



AUDIT COMMITTEE MEETING

MINUTES

15 MARCH 2018

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Signed _____ Dated _____

CITY OF GREATER GERALDTON**AUDIT COMMITTEE MEETING
HELD ON TUESDAY 15 MARCH 2018 AT 3.30PM
IN THE COMMITTEE MEETING ROOM – CIVIC CENTRE****MINUTES****1 DECLARATION OF OPENING**

The meeting was declared open at **3.37** pm by Chairman Mayor Shane Van Styn.

2 ATTENDANCE**Present:**

Mayor S Van Styn
Cr D Caudwell
Cr L Freer

Officers:

R McKim, CEO
B Davis, Director Corporate & Commercial Services
P Radalj, Manager Treasury and Finance
A Van Der Weij, Financial Accountant
R Doughty, Senior Treasury Officer
G Morris, Manager Fleet Services
M Adam, Coordinator Governance (*Minutes*)

By Invitation:

Nil

Apologies:

Cr Mcilwaine

Leave of Absence:

Nil

3 ELECTION OF CHAIRPERSON

Cr Caudwell nominated Mayor Van Styn for the position of Chairperson of the Committee.

COMMITTEE DECISION

MOVED Cr Caudwell, **SECONDED** Cr Freer

Mayor Van Styn is appointed as Chairperson of the Audit Committee.

Mayor Van Styn took over as the Chair of the Meeting.

Signed _____ Dated _____

4 ELECTION OF DEPUTY CHAIRPERSON

Cr Freer nominated himself to be appointed as Deputy Chairperson of the Audit Committee. *No other nominations were received.*

COMMITTEE DECISION

MOVED Mayor Van Styn, SECONDED Cr Caudwell.

Cr Freer is appointed as Deputy Chairperson of the Audit Committee.

5 CONFIRMATION OF PREVIOUS MINUTES

Recommendation: That the minutes of the City of Greater Geraldton Audit Committee meeting held on 2 October 2017 as attached be accepted as a true and correct record of proceedings.

COMMITTEE DECISION

MOVED Cr Caudwell, SECONDED Cr Freer.

That the minutes of the City of Greater Geraldton Audit Committee meeting held on 2 October 2017 as attached be accepted as a true and correct record of proceedings.

CARRIED 3/0

Signed _____ Dated _____

6 ITEMS FOR AUDIT COMMITTEE REVIEW

AC059	REVIEW OF AUDIT COMMITTEE CHARTER
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AGENDA REFERENCE:	D-17-92100
AUTHOR:	M Adam, Governance Coordinator
EXECUTIVE:	B Davis, Director Corporate and Commercial Services
DATE OF REPORT:	5 January 2018
FILE REFERENCE:	GO/11/0020
ATTACHMENTS:	Yes (x2)
	A. Audit Committee Charter
	B. A Guide to Local Government Auditing Reforms

EXECUTIVE SUMMARY:

The purpose of this report is for the newly elected Audit Committee members to review the Audit Committee Charter with a view to gaining understanding of the charter. It also provides opportunity for the Committee to identify any desired changes to the charter, for recommendation to Council, should the Committee wish to do so.

EXECUTIVE RECOMMENDATION:

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

1. ENDORSE the Audit Committee Charter; and
2. RECOMMEND to Council proposed amendments to the Audit Committee Charter as determined by the Audit Committee.

PROPONENT:

The proponent is the City of Greater Geraldton

BACKGROUND:

The Audit Committee Charter approved by Council is attached for the purpose of deliberation and discussion by the newly elected Audit Committee, to ensure that Audit Committee Members have shared understanding of the role of the Committee.

At the Ordinary Meeting of Council on 21 November 2017 Item CEO048 Council resolved as follows;

Part B

That the Council by Absolute Majority under Section 5.8 of the Local Government Act 1995 RESOLVES to:

1. *AMEND the Terms of Reference to reflect Elected Members membership as resolved in Part C;*

Signed _____ Dated _____

2. *REQUIRE each internal Council Committee at the first meeting held following this resolution to:*
 - a. *APPOINT by Committee resolution an Elected Member as Chairperson, and Elected Member as a proxy Chairperson for the Committee; and*
 - b. *REVIEW the terms of reference of the Committee and report to Council any required changes in relation to membership of the Committee.*

Part C That the Council by Absolute Majority under Section 5.8 of the Local Government Act 1995 RESOLVES to:

1. *APPOINT the following elected members to the following Committees;*
 - b. *City of Greater Geraldton Audit Committee:*
 - i. *Mayor S Van Styn*
 - ii. *Cr N McIlwaine*
 - iii. *Cr D Caudwell*
 - iv. *Cr L Freer*

The Current Audit Committee Charter is based on the model terms of reference provided by the Department of Local Government, Sport and Cultural initiatives, in *Guideline 09 Audit in Local Government* (September 2013).

On 1 September 2017 the *Local Government Amendment (Auditing) Act 2017* received assent. This act amended the *Local Government Act 1995*, to provide for the auditing of local governments by the Auditor General, and for related purposes.

The *Local Government Amendment (Auditing) Act 2017* changes the role of the Audit committee through the following provisions:

7.3 Appointment of Auditors

(1A) A local government cannot appoint a person to be its auditor after commencement day.

(Note commencement day is 28 October 2017)

1.4 Terms used

Auditor means –

- (a) *In relation to an audit, other than a performance audit*
 - (i) *In relation to a local government that has an audit contract that is in force – a person for the time being appointed under Part 7 Division 2 to be the auditor of the local government ; and*
 - (ii) *In relation to a local government that does not have an audit contract that is in force – the Auditor General*

(b) *In relation to a performance audit – the Auditor General*

The Department has issued a Guide to Auditing Reforms (attached) with advice that future changes to *the Local Government Audit Regulations 1996* will revise

Signed _____ Dated _____

the role and functions of a local governments Audit Committee. However the changes have not yet been finalised.

It is therefore suggested that the Audit Committee may consider the following amendments to the Audit Committee Charter, for recommendation to Council in conjunction with any additional amendments proposed by the Committee, with future review of the Audit Committee Charter being undertaken following the amendments to the *Local Government Audit Regulations 1996*.

Audit Committee Charter – amendments for consideration

Provision	Current	Suggested	Reference/ comment
4. Meetings			
4.1	The committee shall meet at least quarterly.	The committee shall meet up to four times annually.	The number of Audit Committee meetings is a function of the relevant Audit Committee matters, for consideration. It is for the Committee to decide on the number of meetings per annum. In recent years the Committee has met between two to three times annually.
6. Duties and Responsibilities			
6.1(b)	Develop and recommend to Council an appropriate process for the selection and appointment of a person as the local governments auditor	Delete this subsection	<i>7.3 (1A) A local government cannot appoint a person to be its auditor after commencement day.</i>
6.1(c)	Develop and recommend to Council <ul style="list-style-type: none"> • A list of those matters to be audited; and • the scope of the audit to be undertaken. 	Delete this subsection	<i>7.3 (1A) A local government cannot appoint a person to be its auditor after commencement day</i> This relates to the external audit and the Auditor General determines the program of audit.
6(d)	Recommend to Council the person or persons to be appointed as auditor	Delete this subsection	<i>7.3 (1A) A local government cannot appoint a person to be its auditor after commencement day</i>

Signed _____ Dated _____

6(e)	Develop and recommend to Council a written agreement for the appointment of the external auditor. The agreement is to include <ul style="list-style-type: none"> • The objectives of the audit; • The scope of the audit; • a plan of the audit; • details of the remuneration and expenses to be paid to the auditor; and • the method to be used by the local government to communicate with and supply information to , the auditor 	Delete: <ul style="list-style-type: none"> • The objectives of the audit; • The scope of the audit; • a plan of the audit; 	<i>7.8(1) Subject to this part and to any regulations , the appointment of a person as auditor of a local government is to be made by agreement in writing on such terms and conditions, including the remuneration and expenses of the person to be appointed , as agreed between that person and the local government</i>
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COMMUNITY, ENVIRONMENT, ECONOMY AND GOVERNANCE ISSUES:

Community:

There are no community impacts.

Environment:

There are no environment impact.

Economy:

There are no economic impacts.

Governance:

An audit committee plays a key role in assisting a local government to fulfil its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, legislative compliance, ethical accountability and the internal and external audit functions. Clear and comprehensive terms of reference, setting out the committee's roles and responsibilities, are therefore essential.

RELEVANT PRECEDENTS:

The City of Greater Geraldton Audit Committee previously reviewed its Charter on 21 February 2017 AC052.

COMMUNITY/COUNCILLOR CONSULTATION:

There has been no community/councillor consultation.

Signed _____ Dated _____

LEGISLATIVE/POLICY IMPLICATIONS:

Local Government Act 1995 s. 7.13(1)

FINANCIAL AND RESOURCE IMPLICATIONS:

There are no financial or resource implications.

INTEGRATED PLANNING LINKS:

Title: Governance	Good Governance & Leadership
Strategy 4.5.2	Ensuring finance and governance policies, procedures and activities align with legislative requirements and best practice

REGIONAL OUTCOMES:

There are no impacts to regional outcomes.

RISK MANAGEMENT

The Audit Committee is required by Council Resolution of 28 November 2017 (CEO048) to Review its terms of reference. Any changes to the Audit Committee Charter proposed by the Committee will be required to be submitted to Council for approval

ALTERNATIVE OPTIONS CONSIDERED BY CITY OFFICERS

The Committee may choose to simply discuss the Charter with the view to enhancing understanding by newly elected Committee Members. The Committee may also choose to discuss and recommend changes to the charter, for consideration by Council. Note that the Committee is able to seek a review of its Charter at a future time.

COMMITTEE DECISION

MOVED Cr Caudwell, SECONDED Cr Freer

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

- 1. ENDORSE the Audit Committee Charter; and**
- 2. RECOMMEND to Council proposed amendments to the Audit Committee Charter as determined by the Audit Committee**

Carried 3/0

Signed _____ Dated _____

AC060	EXTERNAL MEMBER OF AUDIT COMMITTEE
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AGENDA REFERENCE:	D-17-92578
AUTHOR:	M Adam, Governance Coordinator
EXECUTIVE:	B Davis, Director Corporate and Commercial Services
DATE OF REPORT:	5 January 2018
FILE REFERENCE:	GO/11/0020
ATTACHMENTS:	Yes (x2)
	A. Expression of Interest
	B. Information Package External Audit Committee Member

EXECUTIVE SUMMARY:

This report seeks Audit Committee approval for public advertising of an expression of interest for an external member of the Audit Committee, and subsequent selection of an external member, for recommendation to Council.

EXECUTIVE RECOMMENDATION:

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

1. ADVERTISE for expression of interest for an external member of the Audit Committee;
2. REQUIRE the evaluation of submissions by potential members to be undertaken by the Mayor, a Councillor who is a member of the Audit Committee and the Chief Executive Officer, with a recommendation to be made, for review by members of the Audit Committee; and
3. RECOMMEND to Council, the appointment of the selected applicant, for Council approval as an external member of the Audit Committee.

PROPONENT:

The proponent is the City of Greater Geraldton

BACKGROUND:

An Expression of Interest for an independent member of the Audit Committee (EOI) 31 1314 was advertised on 22 February 2014 seeking expressions of interest from experienced Senior Accounting and Audit Professionals to become an external member of the Audit Committee. An evaluation of submissions was undertaken by the Mayor, a Councillor member of the Audit Committee and the Chief Executive Officer, and a recommendation on the appointment of an external member was made to Council.

On 22 April 2014 (CCS043) Mr Travis Bate was appointed by Council as an external member of the Audit Committee, for a period of two years. On 25 January 2016 (CCS155) Council endorsed the re appointment of Mr Bate for

Signed _____ Dated _____

a further term ending on the next Ordinary Election day of the Council (21 October 2017).

Paragraph 3 of the Audit Committee Charter, makes provisions for the appointment of one external person to the Audit Committee. Appointment is to be made by way of public advertising and endorsement by Council.

The Audit Committee was re-established on 28 November 2017, following the Ordinary Election on 21 October 2017, (CEO 048), and a vacancy now exists for an external member of the Committee.

COMMUNITY, ENVIRONMENT, ECONOMY AND GOVERNANCE ISSUES:

Community:

There are no community impacts.

Environment:

There are no environment impact.

Economy:

There are no economic impacts.

Governance:

Section 7.1A (2) of the *Local Government Act 1995* requires that a Local Government Audit Committee is to have at least 3 members, the majority of whom are councillors. Sub paragraph 3.1 of the Audit Committee Charter provides that the Audit Committee will consist of four members with three elected members and one external member, and that all members will have full voting rights.

RELEVANT PRECEDENTS:

Previously on 4 April 2014 (CCS043) Council appointed an independent member of the Audit Committee for two years. This was extended on 25 January 2016 for a further term ending on the next Ordinary Election day of Council (21 October 2017).

COMMUNITY/COUNCILLOR CONSULTATION:

There has been no community/councillor consultation.

LEGISLATIVE/POLICY IMPLICATIONS:

Local Government Act 1995 s. 7.13(1)

FINANCIAL AND RESOURCE IMPLICATIONS:

There are no financial or resource implications.

INTEGRATED PLANNING LINKS:

Title: Governance	Good Governance & Leadership
Strategy 4.5.2	Ensuring finance and governance policies, procedures and activities align with legislative requirements and best practice

Signed _____ Dated _____

REGIONAL OUTCOMES:

There are no impacts to regional outcomes.

RISK MANAGEMENT:

The Audit Committee Charter, subparagraph 3.2, requires that an external member appointed to the Committee shall have business or financial management / reporting knowledge and experience, and be conversant with financial and other reporting requirements. The appointment of an external member to the Committee provides independent expertise to support the role of the Audit Committee in the functions under the *Local Government (Audit) Regulations 1996*, to provide guidance and assistance in the carrying out of functions under Part 7 of the Act (r.16) review Compliance Audits (r.14), review reports on risk management, internal control and legislative compliance, and report to Council (r.16).

ALTERNATIVE OPTIONS CONSIDERED BY CITY OFFICERS:

There were no alternative options considered by City Officers. It is a matter for the Audit Committee to determine the method of selection of an external member for the Committee.

ALTERNATIVE MOTION

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

1. NOT appoint an external member of the Audit Committee.
2. AMEND the Audit Committee Charter accordingly at paragraph 3.1 - 3.4 and delete paragraphs 3.2- 3.4 which reference the external member, and make the amendments in conjunction with the amendments from the decision in item AC059.

REASON FOR THE ALTERNATIVE MOTION

The appointment of the Auditor General, as the Auditor for local governments, expands the Auditor Generals scope of powers to undertake and report on local government financial audits and provide for the independent oversight of the local government sector. This additional level of independent oversight will provide an increased level of independent review of the City's audits.

COMMITTEE DECISION

MOVED Cr Caudwell, SECONDED Cr Freer

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

1. **NOT appoint an external member of the Audit Committee.**
2. **AMEND the Audit Committee Charter accordingly at paragraph 3.1, and delete paragraphs 3.2 – 3.4 which reference the**

Signed _____ Dated _____

external member, and make the amendments in conjunction with the amendments from the decision in item AC059.

CARRIED 3/0

Signed _____ Dated _____

AC061	COMPLIANCE AUDIT RETURN 2017
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AGENDA REFERENCE:	D-17-91937
AUTHOR:	M Adam, Governance Coordinator
EXECUTIVE:	B Davis, Director Corporate and Commercial Services
DATE OF REPORT:	5 January 2018
FILE REFERENCE:	GO/11/0020
ATTACHMENTS:	Yes (x1) Compliance Audit Return 2017

EXECUTIVE SUMMARY:

The purpose of this report is to submit the 2017 Compliance Audit Return (CAR) to the Audit Committee for review.

EXECUTIVE RECOMMENDATION:

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

1. ENDORSE the results of the Compliance Audit Return 2017; and
2. REPORT the results of the Compliance Audit Return 2017 to Council at the Ordinary meeting to be held on 27 March 2018.

PROPONENT:

The proponent is the City of Greater Geraldton

BACKGROUND:

In accordance with section 7.13(1) of the *Local Government Act 1995* and the *Local Government (Audit) Regulations 1996*, the City is required to complete a Compliance Audit Return in relation to the period 1 January 2017 to 31 December 2017 against the requirements set out in the CAR.

The 2017 CAR continues in a reduced format, with the areas of compliance which are included being restricted to those considered high risk.

COMMUNITY, ENVIRONMENT, ECONOMY AND GOVERNANCE ISSUES:**Community:**

There are no community impacts.

Environment:

There are no environment impact.

Economy:

There are no economic impacts.

Governance:

Review of the Compliance Audit return by the Audit Committee is a regulatory requirement under the provisions of the *Local Government (Audit) Regulations 1996 r.14*

Signed _____ Dated _____

RELEVANT PRECEDENTS:

The Audit Committee reviewed the 2016 Compliance Audit Return for the City of Greater Geraldton on 21 February 2017, AC047.

COMMUNITY/COUNCILLOR CONSULTATION:

There has been no community/councillor consultation.

LEGISLATIVE/POLICY IMPLICATIONS:

Local Government Act 1995 s. 7.13(1)

Local Government (Audit) Regulations 1996 r. 14

14. Compliance audits by local governments

- (1) *A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.*
- (2) *After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.*
- (3A) *The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.*
- (3) *After the audit committee has reported to the council under subregulation (3A), the compliance audit return is to be —*
 - (a) *presented to the council at a meeting of the council; and*
 - (b) *adopted by the council; and*
 - (c) *recorded in the minutes of the meeting at which it is adopted.*

FINANCIAL AND RESOURCE IMPLICATIONS:

There are no financial or resource implications.

INTEGRATED PLANNING LINKS:

Title: Governance	Good Governance & Leadership
Strategy 4.5.2	Ensuring finance and governance policies, procedures and activities align with legislative requirements and best practice

REGIONAL OUTCOMES:

There are no impacts to regional outcomes.

RISK MANAGEMENT

The CAR is a statutory compliance requirement for local governments and requires a review first by the Audit Committee and then a report to Council for adoption before being submitted to the Department of Local Government, Sport and Cultural Initiatives. The City is required to provide this to the Department prior to 31 March 2017.

Signed _____ Dated _____

The Audit Committee does not have the option not to review the CAR as it would therefore be non-compliant with the *Local Government Act 1995* and associated regulations.

ALTERNATIVE OPTIONS CONSIDERED BY CITY OFFICERS

No alternatives have been considered.

COMMITTEE DECISION

MOVED Cr Caudwell, **SECONDED** Cr Freer

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

- 1. ENDORSE the results of the Compliance Audit Return 2017; and**
- 2. REPORT the results of the Compliance Audit Return 2017 to Council at the Ordinary meeting to be held on 27 March 2018.**

CARRIED 3/0

Signed _____ Dated _____

AC062	BUSINESS CONTINUITY – GENERATOR CONNECTIVITY
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AGENDA REFERENCE:	D-18-009043
AUTHOR:	B Wilson, Acting Manager Engineering Services
EXECUTIVE:	R McKim, Chief Executive Officer
DATE OF REPORT:	24 January 2018
FILE REFERENCE:	GO/11/0020
ATTACHMENTS:	No

EXECUTIVE SUMMARY:

The intent of this report is to provide the Audit Committee with awareness of actions undertaken in support of the City's Business Continuity arrangements and reliability of operations to the community.

EXECUTIVE RECOMMENDATION:

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act 1995 RESOLVES to:

- NOTE the works undertaken to improve the City's ability to respond to power outages and emergency events.

PROPONENT:

The proponent is the City of Greater Geraldton.

BACKGROUND:

Five City-owned facilities have been upgraded to enable the prompt connection of an electrical generator in the event of a power failure (by the Western Power supply network). These facilities augment existing buildings with generator connectivity, including the Emergency Coordination Centre, Geraldton Airport, Geraldton Depot and the Meru Waste Management facility.

Mullewa Administration Office, Mullewa – this facility was upgraded for generator connectivity, to enable the continuity of operations. In addition to being a staff work location, the Administration Office provides a customer service point, public library and driver & vehicle licensing services to the community. Generator connectivity enables all these services to continue in the event of a power loss.

Mullewa Recreation Centre, Mullewa – this facility was upgraded for generator connectivity, to enable its' use as an evacuation centre, where an incident generally affects Mullewa-based residents. The provision of this connectivity will also enable other uses, such as a welfare site in the event of a heatwave, owing to the facilities' air-conditioning and refrigeration appliances. An agreement has been signed with the Department of Communities for their use of this facility during emergencies.

Mullewa Swimming Pool, Mullewa – this facility was upgraded for generator connectivity, to enable the ongoing provision of this service to the Mullewa

Signed _____ Dated _____

community. Particularly during summer, the Mullewa community can frequently experience power outages, subsequently affecting most manual or refrigerate methods of keeping cool. The ability for the Swimming Pool to remain operational provides an ongoing means of recreation and reprieve to community members from the routinely 40°C+ days.

Queen Elizabeth II Centre, Geraldton – this facility was upgraded for generator connectivity owing to its use as an evacuation centre, in the event of an emergency which displaces residents from their homes (such as bushfire or flooding). This facility is the City’s default evacuation centre, and an agreement has been signed with the Department of Communities for their use of this facility during emergencies. This project also facilitated the installation of air-conditioners in the facility, further enhancing the buildings usefulness both during and outside of emergencies.

Walkaway Recreation Centre, Walkaway – similar to the Mullewa Recreation Centre facility, the Walkaway Recreation Centre was upgraded for generator connectivity, to enable its’ use as an evacuation centre, where an incident generally affects Walkaway-based residents. An agreement has been signed with the Department of Communities for their use of this facility during emergencies.

COMMUNITY, ENVIRONMENT, ECONOMY AND GOVERNANCE ISSUES:

Community:

Generator connectivity at the Mullewa Swimming Pool and Mullewa Administration Office provides a redundancy to these important community services, particularly over summer when the temperature in Mullewa routinely exceeds 40°C. During Jan & Feb 2015 the Mullewa community experienced 9 power outages over a 3-week period, where residents, business operators, government and essential services were without power for almost 90 hours during this period. During Feb - Apr 2016, 13 power outages were experienced owing to planned works and un-planned network failures.

During a power outage, the Mullewa Pool was previously forced to cease operation, owing to an inability to cycle, filter and dose water at appropriate rates, and with relevant chemicals. Generator connectivity now enables both the Pool and Administration Office to continue to operate during power outages.

Environment:

There are no environment impacts.

Economy:

The works discussed in this paper will improve the region’s ability to respond to and recover from power outages and emergency events. This capability makes the regional economy more resilient.

Signed _____ Dated _____

Governance:

As a trial, City owned generators are located at the Mullewa Administration Office and Swimming Pool over the summer period (when power outages are historically most likely).

During non-Summer months, generators will be securely stored, but available for deployment to each of the five aforementioned facilities, in response to an impending or actual event/incident.

The City has a number of small to mid-size (50kVa) generator. These generators fulfil most of the City's requirements throughout the year. These generators are frequently used for community events / celebrations, construction project requirements and in emergencies.

If a large generator is required (100kVa), it would need to be hired in.

The following facilities remain without generator connectivity:

- Civic Centre, Geraldton
- Aquarena, Geraldton
- Community Nursery, Geraldton
- Geraldton Art Gallery
- Mullewa Depot
- Multi-Purpose Centre, Geraldton
- Visitors' Centre, Geraldton

RELEVANT PRECEDENTS:

The Audit Committee regularly reviews reports relating to the auditing processes of the City and the Audit function, (AC045 Audit report Actions 3 October 2016).

COMMUNITY/COUNCILLOR CONSULTATION:

These projects were undertaken as a result of significant community appeal and concern in relation to the unreliability of power supply in the Mullewa area. The City has met with Western Power representatives on multiple occasions over several years to continue to highlight this issue and lobby for resolution on behalf of the Mullewa community.

LEGISLATIVE/POLICY IMPLICATIONS:

Under the provisions of the *Local Government (Audit) Regulations 1996* regulation 16 and 17, the Audit Committee is to review the CEO's report in relation to risk management, internal control and legislative compliance. Operational Guideline 09 Audit in Local Government (Department of Local Government Sport and Cultural Initiatives) provides that good audit committee practices are to include reviewing whether the local government has a current and effective business continuity plan.

Signed _____ Dated _____

FINANCIAL AND RESOURCE IMPLICATIONS:

Upgrading of the Mullewa Administration Office and Swimming Pool was completed at a value of \$13,863. The upgrading of the Mullewa Recreation Centre, Queen Elizabeth II Centre and the Walkaway Recreation Centre cost approx. \$18,500.

The City presently has 6 generators of varying capacity, which would be utilised in the first instance to provide power generation to facilities with generator connectivity. Subsequent requirements may force temporary hire.

INTEGRATED PLANNING LINKS:

Title: Governance	Good Governance & Leadership
Strategy 4.5.2	Ensuring finance and governance policies, procedures and activities align with legislative requirements and best practice

REGIONAL OUTCOMES:

The works discussed in this paper will improve the region's ability to respond to and recover from power outages and emergency events. This capability makes the regional economy more resilient.

RISK MANAGEMENT

The actions taken this financial year will go some way to mitigate emergency situations within the Geraldton region. However further works are required.

ALTERNATIVE OPTIONS CONSIDERED BY CITY OFFICERS

This report is for Audit Committee awareness only.

COMMITTEE DECISION

MOVED Cr Caudwell, **SECONDED** Cr Freer

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act 1995 RESOLVES to:

1. **NOTE** the works undertaken to improve the City's ability to respond to power outages and emergency events.
2. **REQUIRE** the Chief Executive Officer to investigate options for the Civic Centre to hire or purchase the required equipment to respond to power outages and emergency events.

CARRIED 3/0

Signed _____ Dated _____

AC063	BUSINESS CONTINUITY MANAGEMENT IMPLEMENTATION PROGRAM
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AGENDA REFERENCE:	D-18-014770
AUTHOR:	B Pearce, Coordinator Procurement & Risk
EXECUTIVE:	B Davis, Director Corporate & Commercial Services
DATE OF REPORT:	21 February 2018
FILE REFERENCE:	RM/6/0012
ATTACHMENTS:	Yes (x4)
	A. Draft New Council Policy CP 4.25 Business Continuity Management
	B. BCM Procedures v1
	C. BCM Event Response Plan v1
	D. BCM Sub Plan Template v1

EXECUTIVE SUMMARY:

This report provides an overview of newly commenced Business Continuity Management Implementation Program.

EXECUTIVE RECOMMENDATION;

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

1. NOTE the Business Continuity Management Implementation Program; and
2. REQUIRE the CEO to hold a BCP exercise in accordance with the implementation program;
 - a. Require a report be provided to the Audit Committee on the completion of a BCM exercise.

PROPONENT:

The proponent is the City of Greater Geraldton.

BACKGROUND:

As per the Risk Management Report item AC055, considered by the Audit Committee on 2 October 2017, the City has completed a detailed review and update to the City's Risk Management Framework. This review highlighted areas of improvement in how risk is managed. These improvements required an update to the Business Continuity Management (BCM) framework at the City.

The City as part of the review and update of BCM undertook detailed research into BCM process, templates and frameworks across state and local government sectors. This research ultimately found that the QLD state government BCM framework and guidelines provided an excellent model that would best enable the City to establish effective BCM. The City (using the QLD

Signed _____ Dated _____

BCM model) has now completed a review and rework of the City's BCM framework.

The proposed new BCM framework is made up of the following components:

- 1 **Draft New Council Policy CP 4.25 Business Continuity Management**
 - 1.1 Head of power for BCM at the City.
- 2 **BCM Procedures v 1**
 - 2.1 Central procedure detailing development processes, roles and responsibilities and structure for the BCM Framework.
- 3 **BCM Event Response Plan v 1**
 - 3.1 Executive Management Team Plan for managing a critical event.
- 4 **BCM Sub Plan Template v 1**
 - 4.1 Department level BCM sub plan which directions the departmental return to business as usual in support of the main Event response plan.

Due to the update to the BCM framework the prior timeframes for a full BCM exercise could not be achieved. The City instead reviewed and prioritised the testing of core BCM resilience capability as per the ICT disaster recovery testing and the backup generator capability.

The full development and implementation of City wide BCM will follow the below implementation program.

BCP PROJECT PLAN TIMEFRAME	DUE DATE
1. BCP template /format for presentation to CCS & CEO -Manager Presentation of new BCP documentation	February
2. BCP template /format for presentation to Audit Committee	March
3. Prepopulate BCP <ul style="list-style-type: none"> • Review mandatory/non-mandatory functions • Confirm required Departments requiring full BCP Sub-Plans (preliminary numbers 15-20 sub-plans required departments/teams whose function are critical in some way) 	April/May
4. Workshops with Departments	May/June
5. Review and validate content <ul style="list-style-type: none"> • Resource allocation assessed • EMT approves resource allocation • LGIS review and verification of BCM 	July
6. EMT Approval of plan	August

Signed _____ Dated _____

7. Exercise Plan	August
8. Update plan from Lessons learnt	September

COMMUNITY, ENVIRONMENT, ECONOMY AND GOVERNANCE ISSUES:

Community:

There are no community impacts.

Environment:

There are no environmental impacts.

Economy:

There are no economic impacts.

Governance:

There are no governance impacts.

RELEVANT PRECEDENTS:

This item has the following relevant precedents:

- AC039 – Status of City Risk Management Activities
- AC044 – Status of Risk Management & Compliance Activities
- AC056 – Status of Business Continuity Plan

COMMUNITY/COUNCILLOR CONSULTATION:

There has been no community/councillor consultation.

LEGISLATIVE/POLICY IMPLICATIONS:

This item has compliance and policy implications as follows:

- *Local Government (Audit) Regulations 1996* Regulation 17
- Department of Local Government & Communities Integrated Planning
- City of Greater Geraldton Risk Management Framework
- Council Policy 4.7 Risk Management

FINANCIAL AND RESOURCE IMPLICATIONS:

There are no financial or resource implications.

INTEGRATED PLANNING LINKS:

Title: Governance	4.5 Good Governance & Leadership
Strategy 4.5.2	Ensuring finance and governance policies, procedures and activities align with legislative requirements and best practice

REGIONAL OUTCOMES:

There are no impacts to regional outcomes.

RISK MANAGEMENT

The BCP is a major risk mitigation to the disruption to City operations. Its successful implementation has better equipped the City to deal with a potential disruption.

Signed _____ Dated _____

ALTERNATIVE OPTIONS CONSIDERED

Officers considered maintaining the earlier versions of the BCM. However, this option was ultimately rejected due to the detailed review of the Risk Management Framework which required an update to the BCM framework.

COMMITTEE DECISION

MOVED Cr Freer, SECONDED Cr Caudwell

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

- 1. NOTE the Business Continuity Management Implementation Program; and**
- 2. REQUIRE the CEO to hold a BCP exercise in accordance with the implementation program;**
 - a. Require a report be provided to the Audit Committee on the completion of a BCM exercise.**

CARRIED 3/0

Signed _____ Dated _____

AC064	RISK MANAGEMENT REPORT
-------	------------------------

AGENDA REFERENCE:	D-18-015479
AUTHOR:	B Pearce, Coordinator Procurement & Risk
EXECUTIVE:	B Davis, Director Corporate & Commercial Services
DATE OF REPORT:	13 March 2018
FILE REFERENCE:	RM/6/0012
ATTACHMENTS:	Yes (x7) A. Risk Management Framework (draft) B. Risk Management Procedures (draft) C. Risk Management Improvement Strategy (draft) D. Risk Profile report February 2018 E. CP Risk Appetite & Tolerance Policy (draft) F. CP Compliance Management Policy (draft) G. Compliance Management Plan (draft)

EXECUTIVE SUMMARY:

The purpose of this report is to advise the Audit Committee of the detailed review undertaken by the City into its risk management systems and the update to City management processes arising from this review.

EXECUTIVE RECOMMENDATION;

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

1. ENDORSE the updated Risk Management Framework;
 - a. Require the updated Risk Management Framework and associated Council Policy be presented to Council for endorsement; and
2. NOTE the development of the Compliance Management Plan; and
 - a. Require the status of the Compliance Management plan to be reported to the Audit Committee in future.

PROPONENT: The proponent is the City of Greater Geraldton.

BACKGROUND:

Reports on the Risk Management Framework review (AC055) and the status of the Risk Management Systems (AC054) were previously presented to the Audit Committee on 2 October 2017. Between October 2017 and February 2018, a detailed review of City risk management systems has been undertaken. The review process was undertaken as follows:

1. Engaged LGIS for a detailed assessment of the City's risk management.
2. Risk Management Framework validation.

Signed _____ Dated _____

3. Risk Register quality assurance.
4. Updated Business Processes – Compliance Management & Business Continuity Planning.

LGIS Review

In October 2017 the City engaged LGIS's governance and risk specialists to undertake an assessment of City risk, specifically assessing the following two areas.

1. The City's current Risk Management Framework.
2. The efficacy of management of risks in the City's risk register.

LGIS findings advised that the City's Risk Management Framework was amongst the most comprehensive they had seen anywhere in WA. LGIS principal recommendation from their review was to amend the structure of the framework to enable greater ease of implementation.

Risk Management Framework structure

Following the LGIS review the City updated the Risk Management Framework and split the document from a single comprehensive framework manual, to a framework made of component parts as follows;

1. **Council Policy Risk Management** (current policy directing overarching principles for the management of risk within the City)
2. **Council Policy Risk Appetite & Tolerance** (new policy that provided Council direction on the scope of risk the City is willing to accept to achieve its goals)
3. **Risk Management Framework** (Council level document directing strategic intent for risk management)
4. **Risk Management Procedures** (internal operational procedure that directed all staff in the process, roles, and responsibilities for risk management)
5. **Risk Management Improvement Strategy** (internal operational management strategy for EMT to monitor and ensure the effectiveness of risk management within the City)

This rationalisation of the Risk Management Framework into its component parts has enabled the City to overcome the prior issue faced where readers of the comprehensive framework manual could not work their way through or easily understand their roles and responsibilities for managing risks. They are now able to easily find their requirements for management of risk.

The component parts have also enabled the document to be aligned to the areas of responsibility i.e. the Risk Management Framework is the Council

Signed _____ Dated _____

document, the Procedures direct staff, and the improvement strategy is a corporate EMT document.

Risk Matrix

In addition to the restructuring of the City’s Risk Management Framework the Risk Matrix used by the City was reviewed. It was found that the risk matrix as per the table below was inappropriate for City operations. This matrix based on LGIS guidance enabled risks that have insignificant or minor consequence (e.g. a paper cut) to escalate to EMT for management.

	Insignificant	Minor	Moderate	Major	Catastrophic
Almost Certain	Moderate	High	High	Extreme	Extreme
Likely	Low	Moderate	High	High	Extreme
Possible	Low	Moderate	Moderate	High	High
Unlikely	Low	Low	Moderate	Moderate	High
Rare	Low	Low	Low	Low	Moderate

2015 Risk Matrix (very conservative, aligned to other sectors)

An assessment confirmed that this risk matrix was more aligned to the financial sector and was very risk averse. This lead to a significant volume of over reporting of acceptable low consequence risk issues.

The City determined that a better way of categorising risk was based on the consequence approach to risk rating, which main industry leaders are moving towards currently. This requires the City to determine minor low priority risks that have no impact on City operations, these risks are then classified as low.

The other significant amendment when moving to the consequence based risk matrix is changing the Rare x Catastrophic score from previous moderate to high. The City determined the prior moderate rating was not adequate for a risk which included death.

	Insignificant	Minor	Moderate	Major	Catastrophic
Almost Certain	Low	Low	Moderate	Extreme	Extreme
Likely	Low	Low	Moderate	High	Extreme
Possible	Low	Low	Moderate	High	High
Unlikely	Low	Low	Low	Moderate	High
Rare	Low	Low	Low	Moderate	High

2018 Risk Matrix (consequence based)

Risk Register Review

Following the update to the Risk Management Framework the City undertook a comprehensive assessment of all risks within the City’s then 39 risk registers. This review assessed

Signed _____ Dated _____

1. The structure of risks within Promapp
2. How risks were defined i.e. causes, consequences and the risk description.
3. Duplication of the same risk across departments.

The following summarises the risk register review and its outcome.

Item	2017 Stats	2018 stats
Registers	37	5
Risks	126	37
Treatments	301	260

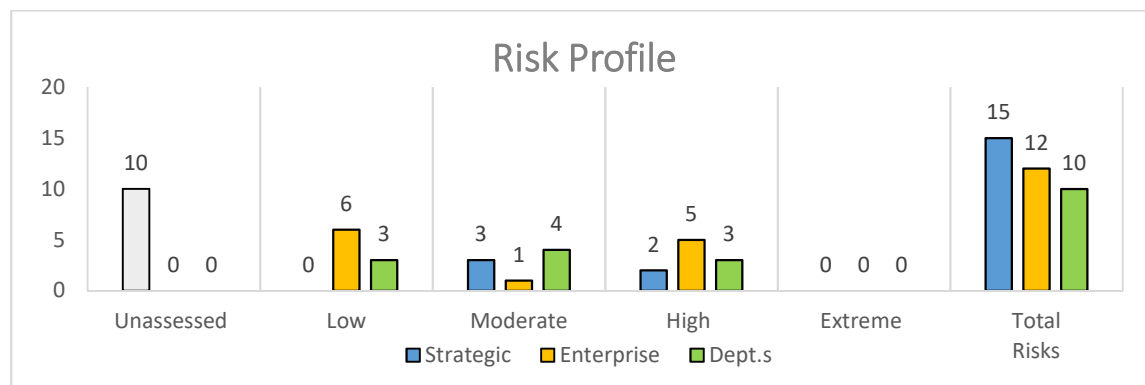
Please note the reduction in risks was not achieved through simply deleting a risk the City previously managed, but instead was achieved via reduction in duplication and efficiency improvements in risk management process.

In addition, it is likely that the current high volume of treatments against risks will be able to reduce in future as the City moves towards detailed documented management plans, as follows.

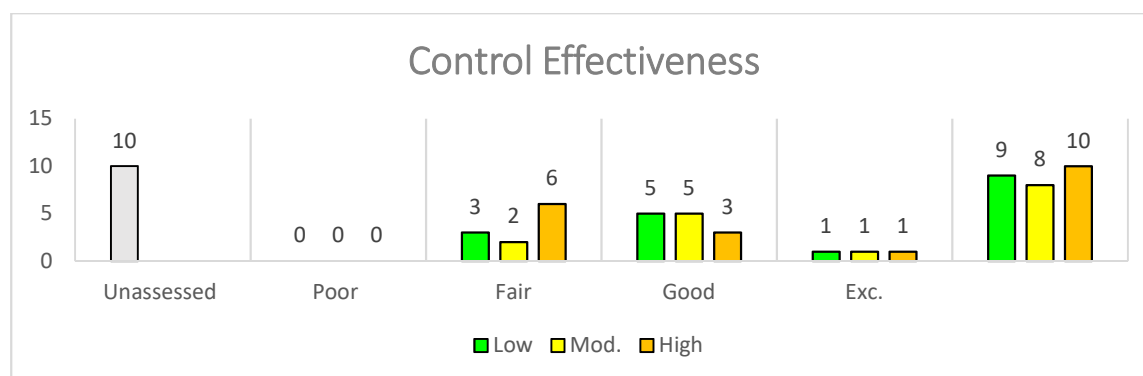
1. Compliance Risk = Compliance Management Plan (CMP)
2. Asset Risk = Asset Management Planning
3. Business Disruption = Business Continuity Planning

Risk Profile February 2018

In summary, following the risk register review, the City’s risk profile is as follows.



Signed _____ Dated _____



The 10 unassessed in both tables are draft strategic risks that have been tabled for EMT's consideration and assessment.

Please note that at this time there are no risks that have a residual rating of extreme, nor are there any risks that have a control rating of less than fair. Please note that major projects risk data has not been included in the above. Please refer to the attached Audit Committee Risk Report for details of all high risks currently being managed by the City.

Compliance Management Planning

The establishment of a CMP had been previously highlighted as a possible organisational control by the external auditors. At that time the City was unable to easily implement a centralised compliance management plan as the manual process was not workable due to the sheer volume of compliance obligations the City must meet across its operations. However, with the implementation of the Promapp Risk Module, an efficient method of monitoring compliance obligations could now be established.

As detailed above the City has consolidated all compliance risks and control processes (previously 40 risks) under a single Enterprise Risk. This has enabled the City to develop a CMP that catalogues the City's compliance obligations and the departments with operational responsibility for managing the compliance function.

The CMP sets out the requirements for -

1. Identifying compliance obligations;
2. Roles and responsibility for ensuring compliance;
3. Monitoring and audit of compliance; and
4. Register of compliance obligations.

The CMP will become one of the principal management tools for mitigating enterprise risk and demonstrating compliance with Audit Regulation 17 legislative compliance obligations. The status of the CMP shall form part of future reports to the Audit Committee.

Signed _____ Dated _____

COMMUNITY, ENVIRONMENT, ECONOMY AND GOVERNANCE ISSUES:**Community:**

There are no community impacts.

Environment:

There are no environmental impacts.

Economy:

There are no economic impacts.

Governance:

There are no governance impacts.

RELEVANT PRECEDENTS:

This item has the following relevant precedents.

- AC039 – Status of City Risk Management Activities
- AC044 – Status of Risk Management & Compliance Activities
- AC056 – Status of Business Continuity Plan

COMMUNITY/COUNCILLOR CONSULTATION:

There has been no community/councillor consultation.

LEGISLATIVE/POLICY IMPLICATIONS:

This item has compliance and policy implications as follows;

- *Local Government (Audit) Regulations 1996* Regulation 17
- Department of Local Government & Communities Integrated Planning
- City of Greater Geraldton Risk Management Framework
- Council Policy 4.7 Risk Management

FINANCIAL AND RESOURCE IMPLICATIONS:

There are no financial or resource implications.

INTEGRATED PLANNING LINKS:

Title: Governance	4.5 Good Governance & Leadership
Strategy 4.5.2	Ensuring finance and governance policies, procedures and activities align with legislative requirements and best practice

REGIONAL OUTCOMES:

There are no impacts to regional outcomes.

RISK MANAGEMENT:

The purpose of this item is primarily associated with the ongoing management of risk throughout the City.

Signed _____ Dated _____

ALTERNATIVE OPTIONS CONSIDERED

The City had considered maintaining the Risk Management Framework as per the previous Audit Committee report. However this was rejected, as the new streamlined and compartmentalised structure has enabled the City to better manage risk as it is approachable for staff.

COMMITTEE DECISION

MOVED Cr Freer, SECONDED Cr Caudwell

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

- 1. ENDORSE the updated Risk Management Framework;**
 - a. REQUIRE the updated Risk Management Framework and associated Council Policy be presented to Council for endorsement; and**
- 2. NOTE the development of the Compliance Management Plan; and**
 - a. Require the status of the Compliance Management plan to be reported to the Audit Committee in future.**

CARRIED 3/0

Signed _____ Dated _____

AC065	ICT BUSINESS CONTINUITY AND DISASTER RECOVERY PLANNING
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AGENDA REFERENCE:	D-18- 017130
AUTHOR:	D Duff, Manager ICT Services
EXECUTIVE:	B Davis, Director Corporate and Commercial Services
DATE OF REPORT:	27 February 2018
FILE REFERENCE:	IT/11/0005
ATTACHMENTS:	Yes (x2)
	A. Process – Perform Preliminary Business Continuity Checks
	B. File Note – Civic Centre Power Outage

EXECUTIVE SUMMARY:

The purpose of this document is to report to the audit committee on the progress of the development of an ICT Business Continuity and Disaster Recovery Plan (BCDRP).

EXECUTIVE RECOMMENDATION:

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act 1995 RESOLVES to:

- NOTE the progress in development and testing of the ICT business continuity and disaster recovery plan.

PROPONENT:

The proponent is the City of Greater Geraldton.

BACKGROUND:

Development of a Business Continuity and Disaster Recovery Plan (BCDRP) for the City involves multiple planning streams, with site-specific business unit plans, and the ICT BCDR plan as a primary enabler of recovery. This report addresses just the ICT BCDR planning process. A separate report addresses the framework for development of site-specific BCDR plans.

In late 2015 the City moved its core ICT infrastructure (Servers, storage, minor networking, and internet) to the Geraldton Data Centre. In addition to this move, provisioned in their partner data centre in Perth were servers, storage and networking to allow replication of the City's Core Applications and Backup Data to this geographically distant location.

By moving to an Infrastructure as a Service arrangement for ICT, migrating data and systems to the 'cloud', with access to data and core applications via the Internet, and with remote replication, the City enhanced its capability to continue core business during events such as district power loss, or a disaster event, and subsequently recovery.

Signed _____ Dated _____

A documented ICT BCDRP and accompanying processes have been in active development. The plan in final form will include four different disaster scenarios with each scenario increasing in scope and complexity. Once completed, each scenario requires testing in the live environment. Following each test, from outcomes and lessons learned, iterations to the plan and its test are required. A completely tested and endorsed plan is not expected until 30 June 2018. Councillors will appreciate that while some technical elements of a BCDP plan can be (and are) tested via simulation, the acid test always requires executing an event like a real power-down across multiple sites, and for real testing that needs to be conducted during normal business hours. Such tests disrupt delivery of services to the community. Hence they need to be carefully planned, with the view to sensible frequency of such tests. When an actual event occurs, such as the recent CBD power outage, “live” testing becomes immediately possible. However, opportunities to frame and live-test the most complex of the ICT DR scenarios are challenging to contrive. As well, separate from the ICT elements, the site-specific BCDR plans must be tested, so entity-wide coordination is required to frame and execute a complete DR test. The critical issue for BCDR planning for the City is ensuring that the ICT components on which actual service delivery and recovery will depend, are actively monitored and checked.

To illustrate the nature of the BCDR capability monitoring/checking, a checklist and process (attachment A) are utilised. This preliminary checklist, completed on a fortnightly basis, ensures the BCDR environment, infrastructure and dependencies are checked to confirm they are functioning, up to date and ready if a continuity event were to eventuate.

Under its infrastructure as a service arrangements, with multiple Data Centre capability and the City’s ICT infrastructure topology, the City’s ability to handle minor disruptions is ‘ready by default’. Actual outage events have enabled real testing. This is illustrated in Attachment B which provides information on the response to the CBD power outage on the morning of 26 February 2018. In essence, in actual event testing, with ability to execute remote connection so long as a device can see the Internet somehow, officers can access applications and data. Cloud hosting demonstrably delivers that capability.

COMMUNITY, ENVIRONMENT, ECONOMY AND GOVERNANCE ISSUES:

Community:

Business Continuity and Disaster recovery for delivery of City services to the Community is a fundamental requirement. That requirement, noting dependence of many City services on automated v business processes and digital data, was the primary driver for the City migrating its core systems and data to the ‘cloud’.

Environment:

There are no environmental impacts.

Economy:

There are no economic impacts.

Signed _____ Dated _____

Governance:

There are no governance impacts.

RELEVANT PRECEDENTS:

The Audit Committee regularly reviews reports relating to the auditing processes of the City and the Audit function.

COMMUNITY/COUNCILLOR CONSULTATION:

There has been no consultation.

LEGISLATIVE/POLICY IMPLICATIONS:

There are no legislative/policy implications.

FINANCIAL AND RESOURCE IMPLICATIONS:

There are no financial or resource implications.

INTEGRATED PLANNING LINKS:

Title: Governance	Good Governance & Leadership
Strategy 4.5.2	Ensuring finance and governance policies, procedures and activities align with legislative requirements and best practice

REGIONAL OUTCOMES:

There are no impacts to regional outcomes.

RISK MANAGEMENT

Development and testing of an ICT BCDRP, as part of the overall BCDRP for the City, is an integral element of the City's risk management program.

ALTERNATIVE OPTIONS CONSIDERED BY CITY OFFICERS

No alternatives considered. Development and testing of BCDRP capabilities is an ongoing requirement. The multi-tiered plans are not static, requiring continuous review and updating to reflect both internal changes, and to respond to externalities.

COMMITTEE DECISION

MOVED Cr Caudwell, SECONDED Cr Freer

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act 1995 RESOLVES to:

- NOTE the progress in development and testing of the ICT business continuity and disaster recovery plan.**

CARRIED 3/0

Signed _____ Dated _____

AC066	AUDIT REVIEWS FOR CITY OF GREATER GERALDTON
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AGENDA REFERENCE:	D-18-017125
AUTHOR:	A van der Weij, Financial Accountant
EXECUTIVE:	B Davis, Director Corporate & Commercial Services
DATE OF REPORT:	1 March 2018
FILE REFERENCE:	FM/3/0003
ATTACHMENTS:	Yes (x4)
	A. Financial Management Systems Review
	B. Audit Regulation 17 Review
	C. Interim Audit Letter
	D. Fleet Management Internal Audit

EXECUTIVE SUMMARY:

The purpose of this report is to present to the Audit Committee the reports from the auditor of the Financial Management Systems Review (session 1), Audit Regulation 17 Review, Interim Audit and the Fleet Management Internal Audit.

EXECUTIVE RECOMMENDATION:

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act 1995 RESOLVES to:

1. ADOPT the Financial Management Systems Review, Audit Regulation 17 Review, Interim Audit Management Letter and Fleet Management Internal Audit Report;
2. ENDORSE actions taken or proposed to be taken by staff to resolve any items identified in the reports; and
3. REQUIRE progress on implementation of the proposed management actions, at the next Audit Committee Meeting.

PROPONENT:

The proponent is the City of Greater Geraldton.

BACKGROUND:

A. In accordance with Regulation 5(2)(C) of the Local Government (Financial Management) Regulations 1996, Local Government CEO's are required to undertake a Financial Management Systems Review (FMSR) once every 4 years. The scope of the review incorporates an assessment of the appropriateness and effectiveness of Council's financial management systems and procedures.

Council completed a FMSR in February 2016. The attached report represents the first of two sessions with the second session scheduled for February 2020.

B. In accordance with Audit Regulation 17 of the Local Government (Audit) Regulations 1996, Local Governments CEO's are required to undertake a review of the appropriateness and effectiveness of a local
Signed _____ Dated _____

government's systems in relation to risk management, internal control and legislative compliance once every 2 calendar years from the first review completion date (31st of December 2014). The second review was conducted in February 2016.

- C. The interim site audit was conducted by AMD Chartered Accountants from the 5th to the 8th of February 2018. It should be noted that the letter attached is not part of the formal audit reporting process. The letter is provided for general information purposes only and meant to highlight matters raised and, where applicable, to be attended to at the year end audit.
- D. The Audit Committee at their meeting on 21 February 2017 endorsed the implementation of the Strategic Internal Audit Plan. The City's Vehicle Fleet Management is the second area being audited as part of this Audit plan. AMD Chartered Accountants was selected as the preferred auditor under the Request for Quotation (RFQ) process.

COMMUNITY, ENVIRONMENT, ECONOMY AND GOVERNANCE ISSUES:

Community:

There are no community impacts.

Environment:

There are no environment impact.

Economy:

There are no economic impacts.

Governance:

There are no governance impacts.

RELEVANT PRECEDENTS:

The Audit Committee regularly reviews reports relating to the auditing processes of the City and the Audit function, (AC087 Information Technology Internal Audit report, AC058 Audit report 2016/2017 2 October 2017).

COMMUNITY/COUNCILLOR CONSULTATION:

There has been consultation

LEGISLATIVE/POLICY IMPLICATIONS:

Pursuant to Regulation 16 *Local Government (Audit) Regulations 1996:*

16. Audit committee, functions of

An audit committee —

(a) Is to provide guidance and assistance to the local government —

(i) as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act; and

(ii) as to the development of a process to be used to select and appoint a person to be an auditor; and

(b) may provide guidance and assistance to the local government as to —

Signed _____ Dated _____

- (i) matters to be audited; and
- (ii) the scope of audits; and
- (iii) its functions under Part 6 of the Act; and
- (iv) the carrying out of its functions relating to other audits and other matters related to financial management;

FINANCIAL AND RESOURCE IMPLICATIONS:

There are no financial or resource implications.

INTEGRATED PLANNING LINKS:

Title: Governance	Good Governance & Leadership
Strategy 4.5.2	Ensuring finance and governance policies, procedures and activities align with legislative requirements and best practice

REGIONAL OUTCOMES:

There are no impacts to regional outcomes.

RISK MANAGEMENT

The attached reports describe, through the auditor notes, the various levels of risk exposure of the organisation, with recommendations and management actions mitigating those risk levels to an acceptable level.

ALTERNATIVE OPTIONS CONSIDERED BY CITY OFFICERS

No alternatives have been considered.

COMMITTEE DECISION

MOVED Cr Caudwell, SECONDED Cr Freer

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act 1995 RESOLVES to:

- 1. ADOPT the Financial Management Systems Review, Audit Regulation 17 Review, Interim Audit Management Letter and Fleet Management Internal Audit Report;**
- 2. ENDORSE actions taken or proposed to be taken by staff to resolve any items identified in the reports; and**
- 3. REQUIRE progress on implementation of the proposed management actions, at the next Audit Committee Meeting**

CARRIED 3/0

Signed _____ Dated _____

7 GENERAL BUSINESS LATE ITEMS

INCREASE COUNCILLOR MEMBERSHIP OF THE AUDIT COMMITTEE
--

SUMMARY FROM THE CHAIR:

With reference to the Committee Decision, item AC060, not to appoint an external member of the Audit Committee. This motion seeks to increase the number of elected members of the Committee to four elected members and a proxy.

RECOMMENDATION:

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act 1995 RESOLVES to:

1. INCREASE membership of the Audit Committee to four members and a proxy, with the members and proxy to be elected members.
2. Amend the Audit Committee Charter at item 3.1 to read '*The committee will consist of four members and one proxy with the members and proxy being elected members. All members will have full voting rights.*'

BACKGROUND:

The *Local Government Act 1995* was amended on 24 August 2017 to enable the Auditor General to audit council finances and performance. The reforms expand the Auditor Generals scope to provide for independent oversight of the local government sector. The Audit Committee has therefore determined not to appoint an external member to the Committee and it is recommended that the membership of the Committee be amended to include an additional elected member and an elected member proxy.

COMMITTEE DECISION:**MOVED CR Mayor Van Styn, SECONDED CR Freer**

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act 1995 RESOLVES to:

1. INCREASE membership of the Audit Committee to four members and a proxy, with the members and proxy to be elected members.
2. Amend the Audit Committee Charter at item 3.1 to read '*The committee will consist of four members and one proxy with the members and proxy being elected members. All members will have full voting rights.*'

CARRIED 3/0

Signed _____ Dated _____

CONTRACTOR PAYMENT OF EMPLOYEE & SUBCONTRACTOR ENTITLEMENTS

Briefing note tabled by R McKim, Chief Executive Officer:



Briefing Note

To:	The Mayor and Councillors
From:	J Graham Manager Corporate Service
Date:	12 March 2018
Subject:	Contractor Payment of Employee & Subcontractor Entitlements
Agenda	NA
Reference:	
File	
reference:	RM/6/0012

ISSUE FOR CLARIFICATION

Subcontractor Payments to Employees Compliance

*After recent cases (Woolworths, Coles, Caltex and 7 Eleven) of under award and non-payment of superannuation to subcontractors & franchisees, FairWork has recently ruled that **an employment relationship exists between the subcontractor's staff and the principal employer.***

Locally, one of the City's previous service providers (Midwest Traffic Controllers) went into liquidation without paying superannuation to its employees for 3 years

There is a potential risk to the City that if we enter into longer term supply contracts with companies (i.e. traffic control, cleaning, waste collection services etc.) that they meet their employment obligations under the relevant legislation (minimum wages & conditions, superannuation, OSH etc.)

While the City has no concrete evidence of any of its current contractors not meeting their employment obligations this risk still needs to be addressed.

Signed _____ Dated _____

CGG's CURRENT POSITION

All City contracts have clear conditions for managing appointment of subcontractors, legislative compliance and indemnity requirements.

Lower value procurement contracts don't specifically address subcontractor or employee payment of entitlements but address this under the broader compliance conditions in the contracts. The City has implemented conditions in all contracts established via request for tender to ensure employees and subcontractors are paid their entitlements.

The following provides a summary of differing levels of contracts and the contract specific conditions which apply.

1. Purchase Order terms and conditions

Standard terms for transactional once off purchases which refer broadly to legislative compliance.

2. Request for quotes

Depending on size and type of the Quote either the above applies or higher value items would have the WALGA general terms and conditions attached.

3. Request for tender

- a. AS4000 general conditions of contract for construction - contains detailed provisions for how the Contractor must provide documented evidence via a statutory declaration that all employees and subcontractors relating to an invoice have been paid correctly.
- b. AS4122 general conditions of contract for consultants - contains provisions for ensuring moral rights may be allocated to sub-consultants and employees i.e. authors or designers being noted as the party who developed the works.
- c. WALGA general conditions of contract for goods and services, under which all city on going service contracts operate have provisions that require the contractor comply with relevant industry awards and legislation.

CITY LIABILITY

The City has previously sought legal advice (McLeod's) regarding contractor and subcontractor disputes which confirmed the City's position regarding employer statutory declarations (declaring that they have made the appropriate payments to their employees), subcontractor non-payment and broader legislative compliance conditions. This advice also confirmed the City's contracts are industry standard.

While it is recognised that this is a significant reputation issue, the City has no legal relationship with a contractor's subcontractors or employees. In most cases disputes between contractors and their subcontractors or employees are

Signed _____ Dated _____

a civil matter between those parties which the City has no legal ability or responsibility to get involved in.

Our most recent verbal legal advice regarding the comparison of the recent franchisee cases (Caltex, 7 Eleven etc.) to CGG is that the definition of an employee under the Local Government Act 1995, coupled with a clause in the Service Contract clearly stating "*that a contractors employee is not considered to be a City employee*" should be sufficient to protect the City's interests.

The City is aware of a few instances in the last 7 years where contractors had not paid their subcontractors. In each instance the contractor (who subsequently received no further contracts with the city) had submitted fraudulent statutory declarations.

As soon as the City was made aware of the above it took steps to attempt to resolve the matter. The Contractor's fraud and conduct was reported to WA Police.

RECOMMENDED ACTIONS

In the first instance it should be noted that the City has limited control over the internal management of contractors businesses, which is why City contracts are drafted to contain clear legislative compliance and indemnity provisions.

However a number of actions have been identified that can be implemented to enable greater assurance that all contractors' employees and subcontractors are paid their entitlements and that CGG's continues to take a best practice approach in contract management.

1. Contract conditions update

Although the City already has robust conditions in the request for tender contracts to ensure employees and subcontractors are paid, there are a few minor process gaps at the lower purchase levels. This can be rectified by updating the request for quote short form contract and the purchase order terms and conditions.

2. Code of Business ethics

The City has developed a draft Code of Business Ethics which is similar to the staff and Elected Members Codes of Conduct. It is proposed this code be updated with an additional clauses regarding contractor conduct in relation to subcontractors and employees. This provision would enable the City to link to the *WA Department of Mines, Industry Regulation and Safety* web site, as they currently administer the *Construction Contract Act* and state labour relations.

3. Procurement & Risk contract performance review

The Director Infrastructure Service had already identified a need for greater contractor monitoring and had requested that the Procurement & Risk department provide assistance to his service areas via undertaking sample performance reviews of contractors. Invoices compliance

Signed _____ Dated _____

- a. KPI monitoring
- b. Insurance
- c. Inspection
- d. Variations and communications
- e. Purchase order and requisitions etc.

4. **Contract management induction**

The City has developed processes and contract management induction material for ensuring contract managers across the city understand their role. A clarification to the processes and induction will be undertaken to ensure that all contract managers are aware of the need to monitor this issue.

- 5. A contractors obligation to comply with all relevant employment legislation will be included and emphasised at all tender briefing session
- 6. As more information comes to light on the previously mentioned franchisee cases ongoing legal advice will be sought from McLeod's to supplement/confirm their existing advice.
- 7. Ensure that all new Service Contracts contain clauses that clearly state *"that a contractor's employee is not considered to be a City employee"*

SUMMARY FROM THE CHAIR:

The Briefing note was requested to provide a report on risk mitigation by the City against reputational damage resulting from failure by Contractors, engaged under City contracts, to pay wages , or payment of below award wages to employees or sub-contractors.

RECOMMENDATION:

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act 1995 RESOLVES to:

- 1. NOTE the preliminary advice
- 2. DIRECT the Chief Executive Officer to continue to monitor the situation

BACKGROUND:

Recent legal cases involving failure by contractors to pay wages to employees or subcontractors have highlighted the responsibility of organisations who contract out work. The City must therefore review and implement measures to:

Signed _____ Dated _____

- Ensure that the City is legally protected from litigation by employees of contractors or sub-contractors, if they do not receive payment for their work from contractors.
- Protect the City from reputational damage by only contracting work to organisations with demonstrated ethical work practices, and monitoring the payment of wages to employees of contractors or sub-contractors to ensure payments are made prior to the City finalising contract payments to the primary contractor.

COMMITTEE DECISION:

MOVED Cr Caudwell, SECONDED Cr Freer.

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act 1995 RESOLVES to:

1. **NOTE the preliminary advice;**
2. **DIRECT the Chief Executive Officer to continue to monitor the situation.**

CARRIED 3/0

AFTER HOURS PROCESSES FOR NOTIFICATION AND ATTENDANCE
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SUMMARY FROM THE CHAIR:

This motion is to require the Chief Executive officer to review the City's after hour's processes and emergency response procedures, and provide a report to the Audit Committee.

RECOMMENDATION:

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act 1995 RESOLVES to:

1. **DIRECT the Chief Executive Officer to review the City's after hour's processes and emergency response procedures.**
2. **REQUIRE the Chief Executive Officer to provide a report on the outcome of the review, of the after-hours processes and emergency response procedures, to the Audit Committee.**

BACKGROUND

Recent after hours incidents at the City have highlighted gaps in the after-hours communication information and processes, and the procedures for after-hours emergency response. At the time of the incidents contact information for City officers was not accessible for emergency respondents or the police. It is therefore necessary for the City to engage with relevant

Signed _____ Dated _____

stakeholders and identify systems and processes by which staff with the required expertise are available to respond to stakeholders, and their contact information is readily available to those stakeholders requiring the information.

COMMITTEE DECISION:

MOVED Mayor Van Styn, SECONDED Cr Freer.

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act 1995 RESOLVES to:

- 1. DIRECT the Chief Executive Officer to review the City's after hour's processes and emergency response procedures.**
- 2. REQUIRE the Chief Executive Officer to provide a report on the outcome of the review, of the after-hours processes and emergency response procedures, to the Audit Committee.**

Signed _____ Dated _____

8 MEETING CLOSURE

There being no further business the meeting was declared closed at 4.45 pm.

Signed _____ Dated _____
