



## **AUDIT AND ORGANISATIONAL RISK COMMITTEE MEETING**

# **MINUTES**

**The Audit and Organisational Risk Committee Meeting  
was held in the Council Chambers,  
Welcome Road, Karratha,  
on Tuesday, 14 August 2018**

A handwritten signature in black ink, appearing to read "Chris Adams", is positioned above a horizontal line.

**CHRIS ADAMS  
CHIEF EXECUTIVE OFFICER**



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**WRITTEN CONFIRMATION**

of the outcome of the application, and any conditions attaching to the decision made by the City of Karratha in respect of the application.

Signed:  \_\_\_\_\_  
**Chris Adams - Chief Executive Officer**

## DECLARATION OF INTERESTS (NOTES FOR YOUR GUIDANCE) (updated 13 March 2000)

A member who has a **Financial Interest** in any matter to be discussed at a Council or Committee Meeting, which will be attended by the member, must disclose the nature of the interest:

- (a) In a written notice given to the Chief Executive Officer before the Meeting or;
- (b) At the Meeting, immediately before the matter is discussed.

A member, who makes a disclosure in respect to an interest, must not:

- (c) Preside at the part of the Meeting, relating to the matter or;
- (d) Participate in, or be present during any discussion or decision-making procedure relative to the matter, unless to the extent that the disclosing member is allowed to do so under Section 5.68 or Section 5.69 of the Local Government Act 1995.

## NOTES ON FINANCIAL INTEREST (FOR YOUR GUIDANCE)

The following notes are a basic guide for Councillors when they are considering whether they have a **Financial Interest** in a matter. I intend to include these notes in each agenda for the time being so that Councillors may refresh their memory.

1. A Financial Interest requiring disclosure occurs when a Council decision might advantageously or detrimentally affect the Councillor or a person closely associated with the Councillor and is capable of being measure in money terms. There are exceptions in the *Local Government Act 1995* but they should not be relied on without advice, unless the situation is very clear.
2. If a Councillor is a member of an Association (which is a Body Corporate) with not less than 10 members i.e. sporting, social, religious etc), and the Councillor is not a holder of office of profit or a guarantor, and has not leased land to or from the club, i.e., if the Councillor is an ordinary member of the Association, the Councillor has a common and not a financial interest in any matter to that Association.
3. If an interest is shared in common with a significant number of electors or ratepayers, then the obligation to disclose that interest does not arise. Each case needs to be considered.
4. If in doubt declare.
5. As stated in (b) above, if written notice disclosing the interest has not been given to the Chief Executive Officer before the meeting, then it **MUST** be given when the matter arises in the Agenda, and immediately before the matter is discussed.
6. Ordinarily the disclosing Councillor must leave the meeting room before discussion commences. The **only** exceptions are:
  - 6.1 Where the Councillor discloses the **extent** of the interest, and Council carries a motion under s.5.68(1)(b)(ii) or the Local Government Act; or
  - 6.2 Where the Minister allows the Councillor to participate under s5.69 (3) of the Local Government Act, with or without conditions.

## INTERESTS AFFECTING IMPARTIALITY

**DEFINITION:** *An interest that would give rise to a reasonable belief that the impartiality of the person having the interest would be adversely affected, but does not include an interest as referred to in Section 5.60 of the 'Act'.*

A member who has an **Interest Affecting Impartiality** in any matter to be discussed at a Council or Committee Meeting, which will be attended by the member, must disclose the nature of the interest;

- (a) in a written notice given to the Chief Executive Officer before the Meeting; or
- (b) at the Meeting, immediately before the matter is discussed.

## IMPACT OF AN IMPARTIALITY CLOSURE

There are very different outcomes resulting from disclosing an interest affecting impartiality compared to that of a financial interest. With the declaration of a financial interest, an elected member leaves the room and does not vote.

With the declaration of this new type of interest, the elected member stays in the room, participates in the debate and votes. In effect then, following disclosure of an interest affecting impartiality, the member's involvement in the Meeting continues as if no interest existed.



# TABLE OF CONTENTS

| ITEM | SUBJECT                                                                              | PAGE NO |
|------|--------------------------------------------------------------------------------------|---------|
| 1    | OFFICIAL OPENING .....                                                               | 5       |
| 2    | RECORD OF ATTENDANCES AND APOLOGIES .....                                            | 5       |
| 3    | DECLARATIONS OF INTEREST .....                                                       | 5       |
| 4    | CONFIRMATION OF MINUTES AND BUSINESS ARISING FROM MINUTES OF PREVIOUS MEETINGS ..... | 5       |
| 5    | ITEMS FOR DISCUSSION .....                                                           | 7       |
| 5.1  | RISK REGISTER UPDATE.....                                                            | 7       |
| 5.2  | EXTERNAL AUDIT – INTERIM MANAGEMENT REPORT .....                                     | 11      |
| 6    | ITEMS FOR INFORMATION ONLY.....                                                      | 15      |
| 6.1  | BUSINESS IMPROVEMENT – PROGRESS REPORT.....                                          | 16      |
| 6.2  | UPDATE ON INTERNAL AUDITS.....                                                       | 20      |
| 6.3  | UPDATE ON EXTERNAL AUDIT .....                                                       | 22      |
| 6.4  | UPDATE ON INDEPENDENT AUDITS .....                                                   | 23      |
| 6.5  | LOCAL GOVERNMENT AUDITING REFORMS.....                                               | 25      |
| 7    | CLOSURE & DATE OF NEXT MEETING .....                                                 | 27      |



# AGENDA

## 1 OFFICIAL OPENING

The Meeting was officially opened at 4.10 pm.

## 2 RECORD OF ATTENDANCES AND APOLOGIES

Committee Members: Cr Evette Smeathers (Chairperson)  
Cr Peter Long  
Cr Daniel Scott

|        |                   |                                              |
|--------|-------------------|----------------------------------------------|
| Staff: | Chris Adams       | Chief Executive Officer                      |
|        | Phillip Trestrail | Director Corporate Services                  |
|        | Henry Eaton       | Manager Governance & Organisational Strategy |
|        | Linda Phillips    | Minute Secretary                             |

Apologies: Cr Grant Cucel

## 3 DECLARATIONS OF INTEREST

Nil

## 4 CONFIRMATION OF MINUTES AND BUSINESS ARISING FROM MINUTES OF PREVIOUS MEETINGS

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### OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION

Res No : AOR67

MOVED : Cr Long

SECONDED: : Cr Scott

That the Minutes of the Audit and Organisational Risk Committee Meeting held on Tuesday, 6 March 2018, be confirmed as a true and correct record of proceedings.

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CARRIED

FOR : Cr Smeathers, Cr Long, Cr Scott  
AGAINST : Nil





## 5 ITEMS FOR DISCUSSION

### 5.1 RISK REGISTER UPDATE

|                                       |                                           |
|---------------------------------------|-------------------------------------------|
| <b>File No:</b>                       | <b>RM.8</b>                               |
| <b>Responsible Executive Officer:</b> | <b>Director Corporate Services</b>        |
| <b>Reporting Author:</b>              | <b>Governance Officer - Compliance</b>    |
| <b>Date of Report:</b>                | <b>7 May 2018</b>                         |
| <b>Applicant/Proponent:</b>           | <b>Nil</b>                                |
| <b>Disclosure of Interest:</b>        | <b>Nil</b>                                |
| <b>Attachment(s)</b>                  | <b>Confidential Risk Register Extract</b> |

#### PURPOSE

To receive an update on relevant indicators relating to the organisation's management of risks.

#### BACKGROUND

Managers have reviewed and updated the Risk Register, with particular emphasis on identifying:

- Risks not already captured;
- Potential changes in cause and effect factors;
- Inherent Likelihood and Consequence;
- Key Controls and their respective rating;
- Residual Likelihood and Consequence; and
- Actions or treatments to manage the risks (including review of action items from last review).

The following new risks were identified in the latest review, bringing the total to 179 risks on the Risk Register:

- Failure to meet liquor licence regulatory requirements for events; and
- Reduced conditions of assets.

The table below provides the *inherent* and *residual* risk totals and percentage representation.

|                                                               |     |       |
|---------------------------------------------------------------|-----|-------|
| Number of Risks                                               | 179 |       |
| Number with Inherent Consequences rated Major or Catastrophic | 33  | 18.4% |
| Number of Inherent Risks rated High or Extreme                | 46  | 25.7% |
| Number of Residual Risks rated High or Extreme                | 4   | 2.2%  |

The attached extract from the Risk Register provides details of the 46 *inherent* risks rated high or extreme, however with current controls in place only four of these risks have a high *residual* risk. Two of these risks are considered acceptable given the controls in place and effective management and monitoring of the risks. The remaining two risks need further improvement to current controls.

6.7% of risks require some further improvement to existing controls. These are being addressed through stakeholder engagement, introduction of new technologies, training,

implementing new methodologies, strategies or processes which in some cases may have a long lead in period, for example updating cemetery records, PIIG process review, etc.

The heat map below displays the current assessed *residual* rating for all 179 identified risks.

|                   |   | <b>Consequence</b> |       |          |       |              |
|-------------------|---|--------------------|-------|----------|-------|--------------|
|                   |   | Insignificant      | Minor | Moderate | Major | Catastrophic |
| <b>Likelihood</b> |   | 1                  | 2     | 3        | 4     | 5            |
| Almost Certain    | 5 | 0                  | 0     | 0        | 0     | 0            |
| Likely            | 4 | 1                  | 4     | 2        | 0     | 0            |
| Possible          | 3 | 19                 | 23    | 12       | 0     | 0            |
| Unlikely          | 2 | 12                 | 41    | 23       | 12    | 2            |
| Rare              | 1 | 2                  | 14    | 7        | 4     | 1            |

Since the last AORC meeting there has been one reduction in *residual* risks rated extreme or high. This is owing to a review of the likelihood and consequence based on implemented action items. There are three additional *residual* risks rated moderate as indicated below and two of these are new risks.

| Risk Acceptance | Sept 2017 | Feb 2018 | Aug 2018 | Change |
|-----------------|-----------|----------|----------|--------|
| Low             | 103       | 101      | 100      | -1     |
| Moderate        | 68        | 72       | 75       | +3     |
| High            | 5         | 5        | 4        | -1     |
| Extreme         | 0         | 0        | 0        | 0      |

### LEVEL OF SIGNIFICANCE

In accordance with Council Policy CG-8 Significant Decision Making Policy, this matter is considered to be of moderate significance in terms of Council's ability to perform its role.

### COUNCILLOR/OFFICER CONSULTATION

Consultation has taken place with the Executive Management Group.

### COMMUNITY CONSULTATION

No community consultation is required.

### STATUTORY IMPLICATIONS

Regulation 17 of the *Local Government (Audit) Regulations 1996* requires the Chief Executive Officer to ensure that there are appropriate risk management systems and procedures in place for the City.

### POLICY IMPLICATIONS

This is consistent with Council Policy - CG01 Risk Management Policy and how risk is managed across the organisation.

### FINANCIAL IMPLICATIONS

There are no financial implications.

**STRATEGIC IMPLICATIONS**

This item is relevant to the Council's approved Strategic Community Plan 2016-2026 and Corporate Business Plan 2016-2021. In particular, the Operational Plan 2018-2019 provided for this activity:

Program/Services: 4. e.1.3 Risk Management  
 Projects/Actions: 4.e.1.3.2 Review Risk Management Systems

**RISK MANAGEMENT CONSIDERATIONS**

The level of risk to the City is considered to be as follows:

| Category             | Risk level | Comments                                                                                                                                                                                                                                                     |
|----------------------|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Health               | NA         | Nil                                                                                                                                                                                                                                                          |
| Financial            | NA         | Nil                                                                                                                                                                                                                                                          |
| Service Interruption | NA         | Nil                                                                                                                                                                                                                                                          |
| Environment          | NA         | Nil                                                                                                                                                                                                                                                          |
| Reputation           | NA         | Nil                                                                                                                                                                                                                                                          |
| Compliance           | High       | Local Government Audit Regulations require appropriate risk management systems and procedures to be in place. A Risk Register and supporting policy documents ensure that the City is constantly reviewing identified risks and managing them appropriately. |

**IMPACT ON CAPACITY**

There is minimal impact on capacity or resourcing to carry out the Officer's recommendation.

**RELEVANT PRECEDENTS**

The Risk Register is reviewed on an ongoing basis.

**VOTING REQUIREMENTS**

Simple Majority.

**OPTIONS:**Option 1

As per Officer's recommendation.

Option 2

That the Audit and Organisational Risk Committee by SIMPLE Majority pursuant to Regulation 17 of the *Local Government (Audit) Regulations 1996* RESOLVES to DEFER consideration of this matter pending further review.

**CONCLUSION**

Following a review of the Risk Register, two new risks have been identified bringing the total of identified risks to 179. Overall the City is managing risk effectively with no *residual* risks rated extreme and only 2.2% of *residual* risks rated high. These risks are considered acceptable with some minor work required to enhance some controls to ensure effective management and monitoring of our risks.

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**OFFICER'S RECOMMENDATION/ COMMITTEE RESOLUTION**

**Res No** : **AOR68**

**MOVED** : **Cr Scott**

**SECONDED:** : **Cr Long**

**That the Audit and Organisational Risk Committee by SIMPLE Majority pursuant to Regulation 17 of the *Local Government (Audit) Regulations 1996* RESOLVES to NOTE the current status of risk management.**

**CARRIED**

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**FOR** : **Cr Smeathers, Cr Long, Cr Scott**

**AGAINST** : **Nil**

**5.2 EXTERNAL AUDIT – INTERIM MANAGEMENT REPORT**

|                                       |                                                         |
|---------------------------------------|---------------------------------------------------------|
| <b>File No:</b>                       | <b>FM.1</b>                                             |
| <b>Responsible Executive Officer:</b> | <b>Director Corporate Services</b>                      |
| <b>Reporting Author:</b>              | <b>Manager Governance &amp; Organisational Strategy</b> |
| <b>Date of Report:</b>                | <b>29 May 2018</b>                                      |
| <b>Applicant/Proponent:</b>           | <b>AMD Chartered Accountants</b>                        |
| <b>Disclosure of Interest:</b>        | <b>Nil</b>                                              |
| <b>Attachment(s):</b>                 | <b>Interim Management Report</b>                        |

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**PURPOSE**

For the Audit & Organisational Risk Committee to consider outcomes from the interim audit conducted by the City's appointed external auditors AMD Chartered Accountants.

**BACKGROUND**

AMD Chartered Accountants visited the City during the week of 30 April - 1 May 2018 and undertook the interim audit. This will be followed up with a site visit during the week 27-30 August 2018 to commence finalising the annual financial report for 2017/18. This will be AMD's final external audit prior to the Office of the Auditor General taking responsibility for the 2018/19 financial year and onwards.

The interim management report focuses on the first visit which examined the operations of the City with particular regard to understanding internal control structures and accounting system as they relate to the City's financial reporting. The interim audit visit included testing of critical audit areas in accordance with legislative and accounting standard frameworks.

The interim audit focused on revenue/receipting, purchasing and payments, payroll, reconciliation activities and reconciliations of key accounts.

Attached is a copy of the Interim Management Report dated 26 June 2018 provided by AMD Chartered Accountants including interim findings and management comments. There were two minor and two medium risks. Findings include:

| <b>Audit Finding</b>                                                                                                                            | <b>Rating</b> | <b>AMD Recommendation</b>                                                                                                                                                                                                                       | <b>City Response</b>                                                                                                                                                                                                                            |
|-------------------------------------------------------------------------------------------------------------------------------------------------|---------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Masterfile Accuracy and Validity – review of changes                                                                                            | Medium        | Periodic and independent review of all changes made to master files to prevent erroneous or fraudulent changes.                                                                                                                                 | Monthly reviews are occurring and processes developed to review master file changes. Audit of payroll master file occurring fortnightly.                                                                                                        |
| Month end checklist sign off not evident on four samples of end of month files                                                                  | Minor         | End of Month checklists be prepared monthly and signed off by the preparer and an independent reviewer.                                                                                                                                         | Fixed date settlement process has been implemented. Monthly review checklist has been updated for appropriate signatures.                                                                                                                       |
| Payroll documentation – missing on sample employees                                                                                             | Minor         | Employee personnel files to contain appropriate supporting documentation for wages, time allocations and employee deductions.                                                                                                                   | Current procedures require employee files contain appropriate supporting documentation. Not all documentation is available for long serving employees (some of whom have over 30 years service).                                                |
| Site end of day receipting reconciliations incomplete on four instances between daily taking sheet and end of day cash receipts reconciliations | Medium        | Daily Taking Sheet and End of Day Cash receipts Reconciliation be signed by the employee preparing the reconciliation and then reviewed by someone independent of the receipting function and signed off as evidence of the independent review. | Additional control measures put in place to ensure that existing cash handling and reconciliation processes are adhered to. Further training provided to officers to ensure their obligations with regards to cash controls and cash reporting. |

All items have been addressed with recommendations now actioned or implemented.

#### **LEVEL OF SIGNIFICANCE**

In accordance with Council Policy CG-8 Significant Decision Making Policy, this matter is considered to be of moderate significance in terms of Council's ability to perform its role.

#### **COUNCILLOR/OFFICER CONSULTATION**

The Manager Financial Services/CFO and the Finance team together with the Director Corporate Services and CEO have been engaged with the auditors and kept informed of the findings and proposed actions.

#### **COMMUNITY CONSULTATION**

No community consultation is required.

#### **STATUTORY IMPLICATIONS**

Under Part 7 of the *Local Government Act 1995*, the Auditors are required to comply with legislative obligations including approved accounting and auditing standards. There is a requirement for reports issued by the auditors to be considered by the City's Audit and Organisational Risk Committee.

**POLICY IMPLICATIONS**

There are no policy implications.

**FINANCIAL IMPLICATIONS**

There are no financial implications.

**STRATEGIC IMPLICATIONS**

This item is relevant to the Council's approved Strategic Community Plan 2016-2026 and Corporate Business Plan 2016-2021. In particular, the Operational Plan 2018-2019 provided for this activity:

|                        |           |                                                             |
|------------------------|-----------|-------------------------------------------------------------|
| Our Programs/Services: | 4.c.1.1   | Management Accounting Services.                             |
| Our Projects/Actions:  | 4.c.1.1.1 | Conduct monthly and annual financial reviews and reporting. |

**RISK MANAGEMENT CONSIDERATIONS**

The level of risk to the City is considered to be as follows:

| Category             | Risk level | Comments                                                                                                                                                                                                                             |
|----------------------|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Health               | N/A        | Nil                                                                                                                                                                                                                                  |
| Financial            | Moderate   | Interim and annual audits assist Council in minimising financial risk from fraudulent activity or erroneous reporting. Improving controls and independent oversight greatly assists in providing surety to the quality of reporting. |
| Service Interruption | N/A        | Nil                                                                                                                                                                                                                                  |
| Environment          | N/A        | Nil                                                                                                                                                                                                                                  |
| Reputation           | Low        | Good controls in place generally to monitor financial risks and consequently reduce any impacts on reputation.                                                                                                                       |
| Compliance           | Low        | Good controls in place generally to monitor financial risks and consequently reduce any impacts on legislative compliance.                                                                                                           |

**IMPACT ON CAPACITY**

There is no impact on capacity or resourcing to carry out the Officer's recommendation.

**RELEVANT PRECEDENTS**

Interim audits are carried out each year in preparation for the end of year financial audit.

**VOTING REQUIREMENTS**

Simple Majority.

**OPTIONS:**Option 1

As per Officer's recommendation.

Option 2

That the Audit & Organisational Risk Committee by SIMPLE Majority pursuant to Part 7 of the *Local Government Act 1995* RESOLVES to DEFER this matter to seek clarification on matters within the Interim Management Report.

**CONCLUSION**

AMD Chartered Accountants has completed an interim audit of the City's financial systems and procedures in the lead up to the final audit for 2017/18. AMD has advised that the City's controls are robust and stringent, and there were two minor and two medium risks that have been actioned as a result of the interim audit.

---

**OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION**

**Res No** : **AOR69**

**MOVED** : **Cr Long**

**SECONDED:** : **Cr Scott**

**That the Audit & Organisational Risk Committee by SIMPLE Majority pursuant to Part 7 of the *Local Government Act 1995* RESOLVES to RECEIVE the Interim Management Report from AMD Chartered Accountant for the period ending 30 June 2018.**

---

**CARRIED**

**FOR** : **Cr Smeathers, Cr Long, Cr Scott**  
**AGAINST** : **Nil**



26 June 2018

**Cr E Smeathers**  
**Chairperson**  
**Audit Committee**  
**City of Karratha**  
**PO Box 219**  
**KARRATHA WA 6714**

Dear Evette

**CITY OF KARRATHA**  
**INTERIM MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2018**

We provide our Interim Management Report following completion of our City of Karratha 30 June 2018 interim audit site visit conducted 30 April to 2 May 2018.

**1.0 OUR AUDIT APPROACH**

Australian Auditing Standards require us to obtain an understanding of the internal control structure and accounting system relevant to City of Karratha's financial reporting, as part of our annual audit process.

During our interim audit, we carried out audit procedures necessary for us to comply with the requirements of the auditing standards in respect to audit planning, risk assessment, assessment of fraud and assessment of the control environment.

The interim audit included:

- understanding your current business practices through the preparation of our audit plan and completing our assessment of risks, in accordance with a risk based audit approach required under Australian Auditing Standards;
- understanding the control environment and evaluating the design and implementation of key controls and, where appropriate, whether they are operating effectively;
- testing transactions to confirm the accuracy and completeness of processing accounting transactions;
- review of City of Karratha's compliance with the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996; and
- clarifying significant accounting issues before the annual financial report is prepared for audit.

We reviewed, documented and tested the critical audit areas as outlined within Section 5 of our Audit Services Proposal, including key accounting systems and related internal controls in place at the City of Karratha, including the following key areas:

- Revenue and receipting;
- Purchasing and payments;
- Payroll; and
- Reconciliation of key accounts and preparation of monthly financial reports including:
  - Bank and investment reconciliations;
  - sundry debtors;

- rates debtors reconciliations;
- ratable value reconciliations;
- sundry creditor reconciliations;
- fixed asset reconciliations; and
- loan reconciliations.

Please note our procedures were performed for financial report audit purposes only, and therefore did not include a complete review of all controls and transactions. We will follow up on the status of our recommendations on our final visit in August to determine whether appropriate action has been taken.

This letter and the attached matters are provided for the purposes of general information only and are not part of our formal audit reporting process. Our audit and management reports will be formally issued at the conclusion of our audit in respect of the year ended 30 June 2018.

## **2.0 FAIR VALUE**

As required by Local Government (Financial Management) Regulations 1996, section 17A, City of Karratha's land and building assets or infrastructure assets must be reassessed at fair value by 30 June 2018.

Discussions with management indicate that Infrastructure and Artwork (utilising a suitably qualified external valuer) fair values are being reassessed prior to 30 June 2018, thereby ensuring compliance with stated requirements.

## **3.0 INTERIM AUDIT QUESTIONNAIRES**

As part of our interim audit planning, we require various questionnaires to be completed by management in respect to fraud, legal and statutory framework, internal controls and IT controls (emailed on the 9 February 2018).

At the date of this report, we have not been provided with the completed questionnaires and request these be provided to us prior to commencement of the onsite final audit visit.

In addition, we are awaiting payroll information requested while onsite (2 May 2018) which has not been provided and as a result, we have raised payroll related comments within the attached appendix.

## **3.0 INTERIM AUDIT RECOMMENDATIONS**

Overall, we are pleased to report our interim audit did not identify any significant matters required to be brought to the Audit Committee's attention. Our testing identified internal controls are generally operating effectively with management being proactive to continual improvement.

The interim audit result is a credit to the finance team who continue to be vigilant and pro-active in maintaining internal controls to a high standard. The finance team should be congratulated for their continued efforts in ensuring finances are managed appropriately.

Please refer to Appendix 1 for minor comments and recommendations raised following our interim audit procedures. Please note interim recommendations raised by us do not take into account materiality, and are raised in accordance with Local Government best practice guidelines.

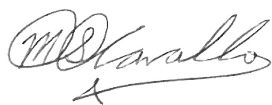
## **4.0 OTHER MATTERS**

We would like to take this opportunity to thank Ray, Angela and the City of Karratha finance team for the assistance provided to us during our audit.

Should you have any queries in respect to this report or any other matters relating to our audit, please do not hesitate to contact me.

Yours sincerely

**AMD Chartered Accountants**

A handwritten signature in black ink, appearing to read 'M Cavallo', with a stylized flourish underneath.

**MARIA CAVALLO CA**

**Director**

cc      Mr C Adams  
         Chief Executive Officer

**APPENDIX 1**  
**Audit Recommendations for the period ended 2 MAY 2018**

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**GUIDANCE TO FINDINGS RATING / IMPLICATION**

*Findings identified during the final audit have been weighted in accordance with the following scale:*

*Non Compliance: Those findings where there is non compliance with Local Government Act or Regulations.*

*Significant: Those findings where there is potentially a significant risk to the entity should the finding not be addressed promptly.*

*Moderate: Those findings which are of sufficient concern to warrant action being taken by the entity as soon as possible.*

*Minor: Those findings that are not of primary concern however still warrant action being taken.*

**AUDIT FINDINGS**

**1. MASTERFILE ACCURACY AND VALIDITY**

***Finding Rating: Medium***

We noted City of Karratha does not conduct an independent review of changes and adjustments made to master files, including changes to inventory, fixed assets, revenue and expenditure. In particular there is no review for timeliness of changes made, errors, or any unauthorised changes.

**Implication**

There is an increased risk that:

1. Required changes to the master-files are untimely;
2. Erroneous changes made to master-files have a low chance of being detected in a timely manner; and
3. Suspicious / fraudulent changes made to master-files have a low chance of being detected in a timely manner.

**Recommendation**

We recommend an independent review of all changes made to mater files be conducted periodically. The review should involve:

- A download of all changes (new / old / modify) made to each master-file;
- A representative sample then be tested and traced to originating / supporting documentation to assure validity and timeliness; and
- A review for suspicious master-file changes (e.g. changes to bank details, unusual variations to pay-rates and amendments to existing supplier bank account details) should be performed.

**Management Comment**

Monthly reviews of supplier master file changes are occurring, following an additional 10-month block review, and processes developed to review master file changes, in particular changes to bank account details, and ensure appropriate supporting documentation is maintained.

Audit of payroll masterfile changes continue to occur in line with the fortnightly pay cycle.

**APPENDIX 1**  
**Audit Recommendations for the period ended 2 MAY 2018**

---

**2. MONTH END CHECKLIST SIGN OFF**

***Finding Rating: Minor***

During review of the month end files to March 2018, we identified the following months checklists were not signed off as evidence of independent review:

- July;
- November; and
- December.

**Implication**

Non-compliance with City of Karratha monthly checklist procedures and risk of material misstatements going undetected.

**Recommendation**

We recommend month end checklists prepared each month are continued to be signed off by the preparer and the independent reviewer.

**Management Comment**

A fixed date settlement process has been implemented for a hard close out of month end processes and ancillary processes for masterfile audits. The monthly review checklist has been updated to provide for signatures of the respective coordinators for their areas of responsibility for presentation to final review and sign off by the Manager Financial Services/CFO at the monthly settlement meeting.

The agenda settlement process now forms the review process for the 'Monthly Financial Statements' to enable the month end checklist process to be expedited. For example, the March statements were presented to the May Council meeting, with the interim audit held in early May. A copy of the minuted Monthly Financial Statements will be placed in the checklist folder.

**APPENDIX 1**  
**Audit Recommendations for the period ended 2 MAY 2018**

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### **3. PAYROLL DOCUMENTATION**

***Finding Rating: Minor***

We noted instances whereby the following support could not be located within employee personnel files provided to us at the time of the interim onsite audit;

- An authorised form or correspondence to support a Social Club deduction;
- A time card for an employee selected; and
- A contract for an employee selected within our sample testing.

Details relating to the above instances have been provided to payroll staff.

**Implication**

Lack of documentation to support time allocations, wages paid and deductions from employee wages.

**Recommendation**

We recommend employee personnel files contain the appropriate supporting documentation for wages, time allocations and employee deductions.

**Management Comment**

Current procedures require that employee personnel files contain appropriate supporting documentation, however not all documentation is available for long serving employees (some of whom have over 30 years service).

### **4. SITE END OF DAY RECEIPTING RECONCILIATIONS**

***Finding Rating: Medium***

During our sample testing of end of day receipting reconciliations, we identified instances where the 'Daily Taking Sheet' and 'End of Day Cash Receipts Reconciliations' for the following sites were not signed as follows:

- A library daily cash reconciliation was not signed by the preparer;
- A Moonrise daily cash reconciliation was not signed by the preparer; and
- 7 Mile and Wickham waste cash reconciliation was not signed by preparer or independent reviewer.

**Implication**

Risk that error of fraud may not be detected on a timely basis.

**Recommendation**

We recommend the 'Daily Taking Sheet' and 'End of day Cash Receipts Reconciliation' be signed by the employee preparing the reconciliation. These reconciliations should be reviewed by someone independent of the receipting function, and signed off as evidence of independent review.

**Management Comment**

Additional control measures have been put in place to ensure that existing cash handling and reconciliation processes are being adhered to. Further training has been provided to officers across the City's various facilities to ensure they understand, and are meeting, their obligations with regards to cash controls and cash reporting

## 6 ITEMS FOR INFORMATION ONLY

**Responsible Officer:** Director Corporate Services

**Reporting Author:** Minute Secretary

**Disclosure of Interest:** Nil

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### PURPOSE

To advise the Audit and Organisational Risk Committee of the information items for period ending July 2018.

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### OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION

**Res No** : AOR70

**MOVED** : Cr Scott

**SECONDED:** : Cr Long

That the Audit and Organisational Risk Committee note the following information items:

- 6.1 Business Improvement – Progress Report
- 6.2 Update on Internal Audits
- 6.3 Update on External Audit
- 6.4 Update on Independent Audits
- 6.5 Local Government Auditing Reforms

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**CARRIED**

**FOR** : Cr Smeathers, Cr Long, Cr Scott  
**AGAINST** : Nil

**6.1 BUSINESS IMPROVEMENT – PROGRESS REPORT****File No:** FM.3**Responsible Executive Officer:** Director Corporate Services**Reporting Author:** Manager Governance and Organisational Strategy**Date of Report:** 27 April 2018**Disclosure of Interest:** Nil**Attachment(s):** Nil**PURPOSE**

To provide the Audit & Organisational Risk Committee with a progress update on Business Improvement activities and initiatives:

| Focus Areas                                  | Brief Description                                                                                                                                                                                | Indicative Activities/Outputs                                                                                                                                                                             | Current and Future Status                                                                                                                                               | Review Date                                                                     |
|----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| 1. <b>Strategic Community Plan 2016-2026</b> | Outlines the outcomes expressed by our communities and our response as an organisation in achieving those agreed outcomes in the next 10 years.                                                  | <ul style="list-style-type: none"> <li>• Vision</li> <li>• Strategies</li> <li>• Community Engagement</li> <li>• Resources and Commitments</li> </ul>                                                     | <ul style="list-style-type: none"> <li>• Review undertaken by Councillors community and staff during 2105/16</li> <li>• Adopted by Council in September 2016</li> </ul> | <ul style="list-style-type: none"> <li>• June 2020</li> </ul>                   |
| 2. <b>Corporate Business Plan 2016-2020</b>  | Outlines what the organisation needs to deliver in the next five years. Has been extensively reworked internally over the past 4-6 weeks with a focus on consistency and measurability of KPI's. | <ul style="list-style-type: none"> <li>• Activates Strategic Community Plan</li> <li>• Progress Measures to achieve delivery of outcomes</li> <li>• Budget information for five years</li> </ul>          | <ul style="list-style-type: none"> <li>• Approved by Council in October 2016</li> <li>• Desktop review undertaken and endorsed by Council in June 2018.</li> </ul>      | <ul style="list-style-type: none"> <li>• Next review June 2020</li> </ul>       |
| 3. <b>Operational Plan 2018-2019</b>         | Annual slice and dice of Corporate Business Plan. Has been extensively reworked internally to ensure consistency and compliance.                                                                 | <ul style="list-style-type: none"> <li>• Annual Budget.</li> <li>• Annual Projects and Services</li> </ul>                                                                                                | <ul style="list-style-type: none"> <li>• Approved by Council in June 2018</li> </ul>                                                                                    | <ul style="list-style-type: none"> <li>• Next review June 2019</li> </ul>       |
| 4. <b>Asset Management Plan</b>              | What Assets are required at what service level to deliver the services expressed by our communities?                                                                                             | <ul style="list-style-type: none"> <li>• Asset Conditions &amp; Ratings</li> <li>• Levels of Service, operational, technical and community</li> <li>• Financial information for maintenance of</li> </ul> | <ul style="list-style-type: none"> <li>• Approved by Council in June 2013.</li> <li>• Asset Management Policy reviewed and submitted to Council in Nov 2016</li> </ul>  | <ul style="list-style-type: none"> <li>• To be completed by Dec 2018</li> </ul> |



| Focus Areas                                       | Brief Description                                                                                                                                                                                             | Indicative Activities/Outputs                                                                                                                                                                                                                                                                        | Current and Future Status                                                                                                                                                                                  | Review Date                                                                                                         |
|---------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|
|                                                   |                                                                                                                                                                                                               | <ul style="list-style-type: none"> <li>assets at an agreed level of service</li> <li>Asset Disposal Strategy and Lifecycle Costing</li> <li>Action Plans</li> </ul>                                                                                                                                  | however deferred pending further review.                                                                                                                                                                   |                                                                                                                     |
| <b>5. Long Term Financial Plan</b>                | <p>Informs the Strategic Community Plan and Corporate Business Plan. CEO has reviewed with EMT. Staff believe that assumptions that inform the financial modelling need review prior to Council adoption.</p> | <ul style="list-style-type: none"> <li>Sensitivity Analysis</li> <li>Long Term Financial Sustainability</li> <li>Capital Works Program for next 10 years</li> <li>Financial Modelling</li> <li>Assumptions and Scenarios</li> </ul>                                                                  | <ul style="list-style-type: none"> <li>Submitted to the DLGC in June 2013.</li> <li>Review of key assumptions and 10 year Capital Works Plan completed in June 2015, March 2017 and March 2018.</li> </ul> | <ul style="list-style-type: none"> <li>Updated LTFP to be submitted to Council in Q3 2018.</li> </ul>               |
| <b>6. Workforce Plan 2013-2018</b>                | <p>Development of an all-encompassing strategy which addresses staff turnover rates and an appreciation of the full number of staff required to deliver City business now and into the future.</p>            | <ul style="list-style-type: none"> <li>Structural Review</li> <li>Performance Measurement Systems</li> <li>Performance Appraisal System</li> <li>Retention</li> <li>Recruitment</li> <li>Succession Planning</li> <li>Development and training</li> <li>Staff housing &amp; accommodation</li> </ul> | <ul style="list-style-type: none"> <li>Approved by Council in August 2013.</li> <li>Annual review has been completed and incorporated in the LTFP assumptions.</li> </ul>                                  | <ul style="list-style-type: none"> <li>Currently under review and to be presented to Council in 2018.</li> </ul>    |
| <b>7. Housing Strategy</b>                        | <p>Development of a strategy to address the housing and accommodation needs of the City from retention and recruitment perspective.</p>                                                                       | <ul style="list-style-type: none"> <li>Short term review and modifications undertaken.</li> <li>Options for staff housing to be developed (ownership vs leasing vs paying allowances).</li> </ul>                                                                                                    | <ul style="list-style-type: none"> <li>Review completed and endorsed by Council in July 2018.</li> </ul>                                                                                                   | <ul style="list-style-type: none"> <li>Review due 2021.</li> </ul>                                                  |
| <b>8. Corporate Performance Management System</b> | <p>A tool to integrate all operations including projects and services delivered by the organisation and report on the individual status and financials.</p>                                                   | <ul style="list-style-type: none"> <li>Ability for all reporting teams to update their quarterly performances.</li> </ul>                                                                                                                                                                            | <ul style="list-style-type: none"> <li>Contract with Civica Pty Ltd. to be terminated in May 2018.</li> </ul>                                                                                              | <ul style="list-style-type: none"> <li>Q4 KPIs to be completed for August Council meeting.</li> </ul>               |
| <b>9. Procurement and Tendering</b>               | <p>Given the large volume of projects that the City is accountable for, a more centralised approach with procurement is</p>                                                                                   | <ul style="list-style-type: none"> <li>Centralise and streamline the approach to procurement and tendering.</li> <li>Create knowledge management and</li> </ul>                                                                                                                                      | <ul style="list-style-type: none"> <li>Induction and awareness training provided quarterly.</li> <li>eQuotes for local suppliers</li> </ul>                                                                | <ul style="list-style-type: none"> <li>Ongoing</li> <li>OAG performance review of procurement completed.</li> </ul> |

| Focus Areas                                       | Brief Description                                                                                                                                                                                                                            | Indicative Activities/Outputs                                                                                                                                                                                                                                                                                                                   | Current and Future Status                                                                                                                                                                                                                                      | Review Date                                                                                                                                                  |
|---------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                   | applied for regulatory compliance.                                                                                                                                                                                                           | succession planning of procurement and tendering through the organisation.                                                                                                                                                                                                                                                                      | introduced in November 2015.                                                                                                                                                                                                                                   |                                                                                                                                                              |
| <b>10. Functional Processes</b>                   | A review of the key processes that link how things are done within the organisation and examine the need to streamline and avoid duplication of activity that further create efficiencies in time and cost on how activities are undertaken. | <ul style="list-style-type: none"> <li>Define what a process is and how these will be recorded.</li> <li>Conduct a review of current functional processes across the organisation.</li> <li>Define what functional processes are needed, how they will be recorded, understood and applied consistently throughout the organisation.</li> </ul> | <ul style="list-style-type: none"> <li>Policies adopted.</li> <li>Current practices are being process mapped as an internal resource and guide to all staff.</li> <li>572 processes have been developed with 91% published for organisation to use.</li> </ul> | <ul style="list-style-type: none"> <li>Ongoing and annual reviews of processes undertaken</li> </ul>                                                         |
| <b>11. Service Reviews</b>                        | Review of all service areas to ensure efficacy and alignment with strategic direction and community                                                                                                                                          | <ul style="list-style-type: none"> <li>Thorough review of individual service area with recommendations targeting business improvement and efficiency</li> </ul>                                                                                                                                                                                 | <ul style="list-style-type: none"> <li>Service reviews have been undertaken across all service areas with 337 recommended actions put forward to EMT.</li> </ul>                                                                                               | <ul style="list-style-type: none"> <li>64% of recommendations are complete.</li> <li>Staff working through balance that have varying time frames.</li> </ul> |
| <b>12. Risk Management Review</b>                 | Review of existing policies, procedures and supporting documentation. Development of Risk Management Framework.                                                                                                                              | <ul style="list-style-type: none"> <li>Common, contemporary, compliant framework was developed and utilised for the four (4) Pilbara LGA's.</li> </ul>                                                                                                                                                                                          | <ul style="list-style-type: none"> <li>Risk plan and policies approved by Council in Feb 2017</li> <li>Major review of Risk Register undertaken.</li> <li>Highlight risks to be provided to AORC each meeting.</li> </ul>                                      | <ul style="list-style-type: none"> <li>March 2019</li> </ul>                                                                                                 |
| <b>13. Business Continuity Management Project</b> | A project funded by the PRC to assist Pilbara councils to establish a business continuity framework for their local authorities.                                                                                                             | <ul style="list-style-type: none"> <li>BCM Policy and Plan.</li> <li>BCM Governance Framework.</li> <li>Exercise Maintenance and Awareness Plan.</li> </ul>                                                                                                                                                                                     | <ul style="list-style-type: none"> <li>BCM Plan prepared and training undertaken by PRC with Critical Response Team in November 2015.</li> </ul>                                                                                                               | <ul style="list-style-type: none"> <li>BCM Plan under review and will be submitted to AORC in 2018.</li> </ul>                                               |
| <b>14. Internal Audit Program</b>                 | A program to examine and test internal controls                                                                                                                                                                                              | <ul style="list-style-type: none"> <li>IA Schedule developed of</li> </ul>                                                                                                                                                                                                                                                                      | <ul style="list-style-type: none"> <li>Completed IA: Delegations and Authorisations;</li> </ul>                                                                                                                                                                | <ul style="list-style-type: none"> <li>Grants and Contributions IA to be</li> </ul>                                                                          |

| Focus Areas                        | Brief Description                                                                                                                                                                                          | Indicative Activities/Outputs                                                                                                                                                                                                  | Current and Future Status                                                                                                                                                                    | Review Date                                                                                                                                                     |
|------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                    | established within the organisation to ensure sound governance systems are effective.                                                                                                                      | <ul style="list-style-type: none"> <li>internal audit program.</li> <li>Identify any weaknesses and reduce risks by examining existing control measures and providing recommendations for improvement.</li> </ul>              | <ul style="list-style-type: none"> <li>and Credit Card.</li> <li>IA on Grants and Contributions to be completed by mid 2018.</li> <li>Audit also underway on IT security network.</li> </ul> | <ul style="list-style-type: none"> <li>completed in 2018.</li> <li>IT Security Network audit underway with 4 reports due in the second half of 2018.</li> </ul> |
| <b>15. Staff Engagement Survey</b> | All staff are invited to participate in a survey to provide feedback on a wide range of work related topics that will help to shape our people policies and ensure a positive workplace for all employees. | <ul style="list-style-type: none"> <li>Online and hard copy survey sent to all employees every 2 years.</li> <li>Each department to develop an action plan in consultation with staff to respond to survey results.</li> </ul> | <ul style="list-style-type: none"> <li>Survey released on 16 May 2017.</li> <li>Closing date 30 May.</li> <li>Action plan prepared to respond to feedback.</li> </ul>                        | <ul style="list-style-type: none"> <li>March 2019</li> </ul>                                                                                                    |

**6.2 UPDATE ON INTERNAL AUDITS**

**File No:** CM.131

**Responsible Executive Officer:** Director Corporate Services

**Reporting Author:** Governance Officer - Compliance

**Date of Report:** 10 August 2018

**Disclosure of Interest:** Nil

**Attachment(s):** Nil




**PURPOSE**

To provide the Audit & Organisational Risk Committee with a status update regarding implementation of recommendations from past internal audits.

**BACKGROUND**




Recent internal audits have been conducted on Delegations & Authorisations and Corporate Credit Card Usage and below is a summary on the status of the audit recommendations outstanding since the last AORC meeting held in March 2018.

The following key applies to status:

|                                                                                     |                                            |
|-------------------------------------------------------------------------------------|--------------------------------------------|
|  | Recommendation yet to be implemented       |
|  | Recommendation currently being implemented |
|  | Recommendation implemented / completed     |

Internal Audit - Delegations and Authorisations

|                                                                   |    |                                   |          |
|-------------------------------------------------------------------|----|-----------------------------------|----------|
| <b>Date presented to Audit and Organisational Risk Committee:</b> |    | 21 February 2017                  |          |
| <b>Number of Recommendations:</b>                                 | 22 | <b>Recommendations completed:</b> | 19 (86%) |

| Recommendation                                                                                      | Responsibility | Comments                                                                                                                                                                                                                                                                    | Timing   | Status                                                                                |
|-----------------------------------------------------------------------------------------------------|----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|---------------------------------------------------------------------------------------|
| Finance to provide improved training around Purchase Orders                                         | Finance        | <ul style="list-style-type: none"> <li>Finance arranging resources to implement a training workshop prior to end of year.</li> </ul>                                                                                                                                        | Dec 2018 |  |
| Invoices to be stored electronically                                                                | Finance        | <ul style="list-style-type: none"> <li>Governance liaised with Finance and Records teams.</li> <li>Invoices received electronically meet recommendation.</li> <li>A complete transition is not possible with existing software, workflow and approval processes.</li> </ul> | Sep 2018 |  |
| Improved electronic workflow process to replace paper based slower systems surrounding delegations. | Governance     | <ul style="list-style-type: none"> <li>Working towards using functionality available in SharePoint but will need to consider workflow systems and escalations.</li> </ul>                                                                                                   | Sep 2018 |  |

**CONCLUSION**

Various teams are collaborating in order to implement the outstanding recommendations of the Delegations audit. All of the recommendations of the Credit Card audit have been implemented. An internal audit on grants and contributions is currently being finalised.

A further update will be provided at the next Audit and Organisational Risk Committee meeting.

### 6.3 UPDATE ON EXTERNAL AUDIT

**File No:** CM.131  
**Responsible Executive Officer:** Director Corporate Services  
**Reporting Author:** Manager Governance & Organisational Strategy  
**Date of Report:** 10 August 2018  
**Disclosure of Interest:** Nil  
**Attachment(s):** Nil

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#### PURPOSE

To provide the Audit & Organisational Risk Committee with a status update regarding implementation of recommendations from past external audits by AMD Chartered Accountants.

#### BACKGROUND

At the meeting of the AORC on 25 July 2017, a report was presented detailing the findings and recommendations arising from a review of the City's Financial Management Systems and the Interim Audit Management Report for 2016/17.

The table below outlines the status of recommendations from the report:

| Recommendation                                                                                                          | Responsibility | Comments                                                                                                                                                       | Timing    | Status                                                                                |
|-------------------------------------------------------------------------------------------------------------------------|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|---------------------------------------------------------------------------------------|
| <b>Financial Management System Review</b>                                                                               |                |                                                                                                                                                                |           |                                                                                       |
| Custody and Security of Money                                                                                           |                |                                                                                                                                                                |           |                                                                                       |
| Cash security and till discrepancies to be recorded correctly and stored securely                                       | Finance        | <ul style="list-style-type: none"> <li>Systems established to ensure proper recording of cash discrepancies.</li> </ul>                                        | June 2017 |  |
| Maintenance and security of financial records                                                                           |                |                                                                                                                                                                |           |                                                                                       |
| BCP to be tested periodically to its full extent                                                                        | Governance     | <ul style="list-style-type: none"> <li>Testing carried out every two years</li> <li>BCP exercises undertaken at Airport in 2017 and at REAP in 2018</li> </ul> | Oct 2018  |  |
| <b>Interim Audit Management Report – 2016/17</b>                                                                        |                |                                                                                                                                                                |           |                                                                                       |
| All month end checklists are signed and dated to evidence independent review of the key account monthly reconciliations | Finance        | <ul style="list-style-type: none"> <li>Independent reviews are carried out. Samples identified in audit were exceptions to normal practice.</li> </ul>         | June 2017 |  |

#### CONCLUSION

A further update on the outstanding recommendation will be provided at the next AORC meeting.

## 6.4 UPDATE ON INDEPENDENT AUDITS

|                                       |                                                   |
|---------------------------------------|---------------------------------------------------|
| <b>File No:</b>                       | <b>CM.131</b>                                     |
| <b>Responsible Executive Officer:</b> | <b>Director Corporate Services</b>                |
| <b>Reporting Author:</b>              | <b>Governance Officer - Compliance</b>            |
| <b>Date of Report:</b>                | <b>8 August 2018</b>                              |
| <b>Disclosure of Interest:</b>        | <b>Nil</b>                                        |
| <b>Attachment(s):</b>                 | <b>Confidential - OAG Draft Management Letter</b> |

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### PURPOSE

To provide the Audit & Organisational Risk Committee with a status update on two independent external audits.

### BACKGROUND

#### Performance Audit – Office of Auditor General

As reported at the last Audit and Organisational Risk Committee meeting, the City was one of eight local governments chosen by the Office of the Auditor General (OAG) for a Performance Audit on procurement systems, policies and procedures. The Performance Audit is designed to focus on the economy, efficiency and effectiveness of operations resulting in key findings and recommendations that identify continuous improvement opportunities and best practice standards.

On site audits were carried out in December 2017 and again in February 2018 with information being supplied as requested. The City was provided with draft preliminary findings in May 2018 which were updated in July 2018 to reflect feedback provided by the City. The final draft Management Letter identified one significant issue (i.e. an issue that in the opinion of the audit team should be addressed promptly), one moderate issue and five minor issues (refer confidential attachment). Overall the OAG found 'some issues relating to the implementation of policies and the administration of some tendering documentation' and also that the City 'demonstrated elements of good practice in relation to procurement training for staff, and continuous improvement around purchasing and tendering policies'

In the next two weeks, the OAG is expected to provide a Final Management Letter confirming the detailed findings and recommendations together with a Summary of Findings that will be tabled in Parliament.

#### Integrity Audit – Department of Local Government, Sport and Cultural Industries

The Department invited the City to participate in an Integrity Compliance Audit Program as the City was identified as a Pilbara local government that has "demonstrated a high degree of rigour in its compliance processes as a test case to launch our new Compliance Framework structure."

Upon acceptance of the invite, Department compliance audit staff visited the City in early April 2018 for three days and examined:

- Financial interest disclosures
- Policies and Procedures
- Delegations
- Staff Performance Reviews
- Records Management
- Disposal of Property
- Complaints Handling
- Procurement and Contracts
- Credit Cards
- Gifts / Sponsorship Support and Tickets
- Creditors Payments
- Authorisation of Payments
- Integrated planning reports
- Staff Employment Contracts
- Audit Committee Minutes
- Notice of Meetings
- Code of Conduct

On 14 June 2018 the Department advised that it does not intend to prepare a report on the audit 'as there are no matters identified that warrant a written report'. The Department found that the City's processes, procedures and compliance are of a high standard with examples of good practice worthy of promoting to the sector (in particular the City's procurement process relating to PF1).

#### **CONCLUSION**

These audits confirm the robust nature of the City's governance systems and practices, particularly as they relate to the high risk area of procurement.



## 6.5 LOCAL GOVERNMENT AUDITING REFORMS

|                                       |                                                         |
|---------------------------------------|---------------------------------------------------------|
| <b>File No:</b>                       | <b>FM.1</b>                                             |
| <b>Responsible Executive Officer:</b> | <b>Director Corporate Services</b>                      |
| <b>Reporting Author:</b>              | <b>Manager Governance &amp; Organisational Strategy</b> |
| <b>Date of Report:</b>                | <b>2 July 2018</b>                                      |
| <b>Disclosure of Interest:</b>        | <b>Nil</b>                                              |
| <b>Attachment(s):</b>                 | <b>Nil</b>                                              |

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### PURPOSE

To provide an overview of recent Local Government Auditing Reforms.

### BACKGROUND

On 24 August 2017, amendments to the *Local Government Act 1995* were passed that will transition responsibility for oversight of local government audits to the Office of Auditor General.

The changes to the Act have been supported by amendments to the *Local Government (Financial Management) Regulations 1996* and *Local Government (Audit Regulations)* gazetted on 26 June 2018.

The key changes are:

1. Review of financial management systems is required at least once in every three years - previously every four years [Reg 5 FM Regs].
2. From 27 June 2019 assets are to be revalued:
  - (i) whenever the LG is of the opinion that the fair value is likely to be materially different; and
  - (ii) in any event, within a period of at least three years but no more than five years after the day it was last valued or revalued [Reg 17A FM Regs].
3. From 1 July 2018, assets under \$5,000 are to be excluded from the assets of the LG [Reg 17A FM Regs]. Reasonable steps are required to prevent theft or loss of non-consumable assets considered portable and attractive for personal use or resale [Reg 17B FM Regs]. *A property register may be considered an appropriate method.*
4. From 27 June 2018, the role of the audit committee has been strengthened to monitor and provide advice regarding reviews of systems and procedures in relation to risk management, internal control and legislative compliance. The Audit Committee will also support the auditor as required and monitor the implementation of audit recommendations made by the auditor and accepted recommendations arising from reviews of systems and procedures [Reg 16, Audit Regs].
5. LGs will be required to conduct a review of audit systems and procedures no less than once in every three years [Reg 17, Audit Regs].

### CONCLUSION

The reforms largely reflect the City's existing practices and the role of the Audit Committee.



## **7 CLOSURE & DATE OF NEXT MEETING**

The meeting closed at 4.48 pm.

The date of the next meeting is to be held on Tuesday, 23 October 2018 at 3:00 pm in Council Chambers - Welcome Road, Karratha.

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I, Cr Evette Smeathers, Chairperson for the Audit & Organisational Risk Committee of the City of Karratha, hereby declare on behalf of the Committee that the enclosed Minutes are a true and accurate record of the Audit & Organisational Risk Committee Meeting held 14 August 2018.

..... Date\_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_