



AUDIT COMMITTEE MEETING  
MINUTES

25 NOVEMBER 2014

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**TABLE OF CONTENTS**

**1. DECLARATION OF OPENING: ..... 2**

**2. ATTENDANCE..... 2**

**3. CONFIRMATION OF PREVIOUS MINUTES..... 2**

**4. AC033 IMPLEMENTATION OF MANAGEMENT ACTIONS INTERNAL AUDIT  
OF PROCUREMENT..... 3**

**5. AC034 2013/2014 AUDIT REPORT FOR THE CITY OF GREATER GERALDTON ..... 7**

**6. AC035 STATUS OF CITY OF GREATER GERALDTON OPERATIONAL  
RISK MANAGEMENT SYSTEMS AND ACTIVITIES ..... 10**

**7. MEETING CLOSURE ..... 15**

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**CITY OF GREATER GERALDTON****AUDIT COMMITTEE MEETING  
ON TUESDAY 25 NOVEMBER 2014 AT 3.00 PM  
IN THE COMMITTEE MEETING ROOM – CIVIC CENTRE****M I N U T E S****1. DECLARATION OF OPENING:**

Meeting opened at 3.07pm

**2. ATTENDANCE****Present:**

Mayor Ian Carpenter  
Cr N Mcilwaine  
Cr S Van Styn  
Cr T Thomas  
Cr J Critch  
T Bate – External Member

**Officers:**

Ken Diehm, Chief Executive Officer  
Paul Radalj, Manager Treasury & Finance  
Auke Van Der Weij, Financial Accountant  
Brodie Pearce, Organisational Risk Advisor  
Margot Adam, Executive Assistant (Minutes)

**By Invitation:**

Patrick Warr ,Grant Thornton Accountants

**Apologies:**

Bob Davis, Director Corporate & Commercial Services.

**Leave of Absence:**

Nil

**3. CONFIRMATION OF PREVIOUS MINUTES**

Recommendation: That the minutes of the City of Greater Geraldton Audit Committee meeting held on 1 July 2014, as attached be accepted as a true and correct record of proceedings.

**COMMITTEE DECISION:**

**MOVED Cr Thomas**

**SECONDED Cr Critch**

**That the minutes of the City of Greater Geraldton Audit Committee meeting held on 1 July 2014, as attached be accepted as a true and correct record of proceedings.**

**CARRIED**

Signed \_\_\_\_\_ Dated \_\_\_\_\_

#### 4. AC033 IMPLEMENTATION OF MANAGEMENT ACTIONS INTERNAL AUDIT OF PROCUREMENT

AC033 IMPLEMENTATION OF MANAGEMENT ACTIONS - INTERNAL AUDIT OF PROCUREMENT
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<b>AGENDA REFERENCE:</b>	D-14-71272
<b>AUTHOR:</b>	Renee Doughty, Treasury Coordinator
<b>EXECUTIVE:</b>	B Davis, Director of Corporate & Commercial Services
<b>DATE OF REPORT:</b>	30 October 2014
<b>FILE REFERENCE:</b>	FM/3/0003
<b>APPLICANT / PROPONENT:</b>	City of Greater Geraldton
<b>ATTACHMENTS:</b>	No

#### EXECUTIVE SUMMARY:

The purpose of this report is to present to the Audit Committee a progress report on the implementation of the management actions proposed in response to the Internal Audit Report on Procurement, tabled at the Audit Committee meeting 1 July 2014.

#### EXECUTIVE RECOMMENDATION;

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act RESOLVES to:

1. ENDORSE the Management responses noted in the report, including actions taken to resolve issues, enhance internal controls and improve accounting processes.

#### PROponent:

The proponent is the City of Greater Geraldton

#### BACKGROUND:

At the Audit Committee meeting held on the 1 July 2014 the Committee reviewed an Internal Audit report of the Procurement function (undertaken by the City's internal auditors Deloitte commencing on 6 May 2014) - AC030 Procurement Audit Return. The Audit Committee resolution for AC030 included at point 3:

*"REQUIRE progress reports on implementation of the proposed management actions, at the next Audit Committee Meeting."*

Below are details of the auditor observation/ recommendations and the City's implementation of management actions in accordance with the Committees resolution.

Signed \_\_\_\_\_ Dated \_\_\_\_\_

**2013/2014 Procurement Internal Audit Report:****Auditor observation/recommendation 1/2014:**

1. Automating the requisition/purchase order process

*Management Action:*

Extended security settings have been trialled in the Synergy test environment and are in the process of being tested by different Departments. The process has removed the physical flow of requisitions however; at this stage Synergy does not have the capabilities of the Purchasing Officer to be able to create the Purchase Order directly from the Requisition. The old method of creating the Purchase Order from the requisition information is still required.

**Auditor observation/recommendation 2/2014:**

2. Redefining the Purchase Officer role

*Management Action:*

Once the trials for the paperless requisition process have concluded and been implemented at the City, review of the purchasing process and the role of the purchasing officer will be undertaken.

**Auditor observation/recommendation 3/2014:**

3. Procurement procedures

*Management Action:*

Once the trials for the paperless requisition process have concluded and implemented at the City, review of the procurement procedures will be undertaken. The City will discuss and evaluate the information needs of staff concerned and draft guidelines/procedures to support and assist staff in applying the City's procurement policy.

**Auditor observation/recommendation 4/2014:**

4. Streamlining the Goods Received process

*Management Action:*

Following on from the outcomes for the above observations the City will consult with IT Vision on the goods received function and discuss the possible benefits and implications for the organisation.

**ECONOMIC, SOCIAL, ENVIRONMENTAL & CULTURAL ISSUES:****Economic:**

There are no economic impacts.

Signed \_\_\_\_\_ Dated \_\_\_\_\_

**Social:**

There are no social impacts.

**Environmental:**

There are no environmental impacts.

**Cultural & Heritage:**

There are no cultural or heritage impacts.

**RELEVANT PRECEDENTS:**

Internal audits are conducted from time to time as part of the Internal Control framework of organisations, aimed to improve internal controls and accounting and finance processes to minimise risks.

**COMMUNITY/COUNCILLOR CONSULTATION:**

There has been no community/councillor consultation.

**LEGISLATIVE/POLICY IMPLICATIONS:**

There are no legislative or policy implications.

**FINANCIAL AND RESOURCE IMPLICATIONS:**

There are no financial or resource implications.

**INTEGRATED PLANNING LINKS:**

Governance	Policy and Planning
Strategy 5.2.7	Ensuring efficient and effective delivery of service

**REGIONAL OUTCOMES:**

There are no impacts to regional outcomes.

**RISK MANAGEMENT**

Approving the recommendation will mitigate the following risks identified by the auditors:

- Inefficiency and environmental issues inherent in the physical flow of requisitions and purchase orders.
- Purchasing officers current lower level of contribution to City's internal and quality control objectives.
- Dependency on manual administrative task handling.

**ALTERNATIVE OPTIONS CONSIDERED**

No alternative options were considered.

Signed \_\_\_\_\_ Dated \_\_\_\_\_

**COMMITTEE DECISION:**

**MOVED Cr Mcilwaine    SECONDED Mayor Carpenter  
That the Audit Committee by Simple Majority in accordance with  
Sections 7.1C of the Local Government Act 1995 RESOLVES to:**

- 1. ENDORSE the Management responses noted in the report,  
including actions taken to resolve issues, enhance internal  
controls and improve accounting processes.**

**CARRIED**

Signed \_\_\_\_\_ Dated \_\_\_\_\_

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## 5. AC034 2013/2014 AUDIT REPORT FOR THE CITY OF GREATER GERALDTON

AC034 2013/2014 AUDIT REPORT FOR THE CITY OF GREATER GERALDTON	
<b>AGENDA REFERENCE:</b>	<b>D-14-71283</b>
<b>AUTHOR:</b>	<b>P Radalj, Manager Treasury and Finance</b>
<b>EXECUTIVE:</b>	<b>B Davis, Director of Corporate &amp; Commercial Services</b>
<b>DATE OF REPORT:</b>	<b>5 November 2014</b>
<b>FILE REFERENCE:</b>	<b>FM/3/0003</b>
<b>APPLICANT / PROPONENT:</b>	<b>City of Greater Geraldton</b>
<b>ATTACHMENTS:</b>	<b>Yes X 2</b>

### EXECUTIVE SUMMARY:

The purpose of this report is to present to the Audit Committee the audit report for the financial period ending 30 June 2014.

### EXECUTIVE RECOMMENDATION;

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act RESOLVES to:

1. ADOPT the Audit Report for the financial period ending 30 June 2014
2. ENDORSE actions taken by staff to resolve any items identified in the audit reports; and
3. NOTES that for the annual financial report for the year ended 30 June 2014 the Auditor has provided an unqualified audit opinion.

### PROPONENT:

The proponent is the City of Greater Geraldton

### BACKGROUND:

The interim audit was conducted by Grant Thornton from the 16 to 20 June 2014 and the final audit process from 22 to 26 September 2014. At the conclusion of these audits, the Auditor issued two reports: -

- An Independent Auditor's Report to the Ratepayers dated 31<sup>st</sup> October 2014.
- A Report to the Audit Committee dated 7<sup>th</sup> November 2014 on the key findings and analysis.

Attached is the report addressed to the Audit Committee by the Auditor. In this report, the auditor has noted:

- Two year-end observations in section 4.1 – Current year issues;

Management responses and improvement actions proposed or already implemented are noted in the attached reports.

A copy of the audited financial statements for 2013-14, is attached for the information of the Audit Committee.

The Auditor will be in attendance at the Audit Committee meeting via a telephone link up.

Signed \_\_\_\_\_ Dated \_\_\_\_\_



**ECONOMIC, SOCIAL, ENVIRONMENTAL & CULTURAL ISSUES:****Economic:**

There are no economic impacts.

**Social:**

There are no social impacts.

**Environmental:**

There are no environmental impacts.

**Cultural & Heritage:**

There are no cultural or heritage impacts.

**RELEVANT PRECEDENTS:**

There are no relevant precedents.

**COMMUNITY/COUNCILLOR CONSULTATION:**

No community consultation has been undertaken. The annual financial report and audit certificate are included in the City's Annual Report, which will be presented to Council for adoption shortly, then released to the community. The annual report is subsequently presented to an annual electors meeting.

**LEGISLATIVE/POLICY IMPLICATIONS:**

Part 7 Division 3 of the Local Government Act 1995.

**FINANCIAL AND RESOURCE IMPLICATIONS:**

There are no financial or resource implications.

**INTEGRATED PLANNING LINKS:**

Title: Governance	Planning and Policy
Strategy 5.2.7	Ensuring efficient and effective delivery of service

**REGIONAL OUTCOMES:**

There are no impacts to regional outcomes.

**RISK MANAGEMENT****ALTERNATIVE OPTIONS CONSIDERED**

There were no alternative options considered

Signed \_\_\_\_\_ Dated \_\_\_\_\_

**COMMITTEE DECISION:****MOVED Cr Critch SECONDED Mayor Carpenter****That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act RESOLVES to:**

- 1. ADOPT the Audit Report for the financial period ending 30 June 2014**
- 2. ENDORSE actions taken by staff to resolve any items identified in the audit reports; and**
- 3. NOTES that for the annual financial report for the year ended 30 June 2014 the Auditor has provided an unqualified audit opinion.**

**CARRIED**

The Committee noted the good results achieved by the Treasury and Finance Manager, P Radalj, Financial Accountant , A Van Der Weij, and staff , and offered congratulations on their efforts.

Signed \_\_\_\_\_ Dated \_\_\_\_\_

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## 6. AC035 STATUS OF CITY OF GREATER GERALDTON OPERATIONAL RISK MANAGEMENT SYSTEMS AND ACTIVITIES

AC035 STATUS OF CITY OF GREATER GERALDTON OPERATIONAL RISK MANAGEMENT SYSTEMS AND ACTIVITIES
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<b>AGENDA REFERENCE:</b>	<b>D-14- 71789</b>
<b>AUTHOR:</b>	<b>B Pearce, Organisational Risk Advisor</b>
<b>EXECUTIVE:</b>	<b>B Davis, Director of Corporate &amp; Commercial Services</b>
<b>DATE OF REPORT:</b>	<b>30 October 2014</b>
<b>FILE REFERENCE:</b>	<b>RM/1/0003</b>
<b>APPLICANT / PROPONENT:</b>	<b>City of Greater Geraldton</b>
<b>ATTACHMENTS:</b>	<b>No</b>

### EXECUTIVE SUMMARY:

The purpose of this report is to provide an overview of the current status and planned risk management activities for implementation by the City, incorporating: The activities of the City's Risk Management Committee: Status of the Organisational Risk Management Project (ORM): Status of the City Business Continuity Management Plan (BCM): Status with regards to Regulation 17 compliance.

### EXECUTIVE RECOMMENDATION;

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act RESOLVES to:

1. NOTE the City of Greater Geraldton's status with regards to;
  - a. The activities of the City's Risk Management Committee.
  - b. The progress of the Organisational Risk Management Project.
  - c. The progress of the City Business Continuity Management Plan.
2. REQUIRE the City of Greater Geraldton to report back to the Audit Committee, at the next scheduled meeting on the progress that the City has made regarding Risk Management and Business Continuity Management.

### PROponent:

The proponent is the City of Greater Geraldton.

### BACKGROUND:

#### 1 Risk Management Committee activities

The Risk Management Committee (RMC) has met twice since the

Signed \_\_\_\_\_ Dated \_\_\_\_\_

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Audit Committee Meeting held on 1 July 2014. The activities of the RMC are as follows:

1.1 *RMC Meeting - 7 August 2014*

This was the second meeting of the RMC since its re-establishment. The members confirmed the Terms of Reference (TOR) which had been issued at the first meeting and the roles and functions of the RMC. The TOR document was endorsed with some minor amendments to process.

1.2 *RMC Meeting -17 September 2014*

Members were familiar with their roles and the intent of the RMC at this meeting, and adopted a structured approach with a risk oriented focus.

Meeting Overview

*CGG Risk Management Activities*

The RMC was provided with an overview of the current significant risk activities being undertaken within the City and an explanation of the reasoning behind the risk assessments being undertaken.

- QE2 Security Risk Assessment & Report
- Verita Road Bridge Risk Management Plan
- Contractor Safety Induction & Management
- Fireworks for event suitable Areas within CGG Risk
- Event Approval Process
- Coastal signage and usage raised as at the meeting as needing possible review

**2 Risk Management Processes Review**

A number of risk management process reviews are currently in progress:

- The CEO has confirmed that the CEO Risk Management KPI's will be cascaded to Departments. A process for reviewing and confirming compliance with risk KPI's is required.
- Advent ManageR© (Risk Management Software) was previously licensed to the City for the purpose of monitoring risk registers, reporting, escalation of overdue items to management ,and action

Signed \_\_\_\_\_ Dated \_\_\_\_\_

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plans. The licensing of Advent ManagerR© had now lapsed and the City is seeking alternative software for this purpose.

- The methodology of the Risk Breakdown Structure (Risk Themes), for streamlining the management and reporting of risk, has been reviewed and accepted by EMT and the RMC.
- It has been confirmed that OSH risks are a subset of Organisational Risk and must be recorded in the Organisational Risk Register as tier 2 risks with Organisation Risk as tier 1.
- Current risk management policies require updating to reflect additional requirements. The City does not have a current risk process for the escalation of risk issues (in line with acceptance criteria). A new process is required, in addition to current policies, to include the Project Risk Management Plan and the requirement for RMC and EMT endorsement prior to implementation.

### **3 Organisational Risk Management Project status**

The Phase 2 Risk Registers (Master Risk Register) have been updated, and will be submitted for EMT endorsement following a final review of content. The updated risk registers initially incorporated all the perceived risks for City Departments. The Registers were reviewed by EMT in the context of strategic and corporate factors and the risks deemed to be of limited value or importance were recommended for removal from the registers. A final review of the Registers is in progress referencing the methodologies of Risk theme categorisation.

Phase 3 is the Business Continuity Management development and implementation of risk treatment processes and will be determined by the RMC.

### **4 Business Continuity Management Project status**

On the 9th September 2014 the EMT endorsed the LGIS recommended timeframes for the BCP workshops.

Timeframes for Business Continuity workshops:

- Project Coordinator & Executives meeting (1/2 day) 15th October 2014.
- Directorate workshops to complete the Business Impact Analysis (over 3 days) 15th, 16th and 17th October 2014.
- Workshops for the four Directorates to complete the Continuity Requirements (over 3 days) 4th, 5th and 6th November 2014.

Signed \_\_\_\_\_ Dated \_\_\_\_\_

- EMT and Manager Workshops for the Administrative Complex and the CGG Depot to draft and confirm final BCM plan (over 2 days) 4th and 5th December 2014.
- The indicative BCM plan exercise shall be undertaken in February 2015.

At the time of this report the Business Impact Analysis for all areas had been completed. The report will be and reviewed by the EMT prior to commencement of the November Continuity Requirements workshops.

The BCM is on schedule at this time.

## **5 Regulation 17 status**

*Note this is only with regards to the Risk Management portion of the Regulation 17 requirements.*

At the time of this report the City had completed, as detailed above, department level risk identification for organisational risks. The risks were incorporated into the Master Risk Register for the City and are being reviewed in line with the risk theme methodology which allows for clear, concise, quantification, prioritisation and management of the City's risks.

Following categorisation, within relevant risk themes, the City's risk profile will be developed. The risk profile will illustrate the City's significant risk exposures and the actions identified to treat these issues.

The City currently has a number of risk management policies which outline the overall approach and requirements for risk management within the City. The policies, in line with the complete Master Risk Register, identify all risks and will greatly assist the City in demonstrating compliance with the Regulation 17 -Risk management requirement.

At the Time of this report the City was collating the required risk management details recommended for the report by Department of Local Government & Communities. The City is currently on track for reporting on risk management processes.

### **RELEVANT PRECEDENTS:**

There are no relevant precedents.

### **COMMUNITY/COUNCILLOR CONSULTATION:**

There has been no community/councillor consultation.

### **LEGISLATIVE/POLICY IMPLICATIONS:**

Signed \_\_\_\_\_ Dated \_\_\_\_\_

*Local Government (Audit) Amendment Regulations 2013 Regulation 17***FINANCIAL AND RESOURCE IMPLICATIONS:**

There are no financial or resource implications.

**INTEGRATED PLANNING LINKS:**

Title: Governance	Planning and Policy
Strategy 5.2.7	Ensuring efficient and effective delivery of service

**REGIONAL OUTCOMES:**

There are no impacts to regional outcomes.

**RISK MANAGEMENT**

The purpose of this item is primarily associated with the development and implementation of effect risk management systems throughout the City. Should the City fail to successfully undertake the above mentioned activities the City will not be able to adequately meet its obligations with regards to risk management.

**ALTERNATIVE OPTIONS CONSIDERED**

No alternatives have been considered, as risk management systems are a regulatory requirement, and this process will deliver the necessary plans and action frameworks for compliance.

**COMMITTEE DECISION:**

**MOVED** Cr Thomas      **SECONDED** Mayor Carpenter

**That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act RESOLVES to:**

1. **NOTE** the City of Greater Geraldton's status with regards to;
  - a. **The activities of the City's Risk Management Committee.**
  - b. **The progress of the Organisational Risk Management Project.**
  - c. **The progress of the City Business Continuity Management Plan.**
  
2. **REQUIRE** the City of Greater Geraldton to report back to the Audit Committee, at the next scheduled meeting on the progress that the City has made regarding Risk Management and Business Continuity Management.

**CARRIED**

Signed \_\_\_\_\_ Dated \_\_\_\_\_

**7. MEETING CLOSURE**

There being no further business the meeting closed at 3.47pm

Signed \_\_\_\_\_ Dated \_\_\_\_\_