.

Next steps include;

1. Business Continuity test with Level 5 (Customer Service and CPP);

2. Considerations for expanding the City's business continuity options beyond the CBD;  
and
3. Minor review and updates to the existing business unit BCPs.

The next test will be the fourth of the ongoing semi-annual tests on the City's business continuity arrangements.

The City will incorporate the learnings from the above exercises into enhancing the Crisis and Business Continuity Framework, associated plans and procedures.

### **Stakeholder Engagement**

No stakeholder engagement was undertaken in relation to this report.

### **Financial Implications:**

Nil

### **Comments:**

The remaining Business Unit Risk Assessment Workshops will be scheduled over the coming months.

During this time, risks identified as part of this process will continue to be monitored and reviewed with interim risk reports continuing to be provided to both the Corporate OSH and Risk Management Committee and Audit and Risk Committee during the process.

**HIGH AND EXTREME RISK INTERIM REPORT RISK ID - 104**

		NEW RISK IDENTIFIED	
<b>RISK NAME:</b> Transport Strategy	<b>ASSESSMENT DATE:</b> 10 April 2018		
<b>KEY SERVICE:</b> Implementation of the City's Transport Strategy and policy (frameworks and guidance for complex decision making for transport matters)	<b>RISK OWNER:</b> Manager Transport – Planning and Development Directorate		
Risk Description	Potential Causes	Controls Effectiveness	Risk Rating
Misalignment between City's Transport Strategy and City of Perth Parking.	City of Perth Strategic Community Plan and Corporate Business Plan do not currently provide a pathway forward to resolve this misalignment. Internal decision-making processes relating to budget allocation and future projects do not adequately resolve conflicting priorities and objectives within the City.	Adequate	Reputation and External Stakeholders
<b>Potential Risk Impacts</b>	<b>Existing Risk Controls</b>		Likely/ Moderate
Impacts decision making on transport matters Impacts on traffic network Impacts on relationships and credibility with internal and external stakeholders Impacts on the City's amenity Impacts on staff morale Inconsistent transport networks Impacts on ability to program capital works Impacts on the City's ability to advocate for improvements within transport network Inappropriate development within the City	The City's endorsed Transport Strategy Inclusion of the City's Transport Strategy and the City Planning Strategy Internal peer reviews Internal and external liaison and collaboration Continuous review of transport policies and strategies Promotion of Transport Strategy Council approval of Transport Strategy Specialised resources within the Transport Unit to advise on transport matters Executive Leadership Team oversight of implementation of transport strategy		HIGH RISK

Treatment Action Plans	Current Progress
<p><b>Transport Strategy</b> - aims to ensure the city's transport systems contribute to a sustainable, productive, liveable and vibrant Perth.</p>	<p>This risk impacts on the perceptions of the City's main stakeholders with regards to transport matters (Public Transport Authority, RAC, Department of Transport, Cycling Lobby Groups).</p> <p>The inherent perceptions of these stakeholders are that the City prioritises car parks over resolving of traffic and transport matters.</p> <p>This risk was identified as part of the operational risk assessment of the Transport Unit Business Plan, however it will be incorporated into the strategic risk review process and included in the strategic risk register.</p>

## RISK ID - 105

		NEW RISK IDENTIFIED	
<b>RISK NAME:</b> Electrical / Lighting / Christmas - Electrical infrastructure	<b>ASSESSMENT DATE:</b> 30 April 2018		
<b>KEY SERVICE:</b> Management of the City's Electrical / Lighting / Christmas - Electrical infrastructure	<b>RISK OWNER:</b> Manager Street Presentation & Maintenance		
Risk Description	Potential Causes	Controls Effectiveness	Risk Rating
Failure to provide an electrical infrastructure that meets community expectations and safety standards and compliance to ensure safety of public and network	<p>The asset register is not detailed enough to determine infrastructure capability and location</p> <p>Poor asset planning (asset knowledge, register, systems, budget allocation)</p> <p>Non-compliance of existing infrastructure to current standards (point of supply to final asset)</p> <p>Legacy issues (incorrect installations, non-rated materials and product, aging electrical assets and equipment)</p> <p>Changing relevant legislation</p> <p>Failing to maintain current assets to meet current Australian standards</p> <p>Inadequate signage and security</p> <p>Vandalism of critical electrical assets</p> <p>Inadequate asset management data</p> <p>Lack of constructed diagrams of critical infrastructure</p> <p>Redundant and obsolete assets and technology</p> <p>Electrical Infrastructure does not meet demand</p>	Inadequate	<p><b>Legal &amp; Regulatory / Ethical</b></p> <p><b>Possible / Major</b></p> <p><b>HIGH RISK</b></p>
Potential Risk Impacts	Existing Risk Controls		
<p>Potential increase of safety risks to the public and City staff</p> <p>Potential public liability and</p> <p>Increase in public complaints</p>	<p>Visual inspections and condition surveys (fortnightly)</p> <p>Budget processes for electrical assets inspections and maintenance based on historical data.</p>		

<p>Potential breaches and non-compliance with relevant legislation</p> <p>Impacts on continuity of services and security</p> <p>Impacts on the City's reputation</p> <p>Impacts on City events held at night</p> <p>Increased likelihood of critical failure of assets</p> <p>Impacts on City of Perth amenities</p> <p>Potential damage to existing assets</p> <p>Increased aging asset base (electrical infrastructure, street lighting etc.)</p> <p>Potential increase of safety risks to the public and City staff</p>	<p>Currently recording and updating assets (old and new)</p> <p>Reactive rectification of non-compliance, incorrect installations, non-rated materials, products, aging assets</p> <p>Access to current standards</p> <p>Limited specialised resources in place to address risk issues</p> <p>Reactive maintenance of the electrical infrastructure</p> <p>Limited proactive quality assurance of new electrical assets to the City</p> <p>A limited condition audit conducted in 17/18 highlighted underlying issues.</p>		
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Treatment Action Plans	Current Progress
<p><b>1. Asset Componentisation</b> - This involves breaking large assets down into their maintainable components and loading them into the corporate asset management system, so maintenance can be planned at a more precise level.</p>	<p>This action has not commenced. The risk is to be presented to ELG; with approx. \$500,000 over 12 months required to be budgeted for the below activities;</p> <ul style="list-style-type: none"> <li>▪ Surveys</li> <li>▪ Field audits</li> <li>▪ Testing</li> <li>▪ Data collection</li> <li>▪ Detailed AS drawings</li> <li>▪ Develop asset register and upload to Hansen8 and Intramaps</li> </ul> <p>Due for completion in September 2019; subject to budget approval. This will need to be outsourced to an appropriately qualified and experienced consultant</p>
<p><b>2. Update of the Electrical Infrastructure Asset Management Plan</b></p>	<p>Outcomes to be achieved are listed below;</p> <ul style="list-style-type: none"> <li>▪ Established frequency of inspections</li> </ul>



	<ul style="list-style-type: none"> <li>▪ Scheduled relevant types asset of inspections</li> <li>▪ Established cycles of testing</li> <li>▪ Established cyclical renewals</li> <li>▪ Operational and Capital budget provisions to finalise works</li> </ul> <p>Due September 2019, upon completion of the asset componentisation. This will need to be outsourced to an appropriately qualified and experienced consultant.</p>
<b>3. Proactive compliance inspections and testing for new assets</b> (including during construction)	<p>This will include the below;</p> <ul style="list-style-type: none"> <li>- Compliance testing of electrical assets</li> <li>- Allocation of internal resources to review certifications and documentation of newly constructed and contributed assets</li> </ul>
<b>4. Review resourcing levels</b> (internal and external)	<p>This will involve reviewing existing internal resource to support the implementation of the above treatment action strategies.</p> <p>This review will happen both pre-and post-implementation of the above risk treatment strategies. This will need to be outsourced to an appropriately qualified and experienced consultant.</p>

**Comment:** The risk has been given high priority to ensure appropriate electrical standards and compliance are achieved.

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**RISK ID - 106**

<b>RISK NAME:</b> Management of new assets (projects) handed over from State Government		<b>ASSESSMENT DATE:</b> 15 March 2018	
<b>KEY SERVICE:</b> Design reviews, site monitoring and inspection of existing and new assets - (Ensure all public assets to be transferred to the City are constructed for longevity of service, to high quality and workmanship, ease of future operation and maintenance)		<b>RISK OWNER:</b> Manager Street Presentation & Maintenance – Construction & Maintenance Directorate	
<b>Risk Description</b>	<b>Existing Controls</b>	<b>Controls Effectiveness</b>	<b>Risk Rating</b>
Failure of new assets (State Government Projects) which are handed to the city, to meet desired and required standards (quality, workmanship, ease of future operations and maintenance, suitability of public use)	Steering groups to increase communication with the State Government (MRA) Dedicated resources to address the risk Open channels of communication between city and MRA on issues (defects, vesting) Continuous negotiations with MRA regarding maintenance costs of handed assets	<b>Inadequate</b>	<b>Financial – Management of budget</b>  <b>Possible / Major</b>  <b>HIGH RISK</b>
<b>Treatment Action Plans</b>		<b>Current Progress</b>	
1. <b>Engineering Risk Assessment</b> – process involves the design verification and estimation of the potential costs of maintenance and capital renewal costs of assets handed to the City by the State Government		The MRA has engaged an engineering consultant to complete the required works. Once complete, the City will decide on the best approach to implementing the outcomes of the engineering assessment. A whole range of potential engineering risks will be identified and corresponding costs of remediation of the risks. The assessment is not expected at the end of July. On receiving this information, the City will work through a bonding process for pavements constructed. The MRA has been advised of the City's intent.	

2. <b>Executive Engagement</b> – improvement of the channels of communication between the CEOs of the City of Perth and the MRA.	The communications channels and protocols have been established to enable direct communication between the City and the MRA. This will expedite the resolution of issues and timely decision making to address them. The MRA's responsiveness has been inadequate thus far.
3. <b>Reporting</b> – internal reporting protocols on status of MRA handed assets	Treatment action is now business-as-usual and can be closed.

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**RISK ID - 102**

<b>RISK NAME:</b> Recruitment		<b>ASSESSMENT DATE:</b> 11 April 2018	
<b>KEY SERVICE:</b> Timely recruitment of suitably qualified and capable employees to deliver against the City's objectives		<b>RISK OWNER:</b> Manager Human Resources - Corporate Services Directorate	
<b>Risk Description</b>	<b>Existing Controls</b>	<b>Controls Effectiveness</b>	<b>Risk Rating</b>
Failure to attract, and select suitable candidates to enable the City to effectively deliver the corporate business plan objectives as well as meet legislative requirements.	Probationary period reviews Internal promotions process Review of position description prior to advertisement Assessment of requirement of position prior to advertising Reclassification and classification process / Standardisation of position description Utilisation of external agencies and job boards Pre-employment checks Verification of Identity Reference checks for particular roles Utilisation of interview panels (mostly with Human Resources attendance) Internal candidate appointments	<b>Inadequate</b>	<b>Legal &amp; Regulatory / Ethical</b>  <b>Possible / Major</b>  <b>HIGH RISK</b>
<b>Treatment Action Plans</b>		<b>Current Progress</b>	
<b>1. Promotion of the City as a great place to work</b> – this set of initiatives seeks to achieve the below outcomes; <ul style="list-style-type: none"> <li>- Improve the City's online presence as an employer of choice</li> <li>- Improving the City's profile with prospective employees</li> <li>- Provide information on the benefits of working at the City</li> </ul>		Human Resources (HR) has allocated a resource into the L&D team (Talent Advisor) to enable the Senior L&D Adviser to deliver the City's revised On Boarding Strategy which will also incorporate the end to end recruitment of personnel.  The draft On Boarding strategy is currently being reviewed by the Manager HR for comment.  The attraction and vetting of appropriate candidates is a critical piece of the On Boarding Strategy and instruction is being provided to the Talent Advisor	

	<p>to incorporate feedback from the Management Leadership Group on the recruitment experience.</p> <p>The Manager HR has worked with the City's internal auditors to ensure compliance with the Local Government Act when roles are advertised. This review has resulted in the current advertising template to be changed and implemented.</p> <p>The review of the internal website has been completed with changes recommended to the Corporate Communications Unit.</p> <p>The review of the external website is currently ongoing with work underway to create graphics, update the language and reflect the current benefits of working at the City.</p>
<b>2. Employee Commencement Program</b> - E-learning tailored specifically for the onboarding and training new employees.	Completed the tailoring of eLearning and all new employees are undertaking the compulsory training.
<b>3. Onboarding Program</b> – inclusive of candidate profiling, pre-employment psychometric testing, induction and training	The draft Onboarding Strategy is currently being reviewed by Manager HR for comment.

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**RISK ID – 94**

<b>RISK NAME:</b> Records Management		<b>ASSESSMENT DATE:</b> 8 February 2018	
<b>KEY SERVICE:</b> Information Management - Management of digital and physical records in accordance with legislative requirements		<b>RISK OWNER:</b> Manager Data and Information – Corporate Services Directorate	
<b>Risk Description</b>	<b>Existing Controls</b>	<b>Controls Effectiveness</b>	<b>Risk Rating</b>
Failure to appropriately manage the City's records physical and digital, in line with the City's Record Keeping Plan and relevant legislative requirements	<p>Records Keeping Plan - Kept up to date and reviewed externally by State Records</p> <p>Dedicated Information Management Support Team and Helpdesk</p> <p>Information Management Training and Induction Program (Records Awareness, Focal Point and Module Owner Training, Overall System Training)</p> <p>Records Operations Team undertake Auditing and Compliance checks</p> <p>Digital Workplace Program currently under development to address manual handling, simplify processes and procedures and the complexities of the classification scheme</p> <p>Information Governance Framework currently under development to control ownership and governance of information</p> <p>Tools, resources and guidance available on City's intranet</p> <p>Regular liaison with internal and external stakeholders</p>	<b>Inadequate</b>	<p><b>Legal &amp; Regulatory / Ethical</b></p> <p><b>Likely/ Moderate</b></p> <p><b>HIGH RISK</b></p>
<b>Treatment Action Plans</b>		<b>Current Progress</b>	
<p><b>1. Implementation of the Information Governance Framework</b> – the framework components include defined levels of authority, accountability, including up-to-date records-compliant processes, procedures and systems to enable the City to record and store corporate records in line with relevant legislative requirements and the City's Records Keeping Plan</p>		<p>Working with a leading external Information Governance Partner, a Maturity Assessment has been completed. The outcome has confirmed the risk assessment is correct and being realised.</p> <p>A High-Level Roadmap has been formed around the Information Management (IM) Policy and Information Governance Framework.</p>	

	<p>The High-Level Roadmap identifies the work that needs to occur to move the City along the Gartner Maturity Scale for Enterprise Information Management.</p> <p>The City is currently assessed as Level 2 (Reactive) and the target state is Level 4 Managed.</p> <p>There are clear benefits to the City in moving to the desired maturity:</p> <ul style="list-style-type: none"> <li>• Improve delivery of key services</li> <li>• Enhance external sharing and publication</li> <li>• Improve quality of information for decision making</li> <li>• Reduce unseen operating costs</li> <li>• Meet City's compliance obligations</li> <li>• Process Improvements as re-engineering occurs</li> </ul> <p><b>Next Steps:</b></p> <p>It is recommended that initial seed funding is released for the Program to be established. This will be made up of:</p> <ul style="list-style-type: none"> <li>• The secondment of the Information Management Coordinator to lead this program of works;</li> <li>• Estimated budget of \$125k to fund an analyst resource employed on a temporary position, to work on the Program (based on a 12-month term).</li> </ul> <p><b>Note:</b></p> <p>In the first stage, the Program team will look at the Roadmap and break the work down in to two key streams:</p> <ol style="list-style-type: none"> <li>1) Longer term deliverables aligned to overall strategy</li> <li>2) Short term deliverables – Quicker wins that will help reduce the risk profile in the shorter term</li> </ol>
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**RISK ID - 88**

<b>RISK NAME:</b> Emergency Management Planning		<b>ASSESSMENT DATE:</b> October 2017	
<b>KEY SERVICE:</b> Emergency Management Planning - Development, implementation and continuous review of the City's emergency management arrangements and recovery plans		<b>RISK OWNER:</b> Manager Community Amenity & Safety – Community & Commercial Services Directorate	
<b>Risk Description</b>	<b>Existing Controls</b>	<b>Controls Effectiveness</b>	<b>Risk Rating</b>
Failure to achieve compliance with the Emergency Management Act 2005 and achieve expected emergency management preparedness	<p>Commitment and ongoing support has been obtained from internal and external stakeholders, with strong relationships with hazard management agencies (DFES, WAPOL, etc.) now in place</p> <p>Support from both the State and Local Emergency Management Committees</p> <p>Actions identified in the Emergency Management strategy development process currently being implemented</p> <p>Emergency Management risk analysis project and the bush fire risk management project has commenced</p> <p>Emergency Management arrangements as endorsed by Local and State Emergency Management Committees</p> <p>Emergency Management Arrangements – Includes Recovery Plan, Welfare Plan, Bushfire Risk Plan</p> <p>eMERGE- Electronic Portal – all contacts, resources, calendars, Meetings, Running Sheets and Library</p> <p>Emergency Management Strategic Plan – Developed in consultation with the Local Emergency Management Committee (LEMC)</p>	<b>Adequate</b>	<p><b>People – Community health and safety</b></p> <p><b>Possible / Major</b></p> <p><b>HIGH RISK</b></p>
<b>Treatment Action Plans</b>		<b>Current Progress</b>	
<b>1. Welfare Centres</b> – Establishment of Memorandum of Understandings with external agencies to enable Welfare Centres		Discussions are still ongoing with venues awaiting formal confirmation of their commitment to support community emergencies as Welfare centres.	



	<p>It is to be noted that a major incident will refer to the State Welfare Plan and Centres for support. The State is having similar issues in engaging with venues within the City.</p> <p>A large venue has returned a draft MOU for finalising between the City and Department of Communities.</p>
<p><b>2. PCMEMA – Perth City Major Emergency Management Arrangements</b></p>	<p>A simplified 2-page practical plan has been developed and shared with the Local Emergency Management Committee for endorsement.</p> <p>The broader PCMEMA plan review has commenced and seeking comment from emergency support agencies with reference to their actions in the plan. Target date of completion is July 2018.</p> <p>PCMEMA has been finalised in draft and will be the topic of a Discussion exercise at the next City of Perth LEMC in July. Following the testing of the plan, minor changes will be made to a finalised and adopted version.</p>

**RISK ID - 35**

<b>RISK NAME:</b> Management of City Leases, Licences and Legal Agreements		<b>ASSESSMENT DATE:</b> November 2017	
<b>KEY SERVICE:</b> Estate Management – Management of leasing, acquisitions, disposals within the Properties' Portfolio		<b>RISK OWNER:</b> Manager Properties – Construction & Maintenance Directorate	
<b>Risk Description</b>	<b>Existing Controls</b>	<b>Controls Effectiveness</b>	<b>Risk Rating</b>
Failure to effectively and appropriately manage the City's leases, licences and legal agreements to set income budget	Experienced personnel within the Unit Register of leases, licences and legal agreements. Investigation process – lessons learnt Council policy – Delegated authority and associated procedures Direct Manager oversight of this function Internal Audit of leasing function, major financial transactions, debt management (through the Financial Management Taskforce) External legal advice and support The City's Lease Register	Adequate	Legal & Regulatory - Compliance with contractual requirements  Unlikely / Catastrophic  HIGH RISK
<b>Treatment Action Plans</b>		<b>Current Progress</b>	
1. <b>Arrears Recovery Plan</b> – The plan enables the City to track and recover debt from tenants.		Tenant debt continues to be reduced by 75%. The City's exposure to long-dated debt has also reduced following implementation of the Recovery Plan. Communication with tenants has also improved resulting in timely payments of rent and arrears. The plan is also enabling the normalisation of tenants	

	<p>invoicing, efficient monitoring of debtors and this is ensuring better management of the revenue stream from leases.</p> <p>Current arrears:</p> <ul style="list-style-type: none"> <li>• 30 days \$34,417</li> <li>• 60 Days \$28,510</li> <li>• 90 Days \$18,041</li> </ul>
<b>2. Lease Register</b> – tracks the status of the City's leases	Treatment action is now business-as-usual and can be closed.
<b>3. Commercial Property Strategy</b> – decision-making guidelines for the acquisition, retention, growth, redevelopment and disposal of property assets.	<p>The City of Perth Commercial Property Strategy will set out the guiding principles by focussing on service delivery, and the properties used to deliver these services. This will assist Council in making the most of its property for the effective, efficient and sustainable delivery of services.</p> <p>The Properties Unit is progressing in the preparation of the specifications to undertake the RFQ for the Commercial Property Study, which will lead to a gap analysis to prepare specs for the final Commercial Property Strategy.</p>

**RISK ID - 25**

<b>RISK NAME:</b> Delivery of Civil Engineering Projects		<b>ASSESSMENT DATE:</b> September 2017	
<b>KEY SERVICE:</b> Delivery of Construction Capital Works (detailed design through to construction, inclusive of procurement, tenders and contract management)		<b>RISK OWNER:</b> Manager Construction – Construction & Maintenance Directorate	
<b>Risk Description</b>	<b>Existing Controls</b>	<b>Controls Effectiveness</b>	<b>Risk Rating</b>
Ineffective and Inadequate budget allocation, scheduling and management of Civil Engineering Projects, such that investment does not achieve the objectives of the projects	Set up of new Project Management process currently underway Project Management Skills Centre Stakeholder Consultation Internal Working Group Project reviews and ongoing lessons learnt Contract performance at the end of each project Open and frank discussions Early engagement of the procurement representatives at tendering stage of projects	<b>Inadequate</b>	<b>Financial – Management of Budget</b>  <b>Possible / Major</b>  <b>HIGH RISK</b>
<b>Treatment Action Plans</b>		<b>Current Progress</b>	
<b>1. Project Portfolio Management System (PPMS) Project</b> – This project is to provide a system to raise the City's Project Management Capability. Improvements have now been identified as being required to: skills gaps, systems gaps and processes and procedures.		<p>The assessment of the City's capability has been completed and is forming the basis for the improvement approach.</p> <p>A proof of concept for a PPMS is being detailed, and the team are confirming the mapping of requirements for improvement. Interviews are underway with key City stakeholders to ensure the system captures the necessary requirements and improves performance. The objective of the process is to raise the efficiency of the City's project, program and portfolio management, improving the efficiency of project delivery.</p>	

**RISK ID - 18**

<b>RISK NAME:</b> Safety Related Incidents during delivery of Civil Construction projects		<b>ASSESSMENT DATE:</b> September 2017	
<b>KEY SERVICE:</b> Engineering Consultancy Services and Coordination of construction Works (detailed design through to construction, inclusive of procurement, tenders and contract management)		<b>RISK OWNER:</b> Manager Construction – Construction & Maintenance Directorate	
<b>Risk Description</b>	<b>Existing Controls</b>	<b>Controls Effectiveness</b>	<b>Risk Rating</b>
Project execution and delivery fails to meet safety standards and expectations	Site Inspections OSH Team support and collaboration Reactive safety improvements Contractor Inductions Pre-contract reviews Imbedding of Budget float Contractor Safety Management Procedure Incident Reporting Procedure Project review and lessons learnt process (with standard template used) with the Project Team and OSH Team Job Safety Analysis and Safe Work Method Statements Scheduling of high risk projects appropriately and in consultation with key stakeholders	<b>Adequate</b>	<b>People – Worker Safety &amp; Wellbeing</b>  <b>Possible / Major</b>  <b>HIGH RISK</b>
<b>Treatment Action Plans</b>		<b>Current Progress</b>	
1. Specifications to be provided for Key Performance Indicators (KPI's) for safety inspections for Project managers		The Construction Unit Manager has included Safety Key Performance Indicators (KPI's) into Project Managers' performance reviews in the mid-year reviews.	

2. Capturing of past performance of contractors via project reviews	A project specific template for a Project Contractor Performance Rating Form is being reviewed by the Construction Unit Manager for implementation on standalone contracts.
3. Formalisation of Project Teams and relevant structures (multi-disciplinary across the organisation) for each new project to consider safety in delivery of the project	The Project Delivery Flowchart details a collaborative team approach that is in use now across all projects. The collaborative team approach ensures that the Project Manager is involved from an early stage for project continuity with respect to safety and that the right skills and experience remains available in project decision making to ensure safety decision are based on complete available information.

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## RISK ID -60

<b>RISK NAME:</b> Maintenance of City Assets		<b>ASSESSMENT DATE:</b> September 2017	
<b>KEY SERVICE:</b> Asset Data Governance – Establishing maintenance schedules for assets (standards, performance and coverage)		<b>RISK OWNER:</b> Manager Asset Management – Corporate Services Directorate	
<b>Risk Description</b>	<b>Existing Controls</b>	<b>Controls Effectiveness</b>	<b>Risk Rating</b>
Failure to maintain assets in a systematic manner which aligns to agreed service levels	<p>City's Asset register is up to date</p> <p>Asset condition surveys by asset custodian</p> <p>Known risk (custodian unit managers recognise the inadequacies in managing this risk. Asset Management Unit (AMU) will be working with asset custodians to address the inadequacies)</p> <p>Asset Management Unit has investigated Hansen8 capabilities to manage this risk issue</p> <p>Current reliance on reactive maintenance</p>	<b>Inadequate</b>	<p><b>Financial – Management of budget</b></p> <p><b>Likely / Moderate</b></p> <p><b>HIGH RISK</b></p>
<b>Treatment Action Plans</b>		<b>Current Progress</b>	
<p><b>1. Asset Componentisation</b> - This involves breaking large assets down into their maintainable components and loading them into the corporate asset management system, so maintenance can be planned at a more precise level.</p>		<p>Assets are being migrated out of the FinanceOne system onto the Hansen8 Asset Management System to a higher (more granular) data standard. The completed are below;</p> <ul style="list-style-type: none"> <li>▪ Infrastructure assets – complete</li> <li>▪ Building assets – complete</li> <li>▪ Open air carparks – complete</li> <li>▪ CPP equipment – 2018/19 initial discussions and plans to do this have begun</li> <li>▪ CCTV equipment – Complete</li> <li>▪ Arts – Being investigated</li> </ul>	

	<ul style="list-style-type: none"> <li>General and Minor IT assets – Currently considered not feasible for Hansen8 but perhaps there is scope to develop a ‘minor assets register’ for portable and attractive items, as per direction from the department circular 02-2018 “Auditing Reforms”. This is currently being investigated.</li> </ul>
<p><b>2. Work Orders</b> – Work orders capture all the operational/maintenance work done on assets. They are also used to record time and costs for reporting purposes.</p>	<p>Routine (cyclical) maintenance plans have been specified in the Asset Management Plans prepared this year. The next step is to ensure that these plans get loaded as scheduled work orders so that maintenance completion can be measured. It is also critical to ensure that all reactive work is captured on work orders so we can analyse reactive maintenance costs for assets. AMU will investigate and establish processes to achieve this in 2018/19. The link between the deployment of the new HRIS (timesheet system) integrating with work order costings (time allocation) is currently being done. This risk treatment will take some time due to the complexity and integration required with systems.</p>
<p><b>3. Maintenance Performance Reporting</b> – Maintenance performance reporting is commonly done to measure / analyse the progress completion of required maintenance plans throughout the year for assets, the cost tracking, the amount of reactive work, and other KPIs associated with maintenance.</p>	<p>This task has been included in AMU’s business plan and discussions have commenced with the Data and Information Unit.</p>



**RISK ID -61**

<b>RISK NAME:</b> Financial Sustainability of Assets		<b>ASSESSMENT DATE:</b> September 2017	
<b>KEY SERVICE:</b> Asset Management Partnership Program – Establishment of partnerships to improve organisational asset management practices		<b>RISK OWNER:</b> Manager Asset Management – Corporate Services Directorate	
<b>Risk Description</b>	<b>Existing Controls</b>	<b>Controls Effectiveness</b>	<b>Risk Rating</b>
Failure to accurately and sustainably plan for asset management capital works requirements	<p>City's Asset register is up to date</p> <p>Asset condition surveys by asset custodian</p> <p>Known risk (custodian unit managers recognise the inadequacies in managing this risk. Asset Management Unit (AMU) will be working with asset custodians to address the inadequacies)</p> <p>Asset Management Unit has investigated Hansen8 capabilities to manage this risk issue</p> <p>Current reliance on reactive maintenance</p> <p>Asset Management Partnership Program</p> <p>Best Practice Asset Management Plans (AMPs)</p>	<b>Inadequate</b>	<p><b>Financial – Unforeseen expenditure</b></p> <p><b>Possible / Major</b></p> <p><b>HIGH RISK</b></p> <p>(reviewed down from extreme)</p>
<b>Treatment Action Plans</b>		<b>Current Progress</b>	
<p><b>1. Asset &amp; Infrastructure Strategy</b> - A high level document that communicates the future vision for the City's assets and the way they are sustainably managed to support the community and other stakeholders.</p>		<p>The first workshop to develop this strategy occurred in April. The strategy is a Corporate Business Plan initiative to be completed by 2019/20. Further meetings to integrate the Asset &amp; Infrastructure Strategy with the other 3 strategies have occurred, and a draft Terms of Reference outlining the scope of the strategy has been developed.</p>	

<p><b>2. An Asset Management Framework (AMF)</b> – A procedural document that embeds standard asset management processes in the City to ensure consistency and repeatability so that results are relevant over a long term for analysis.</p>	<p>A draft has been developed. An ELG report has been drafted to inform all directorates of this document and the consultation / steps involved to embed it.</p>
<p><b>3. New Asset Readiness</b> – A process to be financially and operationally ready to assume ownership of an asset. This includes estimated forecast impacts to budget and workforce, as well as the setup of all operational / maintenance plans to ensure the asset is assimilated into the City's work planning.</p>	<p>Discussions have commenced internally within AMU on the best way to advance this, and it has been planned that a life-cycle costing template and procedure will be developed to support business cases for new asset projects.</p>

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**RISK ID - 100**

<b>RISK NAME:</b> Building Compliance		<b>ASSESSMENT DATE:</b> 30 April 2018	
<b>KEY SERVICE:</b> State-wide Cladding Audit of all residential buildings over 3 storeys		<b>RISK OWNER:</b> Manager Development Approvals – Planning & Development Directorate	
<b>Risk Description</b>	<b>Existing Controls</b>	<b>Controls Effectiveness</b>	<b>Risk Rating</b>
Failure to adequately address and respond to the findings of the audit through the implementation of the Statutory Responsibilities of the City.	<p>Close working relationship with Building Commission</p> <p>Working groups established to assist the Building Commission to complete the audit (audit regulatory group, relevant local governments) stakeholders group (property owners, insurance companies, unions, DFES, WALGA, representatives of the Fire Society of Safety Engineers)</p> <p>Meeting regularly with WALGA and LGIS to discuss the potential impacts of the audit</p> <p>Desktop audit completed (for buildings within the audit scope)</p> <p>Liaison and ongoing discussion with effected property owners</p> <p>Training of relevant staff on fire safety specific to building cladding</p> <p>Building cladding fire safety now a standing agenda item in fortnightly building surveyor meeting</p> <p>Issuance of building permits considers building cladding fire safety</p> <p>Exception reporting to the Building Commission on any potential issues.</p>	<b>Adequate</b>	<p><b>Legal &amp; Regulatory / Ethical</b></p> <p><b>Possible / Major</b></p> <p><b>HIGH RISK</b></p>
<b>Treatment Action Plans</b>		<b>Current Progress</b>	
<b>1. The Building Commission State Wide Cladding Audit</b> – to identify the buildings to be included in Stage 4 of the audit		Building and Energy (formerly the Building Commission) is currently contacting the owners of all buildings which were identified as meeting the original scope of the Audit. Owners will be advised that their building is not continuing in the audit (low risk) or that their building requires further investigation (medium / high risk), based on the preliminary risk assessment. It could take up to 12 months for Building and Energy to complete the next stage of investigations.	

**RISK ID - 101**

<b>RISK NAME:</b> Procurement		<b>ASSESSMENT DATE:</b> 17 April 2018	
<b>KEY SERVICE:</b> Acquisition of goods and services on behalf of the city		<b>RISK OWNER:</b> Manager Finance – Corporate Services Directorate	
<b>Risk Description</b>	<b>Existing Controls</b>	<b>Controls Effectiveness</b>	<b>Risk Rating</b>
The City's procurement policies and procedures fail to manage compliance with legislation (Local Government Act, Financial Regulations and Consumer Competition Law,) and achieve best commercial practice.	Processes and Procedures Providing information on intranet on procurement policies and procedures Mentoring of stakeholders Reporting and oversight (contract expenditure report, contract expiry, guidance to internal auditor for reviews) Power BI reporting being established to provide greater reporting and oversight External audits Dedicated procurement team Currently developing procurement strategy to centralise procurement Program for system upgrades scheduled to commence July 2018 Fraud and misconduct policy Delegated Authority process currently under review Decision making on procurement based on delegated authority Education and training of relevant staff on procurement process	<b>Inadequate</b>	<b>Legal &amp; Regulatory / Ethical</b>  <b>Likely / Moderate</b>  <b>HIGH RISK</b>
<b>Treatment Action Plans</b>		<b>Current Progress</b>	
<b>1. Adoption and implementation of the Procurement Strategy</b> – aims to centralise the management and control of procurement.		The Strategy has been drafted and will be tabled to ELG before 30 August 2018 for formal approval and adoption. The implementation plan will be developed after approval of the strategy. System upgrades, new systems, processes, procedures and training will be part of the strategy.	

	<p>It is envisaged the centralisation of procurement will take up to 12 months to implement, with full transition of the strategy expected to take up to 3 years.</p> <p>Budget provisions for the implementation of system upgrades have been included in the 2018/19 budget.</p>
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**RISK ID - 95**

<b>RISK NAME:</b> Food Act enforcement		<b>ASSESSMENT DATE:</b> 8 February 2018	
<b>KEY SERVICE:</b> Oversight of the Inspection of Food Premises Contract		<b>RISK OWNER:</b> Manager Health and Activity Approvals – Community & Commercial Services Directorate	
<b>Risk Description</b>	<b>Existing Controls</b>	<b>Controls Effectiveness</b>	<b>Risk Rating</b>
Failure to appropriately manage the City's records physical and digital, in line with the City's Record Keeping Plan and relevant legislative requirements	<p>Tender Qualitative Selection Criteria applied through the Tender</p> <p>The selected tenderer is Food Technology Services (FTS).</p> <p>Process Performance training and assessment checks on the inspections to ensure consistency</p> <p>Inspection forms linked into City systems including records from iPads and paper</p> <p>Australian Food Safety Assessment (AFSA) report sheets available</p> <p>Contingencies on place to support data capture processes</p> <p>Customer Service expectations as the tenderers represent the City</p> <p>Contractor dress code consistent with the City's environmental health officers</p> <p>Key Performance Indicators (KPIs) and reporting on performance.</p> <p>Contingency plans in place to employ temporary staff to perform the required inspections in case of early termination of contract.</p> <p>Induction and ongoing training for contractors provided by the City (including code of conduct)</p> <p>Audits will be carried out of inspections completed by the contractor</p>	<b>Adequate</b>	<b>HIGH</b>
<b>Treatment Action Plans</b>		<b>Current Progress</b>	
1. Performance training and assessment checks to ensure consistency		The completed actions include the below;	

	<ul style="list-style-type: none"> <li>▪ All inspecting FTS officers have completed in house induction training relating to use of the City's pathway and e-pathway system.</li> <li>▪ Five site inspections have been completed by all FTS site inspection officers overseen by one of the City's Environmental Health Officers to review inspection methods. All FTS officers have demonstrated strong knowledge, methodology and competence.</li> <li>▪ Monthly meetings have been scheduled for the next 12 months with FTS management to monitor compliance with the contract requirements and to discuss opportunities of continuous improvement.</li> <li>▪ Induction processes will be repeated for any new staff employed by FTS.</li> </ul> <p>This treatment action plan is now ongoing and will be closed and moved to existing controls.</p>
<p><b>2.</b> Inspection forms linked into City systems including records from iPads and paper inspection AFSA report sheets available</p>	<p>IT has completed update of android tablet firmware on 2 of 4 devices during June and July to ensure reliability. The remaining 2 devices (Hannah and Maxine) to be updated prior to the end of July 2018.</p> <p>This treatment action plan is now ingoing and will be closed and moved to existing controls.</p>

MEASURES OF CONSEQUENCE

Measures of Consequence						
Rating	People	Financial	Service Delivery / Strategic Objectives	Legal and Regulatory / Ethical	Reputation and External Stakeholders	Environmental
Insignificant 1	Incident only, no medical treatment required	<100K recurrent reduction in Council budget<\$500K one off loss (<5% overrun of project budget)	Key services disrupted for up to half a day, usual scheduled interruptions. Negligible impact on objectives	Minor breach of contractual or statutory obligations with request to comply. One off minor legal matters. Minor opportunistic incident involving a single person	Insignificant public comment or local media coverage.	Transient impact on environment, no long term effect or short term negative impact on urban design, or loss of sense of place for part of area.
Minor 2	Minor injuries treated by first aid, routine industrial issues	\$100K-\$1M recurrent reduction in Council budget \$500K-\$2M one off loss (5-10% overrun of project budget)	Key services disrupted for a full day. Isolated customer complaints. Isolated service standard failure. Minor setbacks that are easily remedied.	Minor breach of contractual or statutory obligations with request to comply. The City sued or fined or otherwise liable for up to \$50K. Opportunistic incident involving several people.	Heighted concerns from a narrow group of residents, one off negative metro media coverage.	Short term effects on environment, no long term effect or short term negative impact on urban design, or loss of sense of place for part of area.
Moderate 3	Serious injury requiring medical treatment, staff turnover slightly higher than 20%, one off industrial issues	\$1M-\$2.5M recurrent reduction in Council budget \$2M-10M one off loss (10-15% overrun of project budget)	Key services disrupted up to 2 days. Higher than normal level of one off customer complaints. One off service standard failure affecting multiple people. Some of the organisation’s objectives cannot be met.	Breach of contractual or statutory obligations resulting in investigation, ongoing legal issues not easily addressed. The City sued or fined or otherwise liable for between \$50K and \$250K. Planned unethical action by one or more staff.	Concerns from cross section of public, ongoing negative metro media coverage.	Medium term effects on environment, long term recovery or long term negative impact on urban design, or loss of sense of place for part of area.
Major 4	Life threatening injury or multiple serious injuries requiring hospitalisation, fatality, staff turnover well above 20%, ongoing industrial action	\$2.5M - \$10M recurrent reduction in Council budget \$10M - \$25M one off loss (15-20% overrun of project budget)	Key services disrupted for between 2 and 5 days. High level of customer complaints over sustained period. Repeated service standard failure or one that affects multiple people. Some important objectives of the organisation cannot be met.	Major breach of contractual or statutory obligations resulting in significant legal action. The city sued or fined or otherwise liable for between \$250K and \$1M. Major one off fraud or corruption by a senior person.	Significant outcry from public, significant negative state level media coverage.	Major environmental impact, long term negative impact on urban design, or loss of sense of place for the whole area.
Catastrophic 5	Multiple Fatalities, sustained and serious industrial action, loss of multiple staff at once	>\$10M recurrent reduction in Council budget >\$25M one off loss (20-25% overrun of project budget)	Key services disrupted for over 5 days. Systemic customer complaints or serious complaints relating to more than one programmed area over a sustained period. Most of the organisation’s objectives cannot be met.	Serious breach of contractual or statutory obligations resulting in significant prosecution and fines. The city sued or fined or otherwise liable for more than \$1M. Systemic fraud and corruption, major external investigation with adverse findings.	Significant and widespread public outcry, sustained negative national media coverage.	Irreversible environmental harm or permanent negative impact on urban design.

MEASURES OF LIKELIHOOD

CODE	LIKELIHOOD	QUALITATIVE DESCRIPTOR	PROBABILITY OF OCCURRENCE
5	Almost certain	Is expected to occur in most circumstances	Greater than 95%
4	Likely	Will probably occur in most circumstances	66% to 95%
3	Possible	Might occur at some time	36% to 65%
2	Unlikely	Could occur at some time	5% to 35%
1	Rare	May occur only in exceptional circumstances	less than 5%

RISK EVALUATION MATRIX

LIKELIHOOD		CONSEQUENCE				
		1 Insignificant	2 Minor	3 Moderate	4 Major	5 Catastrophic
5	Almost certain	Medium	Medium	High	Extreme	Extreme
4	Likely	Medium	Medium	High	Extreme	Extreme
3	Possible	Low	Medium	Medium	High	Extreme
2	Unlikely	Low	Low	Medium	Medium	High
1	Rare	Low	Low	Low	Medium	Medium



### MEASURE OF EXISTING CONTROLS

RATING	FORESEEABLE	DESCRIPTION
<b>Effective</b>	Doing more than what is reasonable under the circumstances	<ol style="list-style-type: none"> <li>Existing controls exceed current legislated, regulatory and compliance requirements, and surpass relevant and current standards, codes of practice, guidelines and industry benchmarks expected of this organisation</li> <li>Subject to continuous monitoring and regular testing</li> </ol>
<b>Adequate</b>	Doing what is reasonable under the circumstances	<ol style="list-style-type: none"> <li>Existing controls are in accordance with current legislated, regulatory and compliance requirements, and are aligned with relevant and current standards, codes of practice, guidelines and industry benchmarks expected of this organisation</li> <li>Subject to continuous monitoring and regular testing</li> </ol>
<b>Inadequate</b>	Not doing some or all things reasonable under the circumstances	<ol style="list-style-type: none"> <li>Existing controls do not provide confidence that they meet current legislated, regulatory and compliance requirements, and may not be aligned with relevant and current standards, codes of practice, guidelines and industry benchmarks expected of this organisation</li> <li>Controls not operating as intended and have not been reviewed or tested</li> </ol>

### RISK ACCEPTANCE CRITERIA

RISK RANK	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

CONFIDENTIAL ATTACHMENT 8.2C  
ITEM 8.2 – RISK MANAGEMENT QUARTERLY UPDATE

FOR THE AUDIT AND RISK COMMITTEE MEETING

13 AUGUST 2018

DISTRIBUTED TO COMMISSIONERS UNDER SEPARATE COVER

**Agenda  
Item 8.3**

**Organisational Capability and Compliance Assessment –  
Implementation Plan - Status Report**

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**Recommendation:**

***That the Audit and Risk Committee RECEIVES the Implementation Plan Status Report on addressing the findings from the Deloitte Organisational Capability and Compliance Assessment.***

FILE REFERENCE:	P1034631
REPORTING UNIT:	Strategy and Partnership
RESPONSIBLE DIRECTORATE:	Office of the Chief Executive
DATE:	3 August 2018
ATTACHMENT/S:	Attachment 8.3A – Organisational Capability and Compliance Assessment – Implementation Plan – Status Report

**Council Role:**

- |                                     |                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------------------------------|----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/>            | Advocacy       | <i>When the Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.</i>                                                                                                                                                                                                                                                                                                                                                     |
| <input type="checkbox"/>            | Executive      | <i>The substantial direction setting and oversight role of the Council e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.</i>                                                                                                                                                                                                                                                                                                |
| <input type="checkbox"/>            | Legislative    | <i>Includes adopting local laws, town planning schemes and policies</i>                                                                                                                                                                                                                                                                                                                                                                                                           |
| <input type="checkbox"/>            | Quasi-Judicial | <i>When the Council determines an application/matter that directly affects a person's right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of Quasi-Judicial authority include town planning applications, building licences, applications for other permits/licences (eg under Health Act, Dog Act or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.</i> |
| <input checked="" type="checkbox"/> | Information    | <i>For the Council/Committee to note.</i>                                                                                                                                                                                                                                                                                                                                                                                                                                         |

**Legislation / Strategic Plan / Policy:**

<b>Legislation</b>	<i>Local Government Act 1995 Regulation 17 of the Local Government (Audit) Regulations 1996</i>
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<b>Integrated Planning and Reporting Framework Implications</b>	<b>Strategic Community Plan</b> Goal 8 - A city that delivers for its community
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<b>Policy</b>	
Policy No and Name:	N/A

### **Purpose and Background:**

At the Ordinary Council Meeting held on **11 October 2016**, Council resolved to engage an external agency through a public tender process, to conduct a comprehensive assessment of the City's operations, including – but not limited to – the City's procurement processes, compliance with legislation, governance and decision-making processes, finance and financial systems, business structure and performance measurement and reporting processes.

Subsequent to this Council Resolution, the City of Perth appointed Deloitte to fulfil the assessment, focusing on the following elements:

- Legislative compliance;
- Organisational capability maturity;
- Organisational spend;
- Governance;
- Finance; and
- Procurement.

The subsequent Deloitte Organisational Capability and Compliance Assessment identified 17 findings and made five recommendations. In response, the City identified 29 initiatives to address these findings and recommendations. The Deloitte recommendations, findings and the City's response is set out in the previously provided Implementation Plan. The purpose of this report is to provide the Audit and Risk Committee with the attached update on the Implementation Plan.

### **Stakeholder Engagement:**

No stakeholder engagement was undertaken in relation to this report.

### **Financial Implications:**

There are no direct financial implications associated with this status report.

### **Comments:**

Further status reports will be provided to the Audit and Risk Committee on a quarterly basis.



# City of Perth

## Organisational Capability and Compliance Assessment

### Implementation Plan – Status Report

August 2018

## IMPLEMENTATION STATUS

High Level Initiatives	Original Timeframe	Adjusted Deadline	Status	Status Commentary
Development of CPP Major undertaking and Business Plan	<b>October 2017</b>	<b>August 2018</b>	Major Trade Undertaking presented to Council	<ul style="list-style-type: none"> <li>Major undertaking drafted and was advertised for public comment on 23 May – 4 July 2018.</li> <li>Presented to Council in July as per legislative requirements.</li> <li>Requested by Council that a 4 year business plan be completed and provided to Council.</li> </ul>
Conduct a Legislative Compliance Review	<b>July 2017</b>	<b>N/A</b>	Initiative Completed	<ul style="list-style-type: none"> <li>Completed and implemented (Refer Compliance Accountability Listing and Compliance Calendar).</li> </ul>
Conduct a foundation review of all policies (Short Term Action Group Phase 1)	<b>September 2017</b>	<b>N/A</b>	Initiative Completed	<ul style="list-style-type: none"> <li>Completed – Approved by Executive Leadership Group (ELG) 17 January 2018.</li> </ul>
Propose changes and initiate new policies based on Phase 1 work (Short Term Action Group Phase 2)	<b>November 2017</b>	<b>June 2019</b>	Review of High Risk Policies commenced	<ul style="list-style-type: none"> <li>A systematic approach to the review of High Risk Policies has commenced.               <ul style="list-style-type: none"> <li>At the Ordinary Council Meeting of 31 July 2018 one policy was updated and endorsed by Council and three other policies were endorsed for public consultation and will come back to the August Council Meeting for completion. The remain fifteen policies are scheduled for submission to Council within the next three months.</li> </ul> </li> </ul>
Identify cross Business Unit processes	<b>December 2017</b>	<b>September 2019</b>	Process redesign commenced	<ul style="list-style-type: none"> <li>The City's events booking process is currently under review to identify process inefficiencies and deliver reforms to better provide value to customers. The project is a major cross functional undertaking for the City as the Events service is delivered by officers from Health and Activity Approvals, Development Approvals, Parking Services, Transport, Waste and Cleansing, Parks, Customer Service, Activation and Events, Finance, the Surveillance Centre, Rangers and Property units. Activities undertaken:               <ul style="list-style-type: none"> <li>Interviews with Events customers to fully understand their needs and expectations.</li> <li>Measuring and analysing Days from permit issue to bump-in.</li> <li>Interviews with process participants to understand their needs and improvement ideas and map the current state process.</li> <li>Evaluating the possibility that current IT systems will be suitable to support the redesigned process.</li> </ul> </li> </ul>

High Level Initiatives	Original Timeframe	Adjusted Deadline	Status	Status Commentary
				<ul style="list-style-type: none"> <li>○ Redesigning the process to efficiently deliver what the customer values.</li> <li>• In addition, projects to review processes identified as part of the Target Business Model project to be transferred to other business units has begun with background analysis conducted. The identification of other City processes that require reform will be a key output of the Strategic Review and Reform Project.</li> </ul>
Define Control Frameworks and Accountabilities	<b>October 2017</b>	<b>December 2018</b>	Initial definition complete; Further review pending	<ul style="list-style-type: none"> <li>• The City's control frameworks and the responsibilities of each business unit have been identified (as provided in the last report). Further review of the control frameworks are planned as part of the Strategic Review and Reform Project.</li> </ul>
Develop on-boarding program	<b>March 2018</b>	<b>January 2019</b>	Draft Onboarding Strategy completed	<ul style="list-style-type: none"> <li>• Draft program developed.</li> <li>• Call for engagement sent to the City's management team for input to program design.</li> <li>• Pre-boarding online training to begin in October 2018 for all new employees prior to commencement.</li> </ul>
Define corporate compliance unit role and soft skill training/requirements	<b>December 2017</b>	<b>December 2018</b>	Initiative Completed	<ul style="list-style-type: none"> <li>• All items have been actioned and closed out.</li> <li>• Content to be uploaded to Learning Management System by March 2019.</li> </ul>
Review delegation requirements based on new business model	<b>December 2017</b>	<b>N/A</b>	Initiative Completed	<ul style="list-style-type: none"> <li>• Any changes to business structure will trigger a further review to ensure delegations are adequately captured.</li> </ul>
Develop Strategy Hierarchy	<b>September 2017</b>	<b>N/A</b>	Initiative Completed	<ul style="list-style-type: none"> <li>• Target state consisting of reduction of existing strategies, replacing with 5 Strategic Plans, now incorporated into the current Integrated Planning and Reporting Framework. Further review of the Integrated Planning and Reporting Framework to be conducted as per the 3 July 2018 Council resolution.</li> </ul>
Development of Integrated Corporate Planning and Reporting Framework	<b>December 2017</b>	<b>N/A</b>	Initiative Completed	<ul style="list-style-type: none"> <li>• Existing Framework reviewed alongside best practice.</li> <li>• Proposed target state consisting of reduction of existing strategies, replacing with 5 Strategic Plans.</li> <li>• Framework implementation embedded into corporate Business Plan.</li> <li>• Further review of the Integrated Planning and Reporting Framework to be conducted as per the 3 July 2018 Council resolution.</li> </ul>

High Level Initiatives	Original Timeframe	Adjusted Deadline	Status	Status Commentary
Development of Organisational Business Strategy (Corporate Business Plan)	September 2017	N/A	Initiative Completed	<ul style="list-style-type: none"> <li>Review of compliance requirements and best practice.</li> <li>Development of Corporate Business Plan conducted.</li> <li>Briefing to Elected Members with support provided on the high level initiatives.</li> <li>Corporate Business Plan endorsed by Council – December 2017.</li> </ul>
Implementation of Integrated Corporate Planning and Reporting Framework	June 2018	N/A	Initiative Completed	<ul style="list-style-type: none"> <li>Existing Framework reviewed alongside best practice.</li> <li>Proposed target state consisting of reduction of existing strategies, replacing with 5 Strategic Plans.</li> <li>Framework implementation embedded into corporate Business Plan.</li> <li>Further review of the Integrated Planning and Reporting Framework to be conducted as per the 3 July 2018 Council resolution.</li> </ul>
Develop appropriate Management Reports (Short Term Action Group)	June 2018	June 2019	Enterprise Performance Framework Development Commenced	<ul style="list-style-type: none"> <li>Review of existing reporting formats has commenced.</li> <li>Development of Finance Data Warehouse.</li> <li>Continuous improvement of Financial Management Task Force reporting.</li> <li>BI Rapid (Phase 1) has been implemented to provide staff with a flexible Financial reporting tool that enables dashboard reporting. This will be rolled out to Finance staff over the next 3 months.</li> <li>Enterprise Performance Framework Project has commenced. This framework will set out the process and approach to deliver feedback on performance through Business Unit Reports, Directorate Reports and the Corporate Business Plan.</li> <li>Draft Directorate KPIs Developed.</li> <li>Further development of the Finance system on hold pending the approval of the Core Systems upgrade budget by the Commissioners.</li> </ul>
Develop Directorate KPIs and dashboards	June 2018	June 2019	Development of Draft Dashboard and KPIs commenced	<ul style="list-style-type: none"> <li>Organisational KPIs developed and endorsed as part of the Corporate Business Plan. These are to be reviewed as part of the review of the Strategic Community Plan and Corporate Business Plan.</li> <li>KPIs have been created for each of the City's Directors, aligned with the Corporate Business Plan, which will be adjusted as part of the review in late 2018.</li> <li>Initial scoping of dashboard options commenced.</li> <li>Development and evaluation commenced on PowerBI opportunities for dashboard reporting.</li> </ul>



High Level Initiatives	Original Timeframe	Adjusted Deadline	Status	Status Commentary
Development of KPI framework aligned to Strategic and Corporate Reporting (Hierarchy and Structure)	November 2017	June 2019	Development of Draft KPIs commenced	<ul style="list-style-type: none"> <li>Organisational KPIs developed and endorsed as part of the Corporate Business Plan. These are to be reviewed as part of the review of the Strategic Community Plan and Corporate Business Plan.</li> <li>KPIs have been created for each of the City's Directors, aligned with the Corporate Business Plan, which will be adjusted as part of the review in late 2018.</li> <li>Reporting mechanisms and framework to be developed as part of the internal process reforms to be completed as part of the Strategic Review and Reform project.</li> </ul>
Develop Corporate Planning Calendar	December 2017	October 2018	Initial draft developed, further refinement required	<ul style="list-style-type: none"> <li>Draft developed, which will be readjusted in response to requirements to review the City's Strategic and Corporate Plans. Once these are scoped, timings and impacts will be reflected into a new Corporate Planning Calendar.</li> </ul>
Conduct a foundation review of all City of Perth Services (Short Term Action Group Phase 1)	September 2017	N/A	Initiative Completed	<ul style="list-style-type: none"> <li>Short Term Action Group initiated.</li> <li>Terms of Reference and Outputs required completed.</li> <li>Organisational service audit conducted and database created.</li> <li>Presentation to the Executive Leadership Group on findings completed.</li> <li>Outputs from Short Term Action Group used as input into the Target Business Model process.</li> </ul>
Conduct ELG Strategic Priority Setting/Workshops	September 2017	N/A	Initiative Completed	<ul style="list-style-type: none"> <li>Baseline information collated.</li> <li>Facilitation methodology created and signed off by the Executive Leadership Group.</li> <li>Workshop conducted.</li> <li>Outcome of workshop guided development of Corporate Business Plan.</li> </ul>
Review Customer Channels	November 2017	December 2018	Implementation of CRM pilot and single contact point completed; Customer Channels continue to be refined and consolidated	<ul style="list-style-type: none"> <li>Customer channels are being reviewed as part of the development of the first point resolution centre and the outcomes of the Customer Service Deloitte Report from 2016.</li> <li>CRM Pilot solution has been implemented as at December 2017.</li> <li>A systematic approach to transfer unit customer channels into the first point resolution centre has commenced, due to be completed by December 2018.</li> <li>Finalisation of preferred customer channels to be developed in line with the stakeholder engagement guidelines (currently under development).</li> <li>A 'single email and phone number' approach has been implemented for customer contact.</li> </ul>

High Level Initiatives	Original Timeframe	Adjusted Deadline	Status	Status Commentary
Develop Target Business Model	November 2017	August 2018	Agreement to functional alignment partially implemented	<ul style="list-style-type: none"> <li>Target business model is to consider the functional alignment of the City to best deliver on services, plans and projects.</li> <li>Implementation Plan for Target Business model stage 1 endorsed by the Executive Leadership Group – December 2017.</li> <li>Implementation was halted to minimise organisational disruption during the suspension of Council. Prior to this, some components had been completed (eg movement of Health &amp; Activity Approvals from Planning &amp; Development Directorate to Community &amp; Commercial Services Directorate and review of Council Security and management of alfresco). Implementation of the remaining elements will commence in June 2018.</li> <li>Target Business model will form part of the Corporate Business Plan, Strategic Community Plan and Value for Money Business Unit reviews.</li> </ul>
Develop a Decision Making Matrix for operational decision making abilities (Short Term Action Group)	September 2017	N/A	Initiative Completed	<ul style="list-style-type: none"> <li>Short Term Action Group initiated and draft report completed.</li> <li>Terms of Reference and Outputs required completed.</li> <li>Organisational Decision making audit conducted.</li> <li>Presentation to the Executive Leadership Group on findings and proposed structure completed.</li> <li>Implementation timeframe to be assessed in line with Target Business Model activities.</li> <li>Further refinement of operational decision making and controls to be developed during 2018.</li> </ul>
Clarify Position Description Structure and role titles for consistency	December 2017	December 2018	Position Description standardisation completed; Transfer completed	<ul style="list-style-type: none"> <li>Transfer of existing Position Description to new template has been completed in June 2018.</li> <li>Standardisation of titles commenced.</li> <li>Project plan developed to be implemented by December 2018.</li> </ul>
Align roles and responsibility to services	December 2017	December 2018	Phase one commenced	<ul style="list-style-type: none"> <li>Phase 1 will include the delivery of consistent Position Descriptions, in August 2018.</li> <li>Phase 2 is anticipated to involve the review of the Business Unit Plan structure and process to ensure clarity of service and unit purpose.</li> </ul>
Review the Procurement model and System	December 2018	September 2018	Policy review, tender evaluation and standardised formats completed; Strategy approach drafted	<ul style="list-style-type: none"> <li>Procurement Policy and procedures have been reviewed and updated, implemented in February 2018.</li> <li>RFQ &amp; RFT formats updated and implemented March 2018.</li> <li>Tender evaluation scorecard updated and implemented in April 2018.</li> <li>Procurement Strategy has been drafted, to be tabled with ELG in August 2018.</li> <li>Development of Procurement IT Systems on hold pending the approval of the Core Systems upgrade budget by the Commissioners.</li> </ul>

High Level Initiatives	Original Timeframe	Adjusted Deadline	Status	Status Commentary
Establish OCCA Management Office for oversight and delivery of OCCA response	July 2017	N/A	Initiative Completed	<ul style="list-style-type: none"> <li>Office Terms of Reference created and signed off by the Executive Leadership Group.</li> <li>Governance structure created.</li> <li>Internal human resources repurposed to become the OCCA Management Office.</li> <li>Office decommissioned in December 2017, with implementation of OCCA decentralised into technical areas of expertise, with oversight assigned to Strategy and Partnership Unit.</li> </ul>
Conduct ELG workshops on key elements – Strategic Priorities; Corporate Strategy/Business Plan; Target Business Model	November 2017	N/A	Initiative Completed	<ul style="list-style-type: none"> <li>Baseline information collated for each focus.</li> <li>Facilitation methodology created and signed off by the Executive Leadership Group.</li> <li>Workshops conducted.</li> <li>Outcomes of workshop guided development of Corporate Business Plan and Target Business Model.</li> </ul>
Conduct organisational culture survey	September 2017	N/A	Initiative Completed	<ul style="list-style-type: none"> <li>Meeting with service provided has been conducted.</li> <li>Review of survey questions completed.</li> <li>Second survey confirmed for October 2018.</li> </ul>
Develop and deliver culture refresh program	November 2017	December 2018	Organisation Values Completed; Cultural Refresh commenced	<ul style="list-style-type: none"> <li>Organisation change champions group updated and new nominations accepted.</li> <li>CEO has approved the terms of reference as defined by the Change Champions in June 2018.</li> <li>Change Champion workshops to continue.</li> <li>Management Leadership Group notified of Change Champions Terms of Reference in July 2018.</li> <li>Values tagline competition completed in June 2018 with relevant communication to the organisation.</li> <li>Executive Leadership Group coaching workshop conducted on 5 June 2018.</li> <li>Embedding workplace values session has 275 registrations for the workshops being held in August 2018.</li> <li>Values are now displayed on decals on windows and office areas throughout Council House.</li> </ul>

**Agenda**  
**Item 8.4**

**Internal Audit Recommendations 2015/16 to 2017/18**

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**Recommendation:**

***That Audit and Risk Committee RECEIVES the summary on Internal Audit Recommendations 2015/16 to 2017/18 as detailed in Attachment 8.4A.***

FILE REFERENCE:	P102969-8
REPORTING UNIT:	Internal Audit
RESPONSIBLE DIRECTORATE:	Corporate Services
DATE:	5 July 2018
ATTACHMENT/S:	Attachment 8.4A – Internal Audit Recommendations 2015/16 to 2017/18

**Council Role:**

- |                                     |                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------------------------------|----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/>            | Advocacy       | <i>When the Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.</i>                                                                                                                                                                                                                                                                                                                                                     |
| <input type="checkbox"/>            | Executive      | <i>The substantial direction setting and oversight role of the Council e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.</i>                                                                                                                                                                                                                                                                                                |
| <input type="checkbox"/>            | Legislative    | <i>Includes adopting local laws, town planning schemes and policies</i>                                                                                                                                                                                                                                                                                                                                                                                                           |
| <input type="checkbox"/>            | Quasi-Judicial | <i>When the Council determines an application/matter that directly affects a person's right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of Quasi-Judicial authority include town planning applications, building licences, applications for other permits/licences (eg under Health Act, Dog Act or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.</i> |
| <input checked="" type="checkbox"/> | Information    | <i>For the Council/Committee to note.</i>                                                                                                                                                                                                                                                                                                                                                                                                                                         |

## **Legislation / Strategic Plan / Policy:**

<b>Legislation</b>	Regulation 17 of the <i>Local Government (Audit) Regulations 1996</i>
<b>Integrated Planning and Reporting Framework Implications</b>	<b>Strategic Community Plan</b> Goal 8 - A city that delivers for its community
<b>Policy</b>	
Policy No and Name:	19.1 – Risk Management

## **Purpose and Background:**

The following Meeting Note is recorded in the minutes of the Audit and Risk Committee meeting held on 21 May 2018:

“10.2 New General Business

Commissioner Hammond requested that a report be presented to the next Committee Meeting listing all the Internal Audit recommendations for the last 3 years with their actions and completion dates.”

Information requested within the above meeting note is provided within Attachment 8.4A.

## **Details:**

Attachment 8.4A includes Internal Audit Recommendations issued from the 2015/16 to 2017/18 financial years inclusive. During this period recommendations were issued for the following audits:

- Management of Tenancies Audit July 2015;
- Rates Audit September 2015;
- Probity in Tendering Review December 2015;
- Information Security Review April 2016;
- Petty Cash Review March 2016;
- Parking Infringements Review March 2017; and
- Contract Management Review April 2018.

The following information on recommendations issued for the above audits is provided within Attachment 8.4A:

- Recommendation number and title;
- Risk rating;
- Summary of recommendation;
- Action Plan;
- Person(s) responsible for implementing the action; and
- Implementation of action/completion date.

As at the date of this report, three recommendations relating to the Contract Management Review April 2018 remain outstanding. Attachment 8.4A provides an up to date status on these recommendations.

### **Stakeholder Engagement**

No stakeholder engagement was undertaken in relation to this report.

### **Financial Implications:**

There are no financial implications related to this report.

### **Comments:**

It should be noted that it does not necessarily follow that recommendations to improve controls, process improvements etc will arise from internal audits carried out. The issue of recommendations is dependent on the adequacy of the control environment for the area under review by the Internal Audit team.

## ATTACHMENT 8.4A

## INTERNAL AUDIT RECOMMENDATIONS – 1 JULY 2015 TO 30 JUNE 2018

MANAGEMENT OF TENANCIES AUDIT JULY 2015		
Recommendation 1 – Database anomalies	Risk Rating	Medium
Summary of recommendation	Differences between area m2 as per lease agreement/documentation and Schedule of Leases (Schedule) to be addressed.	
Action Plan	Schedule to be amended with the area details that can be confirmed as correct.	
Person(s) responsible for implementing the action	Manager Properties Unit Leasing Officer	
Implementation of action/completion date	Where applicable, the Leasing Officer has amended the Schedule. Confirmation was obtained during November 2015 that the Schedule has been amended by the Leasing Officer to reflect correct area m2 for leases.	
MANAGEMENT OF TENANCIES AUDIT JULY 2015		
Recommendation 2 – Monitoring and review on leasing activity	Risk Rating	Medium
Summary of recommendation	A report on leasing activity (including information such as rent reviews due and completed, leases expiring, new leases negotiated, tenant disputes, legal issues, maintenance issues) be developed and included in the Financial Management Taskforce meeting agenda as well as the agenda for the Finance and Administration Committee meeting.	
Action Plan	Relevant reports to be developed.	
Person(s) responsible for implementing the action	Manager Properties Unit Senior Property Officer	
Implementation of action/completion date	A quarterly leasing report including information as described under summary of recommendation has been developed by the Senior Property Officer. Inclusion of this report in the agendas of the Financial Management Taskforce and Finance and Administration Committee meetings commenced in May 2016.	

MANAGEMENT OF TENANCIES AUDIT JULY 2015		
Recommendation 3 – Insurances	Risk Rating	Medium
Summary of recommendation	Follow up on outstanding insurance policies to be maintained by lessees to be undertaken. The spreadsheet record of insurances should be updated to show full details of insurance coverage (as per lease agreement) for all relevant tenancies.	
Action Plan	Follow up on outstanding insurance certificates and update spreadsheet record of insurances. Update spreadsheet record to show full details of insurance coverage.	
Person(s) responsible for implementing the action	Manager Properties Unit Leasing Officer	
Implementation of action/completion date	Follow up had been carried out on outstanding insurance policies by the Leasing Officer. As a result of this follow up it was confirmed in late November 2015 that insurance certificates of currency are outstanding for six tenancies (as per spreadsheet record the City maintained 54 tenancies at this time). It was also confirmed in late November 2015 that the spreadsheet record had been updated by the Leasing Officer to show full details of insurance coverage for tenancies. During this audit, the risk of liability to the City from insurance claims was investigated with relevant staff and found to be low. On this basis, a more appropriate risk rating for this recommendation would be low rather than medium. Given this low risk of liability no further action was considered necessary (other than continued follow up on outstanding insurance certificates by the Leasing Officer) and this recommendation was closed out.	
RATES AUDIT SEPTEMBER 2015		
Recommendation 1 – Amendments to rates system information	Risk Rating	Medium
Summary of recommendation	Controls over amendments to the following rates system information should be strengthened. <ul style="list-style-type: none"><li>• Rate types</li><li>• Rate journals</li><li>• Heritage rebates</li><li>• Interim rates valuations</li></ul>	



	<ul style="list-style-type: none"><li>• Penalty interest</li></ul>	
Action Plan	Actions to improve controls over amendments to the above rates system information to be undertaken.	
Person(s) responsible for implementing the action	Senior Rates Coordinator	
Implementation of action/completion date	Confirmation was obtained that controls over amendments to the above rates system information have been strengthened. This includes Supervisor checking on the processing of rate system updates/changes including the review of appropriate reports on these updates/changes. Relevant procedures have also been updated to include new controls over updates/changes to the above rates system information. Actions to improve these controls were put into place by the Senior Rates Coordinator over the period December 2015 to January 2016.	
PROBITY IN TENDERING REVIEW DECEMBER 2015		
Recommendation 1 – Timing of company/business name/number checks on recommended tenderer	Risk Rating	Low
Summary of recommendation	The Contracts Administration team to carry out company/business name/number checks prior to approval of the recommended tenderer. A procedure to enable these checks to be carried out before formal approval of recommended tenderer to be implemented.	
Action Plan	Contracts Administration team to now check ABN/ACN when reports are completed for submission to agenda settlement or to CEO (delegation authority report).	
Person(s) responsible for implementing the action	Contracts Administrator	
Implementation of action/completion date	Confirmation was obtained that company/business name/number checks are being carried out by the Contracts Administration team and Senior Contracts Officer (Construction and Maintenance Directorate) prior to submission for approval of reports recommending tenderer(s). This confirmation was obtained in July 2016 following the appointment of the abovementioned Senior Contracts Officer during this month/year.	

PROBITY IN TENDERING REVIEW DECEMBER 2015		
Recommendation 2 – Seeking clarifications or further information from tenderers	Risk Rating	Medium
Summary of recommendation	The reference to further information contained within clause 17.3 of The General Conditions of Tender to be deleted. Tender procedure PR0660 (Evaluation Panels for Assessing Tenders, Expressions of Interest and Quotations) to be made clear on pages 4 and 7 that only clarifications of information submitted from tenderers can be sought in writing.	
Action Plan	Amend clause 17.3 of General Conditions of Tender. Clarify wording in PR0660.	
Person(s) responsible for implementing the action	Contracts Administrator	
Implementation of action/completion date	The reference to further information within clause 17.3 of General Conditions of Tender has been deleted by the Contracts Administrator. Evidence of this deletion was provided on 14 April 2016. Tender procedure (PR0660 Evaluation Panels for Assessing Tenders, Expressions of Interest and Quotations) was amended on 9 February 2017 by the Procurement Specialist to make clear on pages 4 and 7 that only clarifications of information submitted from tenderers can be sought in writing.	
PROBITY IN TENDERING REVIEW DECEMBER 2015		
Recommendation 3 – Tenderer contact log	Risk Rating	Medium
Summary of recommendation	A contact log template should be established for usage by Project Officers to provide a formal record of all communications with tenderers.	
Action Plan	Implement a template and update procedures.	
Person(s) responsible for implementing the action	Contracts Administrator	
Implementation of action/completion date	Contact log template implemented on 1 February 2017 by the Procurement Specialist. Procedure PR0105 (Tendering for Goods and Services) was updated on 9 February 2017 by the Procurement Specialist to reference the contact log.	
PROBITY IN TENDERING REVIEW DECEMBER 2015		

<b>Recommendation 4 – Formal communications with tenderers</b>	<b>Risk Rating</b>	<b>Medium</b>
Summary of recommendation	Procedures covering formal communications with tenderers should be developed and made available to Project Officers.	
Action Plan	Clarify processes within procedures to inform project officers of requirements to include in specification.	
Person(s) responsible for implementing the action	Contracts Administrator	
Implementation of action/completion date	Procedure PR0105 (Tendering for Goods and Services) was updated on 9 February 2017 by the Procurement Specialist to provide guidance for formal communications with tenderers eg. during site visits, briefings.	
<b>PROBITY IN TENDERING REVIEW DECEMBER 2015</b>		
<b>Recommendation 5 – Evaluation Panel Checklist</b>	<b>Risk Rating</b>	<b>Medium</b>
Summary of recommendation	Evaluation Panel Checklist should be updated in a number of instances and check boxes provided against each listed item to evidence completion or satisfaction of listed items. Once updated a procedure should be put in place for the checklist to be completed by Project Officers for each tender.	
Action Plan	Update checklist. Strengthen requirement of checklist in procedures.	
Person(s) responsible for implementing the action	Contracts Administrator	
Implementation of action/completion date	Evaluation Panel Checklist updated as described above was provided to Internal Audit on 9 May 2016. Requirement for the checklist to be completed by Project Officers was included within procedure PR0660 (Evaluation Panels for Assessing Tender, Expressions of Interest and Quotations) on 9 February 2017 by the Procurement Specialist.	
<b>INFORMATION SECURITY REVIEW APRIL 2016</b>		
<b>Recommendation 1 – USB flash drives</b>	<b>Risk Rating</b>	<b>High</b>
Summary of recommendation	The introduction of suitable device control software to manage the usage of USB flash drives within the organisation is recommended.	

	Introduction of this software will enable risks such as data loss/leakage and malware introduction via USB flash drives to be minimized.	
Action Plan	Small project to investigate and implement suitable controls within the next three months. Outcomes to be reported to ITAC before progressing.	
Person(s) responsible for implementing the action	Project Manager/Team Leader Team Member/System Administrator	
Implementation of action/completion date	<p>Implementation of action to address this issue involved a number of steps as described below.</p> <p>The IS Programme Coordinator had initially been developing and seeking relevant approval of a draft End User IS Information Security Policy. Included within this policy is a section on permitted use of removable media including USB flash drives. Approval of this policy by ELG (Executive Leadership Group) was obtained on 19 December 2016. This policy was included within the City’s Organisational Policy Manual.</p> <p>A “Removable Media Security Pre-Project Assessment” was then undertaken by a Business Analyst within the Information Technology Unit over the first quarter of 2017. The final document for this assessment was provided to the Internal Auditor on 24 March 2017. The next step was to proceed to the Solution Design Phase based on details within this document and then seek ITAC (Information Technology Advisory Committee) approval prior to implementation.</p> <p>The IS Programme Coordinator worked with the IT Technical Architect to provide a solution to meet requirements. This solution arrived at was to use TrendMicro OfficeScan XG to track the transfer of data to removable media and enable user ID and file names to be logged and reviewed by IT Security. The City currently uses this application to scan incoming devices for viruses and other malware. ITAC endorsed this solution on 22 June 2017.</p> <p>Following a period of IT testing, the abovementioned OfficeScan solution was implemented at the City on 28 August 2017.</p>	
PETTY CASH REVIEW MARCH 2016		
Recommendation 1 – Petty Cash Fund Procedure	Risk Rating	Medium
Summary of recommendation	The existing Petty Cash Fund Procedure to be updated as outlined in the recommendation.	
Action Plan	Procedure to be updated to incorporate items listed in recommendation.	

Person(s) responsible for implementing the action	Banking Officer/Cashier, Budget and Capital Accountant	
Implementation of action/completion date	The Petty Cash Procedure (PR0961) has been updated in accordance with the recommendation. Updating of this procedure was completed in April 2017 and a corporate Intranet announcement on the updated procedure was made on the 20 April 2017.	
PETTY CASH REVIEW MARCH 2016		
Recommendation 2 – Petty Cash Disbursements	Risk Rating	Medium
Summary of recommendation	As discussed with Finance Unit staff, a listing of Unit Managers/staff (and signatures) authorized to sign the petty cash disbursement voucher is to be developed by the Banking/Cashier.	
Action Plan	Develop a list of Unit Managers authorized to sign petty cash disbursements.	
Person(s) responsible for implementing the action	Banking Officer/Cashier, Budget and Capital Accountant	
Implementation of action/completion date	A listing of Unit Managers and signatures authorised to sign the petty cash disbursement voucher has been developed by the Banking Officer/Cashier. The last Unit Manager signature was obtained on 9 May 2017.	
PETTY CASH REVIEW MARCH 2016		
Recommendation 3 – Cash Counts	Risk Rating	Medium
Summary of recommendation	Cash counts on petty cash funds/floats to be documented.	
Action Plan	Cash counts to be documented.	
Person(s) responsible for implementing the action	Banking Officer/Cashier, Budget and Capital Accountant	
Implementation of action/completion date	Evidence was obtained that cash counts are being documented from 28 September 2016.	
PETTY CASH REVIEW MARCH 2016		
Recommendation 4 – Reconciliation of subsidiary petty cash funds	Risk Rating	Medium
Summary of recommendation	A combined reconciliation/reimbursement standard form to be developed by the Banking Officer/Cashier and provided to custodians.	

	Reconciliation of subsidiary petty cash funds is to be undertaken by the custodians of these funds on a regular basis as per procedure PR0961.	
Action Plan	A standard form as described above to be developed and to be signed by petty cash custodian to provide evidence of reconciliation.	
Person(s) responsible for implementing the action	Banking Officer/Cashier, Budget and Capital Accountant	
Implementation of action/completion date	A combined reconciliation/reimbursement form has been developed by the Banking Officer/Cashier and was provided to Internal Audit on 19 September 2016. Evidence that this form is being used for reconciliation of petty cash and signed by Petty Cash Custodians from the month of September 2016 was obtained.	
PARKING INFRINGEMENTS REVIEW MARCH 2017		
Recommendation 1 – Access to parking infringement data on Pathway system	Risk Rating	Medium
Summary of recommendation	A number of staff access anomalies in regards to the Parking Infringement Module within the Pathway system were identified during the review. As per IT service request lodged, relevant Systems Administrator to review these anomalies and in conjunction with the Infringement Support Supervisor ensure appropriate access is in place. An access listing should be periodically obtained and reviewed by the Infringement Support Supervisor to ensure that staff access is valid and advising the System Administrator of any updates to access required.	
Action Plan	Follow up of IT service request as mentioned above. Include in the Infringement Support Coordinator’s ongoing work plan the quarterly review of Pathway infringement data access authorities. This is to include requesting amendments to any anomalies identified.	
Person(s) responsible for implementing the action	Systems Administrator Infringement Support Coordinator	
Implementation of action/completion date	In accordance with the IT service request, the Systems Administrator over late July and early August 2017 has reviewed and corrected access anomalies associated with the Parking Infringement Module within the Pathway system.	

	Although reviews of relevant access have taken place since the completion of the IT service request, a system of quarterly reviews was established and commenced by the Systems Administrator and Infringement Support Supervisor in June 2018.	
CONTRACT MANAGEMENT REVIEW APRIL 2018		
Recommendation 1 – Contractor Performance Reviews (Outstanding)	Risk Rating	High
Summary of recommendation	(a) Develop and disseminate a standard template and guidelines to assist Project Officers in carrying out contractor performance reviews. (b) The requirement for carrying out contractor performance reviews to be included as part of the proposed procurement training for the organization to be undertaken from July 2018. (c) The Contracts Section to develop a procedure to capture and monitor contractor performance reviews undertaken by Project Officers.	
Action Plan	(a) There is currently a template in MS Word (Contractor Performance Review Record) available to assist officers record information from a performance review. While it is not part of the current procurement team’s activities the team will develop guidelines to assist officers until a decision is reached on the City’s proposed procurement strategy. (b) The Procurement team are conducting a review of the current purchasing policy (CP9.7) (includes contractor performance reviews) with the aim to have this adopted by 30 June 2018. Post the adoption of the new purchasing policy the procurement team will conduct rounds of training to staff. The team agree to include information on contract management activities including performance reviews. (c) Given the management of contracts is maintained through a MS Excel spreadsheet there are limitations with the system. With the planned system changes proposed in the 2018/19 budget the team will implement a structured and efficient system to maintain contractor information. In the interim the Procurement team will develop a procedure for the project officers to notify the procurement team when a contract performance review has been conducted. The team will also consider changes to the current spreadsheet to enable enhanced reporting of the obligations.	
Person(s) responsible for implementing the action	Manager Finance Procurement Specialist	

Current status	<p>(a) A Contractor Performance Review template has been developed by the Contracts section for the completion of contractor performance reviews. The Contracts section have also drafted a new corporate procedure, Contractor Performance Reviews, Contract Extensions and Contract Variations, which provides guidance to staff in carrying out contractor performance reviews. The template and draft corporate procedure were provided to Internal Audit in late July 2018. Currently awaiting final approval of the template and corporate procedure prior to communication to the organisation.</p> <p>(b) Relevant training planned to be undertaken before end of 2018 calendar year.</p> <p>(c) Abovementioned corporate procedure requires staff to capture completed contractor performance review (template and supporting documentation) within the City’s record keeping system as well as provide notification of the review to the Contracts section for the recording on the Contracts Register and monitoring purposes. As mentioned above, currently awaiting final approval of the corporate procedure.</p>	
CONTRACT MANAGEMENT REVIEW APRIL 2018		
Recommendation 2 – Contract Variations (Outstanding)	Risk Rating	High
Summary of recommendation	<p>A procedure to report and capture contract variations within the Contracts Register to be developed and communicated within the organisation. This procedure should align within Policy 9.8.</p> <p>Contract variations once captured within the Contract Register to be reviewed and monitored by the Contracts Section.</p>	
Action Plan	<p>The draft Procurement Strategy will be presented to ELG which is currently structured to address this issue. In the interim changes to corporate procedures will be reviewed to provide greater visibility.</p>	
Person(s) responsible for implementing the action	<p>Manager Finance Procurement Specialist</p>	



Current status	A Contract Variation template has been developed by the Contracts section for the recording and approval of contract variations. The Contracts section have also drafted a new corporate procedure, Contractor Performance Reviews, Contract Extensions and Contract Variations, which provides guidance to staff in relation to key issues to be considered in managing contract variations. The abovementioned corporate procedure requires staff to capture contract variation (template and supporting documentation) within the City’s record keeping system as well as provide notification of the variation to the Contracts section for the recording on the Contracts Register and monitoring purposes. Contract Variation template and draft corporate procedure were provided to Internal Audit in late July 2018. Currently awaiting final approval of the template and corporate procedure prior to communication to the organisation.	
CONTRACT MANAGEMENT REVIEW APRIL 2018		
Recommendation 3 – Management of Contract Insurances (Outstanding)	Risk Rating	High
Summary of recommendation	It is recommended that an audit on insurance certificates for current contracts as recorded on the abovementioned Contracts Register is undertaken by the Contracts Section. This audit should seek to ensure that up to date insurances in accordance with contractual requirements are being maintained on Content Manager and correctly recorded on the register. Where missing required insurance certificates are identified these should be followed up and obtained from the contractor.	
Action Plan	System changes will be made following the adoption of the 2018/19 annual budget. A full audit of the insurances will be undertaken and changes made to the Contract Register to assist with further management of insurances.	
Person(s) responsible for implementing the action	Manager Finance Procurement Specialist	
Current status	Confirmation was obtained that the Contracts Section has undertaken a review and follow up of outstanding contract insurances as recorded on the Contracts Register. This follow up has been direct to contractors via email or letter. A secondary follow up was undertaken with project officers where a response was not received. As a result of this follow up it was determined that as at 27 July 2018, only three instances of expired insurances are recorded on the Contracts Register. The Contracts Register was reviewed and found to provide a	

	<p>record of up to date contract insurance details with the exception of five instances whereby expiry dates for insurances were highlighted as missing. Reminders have been issued to contractors in the above instances in order to obtain relevant current certificates of insurance.</p> <p>Sample testing was performed and has confirmed that records of contract insurance as maintained on the Contracts Register is in accordance with insurance certificate held within Content Manager.</p> <p>Progress has been made in obtaining up to date contract insurances and maintenance of current insurance details on the Contracts Register. Further follow up on the management of contract insurances is to be undertaken by Internal Audit prior to next Audit and Risk Committee meeting in November 2018.</p> <p>Update to procurement systems is anticipated by 30 June 2019.</p>
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**Agenda  
Item 8.5**

**Proposed Amendment to Internal Audit Plan 2018/19**

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**Recommendation:**

***That Council ENDORSES the proposed amendment to the Internal Audit Plan 2018/19 as detailed in Attachment 8.5A.***

FILE REFERENCE:	P102969-8
REPORTING UNIT:	Internal Audit
RESPONSIBLE DIRECTORATE:	Corporate Services
DATE:	25 June 2018
ATTACHMENT/S:	Attachment 8.5A - Amended Internal Audit Plan 2018/19

**Council Role:**

- |                                     |                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------------------------------|----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/>            | Advocacy       | <i>When the Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.</i>                                                                                                                                                                                                                                                                                                                                                     |
| <input checked="" type="checkbox"/> | Executive      | <i>The substantial direction setting and oversight role of the Council e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.</i>                                                                                                                                                                                                                                                                                                |
| <input type="checkbox"/>            | Legislative    | <i>Includes adopting local laws, town planning schemes and policies</i>                                                                                                                                                                                                                                                                                                                                                                                                           |
| <input type="checkbox"/>            | Quasi-Judicial | <i>When the Council determines an application/matter that directly affects a person's right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of Quasi-Judicial authority include town planning applications, building licences, applications for other permits/licences (eg under Health Act, Dog Act or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.</i> |
| <input type="checkbox"/>            | Information    | <i>For the Council/Committee to note.</i>                                                                                                                                                                                                                                                                                                                                                                                                                                         |

**Legislation / Strategic Plan / Policy:**

<b>Legislation</b>	Regulation 17 of the <i>Local Government (Audit) Regulations 1996</i>
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<b>Integrated Planning and Reporting Framework Implications</b>	<b>Strategic Community Plan</b> Goal 8 - A city that delivers for its community
-----------------------------------------------------------------	------------------------------------------------------------------------------------

<b>Policy</b>	
Policy No and Name:	19.1 - Risk Management

## **Purpose and Background:**

The Internal Audit Plan 2018/19 was approved by the Audit and Risk Committee held on 21 May 2018 and Council meeting held on **29 May 2018**.

A Special Audit and Risk Committee meeting was held on 19 June 2018. The following item is recorded in the minutes of this meeting:

“9.2 New General Business

### **Adjustment to Internal Audit Plan**

*The Manager Governance requested the Committee to consider an adjustment to the Internal Audit Plan related to tendering (noting a direct link to the proposed increase in Delegated Authority limits). The Committee requested that the Internal Auditor brief Mr Maurich and present the adjustment in the Internal Audit Plan to the next Audit and Risk Committee meeting”.*

As a result of the above meeting item, an amendment has been made to the Internal Audit Plan 2018/19 to include a tender audit.

The purpose of this report is to present the amended Internal Audit Plan 2018/19 for the consideration and endorsement of the Audit and Risk Committee.

## **Details:**

An increase in the delegated authority limit for the Chief Executive Officer (CEO) to accept tenders from \$500,000 to \$1 million (excl. GST) per annum in value was recently included as part of changes to existing Delegation 1.2.9 Expressions of Interest and Tenders. The changes to Delegation 1.2.9 were part of amendments to a number of delegations as per the Delegated Authority Review 2018/19 presented to Council on **26 June 2018**. Council has approved the amended delegations as part of this review including those within Delegation 1.29.

Due to the delegated authority limit for the CEO to accept tenders being increased to \$1 million, the Committee has requested that a tender audit be included within the Internal Audit Plan 2018/19. This audit has been included within the amended Internal Audit Plan 2018/19 (refer Attachment 8.5A). The objective of this audit is to obtain evidence to provide assurance that the tender evaluation and approval process is resulting in the acceptance of valid tenderer(s).

The tender audit has been scheduled within the amended Internal Audit Plan 2018/19 to be undertaken during the March/April 2019 period. Scheduling the completion of this audit during this timeframe will enable sufficient sample testing of tenders accepted under the increased CEO delegated authority limit. The tender audit will replace the Payment Vouchers Review which is considered to be of lesser audit priority.

Mr Maurich (Independent Chair of the Audit and Risk Committee) was an apology at the Special Audit and Risk Committee meeting held on 19 June 2018. As per the above minutes of this meeting, the Internal Auditor has briefed Mr Maurich on the proposed amendment to the Internal Audit Plan 2018/19 to include a tender audit as a replacement for the Payment Vouchers Review. Mr Maurich has agreed to this proposed amendment to the Internal Audit Plan 2018/19.

### **Stakeholder Engagement**

There has been no stakeholder and/or community consultation.

### **Financial Implications:**

There are no financial implications related to this report.

### **Comments:**

The City of Perth Internal Audit Plan is flexible in that it may be updated during the financial year for changing audit priorities. In addition to the abovementioned proposed amendment to the Internal Audit Plan 2018/19, during the 2017/18 financial year the Internal Audit Plan was updated for new audit priorities arising from the Organisational Capability and Compliance Assessment undertaken by Deloitte.



City of Perth

**Internal Audit Plan 2018/19**

Audit area (bold) and broad objective	Target for completion
<b>Compliance Audit Return Control Framework</b>  A review of the adequacy of systems and processes for facilitating compliance with requirements of the Local Government Act and its regulations as contained within the Compliance Audit Return.	Late July 2018
<b>2018 DRIVES24 (NSW)/VicRoads Security and Access Audits</b>  These audits are required to certify the City's compliance with obligations under access to registered driver detail agreements in place with NSW and Victorian Government Transport Authorities. Access to details on interstate registered drivers i.e. names and addresses are required by the City for the purposes of enforcing parking infringements incurred within the City's boundaries.	Late July 2018
<b>Scheduled Audit and Risk Committee Meeting 13 August 2018</b>	
<b>Review of Systems and Procedures</b>  As required by Regulation 17 of the Local Government (Audit) Regulations 1996, a review of the appropriateness and effectiveness of systems and procedures in relation to risk management, internal control and legislative compliance is required to be undertaken.	Mid October 2018
<b>Scheduled Audit and Risk Committee Meeting 5 November 2018</b>	
<b>Validation of Critical/Major Risk Mitigation Strategies</b>  This audit area will involve determining whether critical/major risk mitigation strategies are being adequately resourced, addressing the underlying causes of the nominated risks as well as assessing the effectiveness of strategies.	Early February 2019



### Internal Audit Plan 2018/19 (continued)

Audit area (bold) and broad objective	Target for completion
<b>Local Government Compliance Audit</b>  Completion of the Compliance Audit Return for the 2018 calendar year to be provided to the Department of Local Government, Sport and Cultural Industries. Assesses compliance with various sections of the Local Government Act and Regulations as per return template provided by the department.	Early February 2019
<b>Scheduled Audit and Risk Committee Meeting late February 2019 (Estimated)</b>	
<b>Purchasing</b>  This audit will seek to provide an assessment of compliance with key purchasing controls such as the obtaining of required quotations, segregation of purchasing duties and approvals in accordance with financial authority limits.	Late April 2019
<b>Tenders</b>  To obtain evidence to provide assurance that the tender evaluation and approval process is resulting in the acceptance of valid tenderers.	Late April 2019
<b>Scheduled Audit and Risk Committee Meeting late May 2019 (Estimated)</b>	
<b>Investments</b>  Review the process for managing the City's investments obtaining assurance that investment activity is meeting requirements of Policy 9.3 Management of Investments, procedure PR0894 Investment Procedures as well as legislative requirements.	Continue into July 2019
<b>2019 DRIVES24 (NSW)/VicRoads Security and Access Audits</b>  Refer above for broad objective.	Continue into July 2019



### Audit Activity Allocations

Activities	Budget Hours	% Budget Hours
<b>Internal Audits</b>		
Compliance Audit Return Control Framework Review	*169.00	5.30%
2018 DRIVES24 (NSW)/VicRoads Security and Access Audits	*169.00	5.30%
Review of Systems and Procedures	**474.50	14.89%
Validation of Critical/Major Risk Mitigation Strategies Review	226.75	7.11%
Local Government Compliance Audit	*350.00	10.98%
Purchasing Audit	207.25	6.50%
Tender Review	*312.50	9.80%
Investments	169.00	5.30%
2019 DRIVES24 (NSW)/VicRoads Security and Access Audits	*169.00	5.30%
<b>Total for Internal Audits</b>	<b>2247.00</b>	<b>70.48%</b>
*Includes Internal Auditor involvement eg review of working papers, summary of audit issues, report development, etc. ** Internal Auditor budget hours 252.00; Assistant Internal Auditor budget hours 222.50		
<b>Other Audit Activities</b>		
Internal Audit Plan 2019/20	105.00	3.29%
Follow up of Audit Recommendations	96.00	3.01%
Administration	230.00	7.22%
Advice/Assistance	100.00	3.14%
Audit & Risk Committee Report updates following management review/queries	67.50	2.12%
Audit & Risk Committee Attendance	12.00	0.38%
Training	45.00	1.41%
Contingency (eg investigations, unplanned reviews, projects, Audit & Risk Committee queries)	120.00	3.77%
Management/Supervision	135.00	4.24%
Other – forums, workshops, networking	30.00	0.94%
<b>Total Other Audit Activities</b>	<b>940.50</b>	<b>29.52%</b>
<b>Total</b>	<b>3,187.50</b>	<b>100%</b>

### Total Available Audit Staff Work Hours for FY 2018/19 (Estimated)

Position	Approx. Hours
Internal Auditor	1,567.50
Assistant Internal Auditor	1,620.00
<b>Total Hours</b>	<b>3,187.50</b>



## **Leave**

Leave is planned during the 2018/19 financial year as follows:

Internal Auditor – November/December 2018.

Assistant Internal Auditor – October 2018.

Agenda  
Item 8.6

**Internal Audit Plans 2015/16 to 2017/18 and Planned Internal Audits 2018/19 to 2020/21**

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**Recommendation:**

***That Audit and Risk Committee RECEIVES the Internal Audit Plans 2015/16 to 2017/18 and planned Internal Audits 2018/19 to 2020/21 as provided within Attachment 8.6A and 8.6B respectively.***

FILE REFERENCE:	P102969-8
REPORTING UNIT:	Internal Audit
RESPONSIBLE DIRECTORATE:	Corporate Services
DATE:	27 July 2018
ATTACHMENT/S:	Attachment 8.6A — Internal Audit Plans 2015/16 to 2017/18 Attachment 8.6B — Internal Audits Planned 2018/19 to 2020/21

**Council Role:**

- |                                     |                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------------------------------|----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/>            | Advocacy       | <i>When the Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.</i>                                                                                                                                                                                                                                                                                                                                                     |
| <input type="checkbox"/>            | Executive      | <i>The substantial direction setting and oversight role of the Council e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.</i>                                                                                                                                                                                                                                                                                                |
| <input type="checkbox"/>            | Legislative    | <i>Includes adopting local laws, town planning schemes and policies</i>                                                                                                                                                                                                                                                                                                                                                                                                           |
| <input type="checkbox"/>            | Quasi-Judicial | <i>When the Council determines an application/matter that directly affects a person's right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of Quasi-Judicial authority include town planning applications, building licences, applications for other permits/licences (eg under Health Act, Dog Act or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.</i> |
| <input checked="" type="checkbox"/> | Information    | <i>For the Council/Committee to note.</i>                                                                                                                                                                                                                                                                                                                                                                                                                                         |

## **Legislation / Strategic Plan / Policy:**

<b>Legislation</b>	Regulation 17 of the <i>Local Government (Audit) Regulations 1996</i>
<b>Integrated Planning and Reporting Framework Implications</b>	<b>Strategic Community Plan</b> Goal 8 - A city that delivers for its community
<b>Policy</b>	
Policy No and Name:	19.1 - Risk Management

## **Purpose and Background:**

The following Meeting Note is recorded in the minutes of the Audit and Risk Committee meeting held on 21 May 2018.

*“Commissioner McMath requested that the past three years audit plans be provided to Commissioners as well as a report to the next Audit and Risk Committee meeting and allowing for discussion on the proposed scope of audit for the next three years”.*

Information requested in the above meeting note is provided in Attachments 8.6A and 8.6B.

## **Details:**

### **Internal Audit Plans 2015/16 to 2017/18**

Attachment 8.6A includes Internal Audit Plans for the 2015/16 to 2017/18 financial years inclusive as approved by the Audit and Risk Committee and Council.

### **Internal Audits 2018/19 to 2020/21**

Included within Attachment 8.6B is a table summary on internal audits planned for the 2018/19 to 2020/21 financial years inclusive. Internal audits over this period have been summarised under the following headings.

- Compliance Audits;
- Validation of Critical/Major Risk Mitigation Strategies Reviews;
- Audits identified from discussions with the Audit and Risk Committee Chair and senior management; and
- Audits linked to operational and strategic risks from the risk register.

### **Compliance Audits**

Compliance audits within Attachment 8.6B shows two audits scheduled for completion in each of the next three financial years i.e. 2018/19, 2019/20 and 2020/21. These audits are the Local Government Compliance Audit and the DRIVES24 (NSW)/VicRoads Security and Access Audits.

A Compliance Audit Return which assesses compliance with various sections of the *Local Government Act 1995* and *Local Government (Audit) Regulations 1996* is completed as part of the Local Government Compliance Audit. This return is required to be provided to the Department of Local Government, Sport and Cultural Industries for each calendar year. For reasons of independence and objectivity, the Local Government Compliance Audit has been carried out by Internal Audit since 2014.

The DRIVES24 (NSW)/VicRoads Security and Access Audits are required to certify the City's compliance with obligations under access to registered driver detail agreements in place with NSW and Victorian Government Transport Authorities. Access to details on interstate registered drivers i.e. names and addresses are required by the City for the purposes of enforcing parking infringements incurred within the City's boundaries. Following a request received from the Parking Services Unit in 2014, these audits are undertaken each year over June/July.

As previously required by Regulation 17 of the *Local Government (Audit) Regulations 1996*, a review of the appropriateness and effectiveness of systems and procedures in relation to risk management, internal control and legislative compliance was to be undertaken at least once every two calendar years. The last review was completed by Internal Audit in October 2016 hence the inclusion of this review in the Internal Audit Plan 2018/19 (scheduled for September/October 2018 to meet the calendar year deadline of 31 December 2018). As part of the local government auditing reforms communicated to Local Governments in late June 2018, the timeframe for undertaking this review was amended in Regulation 17 to no less than once in every three financial years.

#### Validation of Critical/Major Risk Mitigation Strategies Reviews

A Validation of Critical/Major Risk Mitigation Strategies Review is also scheduled to be undertaken in each of the next three financial years i.e. 2018/19, 2019/20 and 2020/21. This review involves determining whether critical/major risk mitigation strategies are being adequately resourced, addressing the underlying causes of the nominated risks as well as assessing the effectiveness of strategies.

Risk mitigation strategies for critical/major risks as derived from risk workshops undertaken by the Governance Unit are to be examined for this review.

The Validation of Critical/Major Risk Mitigation Strategies Review provides assurance on the effectiveness of risk management processes, controls and treatments for key risks and in doing so is ensuring that the City is addressing the final stage (i.e. Implement Assurance Plan) of the "Road Map" of the Organisational Risk Management Maturity Assessment completed by LGIS (Local Government Insurance Services) Risk Management in 2016.

#### Audits identified from discussions with the Audit & Risk Committee Chair and senior management

In April of each year discussions are held between the Internal Auditor and the Audit & Risk Committee Chair as well as between the Internal Auditor and senior management to identify potential current and relevant risk based audits for inclusion within the Internal Audit Plan for the ensuing financial year. These discussions have resulted in the following audits being included within the 2018/19 Internal Audit Plan approved by the Audit and Risk Committee and Council in May 2018.

### *Compliance Audit Return Controls Review*

A review of the adequacy of controls for facilitating compliance with requirements of *the Local Government Act 1995* and its regulations as contained within the Compliance Audit Return.

### *Purchasing*

This audit seeks to provide an assessment of compliance with key purchasing controls such as obtaining of required quotations, segregation of purchasing duties and approvals in accordance with financial authority limits.

### *Payment Vouchers Review*

This review is planned to examine whether payment vouchers are being used in accordance with the corporate procedure and controls governing payment voucher claims are operating effectively.

A proposed amendment to the Internal Audit Plan 2018/19 to replace this review with a tender audit is the subject of another report within this agenda for the Audit and Risk Committee meeting to be held on 13 August 2018.

### *Investments*

An audit to evaluate whether the City has appropriate controls in place to manage its investment portfolio and providing assurance that requirements of investment policy/procedure as well as relevant legislation are being met.

The abovementioned discussions are to be undertaken in April 2019 and April 2020 to identify potential current and relevant audits for inclusion within the Internal Audit Plan for 2019/20 and 2020/21 respectively.

### Audits linked to operational and strategic risks from the risk register

As a result of conducting risk assessment workshops with business units, the Governance Unit has been compiling operational and strategic risks for inclusion within the City's risk register. Based on these risks recorded within the risk register the Risk Management Coordinator has put forward the following audits to be included as part of the abovementioned discussions on potential audits for inclusion within the respective Internal Audit Plan for the 2019/20 and 2020/21 financial years.

The scheduling of these audits in Attachment 8.6B was determined in conjunction with the Risk Management Coordinator and took into consideration relevant factors such as current initiatives underway to improve practices within the proposed area for review or date of last review.

It should be noted that the risk based audits proposed by the Risk Management Coordinator are valid as at the date of this report. The Governance Unit is continually reviewing the City's risks and as a result may identify new high priority risks which warrant inclusion within the abovementioned discussions on potential audits.

### *Cash Handling*

Cash handling has been identified as a high-risk area within the Operational Risk Register. A review of cash handling procedures at various City of Perth sites e.g. Customer Service Centre, Citiplace Rest Centre, Community Centre, Childcare Centre, to determine the adequacy of current controls in place to minimise risks of theft and fraud. This review is to also include examining cash in transit processes.

### *Fraud Control*

The requirement for fraud control was raised at the Finance Unit risk assessment workshop during discussions on the high risk of procurement. This fraud control review provides an assessment of Council's controls to prevent, detect and investigate fraudulent activity.

### *Properties (leases, arrears, strategy)*

This area has been identified as a high risk within the operational risk register. The adequacy of relevant controls including the Lease Register, arrears recovery processes and commercial property strategy is to be subject to review.

### *Information Technology (IT) Business Continuity and Disaster Recovery*

The abovementioned area has been rated as a medium risk within the Operational Risk Register. An assessment on the adequacy of Council's IT practices and procedures to support business continuity and disaster recovery.

### *Fleet Management*

Fleet management is a medium risk area as identified within the Operational Risk Register. The City has a considerable investment in fleet assets to support the City's operations. An assessment of the extent to which the City's is complying with policies and procedures as well as laws and regulations pertaining to fleet management.

### *Project Management*

The high-risk area of project management was identified within the Operational Risk Register. An audit to evaluate the adequacy of project management practices in place within the City.

### *Information Management*

Information management is another high-risk area as identified within the Operational Risk Register. An audit to examine whether the City is meeting both its Information Management Plan and legislative requirements.

### *Recruitment*

Compliance and alignment of the City's workforce plan within the Integrated Planning Reporting Framework. An assessment of how the workforce plan integrates and informs the corporate business plan is to be undertaken. Another high-risk area as identified within the Operational Risk Register.

### *Tenders*

Tenders are a traditional high-risk area for the City and included as such within the Operational Risk Register. The tender evaluation and approval process is to be reviewed.

### *Contract Management*

Contract management is in the same category as tenders as a high-risk area for the City. This review is to examine how effectively the City is managing its contracts after contracts have been awarded.

### **Stakeholder Engagement**

No stakeholder engagement was undertaken in relation to this report.

### **Financial Implications:**

There are no financial implications related to this report.

### **Comments:**

It should be noted that new audit priorities may arise which may lead to an amendment of an Internal Audit Plan. During the 2017/18 financial year the Internal Audit Plan was updated for new audit priorities arising from the Organisational Capability and Compliance Assessment undertaken by Deloitte. As mentioned above, a proposed amendment to the Internal Audit Plan 2018/19 to include a tender audit is the subject of another report on the agenda for the 13 August 2018 Audit and Risk Committee meeting.

The outcomes of the City of Perth Panel Inquiry, currently underway, may also emerge as a determinant of audit areas within ensuing Internal Audit Plans.

Assistance received from the Risk Management Coordinator in relation to addressing this Commissioner information request is appreciated.

**INTERNAL AUDIT PLANS 2015/16 TO 2017/18**

<b>City of Perth Internal Audit Plan 2015/16</b>	
<b>Audit area (bold) and broad objective</b>	<b>Target for completion</b>
<b>Management of Tenancies (commencing June 2015, carried forward from Internal Audit Plan 2014/15)</b>  A review on the management of tenancies for City of Perth properties. Aspects for review include timeliness and accuracy of lease payments as well as the carrying out of rental reviews in accordance with lease agreements.	Late July 2015
<b>VicRoads Audit</b>  An audit to certify compliance with obligations under the Information Protection Agreement which exists between the City of Perth and VicRoads as well as under applicable Privacy Laws. As per above mentioned agreement this audit is required to be carried out annually by 31 July 2015.  This audit has arisen as a result of a request for assistance from the Infringement Support section of the Compliance Services Unit.	Late July 2015
<b>Rates</b>  An audit to determine the adequacy of controls over the raising, collection and reconciliation of rates revenue.	Mid October 2015
<b>Purchasing</b>  A follow up audit to the Purchasing Review November 2014 to assess the validity of purchase orders being raised after receipt of goods or services. Purchase orders being raised after receipt of goods/services was identified as an issue during the November 2014 review.  This audit may also involve investigation into other potential anomalies in the purchasing process.	Mid October 2015
<b>Scheduled Audit and Risk Committee Meeting 2 November 2015</b>	
<b>Tenders</b>  This audit will examine the adequacy of controls surrounding the tender process within the City.	End December 2015
<b>Local Government Compliance Audit</b>  Completion of the Compliance Audit Return for the 2015 calendar year to be provided to the Department of Local Government and Communities. Assesses compliance with various sections of the Local Government Act and Regulations as per return template provided by the department.	Early February 2016
<b>Audit and Risk Committee Meeting late February 2016 (estimated)</b>	



<b>City of Perth</b> <b>Internal Audit Plan 2015/16 (continued)</b>	
<b>Audit Area (bold) and broad objective</b>	<b>Target for completion</b>
<b>Information Security</b>  A review of controls in place to prevent unauthorised access, usage, disclosure, disruption, modification, recording or destruction of information.	Late April 2016
<b>Petty Cash</b>  A review of the adequacy of controls over the petty cash floats being maintained by the City.	Late April 2016
<b>Audit and Risk Committee Meeting late May 2016 (estimated)</b>	
<b>Human Resources Review</b>  A review to assess the adequacy of existing controls and practices for dealing with workplace issues.  This review is a follow up to the Human Resources Review completed in April 2015.	Late June 2016
<b>VicRoads Audit</b>  Refer above for broad objective.	Commencing June 2016. To be completed before 31 July 2016

**City of Perth Internal Audit Plan 2016/17**

<b>Audit area (bold) and broad objective</b>	<b>Target for completion</b>
<p><b>Human Resources Review</b></p> <p>A review to assess the adequacy of existing controls and practices for dealing with workplace issues.</p> <p>This review is a follow up to the Human Resources Review completed in April 2015.</p>	Late July 2016
<p><b>2016 DRIVES24 (NSW)/VicRoads Security and Access Audits</b></p> <p>These audits are required to certify the City's compliance with obligations under access to registered driver detail agreements in place with NSW and Victorian Government Transport Authorities. Access to details on interstate registered drivers i.e. names and addresses are required by the City for the purposes of enforcing parking infringements incurred within the City's boundaries.</p>	Late July 2016
<b>Scheduled Audit and Risk Committee Meeting 8 August 2016</b>	
<p><b>Biannual Review of Systems and Procedures</b></p> <p>As required by amended regulation 17 of the Local Government (Audit) Regulations 1996 a review of the appropriateness and effectiveness of systems and procedures in relation to (a) risk management; (b) internal control; and (c) legislative compliance is to be undertaken (Department of Local Government and Communities requires report to Audit Committee and Council by December 2016).</p>	Early October 2016
<p><b>Project Assurance</b></p> <p>To determine whether there is adequate assurance that projects are on time, on budget and achieve intended outcomes.</p>	Early October 2016
<b>Scheduled Audit and Risk Committee Meeting 31 October 2016</b>	
<p><b>Contracts Administration</b></p> <p>Reviewing the adequacy of systems and controls in place to verify that contractors are invoicing in accordance with specifications and schedules of rates as contained within contract agreements.</p>	Late January 2017

**City of Perth Internal Audit Plan 2016/17 (continued)**

<b>Audit area (bold) and broad objective</b>	<b>Target for completion</b>
<b>Local Government Compliance Audit</b>  Completion of the Compliance Audit Return for the 2016 calendar year to be provided to the Department of Local Government and Communities. Assesses compliance with various sections of the Local Government Act and Regulations as per return template provided by the department.	Early February 2017
<b>Scheduled Audit and Risk Committee Meeting Late February 2017 (Estimated)</b>	
<b>Payroll</b>  An investigation into the accuracy of payroll calculations. Particular issues with payroll calculations have been brought to the attention of Internal Audit by the Director Corporate Services as well as the Director of Community and Commercial Services.	Mid April 2017
<b>Parking Infringements</b>  Evaluation of the adequacy and effectiveness of the processes and controls for the raising, collection and reconciliation of parking infringement revenue.	Mid April 2017
<b>Scheduled Audit and Risk Committee Meeting Early May 2017 (Estimated)</b>	
<b>Validation of Critical/Major Risk Mitigation Strategies</b>  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).	Late June 2017
<b>2017 DRIVES24 (NSW)/VicRoads Security and Access Audits</b>  Refer above for broad objective.	Late June 2017 (Continue into July 2017)



### Internal Audit Plan 2017/18

Audit area (bold) and broad objective	Target for completion
<b>Validation of Critical/Major Risk Mitigation Strategies – Part 1</b>  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).	Late July 2017
<b>2017 DRIVES24 (NSW)/VicRoads Security and Access Audits</b>  These audits are required to certify the City's compliance with obligations under access to registered driver detail agreements in place with NSW and Victorian Government Transport Authorities. Access to details on interstate registered drivers i.e. names and addresses are required by the City for the purposes of enforcing parking infringements incurred within the City's boundaries.	Late July 2017
<b>Scheduled Audit and Risk Committee Meeting 14 August 2017</b>	
<b>Data Analytics Review – Accounts Payable</b>  Review the results of data analytical tests on accounts payable as performed by Deloitte.	Mid October 2017
<b>Tender Evaluation Review</b>  To obtain evidence to provide assurance that the tender evaluation process is resulting in the recommendation of valid tenderers.	Mid October 2017
<b>Scheduled Audit and Risk Committee Meeting 4 November 2017</b>	
<b>Validation of Critical/Major Risk Mitigation Strategies – Part 2</b>  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).	Early February 2018



City of Perth

**Internal Audit Plan 2017/18 (continued)**

<b>Audit area (bold) and broad objective</b>	<b>Target for completion</b>
<b>Local Government Compliance Audit</b>  Completion of the Compliance Audit Return for the 2017 calendar year to be provided to the Department of Local Government and Communities. Assesses compliance with various sections of the Local Government Act and Regulations as per return template provided by the department.	Early February 2018
<b>Scheduled Audit and Risk Committee Meeting late February 2018 (Estimated)</b>	
<b>Data Analytics Review - Payroll</b>  Review the results of data analytical tests on payroll as performed by Deloitte.	Late April 2018
<b>Contract Management Review</b>  To determine how effectively the City is managing its contracts after contracts have been awarded. The management of contracts has been identified as a high risk area for the organisation.	Late April 2018
<b>Scheduled Audit and Risk Committee Meeting late May 2018 (Estimated)</b>	
<b>Investments</b>  Review the process for managing the City's investments obtaining assurance that investment activity is meeting requirements of Policy 9.3 Management of Investments, procedure PR0894 Investment Procedures as well as legislative requirements.	Late June 2018 (Continue into July 2018)
<b>2018 DRIVES24 (NSW)/VicRoads Security and Access Audits</b>  Refer above for broad objective.	Late June 2018 (Continue into July 2018)

**INTERNAL AUDITS PLANNED 2018/19 TO 2020/21**

<b>1. Compliance Audits</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
Local Government Compliance Audit	√	√	√
Review of Systems and Procedures	√		
DRIVES24 (NSW)/VicRoads Security and Access Audits	√	√	√
<b>2. Validation of Critical/Major Risk Mitigation Strategies Review</b>	√	√	√
<b>3. Audits identified from discussions with the Audit &amp; Risk Committee Chair and senior management</b>			
Compliance Audit Return Controls Review	√		
Purchasing	√		
Payment Vouchers Review (A proposed amendment to the Internal Audit Plan 2018/19 to replace this review with a Tender Audit is the subject of another report on the agenda for the 13 August 2018 Audit and Risk Committee meeting).	√		
Investments	√		
<b>4. Audits linked to operational and strategic risks from the risk register</b>			
Cash Handling		√	
Fraud Control		√	
Properties (Leases, Arrears Recovery, Commercial Strategy)		√	
Information Technology (IT) Business Continuity and Disaster Recovery		√	
Fleet Management		√	
Project Management			√
Information Management			√
Recruitment			√
Tenders			√
Contract Management			√

Agenda  
Item 8.7

Compliance Audits – City of Perth and New South  
Wales/Victorian Government Transport Authority Agreements

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**Recommendation:**

***That the Audit and Risk Committee RECEIVES the report, Compliance Audits - City of Perth and New South Wales/Victorian Government Transport Authority Agreements, as part of the Internal Audit Plan for 2017/18 and 2018/19.***

FILE REFERENCE:	P102969-8
REPORTING UNIT:	Internal Audit
RESPONSIBLE DIRECTORATE:	Corporate Services
DATE:	12 July 2018
ATTACHMENT/S:	N/A

**Council Role:**

- |                                     |                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------------------------------|----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/>            | Advocacy       | <i>When the Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.</i>                                                                                                                                                                                                                                                                                                                                                     |
| <input type="checkbox"/>            | Executive      | <i>The substantial direction setting and oversight role of the Council e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.</i>                                                                                                                                                                                                                                                                                                |
| <input type="checkbox"/>            | Legislative    | <i>Includes adopting local laws, town planning schemes and policies</i>                                                                                                                                                                                                                                                                                                                                                                                                           |
| <input type="checkbox"/>            | Quasi-Judicial | <i>When the Council determines an application/matter that directly affects a person's right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of Quasi-Judicial authority include town planning applications, building licences, applications for other permits/licences (eg under Health Act, Dog Act or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.</i> |
| <input checked="" type="checkbox"/> | Information    | <i>For the Council/Committee to note.</i>                                                                                                                                                                                                                                                                                                                                                                                                                                         |

**Legislation / Strategic Plan / Policy:**

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

**Integrated Planning and Reporting Framework Implications** **Strategic Community Plan**  
Goal 8 - A city that delivers for its community

**Policy**

Policy No and Name: 19.1 - Risk Management

**Purpose and Background:**

Access to interstate motor vehicle registration details are required by the City of Perth (the City) for the purposes of enforcing parking infringements incurred by interstate motor vehicle owners/drivers within the City's boundaries.

In 2014 the City entered into two agreements to access and use interstate motor vehicle registration details. These agreements are as follows:

- DRIVES24 Terms of Access Agreement (NSW Roads and Maritime Services (RMS)); and
- Information Protection Agreement (Roads Corporation of Victoria (VicRoads)).

New South Wales and Victoria are the only states/territories in which the City has an agreement with for accessing motor vehicle registration details.

The City is required by the abovementioned State Government Authorities to have a review undertaken for each financial year with respect to its compliance with the abovementioned agreements. Failure to carry out these audits by the due date may result in access to motor vehicle registration detail information being suspended by the relevant government authority which in turn affects the ability of the City to enforce and collect revenue from parking infringements incurred by NSW/Victorian motor vehicle owners/drivers.

Parking infringements are being managed by Legal Compliance and Infringement Services section (previously Infringement Support section) of the Parking Services Unit. In 2014, Internal Audit was requested by the Infringement Support section to carry out audits in relation to compliance with the abovementioned agreements. These compliance audits were undertaken by Internal Audit for the 2014/15 financial year and have been included within the approved Internal Audit Plan for each financial year since.

This report provides a summary of the abovementioned compliance audits completed for the 2017/18 financial year.

As per Pathway system records, during the 2017/18 financial year the City issued 259 parking infringements to New South Wales motor vehicle owners/drivers and 456 parking infringements to Victorian motor vehicle owners/drivers which raised revenue of \$20,220 and \$37,925 respectively.



## **Details:**

### **Compliance with DRIVES24 Terms of Access Agreement (RMS)**

NSW Roads and Maritime Services (RMS) is an agency of the New South Wales Government responsible for the registration of vehicles and the issuing of drivers licences in NSW.

The RMS vehicle registration and driver licensing system known as DRIVES is the electronic records management system operated by the RMS to process and record New South Wales vehicle registrations and driving licences. RMS use and disclosure of personal information contained on DRIVES is subject to the confidentiality provisions of the *Road Transport Act 2013* (NSW) and Privacy Laws (*Privacy Act 1988* (Cth) and *Privacy and Personal Information Protection Act 1998* (NSW)).

DRIVES24 is the interface by which the City obtains read-only access to DRIVES. An agreement to access DRIVES24 to obtain NSW motor vehicle registration information was entered into by the City on 29 May 2014.

Access to the DRIVES24 interface and the use of DRIVES Information has been granted by RMS and is restricted to staff within the Legal Compliance and Infringement Services section of the Parking Services Unit with a legitimate need for DRIVES Information i.e. to facilitate the issue of parking infringements and who have signed a DRIVES External User Account Request Form (Authorised Users). Under the DRIVES24 Terms of Access Agreement with RMS, the Infringement Support Team Leader is the Security Administrator. This position title has now changed to Coordinator Legal Compliance and Infringements.

The DRIVES24 Terms of Access Agreement provides for Authorised Users to access the records held in DRIVES24 for the purpose of enforcing the:

- *Road Traffic Act 1974* (WA); and
- *City of Perth Parking Local Law 2017*.

This audit comprised a review of the City's compliance with requirements of the abovementioned agreement categorised under the following broad guidelines:

- Use of DRIVES24 and DRIVES Information;
- Internal guidelines and procedures;
- Personnel security checks;
- Premises (local and remote access); and
- Records, audit and inspection.

Access logs for five out of six Authorised Users who accessed the DRIVES24 interface over January to March 2018 was provided by RMS. These access logs were required by RMS to be reviewed as part of this audit. A total of 56 searches were sighted on the access logs.

As per the DRIVES24 Terms of Access Agreement an annual audit report template and Compliance Audit Certificate (provided by RMS) were completed and submitted to RMS prior to the 29 May 2018 deadline.

The audit has found that the City has complied with the RMS DRIVES24 Terms of Access Agreement and Guidelines for the 2017/18 financial year.

No issues of concern were identified.

### **Compliance with Information Protection Agreement (VicRoads)**

Roads Corporation of Victoria (VicRoads) is the road and traffic authority in the state of Victoria. It is responsible for driver licensing and vehicle registration in this state. Use and disclosure of information maintained by VicRoads is subject to the confidentiality provisions of the *Road Safety Act 1986* (Vic), Privacy Laws (*Privacy Act 1988* (Cth) and *Information Privacy Act 2000* (Vic)).

The City's access to VicRoads information (the Information) was agreed on 12 February 2014 as per the Information Protection Agreement (IPA). Access and use of the Information is granted by VicRoads and is restricted to only those employees who have a genuine operational need to use the Information and have signed a Confidentiality Deed (Nominated Users). Under the IPA the Infringement Support Team Leader (now Coordinator Legal Compliance and Infringements) is the Organisation Representative.

The City obtains the Information (Victorian motor vehicle registration details i.e. vehicle owner names and addresses) from VicRoads via email containing a secure file attachment in order to enforce infringements as per the *City of Perth Parking Local Law 2017*.

The City is required to have a review undertaken for each financial year to assess compliance with the IPA.

A template was provided by VicRoads for the City to assess its compliance with the following IPA clauses:

- Clause 2 Principal confidentiality obligations;
- Clause 3 Protecting the confidentiality of the Information;
- Clause 5 Nominated users;
- Clause 6 Compliance reports;
- Clause 7 Annual audits;
- Clause 8 Record keeping and inspection;
- Clause 10 Organisation's Representative;
- Clause 12 Indemnity; and
- Clause 17 Notice.

The VicRoads compliance audit obtained assurance in relation to the following:

- Information being accessed (Victorian motor vehicle registration details) is for the permitted purpose (enforcing infringements) as per the IPA;
- Employees who have to use the VicRoads information only use it to the extent that he or she has a genuine operational need to use the Information i.e. enforcing infringements;
- Adequate measures are in place to ensure the physical and electronic security as well as the confidentiality of the Information being obtained from VicRoads;
- Currency and accuracy of the Nominated Users Register is being maintained;
- Employees using the VicRoads Information to carry out official duties have been properly authorised by the City and VicRoads;

- Appropriate records are being kept of each instance a Nominated User has gained access to the Information from VicRoads; and
- The Organisational Representative is aware of and carries out her role as per the IPA.

Sample testing (144 out of 287 motor vehicle registration searches in 2017/18) was used to obtain assurance of compliance for a number of clauses above. This sample size was based on recommended VicRoads sample percentage (50%) for searches as outlined in their audit template.

The audit identified compliance with seven of the above nine clauses of the IPA.

One instance of non-compliance (clause 3.1(d) of the IPA) was identified whereby a Confidentiality Deed was not signed by a new authorised Infringement Services Officer (commenced this role on 27 June 2017 and departed the City on 7 November 2017). This Infringement Services Officer used VicRoads Information to enforce infringements during this period. According to clause 3.1(d) of the IPA Agreement, the City must protect the confidentiality of the Victorian motor vehicle registration details by “ensuring that those Employees who have a genuine operational need to use the Information have signed a Confidentiality Deed”. Relevant staff within the Legal Compliance and Infringement Services section have acknowledged the above requirement and have amended the City’s VicRoads User Policy in regard to responsibilities for obtaining a Confidentiality Deed for authorised officers.

During the audit, it was also observed that the City did not comply with clause 7.4 of the IPA. Clause 7.4(a) of the IPA states “the Organisation’s Representative must attach a copy of the register of Nominated Users” to the previous completed Annual Audit Report. The previous Annual Audit Report (2016/17) was submitted to VicRoads on 12 July 2017. However, a copy of the register of Nominated Users was not attached to this report as per clause 7.4(a) of the IPA. Relevant staff within the Infringement Support section has acknowledged this requirement. It was confirmed that the register of Nominated Users was attached to the 2017/18 Audit Report and sent to VicRoads on 13 July 2018.

The completed and signed off annual audit report template was submitted to VicRoads prior to the 31 July 2018 deadline.

### **Stakeholder Engagement**

No stakeholder engagement was undertaken in relation to this report.

### **Financial Implications:**

There are no financial implications related to this report.

### **Comments:**

Cooperation and assistance received from a number of relevant staff within the Legal Compliance and Infringement Services section to enable the completion of these audits is appreciated.

Agenda  
Item 8.8

Internal Audit 2018/19 – Compliance Audit Return Controls  
Review

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**Recommendation:**

***That Council APPROVES the Compliance Audit Return Controls Review Report as part of the Internal Audit Plan 2018/19 as detailed in Attachments 8.8A and 8.8B.***

FILE REFERENCE:	P102969-8
REPORTING UNIT:	Internal Audit
RESPONSIBLE DIRECTORATE:	Corporate Services
DATE:	23 July 2018
ATTACHMENT/S:	Attachment 8.8A – Compliance Audit Return Controls Review Report Attachment 8.8B – Appendix (Summary of Proposed Control Improvements)

**Council Role:**

- |                                     |                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------------------------------|----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/>            | Advocacy       | <i>When the Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.</i>                                                                                                                                                                                                                                                                                                                                                     |
| <input checked="" type="checkbox"/> | Executive      | <i>The substantial direction setting and oversight role of the Council e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.</i>                                                                                                                                                                                                                                                                                                |
| <input type="checkbox"/>            | Legislative    | <i>Includes adopting local laws, town planning schemes and policies</i>                                                                                                                                                                                                                                                                                                                                                                                                           |
| <input type="checkbox"/>            | Quasi-Judicial | <i>When the Council determines an application/matter that directly affects a person's right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of Quasi-Judicial authority include town planning applications, building licences, applications for other permits/licences (eg under Health Act, Dog Act or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.</i> |
| <input type="checkbox"/>            | Information    | <i>For the Council/Committee to note.</i>                                                                                                                                                                                                                                                                                                                                                                                                                                         |

**Legislation / Strategic Plan / Policy:**

<b>Legislation</b>	Regulation 17 of the <i>Local Government (Audit) Regulations 1996</i>
<b>Integrated Planning and Reporting Framework Implications</b>	<b>Strategic Community Plan</b> Goal 8 - A city that delivers for its community
<b>Policy</b>	
Policy No and Name:	19.1 - Risk Management

**Purpose and Background:**

Approval of the Compliance Audit Return Controls Review completed in accordance with the Internal Audit Plan 2018/19.

**Details:**

The findings of this review are detailed in the attached Attachments 8.8A and 8.8B.

**Stakeholder Engagement**

No stakeholder engagement was undertaken in relation to this report.

**Financial Implications:**

There are no financial implications related to this report.

**Comments:**

Nil.



City of Perth

# **Compliance Audit Return Controls Review**

**July 2018**

**FINAL REPORT**

**Review Undertaken By:**

**Mario Cheldi, Internal Auditor  
Niloha Mendoza, Assistant Internal Auditor**

<b>Areas for review</b>	Controls facilitating compliance with legislative requirements as listed within the Compliance Audit Return.
<b>Period of Review</b>	June/July 2018
<b>Background Information</b>	<p>Western Australian local governments are required to complete a Compliance Audit Return annually to the Department of Local Government, Sport and Cultural Industries in accordance with the requirements of the <i>Local Government (Audit) Regulations 1996</i>.</p> <p>The return is a checklist of a local government's compliance with the requirements of the <i>Local Government Act 1995</i> (the Act) and its regulations. It focuses on areas considered high risk as determined by the department.</p> <p>Compliance with legislative requirements under the following sections was assessed within the 2017 Compliance Audit Return.</p> <ul style="list-style-type: none"> <li>• Commercial Enterprises by Local Government</li> <li>• Delegation of Power/Duty</li> <li>• Disclosure of Interest</li> <li>• Disposal of Property</li> <li>• Elections</li> <li>• Finance</li> <li>• Integrated Planning and Reporting</li> <li>• Local Government Employees</li> <li>• Official Conduct</li> <li>• Tenders for Providing Goods and Services</li> </ul> <p>The annual Compliance Audit Return for the City of Perth is completed by Internal Audit as part of the Local Government Compliance Audit. This audit requires sourcing of evidence of compliance for each legislative requirement on the return. Due to reasons of independence and objectivity, the Local Government Compliance Audit has been carried out by Internal Audit since 2014.</p> <p>For the 2016 and 2017 calendar years the Local Government Compliance Audit had identified a number of non-compliances in meeting requirements of the Act and its regulations as contained within the Compliance Audit Return.</p> <p>At the Audit and Risk Committee meeting of 19 March 2018 concerns were raised by committee members at the nature and number of non-compliances identified for the 2017 Local Government Compliance Audit. As indicated within the report on this audit presented at the abovementioned committee meeting, responsible areas of the City had proposed to improve controls for facilitating compliance with items in the Compliance Audit Return.</p> <p>During discussions on potential audit areas for the Internal Audit Plan 2018/19, the Independent Chair of the Audit and Risk Committee had proposed an audit to review the adequacy of controls for facilitating compliance with the</p>

requirements of the Act and its regulations as contained within the Compliance Audit Return.

This Compliance Audit Return Controls Review was therefore included within the draft Internal Audit Plan 2018/19 which was subsequently approved by the Audit and Risk Committee and Council in May 2018.

**Objective of the Review**

The objective of this review is to obtain evidence to provide assurance that controls for facilitating compliance with requirements of the *Local Government Act 1995* and its regulations are adequate.

**Scope of the Review**

This review is focused on items of non-compliance as identified within the 2017 Compliance Audit Return under the following sections.

- Delegations of Power/Duty (1 item)
- Disclosure of Interest (5 items)
- Disposal of Property (1 item)
- Elections (1 item)
- Finance (1 item)
- Local Government Employees (1 item)
- Tenders for Providing Goods and Services (1 item)

A total of eleven non-compliant items were reviewed.

Adequacy of current (i.e. at time of this review) controls for facilitating compliance with these 2017 non-compliant items were assessed. These current controls may comprise work processes, procedures (unit specific or corporate), policies (Council or Organisational), delegations of authority, reports, among others.

**Approach to the Review**

The following steps were undertaken in completing this review:

- A preliminary review was carried out including a risk assessment.
- Details on non-compliant items within the Compliance Audit Return 2017 were examined.
- Current controls on these non-compliant items were researched.
- Discussions were then held with relevant staff responsible for managing compliance with the abovementioned items in the 2017 Compliance Audit Return. These discussions were used to identify/confirm current controls and any plans to improve existing controls or implement new controls.
- The adequacy of the current controls was assessed in line with “measure of existing controls” which is part of the City’s Risk Assessment Criteria.
- Suggestions to improve these current controls were made and agreed with relevant staff and management.
- Work undertaken was documented within audit working papers.
- A report (this report) was then drafted summarising the results of this review.
- The final report will be included in the agenda for the Audit and Risk Committee Meeting to be held on the 13 August 2018.



**Conclusion** Evidence was obtained to provide assurance that controls for facilitating compliance with requirements of the *Local Government Act 1995* and its regulations are adequate for a number of items reviewed. However, in other instances these controls were identified as not facilitating compliance with the above legislation.

Proposed control improvement(s) for each item reviewed were discussed and agreed with relevant staff and management.

A summary of the proposed control improvements is provided within the Appendix to this report.

**Areas reviewed** Current controls over the following non-compliant items within the 2017 Compliance Audit Return were reviewed.

### **Delegation of Power/Duty section**

#### Limits on Council delegations to the CEO

*Compliance Audit Return Item 6: Did the powers and duties of the Council delegated to the CEO exclude those as listed in section 5.43 of the Act?*

The 2017 Compliance Audit Return highlights one instance of non-compliance whereby the CEO authorized a Director to sign documents on behalf of the City of Perth.

#### *Summary of legislative requirement*

Section 5.43 of the Act lists a number of powers and duties that cannot be delegated to the CEO (must be exercised by the Council only) as follows:

- (a) any power or duty that requires a decision of an absolute majority or a 75% majority of the local government;
- (b) accepting a tender which exceeds an amount determined by the local government for the purpose of this paragraph;
- (c) appointing an auditor;
- (d) acquiring or disposing of any property valued at an amount exceeding an amount determined by the local government for the purpose of this paragraph;
- (e) any of the local government's powers under section 5.98, 5.98A, 5.99, 5.99A or 5.100;
- (f) borrowing money on behalf of the local government;
- (g) hearing or determining an objection of a kind referred to in section 9.5;
- (ha) the power under section 9.49A(4) to authorise a person to sign documents on behalf of the local government;
- (h) any power or duty that requires the approval of the Minister or the Governor;
- (i) such other powers or duties as may be prescribed."

The abovementioned non-compliance relates to section 5.43(ha) above. Section 9.49A(4) of the Act (Execution of documents) states that "A local government

may, by resolution, authorise the chief executive officer, another employee or an agent of the local government to sign documents on behalf of the local government, either generally or subject to conditions or restrictions specified in the authorization.”

#### *Current controls*

The City has a number of controls that set the limits for delegating powers and duties. These controls are listed below.

- Organisational Policy Manual - OP [1] Decision Making Framework;
- Policy 10.9 - City of Perth Common Seal and Document Signing Authority;
- Delegated Authority Register (including amendments/reviews);
- Statutory Authorizations Register;
- Corporate Procedure PR0573 – Delegated Authority – Decision Making Framework;
- Corporate Procedure PR1003 Statutory Authorisations;
- Corporate Procedure PR0572 Document Sign CEO and/or Lord Mayor – General or by Common Seal.

It was identified that insufficient information in relation to section 5.43 of the Act is included within the above policies, procedures and registers. As such these controls are not considered to be adequate in terms of facilitating compliance with this item.

#### *Proposed control improvements*

The Governance Coordinator has agreed to include relevant information on section 5.43 of the Act within the abovementioned current controls.

Training on delegated authorities is included within the Annual Training Plan for Governance Unit staff. It was agreed with the Governance Coordinator that section 5.43 of the Act be included within this training.

Refer to the Appendix for summary of proposed control improvements.

#### **Disclosures of Interest section**

##### Primary and Annual Returns

*Compliance Audit Return Item 5: Was a primary return lodged by all newly designated employees within three months of their start day.*

The 2017 Compliance Audit Return highlights twelve designated employees who did not lodge a Primary Return within three months of their start date.

*Compliance Audit Return Item 7: Was an annual return lodged by all designated employees by 31 August 2017.*

The 2017 Compliance Audit Return highlights five designated employees who did not lodge an Annual Return by 31 August 2017.

*Summary of legislative requirement*

Section 5.75(1) of the Act states as follows:

“A relevant person other than the CEO must lodge with the CEO a primary return in the prescribed form within 3 months of the start day.”

Section 5.76(1) of the Act states as follows:

“Each year, a relevant person other than the CEO must lodge with the CEO an annual return in the prescribed form by 31 August of that year.”

*Current controls*

The following have been identified as the key controls for the collection and lodgment of Primary and Annual Returns.

- Policy 10.1 Code of Conduct. Clause 3.5 Disclosure of Information in Returns states that “Elected Members and Designated Employees must provide primary and annual returns in accordance with the requirements of Division 6 of Part 5 of the *Local Government Act 1995*.”
- PR0934 Financial Interest Returns – Primary and Annual. This corporate procedure is used by the Governance Unit for identifying relevant persons for the collection and follow up of Primary and Annual Returns.
- Delegated Authority Register which contains a record of designated employees.
- Register of Primary and Annual Returns. This register records relevant persons Primary and Annual Returns and is used as a mechanism for follow up on the collection of these returns.
- Business Objects (software) reports showing employee movements (new starters, terminations, position title changes, transfers and higher duties/acting positions) on the Empower human resource system. These reports are provided by the Information Technology Unit and reviewed by the Governance Coordinator on a monthly basis to identify employees with a delegated authority who are required to lodge a Primary/Annual Return. Since March 2018, Business Objects reports have been improved to capture secondments and higher duties/acting positions.

Controls for facilitating compliance with this item has improved since completion of the 2017 Local Government Compliance Audit Return. Currently, these controls are considered adequate with further improvements identified below.

*Proposed control improvements*

Further improvements to controls have been proposed by Internal Audit and agreed by the Manager Governance and Governance Coordinator. These control improvements are described below.

- Policy 10.1 Code of Conduct
  - Include references to key procedures that relevant persons should refer to in relation to lodging Primary and Annual Returns.

- PR0934 Financial Interest Returns - Primary and Annual
  - Include a process for monitoring Primary and Annual Returns for new/amended delegations originating from the Governance Unit and approved by the CEO.
  - Include consequences of not complying with the requirement of lodging a primary or annual return within timeframes.
  - Updates to reflect current processes e.g. types of employee movement information on Business Objects reports to be monitored for identifying relevant persons for collection of Primary Returns.
- Delegated Authority Register
  - Include the requirement of completing financial returns (employees with delegated authority for more than three months) in the notes section.
- Staff awareness training on disclosure of interest in returns.

During this audit, it was identified that the Governance Unit have included within their 2018/19 Business Plan objectives the implementation of a software tool for managing gifts and Primary and Annual Returns. The Manager Governance has confirmed that this software is planned to be implemented during the 2018/19 financial year.

The critical factor of non-compliance in this area is lack of reliable information through Human Resource & Payroll systems. The Governance Unit has been liaising with the team responsible for implementing the new HRIS (Human Resources Information System) with the objective of this system being able to provide a sole source of information on employee movements. The provision of this information is expected with the implementation of HRIS during the 2018/19 financial year.

Refer to the Appendix for summary of proposed actions to improve controls.

#### Recording of disclosures of interest

*Item 10: Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70 and 5.71, in the form prescribed in Administration Regulation 28.*

The 2017 Compliance Audit Return highlights three instances of disclosures of interest made at a Committee/Council meeting but not recorded within the register.

#### *Summary of legislative requirement*

Sections 5.65, 5.70 and 5.71 deal with disclosures of interest as follows:

5.65 - disclosures of interests made by members at Committee/Council meetings.

5.70 - employees disclosing interests relating to advice or reports.

5.71 - employees disclosing interests relating to delegated functions.

Administration Regulation 28 states that the register of financial interests is to be in a form that sets out -

- “(a) in relation to each disclosure made under section 5.65, 5.70 or 5.71 –
- (i) the date of the disclosure;
  - (ii) the nature of the interest disclosed; and
- (b) in relation to each disclosure made under section 5.65 or 5.70 where the extent of the interest has also been disclosed, the extent of the interest; and
- (c) in relation to each disclosure made under section 5.65 or 5.70 –
- (i) the date of the meeting at which the matter will be or was discussed; and
  - (ii) the number and details of the matter’s agenda item at the meeting.”

#### *Current controls*

The following relevant controls were identified as described below.

- A spreadsheet, Financial Interest and Non-Financial Interest Register (register), is being maintained by the Governance Unit for the recording of disclosures of interests made under sections 5.65, 5.70 or 5.71. This register is set out in accordance with Administration Regulation 28 regulation with the one exception of a provision for recording details of the matter’s agenda item at the meeting (refer Administration Regulation 28(c)(ii) above).
- Procedure PR0700 – Financial Interest Disclosure Register. PR0700 presently only includes information on obtaining the hard copy Disclosure of Interest Forms and placing them on the physical register file for public inspection. This procedure does not provide clear instructions on the recording of disclosures of interest (both provided on Disclosures of Interest Form and verbally) within the spreadsheet register or the requirement for monitoring the recording of disclosures of interest.

Due to the abovementioned shortcoming with the register and procedure PR0700, overall controls for facilitating compliance with this item are considered to be inadequate.

#### *Proposed control improvements*

Procedure PR0700 to be updated to include the process for recording disclosures of interest within the spreadsheet, Financial and Non-Financial Interest Register and monitoring of these disclosures of interest.

In addition, a column for recording details of the matter’s agenda item at the meeting is to be inserted within the register.

Refer to the Appendix for summary of proposed actions to improve controls.

#### Removal of returns from register

*Item 11: Has the CEO removed all returns from the register when a person ceased to be a person required to lodge a return under section 5.75 or 5.76.*

The 2017 Compliance Audit Return highlights one instance of non-compliance whereby an employee who ceased to be a designated employee in 2017 was not removed from the Primary and Annual Return Register.

*Summary of legislative requirement*

5.88(3) of the Act states the following:

“As soon as is practicable after a person ceases to be a person who is required under section 5.75 or 5.76 to lodge a return, the CEO is to remove from the register all returns relating to that person”.

*Current controls*

The following are the identified controls for removing returns from the Primary and Annual Return register when a person ceased to be a person required to lodge a return under section 5.75 or 5.76.

- Corporate procedure, PR0934 Financial Interest Returns – Primary and Annual. Section 5 of this procedure deals with identification of relevant persons (elected members or employees) and removal of their Primary and Annual returns from the register.
- Business Objects reports on employee movements (new starters, terminations, position title changes, transfers and higher duties/acting positions) as recorded on the Empower human resource system. These reports are provided by the Information Technology Unit and reviewed by the Governance Coordinator on a monthly basis to identify employees with a delegated authority (via listing of positions/staff with a delegated authority) who due to termination, position title change, transfer or completion of a higher duties stint are no longer a designated employee and therefore required to have their returns removed from the Primary and Annual Return Register. Since March 2018, Business Objects reports have been improved to capture secondments and higher duties/acting positions.

Controls for facilitating compliance with this item has improved since completion of the 2017 Local Government Compliance Audit Return. Currently, these controls are considered adequate with further improvements identified below.

*Proposed control improvements*

PR0934 is required to be updated to reflect the full suite of Business Objects reports currently being received and reviewed as described above. Presently this procedure mentions Business Objects reports on employee terminations and transfers only. The Governance Coordinator has acknowledged this requirement and has advised that this procedure will be updated accordingly.

In addition, the Governance Coordinator has proposed that PR0934 include a monthly audit to ensure that returns have been removed from the Primary and Annual Return Register and Content Manager (record keeping system) files have been updated for ceased designated employees.

Refer to the Appendix for summary of proposed actions to improve controls.

Employees interests when providing advice/report to Committee/Council

*Item 14: Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to the Council or a Committee, did that person disclose the nature of that interest when giving the advice or report.*

The 2017 Compliance Audit Return highlights one instance of non-compliance whereby an employee did not disclose an interest in a matter in which the employee provided a report to Council. This report was in relation to a tender outcome.

*Summary of legislative requirement*

Section 5.70(2) of the Act states the following:

“An employee who has an interest in any matter in respect of which the employee is providing advice or a report directly to the council or a committee must disclose the nature of the interest when giving the advice or report”.

*Current controls*

The following current controls were found to be in place.

- Code of Conduct Policy 10.1. This policy applies to elected members, external committee members and employees. Part 3 of this policy deals with conflict and disclosure of interests. This section of the policy provides guidance on the nature of conflicts of interests (financial and non-financial, proximity and impartial). The requirement for employees to disclose these interests before meetings when providing advice or a report directly to Council or Committee is described in item 3.4.2 of this Code.
- City of Perth Statement of Business Ethics. This statement provides guidance for all sectors of the community when conducting business with the City of Perth. It references the requirement for all City employees, elected members, committee members, contractors and business partners to disclose any actual, perceived or potential conflicts of interest. The Statement of Business Ethics is a standard inclusion within tender documentation.
- Tender Evaluation Workbook. This workbook was introduced at the City in February 2018 and is required to be completed for all tender and formal quotations. Included within this workbook is a section on employee disclosure of interest requirements in relation to tenders/formal quotations and links are provided to relevant disclosure of interest forms.

The Code of Conduct Policy 10.1 provides relevant general information in regard to employees disclosing interests when providing advice/report directly to Committee or Council. Implementation of the Tender Evaluation Workbook as described above represents an improvement in controls when providing advice/report in connection with tenders.

Although the above controls provide some information on the legislative

requirement for employees to disclose interests when providing advice/report directly to Committee or Council, a procedure to provide a more comprehensive guidance to employees on this requirement should be in place e.g. employees disclosing interests when providing advice/report directly to Committee or Council in regard to sponsorships, grants.

Even though some adequate controls are in place, further improvements in controls are warranted for facilitating compliance with this item as described below.

*Proposed control improvements*

As mentioned above, a procedure to provide a more comprehensive guidance to employees on the requirement for employees disclosing interests when providing advice/report directly to Committee or Council to be developed and communicated within the organization.

The Manager Governance has also proposed that employee disclosures of interest be included as a standing item prior to the discussion on Committee/Council reports being presented at the agenda settlement meeting.

Refer to the Appendix for summary of proposed actions to improve controls.

**Disposal of Property section**

Local Public Notice

*Item 1: Was local public notice given prior to disposal for any property not disposed of by public auction or tender (except where excluded by Section 3.58(5)).*

The 2017 Compliance Audit Return highlights two instances of non-compliance whereby no public notice was given prior to disposal of a City's property.

*Summary of legislative requirement*

Relevant subsections within section 3.58 of the Act provides methods of disposal of property i.e. public auction, public tender and giving local public notice before agreeing to dispose of the property. The relevant subsections are provided below.

“(2) Except as stated in this section, a local government can only dispose of property to —

- (a) the highest bidder at public auction; or
- (b) the person who at public tender called by the local government makes what is, in the opinion of the local government, the most acceptable tender, whether or not it is the highest tender.”

“(3) A local government can dispose of property other than under subsection (2) if, before agreeing to dispose of the property—

- (a) it gives local public notice of the proposed disposition...”



Section 3.58(5) of the Act deals with disposition of property which is excluded from the application of section 3.58 of the Act including any other disposition that is excluded by regulations i.e. Regulation 30 of the *Local Government (Functions and General) Regulations 1996*.

#### *Current Controls*

The City has in place a number of controls as follows:

- Policies
  - Policy 9.14 Disposal of Property
  - Policy 9.12 Asset Management
  - Policy 9.15 Contributed Asset Policy
- Delegated Authority 1.2.10 – Disposing of Property
- Asset Management Disposal Procedure PR1125
- Asset Disposal Form – Delegated Authority Approval

It was noted that there are five additional methods of disposal of properties i.e. destruction, landfill, contribution, donation, other e.g. recycling included within Policy 9.14 and the Asset Disposal Form. This policy and form does not specify that requirements of section 3.58(2) and 3.58(3) of the Act need to be considered prior to employing these additional methods of disposal.

In addition, there is insufficient information within the abovementioned Policy 9.14 and PR1125 regarding local public notices for disposals as well as disposition of property which is excluded from the application of section 3.58 of the Act.

As a result of Policy 9.14, procedure PR1125 and Asset Disposal Form not being aligned with legislation, current controls for facilitating compliance with this item are considered to be inadequate.

#### *Proposed control improvements*

A requirement to better align relevant policy, procedure and form with section 3.58 of the Act and Regulation 30 of the *Local Government (Functions and General) Regulations 1996* has been discussed with the Manager Asset Management.

The Manager Asset Management has agreed with the audit observations and undertaken to amend the abovementioned policy, procedure and form to achieve alignment with section 3.58 of the Act and Regulation 30 above.

In addition, the Manager Asset Management has agreed to make a number of other improvements to the above controls in order to provide better guidance to relevant staff in regard to disposal of property.

Refer to the Appendix for summary of proposed actions to improve controls.

**Elections section**Electoral Gift Register

*Item 1: Did the CEO establish and maintain an electoral gift register and ensure that all 'disclosure of gifts' forms completed by candidates and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the candidates.*

The 2017 Compliance Audit Return highlights one instance of non-compliance whereby a disclosure of gift form completed and lodged by a candidate was not placed on the electoral gift register.

*Summary of legislative requirement*

Section 30G (1) of the Local Government (Elections) Regulations 1997 states the following:

"The CEO is to establish and maintain an electoral gift register".

*Current controls*

An electoral gift register (spreadsheet) is being maintained by the Governance Unit for the recording of disclosure of gift forms completed and received from both candidates and donors. This register was reviewed and found to be in an adequate format to record relevant details of these gift disclosures.

However, there is no documented procedure within the Governance Unit in relation to the recording of disclosure of gift forms received and as such controls are considered to be inadequate for facilitating compliance with this item.

*Proposed control improvements*

Development of a procedure which will facilitate the adequate recording and monitoring on the register of gift disclosure forms received from both candidates and donors.

Refer to the Appendix for summary of proposed actions to improve controls

**Finance section**Plan for the audit

*Item 12: Did the agreement between the local government and its auditor include a plan for the audit.*

The 2017 Compliance Audit Return highlights that the Audit Plan was not provided by the City's Auditor for the audit for the year ended 30 June 2017.

*Summary of relevant legislation*

Local Government (Audit) Regulations 1996 Regulation 7 states “An agreement between a local government and an auditor is to include —

- (a) the objectives of the audit; and
- (b) the scope of the audit; and
- (c) a plan for the audit; and
- (d) details of the remuneration and expenses to be paid to the auditor; and
- (e) the method to be used by the local government to communicate with, and supply information to, the auditor.”

*Current controls*

The following are identified as the key controls for meeting this legislative requirement.

- Contract 111-15/16 Provision of Audit Services, specification 5.8 states that the abovementioned regulation 7 requirements are to be provided prior to the commencement of the audit and for each subsequent audit by the City’s Auditor. This contract is valid until 31 August 2018.
- Audit and Risk Committee Terms of Reference item 3(e)(ii) states that “the Committee is to review and make recommendations to the Council regarding... the integrity, adequacy and effectiveness of the City’s Internal Audit Plan and External Audit Plan”.

During the completion of the 2017 Compliance Audit Return in early 2018, regulation 7 requirements including the plan for the audit were highlighted to the external auditor by both Internal Audit and the Chief Accountant. The external auditor provided acknowledgement on these legislative requirements. As a result of this follow up, a plan for the audit was provided for the year ended 30 June 2018 by the external auditor and presented at the Special Audit and Risk Committee meeting held on 19 June 2018.

Abovementioned regulation 7 requirements were also communicated to the Audit and Risk Committee via the Compliance Audit Return 2017 and accompanying report.

Controls for facilitating compliance with this item has improved since completion of the 2017 Local Government Compliance Audit Return. Currently, these controls are considered adequate with further improvements identified below.

*Proposed control improvements*

The abovementioned regulation 7 requirements to be included within the City’s Corporate Compliance Calendar in order to facilitate follow up by the Finance Unit management.

Refer to the Appendix for summary of proposed actions to improve controls.

### **Local Government Employees section**

#### Advertising for senior employee positions

*Item 2: Were all vacancies for the position of CEO and other designated senior employees advertised and did the advertising comply with s5.36(4), 5.37(3) and Admin Reg 18A.*

The 2017 Compliance Audit Return highlights three instances of senior employee advertisements not containing contact details for a person who can provide further information about the position as per above regulation.

#### *Summary of relevant legislation*

Section 5.36(4) "Unless subsection (5A) applies, if the position of CEO of a local government becomes vacant, it is to be advertised by the local government in the manner prescribed, and the advertisement is to contain such information with respect to the position as is prescribed."

Section 5.37(3) "Unless subsection (4A) applies, if the position of a senior employee of a local government becomes vacant, it is to be advertised by the local government in the manner prescribed, and the advertisement is to contain such information with respect to the position as is prescribed."

Regulation 18A (2) of the *Local Government (Administration) Regulations 1996* states as follows:

"An advertisement referred to in sub regulation (1) is to contain –

- (a) the details of the remuneration and benefits offered; and
- (b) details of the place where applications for the position are to be submitted; and
- (c) the date and time for the closing of applications for the position; and
- (d) the duration of the proposed contract; and
- (e) contact details for a person who can provide further information about the position; and
- (f) any other information that the local government considers is relevant."

#### *Current controls*

Research including discussions with the Manager Human Resources has confirmed that there is no current procedure or guidance on the preparation of advertisements for senior employees. As such controls for facilitating compliance with this item are not considered to be adequate.

#### *Proposed control improvements*

The Manager Human Resources has proposed the implementation of the following new controls to facilitate advertisements for senior employees being prepared in accordance with requirements of Regulation 18A (2).

- Reactivation of revoked corporate procedure PR0069, Guidelines for preparing Recruitment Advertisements. This procedure is currently under

redevelopment by Human Resources and will be used as a guide for the organization in the preparation of recruitment advertisements. Reference to section 5.36(4), 5.37(3) and the abovementioned listed requirements of regulation 18A(2) for senior employees is to be included in the updated procedure.

- A template/checklist of the abovementioned Regulation 18A(2) requirements to be included within Big Red Sky (eRecruitment system) which is used by the City for the placing of online recruitment advertisements. Although these requirements only apply to senior employees, this template will be required to be completed for all online recruitment advertisements placed using Big Red Sky.

Refer to the Appendix for summary of proposed actions to improve controls.

### **Tenders for Providing Goods and Services**

#### Tenders to be publicly invited

*Item 1: Did the local government invite tenders on all occasions (before entering into 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)).*

The 2017 Compliance Audit Return highlights five occasions where the procurement values exceeded or was expected to exceed the tender threshold of \$150,000 and no tenders were publicly invited.

#### *Summary of relevant legislation*

Section s3.57(1) of the Act:

“A local government is required to invite tenders before it enters into a contract of a prescribed kind under which another person is to supply goods or services.”

Regulation 11(1) of the *Local Government (Functions and General) Regulations 1996*:

“Tenders are to be publicly invited according to the requirements of this Division before a local government enters into a contract for another person to supply goods or services if the consideration under the contract is, or is expected to be, more, or worth more, than \$150 000 unless sub regulation (2) states otherwise...”

#### *Current Controls*

The following are identified as the key controls for meeting this legislative requirement.

- Purchasing Policy 9.7.
- Corporate Procedure PR0105 – Tendering for Goods and Services
- Contract Expenditure Report.

The current control for monitoring supplier expenditure within the City comprises the Contract Expenditure Report. This report is produced on a quarterly basis by the Contracts Section and disseminated to the CEO, Directors and all Managers with an accompanying memorandum. Highlighted on the report and memorandum are suppliers with expenditure in excess of the \$150,000 tender threshold as per regulation 11 of the *Local Government (Functions and General) Regulations 1996* or suppliers with ongoing expenditure that indicates that a tender process may be required.

The Contract Expenditure Report is an Excel spreadsheet compiled from supplier expenditure information on the Finance 1 and Content Manager (recordkeeping) systems. Although highlighting supplier expenditure and the need for tender, compilation of this report is a time-consuming process which often results in the report not being provided to the abovementioned recipients in a timely fashion. In addition, tender action on items highlighted within this report may not be undertaken in a timely manner by relevant Units.

Current controls for facilitating compliance with this item are not considered to be adequate.

*Proposed control improvements*

The Procurement Specialist has been liaising with relevant staff from the Data and Information Unit in relation to usage of Microsoft Power BI (business analytics tool) for monitoring supplier expenditure within the organization. Reports produced by Microsoft Power BI for monitoring supplier expenditure have been tested for accuracy by the Data and Information Unit. However, further testing is required following the completion of the restructure of the Chart of Accounts within the Finance 1 system anticipated for the end of July 2018. The Data and Information Unit have advised that supplier expenditure reports aligned to the new Chart of Accounts should be available to the Procurement Specialist in August 2018. These reports will enable the daily monitoring of supplier expenditure.

According to the Procurement Specialist the Microsoft Power BI reports will supersede the abovementioned Contract Expenditure Report as the control for monitoring supplier expenditure within the City.

Refer to the Appendix for summary of proposed actions to improve controls

**Comments**

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

**Sign-off**

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**Mario Cheldi (Internal Auditor)**

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**Niloha Mendoza (Assistant Internal Auditor)**

31 July 2018

**SUMMARY OF PROPOSED CONTROL IMPROVEMENTS**

Section of Compliance Audit Return	Item	Proposed control improvements	Responsible Officer	Timeframe for implementation
Delegation of Power/Duty	6. Limits on Council delegations to the CEO (current controls rated inadequate)	<ul style="list-style-type: none"> <li>Include relevant information on section 5.43 of the Act within the current controls (page 5).</li> <li>Section 5.43 of the Act to be included within training on delegated authorities for Governance Unit staff (page 5).</li> </ul>	Governance Coordinator	30 September 2018 31 December 2018
Disclosures of Interest	5. Primary Returns 7. Annual Returns (current controls rated adequate)	<ul style="list-style-type: none"> <li>Improvements to current controls (pages 6, 7).</li> <li>Implementation of a software tool for managing gifts and Primary and Annual Returns (page 7).</li> <li>HRIS information on employee movements (page 7).</li> </ul>	Governance Coordinator/Manager Governance	31 December 2018 2018/19 f/year 2018/19 f/year
	10. Recording of disclosures of interest (current controls rated inadequate)	<ul style="list-style-type: none"> <li>Procedure PR0700, Financial Interest Disclosure Register, to be updated to include the process for recording disclosures of interest within the spreadsheet, Financial and Non-Financial Interest Register and monitoring of recording of these disclosures (page 8).</li> <li>A column for recording details of the matter's agenda item at the meeting to be inserted within the Financial and Non-Financial Interest Register (page 8).</li> </ul>	Governance Coordinator	30 September 2018  As soon as possible
	11. Removal of returns from register. (current controls rated adequate)	<ul style="list-style-type: none"> <li>Update corporate procedure PR0934, Financial Interest Returns – Primary and Annual to reflect the full suite of Business Objects reports currently being received and reviewed to identify staff who are no longer designated employees (page 9).</li> <li>PR0934 to include a monthly audit to ensure that returns have been removed from the Primary and Annual Return Register and Content Manager (record keeping system) files have been updated for ceased designated employees (page 9).</li> </ul>	Governance Coordinator	30 September 2018
	14. Employee interests when providing advice/report to Committee/Council (current controls rated adequate/inadequate)	<ul style="list-style-type: none"> <li>Development of a procedure to cover employee disclosures of interest when providing advice/report directly to Committee or Council and communication of this procedure (page 11).</li> <li>Employee disclosures of interest be included as a standing item prior to the discussion on Committee/Council reports being presented at the agenda settlement meeting (page 11).</li> </ul>	Governance Coordinator/Manager Governance Manager Governance	31 December 2018 To be determined.
Disposal of Property section	1. Local Public Notice (current controls rated inadequate)	<ul style="list-style-type: none"> <li>Amend relevant policy, procedure and form to achieve alignment with section 3.58 of the Act (page 12).</li> <li>Other improvements to policy, procedure and form in order to provide better guidance to relevant staff in regard to disposal of property (page 12).</li> </ul>	Manager Asset Management	31 August 2018 31 August 2018
Elections	1. Electoral Gift Register (current controls rated inadequate)	<ul style="list-style-type: none"> <li>Development of a procedure to facilitate the adequate recording on the register of gift disclosure forms received from both candidates and donors (page 13).</li> </ul>	Governance Coordinator/Manager Governance	31 December 2018



**SUMMARY OF PROPOSED CONTROL IMPROVEMENTS (continued)**

<b>Section of Compliance Audit Return</b>	<b>Item</b>	<b>Proposed control improvements</b>	<b>Responsible Officer</b>	<b>Timeframe for implementation</b>
Finance	12. Plan for the audit (current controls rated adequate)	<ul style="list-style-type: none"> <li>Regulation 7 requirements including a plan for the audit to be included within the City's Compliance Calendar in order to facilitate follow up by the Finance Unit (page 14).</li> </ul>	Paralegal	As soon as possible
Local Government Employees section	2. Advertising for senior employee positions (current controls rated inadequate)	<ul style="list-style-type: none"> <li>Procedure PR0069, Guidelines for preparing Recruitment Advertisements, to be updated and include legislative requirements for recruitment advertisements for senior employees (pages 15, 16).</li> <li>A template/checklist of the legislative requirements for recruitment advertisements to be included within Big Red Sky (eRecruitment system) (page 16).</li> </ul>	Manager Human Resources/Human Resources Advisor	31 August 2018  31 August 2018
Tenders for Providing Goods and Services	1. Tenders to be publicly invited (current controls rated inadequate)	<ul style="list-style-type: none"> <li>Use of Microsoft Power BI reports to monitor supplier expenditure within the City (page 17).</li> </ul>	Procurement Specialist/Business Analysis Lead (Data and Information Unit)	31 August 2018



Department of  
**Local Government, Sport  
and Cultural Industries**

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RECEIVED 13 JUL 2018

Mr Dan Richards  
Manager Finance  
City of Perth  
GPO Box C120  
PERTH WA 6839

Dear Mr Richards

**INVESTMENTS QUERY**

Thank you for your correspondence dated 21 June 2018 regarding investments retained by the City of Perth.

Unfortunately the Department of Local Government, Sport and Cultural Industries is unable to provide the financial or legal advice that you seek.

The City will need to source this financial or legal advice independently to determine if the investments you mention comply with applicable legislative requirements. The City's auditors may be able to assist in regard to sourcing such advice.

Yours sincerely

Ron Murphy  
MANAGER SECTOR GOVERNANCE

// July 2018

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