City of Cockburn

Audit and Strategic Finance Committee
Agenda Paper

For Thursday, 15 July 2021

CITY OF COCKBURN

Summary Of Agenda to be Presented to the Audit and Strategic Finance Committee Meeting to be held Thursday, 15 July 2021 At 6.00pm

CITY OF COCKBURN

AGENDA TO BE PRESENTED TO THE AUDIT AND STRATEGIC FINANCE COMMITTEE TO BE HELD THURSDAY, 15 JULY 2021 AT 6.00PM

1.   Declaration of Meeting

2.   Appointment of Presiding Member (If required)

3.   Disclaimer (To be read aloud by Presiding Member)

Members of the public, who attend Council Meetings, should not act immediately on anything they hear at the Meetings, without first seeking clarification of Council's position. Persons are advised to wait for written advice from the Council prior to taking action on any matter that they may have before Council.

4.   Acknowledgement of receipt of Written Declarations of Financial Interests and Conflict of Interest (by Presiding Member)

5.   Apologies and Leave of Absence

6.   Public Question Time

7.   Confirmation of Minutes

7.1   Minutes of the Audit and Strategic Finance Committee Meeting 18/3/2021

Recommendation
That the Committee CONFIRMS the Minutes of the Audit and Strategic Finance Committee Meeting held on Thursday, 18 March 2021 as a true and accurate record.

8.   Deputations

9.   Business Left Over from Previous Meeting (if adjourned)

Nil

10.   Declaration by Members who have Not Given Due Consideration to Matters Contained in the Business Paper Presented before the Meeting

11.   Built and Natural Environment

Nil

12.   Finance

12.1   Audit Plan for the Year Ending 30 June 2021

Author	N Mauricio
Attachments	1. Audit Plan Report for the Year Ending 30 June 2021 **(Confidential)**

RECOMMENDATION

That Council RECEIVES the Audit Plan used for auditing the financial year ending 30 June 2021, as attached to the Agenda.

Background

The attached External Audit Plan and Strategy document for 2021 outlines the purpose and scope of the External Audit and explains the audit methodology and approach to be taken in completing the 2021 financial year audit. It provides the Audit and Strategic Finance Committee (ASFC) the opportunity to review the audit focus areas, the auditor's procedures, and the agreed timelines.

The Audit Plan was prepared by KPMG in consultation with the City and approved by the Office of the Auditor General (OAG). Given the OAG have indicated a preference for their audit plans, management letters and audit closing reports not to be publicly available, this Audit Plan has been made a confidential attachment. However, the OAG has no issue with the City highlighting key aspects from the plan in this report.

The OAG tendered out and awarded the performance of the City's audit to KPMG for a period of three financial years. This year will be the third year of the contract and may be subject to an extension.

Regulation 9 (2) of the *Local Government (Audit) Regulations 1996* states that the principal objective of the external audit is for the auditor to carry out such work as is necessary to form an opinion as to whether the accounts are properly kept, and that the Annual Financial Report:

- is prepared in accordance with financial records
- represents fairly the results of the operations of the Local Government at 30 June in accordance with Australian Accounting Standards and the *Local Government Act 1995.*

As set out in the Terms of Reference for the ASFC, its duties and responsibilities include discussing with the external auditor the scope and planning of the audit each year.

Submission

N/A

Report

KPMG will conduct an independent audit to enable the OAG to express an opinion regarding the City's 2021 financial statements and the associated financial ratios.

The audit is conducted in accordance with Australian Auditing Standards to provide reasonable assurance that the City's financial report is free of material misstatement.

 A key aspect of the audit work is considering the effectiveness of management internal controls and assessing the appropriateness of the City's accounting policies, disclosures, and accounting estimates.

The audit approach outlined in the plan is summarised under the five following areas:

1.   Methodologies and activities
2.   Materiality
3.   Risk assessment
4.   Independence
5.   Approach to fraud

A key aspect of the audit planning process is the assessment of inherent audit risks, where the auditor considers the nature of the risk, likelihood of occurrence and the potential impact it could have on the City's financial report. For the 2021 audit, KPMG have determined the following seven focus areas:
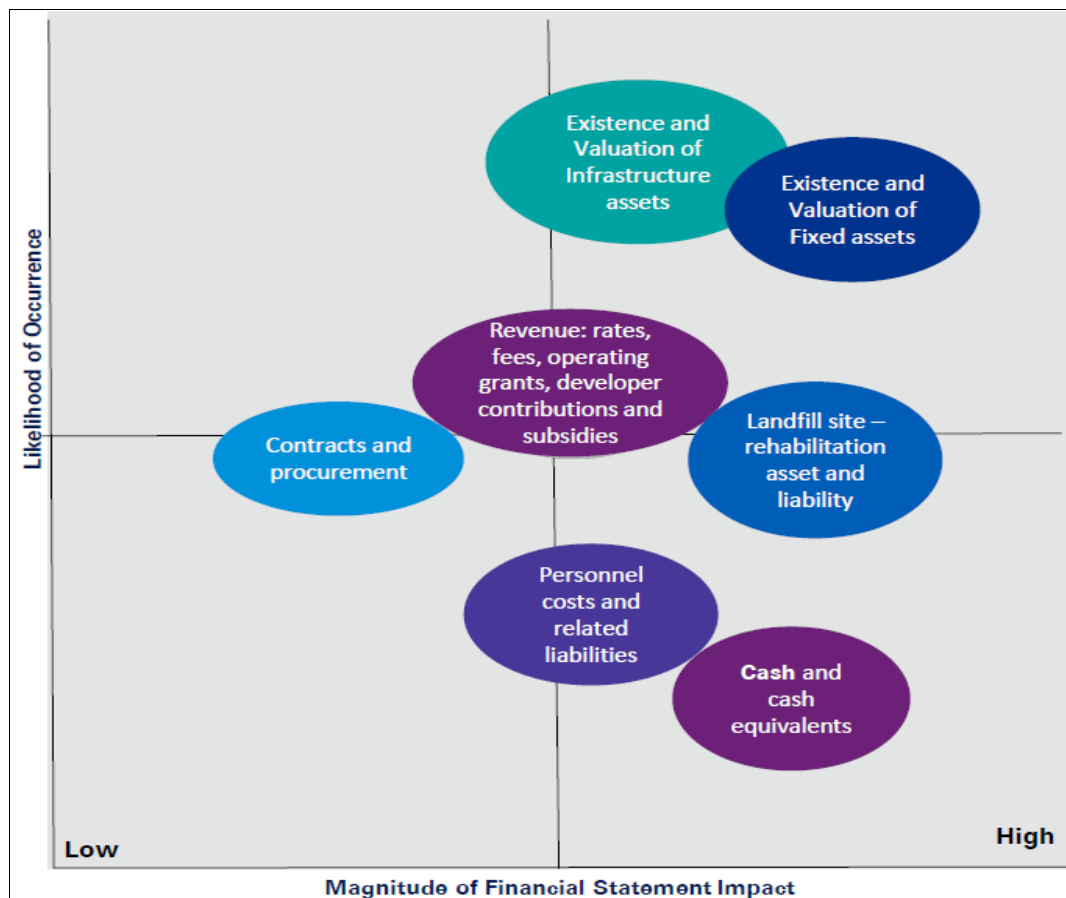
The Audit Plan outlines why these have been chosen as focus areas and the planned audit procedures to be applied in reviewing and assessing them.

Another key topic highlighted in the Audit Plan is accounting estimates. There is a revised auditing standard now effective for these and the auditor will increase their focus on critical financial reporting estimates, judgements, and transparency of disclosures.

Interim audit work for the 2021 audit was completed in June 2021 and the proposed timeline included in the Audit Plan sees end of year audit procedures commencing on 4 October. According to the Plan, the draft audit report and audit opinion will be presented at the ASFC meeting scheduled for 18 November 2021.

KPMG and the OAG will be attending the July ASFC meeting to present and discuss the attached audit plan for 2021.

Strategic Plans/Policy Implications

Listening and Leading

A community focused, sustainable, accountable and progressive organisation.
• Ensure good governance through transparent and accountable, planning, processes, reporting, policy and decision making.
• Deliver value for money through sustainable financial management, planning and asset management.

Budget/Financial Implications

The OAG have provided a quote for the completion of the audit, which is comparable to last year and covered within the City's FY 22 annual budget.

Legal Implications

• *Local Government Act 1995* Sections 5.53, 5.54, 6.4, and Part 7 - Audit
• *Local Government (Audit) Regulations 1996* Regulations 9, 9A and 10
• *Local Government (Financial Management) Regulations 1996* Part 4 - Financial Reports

Community Consultation

N/A

Risk Management Implications

It is a requirement under the *Local Government Act 1995* for Council to accept the City's Annual Report (including the Financial Report and Auditor's Report) by no later than 31 December each year. Failure to do so will lead to statutory non-compliance. Proper audit planning helps ensure this risk is mitigated.

Advice to Proponent(s)/Submitters

N/A

Implications of Section 3.18(3) *Local Government Act 1995*

Nil

12.2   Audit Results Report – Annual 2019-20 Financial Audits of Local Government Entities

Author   N Mauricio

Attachments   1.   Office of the Auditor General of WA - Audit Results Report – Annual 2019-20 Financial Audits of Local Government Entities ⇩

RECOMMENDATION

That Council receive the Audit Results Report – Annual 2019-20 Financial Audits of Local Government Entities tabled in Parliament by the Auditor General on 16 June 2021.

Background

Each year the Auditor General of Western Australia (OAG) submits to the WA Parliament a report summarising the findings of the financial audits into Local Governments in Western Australia.

The report is under section 24 of the *Auditor General Act 2006*. The attached report covers the third year of a four-year transition for the OAG to conduct the annual financial audits of the local government sector, following proclamation of the *Local Government Amendment (Auditing) Act 2017*.

This report on the 2019-20 financial audits of 117 of the applicable, 132 local government entities include:

- results of the audits of local government entities' annual financial reports, and their compliance with applicable legislation for the financial year ending 30 June 2020
- issues identified during these annual audits that are significant enough to bring to the attention of the Parliament.

Submission

N/A

Report

The Auditor General noted that 2020 proved to be a challenging year for local government financial reporting due to the COVID-19 pandemic and new revenue accounting standards coming into effect. Amendments made to the Local Government (Financial Management) Regulations in November 2020 that applied from 30 June 2020, required many local government entities to recast and resubmit their financial reports.

This resulted in significant rework and audit delays for many local governments. The City of Cockburn fared comparatively well, with its unqualified audit report one of the first few issued by the OAG for a metropolitan local government, and the presentation of this to the Audit and Strategic Finance Committee (ASFC) only being delayed by one week to 26 November 2020.

There were no direct references to the City of Cockburn in the OAG report tabled in Parliament. The section of the report dealing with material matters of non-compliance with legislation included many findings across 45 unnamed local government entities. It is particularly worth noting that none of these findings applied to the City. However, these findings provide a useful reference in self-assessing and ensuring internal controls remain effective at the City going forward.

The OAG highlighted in their report the need for the Department of Local Government Sport and Cultural Industries (DLGSC) to provide centralised professional support to assist local government entities fulfil their financial reporting requirements. This should include professional advice on changes in accounting standards and legislation. It also believes the OAG should be leading change in the sector's financial reporting requirements, particularly the legislative need to report 7 financial ratios and adverse trends in these to be disclosed in the audit report.

There are many key findings included in the report which the City's management have reviewed and considered. While there is no need to repeat these in this agenda report the following finding was found to be particularly relevant to the City:

> *The budget implications of the Minister for Local Government's Circular No 3-2020 that LG entities freeze their rates for 2020-21 will extend well beyond 1 year, as entities' current year budget restraint deals with only the short term ramifications. There will be significant challenges for entities preparing their long term financial plans and budgets for some years.*

This is a timely reminder that careful and considerate planning is required when developing long term financial plans and rating strategies, and that pandemic financial impacts are likely to linger into the future.

Good financial management and oversight is paramount in ensuring both Council's short-term and long-term objectives can be sustainably delivered, with audit review providing an important and effective governance control.

The report included eight recommendations, which have been included in the following table with the City's viewpoint provided alongside:

OAG Recommendation (summarised)	Officer Comment
1. The DLGSC should assess whether the current financial ratios in the FM Regulations remain valid criteria for fairly measuring and reporting the performance of each LG entity.	Agreed. The City supports the work being facilitated through WALGA to have the current 7 financial ratios revised.
2. LG entities should ensure they maintain the integrity of their financial control environment by conducting ongoing reviews and improvement of internal controls and regularly monitoring compliance with relevant legislation.	The City has maintained an effective control environment, which is regularly reviewed. Recent audit outcomes with low findings and weaknesses support this view of effectiveness.
3. The DLGSC should seek ministerial approval for any proposed regulatory amendments well in advance of the financial year end to ensure timely gazettal to facilitate action and avoid rework by all entities when finalising their end of year financial report.	Agreed.
4. LG entities should complete their assessment of the impact of any new regulations or accounting standards and prepare a position paper on the necessary adjustments to their financial report. If required, entities should seek external consultation when completing their assessment and adjust their financial report, prior to submitting it for audit.	The City has previously prepared position papers for these types of matters as requested by audit. This has proven to be effective in meeting audit procedure and testing requirements.
5. DLGSC should provide timely guidance to assist LG entities to update their accounting practices to ensure that their future reporting is compliant with all current accounting standards.	Agreed, but it would be useful for the DLGSC to consult the sector before issuing the guidance.
6. DLGSC should re-assess the amount of detail required to be included in annual financial reports, in particular for small and medium sized LG entities.	Agreed. The City believes that even larger sized LG entities are required to report too much detail.
7. The DLGSC should amend regulations to improve the sector's financial report framework and provide accounting support services to the sector. Proper management of financial resources is the most basic priority as from there all else is enabled or eroded.	Agreed.

8. OAG encourages LG's to make use of their WA Public Sector Financial Statements – Better Practice Guide to improve their financial management and reporting practices, processes and procedures.	The City's officers attended the guide release webinar and have downloaded a copy of the guide to assist in preparing the FY21 financial report.

Strategic Plans/Policy Implications

Listening and Leading

A community focused, sustainable, accountable and progressive organisation.
• Ensure good governance through transparent and accountable, planning, processes, reporting, policy and decision making.

Budget/Financial Implications

N/A

Legal Implications

N/A

Community Consultation

N/A

Risk Management Implications

Although the OAG's report to parliament on the audit results of local government in 2019/20 does not require a direct response or decision from Council, its findings and recommendations should be noted to improve the City's financial management practices and reduce the risk of future adverse findings.

Advice to Proponent(s)/Submitters

N/A

Implications of Section 3.18(3) *Local Government Act 1995*

Nil

Western Australian
Auditor General's Report

Audit Results Report – Annual 2019-20 Financial Audits of Local Government Entities

Report 30: 2020-21
16 June 2021

Office of the Auditor General
Western Australia

National Relay Service TTY: 133 677
(to assist people with hearing and voice impairment)

We can deliver this report in an alternative format for
those with visual impairment.

The Office of the Auditor General acknowledges the traditional custodians throughout
Western Australia and their continuing connection to the land, waters and community. We
pay our respects to all members of the Aboriginal communities and their cultures, and to
Elders both past and present.

WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

**Audit Results Report – Annual 2019-20
Financial Audits of Local Government Entities**

Report 30: 2020-21
June 2021

THE PRESIDENT   **THE SPEAKER**
LEGISLATIVE COUNCIL   **LEGISLATIVE ASSEMBLY**

AUDIT RESULTS REPORT – ANNUAL 2019-20 FINANCIAL AUDITS OF LOCAL GOVERNMENT ENTITIES

Under section 24 of the *Auditor General Act 2006,* this report covers the third year of a 4-year transition for my Office to conduct the annual financial audits of the local government sector, following proclamation of the *Local Government Amendment (Auditing) Act 2017.*

This report on the 2019-20 financial audits of 117 of the applicable 132 local government entities includes:

- results of the audits of local government entities' annual financial reports, and their compliance with applicable legislation for the financial year ending 30 June 2020

- issues identified during these annual audits that are significant enough to bring to the attention of the Parliament.

I wish to acknowledge the assistance provided by the councils, chief executive officers, finance officers and others, including my dedicated staff and contract audit firms throughout the annual financial audit program and in finalising this report.

CAROLINE SPENCER
AUDITOR GENERAL
16 June 2021

Contents

2 | Western Australian Auditor General

Auditor General's overview

The 2019-20 financial year marked the third year of a 4-year transition of local government financial auditing to the Office of the Auditor General, following proclamation of the *Local Government Amendment (Auditing) Act 2017*. We performed the 2019-20 audits for 132 of the State's 148 local government entities (LG entities), of which we completed 117 audits by 31 May 2021. Fifteen remained outstanding.

In addition to summarising the results of the audits for Parliament, I have taken the opportunity to provide further insight into our financial audits of the local government sector. 2020 was an extraordinary year for local government financial reporting. The COVID-19 pandemic created resourcing pressures, while the new revenue accounting standards proved particularly difficult for many entities in the sector to adopt. Furthermore, amendments to the Local Government (Financial Management) Regulations 1996, gazetted on 6 November 2020, were retrospectively applicable from 30 June 2020. This caused unprecedented delays in entities finalising their financial reports as almost half of them needed to be recast after they had been submitted. The number of LG entities recasting and submitting many versions of their financial statements (the highest being 27 versions) during the audit process is also disappointing as this results in significant additional work for both the LG entity and the auditor and delays the finalisation of the audit.

I have delayed tabling this report until almost 90% of the auditor's reports have been issued. Of the 117 auditor's reports issued to 31 May, 1 included a qualified opinion on the financial report (page 10). There may be further qualifications in the opinions yet to be issued. There is little room for complacency as a clear audit opinion is the minimum we should all expect. Although most entities had satisfactory audit outcomes, it is concerning that we reported 101 material matters of non-compliance in the auditor's report for 45 entities, and 890 significant or moderate weaknesses in financial management and information systems controls in our management letters. Some of these were unresolved from the previous year. These omissions and exposures increase the risk of financial loss, error or fraud.

As we conclude our third year of transition into the financial audits of LG entities, I am encouraged that entities are adapting to the audit processes of my Office and embracing the changes suggested during our audits. Our recent seminar for audit committee chairs was open to local government representatives and I am pleased many attended online. With better informed and active audit committees, they will be equipped to quality review the financial report and assess the accountability and integrity of reporting and the operational activities of their entity.

Our audits again highlighted the need for the Department of Local Government Sport and Cultural Industries (DLGSC) to provide centralised professional support to assist entities to fulfil their financial reporting requirements. This includes professional advice on preparing for changes in accounting standards and legislation. This would be both financially beneficial and time efficient for all entities. However, my recent report into how effectively the DLGSC regulates and supports the local government sector found the Department has much work to do to provide the desired centralised sector support function.[1]

Further, we continue to support the need for the DLGSC to lead change in the sector's financial reporting requirements. This includes adopting reduced reporting principles, updating the long-standing legislative requirements for entities to report 7 financial ratios, and for the auditor's report to disclose any adverse trends. In the absence of cohesive advice for the Western Australian public sector, my office has recently produced a better practice guide

---

[1] Western Australian Auditor General's Report, *Regulation and Support of the Local Government Sector*, Report 21: April 2021

to assist local and State government entities with the preparation of their annual financial statements.

I wish to thank my incredibly hardworking staff, our contract audit firm partners and staff in the LG entities who contributed to this year's audit process. Their adaptability, professionalism, skill and cooperation in working through uncommon challenges to complete the audits is appreciated.

4 | Western Australian Auditor General

Executive summary

This Audit Results Report contains findings from our 2019-20 financial audits of local governments and regional councils (LG entities).

Following proclamation of the *Local Government Amendment (Auditing) Act 2017* (*Amendment Act*), the Auditor General has progressively assumed responsibility for the annual financial audits of LG entities. We were responsible for 132 audits for 2019-20, the third year of the transition, and will have responsibility for all 148 Western Australian LG entities by 2020-21.

Our annual financial audits focus on providing assurance over an entity's annual financial report. During an audit we also make related recommendations in respect to compliance, financial management and information system controls. This report summarises our findings.

Key findings

- We issued auditor's reports for the 2019-20 financial year for 65 of the 132 LG entities by the required date of 31 December 2020 (96 of 112 in 2019) and a further 52 entities by 31 May 2021. The results of the remaining 15 will be tabled in Parliament once complete. (page 10)

- All but 1 auditor's report included a clear (unqualified) audit opinion on the financial report (page 10). However, we reported 101 material matters of non-compliance with the *Local Government Act 1995*, Local Government (Financial Management) Regulations 1996 (FM Regulations) or other written law in 45 of our auditor's reports. (page 12)

- An Emphasis of Matter was included in the auditor's report of most entities as the FM Regulations require vested land to be measured at zero cost and vested improvements at fair value. This is a departure from the Australian Accounting Standards AASB 16 *Leases* which requires LG entities to measure the vested improvements also at zero cost. (page 11)

- We issued 120 certifications to LG entities to acquit funding received under Commonwealth and State Government programs for projects such as Roads to Recovery and other capital works projects. We also certified 12 LG entities' annual claims for pensioner deferments of rates and charges. (page 17)

- We reported the following control weaknesses to LG entity management, those charged with governance (mayor, president or chairperson of the council) and to the Minister for Local Government:

    o 704 financial management control weaknesses at 117 entities, (802 at 107 entities for all entities last year). We considered 88% to be significant or moderate risk if not resolved in the short term (86% last year). Eighty percent of the weaknesses related to expenditure, financial management, payroll and human resources, and revenue. (page 18)

    o 382 information system (IS) control weaknesses at 50 entities (202 at 38 entities last year). Our capability assessments at 11 of the 50 LG entities showed that 79% of the audit results were below our minimum benchmark. (page 23)

- We continue to support the need for the DLGSC to develop more thorough and balanced performance assessment criteria to replace the existing reporting and audit of 7 financial ratios and any adverse trends in these ratios. (page 16)

- Sixty-seven of the 132 audits were not completed by 31 December 2020. Reasons mainly include entities adjusting their financial report to comply with late FM Regulation amendments that were not gazetted until 6 November 2020, and poor quality financial reports. We also acknowledge that our audit teams could not always immediately re-prioritise audits of entities not completed in their schedule.   (page 9)

- In addition to the FM Regulation amendments, entities were required to apply 3 new accounting standards from 1 July 2019. Many entities were not adequately prepared for the impact of these changes and this resulted in further delay in finalising their financial report.   (page 26)

- The quality of financial reports submitted for audit varied significantly across entities. Quality issues included multiple instances of statements that did not balance, not taking up prior year balances for the current year, and many entities not applying the new accounting standards or FM Regulations correctly. This resulted in significant additional audit work and consequential delays in finalising the audits.   (page 29)

- During this, our third, year of performing annual financial audits in the local government sector, we have made further general observations included in this report, with a view to minimising the cost of financial reporting and auditing in the future. These relate mainly to:

  ○ amendment of the FM Regulations from 6 November 2020 simplifies entities' reporting of certain classes of assets and reduces the cost burden of having external valuations of plant and equipment assets   (page 25)

  ○ valuation of assets transferred between entities must be appropriately disclosed in accordance with the Australian Accounting Standards in the financial reports of both entities   (page 24)

  ○ opportunities to reduce the financial reporting burden on small and medium sized entities, as the quantity of detail that is being reported is onerous and exceeds that reported by most WA State government entities.   (page 28)

- Entities benefited from the *Local Government (COVID-19 response) Act 2020* being enacted and amendments to a variety of the local government regulations being gazetted to allow modified operations during the COVID-19 pandemic. These changes temporarily remove restrictions on entities' operations for the benefit of the district or part of the district while a state of emergency declaration is in force. These changes included holding public meetings electronically, access to information when the council offices were closed and revised budgetary requirements, such as re-purposing money.   (page 32)

- Entities generally did not separately account for COVID specific expenditures. They considered that any extra cleaning costs were offset by savings at their closed community facilities. However, there was added budgetary pressure on each entity as a result of their community facilities raising no revenue, and other financial waivers for local households, businesses, tenants and sporting and community groups to reduce their financial hardship.   (page 34)

- The budget implications of the Minister for Local Government's Circular No 3-2020 that LG entities freeze their rates for 2020-21 will extend well beyond 1 year, as entities' current year budget restraint deals with only the short term ramifications. There will be significant challenges for entities preparing their long term financial plans and budgets for some years.   (page 35)

6 | Western Australian Auditor General

Recommendations

1. The Department of Local Government, Sport and Cultural Industries (DLGSC) should assess whether the current financial ratios in the FM Regulations remain valid criteria for fairly measuring and reporting the performance of each LG entity. This could also include a simplification of LG entity reporting requirements for financial ratios, and review of the requirement under the FM Regulations for the auditor to report on any adverse trends in the ratios as part of the annual financial audit.   (page 17)

2. LG entities should ensure they maintain the integrity of their financial control environment by:

    a. periodically reviewing and updating all financial, asset, human resources, governance, information systems and other management policies and procedures and communicating these to staff

    b. conducting ongoing reviews and improvement of internal control systems in response to regular risk assessments

    c. regularly monitoring compliance with relevant legislation

    d. promptly addressing control weaknesses brought to their attention by our audits, and other audit and review mechanisms

    e. maintain currency with new and revised accounting standards for their impact on financial operations in order to prepare a compliant financial report at year end.
                    (page 22)

3. The DLGSC should seek ministerial approval for any proposed regulatory amendments well in advance of the financial year end to ensure timely gazettal to facilitate action and avoid rework by all entities when finalising their end of year financial report.
                    (page 26)

4. LG entities should complete their assessment of the impact of any new regulations or accounting standards and prepare a position paper on the necessary adjustments to their financial report. If required, entities should seek external consultation when completing their assessment and adjust their financial report, prior to submitting it for audit.   (page 26)

5. DLGSC should provide timely guidance to assist LG entities to update their accounting practices to ensure that their future reporting is compliant with all current accounting standards.   (page 27)

6. DLGSC should re-assess the amount of detail required to be included in annual financial reports, in particular for small and medium sized LG entities.   (page 28)

7. To improve the quality of financial reports and achieve greater consistency across LG entities, the DLGSC should prepare timely regulation amendments for the Minister's approval which improve the sector's financial report framework. The DLGSC should also provide accounting support services to the sector. Proper management of financial resources is the most basic priority as from there all else is enabled or eroded.
                    (page 31)

8. We encourage entities to make use of our WA Public Sector Financial Statements – Better Practice Guide to improve their financial management and reporting practices, processes and procedures.   (page 31)

About our financial audits

Our office was responsible for 132 LG entity audits for 2019-20. This year, OAG staff performed 21 of these, with the other 111 performed by contract audit firms on our behalf.

Our oversight of the local government audits, coupled with our in-house audits, has provided our staff with valuable insight and understanding of the sector. We will increase the number of audits we perform in house over time. However, we anticipate a large proportion will continue to be performed by our accredited contract audit firms. These will be periodically re-tendered to provide open and fair competition, and to ensure value for money.

We are committed to supporting the regions and, where possible and appropriate, we use local financial auditing professionals. From 2021 onwards we are seeking to leverage efficiencies by allocating sub-regions to a single firm.

Almost $43 billion of total assets were audited for the 117 LG entities. Their combined total operating revenue was $3.9 billion, of which rates contributed $2.3 billion (58%) and fees and charges $1.0 million (26%). The combined total operating expenditure was $4.0 billion.

Annual financial reporting framework, timeline and audit readiness

Reporting framework and content

Each LG entity is required to prepare an annual financial report that includes:

- a Statement of Financial Position, Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity and Statement of Cash Flows

- a Rate Setting Statement

- 7 financial ratios required under section 50(1) of the Local Government (Financial Management) Regulations 1996 (FM Regulations), to be reported in the Notes to the annual financial report

- other note disclosures such as trading undertakings and major land transactions.

The quantity of detail reported is onerous and exceeds that reported by most WA State government entities and by local governments in other jurisdictions. On page 28 we have recommended that the DLGSC re-assess the amount of detail required in annual financial reports.

Financial reporting timeliness

Under section 6.4(3) of the *Local Government Act 1995* (LG Act), entities must submit their annual financial reports to the OAG for audit by 30 September. Although many entities had supplied their financial reports within this timeframe, they could not be officially finalised because amendments to the FM Regulations, applicable to all entities for their 30 June 2020 year end reporting, had not been progressed by the DLGSC. These regulations impacted the asset values reported in the financial report of LG entities for their year ended 30 June 2020. The amendments were only provided for consideration on 3 November 2020 and gazetted on 6 November 2020, some 4 months after the end of the reporting year.

Many entities prepared their financial reports with the proposed changes in anticipation of gazettal of the amendments. However, we were unable to issue our auditor's report until the amendments were gazetted.

Of the 132 entities we audited for 2019-20, 18 received approval from the Minister to extend their submission deadline to beyond 30 September, the latest being 30 November. Other entities did not meet the statutory deadline and did not have approval.

We completed 65 of the 132 audits (49%) by 31 December 2020 (compared to 96 of 112 (86%), by the same time last year) as required by section 7.9 of the LG Act. The main reason for the delay was that entities could not submit their finalised financial reports for audit on time. In addition to the late gazettal of regulation amendments, many entities had not revised their financial reporting for the recent accounting standards amendments relating to revenue recognition and leases. Their statements needed to be revised or notes added to inform users of their limitations on this matter. Some entities also experienced problems with insufficient evidence to support the financial report, numerous errors requiring correction or resignation of key persons preparing their financial report.

Overall, while there are some LG entities whose financial management procedures are sound and their teams are well prepared for audit, we again found the quality and timeliness of information provided by LG entities is lower than for the State sector.

Generally, those entities that could not provide turnaround amendments following the regulation changes, or had significant other audit issues, staffing or skills shortages, were not finalised by 31 December.

With our tertiary audit cycle (December year-end for universities and TAFEs) peaking from January to mid-March, and State sector interim audits commencing in March, OAG teams and contract firms have had to schedule LG audit finalisation so as to minimise impact on the rest of the work program. This has resulted in regrettable delays that have frustrated LG entities and our Office.

Timely LG regulation changes and financial reporting advice to the sector is a core responsibility of the DLGSC and we trust such delays will not recur in the future.

By 31 May 2021 we had completed a further 52 of the 67 audits that were incomplete at 31 December 2020, with 15 still outstanding.

Summary of audit results

At 31 May 2021, we had issued auditor's reports for 117 entities for the financial year ending 30 June 2020 (89% of the LG sector audits to be completed by the OAG this year).

The auditor's report includes:

* the audit opinion on the annual financial report

* any significant non-compliance in relation to the financial report or other financial management practices

* any material matters that indicate significant adverse trends in the financial position of the entity.

Under the Amendment Act, an entity's chief executive officer (CEO) is required to publish their annual report, including the audited financial report and the auditor's report, on the entity's website within 14 days of the annual report being accepted by the LG entity's council. Appendix 1, from page 36, outlines the date we issued each LG entity's 2019-20 auditor's report.

Qualified audit opinions on annual financial reports

An unqualified audit opinion in the auditor's report indicates the LG entity's annual financial report was based on proper accounts and records, and fairly represented performance during the year and the financial position at year end. All but 1 entity received an unqualified (clear) audit opinion. There were 6 qualified auditor's reports issued the previous year.

We issue a qualified opinion in our auditor's report on an annual financial report if we consider it is necessary to alert readers to material inaccuracies or limitations in the financial report that could mislead readers. The following entity received a qualified opinion on their 2019-20 financial report:

Shire of Goomalling

We issued a qualified opinion to the Shire as we identified that the balances for rates revenue and corresponding expenses for the year ended 30 June 2019 are not comparable to the balances for the year ended 30 June 2020. The Shire recognised rates revenue totalling $110,140 from its own properties during the year ended 30 June 2019. This is not in accordance with the presentation requirements of the Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, and overstated the total revenue and total expenses for the year ended 30 June 2019 by $110,140. We issued a qualified opinion for the year ended 30 June 2019 in relation to this matter.

We also were unable to obtain sufficient appropriate audit evidence to confirm that roads, drainage and footpaths infrastructure assets reported in the financial report represent fair value, or whether any adjustment to the values were necessary. These assets have not been revalued since June 2015. We were unable to determine whether the infrastructure assets of $38,841,166 are stated at fair value in the Statement of Financial Position.

Audits in progress

Audits yet to be finalised may result in modified opinions. Generally, audits in progress relate to entities that have more significant or complex issues to be resolved from a financial reporting and auditing perspective, or the LGs do not have the in-house expertise needed to manage their financial reporting. While some LGs collaborate and seek help to overcome these issues, this is often informal and ad-hoc. In the absence of formal support from the DLGSC or other sources, these issues have an impact on finalisation of the financial audits.

Prior year qualified opinions removed in 2019-20

Three entities revised their financial reporting or took necessary action to resolve the matters that led to a qualified opinion on their 2018-19 financial report and we removed the qualification for 2019-20.

Shire of Bruce Rock

An independent valuation of infrastructure assets of the Shire was undertaken and disclosed in note 10(b) of the Shire's 2019-20 financial statements. This action addressed the 2018-19 asset valuation qualification which has now been removed.

Shire of Ravensthorpe

The Shire's 2018-19 qualified opinion related to the reported valuation of assets at 30 June 2018. This balance is not included in the 2019-20 financial report, so the qualification has been removed.

Shire of Wagin

The Shire's 2018-19 audit opinion was qualified as the year end value of drainage assets for 2018 and 2019 may not have been comparable, as the 30 June 2019 value was adjusted following an independent valuation. As the 2018 value is not included in the 2019-20 financial report, the qualification has been removed.

Emphasis of Matter paragraphs included in auditor's reports

If a matter is appropriately presented or disclosed in the financial report but, in our judgement, is of such importance that it should be drawn to the attention of readers, we may include an Emphasis of Matter paragraph in our auditor's report.

This year, we again drew attention to the notes in each entity's annual financial report describing the basis of accounting. For 2019-20 this related to application of the new leases accounting standard from 1 July 2019 and entities being required to report some aspects of these standards differently due to the requirements of the FM Regulations. Further explanation of this matter is on page 25.

We did not modify our auditor's opinion but included an Emphasis of Matter in the auditor's report to state that entities continued their previous recognition of some categories of land, including land under roads, at zero cost. This treatment complies with the following amendments of the FM Regulations:

(i)   Regulation 17A requires a LG entity to measure vested improvements at fair value and the associated vested land at zero cost. This is a departure from AASB 16 *Leases* which would have required the entity to measure the vested improvements also at zero cost.

(ii)   In respect of the comparatives for the previous year ended 30 June 2019, regulation 16 did not allow a LG entity to recognise some categories of land, including land under roads, as assets in the annual financial report.

The following were other noteworthy matters that we highlighted through Emphasis of Matter paragraphs:

City of Stirling – Infrastructure Assets Revaluation

Our Emphasis of Matter highlighted the City's note 8(f) which explains the basis for their infrastructure assets revaluation in the year ended 30 June 2020 and the associated change in estimates. The opinion was not modified in respect of this matter.

Mindarie Regional Council – Contingent Liability

The Council's opinion included an Emphasis of Matter drawing attention to Note 34 'Contingent liabilities' which disclosed a contingent liability relating to the Tamala Park Waste Management Facility site. The opinion was not modified in respect of this matter.

Town of Victoria Park – Land Assets Revaluation

The Town's opinion included an Emphasis of Matter drawing attention to Note 7 of the financial report which explains the basis for the significant land revaluation decrement in the year ended 30 June 2020. The opinion was not modified in respect of this matter.

Material matters of non-compliance with legislation

Under Regulation 10(3)(b) of the Local Government (Audit) Regulations 1996 (LG Audit Regulations), we are required to report any matters indicating that a LG entity is non-compliant with:

- part 6 of the LG Act

- FM Regulations

- applicable financial controls in any other written law.

The matters may relate to the financial report or to other financial management matters.

In determining which matters to report, we apply the principles of materiality, as required by Australian Auditing Standard ASA 320 *Materiality in Planning and Performing an Audit.* Factors that we consider include the extent and frequency of the non-compliance, and the effect or potential effect.

We also consider regulation 5(1) of the FM Regulations to be particularly important, because failure to effectively apply those requirements can result in significant financial loss, inefficiency, financial misreporting or fraud.

If we find matters of non-compliance at an LG entity, we will report this in the auditor's report which becomes part of their annual report published on their website. There was no discernible trend regarding the type or size of entity to which these findings relate. For the convenience of Parliament and the public, we have summarised in Table 1 the noteworthy matters of the 101 matters of non-compliance we reported to 45 LG entities.

Issue	Finding
Controls over accounting journal entries	At 8 entities we found that accounting journal entries were often posted with no evidence of independent review and approval by another person.
	Accounting journals can represent significant adjustments to previously approved accounting transactions, and could result in, for example, one type of expenditure being re-coded to another type of expenditure. If not closely controlled, unauthorised journals could result in errors in financial reports, or fraud. Journals should therefore be subject to independent review.

Issue	Finding
Bank reconciliation process incomplete	At 5 entities bank reconciliations of their municipal, reserve and/or trust accounts were not prepared, had long outstanding unreconciled items and/or there was no independent review by management. While we considered these instances to warrant reporting in the auditor's report, several other less significant control shortcomings in relation to bank reconciliations were reported to entities in our management letters.
Other reconciliation findings	At several entities we reported weaknesses in key controls for ensuring the completeness and accuracy of financial data within the general ledger and reported in the financial report: • Reconciliations to the general ledger were not performed in a timely manner for payroll or the fixed asset register of property, plant and equipment and infrastructure • Reconciliations for trade payables, bank accounts and borrowings account were not sufficiently evidenced as completed and reviewed • Monthly reconciliations of cash, sundry debtors, rates debtors, sundry creditors and fixed assets were not carried out from July 2019 to May 2020.
Quotes not obtained or no evidence retained	At 10 entities between 2% and 77% of purchase transactions sampled had inadequate or no evidence that a sufficient number of quotations was obtained to test the market and no documentation to explain why other quotes were not sought. This practice increases the likelihood of not receiving value for money in procurement or favouritism of suppliers.
Tender register details	The tender register at 1 entity did not include details of each tender and the names of the successful tenders.
Procurement without purchase orders	At 10 entities purchase orders were not prepared or were prepared after the suppliers' invoices were received.
Procurement without required procedures	At 2 entities approximately 30% of their purchase orders did not state a dollar value, quantity procured or there was inadequate or no evidence that a sufficient number of quotations were obtained to test the market, and no documentation to explain why other quotes were not sought.
Procurement without appropriate segregation of duties	At 2 entities the same officer requisitioned, approved and raised the purchase order then also approved the associated invoice payment for approximately 26% to 28% of sampled purchase transactions.
Procurement transactions without payment approval	At 1 entity 6% of the purchase transactions did not have evidence of payment approval prior to payment occurring.
Other procurement findings	We reported other instances of non-compliance with procurement policies and procedures: • Declarations of interest were not made by panel members prior to evaluation of tender documents, increasing the risk that any actual or perceived conflicts of interest were not adequately identified and managed by the entity.

Issue	Finding
	• Goods and services were procured from suppliers without fully executed tender contracts, increasing the risk of not obtaining value for money or dispute over contract terms or conditions.
	• Expenditure transactions were not in the LG entity's adopted budget and not supported by an authorised budget variation request. These practices increase the risk of fraud or favouritism of suppliers, not obtaining value for money in procurement, and inappropriate or unnecessary purchases.
	• Delegations of authority were approved for officers, but payment limits per officer had not been set.
	• Delegated officers did not evidence examining supporting documents prior to authorising payment.
	• There was inadequate segregation of duties within the procurement process as officers that prepare financial information also had access to authorise payments from the bank account.
	• At 1 entity some services were procured where the total spend for each supplier during the year exceeded $150,000, however tenders were not called. Section 11(1) of the Local Government (Functions and General) Regulations 1996 requires public tenders to be invited for services that are above $150,000.
	• Credit card transactions were not posted, reviewed or reconciled in a timely manner, early payments were made effectively increasing the credit card monthly limit and a card holder did not sign the credit card acknowledgement form prior to using the card.
Records not presented to Council meetings as required by FM Regulations	The list of accounts paid from the municipal and trust funds and the statement of financial activity were not presented to Council within the timeframe specified in the FM Regulations for periods of 5 to 7 months.
Financial ratios not reported	Nineteen entities did not report the Asset Renewal Funding Ratio, mostly for the 3 years, 2020, 2019 and 2018, in their annual financial report as required by FM Regulation 50(1)(c). Reasons for non-reporting included: • planned capital renewals and required capital expenditures were not estimated as required to support the long term financial plan and asset management plan respectively • management could not confirm the reliability of the available information on planned capital renewals and required capital expenditure • information on planned capital renewals and required capital expenditure over a 10 year period was not available.

14 | Western Australian Auditor General

Issue	Finding
Review not performed of financial management systems and procedures	At 3 entities a review of the financial management systems and procedures was not completed at least once every 3 financial years as required by FM Regulation 5(2)(c).
Review not performed of risk management, internal control and legislative compliance	At 2 entities a review of systems and procedures in relation to risk management, internal control and legislative compliance was not completed at least once every 3 years as required by LG Audit Regulation 17.
No review and authorisation of changes to masterfiles	There was no evidence of independent review and authorisation of changes made to the creditor masterfile at 8 entities, the payroll masterfile at 3 entities and debtors and rate assessment masterfiles at 1 entity. This increased the risk of unauthorised changes to key information.
Payroll and human resources findings	Several findings of payroll and employment non-compliance were also reported: • a letter of employment was not signed by the employee until after commencement, resulting in an incorrect pay rate being paid • the payroll function was not supported by formal policies and supporting procedures • employee pay rate changes were not reviewed by an independent officer.
Revenue findings	There was an increased risk that discounts, refunds or price changes may be unauthorised or go undetected, resulting in a loss of revenue. Findings included: • inadequate internal controls over debtors accounts and staff discounts • no process in place to review changes made to approved rates, to ensure issue of correct rate invoices • a large number of users were able to issue refunds at a recreational facility with no independent review of the refunds issued • more employees than necessary having the ability to change rates, fees and charges within the finance and revenue systems and no process in place to review the price changes.
Asset control finding	One entity did not have formal policies and procedures for proper control over its fixed assets.
General computer control findings	In depth findings of our IS audits at a selection of 50 LG entities are detailed in our Local Government General Computer Controls Report, Report 23, tabled on 12 May 2021. We reported 328 control weaknesses to 50 LG entities, with 10% (33) of these rated as significant and 72% (236) as moderate. As these weaknesses could significantly compromise the confidentiality, integrity and availability of information systems, the LG entities should act promptly to resolve them. Our financial audit approach to reporting IS issues and general computer controls changed partway through our 2019-20 audit

Issue	Finding
	cycle. This has resulted in audits completed later in our cycle having material matters of non-compliance with their IS and general computer controls included in the auditor's reports.
	In 2019-20 the following material matters of non-compliance were included in our auditors' reports:
	• At 1 entity we reported significant weaknesses in their general computer controls. These weaknesses increase the risk of inappropriate or unauthorised access to systems and loss of sensitive information, and undermine the confidentiality, integrity and availability of the entity's business systems and information.
	• At other entities we reported instances of non-compliance that could lead to inappropriate use of systems and unauthorised changes, although our audit did not identify any. These include access controls over a key system being inadequate to enforce adequate segregation of duties and more employees than necessary having full access to key financial systems and no evidence of independent review of changes made to the systems or records.

Source: OAG

Table 1: Material non-compliance with legislation reported in auditor's reports

Adverse trends in the financial position of LG entities

We are required by Regulation 10(3)(a) of the LG Audit Regulations to report 'any material matters that in the opinion of the auditor indicate significant adverse trends in the financial position or the financial management practices of the local government'.

We conducted a high level assessment of whether the 7 financial ratios reported in each LG entity's financial report achieved the standards set by the DLGSC. When determining whether a trend was significant and adverse, in some instances we allowed for a ratio to be slightly lower than the DLGSC standard, in recognition that failing to meet some standards are more significant and representative of an entity's financial position than failing to meet others.

Our financial audit assessments of the ratios are conducted objectively on the audited figures from the financial report on a comparable and consistent basis. Our assessments do not consider other aspects of the entity's finances, or the inter-relationships between the ratios. These considerations are outside the scope of the legislative audit requirement of regulation 10(3)(a) and more relevant to a performance audit into adverse trends.

Entities report their ratios for the current year and the preceding 2 years. Our trend analysis is therefore limited to these 3 years. This year, we reported that 139 ratios at 89 entities indicated adverse trends. Last year, for the 2018-19 audits, the comparative figures were 113 ratios with adverse trends at 76 entities.

Review of financial ratios

It continues to be our view that the annual financial report audit does not provide the opportunity for a thorough assessment of any adverse trends that may be apparent from the ratios, and that a more thorough performance assessment is needed to conclude on the overall financial position of an entity. For this reason, after completing our first year of auditing the local government sector for 2017-18, we identified the need for the DLGSC to review Regulation 10(3)(a) of the LG Audit Regulations.

We have also previously recommended that the DLGSC give consideration to simplifying and streamlining the ratios defined in FM Regulation 50(1). This may include using different financial indicators, possibly fewer in number, that are more commonly used in the not-for-profit and government sectors.

WALGA formed a Working Group in 2020 to review the current suite of ratios and provide recommendations going forward. The Working Group is comprised of sector representatives together with officers from the DLGSC, Office of the Auditor General and WA Treasury Corporation.

The Working Group's Local Government Financial Ratios Report was provided to the WALGA State Council Meeting on 5 May 2021. The report includes recommendations for prescribed ratios and other financial reporting related matters. WALGA State Council is the decision making representative body of all member councils with responsibility for advocating on sector-wide policy and strategic planning on behalf of local government.

The report's recommendations were carried by the WALGA State Council who resolved that WALGA advocate the recommended changes to the Minister for Local Government. Along with ratio changes the group also recommended the DLGSC prepare a model set of financial statements and annual budget statements, in consultation with the local government sector.

Our Office continues to support the need for change in financial ratio reporting and auditing and commends WALGA for its work. However, we also consider that the DLGSC should be taking a more proactive role in this change process.

Recommendation

1.   The Department of Local Government, Sport and Cultural Industries (DLGSC) should assess whether the current financial ratios in the FM Regulations remain valid criteria for fairly measuring and reporting the performance of each LG entity. This could also include a simplification of LG entity reporting requirements for financial ratios, and review of the requirement under the FM Regulations for the auditor to report on any adverse trends in the ratios as part of the annual financial audit.

132 audit certifications issued

In addition to the auditor's report on the annual financial report, we also conduct audit work to certify other financial information produced by entities. These audit certifications enable entities to meet the conditions of State or Commonwealth funding or specific grant requirements or legislation. Our audit certification of these statements may be required to enable entities to receive ongoing funding under existing agreements or to apply for new funding.

Appendix 2, commencing on page 40, lists the 132 certifications issued and the date of issue under 3 headings:

•   12 claims by administrative authorities for pensioner deferments under the *Rates and Charges (Rebates and Deferments) Act 1992*

•   112 statements acquitting Roads to Recovery Funding under the *National Land Transport Act 2014*

•   8 other certifications for projects by entities.

Management control issues

We also report control weaknesses related to expenditure, financial management, human resources, revenue and asset management to LG entity management in our management letters. Controls weaknesses that represent matters of material non-compliance form part of the overall auditor's report that we provide under section 7.12AD of the LG Act to the mayor, president or chairperson, the CEO and the Minister for Local Government. During 2019-20, we alerted 117 entities of control weaknesses that needed their attention. Twelve percent of these were reported in our auditor's report as matters of material non-compliance.

Our management letters provide a rating for each matter reported. We rate matters according to their potential impact and base our ratings on the audit team's assessment of risks and concerns about the probability and/or consequence of adverse outcomes if action is not taken. We consider the:

- quantitative impact – for example, financial loss from error or fraud

- qualitative impact – for example, inefficiency, non-compliance, poor service to the public or loss of public confidence.

Risk category	Audit impact
Significant	Finding is potentially a significant risk to the entity should the finding not be addressed by the entity promptly.
Moderate	Finding is of sufficient concern to warrant action being taken by the entity as soon as practicable.
Minor	Finding that is not of primary concern, but still warrants action being taken.

Source: OAG

Table 2: Risk categories for matters reported to management

We give LG entity management the opportunity to review our audit findings and provide us with comments prior to the completion of the audit. When they respond, we request they set a time frame for remedial action to be completed. Often management improves policies, procedures or practices soon after we raise them and before the audit is completed. Other matters may take longer to remedy and we will follow them up during future annual financial audits.

We reported 704 control weaknesses across the 3 risk categories as shown in Figure 1. The first chart shows the number of weaknesses in each risk category for the differing number of entities we audited during our first 3 years of LG entity transition into our audit program. The second chart shows the comparative proportion of weaknesses in each risk category.

The charts show that the proportion of control weaknesses with a significant rating have increased in number and by proportion over the last 3 years, and that weaknesses with a minor rating have decreased. The decline in minor weaknesses is in part because entities have been addressing minor issues detected in the early years of the OAG auditing the sector.

Financial management control weaknesses

Comparative ratings of control issues
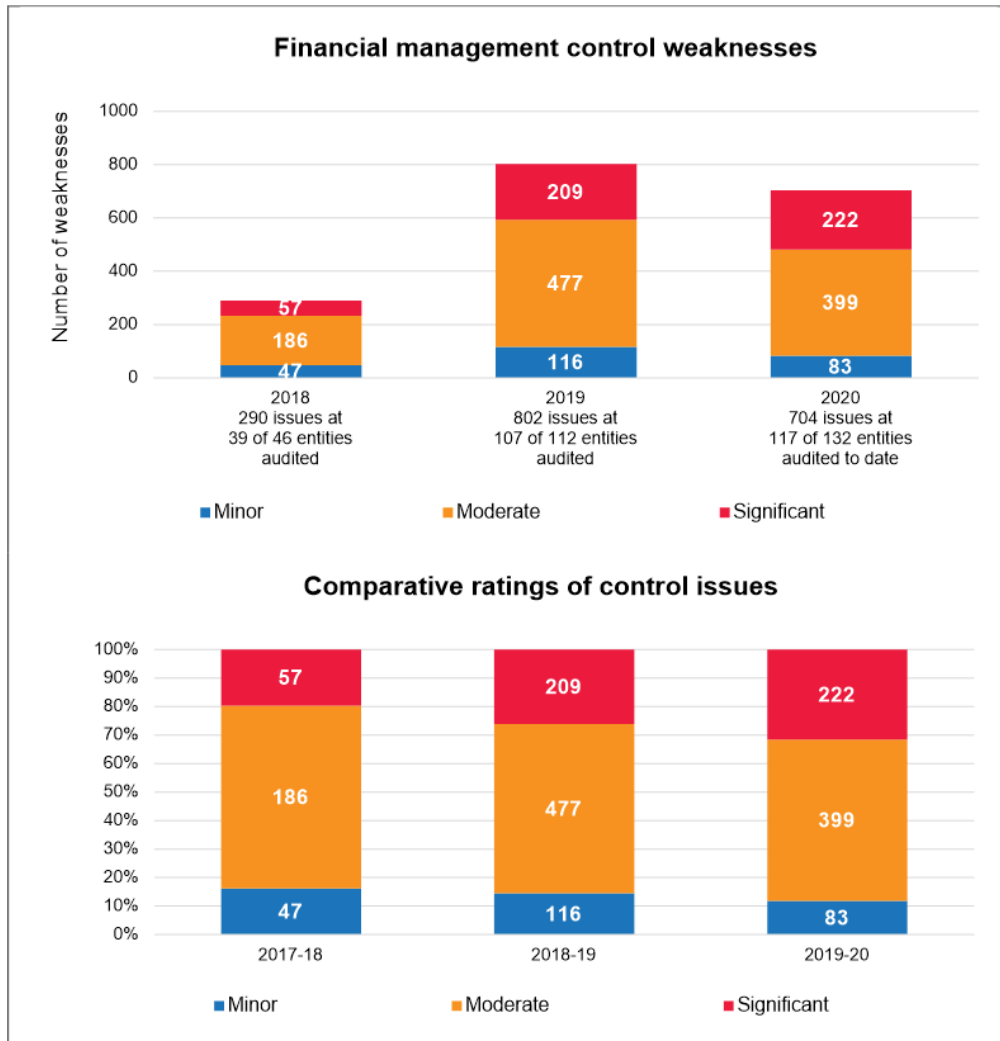
Source: OAG

Figure 1: Number of control weaknesses reported to management in each risk category and comparative ratings of the control weaknesses

Note: 2018-19 figures are higher than in last year's LG audit results report as not all LG entity audits were completed in time for inclusion in the report.

The 704 control weaknesses identified in our 2019-20 management letters are presented in their different financial management control categories in Figure 2. The control weaknesses relating to expenditure, financial management, and payroll and human resources accounted for 494 or 70% of the control weaknesses reported, compared to 487 or 61% in 2018-19.
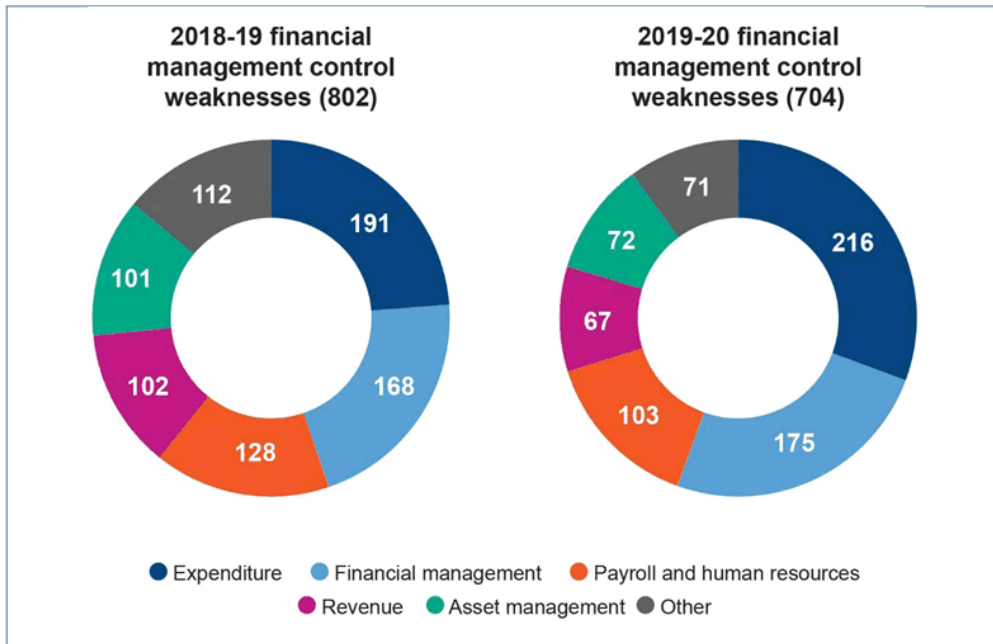
Source: OAG

Figure 2: Financial management control weaknesses reported to entities

Examples of the weaknesses are below. We recommend that entities take timely action to improve their current practices and procedures to strengthen the accountability and integrity of their financial reporting and to comply with their legislated requirements.

Expenditure

We reported that good procurement procedures, such as obtaining quotes and completing purchase orders to start the ordering process and accountability trail, were not routinely practiced. These included:

- Quotes were not obtained as required by the entities' policy guidelines. There were also instances where evidence of the quotes received was not retained for the items purchased. This increases the risk of favouring specific suppliers and/or not obtaining value for money.

- We found purchase order control weaknesses at 47 entities. Purchase orders were often raised after the goods had been supplied or after the supplier's invoice had been received. The lack of adequate controls over purchase ordering increases the risk of inappropriate purchases or the entity being committed to pay for purchases made by officers who do not have authority or who have exceeded their delegated purchase limits.

- In some entities there was not adequate separation of tasks between ordering and receiving goods. Without this segregation, the entity needs other controls to ensure that all payments for goods are reviewed and authorised by an independent officer.

- Some entities' tender processes were not conducted in accordance with the entity's policies and procedures, including panel members not declaring their interests.

At 29 entities we reported that changes were made to the supplier masterfile without appropriate evidence of authorisation of the change or there was no independent review to

20 | Western Australian Auditor General

confirm checking for related party interests, authorisation, completeness and accuracy. These review procedures are essential as technology has increased the risk of fraud.

We found payment acquittal procedures at 24 entities need improvement. Full supporting documentation for payments needs to be retained, along with the correctly coded payment acquittal approved by an appropriately authorised or delegated officer.

Of the 15 entities with control weaknesses over their purchasing cards, we found that 4 entities did not have evidence of signed purchasing card agreements with cardholders. These agreements set out the terms, conditions and the entity's level of authority for the cardholder's use of their purchasing card. Untimely acquittal and late cancellation of purchasing cards were also reported.

Financial management

The accounting procedures and practices of the financial management team should include appropriate controls for preparing the entity's financial report and mandatory annual reporting requirements.

- Fifty-three entities had not completed their review to assess and recognise the initial and subsequent application of the new accounting standards for revenue recognition and leases. Non-compliance with the revenue standards may result in earlier income recognition, which means the entity's 2019-20 revenue may be overstated. Non-compliance with the lease standard can result in depreciation and interest expense being understated and lease expenses being overstated for the 2019-20 year. Further details and information on these accounting standards issues are on page 26.

- Bank reconciliations were not routinely prepared on a monthly basis or were not reviewed by a second officer. Where long outstanding cheques continue to be reported, entities need to review these debts to locate the supplier and, if not found, action these funds as unclaimed money. Entities also recorded unreconciled items, which were not investigated and resolved when they were identified and remain unreconciled. The bank reconciliation is a key control. If not performed regularly and independently reviewed, there is a risk of erroneous or unusual (including fraudulent) reconciling items not being detected and investigated in a timely manner.

- Journal entries were made without supporting documentation or were not reviewed by an independent officer. These can represent significant adjustments to previously approved accounting transactions, and unauthorised journals could result in errors in financial reports, or fraud. They should therefore be clearly explained and subject to independent review.

- Access to the financial management, payroll and human resources systems was not restricted to appropriate staff. In some instances, we considered more staff than necessary for the efficient operation of the entity had passwords to access the key systems. Monitoring of access privileges needs to be conducted on a regular basis by a senior staff member.

Payroll and human resources

Payroll and human resource management are essential elements of any employer's business. During our interim and final audits of entities we reported:

- Some employees were not taking their annual and long service leave entitlements and therefore accumulating excessive leave balances. Entities should have a leave management plan to ensure suitable staff can undertake the roles of key staff while they are on leave and to continue to deliver the entity's required services. Infrequent

Audit Results Report – Annual 2019-20 Financial Audits of Local Government Entities| **21**

taking of leave and associated rotation of staff roles, increases the likelihood of any frauds remaining undetected.

- Commencement and termination processes were not completed promptly to ensure timely and accurate processing and payment of staff. Evidence needs to be retained of all employment contracts, which should be signed by both parties on execution.

- Changes made to employee masterfiles need to be supported by appropriate authorisation from the employee. Masterfile changes also need to be independently reviewed for accuracy and completeness, to reduce the risk of payroll errors or fraud.

- Payroll reports sent to cost centre or business managers for confirmation of employees to be paid were not returned. Without regular checks by relevant managers on their current employees and their hours worked, especially for casual and contract staff, there is an increased risk of payment errors, ghosting or fraud passing undetected.

Recommendation

2. LG entities should ensure they maintain the integrity of their financial control environment by:

    a. periodically reviewing and updating all financial, asset, human resources, governance, information systems and other management policies and procedures and communicating these to staff

    b. conducting ongoing reviews and improvement of internal control systems in response to regular risk assessments

    c. regularly monitoring compliance with relevant legislation

    d. promptly addressing control weaknesses brought to their attention by our audits, and other audit and review mechanisms

    e. maintain currency with new and revised accounting standards for their impact on financial operations in order to prepare a compliant financial report at year end.

Information system controls

Information systems (IS) underpin most aspects of government operations and services. It is important that entities implement appropriate controls to maintain reliable, secure and resilient information systems.

Audits of general computer controls help to support our financial audits and are a major part of the IS audit work we undertake. These audits provide insights about the extent to which entities' IS controls support reliable and secure processing of financial information.

We reported 328 control weaknesses to 50 LG entities, with 10% (33) of these rated as significant and 72% (236) as moderate. Last year we reported 202 control weaknesses to 38 LG entities. As these weaknesses could significantly compromise the confidentiality, integrity and availability of information systems, the LG entities should act promptly to resolve them.

Our capability assessments at 11 of the 50 LG entities show that none met our expectations across 6 control categories, with 79% of the audit results below our minimum benchmark. We found weaknesses in controls for information security, business continuity, change management, physical security and IT operations. Entities also need to improve how they identify and treat information risks. Five of the entities were also included in last year's in-depth assessment and could have improved their capability by promptly addressing the previous year's audit findings but, overall, did not discernibly do so

Of the weaknesses identified in 2019-20:

- 49% related to information security issues. These included system and network vulnerabilities and unauthorised and inappropriate access to systems and networks

- 28% related to information technology (IT) operations issues. In particular, poor controls over the processing and handling of information, inadequate monitoring and logging of user activity, and lack of review of user access privileges

- 10% related to business continuity. For example, inadequate disaster recovery and business continuity plans

- 13% related to inappropriate IT risk management, poor environmental controls for the server room, and a lack of change management controls.

The information provided above is included in our Report 23, May 2021, Local Government General Computer Controls, tabled on 12 May 2021. Further details of the IS audit work and case studies from our IS audits of LG entities are included in the report.

Financial reporting issues for 2019-20

Valuation of assets

We continue to have concerns about inconsistencies in the valuation of property and infrastructure in the WA local government sector. Our Report 15: March 2019[2] and Report 16: March 2020[3] detailed concerns about the variety of valuation methodologies used, especially for land with restricted use.

Valuation concerns arise from LG entities engaging different valuers who use different methodologies or interpret some principles of the Australian Accounting Standards differently. This is particularly apparent for restricted assets. Consequently, LG entities can see significant valuation swings when they change their valuer, depending on which assumptions the valuer uses when assessing restricted land. Most entities revalued these assets in 2017 or 2018, in accordance with the LG FM Regulations, and their next 3-5 yearly valuations are due at the latest by 2022 or 2023.

As mentioned last year, the International Public Sector Accounting Standards Board and the Australian Accounting Standards Board have projects under way relating to fair value of public assets. Our Office will work with other audit offices to prepare a submission to this fair value project.

Valuation of assets transferred between entities

Our State government audit work in 2019-20 highlighted the need for entities to act fairly and openly where assets are transferred between them.[4]

Our role as auditor is to ensure that land sales and asset transfers are properly disclosed. The value or benefit of the asset to the ultimate owners, as well as any trade-offs must be adequately communicated and disclosed to residents and ratepayers. These particular transactions can represent significant value.

During 2019-20 the State Government decided to progress the Ocean Reef Marina project following community consultation on this development proposal, including its impact on the community and the City of Joondalup, which was undertaken over a number of years.

Following this, the City of Joondalup reviewed the fair value of the land assets included within scope of this development proposal. After seeking independent valuation advice and in consultation with Development WA, it was agreed that the City would transfer the associated land assets to Development WA in 2021 for $1 per lot for each of the two parcels of land in order for land development to proceed.

Following this decision, the City reclassified the associated land assets from Property, Plant and Equipment with a fair value of $63.1 million to Inventory (Land held for transfer) with a net realisable value of $1 per lot. The City recognised the resulting land revaluation decrement in its asset revaluation reserves in accordance with the accounting standards, and disclosed the decrement at note 6 in its 2019-20 annual financial report.

Documenting agreements between the parties of any transaction is prudent as it provides essential evidence of both parties' agreement to the transaction. The financial report of each

---

[2] Report 15: March 2019 – Audit Results Report – Annual 2017-18 Financial Audits of Local Government Entities

[3] Report 16: March 2020 - Audit Results Report – Annual 2018-19 Financial Audits of Local Government Entities

[4] Page 37 of Audit Results Report – Annual 2019-20 Financial Audits of State Government Entities, Report 7, November 2020

entity must provide sufficient disclosure of the transaction in accordance with accounting standards. Transparency of all such transactions – their costs and benefits - is paramount.

Local government financial management regulations

Amendments to the FM Regulations were gazetted on 6 November 2020. As requirements in these regulations impacted the financial reporting of entities for the year ending 30 June 2020, finalising and signing off each entity's financial report was delayed until after this gazettal.

Following the gazettal, we issued a position paper on 6 November 2020 (Appendix 3) to assist entities to meet the new reporting requirements. Any changes in reporting from the previous year are disclosed in the financial report of each entity. The key changes relate to the revaluation of certain asset classes, revenue recognition and accounting for leases.

Valuation of certain classes of assets

Amendment of FM Regulation 17(A) simplified LG entities' reporting of some classes of assets and reduced the cost burden of having valuations undertaken.

Plant and equipment

Entities no longer have to revalue plant and equipment assets they own and needed to transition to the cost model from the beginning of 2019-20, and report all plant and equipment at depreciated cost at year-end on 30 June 2020. Previously these assets were held at fair value.

Land, building, infrastructure and investment property

These assets continue to be carried at fair value, with the revaluation cycle reduced to a 5-year cycle rather than 3-yearly, unless the fair value is materially different from the carrying value.

Lease right-of-use assets controlled by entities

Amendment of regulation 17A removed the requirement to fair value all assets, including right-of-use assets. Removal of regulation 16 from 6 November 2020 impacts on the way LG entities are now required to report on commercial and concessionary leases under Accounting Standard AASB 16 *Leases*.

Commercial leases

Leases of assets such as vehicles, machinery, offices and ICT equipment from 2019-20 are now recognised on the balance sheet as the right-of-use asset and corresponding liability.

Concessionary leases

These peppercorn type leases relate to assets controlled or managed but not owned by the entity. They include vested crown land and other land, such as land under roads. These concessionary lease right-of-use assets are to be reported at cost, which in most cases is zero.

Previously, entities reported land under roads at zero cost, and this continues. However, adjustments were needed for land underneath buildings or other infrastructure, such as golf courses, showgrounds, racecourse or any other sporting or recreational facilities, so that this land is also reported at zero cost. Previously these lands were reported at fair value.

The FM Regulations retain reporting of improvements on these vested lands at fair value.

Recommendations

3.   The DLGSC should seek ministerial approval to any proposed regulatory amendments well in advance of the financial year end to ensure timely gazettal to facilitate action and avoid rework by all entities when finalising their end of year financial report.

4.   LG entities should complete their assessment of the impact of any new regulations or accounting standards and prepare a position paper on the necessary adjustments to their financial report. If required, entities should seek external consultation when completing their assessment and adjust their financial report, prior to submitting it for audit.

Accounting standards reporting changes for 2019-20

LG entities were required to apply 3 new accounting standards of the Australian Accounting Standards Board (AASB) from 1 July 2019. Unfortunately, entities could not adequately prepare as the DLGSC did not advise entities what FM Regulation changes in accounting treatments would be gazetted on 6 November 2020. Consequently, entities were delayed in finalising their financial reports and some incurred additional audit costs.

Fifty-three entities received a management letter issue as they had not taken appropriate steps to implement the new standards for their 30 June 2020 reporting.

Entities that applied the standards elected to apply the modified retrospective option for their transition. This approach meant comparative figures for prior years did not need to be restated, therefore reducing the amount of work required. A note in the financial report disclosed the impact of these changes in accounting treatment from 1 July 2019.

Reporting revenue and income under AASB 15 and AASB 1058

From 1 July 2019, revenue from contracts (AASB 15), such as grant money received with specific performance obligations, is reported by allocating the grant money to each performance obligation and recognising the revenue as or when the obligations are satisfied. Similarly, grant money received with an obligation to acquire or construct an asset that will be retained by the entity (i.e. a capital grant under AASB 1058) is recognised as income as or when the obligation to acquire or construct the asset is satisfied.

For example, LG entities receiving Roads to Recovery funding from the Commonwealth Government were required to report their grants in this manner. This means a grant received for the construction of an asset is recognised as income in stages during the construction. The full value of the grant is recognised by the time the constructed asset is put into operation.

Under AASB 1058, transactions relating to assets acquired at significantly less than fair value also have new recognition principles.

Where these standards were implemented, the LG entities adjusted their opening equity and recognised their contract liabilities and capital grant liabilities as required.

Reporting of leases – AASB 16

The key change in AASB 16 is that most operating leases, which were previously recorded off-balance sheet, are now required to be capitalised on the balance sheet (Statement of Financial Position). Accordingly, most property, motor vehicle and equipment operating leases are now accounted for as right-of-use assets with their associated lease liability. A note in the financial report explains the impact of this standard.

Using this approach, on initial application of AASB 16 from 1 July 2019, LG entities were required to recognise right-of-use assets and the lease liabilities.

Future impact of changes to accounting standard

The new standard, AASB 1059 *Service Concession Arrangements: Grantors*, applies for years beginning on or after 1 January 2020 (2020-21 reporting year). This standard is applicable to LG entities (grantors) that enter into service concession arrangements with generally private sector operators.

It requires grantors to recognise a service concession asset and, where applicable, a service concession liability on the balance sheet. The initial balance sheet accounting, as well as the ongoing income statement impacts, will have significant financial statement implications for grantors.

Recommendation

5.   DLGSC should provide timely guidance to assist LG entities to update their accounting practices to ensure that their future reporting is compliant with all current accounting standards.

Opportunities to improve the efficiency of financial reporting

This section includes opportunities for LG entities that may contribute to savings in financial reporting costs and improved governance. It is important to note that while some of these issues may relate to all entities, others may only be applicable to some.

Reduced disclosure reporting by LG entities

As noted on page 8, the quantity of information that is being reported in the annual financial reports of LG entities is onerous and exceeds that reported by most State government entities. Western Australian State and LG entities also include several disclosures that are not common practice in other states. This contributes to the time and cost to prepare annual financial reports, and to audit costs.

The changes made to the FM Regulations gazetted on 6 November 2020 simplified some reporting by LG entities for 2019-20. Refer page 25.

However, other opportunities still exist to introduce a tiered reporting structure and reduce the amount of detail in local government financial reports without impacting the usefulness and completeness for users. We encourage efforts to streamline financial framework obligations, particularly for small and medium sized entities, wherever it does not impair accountability and transparency.

The AASB has a project to revisit the financial reporting framework for public sector entities, which may reduce the reporting burden on LG entities. Currently the LG Regulations do not provide LG entities as much opportunity to reduce financial report disclosures as State government entities.

Recommendation

6. DLGSC should re-assess the amount of detail required to be included in annual financial reports, particularly for small and medium sized LG entities.

Quality of financial reports submitted for audit

The quality of financial reports submitted for audit varied significantly across LG entities. This is not unexpected as some entities have finance staff without formal accounting qualifications and professional support is not readily available in some regions. We found that many entities were unable to implement the new accounting standards without professional assistance.

Our audits also noted that various LG entities:

- had poor record keeping practices and were unable to locate requested records, such as prior period valuations

- had conflicting priorities and urgency to comply with requests for information as part of normal operations and council business, plus audit and other independent investigations

- were unable to provide information within 2 weeks of a request by audit

- experienced finance staff turnover and attrition during crucial times in the financial year, or key personnel were not available to respond to the auditors at key times as they had taken leave.

We identified numerous errors that were corrected by the LG entities during the audit process. These errors included:

- incorrect or no adjustments made for adoption of the new revenue and lease standards due to lack of understanding of the standards and no assistance or direction on what action was needed, until raised by the auditor

- financial reports that did not balance

- data errors, such as the incorrect take up of closing balances from the prior year as opening balances for the current year

- accounting differently for the same transactions, balances or disclosures

- not recognising contingent liabilities or remediation provisions for contaminated sites

- not correctly accounting for their share of a joint arrangement with another party or parties, such as a library or contribution towards the local regional council

- prior year errors that had not been corrected.

Also disappointing was the number of LG entities submitting many versions of their financial statements to us during the audit process. This results in significant additional work for both the LG entity and the auditor and delays the finalisation of the audit. For example, 1 entity submitted 27 versions of its financial statements and our auditor's report was not issued until 20 May 2021.

We are pleased to support audit committees in State and local government through our audit committee forums. These seminars aim to improve audit committee members' knowledge and understanding of their role and responsibilities in the entity's financial management review process. These audit committees are becoming more active in their control oversight and quality review roles. This will assist entities to ensure the completeness and accuracy of their financial report and the supporting working papers presented for audit.

To ensure timely and accurate financial reports it is important that management in each reporting entity keeps proper accounts and records. Management should undertake various

best practice initiatives throughout the financial year and after year end to improve the quality of their financial reporting.

Well before the beginning of the financial year, entities should confirm the accounting policies and accounting standards to be applied in the coming year. Entities should also determine, at that time, whether expert assistance is required in order to accurately adopt standards. Sharing specialist resources across LG entities may be cost effective and result in more timely resolution.

Before year end, entities need to:

- prepare a project plan of human and financial resources, assign responsibilities for tasks and set time frames for financial reporting

- avoid receiving asset valuations late in the financial year or after year end and ensure that management reviews the valuations before they are included in the financial reports

- identify and review changes to accounting standards and reporting requirements and confirm the approach to any changes with the auditors.

After year end, entities need to:

- analyse variations between actual and budget as well as previous year results to identify and correct omissions and/or errors

- ensure the draft financial report has received an internal quality assurance review, preferably by internal audit or other suitably qualified professionals.

Many LG entities would benefit from centralised support from the DLGSC, similar to that provided to State government entities by the Department of Treasury through the Treasurer's Instructions. The DLGSC's support should address timely regulation amendments to improve the financial report framework and offer practical accounting assistance. Actions should include:

- decluttering entities' financial reports

- implementing tiered reporting for different size of entities or the complexity of their operations

- providing a model financial report with current sample notes

- providing technical and accounting standards support to entities through a help desk.

These improvements would improve the quality of the sector's financial reports and also reduce the reporting burden on smaller LG entities.

Our Report 21: Regulation and Support of the Local Government Sector tabled on 30 April 2021 reports that LG entities' expectations are that the DLGSC should be providing support, guidance and education on the financial reporting framework and other sector issues, such as adoption of new accounting standards, to assist them to achieve good governance and reporting.

To assist public sector entities to assess their financial management and reporting practices, we have tabled a guide later titled *Western Australian Public Sector Financial Statements – Better Practice Guide*. This guide should assist entities to implement better practices, processes and procedures and achieve more efficient and timely financial reporting for their entity.

Recommendation

7. To improve the quality of financial reports and achieve greater consistency across LG entities, the DLGSC should prepare timely regulation amendments for the Minister's approval which improve the sector's financial report framework. The DLGSC should also provide accounting support services to the sector. Proper management of financial resources is the most basic priority as from there all else is enabled or eroded.

8. We encourage entities to make use of our WA Public Sector Financial Statements – Better Practice Guide to improve their financial management and reporting practices, processes and procedures.

Impact of COVID-19 on LG entities and our audit approach

In response to COVID-19, we engaged extensively with audited LG entities and State government entities around audit flexibility, key priorities, and other considerations. We communicated with all stakeholders on the need to work together and maintain good governance and controls during the time of disruption.

Advice to LG entity management

On 27 March 2020 we emailed all mayors, presidents and CEOs, recognising that LG entities have a role to play in the State Pandemic Plan.

We advised of our commitment to working with entities to minimise any disruption our audit work may have while still needing to deliver a level of essential assurance to the Parliament, local government councils, the public and other stakeholders on public sector finance and performance during the pandemic period and subsequently.

As a workforce accustomed to conducting audit work remotely, our well-established systems and processes only required some adjustments. Our strategies included:

- working with entities to identify audit areas that could be done earlier or later

- reducing the amount and length of audit meetings, conducting these via audio or video conference wherever possible or postponing them

- making increased use of technology to enable the collection of evidence and analysis of financial and performance data

- continuing to use a secure portal to transmit and receive all audit documents electronically

- re-evaluating our forward performance audit program.

At an early stage of the pandemic, we sent the following advice to entities about key risks that can be heightened in times of crisis:

- Good business governance and controls can be at risk during times of disruption, particularly in environments of crisis and urgent response. There are some who may seek to take advantage of any sense of chaos for their own interests. We encourage entities to maintain good controls, particularly over cash, expenditure and assets throughout this period.

- Information systems may be the subject of increased cyber-attacks and phishing attempts, so there needs to be continued focus on information security.

We also published on our website a guidance paper 'COVID-19 Financial controls matters' and an extract from our Report 18: 2019-20 – Information Systems Audit report 2020 – State Government Entities, 'Security considerations for remote working arrangements'. These guidance papers are presented as Appendix 4, page 46, and Appendix 5, page 48. For other better practice guidance published by our office, refer to the index at Appendix 6, page 50.

LG regulations amended for COVID-19 response

The *Local Government (COVID-19 Response) Act 2020* received Royal Assent on 21 April 2020. This allows LG entities to suspend a local law or part of it to temporarily remove restrictions for the benefit of the district or part of the district during the state of emergency.

The Act also enables the Minister, where such an order is necessary to deal with the consequences of the COVID-19 pandemic, to modify or suspend provisions of the LG Act. Some of these gazetted changes related to the requirement to hold public meetings, access to information when council offices are closed and budgetary matters.

Other amendments were detailed in specific regulations and also applied during the period the district or part of the district was in a state of emergency.

Local Government (Functions and General) Regulations 1996

Amendments to the procurement regulations allowed LG entities to:

- extend the use of their own purchasing policy and apply local content provisions more readily to acquire good and services via written quotes to the increased threshold of $250,000, similar to the State Government tendering thresholds

- source and secure essential goods or service to address needs arising from or impacts or consequences of the hazard to which the emergency relates, without publicly inviting tenders

- use discretion to renew or extend a contract that expires, even if not an option in the original contract. There were some limitations on this exemption

- purchase goods or services from an extended list of recognised goods or services supplied by Aboriginal businesses.

Local Government (Financial Management) Regulations 1996

These regulation amendments increased the flexibility of LG entities, to:

- decide and minute the reasons for changing the 'use of money' set aside in a Reserve Account without the public notice period, where it was used to address a need relating to the pandemic

- borrow money or re-purpose borrowed money, without the public notice period, to address a need arising from the pandemic. Any decision and reasons must be recorded in the council minutes.

Local Government (Long Service Leave) Regulations 1996

These regulation amendments gave local government employees who had been stood down during the state of emergency greater access to paid leave.

Local Government (Administration) Amendment Regulations 1996

Gazettal of these amendments on 25 March 2020 allowed local government councils to hold meetings electronically via teleconference, video conference or other electronic means during a public health emergency. This included committee meetings.

Provision for notice of any meeting and public question time were also amended to allow electronic facilitation of meetings.

Minister for Local Government's Circular No 03-2020, Local Government (COVID-19 Response) Order

The Minister's Circular of 8 May 2020 requested LG entities to freeze rates, and fees and charges during the pandemic period. Furthermore, residential and small business ratepayers suffering financial hardship as a consequence of the pandemic would not be charged interest in the 2020-21 financial year. The Circular also detailed maximum instalment interest charges and late payment interest charges. The Minister noted that removing red tape and

compliance requirements were other means of assisting LG entities and the community to deal with the pandemic.

COVID-19 impacts on LG entities

As part of our audits we considered the impact of COVID-19 on each entity's financial reporting process and control environment. Risk assessment and responsive procedures were updated and additional attention was given to transactions testing for the March to June 2020 period.

We noted that the majority of staff generally continued to work from the office, sometimes on a rotation basis.

The Small Business Development Corporation's website has detailed information about local government COVID-19 initiatives. This includes a summary of the initiatives put in place by LG entities for their local small business community, and concludes with a link to the LG entity's own website for further details.

Information on the pandemic's impacts appear in each entity's annual report which are available on their websites. Some of the key or recurring disclosures are summarised below.

Disruption of services and reduced revenue

Local government venues were closed including council offices, recreational and sporting facilities, swimming pools, libraries and community facilities. These closures were intended to safeguard the health and wellbeing of residents, visitors, businesses, employees and volunteers but resulted in reduced revenue collections.

Larger LG entities also reported a reduction in parking fees and infringement revenue. Some city councils also reduced parking fees for on-street, carparks or all day parking.

Creation of COVID-19 emergency reserve

The FM Regulation amendments permitted entities to re-purpose reserves to address a need relating to the pandemic. At 31 May 2021 17 of the 117 audited to date had transferred $19.4 million of their funds into a reserve fund for this purpose during 2019-20. At 30 June 2020, 2 entities had cleared their emergency reserve accounts, while the remaining entities held a total of $17.0 million in their COVID reserve accounts.

LG entities' expenses for directly managing the impact of COVID-19

Differentiating between COVID specific expenditure and normal expenditure was difficult as entities generally did not separately account for these expenses. Extra cleaning was incurred at certain facilities, while other facilities were closed and did not incur their normal cleaning fees. In general, LG entities did not report incurring any significant expenditure as potential extra expenses were offset by savings elsewhere.

Stimulus or initiatives administered by LG entities

LG entities' actions supporting their local households, businesses, tenants and sporting and community groups included:

- stopping all interest charges on outstanding payments to the LG entity

- waiving loan repayments for sporting clubs and associations

- waiving lease payments for not-for-profit groups and sporting associations, and for commercial tenancies where hardship was demonstrated.

34 | Western Australian Auditor General

Future potential effect of COVID-19

LG entities generally prepared their 2020-21 budgets on the basis of no rate increase as requested by the Minister for Local Government's Circular No 3-2020. Entities were therefore challenged to rationalise services to pare back their budgeted expenses or seek other revenue sources to comply with this request when finalising their 2020-21 budget.

The impact of budget restraint for 2020-21 may impact on entities and the services they can reliably deliver in the short term. Although these 2020-21 budgetary constraints may provide significant short term challenges, the ongoing ramifications will continue to be experienced in the forward estimates and budgets of entities for some years.

Appendix 1: 2019-20 LG entities audits by OAG

We completed 117 of the 132 audits for 2019-20 by 31 May 2021. The auditor's reports issued are listed by entity in alphabetical order in the table below.

Local government	Opinion issued
Bunbury-Harvey Regional Council	15/12/2020
City of Albany	03/12/2020
City of Armadale	11/12/2020
City of Bayswater	08/02/2021
City of Belmont	13/11/2020
City of Bunbury	02/12/2020
City of Busselton	17/11/2020
City of Canning	22/12/2020
City of Cockburn	02/12/2020
City of Fremantle	01/04/2021
City of Gosnells	15/02/2021
City of Greater Geraldton	10/02/2021
City of Joondalup	07/12/2020
City of Kalamunda	03/12/2020
City of Kalgoorlie - Boulder	17/12/2020
City of Karratha	07/04/2021
City of Kwinana	08/12/2020
City of Melville	04/12/2020
City of Nedlands	Audit in progress
City of Perth	10/12/2020
City of Rockingham	23/11/2020
City of South Perth	03/12/2020
City of Stirling	25/02/2021
City of Subiaco	Audit in progress
City of Swan	18/12/2020
City of Vincent	08/12/2020
City of Wanneroo	09/12/2020
Eastern Metropolitan Regional Council	25/11/2020
Mindarie Regional Council	08/03/2021
Murchison Regional Vermin Council	16/02/2021
Pilbara Regional Council	Audit in progress
Rivers Regional Council	11/11/2020
Shire of Ashburton	23/02/2021
Shire of Augusta-Margaret River	17/12/2020

36 | Western Australian Auditor General

Local government	Opinion issued
Shire of Beverley	07/05/2021
Shire of Boddington	Audit in progress
Shire of Boyup Brook	Audit in progress
Shire of Bridgetown-Greenbushes	07/12/2020
Shire of Brookton	22/02/2021
Shire of Broome	26/11/2020
Shire of Broomehill-Tambellup	24/03/2021
Shire of Bruce Rock	19/05/2021
Shire of Capel	27/11/2020
Shire of Carnarvon	18/05/2021
Shire of Carnamah	29/03/2021
Shire of Chapman Valley	29/01/2021
Shire of Chittering	26/03/2021
Shire of Christmas Island	30/11/2020
Shire of Cocos (Keeling) Islands	26/11/2020
Shire of Coolgardie	10/12/2020
Shire of Coorow	17/02/2021
Shire of Corrigin	14/12/2020
Shire of Cranbrook	11/02/2021
Shire of Cuballing	24/02/2021
Shire of Cue	12/02/2021
Shire of Cunderdin	19/03/2021
Shire of Dalwallinu	15/12/2020
Shire of Dandaragan	13/11/2020
Shire of Dardanup	14/12/2020
Shire of Denmark	19/02/2021
Shire of Derby-West Kimberley	16/02/2021
Shire of Donnybrook-Balingup	11/12/2020
Shire of Dowerin	17/12/2020
Shire of Dumbleyung	16/12/2020
Shire of Dundas	26/02/2021
Shire of Exmouth	11/12/2020
Shire of Gnowangerup	09/12/2020
Shire of Goomalling (Qualified opinion. Refer page 10.)	27/04/2021
Shire of Halls Creek	16/12/2020
Shire of Harvey	03/12/2020
Shire of Irwin	04/02/2021
Shire of Jerramungup	11/12/2020

Local government	Opinion issued
Shire of Katanning	08/03/2021
Shire of Kellerberrin	16/12/2020
Shire of Kojonup	Audit in progress
Shire of Kondinin	14/12/2020
Shire of Koorda	17/12/2020
Shire of Kulin	30/03/2021
Shire of Lake Grace	17/12/2020
Shire of Laverton	Audit in progress
Shire of Leonora	17/02/2021
Shire of Manjimup	11/05/2021
Shire of Meekatharra	16/12/2020
Shire of Menzies	31/05/2021
Shire of Merredin	Audit in progress
Shire of Mingenew	11/12/2020
Shire of Moora	04/05/2021
Shire of Morawa	21/12/2020
Shire of Mount Magnet	07/04/2021
Shire of Mount Marshall	03/03/2021
Shire of Mukinbudin	18/12/2020
Shire of Mundaring	07/12/2020
Shire of Murchison	Audit in progress
Shire of Murray	19/02/2021
Shire of Nannup	18/03/2021
Shire of Narembeen	04/12/2020
Shire of Narrogin	Audit in progress
Shire of Northam	21/12/2020
Shire of Northampton	04/02/2021
Shire of Nungarin	11/03/2021
Shire of Peppermint Grove	Audit in progress
Shire of Perenjori	Audit in progress
Shire of Pingelly	16/12/2020
Shire of Ravensthorpe	11/03/2021
Shire of Sandstone	Audit in progress
Shire of Serpentine-Jarrahdale	22/12/2020
Shire of Shark Bay	19/02/2021
Shire of Tammin	23/12/2020
Shire of Three Springs	16/12/2020
Shire of Trayning	09/03/2021

38 | Western Australian Auditor General

Local government	Opinion issued
Shire of Upper Gascoyne	17/12/2020
Shire of Victoria Plains	25/02/2021
Shire of Wagin	19/02/2021
Shire of West Arthur	10/12/2020
Shire of Westonia	18/12/2020
Shire of Wickepin	16/12/2020
Shire of Williams	04/12/2020
Shire of Wiluna	Audit in progress
Shire of Woodanilling	20/04/2021
Shire of Wyalkatchem	01/04/2021
Shire of Yalgoo	Audit in progress
Shire of York	04/12/2020
South Metropolitan Regional Council	23/12/2020
Town of Bassendean	16/02/2021
Town of Cambridge	16/04/2021
Town of Claremont	08/03/2021
Town of Cottesloe	18/02/2021
Town of East Fremantle	22/12/2020
Town of Mosman Park	22/12/2020
Town of Port Hedland	16/03/2021
Town of Victoria Park	20/05/2021
Western Metropolitan Regional Council	14/12/2020

Source: OAG

Audit Results Report – Annual 2019-20 Financial Audits of Local Government Entities| **39**

Appendix 2: LG entities' certifications issued

In addition to annual auditor's reports, some entities needed to acquit moneys received from other sources under grant agreements or other legislation. We issued the following 132 certifications on statements of income and expenditure of entities, to help them discharge their financial reporting obligations, some being for Commonwealth grants.

Local government certifications	Certifications issued
Claims by administrative authorities – Pensioner deferments under the *Rates and Charges (Rebates and Deferments) Act 1992*	
City of Belmont	26/10/2020
City of Busselton	20/10/2020
City of Gosnells	26/11/2020
City of Joondalup	05/11/2020
City of Kalamunda	23/11/2020
City of South Perth	09/11/2020
City of Vincent	30/10/2020
Shire of Brookton	28/05/2021
Shire of Dandaragan	05/11/2020
Shire of York	16/12/2020
Town of Cambridge	06/05/2021
Town of Mosman Park	05/11/2020

Source: OAG

Local government certifications	Certifications issued
Roads to Recovery Funding under the *National Land Transport Act 2014*	
City of Albany	21/10/2020
City of Armadale	28/10/2020
City of Bayswater	30/10/2020
City of Belmont	28/10/2020
City of Bunbury	21/10/2020
City of Busselton	29/10/2020
City of Canning	30/10/2020
City of Cockburn	30/10/2020
City of Fremantle	27/10/2020
City of Gosnells	13/10/2020
City of Greater Geraldton	30/10/2020
City of Joondalup	27/10/2020
City of Kalamunda	21/10/2020
City of Kalgoorlie-Boulder	01/04/2021
City of Karratha	30/10/2020
City of Kwinana	30/10/2020

Local government certifications	Certifications issued
Roads to Recovery Funding under the *National Land Transport Act 2014*	
City of Melville	02/11/2020
City of Nedlands	30/10/2020
City of Rockingham	30/10/2020
City of South Perth	27/10/2020
City of Subiaco	09/11/2020
City of Swan	30/10/2020
City of Vincent	28/10/2020
City of Wanneroo	29/10/2020
Shire of Augusta-Margaret River	23/10/2020
Shire of Beverley	27/10/2020
Shire of Boyup Brook	10/11/2020
Shire of Bridgetown-Greenbushes	28/10/2020
Shire of Brookton	30/10/2020
Shire of Broome	27/10/2020
Shire of Bruce Rock	28/10/2020
Shire of Capel	23/10/2020
Shire of Carnamah	27/10/2020
Shire of Carnarvon	15/12/2020
Shire of Chapman Valley	21/10/2020
Shire of Chittering	17/12/2020
Shire of Christmas Island	09/10/2020
Shire of Cocos (Keeling) Islands	31/03/2021
Shire of Coorow	06/10/2020
Shire of Corrigin	19/10/2020
Shire of Cuballing	21/10/2020
Shire of Cue	29/10/2020
Shire of Cunderdin	26/02/2021
Shire of Dalwallinu	26/10/2020
Shire of Dandaragan	30/10/2020
Shire of Dardanup	20/10/2020
Shire of Denmark	08/02/2021
Shire of Derby-West Kimberley	23/02/2021
Shire of Donnybrook-Balingup	26/10/2020
Shire of Dowerin	29/10/2020
Shire of Dumbleyung	28/10/2020
Shire of Dundas	29/10/2020
Shire of Exmouth	21/10/2020

Audit Results Report – Annual 2019-20 Financial Audits of Local Government Entities| **41**

Local government certifications	Certifications issued
Roads to Recovery Funding under the *National Land Transport Act 2014*	
Shire of Gnowangerup	20/10/2020
Shire of Goomalling	22/03/2021
Shire of Halls Creek	10/02/2021
Shire of Harvey	28/10/2020
Shire of Irwin	22/10/2020
Shire of Katanning	12/02/2021
Shire of Kellerberrin	22/10/2020
Shire of Kojonup	27/10/2020
Shire of Kondinin	29/10/2020
Shire of Koorda	26/10/2020
Shire of Kulin	29/10/2020
Shire of Lake Grace	30/10/2020
Shire of Laverton	21/10/2020
Shire of Leonora	28/10/2020
Shire of Manjimup	26/10/2020
Shire of Meekatharra	27/10/2020
Shire of Menzies	27/04/2021
Shire of Merredin	18/12/2020
Shire of Mingenew	29/10/2020
Shire of Moora	24/11/2020
Shire of Morawa	29/10/2020
Shire of Mount Magnet	26/10/2020
Shire of Mount Marshall	10/10/2020
Shire of Mukinbudin	24/11/2020
Shire of Mundaring	26/10/2020
Shire of Murray	02/11/2020
Shire of Nannup	12/02/2021
Shire of Narembeen	16/10/2020
Shire of Northam	08/12/2020
Shire of Northampton	28/10/2020
Shire of Nungarin	30/10/2020
Shire of Peppermint Grove	28/10/2020
Shire of Perenjori	28/10/2020
Shire of Pingelly	28/10/2020
Shire of Ravensthorpe	10/11/2020
Shire of Sandstone	18/03/2021
Shire of Serpentine-Jarrahdale	10/11/2020

Local government certifications	Certifications issued
Roads to Recovery Funding under the *National Land Transport Act 2014*	
Shire of Shark Bay	11/11/2020
Shire of Tammin	09/11/2020
Shire of Three Springs	22/10/2020
Shire of Trayning	21/10/2020
Shire of Victoria Plains	29/10/2020
Shire of Wagin	28/10/2020
Shire of West Arthur	27/10/2020
Shire of Westonia	22/10/2020
Shire of Wickepin	27/10/2020
Shire of Williams	20/10/2020
Shire of Wiluna	20/10/2020
Shire of Wyalkatchem	29/10/2020
Shire of Yalgoo	28/10/2020
Shire of York	26/10/2020
Town of Bassendean	29/10/2020
Town of Cambridge	10/12/2020
Town of Claremont	15/12/2020
Town of Cottesloe	27/10/2020
Town of East Fremantle	28/10/2020
Town of Mosman Park	29/10/2020
Town of Port Hedland	30/10/2020
Town of Victoria Park	10/11/2020

Source: OAG

Local government certifications	Certifications issued
Other certifications	
City of Bunbury – UAT Toilet Facility to Des Ugles Park Public Toilet Facility	10/11/2020
City of Bunbury – Koombana Bay Community / Southern Ports Recreational Fishing and Crabbing Platform	10/11/2020
City of Joondalup – Community Sport Infrastructure Grant Program – Whitfords Nodes Park Health and Wellbeing Hub	30/03/2021
City of Kalamunda – Development Contribution Area 1 – Forrestfield Light Industrial Area	08/12/2020
Shire of Dandaragan – Bushfire Risk Management Plan	08/07/2020
Shire of Dandaragan – Jurien Bay Civic Centre Outgoings for Department of Biodiversity, Conservation and Attractions Tenancy	04/11/2020
Shire of Dandaragan – Regional Airports Development Scheme	16/07/2020
Town of East Fremantle – Better Bins kerbside Collection Program	16/02/2021

Source: OAG

Audit Results Report – Annual 2019-20 Financial Audits of Local Government Entities| **43**

Appendix 3: Position paper on local government financial management regulation changes

We issued this to all LG entities on 6 November 2020 following gazettal of regulatory changes

Local government financial management regulation changes

Western Australian local government position paper 2

6 November 2020

OAG
Office of the Auditor General
Serving the Public Interest

This position paper provides guidance on the application of the changes by the Department of Local Government, Sport and Cultural Industries (DLGSC) to the Local Government (Financial Management) Regulations 1996 (FM regulations).

The intention of the regulatory change is to reduce cost and reporting burden on local government entities (LG entities) by simplifying and removing requirements for revaluation of certain asset classes, and to address recent changes in accounting standards for leases, particularly right of use (ROU) assets. At this time, temporary relief is provided by the Australian Accounting Standards Board so a choice must be made as to the sector-wide approach for 2019-20.

Summary of changes

The changes to the FM regulations are:

- To simplify reporting and to reduce the cost burden of valuations, for local government owned assets:

  - Plant and equipment - the requirement to revalue plant and equipment type assets has been removed from the FM regulations – this asset category must be carried at depreciated cost.

  - Land, buildings, infrastructure and investment property must be carried at fair value, now revalued on a 5-year cycle (rather than 3-yearly), unless fair value is materially different from the carrying amount.

- To comply with the new requirements under Accounting Standard AASB 16 *Leases*, ROU assets (controlled but not owned by the LG entities) are:

  - Commercial leases (e.g. offices, vehicles, machinery, ICT equipment) – to be brought onto balance sheet by recognising the ROU asset and corresponding liability. The change to Regulation 17A would require these to be at cost rather than to be continuously revalued.

  - Concessionary leases ('peppercorn leases'), such as vested crown land and other land, such as land under roads, which is not owned by the LG entity, but which is under its control or management – concessionary lease ROU asset to be reported at zero cost.

    - Improvements on concessionary land leases such as roads, buildings or other infrastructure are to be reported at fair value, as opposed to the land underneath them, which will be at zero cost. This is a departure from AASB 16 which would have required the entity to measure any vested improvements at zero cost. LG entity feedback to DLGSC is that it is important to retain fair value for vested improvements on vested land.

    - Initial application in the 2019-20 year avoids restatement of comparative information.

    - Regulation 16 has been removed as it is redundant.

Office of the Auditor General WA

44 | Western Australian Auditor General

Application of main proposed changes

Plant and equipment

The proposed change to Regulation 17A requires plant and equipment type assets to be measured under the cost model, rather than at fair value. LG entities should transition to the cost model from the beginning of the current 2019-20 year. If a LG entity has already carried out a valuation exercise during the 2019-20 year and would like to book the valuation it can do so. However, the proposed regulation requires LG entities to refrain from obtaining valuations on plant and equipment in future years and instead continue with depreciated cost.

Changes to accounting standard for leases

The other main change to Regulation 17A results from recent changes to the accounting standard for leases - AASB 16. The new standard requires all leases (other than short term leases, low value leases and concessionary leases at zero cost) to be included by lessees in the balance sheet – that is, to recognise the ROU asset, and the corresponding liability. This change has been broadcast for some time, and may show a significant balance sheet impact for some entities.

The changes by DLGSC to Regulation 17A specifically require all ROU assets (other than vested improvements which are to be measured at fair value) to be measured at cost. This means all ROU assets under zero cost concessionary land leases are to be measured at zero cost (i.e. not included in the balance sheet), as opposed to fair value.

Regulation 16 had not permitted the inclusion of land under roads or land not owned by the LG entity but otherwise under its control or management, unless it was land under golf courses, showgrounds, racecourses or any other sporting or recreational facility of State, or of regional, significance. These proposed regulation changes will mean all vested land will be treated the same.

Some practical implications for LG entities

The removal of the Regulation 17A requirement to fair value *all* assets eliminates the previous departure from Australian Accounting Standards (i.e. the non-inclusion of vested land under roads at fair value), because the non-inclusion of vested land under roads as per Regulation 16 is consistent with AASB 16 measurement of concessionary lease ROU assets at zero cost.

Also, AASB 16 measurement of concessionary lease ROU assets at zero cost is consistent with the inclusion of vested land under golf course, etc. as per Regulation 16 at zero cost. Therefore AASB 16 measurement of concessionary lease ROU assets at zero cost is consistent with both inclusion (at zero cost) and non-inclusion of vested land. Therefore, Regulation 16 is now redundant and has been deleted.

LG entities need to account for the removal of the vested land values, such as those associated with golf courses, etc., by removing the land value and associated revaluation reserve at 1 July 2019. The previous year amounts will be retained as the modified retrospective approach of transition to AASB 16 does not require comparatives to be restated in the year of transition. The changes should be appropriately disclosed in the notes to the financial statements.

If subsequent to being granted the vested land by the State Government, the LG entity has constructed improvements (e.g. a building or a road) on the vested land, the LG entity will continue to recognise the improvements at fair value in its financial statements. This is also the case for the scenario in which the State Government vested land together with pre-existing improvements (e.g. a building or a road) to the LG entity. In this case the LG entity should measure the concessionary lease ROU asset of the vested land at zero cost, but the vested improvements at fair value.

Office of the Auditor General WA

Source: OAG

Appendix 4: COVID-19 Financial control matters

We issued this to all public sector entities on 6 April 2020

COVID-19
Financial control matters

OAG
Office of the Auditor General
Serving the Public Interest

We recognise that State and local government entities are spending significant time and effort dealing with the operational ramifications of the COVID-19 public health response. We have prepared consideration points to prevent key control breakdown during this period.

It is vitally important that entities are aware that times of disruption present a heightened risk environment. Those who are dishonestly inclined will be keen to take advantage of any sense of crisis. Good control over finances and key decisions during this period means that entities and senior decision-makers will be better prepared to resume normal operations when the crisis is over. It also means they won't be left dealing with the ramifications of fraud, error or decisions taken in haste that may be regretted when conditions are calmer. Importantly, public trust will be upheld.

Management should ensure staff maintain good controls, particularly over cash, expenditure and assets. Good controls are also important for any regulatory or non-financial decisions that bind the entity, or the State, into the future, such as for approvals, concessions, operating permits, or conditions.

Some contextual considerations for entities

- Consider if there is an exaggerated sense of urgency that may persuade or permit staff to override important controls.

- Recognise that existing gaps in controls, which in normal times may not be exploited, can become gaping holes when staff are not overseen as closely when working from home or key people are distracted by other matters.

- Have you explicitly promoted a culture encouraging staff to speak if they see something that poses a risk during this period? If staff or stakeholders see something, they should say something, are they aware of fraud control reporting, including public interest disclosures.

- Are credentials (for example, qualifications, working with children checks and police checks) and references still checked before on-boarding new personnel?

- Are delegations and authorisations valid, and changes to delegations approved (for example, if there are senior management absences due to illness or secondments)?

- Are licenses and/or permits lawfully issued/approved, and with due probity? A sense of urgency or chaos may override due process as well as bring opportunistic requests. Be cautious, weigh risks and benefits with probity to prevent conflicts of interest and good record keeping.

- Are debt waiver/acts of grace authorised in accordance with law?

- Are purchasing/corporate credit cards issued in line with policy? [See our better practice guidance on *Purchasing cards* (for State government) and our May 2018 report *Controls over Corporate Credit Cards* (for local government).]

- Are senior management continuing to monitor and scrutinise spending against the budget, with genuine understanding of the reasons for variances? And monitoring cash flow and balances?

- Is there timely cancellation of automatic/periodical payments for services that are no longer being provided?

- Are working from home conditions clearly defined and approved? [See our better practice guidance on *Security considerations for remote working arrangements*]

Office of the Auditor General WA

Source: OAG

46 | Western Australian Auditor General

Assets – *Risk of misappropriation, unauthorised purchases or disposals*

Entities should ensure:

- all purchases are in line with their procurement policy and any temporary divergence from the policy is approved by the DG or CEO and recorded in a central registry

- asset acquisitions are approved in line with the delegation of authority

- asset reconciliations between the register and the general ledger are prepared and reviewed on a timely basis

- asset disposals/write-offs are appropriately authorised

- loans of assets to other entities are properly recorded and authorised

- where necessary, key responsibilities continue to be segregated in relation to asset acquisition, recording, custody, disposal and reconciliation

- appropriate records of portable and attractive assets are maintained, particularly those that staff may take home to use when working from home.

Cash – *Risk of misappropriation*

Entities should ensure:

- regular bank reconciliations are prepared and reviewed, reconciling items are investigated and resolved

- all bank accounts have at least 2 signatories

- online purchasing policies are reviewed to reflect the current period

- increases in purchasing card limits are appropriately approved

- there are appropriate and timely reviews of credit card usage.

Expenditure – *Risk of unauthorised or invalid payments, incorrect or invalid suppliers, and increased risk of fraudulent payments*

Entities should ensure:

- all purchases are in line with their procurement policy and any temporary divergence from the policy is approved by the DG or CEO and recorded in a central registry

- changes to vendor master files are documented and approved (see our better practice guidance on *Management of supplier master files*)

- there is separation between the vendor creation and payment approval functions

- a 3-way match is performed of invoices, receipt of goods and purchase orders

- payment authorisation is made in line with the delegation of authority and requires 2 to sign. Signatories should pay particular attention to the delivery addresses of goods received

- purchase orders are prepared and appropriately authorised

- appropriate security and checks are in place over EFT payment data

- there is segregation of duties between officers performing the functions of ordering, receiving, incurring and certifying (for State government entities, in line with *Treasurer's Instruction 304*)

Queries

If you have any queries please contact your OAG financial audit engagement leader or our general enquiries via info@audit.wa.gov.au or phone (08) 6557 7500. For information on making a *Public Interest Disclosure* (PID), phone (08) 6557 7500 and ask to speak to a PID officer.

Office of the Auditor General WA

Source: OAG

Audit Results Report – Annual 2019-20 Financial Audits of Local Government Entities| **47**

Appendix 5: Security considerations for remote working arrangements

This was included in our *Information Systems Audit Report 2020 – State Government Entities* report tabled in Parliament on 6 April 2020

Security considerations for remote working arrangements

From report 18: 2019/20 – Information Systems Audit Report 2020 – State Government Entities

OAG
Office of the Auditor General
Serving the Public Interest

In response to the spread of the Coronavirus (COVID-19), entities in all sectors across Australia are encouraging staff to work remotely from home. Rapid transition to these arrangements can introduce risks and challenges for entities who may not have previously implemented large-scale remote working arrangements. It is important that entities manage and address these risks, as well as staff security behaviour, to prevent people from exploiting the current situation to compromise systems and information.

The following table outlines some guiding principles entities should consider when rolling out remote working technology and procedures. This is not intended to be an exhaustive list. Entities can obtain further guidance from the Australian Cyber Security Centre[1] and the Office of Digital Government has recently issued some considerations for remote work.

Principle	Our expectation
Prioritise and simplify	Each entity needs to assess their unique risks associated with remote working arrangements and address critical risks as a priority. These risks will be different for each entity depending on the functions staff perform remotely and the types of information being accessed. Entities should ensure that procedures and technology for remote working are simple and easy to follow. Complex processes can introduce vulnerabilities that could result in undesired outcomes.
Engage with staff	Increase staff awareness by clearly communicating expectations including policies and any occupational health and safety requirements. The business continuity plan may come into effect and it is also important that staff understand how the plan impacts their day to day working procedures. Staff should have easy access to a forum or group where they can seek answers to their queries related to working from home and security.
Remote access technology	The technology used for remote access needs to be secure. The security controls that entities select will depend on the method of remote access, such as: • virtual private network (VPN) • web applications • remote desktop access Remote access servers should enforce technical controls in line with security policies.
Security of network	The majority of the remote workers will use internet to access entity resources. Entities should implement appropriate policies to secure remote access originating from untrusted networks. VPN is one of the better methods of securing remote access because it uses encryption to protect the confidentiality and integrity of communication over the network.

[1] https://www.cyber.gov.au/news/cyber-security-essential-when-preparing-covid-19

Office of the Auditor General WA

Source: OAG

48 | Western Australian Auditor General

Principle	Our expectation
Physical security	Remote working locations may not be as secure as office environments. Entities need to understand the risks associated with this and define and implement appropriate controls to protect information. For example, implementing encryption on portable devices is a simple method to improve security. Entities also need to ensure the security of sensitive hard copy documents is maintained.
Multi-factor authentication	Remote access into entity systems and networks must be secured by strong authentication controls. Entities should implement multi-factor authentication for all remote access.
Bring your own device (BYOD) policies	A risk based policy should define the requirements for personal devices if they are allowed to access entity resources. Personal devices are generally not as secure as those provided by entities and attackers could exploit this weakness as more people work from home. Considerations should be given to: • encryption • access levels • segregated network zone for personal devices • security patch levels • malware controls.
Patch systems	All systems should be patched with latest updates. This applies to all the internet facing infrastructure and client applications.
Stay vigilant	Stay alert and educate staff on the risks especially phishing emails and text messages themed around COVID-19.

Source: OAG based on Australian Cyber Security Centre guidance

Office of the Auditor General WA

Source: OAG

Appendix 6: Better practice guidance

We continue to develop better practice guidance to help the Western Australian public sector perform efficiently and effectively. This includes:

- practical guidance in the application of standards

- case studies

- checklists to assess existing frameworks and processes

- information to help entities to better understand how to comply with legislation and standards.

Topic	Report	Date
Public sector financial statements	*Western Australian Public Sector Financial Statements – Better Practice Guide*	14 June 2021
Grants administration	*Grants Administration*	28 January 2021
Western Australian Public Sector Audit Committees	*Western Australian Public Sector Audit Committees – Better Practice Guide*	25 June 2020
Managing technical vulnerabilities	*Information Systems Audit Report 2020 – Local Government Entities*	25 June 2020
Contract management – extensions and variations	*Local Government Contract Extensions and Variations*	4 May 2020
Controls for the management of monies held for specific purposes	*Control of Monies Held for Specific Purposes*	30 April 2020
COVID-19 financial and governance matters	*Stand alone guidance*	6 April 2020
Security considerations for remote working arrangements	*Information Systems Audit Report 2020 – State Government Entities*	6 April 2020
Purchasing cards	*Controls over Purchasing Cards*	25 March 2020
Effective fee-setting	*Fee-setting by the Department of Primary Industries and Regional Development and Western Australian Police Force*	4 December 2019
Fraud prevention	*Fraud Prevention in Local Government*	15 August 2019
Regulating building approvals	*Local Government Building Approvals*	26 June 2019
Project management	*PathWest Laboratory Information System Replacement Project*	19 June 2019
Verifying employee identity and credentials principles	*Verifying Employee Identity and Credentials*	19 June 2019
Engaging consultants for strategic advice	*Engaging Consultants to Provide Strategic Advice*	5 June 2019
Cloud application (software as service agreement)	*Information Systems Audit Report 2019*	15 May 2019
Records management	*Records Management in Local Government*	9 April 2019

50 | Western Australian Auditor General

Topic	Report	Date
Management of supplier master files	*Management of Supplier Master Files*	7 March 2019
Procurement	*Local Government Procurement*	11 October 2018
Online services	*Delivering Services Online*	25 May 2016
Contract management	*Health Department's Procurement and Management of its Centralised Computing Services Contract*	17 February 2016

Source: OAG

Glossary and acronyms

AASB	Australian Accounting Standards Board
Amendment Act	*Local Government Amendment (Auditing) Act 2017*
Auditor's report	The Auditor General's auditor's report that is published in the local government's annual report by the CEO, in accordance with section 5.55A of the LG Act. This includes the audit opinion. It may also include any instances of material non-compliance that we identified.
Audit report	The overall report under section 7.12AD of the LG Act, formally issued to the Mayor, President or Chairperson, the CEO and the Minister for Local Government on completion of the audit, including the Auditor's Report and the management letter(s).
CEO	Chief Executive Officer
Clear opinion (or unqualified opinion)	Auditor General's opinion expressed when an annual financial audit concludes that in all material respects the financial report is presented fairly in accordance with the LG Act and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.
Contract audit	Audit of a local government undertaken by an appropriately qualified individual or firm, on behalf of the Auditor General, appointed under a contract.
DLGSC	Department of Local Government, Sport and Cultural Industries
Emphasis of Matter	A paragraph included in an auditor's report that refers to a matter that is appropriately presented or disclosed in the financial report but which, in the auditor's judgment, is of such importance that it should be emphasised in the auditor's report.
Entity/entities	Western Australian local government cities, towns, shires and regional councils
Financial audit	Work performed to enable an opinion to be expressed regarding a financial report prepared by the party who is accountable for the financial transactions.
LG Act	*Local Government Act 1995*
LG Audit Regulations	Local Government (Audit) Regulations 1996
FM Regulations	Local Government (Financial Management) Regulations 1996
Management letter	A letter to management of a local government that conveys significant audit findings and results of the audit. On completion of the audit, the management letter forms part of the audit report sent to the CEO, to the Mayor, President or Chairperson, and to the Minister for Local Government.
OAG	Office of the Auditor General
Qualified opinion	Auditor General's opinion expressed when an audit identifies aspects of the annual financial report that are likely to be misleading to users, there was material conflict with applicable financial reporting frameworks or a limitation of scope on audit work.

Auditor General's 2020-21 reports

Number	Title	Date tabled
29	Information Systems Audit Report 2021 – State Government Entities	16 June 2021
28	Western Australian Public Sector Financial Statements – Better Practice Guide	14 June 2021
27	Opinion on Ministerial Notification – Port Agreements	11 June 2021
26	Audit Results Report – 2020 Financial Audits of Universities and TAFEs	2 June 2021
25	Delivering Essential Services to Remote Aboriginal Communities – Follow-up	2 June 2021
24	Opinion on Ministerial Notification – DPIRD Capability Review	18 May 2021
23	Local Government General Computer Controls	12 May 2021
22	Opinion on Ministerial Notification – Hospital Facilities Services	6 May 2021
21	Regulation and Support of the Local Government Sector	30 April 2021
20	Opinions on Ministerial Notifications – Policing Information	28 April 2021
19	Opinion on Ministerial Notification – Bennett Brook Disability Justice Centre	8 April 2021
18	Regulation of Consumer Food Safety by the Department of Health	1 April 2021
17	Department of Communities' Administration of Family and Domestic Violence Support Services	11 March 2021
16	Application Controls Audits 2021	8 March 2021
15	Opinions on Ministerial Notifications – Tax and Funding Information Relating to Racing and Wagering Western Australia	26 February 2021
14	Opinion on Ministerial Notification – Hotel Perth Campaign Reports	24 February 2021
13	Opinion on Ministerial Notification – Release of Schedule of Stumpage Rates	24 February 2021
12	Grants Administration	28 January 2021
11	COVID-19 Relief Fund	21 December 2020

Number	Title	Date tabled
10	COVID-19: Status of WA Public Testing Systems	9 December 2020
9	Western Australian Registry System – Application Controls Audit	26 November 2020
8	Regulating Minor Pollutants	26 November 2020
7	Audit Results Report – Annual 2019-20 Financial Audits of State Government Entities	11 November 2020
6	Transparency Report: Major Projects	29 October 2020
5	Transparency Report: Current Status of WA Health's COVID-19 Response Preparedness	24 September 2020
4	Managing the Impact of Plant and Animal Pests: Follow-up	31 August 2020
3	Waste Management – Service Delivery	20 August 2020
2	Opinion on Ministerial Notification – Agriculture Digital Connectivity Report	30 July 2020
1	Working with Children Checks – Managing Compliance	15 July 2020

Office of the Auditor General
Western Australia

7th Floor Albert Facey House
469 Wellington Street, Perth

Perth BC, PO Box 8489
PERTH WA 6849

T: 08 6557 7500
E: info@audit.wa.gov.au
W: www.audit.wa.gov.au

@OAG_WA

Office of the Auditor General for
Western Australia

13.   Operations

Nil

14.   Community Services

Nil

15. Governance and Strategy

15.1 Risk Information Report

Author(s)   J Fiori
Attachments   1. Risk Management Framework - Current ⇩
                  2. Enterprise Risk Management Framework - Proposed ⇩

RECOMMENDATION

That Council:

(1) ADOPTS the proposed updated *City of Cockburn Enterprise Risk Management Framework;* and

(2) RECEIVES and NOTES the Risk Information Update Report.

Background

At its meeting on 18 July 2019 the Audit and Strategic Finance Committee (ASFC) adopted the current *City of Cockburn Risk Management Framework* (the framework), presented in this report (refer Attachment 1).

A review of the framework was commenced in October 2020 by the City of Cockburn (the City) Governance and Risk Business Unit. The framework review is now complete and the revised document, now titled *City of Cockburn Enterprise Risk Management Framework*, is presented in this report (refer Attachment 2).

This report also provides an update to ASFC of the City's Risk Register, comprising both strategic and operational risks. A previous report of the risk register was submitted to ASFC on 16 July 2020.

Additionally, this report informs ASFC of the outcome of the City's Procurement Services Request for Tender (RFT) 26/2020 for an Enterprise Risk Management Solution on 28 October 2020.

Submission

N/A

Report

1. Enterprise Risk Management Framework Review

In accordance with continual improvement requirements of the document control of the current framework, the City's Governance and Risk Business Unit commenced a review of the framework in October 2020.

The review is now complete and the salient points of this review are outlined below:

- Reference is now made to the legislative context which frames the City's risk management requirements, as part of the alignment with the requirements of Australian Standard AS ISO 31000:2018 *Risk management-Guidelines* (AS ISO 31000)
- '*As Low As Reasonably Practicable*' (ALARP) is introduced to articulate the level of risk that is tolerable and cannot be reduced further without the expenditure of costs that are disproportionate to the benefit gained, or where the solution is impractical to implement. This will provide practicable guidance to those risk owners who may otherwise grapple with risk mitigation and management
- Separate sections have been added to discuss how the document meets the principles, framework and process of AS ISO 31000
- The current framework cites the risk management model based on the three lines of defence. This concept has now been updated to incorporate the 'four lines of defence' model proposed by the Western Australian Government Office of Auditor General
- A comprehensive section on Controls has been added
- The risk treatments section has been expanded

The risk matrix is presented in an A3 landscape page layout with quick references to the risk acceptance criteria, existing control ratings and the OSH hierarchy of control.

2.   Risk Register Overview

This Risk Register overview covers the period from the previous report to ASFC on 16 July 2020 to 30 June 2021 and summarises the risk management activities undertaken during these months.

Two factors need to be considered in this review:

- The ongoing State of Emergency in Western Australian declared on 15 March 2020 due to the COVID-19 pandemic. The ongoing monitoring and management of this state of emergency by the state government may result in future revised consequence levels in some identified requirements
- The implementation of the new contract awarded to Risk Management and Safety Systems Pty Ltd, owner and operator of RMSS, the City's online enterprise risk management software solution. This will be summarised in Part 3 of this report. A risk evaluation review of the Risk Register when the new version of RMSS is introduced may result in future revised risk likelihood and consequence levels in some identified.

The City's Risk Register increased by 47 identified operational risks, from 237 to 284, from the following sources:

- 'Climate Change Risk Assessment' April 2020 – 6 risks
- 'Privacy of Data and Information' Audit April 2020 – 25 risks
- 'Covid-19 Return to Work Risk Assessment' June 2020 – 11 risks
- Information and communication technology risk assessments – 5 risks.

The changes in the City's Risk Register since the last report to ASFC on 16 July 2020 are summarised in Table 1 below:

Table 1: 2020-2021 Comparison of Risks in the Risk Register

Risk type	Risk level	21 Mar 2020		30 Jun 2021		Change in count	
						Individual	Total
Strategic risks	Low risks	0	Total number = 7	0	Total number = 7	0	0%
	Moderate risks	3		3		0	
	Substantial risks	3		3		0	
	High risks	0		0		0	
	Extreme risks	1		1		0	
Operational risks	Low risks	125	Total number = 230	143	Total number = 277	+18	+20.4%
	Moderate risks	97		121		+24	
	Substantial risks	7		8		+1	
	High risks	1		3		+2	
	Extreme risks	0		2		+2	
Total risk register		237		284		**Increased by 19.8%**	

The 284 strategic and operational risks populating the risk register superimposed on the risk matrix, together with a brief description of the risk ratings, is shown in Table 2 below:

Table 2: Risk Register Population by Residual Risk and Risk Rating Description

		Likelihood				
		Rare 1	**Unlikely 2**	**Possible 3**	**Likely 4**	**Almost Certain 5**
Consequence	**Insignificant 1**	Low 1 9 Risks	Low 2 5 Risks	Low 3	Low 4	Moderate 5
	Minor 2	Low 2 11 Risks	Low 4 86 Risks	Moderate 6 12 Risks	Moderate 8 4 Risks	Substantial 10 2 Risks
	Major 3	Low 3 20 Risks	Moderate 6 64 Risks	Moderate 9 24 Risks	Substantial 12 1 Risk	High 15
	Critical 4	Low 4 12 Risks	Moderate 8 15 Risks	Substantial 12 7 Risks	High 16 2 Risks	Extreme 20
	Catastrophic 5	Moderate 5 5 Risks	Substantial 10 1 Risk	High 15 1 Risks	Extreme 20 2 Risks	Extreme 25 1 Risk

Risk level	Description
Low **1 - 4**	Risk acceptable with adequate controls, managed by routine procedures. Subject to annual monitoring or continuous review throughout project lifecycle.
Moderate **5 - 9**	Risk acceptable with adequate controls, managed by specific procedures. Subject to semi-annual monitoring or continuous review throughout project lifecycle.
Substantial **10 - 12**	Accepted with detailed review and assessment. Action Plan prepared and continuous review.
High **15 - 16**	Risk acceptable with effective controls, managed by ExCo. Subject to quarterly monitoring or continuous review throughout project lifecycle.
Extreme **20 - 25**	Risk only acceptable with effective controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority and subject to continuous monitoring.

A description of the current 17 strategic and operational risks rated *Substantial* and higher populating the City's risk register are described in Table 3 below.

Table 3: Risks Rated *Substantial* and Higher (S = strategic; O = operational)

Risk ID	Rating	Risk Type	Risk name	Risk description	Action plan a progress
300	Extreme	S	Business continuity and crisis management	Failure to provide business continuity of the City's core services in the event of a major crisis/emergency.	1. The COVID-19 crisis has seen the City's business continuity plans being utilised. Opportunities for improvement have been identified, such as: training and further testing requirements, and developing business continuity plans to include out stations such as Seniors Centre, Jean Willis Centre and Youth Centre; 2. Both Risk West and LGIS have been contacted to submit estimates to create and implement business continuity plans for identified out stations.
315	Extreme	O	Community infrastructure damage from climate change impacts	Reduced public safety, health and wellbeing caused by climate change impacts (changes to rainfall and increased bushfires, temperatures and extreme weather events).	1. Design building for climate resilience and improve energy management, through implementation of Environmentally Sustainable Design (ESD) guidelines; 2. Ensure all City owned buildings (within Bushfire Prone Areas) have bushfire risk assessments completed; 3. Review capacity of existing City buildings to withstand more severe weather events; 4. Consistent with Planning Policy provisions continue to ensure: -all proposed structure plans are accompanied and informed by a Bushfire Management Plan - new building design approval process (within Bushfire Prone Areas) incorporates bush fire management; and 5. Review, update and implement the Bushfire Risk

Risk ID	Rating	Risk Type	Risk name	Risk description	Action plan a progress
					Management Plan and Local Emergency Management Plan.
316	Extreme	O	Public health decline from climate change.	Reduced public safety, health and wellbeing caused by climate change impacts (changes to rainfall and increased bushfires, temperatures and extreme weather events).	1. Undertake a climate change health vulnerability assessment and map vulnerable residents and areas; 2. Review, update and implement the Public Health Plan; 3. Review, update and implement the Bushfire Risk Management Plan and Local Emergency Risk Management Plan; and 4. Review existing warning systems and identify potential gaps and opportunities for improvement.
341	High	O	USB scan	Potential for malicious software or virus to become installed in the City's IT equipment.	Information and Technology Services is investigating various USB device control systems as a group policy.
312	High	O	Biodiversity loss from climate change impacts	Damage to or loss of biodiversity and natural habitat, caused by climate change impacts (decreased rainfall and increased bushfires, temperatures and extreme weather events).	1. Review and implement the Coastal Adaptation Plan with latest climate science, scenario mapping and WALGA recommendations; 2. Review and maintain ongoing coastal monitoring program; 3. Review capacity of existing City buildings to withstand more severe weather events; 4. Receive legal advice to clarify the liability of the City in the event of coastal climate change risk scenarios; and 5. Prepare site specific foreshore management plans.

Risk ID	Rating	Risk Type	Risk name	Risk description	Action plan a progress
208	High	O	Community Services major projects	Failure to coordinate recreation and community safety services major projects on behalf of the City.	All new Capital Works Projects in the Community Services Directorate to be processed through the new Project Performance Management (PPM) on line System.
294	Substantial	S	Strategic direction	Lack of clear and aligned strategic vision, direction and implementation.	On 3 March 2021, the new key performance indicator management tool, *CAMMS Strategy*, was brought online at the City. *CAMMS Strategy* is designed to enable reporting on the performance of informing strategies that feed into the Strategic Community Plan, Corporate Business Plan and the Long Term Financial Plan.
295	Substantial	S	Technology use and change	Failure to identify, manage and capitalise on the effective and efficient use of changing technology.	1. An initiative for 20/21 is Project "*BETTI*" (**B**uilding **E**fficiency **T**hrough **T**echnological **I**nnovation). This will see over time all City buildings controlled, opened, closed and monitored through the implementation of smart technology; and 2. Another project is the proposed bulk global luminaire replacement with Smart LED streetlights. The aim is to have in place Smart lights to measure power consumption, provide alerts for maintenance and improve night road and footpath light fall. 3. The City continues to implement up-to-date technical and governance controls in line with goal of achieving ISO 27001 certification by conducting cyber security audits with industry specialists, to ensure that the City is adopting best of breed cyber security technologies and governance methods. The adoption of these up to date technologies will ensure that

Risk ID	Rating	Risk Type	Risk name	Risk description	Action plan a progress
					the City is committed to protecting the infromation assets of businesses and residents.
296	Substantial	S	Project management planning	Failure to consistently plan for Capital Works projects.	1. The *Project Portfolio Management* (PPM) solutions roll out is ongoing with additional users upskilled / trained and allocated access in the product`s live environment. 2. Furthermore, there is project management culture improvement in understanding and appreciation of the *Quality Management Triangle*. 3. In addition, there has been increased improvement and automation of Project Management information reporting with Executive Management Report (EMR) and detailed project dashboards. 4. Continued upskilling and development is planned through the year. 5. The COVID-19 pandemic has impacted the roll out momentum and reduced upskilling and engagement with participants. 5. Time, focus and workload remains the biggest challenge for users' roll out which will need emphasis to ensure PPM users remain engaged, especially with the high knowledge management level required to be retained, or else require retraining.
169	Substantial	O	Bushfire legislation	Failure to meet bushfire legislation obligations.	1. Fire control orders released with rates notice and property inspection program has been developed; and 2. Required inspections are

Risk ID	Rating	Risk Type	Risk name	Risk description	Action plan a progress
					conducted in rural areas.
246	Substantial	O	Community support	Failure to obtain community support for strategic planning functions.	1. Procedures and policies. training and development; and 2. Detailed consultation planning for projects.
285	Substantial	O	Landfill capping	Failure to fund the capping of existing exposed landfill cells.	1. The implementation of these plans is progressing well; and 2. The Henderson Waste Recovery Park (HWRP) Financial Model requires that significant funds are available to meet the City's obligations under Licence requirements for capping and post closure for 2019-20.
311	Substantial	O	Reduced water availability from decreased rainfall	Decreased liveability, reduced water availability, loss of urban vegetation and biodiversity caused by climate change impacts (decreased rainfall).	1. Implement Urban Forest Plan; 2. Review and Implement Water Efficiency Action Plan to address climate change; 3. Implement Water Sensitive Urban Design initiatives; 3. Conduct water audits; and 4. Maintain dialogue with Water Corporation to enhance storm water drainage systems for wetlands in the District.
313	Substantial	O	Coastal impacts from sea level rise	Decreased liveability, reduced water availability, loss of urban vegetation and biodiversity caused by climate change impacts (decreased rainfall).	1. Implement Urban Forest Plan; 2. Review and Implement Water Efficiency Action Plan to address climate change; 3. Implement Water Sensitive Urban Design initiatives; 3. Conduct water audits; and 4. Maintain dialogue with Water Corporation to enhance storm water drainage systems for wetlands in the district.
314	Substantial	O	Urban forest decline from climate	Urban forest decline caused by climate change impacts	1. Design buildings for climate resilience and improve energy management through

Risk ID	Rating	Risk Type	Risk name	Risk description	Action plan a progress
			change	(increased temperatures and decreased rainfall).	implementation of ESD guidelines; 2. Ensure all City owned buildings (within Bushfire Prone Areas) have bushfire risk assessments completed; 3. Review capacity of existing City buildings to withstand more severe weather events; 4. Consistent with Planning Policy provisions continue to ensure: a. all proposed structure plans are accompanied and informed by a Bushfire Management Plan; b. new building design approval process (within Bushfire Prone Areas) incorporates bush fire management; and 5. Review, update and implement the Bushfire Risk Management Plan and Local Emergency Management Plan.
324	Substantial	O	*Dropbox system*	Use of *Dropbox* may compromise the position of the City with regard to the protection of privacy information entrusted to the organisation.	1. *Mimecast Large File Send* (2GB Limit); and 2. *OneDrive Business* with Multi-Factor Authentication (MFA) and Data Loss Prevention (DLP) controls.
344	Substantial	O	*Perfect Gym* system at Cockburn ARC	Personally identifiable information (PII) breach by allowing anyone using *Amazon* to send email on behalf of cockburnarc.com.au	Conduct frequent and regular reviews of *Perfect Gym* system to monitor and identify its impact on privacy and financial information.

82 of 159

3. Outcome of RFT 26/2020

Request for Tender RFT 26/2020 'Enterprise Risk Management Solution – Supply, Implementation (including Project Management, Scoping and commissioning), Training and Support' was advertised in the 'Local Government Tender' section of *The West Australian* newspaper and on the City's e-tendering on 28 October 2020.

Tenders closed on 26 November 2020 and nine tender submissions were received from:

Tenderer	Registered entity business name
ATO	Australian Taxation Office
CAMMS	CA Technology Pty Ltd
ionMY	ionMy Pty Ltd
LG Software	LG Software Solutions Pty Ltd
Protecht	Protecht.ERM Pty Ltd
RMSS	Risk Management and Safety Systems Pty Ltd
TechOne	Technology One Limited
Netsight (AM2)	The Trustee for AM2 Trust and the Trustee for FM2 Trust
Pan Software	The Trustee for the Pan Group

A selection panel, assembled by the City to evaluate the tender submissions, recommended the submission from Risk Management and Safety Systems Pty Ltd, trading as RMSS, as being the most advantageous to deliver tender RFT26/2020 Enterprise Risk Management Solution.

RMSS was consequently awarded contract C100763 (RFT 26/2020) for three years, commencing 1 July 2021 with an option to extend for another two years.

To implement the new RMSS enterprise risk management solution, the City has formed a project team comprising officers from Human Resources Services, Governance Risk Management and Compliance Services and Business Systems Services.

Strategic Plans/Policy Implications

Listening and Leading

A community focused, sustainable, accountable and progressive organisation.
• Ensure good governance through transparent and accountable, planning, processes, reporting, policy and decision making.

Budget/Financial Implications

N/A

Legal Implications

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

Community Consultation

N/A

Risk Management Implications

Failure to adopt the recommendations will result in the inability to support an integrated and effective approach to risk management and lack of guidance on the arrangements for designing, implementing, monitoring and continually improve risk management processes

Advice to Proponent(s)/Submitters

N/A

Implications of Section 3.18(3) *Local Government Act 1995*

Nil

Risk Management

Framework

Document Control

Document Record			
Document title	Risk Management Framework		
ECM document name	City of Cockburn – Risk Management Framework		
ECM document set ID	6788740		
ECM Subject Code	021/012		
Review and approval			
Maintained by	Risk & Governance Advisor		
Version number	2	Version date	July 2019
Reviewed by	Riskwest	Date reviewed	October 2018
Approved by	Chief Executive Officer	Date approved	July 2019
Frequency of review	Annually	Next review date	October 2020
NOTE: The City of Cockburn will review this framework on a biennial basis, but will also make incremental changes, modifications, and adjustments as conditions warrant. This framework document goes through continuous ongoing changes based on the risk maturity level of the City of Cockburn.			
Record of changes / issues			

Version	Date	Comments / reasons for change	Made by
1	12/2018	December Council Meeting	Council
2	8/2019	August Council Meeting	Council

Distribution	
Name	Position
Executive and Management Team	Directors & Senior Managers
Elected Members	Audit & Strategic Finance Committee Members

Table of Contents

1 Introduction

The management of risk is the responsibility of everyone and is an integral part of the culture of the City of Cockburn (the City), and is reflected in the various policies, protocols, systems and processes used to ensure efficient and effective service delivery.

The Risk Management Framework (RMF) reflects good practice and sound corporate governance and is consistent with the risk management guidelines and principles of AS ISO 31000:2018 *Risk management-Guideline*s (AS ISO 31000).

Sound corporate governance requires integrated risk management processes and strategic planning, reporting and performance measurement. The key to successful integration is streamlining the approach to managing risk by ensuring that everyone uses common language and documents their risks using a consistent approach.

To effectively embed risk management throughout the City, all employees need to be aware of their responsibilities in relation to identifying, managing, communicating and elevating risk.

The City's overall risk appetite is 'risk prudent'.

The City should accept the taking of controlled risks, the use of innovative approaches and the development of new opportunities to improve service delivery and achieve its objectives provided that the risks are properly identified, evaluated and managed to ensure that exposures are acceptable.

Occupational Safety and Health / Injury / Wellbeing

The safety of employees, contractors and the public is an explicit priority for the City. Safe working practices are continually being improved and refined and there is no appetite for employees not following due process where their or others safety may be at risk. Due to the scale, nature, locations and diversity of City deliverables, it is realistic to acknowledge that minor injuries may occur from time to time, however the City has a low tolerance for these.

The City seeks opportunities to develop a multi-skilled workforce that includes employees increasing their skills and knowledge as well as encouraging initiative and enthusiasm. Whilst these are considered positive aspects, the City has no appetite for employees performing duties for which they are not suitably qualified or trained or acting outside of their delegated authority. Where legislative requirements allow and formal qualifications and training are not required to perform duties the City has a low tolerance but appropriate supervision and oversight of activities and outcomes must be in place.

The City has a low appetite for implementing practices and procedures that may result in

large scale dissatisfaction within the workforce. The City will, within established guidelines and practices, consult with its workforce but does have a low tolerance for change that impacts its workforce when focused on delivering appropriate, effective and efficient outcomes.

Financial

There is a low appetite for activities that threaten the long term financial stability of the City. It is recognised however that sustainability will require investigation into enhancing and/or diversifying income streams so there is a moderate tolerance for discrete activities or projects that may provide additional income streams or enhances economic diversity.

The City's investment policy stipulates a very low appetite for risks in investments, which is imposed by legislation. There is no appetite for being illiquid with the focus on maintaining liquidity within imposed statutory financial ratios.

Effective management of projects is important to the City and consequently there is a low appetite for project cost or time overruns exceeding 20% variation. Acknowledging that historical legacies, multiple external stakeholders and other complexities exist there is a moderate tolerance towards project cost and time overruns exists but appropriate reporting and escalation are to occur and lessons learnt from these are to be reviewed to prevent reoccurrence.

Service Delivery / Strategic Objectives

The City has no appetite for unplanned service disruptions to critical and core services, including contracted services, as defined by the City's business continuity management process. In reality there exists a low tolerance for disruption to core services which are to be addressed within recovery time objectives established in the City's business continuity plans.

To support service delivery across all City deliverables there is a low appetite for disruption to other supplementary services which may be relaxed to a moderate tolerance recognising that resources may need to be directed to continuity of critical and core services.

There is a very low appetite for IT systems failures, data loss or security breaches.

The City wishes to encourage innovation and therefore there is a high appetite for considering and implementing service level enhancements and efficiencies when aligned with all other aspects of this risk appetite statement.

Due to their high level nature, internal and external change and relevance to day to day services the City currently has moderate appetite to risks that may result in strategic objectives not being achieved.

2

Environmental

There is no appetite for not fulfilling its obligations to the built and natural environment including management of contaminated sites, sensitive or high profile sites, waste services or the City's preparation, planning, response and recovery to hazards. The City recognises the multiple stakeholders and responsibilities involved in fulfilling the obligations and needs to accept a low tolerance to those environmental risks.

Reputational

The City has a low appetite for reputational risks that may result in substantiated complaints from the community and/or key stakeholders. It is recognised the City has diverse community and stakeholder needs and expectations and therefore accepts a low tolerance for complaints.

The City has a low appetite for sustained and substantiated negative media coverage. The City has no appetite for the provision of inaccurate qualified advice or unethical actions with a low tolerance for errors in unqualified advice or provision of information.

Compliance

The City has obligations both mandated and recommended through numerous statutory and regulatory requirements and the City has no appetite for non-compliance, breaches of legislation or regulatory requirements or non-reporting of breaches and non-compliance to appropriate authorities. There is recognition that the City must accept a very low tolerance for some non-compliance due to competing requirements, changing requirements or minor breaches from time to time.

The City does have a moderate appetite to lead challenges to out of date, restrictive and unnecessarily risk adverse legislation and requirements. The City has no appetite or any tolerance for theft, fraud or misconduct by Elected Members or Officers.

3

2 Risk Management Framework Overview

2.1 Risk Management Policy

The City's Risk Management Policy (the Policy) documents the commitment and objectives regarding managing uncertainty that may impact the City's strategies, goals and objectives.

The purpose of this RMF is to provide details of the requirements and processes supporting the City's Policy.

The implementation of the RMF will:

- Ensure a consistent approach to the risk management process across Council;
- Establish a structured process for undertaking the risk management process to identify, assess and control/treat risks; and
- Encourage the integration of risk management into the strategic and operational   process across all Business Units of the City.

2.2 Benefits of Risk Management

The management of risk is an ongoing process that provides many benefits which include:

- Greater likelihood of achieving objectives;
- Compliance with legislative requirements;
- Improve stakeholder trust and confidence;
- Encourages decisive leadership rather than management of crisis;
- Better information for decision making;
- Reduces unexpected and costly surprises;
- Better results from projects and activities;
- More effective and efficient allocation of resources;
- Balancing opportunity and risk;
- Enhanced accountability and corporate governance; and
- Assists in obtaining insurance cover.

2.3 Common Risk Definitions and Explanations

Risk

- The effect of uncertainty on objectives (AS ISO 31000).

Note – an effect is a deviation from the expected – positive and/or negative.

- Risk is often expressed in terms of a combination of the consequences of an event and the associated likelihood.

4

Risk Management

- Coordinated activities to direct and control an organisation with regards to risk (AS ISO 31000).

Risk Framework

- Set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation (AS ISO 31000).

Risk Assessment

- Set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation (AS ISO 31000).

Risk Assessment

This is the part of the risk management process that includes the following three components:

- Risk Identification – process of finding, recognising and describing risks;
- Risk Analysis – involves developing an understanding of the risk including their causes and sources and the likelihood and consequences should the risk occur; and
- Risk Evaluation – assists making decisions about risk priorities and treatments following the risk analysis.

Risk Monitoring and Review

Involves continually reviewing the overall risk management process to ensure that controls are effective, new information is gathered, latest changes and trends are identified, successes and failures are recorded, lessons are learned, changes in internal and external context are detected and emerging risks are captured.

2.4   Risk Management Principles

Building an integrated and effective RMF takes commitment and resources. All components of this document are based on AS ISO 31000. The risk management principles outlined in AS ISO 31000 which guide the City's risk management approach are:

5
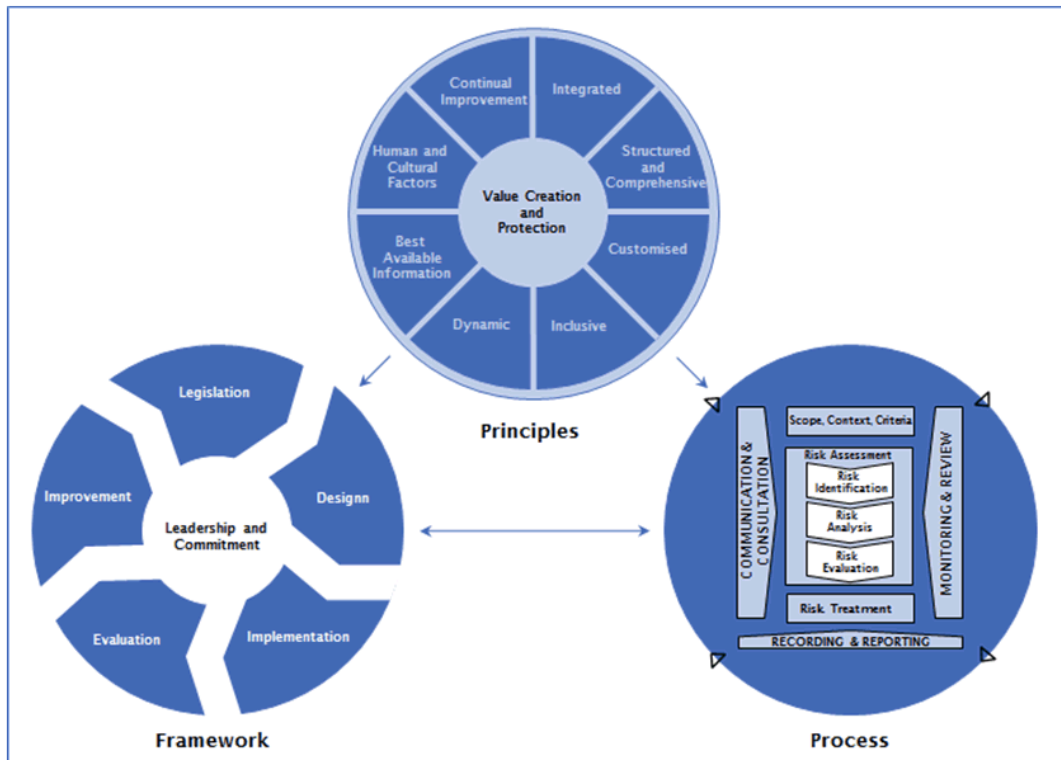
Our RMF is built around the elements identified as risk *culture, governance and accountability, resources and planning, process, and assurance*. A brief description of the five elements is outlined below:

Risk Culture

Risk culture is here is a sub-set of the City's culture. The risk management behaviour of the people within City can be described as 'the way things are done'.

Risk Governance and Accountability

Governance and Accountability is the approach taken for making decisions about risk and developing, supporting, and embedding the risk framework.

Risk Management Resources and Planning

Resources refer to the allocation of human and financial resources to oversee risk and planning. It is the thinking and organising of activities that are required to implement an integrated Risk Management Framework.

Risk Management Process

Refers to the process involved in managing all risks, including strategic, operational and emerging risks. This involves identifying, assessing and monitoring risks through the City's

risk management system.

<u>Risk Assurance</u>

Risk assurance is making sure the internal controls are adequately supporting the management of risk and compliance with regulations.

2.5   Risk Management Approach

The City has adopted the 'Three Lines of Defence' Assurance model for the management of risk. This model ensures roles; responsibilities and accountabilities for decision making are structured to demonstrate effective governance and assurance. By operating within the approved risk appetite and framework, the Council, Management and Community will have assurance that risks are managed effectively to support the delivery of the Strategic, Corporate and Operational plans.

The Following diagram depicts the **Three Lines of Defence Assurance Model**:

Three Lines of Defence Assurance Model

Council

Executive Team

First Line of Defence	**Second Line of Defence**	**Third Line of Defence**
Senior Management Team & Employees	Governance Services	Internal / External Audit
- Identify and build risk profile; - Implement and maintain controls; - Consider risk in operation decision-making; and - Reprt on adequacy of risk mitigation.	- Establish and coordinate risk management processes; - Ensure compliance with framework; - Collect and analyse risk information; and - Monitoring and reporting on risk profile.	- Assess risk environment; - Provide independent assurance on internal control system; - Communicate risk exposure for remediation; and - Reports on adequacy and effectiveness of control processes and procedures.

2.6 Legislative Requirements

Risk management is integral to good governance and good management. Regulation 17, *of the Local Government (Audit) Amendment Regulations 2013*, requires the Chief Executive Officer (CEO) to undertake a review which assesses the appropriateness and effectiveness of the City's systems and procedures in relation to:

- Risk management;
- Internal controls; and
- Legislative compliance.

3 Risk Management Key Elements

The purpose of this section of the RMF is to provide an overview of the Framework's five key elements and how they apply to Council.

3.1   Risk Culture

Our organisational culture is the behaviours, values and beliefs that are shared by the people within the organisation.

Risk culture is fundamental to supporting governance, stakeholder confidence, trust and compliance with relevant legal and regulatory requirements for improving the control environment, the operational effectiveness and efficiency and the identification of opportunities and threats.

The management of risk is the responsibility of all staff and this requirement is included in all position descriptions. Risk maturity assessments can be conducted which will inform us about our culture.

The City's values positively encourage a risk culture where understanding, managing and calculating a prudent level of risk is part of the everyday decision-making process. The elements that will contribute to a positive risk culture are:

- Leadership, which is articulated in the policy;
- Communicating the benefits of risk management; and
- Integrating risk management with other business processes and systems so the task of managing risk is not regarded as an additional burden.

Key risk performance indicators are measures which support our transparent approach to maturing risk management. The risk management performance indicators which we are working towards are provided as Appendix C.

3.2   Risk Governance and Accountability Structure

Our risk management accountability framework is aligned to our existing accountability requirements and summarised in Appendix D, outlining the roles and responsibilities in relation to risk management.

Our approach to enterprise risk management is aligned to our strategic and business planning frameworks.

9
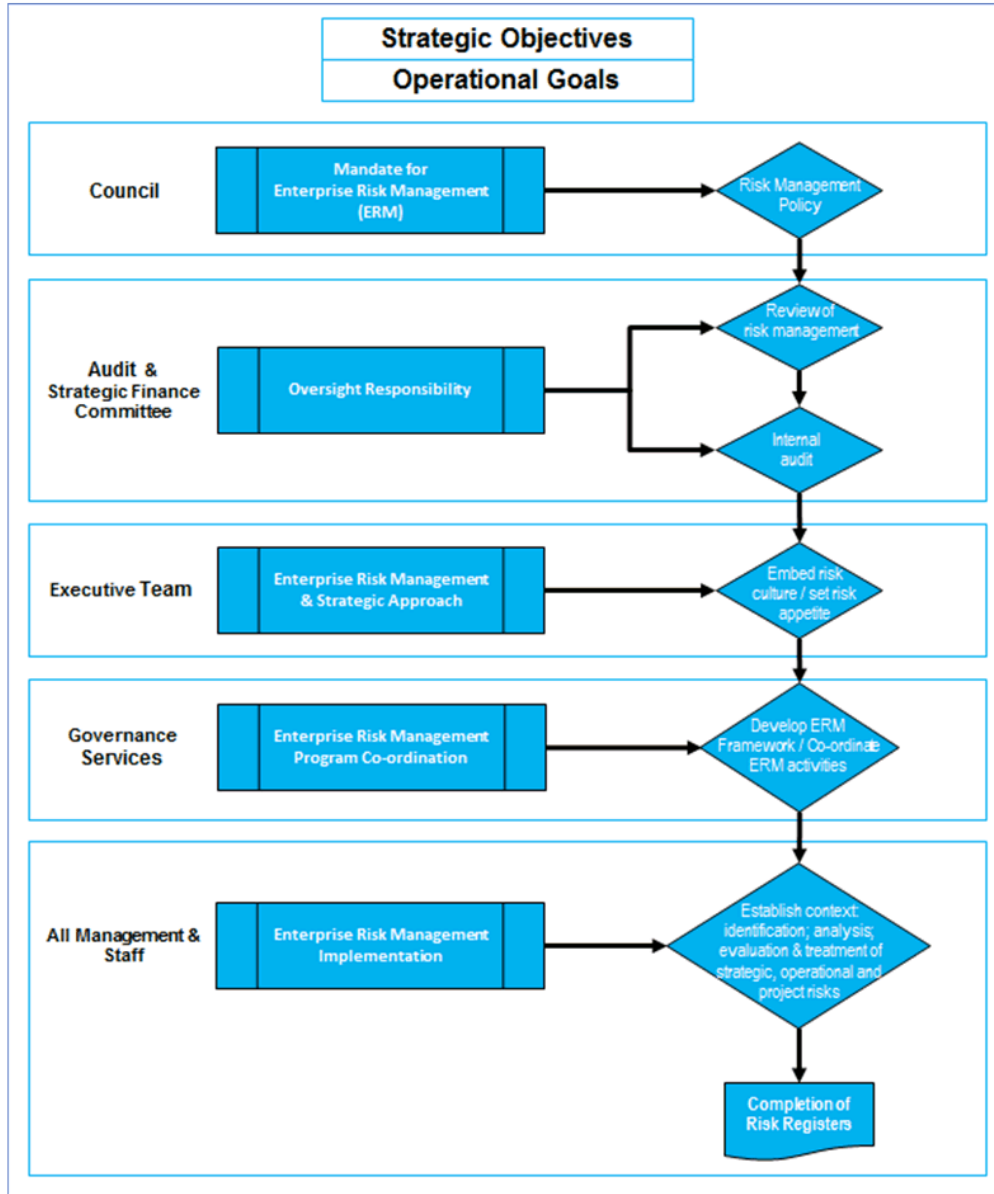
Strategic risks are overseen by the Executive and operational risks are identified and monitored as part of our annual business planning cycle.

Our risk register is enabled by *Risk Management and Safety System* (RMSS), a licensed enterprise risk information system. Our maturity and performance can be measured against our integrated risk management performance indicators.

10

3.3   Risk Management Resources and Planning

Risk management resources and planning are embedded within existing processes and operates on a number of levels. A summary of our integrated approach to resources and planning is outlined below depicting the components that make up the City's Integrated Planning and Reporting Framework (IPRF):

Elements of Integrated Planning and Reporting Framework (IPRF)

Community Engagement

Strategic Community Plan → Corporate Business Plan → Annual Budget

Measuring and Reporting

Outputs
- Plan Monitoring and
- Annual Reporting.

Informing Strategies

- LTFP;
- Information Communications & Technology; and
- Services.

- Worforce;
- Assets; and
- Issues Strategies, etc.

The City's IPRF, as the primary source of guidance for the organisation, provides context to which the risk management process operates. The IPRF is designed to strengthen the linkages between community aspirations, financial capacity and practical service delivery.

The City's risk management approach is embedded into this planning process and assists in the delivery of community needs in a sustainable manner. This planning process operates on a cyclical basis and provides opportunities to undertake analysis of emerging, known or unknown risks that may impact on the purpose and objectives of the City.

The City is required to perform a biennial review of the IPRF elements. The review is designed to test and ratify the City's strategic direction, based on community needs. This provides the mandate to ensure the City's risk approach is also reviewed, in line with the legislative requirements of risk management. Responsibility for risk management is outlined in our Risk Management Accountability Structure (Refer to Appendix D). Risk management resources are embedded within all Departments across all functions.

11

3.4 Process Control

The City's risk management process is designed to ensure that risk management decisions are based on a robust approach, assessments are conducted in a structured and consistent manner, and common language is used and understood throughout the organisation. In line with AS ISO 31000, the elements of the City's risk management process are outlined below, with a brief description of each of the process articulated in the table below:

Process Step		Description	Purpose
Communication and Consultation		Involving stakeholders (internal and external) and information sharing throughout the risk management process, across the City.	• Context is appropriately defined; • Staff that are involved throughout the risk process understand the basis for decisions and actions required; and • Lessons learnt are shared and transferred to those who can benefit from them.
Establish Context (explained further in section 2.4.1)		Understanding the City's objectives and defining the external and internal environment within which the City operates.	• Understand the critical success factors influencing the ability to achieve objectives; and • Determine boundaries within which the Risk Management Framework operates using the City's Risk Assessment & Acceptance Criteria (Appendix A).
Risk Identification	Risk Assessment	Identifying risks, its sources, causes and potential consequences.	• Refer to the City's Risk Assessment & Acceptance Criteria to ensure risks are assessed in a consistent manner; and • Generate a comprehensive list of threats and opportunities based on the critical success factors that might enhance, prevent, degrade, accelerate or delay the achievement of set objectives.
Risk Analysis		Comprehending the nature of the risk and determining the level of risk exposure (likelihood and consequence).	• Provide an understanding of the residual (level of exposure should controls fail) and controlled risk (level of exposure with controls in effect); • Utilise the City's Measures of Existing Controls in identifying ineffective controls; • Determine relevant consequence categories to rate the residual risk; and • Combine the measures of consequence and likelihood to determine the level of risk.
Risk Evaluation		Comparing the risk analysis with the risk criteria to determine whether the risk is acceptable or tolerable.	• Determine whether the controlled risk aligns with the City's risk appetite; • Determine if controlled risks need further treatment; and • Identify priority order in which these risks should be treated.

12

Process Step	Description	Purpose
Risk Treatment	• Selecting one or more options for treating the risk. • Reassessing the level of risks with controls and treatments in place (residual risk).	• Identify treatments for risks that fall outside the City's risk appetite; • Provide an understanding of the residual risk (level of risk with controls and treatments in place); and • Identify priority order in which individual risks should be treated, monitored and reviewed in line with the City's risk assessment & acceptance criteria.
Monitoring and Review	• Determining whether the risk profile has changed and whether new risks have emerged. • Checking control effectiveness and progress of the treatment plans.	• Identifying emerging risks; • Provide feedback on control effectiveness; • Identify whether any further treatment is required; • Provide a basis to reassess risk priorities; • Capture lessons learnt from event failures, near - misses and success; and • Monitor risk controls and actions through RMSS, the City's risk management software.

13

3.4.1   Establishing the Risk Management Context

To ensure adequate alignment and consistency of risk management practices throughout the City, the below provides the context for which risks are defined, identified and managed.

Plans	Risk Definitions	Accountability
Strategic Community Plan The Strategic Community Plan (SCP) articulates the long term strategic direction and guides the City's planning process. It outlines the communities' aspirations and vision as well as identifying the strategies that the City is intending to implement to achieve its objectives. The SCP describes the vision and strategic objectives of the elected Council. In determining the strategic risk profile the City will have to collect information, through environmental scanning, which is broad enough to include a range of trends, influences and time horizons. They are usually identified through analysis of environmental factors, stakeholder expectations and strategy development and will likely have a material impact on the City's ability to achieve its mandate and strategic objectives.	**Strategic Risks** • Identified through analysis of both the SCP and Corporate Business Plan (CBP) and what can impede the organisation from delivering on strategic objectives as well as reviewing past performance and risks to determine future challenges and new priorities; • Risks usually identified from the external environment, that affect the decisions made around organisational priorities, resource allocation, tolerance and acceptance of risk; • Strategic risks are the risks that will prevent the City from meeting the objectives outlined in the SCP; and • They are the risks of most concern to the City and therefore require direct attention by the CEO.	Executive Team
Business Unit Operational Plans Annual plans that identify the Unit's key accountabilities in implementing the City's strategic plan, key strategies and targets. Plans are developed through a process of environmental scanning and reviewing past performance and risks to determine upcoming challenges and new priorities.	**Operational Risks** Risks or opportunities that may affect achieving the objectives of the planned Business Unit outcomes of performance, identified through Business Unit Plans, Specific Purpose Plans, programs of change, or hazard assessments. These risks usually result from inadequate or failed internal processes, people and systems.	Business Unit Managers
Program Plans Plans for implementing business strategies, policies and initiatives, or large-scale change, to achieve a desired outcome and benefits of strategic importance.	Operational risks are linked to the Business Plan objectives and take into consideration risks which will prevent Departments from delivering their annual business plans and ongoing services to the	Service Unit Leader

14

Plans	Risk Definitions	Accountability
Safety Management System The City's systematic approach to managing safety, including organisational structures, accountabilities, policies and procedures. Officers (persons conducting a business or undertaking) are responsible for protecting workers and other persons against harm to health, safety and welfare through the elimination or minimisation of risks arising from work or from particular types of substances or plant.	community. Each Department is required to undertake a risk assessment in accordance with this RMF to determine the risks in meeting its delegated statutory obligations and stated objectives. This process is incorporated into the business planning process. Operational risk predominantly relates to critical services and functional business processes that support the City's service delivery objectives. This risk type takes a horizontal perspective of risk across the City. Safety risks can cause harm or adverse effects (to individuals as health effects or to the City as property or equipment losses).	All Staff
Project Plans Formal, approved documents used to guide both project execution and project control.	**Project Risks** Uncertain events or set of circumstances that, should they occur, will have an effect on the achievement of one or more project objectives. Project and program risk refers to the risks unique to a specific project/program. The City regularly undertakes significant projects and programs, management of which should be consistent with the City's project management methodology. Projects and programs should maintain a risk register(s) and regularly report the risks to the project/program sponsor/s or steering committee. Any substantial risk that is strategic in nature should also be incorporated in the Operational risk register to ensure visibility across the enterprise.	Project Team/Manager
Specific Risk Functions Fraud and corruption - Refer to the Fraud and corruption prevention policy and guidelines.	Fraud and corruption risk management is an important subset of the City's overall risk management framework. The City and constituent business areas are required to conduct a fraud risk assessment on a regular basis, in doing so; the assessment should be consistent with the process prescribed in the framework.	All services units with support from other units and external agencies

15

Plans	Risk Definitions	Accountability
Business continuity management -. Refer to the Crisis and *Business continuity framework.*	Correspondingly, provision for fraud has been integrated into the City risk register to enhance fraud and corruption reporting. Some risk is unavoidable and it is not within the ability of the City to completely manage, e.g. natural disasters. A key strategic risk for the City and its business areas is the inability to remain operational and continue delivering Council services. In these instances, the only action that can be taken is the preparation of contingency plans for business continuity. Business continuity management is a key mitigating factor as it increases the department's resilience in, response to and recovery from events that may disrupt business services and operations	
Local Emergency Management Plans Series of plans that identify hazards, risks and their mitigation, response to and recovery from emergency events. Detailed plans for response and recovery are linked to the District & State Emergency Management Plans.	Emergency Management Hazards/Risks & Public Hazards Risks and hazards which: • Would pose a threat to life, property or the environment; • Would require a large scale emergency response; • Would require support / action from the City; and • Would require Recovery strategies to be adopted to return the community to normal.	

16
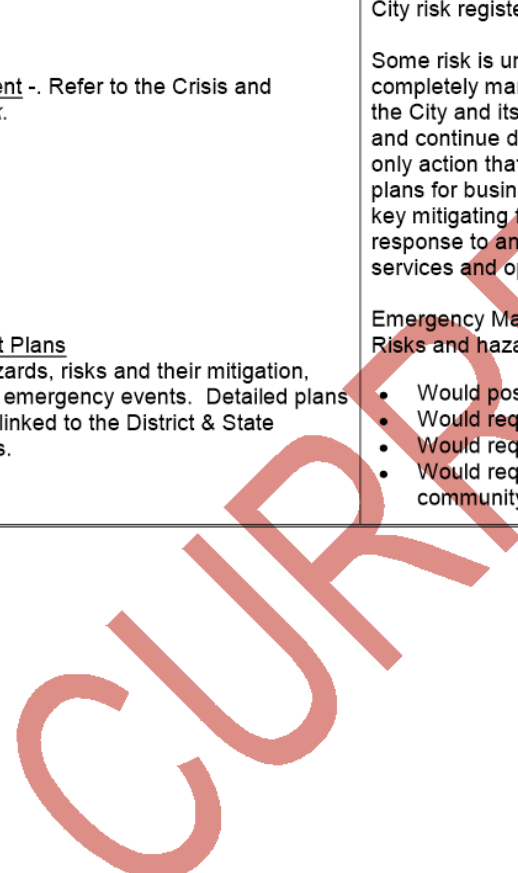
3.4.1   Treatment

For risks which fall outside of the City's risk appetite, determine treatment options that may improve existing controls and/or reduce consequence/likelihood to an acceptable level.

Risk treatments may involve actions such as avoid, share, transfer or reduce the risk. The treatment selection and implementation may be based on:

- Cost versus benefit;
- Ease of implementation; and
- Alignment to organisational values and objectives.

The purpose of risk treatment plans is to document how the chosen treatment options will be implemented. A comprehensive risk treatment plan should be prepared for all High and Extreme risks. The information provided in treatment plans should include:

- Risk ID, risk description, risk level;
- The reasons for selection of treatment options, including expected benefits to be gained;
- Those who are accountable for approving the plan and those responsible for implementing the plan (e.g. Risk owner);
- Proposed actions;
- Resource requirements including contingencies;
- Plan to monitor implemented controls;
- Reporting requirements (e.g. Council action, Audit and Risk Committee action, Executive Management team action etc.); and
- Timing and schedule.

3.4.2   Monitor and Review

The City's will review all Risk Profiles in line with the Risk Assessment & Acceptance Criteria or if triggered by one of the following:

- Changes to context;
- A treatment is implemented; and
- An incident occurs or due to audit/regulator findings.

The Governance & Risk Management Advisor will monitor the status of risk treatment implementation and report on progress, if required.

The CEO and Executive will monitor substantial risks and treatment implementation as part of their normal Directors agenda item with specific attention to be given to risks that meet any of the following criteria:

- Risks with a Level of Risk of High or Extreme;
- Risks with an Inadequate Existing Control Rating;

- Risks with a Consequence Rating of Catastrophic; and
- Risks with a Likelihood Rating of Almost Certain.

3.5   Risk Assurance

The risk management validation and assurance program operates on a number of levels from management reviews to internal and external reviews.

Management Control reviews

These annual reviews are initiated by management to inform and to provide another level of insight on the degree to which management and operational levels has a shared understanding of risk management.

The level of scrutiny completes an important aspect of a risk management system. That is to provide assurance that key risks are actively controlled and control mechanisms in place reduce the risk profile of the City.

Audit services

The internal audit program is overseen by the Governance & Risk Department. The internal audit plan is developed with consideration to the strategic and operational business risk profile.

The internal audit program is designed as a rolling three year plan based on risk against which Internal Audit is to prepare audit reports for the Audit Committee's consideration. These audit reports are to also include, where applicable, management responses, accountabilities and timelines for corrective actions.

This plan shall detail the nature and timing of reports to be presented to the Audit Committee and to Council and will reflect the priorities and functions of the Audit Committee as detailed in their Charter.

External reviews

These reviews are conducted by an agency external to Council. Typically the agencies which currently conduct independent reviews are the Auditor General's Office and Ombudsman.

Risk Maturity review

Governance services conduct a maturity assessment every 2 years, in line with the corporate planning cycle to measure and test staff's perception of Council's risk management culture. The results are reported to the Executive Team and where appropriate incorporated into an action plan.

18

3.6   Risk Tools

The risk register enables staff to document, manage, monitor, review and update strategic, operational, hazard or project risk information. Risk register reporting allows the City to monitor and review risks in alignment with the SCP, CBP, Business Unit Plans, programs and other cascading plans.

Information from the risk management process is to be recorded, reported and monitored using the City's various risk register templates.

The City has two ways to record risks as depicted below:

RMSS risk register

An online risk management tool, to assist the City in recording, monitoring and reporting operational and strategic risk information.

Offline risk registers

These are various risk register templates used for projects, programs, events and hazard assessments. This information is not kept within the RMSS.

19

4　Risk Management Key Elements

The City has clarified roles, responsibilities, accountabilities and delegations at all levels. The City's RMF is to be embedded through a number of communication, training and support systems, including training.

To ensure that adequate risk management competency levels are achieved and maintained, the City provides regular training courses in the risk management process and its application in the City.

Specific risk management training sessions will be held on an annual basis, aimed at providing an overview of the RMF. The training will be provided by the Risk and Governance Advisor. Additional ad-hoc training will be provided as required.

This training is designed to increase the knowledge and awareness of staff and management in a number of risk management topics including:

- Risk management principles and process;
- Fraud and misconduct awareness;
  Environmental management;
- Events management; and
- Business Continuity and Crisis Management.

Instruments providing training on appropriate controls include job descriptions, inductions, policies, procedures, terms of reference, performance planning and review programs, contracts and delegations.

20

5 Appendix A – Risk Assessment and Acceptance Criteria

Risk Assessment Matrix

Measures of Consequence and Likelihood

Consequence / Severity		OSH / Injury / Well-being	Financial Impact	Brand Reputation	Operations / Delivery Disruption	Environment Health	Compliance	Project — Quality	Project — Cost	Project — Time	Rare 1	Unlikely 2	Possible 3	Likely 4	Almost certain 5
	Insignificant 1	No injuries.	< $50,000 or < 5% of OP. Little or no impact on asset.	Low impact. Low profile. No complaint.	Little impact. Business as usual. < 5% variation against PI.	An insignificant environmental event that can be immediately corrected under the control of the City.	Minor breach of policy / process requiring some response with little impact on other criteria.	Majority of milestones and objectives being achieved with minor variation to scope and/or quality reported. Minor impact absorbed through project.	< 5% of Project Budget or < $50,000 whichever is lower.	< 5% of Project Timeline or < 30 days, whichever is lower.	1 Low	2 Low	3 Low	4 Low	5 Moderate
	Minor 2	First aid treatment.	$50k ≤ to < $250k or 5% ≤ to <10% of OP. Minor loss or damage.	Low impact. Low profile. Low media attention. Possible complaint.	Minor impact. Easily dealt with. Still business as usual. 5 ≤ to < 10% variation against PI.	A minor environmental event that can be corrected through system improvements within the City.	Compliance breach of policy / process requiring additional work or minimal damage control.	Minor impact on milestones and objectives being achieved with minor variation to scope and/or quality reported. Disruptive impact on project deliverables expected.	5% ≤ to < 10% of Project Budget or $50k ≤ to < $250k, whichever is lower.	5% ≤ to <10% of Project Timeline or 30 ≤ to < 60 days, whichever is lower.	2 Low	4 Low	6 Moderate	8 Moderate	10 Substantial
	Major 3	Medical treatment. No lost time injury (LTI).	$250k ≤ and < $1m or 10% ≤ to < 25% of OP. Major damage to asset.	Moderate impact. Moderate media attention. Public complaint.	Some objectives affected. Can continue business as usual, with minor controls executed. 10 ≤ to < 25% variation against PI.	A moderate environmental event that can be remediated but requires multiple stakeholder input.	Compliance breach requiring investigation, mediation or restitution and breach of legislation or regulations.	Major impact on milestones and objectives being achieved with minor variation to scope and/or quality reported. Serious impact on project deliverables expected.	10% ≤ to < 25% of Project Budget or $250k ≤ to < $1m, whichever is lower.	10% ≤ to < 25% of Project Timeline or 60 ≤ to < 90 days, whichever is lower.	3 Low	6 Moderate	9 Moderate	12 Substantial	15 High
	Critical 4	Partial disablement or severe injury. LTI < 10 days.	$1m ≤ and < $5m or 25% ≤ to < 50% of OP. Significant loss of asset.	Damage to reputation. Public embarrassment. High media attention. Several public complaints. Third party legal action.	Some major objectives cannot be achieved. Business can still deliver, but not to expected level. 25 ≤ to < 50% variation against PI.	A significant environmental event where rehabilitation involves multiple stakeholders and various levels of the community and government.	Compliance breach involving external investigation or third party actions resulting in tangible loss or reputation damage to the City and breach of legislation or regulations.	Major impact on milestones and objectives being achieved with significant variation to scope and/or quality reported. Critical impact on project deliverables expected.	25% ≤ to < 50% of Project Budget or $1m ≤ to < $5m, whichever is lower.	25% ≤ to < 50% of Project Timeline or 90 ≤ to < 120 days, whichever is lower.	4 Low	8 Moderate	12 Substantial	16 High	20 Extreme
	Catastrophic 5	Death or permanent disablement. LTI ≥ 10 days.	≥ $5 million or ≥ 50% of OP. Complete loss of asset.	Irreversible damage to reputation. Very high level of public embarrassment. Very high media attention. Many public complaints.	Most objectives cannot be achieved. Business cannot operate. ≥ 50% variation against PI.	A severe environmental event requiring multiple stakeholders, all levels of the community and government to remediate.	Compliance breach involving regulatory investigation and / or third party actions resulting in tangible loss or significant reputation damage to the organisation and breach of legislation or regulations.	Catastrophic impact on milestones resulting in the failure to achieve one or more objectives of the project.	≥ 50% of Project Budget or ≥ $5 million, whichever is lower.	≥ 50% of Project Timeline or ≥ 120 days, whichever is lower.	5 Moderate	10 Substantial	15 High	20 Extreme	25 Extreme

Likelihood / Probability descriptions:
- **Rare (1):** Theoretically such an event is possible but not expected to occur during an operation / asset life / project.
- **Unlikely (2):** Possible that such an event may occur once during operation / asset life / project.
- **Possible (3):** Such an event may occur more than twice during an operation / asset life / project.
- **Likely (4):** Such events may occur frequently during an operation / asset life / project.
- **Almost certain (5):** Such events are expected to occur routinely during an operation / asset life / project.

Risk Acceptance Criteria

Risk Level	Criteria	Treatment	Responsibility
Low	Risk acceptable with adequate controls, managed by routine procedures. Subject to annual monitoring or continuous review throughout project lifecycle.	Management through routine operations/project, Risk Registers to be updated.	Service Unit Manager/ Project Manager
Moderate	Risk acceptable with adequate controls, managed by specific procedures. Subject to semi-annual monitoring or continuous review throughout project lifecycle.	Communication and awareness of increasing risk provided to SM, Risk Registers to be updated.	Senior Manager / Project Manager
Substantial	Accepted with detailed review and assessment. Action Plan prepared and continuous review.	Assess impact of competing Service Unit/Business Unit Projects. Potential redirect of Service Unit/Business Unit resources. Risk registers to be updated.	Director / Steering Committee
High	Risk acceptable with effective controls, managed by senior management/executive. Subject to quarterly monitoring or continuous review throughout project lifecycle.	Escalate to CEO, report prepared for Audit & Strategic Finance Committee. Quarterly monitoring and review required. Risk Registers to be updated.	Executive / Steering Committee / Project Sponsor
Extreme	Risk only acceptable with effective controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority and subject to continuous monitoring.	Escalate to CEO, report prepared for Audit & Strategic Finance Committee. Monthly monitoring and review required. Risk Registers to be updated.	CEO / Council / Project Sponsor

Existing Control Ratings

Rating	Foreseeable	Description
Effective	Doing more than what is reasonable under the circumstances.	1. Existing controls exceed current legislated, regulatory and compliance requirements, and surpass relevant and current standards, codes of practice, guidelines and industry benchmarks expected of this organisation; 2. Subject to continuous monitoring and regular testing; and 3. Any control improvements that can be implemented have minimal impact on operations.
Adequate	Doing what is reasonable under the circumstances.	1. Existing controls are in accordance with current legislated, regulatory and compliance requirements, and are aligned with relevant and current standards, codes of practice, guidelines and industry benchmarks expected of this organisation; 2. Subject to continuous monitoring and regular testing; and 3. Control improvements may be implemented.
Inadequate	Not doing some or all things reasonable under the circumstances.	1. Existing controls do not provide confidence that they meet current legislated, regulatory and compliance requirements, and may not be aligned with relevant and current standards, codes of practice, guidelines and industry benchmarks expected of this organisation; 2. Controls not operating as intended and have not been reviewed and tested; and 3. Existing controls need to be improved.

OSH / Injury / Wellbeing Hierarchy of Control

Effectiveness	Control methodology	Impact on unwanted event (hazard), and examples
100% Effective	Elimination	Remove the hazard, or unwanted event, completely or discontinue the process or practice. For example, if the electric cable from a stage microphone is a trip hazard, use a wireless microphone instead.
	Substitution	Replace a hazardous or vulnerable system, material, practice or process with one that presents a lower risk. For example, if an outdoors event is conducted during a summer day, use of market umbrellas could be substituted by providing marquees or shade sails.
(increasing Effectiveness)	Isolation	Use lockable barriers to restrict unauthorised access and separate people from hazard, practice or process. For example, install guards on machines where there is a risk of a person being trapped in a machine.
	Engineering	Change the physical characteristics of the practice or process through engineering redesign. For example, provide ramps if patrons in wheelchairs will be attending an event.
	Administrative	Establish appropriate policies, practices, procedures, guidelines and operating instructions to control exposures to unwanted events. For example, if an event requires serving of alcohol, ensure that bar employees have been trained in 'Responsible Service of Alcohol'.
≤ 20% Effective	Personal Protective Equipment	Provide appropriate safety equipment. For example, traffic controllers need to be provided with long sleeves, long trousers, wide brimmed sunhats and high visibility safety vests.

21

6 Appendix B – Risk Management Action Plan

Action	Description	Responsibility	Timing
Strategic Risk Management Review	Strategic risk workshops with the key deliverable of a strategic risk register for the City, to identify high level key strategic risks associated with the City's external environment, stakeholders, strategic direction and systemic organisational issues.	Executive Team (coordinated by Governance Services)	Every 4 years in conjunction with the SCP review
Risk Maturity Review	Maturity review to measure and test Risk Management culture, and assess the appropriateness and effectiveness of the City's systems and procedures in relation to: • risk management; • internal controls; and • legislative compliance	Executive Team & All Managers (coordinated by Governance Services)	Biennially
Review Risk Management Policy	Review the currency and effectiveness of Council's Risk Management Policy	Council to adopt (review to be coordinated by Governance Services)	Biennially – presented to Delegated Authorities, Policies and Position Statements (DAPPS) Committee
Review Risk Management Framework	Review the currency and effectiveness of Council's RMF.	Council to adopt (review to be coordinated by Governance Services)	Biennially
Build robust contingency services to ensure the protection of Council assets and services	Annual test and review of Council Business Continuity & Crisis Management Program	Governance Services	Annually
Review Operational Risk Registers	Review risks and controls contained in Council's corporate risk register and identify new or emerging risks	All Managers (risk owners) to complete review (review to be facilitated by Governance Services)	Annually – presented to Audit & Strategic Finance Committee
Risk Controls Assurance Review	Targeted control review to rate and confirm the effectiveness for controls contained in the operational risk register.	Governance Services	Annually – presented to the November Directors Meeting
Include Risk Treatment Plan (RTP) in Operational Plan	Ensure that actions required by RTP are incorporated into the Operational Plan	All Managers	Every year in conjunction with

22

Action	Description	Responsibility	Timing
			Operational Plan development/ review
Implement RTPs in operational decisions	Implement actions contained in RTPs	Risk Owners	As identified in the RTP
Risk assessments for projects/initiatives in accordance with the project methodology	Conduct risk assessments as required for new or altered activities, processes or events	Relevant Manager/ Risk Owner/ Project Manager/Team	Prior to deciding to proceed with new project/ initiative
Risk Status Report	Identify and review, by exception, any risk issues arising from the Quarterly risk register review and the current status of key risks (high & extreme), RTPs, incidents and other relevant issues	Executive Team (coordinated by Governance Services)	Quarterly report to the Audit and Strategic Finance Committee
Annual Report	Detail risk management activities undertaken during the previous year and any relevant risk management issues.	Governance Services	Annually
Operational Plan	Identify key risks that may impact on objectives as well as strategies and controls in place (or proposed) to manage those risks.	Managers/Risk Owners (overseen by Governance Services)	Annually
Staff Performance Review	Ensure risk management performance of managers is assessed on a regular basis	Manager, Human Resources	Annually
Communication	Ensure staff are aware of relevant risk management issues and have access to risk management tools	Governance Services	Ongoing

7 Appendix C – Risk Management Indicators

Indicators	Measurement
Culture	
• Management are committed to risk management; • Employees 'contributions to risk management are valued; and • Practices and values are linked to risk management.	• Risk management included in Job descriptions; • Risk management is linked to values and Code of Conduct; • Risk management is included in recognition and reward programs; and • All staff is aware of organisation's approach to risk management and the risk management format has been documented.
Risk Governance & Accountability	
• Risk governance is aligned to the organisations governance and accountability framework; • There is an endorsed risk management policy accessible to all staff; • Executive and Audit Committee regularly receive, consider and discuss risk management reports; • There is a process to support risk management attestation; • There is a robust process for ensuring legal and regulatory compliance requirements are met; and • Roles and responsibilities for risk management are clearly defined at all levels of the organisation.	• RMF documented, approved & accessible to staff; • Risk reports distributed and reviewed; • Organisational wide approach to legal and regulatory compliance framework documented and accessible to staff; • Risk roles and responsibilities documented; and • Risk meeting agendas and minutes recorded and maintained.
Resource & Planning	
• There are human resources to support risk management system and processes; and • Tools and templates are used to support risk management processes and assessments.	• Organisational wide risk policy; • Risk management capabilities and training provided; • Risk management skills gap addressed; • Organisational wide risk tools and templates are used; • Organisational wide risk management plans documented, approved and accessible to all staff; • Risk information system available and accessible to nominated staff; and. • User software training made available to nominated staff.

24

Process	
- There are processes to ensure communication and consultation with internal and external stakeholder groups takes place during each activity of the risk management process; - Risk appetite and tolerances has been agreed and is clearly understood; - The external and internal context to be considered by staff is clearly defined; - A risk rating criteria is clearly defined and risks are consistently documented and the effectiveness of existing controls is used to determine the estimated level of risk; - Risks are consistently identified and by staff with the required knowledge and skills using an agree risk register format; - There is a process in place to respond to incidents, near misses, incidents, hazards and complaints; and - Risks are assessed to determine tolerability & priorities for risk treatment. RTPs are prepared, implemented and monitored.	- Risk management guideline;. - Organisation wide risk appetite and tolerance has been documented, approved and available to all staff; - Documented evidence of risk management forms part of the strategic and operational objectives that specifically takes into account risks which may impact the organisation; - A defined risk criterion is available and consistently applied; - The risk methodology is endorsed and available to all staff; - Risk has been linked to agreed categories which have been documented and reviewed; - System in place for near misses; - Risk escalation processed established, clear and complied too; - Risk has been linked to agreed categories which have been documented and reviewed; and - System in place for near misses. Risk escalation processes established, clear and complied.
Assurance	
- Control owners assigned, & layered approach to risk controls; - Control effectiveness considered within risk acceptance decision; and - Alignment with audit and assurance programs / activities. The internal validation and assurance activities are aligned to the risk profile.	- There is a clear, documented link between the validation and assurance program; - The validation and assurance Program incorporates data analytics such as dashboard reporting, measurements against targets; and - Assurance mapping.

25

8 Appendix D – Risk Management Accountability Structure

Role	Responsibilities
Council	Council's responsibilities are to: • Adopt a Risk Management Policy that complies with the requirements of AS ISO 31000 and to review and amend Risk Management the Policy in a timely manner and/or as required; • Adopt the RMF for the Council; • Be satisfied that risks are identified, managed & controlled appropriately to achieve Council's Strategic Objectives; • Appoint and resource the Audit & Strategic Finance Committee; • Provide adequate budgetary provision for the financing of risk management including approved risk mitigation activities; and • Review Council's risk appetite.
Audit & Strategic Finance Committee	On behalf of Council, the purpose of Audit Committee is to oversee that Council carries out its responsibilities for accountable financial management, good corporate governance, fostering an ethical environment and maintains a system of internal control and risk management. They have been constituted to monitor and report on the systems and activities of Council in ensuring: • Reliable financial reporting and management information; • High standards of corporate governance; • Appropriate application of accounting policies; • Compliance with applicable laws and regulations; • Effective monitoring and control of all identified risks; • Effective and efficient internal and external audit functions; • Measures to provide early warning of any issues affecting the organisation's financial well-being; • The level and effectiveness of appropriate Crisis Management, Business Continuity and Disaster Recovery planning; and • Maintenance and fostering an ethical environment.
CEO	• The CEO is accountable for the implementation and maintenance of risk management policies and processes across the organisation; • The CEO is responsible for ensuring that strategic risks are regularly reviewed; and • The CEO is responsible for raising awareness and leading the culture of managing risk responsibly across the organisation.
Executive Team	Promote and champion a strong risk management culture by linking and embedding risk management, and maintaining organisational risk focus across the City: • Manage and monitor the strategic risks; • Ensure that an effective risk control environment is implemented and maintained; • Ensure that risks are considered and integrated into corporate and business planning processes; • Participate in the review and updating of the organisation's strategic risk profiles; and • Ensure that accountabilities for managing risks are clearly defined.

26

City of Cockburn
9 Coleville Crescent, Spearwood WA 6193
PO Box 1215, Bibra Lake DC Western Australia
6965
Telephone: 08 9411 3444 Fax: 08 9411 3333
Email: Governance@cockburn.wa.gov.au
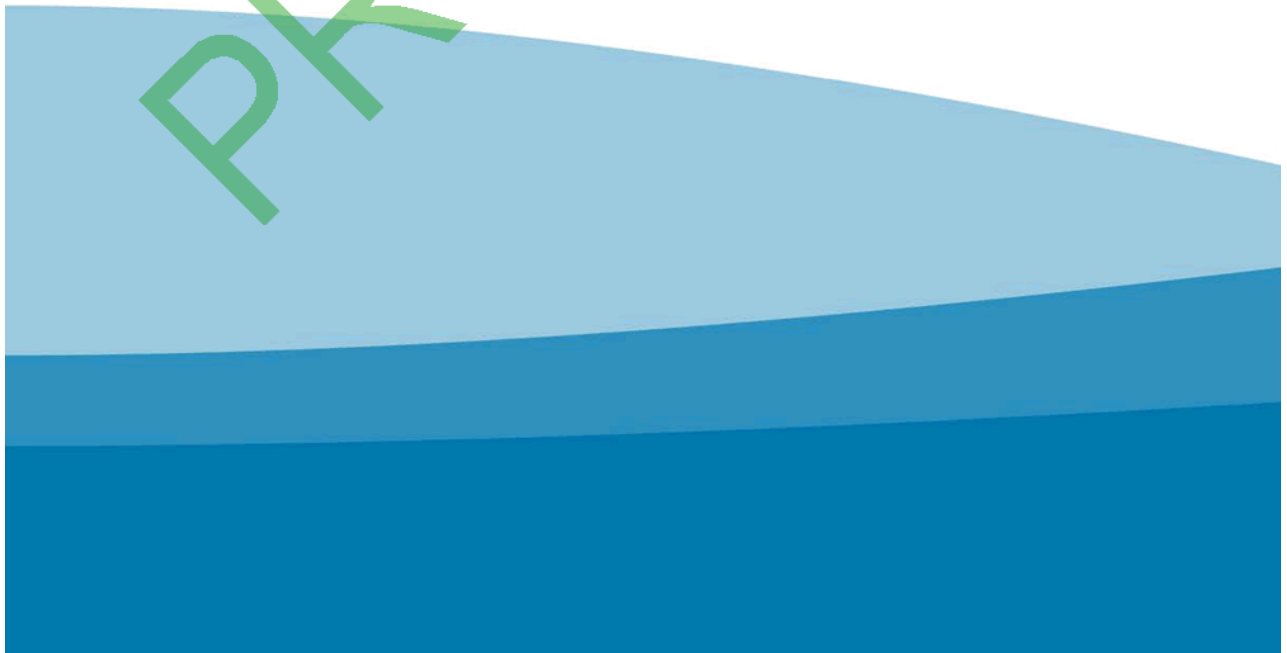City of Cockburn website: cockburn.gov.wa.au

Enterprise Risk Management

Framework

PROPOSED

Document Control

Document Record	
Document title	Enterprise Risk Management Framework
ECM document name	City of Cockburn – Enterprise Risk Management Framework
ECM document set ID	8882597
ECM Subject Code	021/012

Review and approval			
Maintained by	Risk & Governance Advisor		
Version number	3	Version date	December 2020
Reviewed by	SMT (SLT) & Risk Review Group	Date reviewed	March 2021
Approved by	Chief Executive Officer	Date approved	TBA
Frequency of review	Annually	Next review date	December 2022

NOTE: The City of Cockburn will review this framework on a biennial basis, but will also make incremental changes, modifications, and adjustments as conditions warrant. This framework document goes through continuous ongoing changes based on the risk maturity level of the City of Cockburn.

Record of changes / issues			
Version	Date	Comments / reasons for change	Made by
1	12/2018	December Council Meeting	Council
2	8/2019	August Council Meeting	Council
3	7/2021	July Audit & Strategic Finance Committee Meeting	Council

Distribution	
Name	Position
Senior Leadership Team	Chief Executive Officer, Divisional Chiefs, Divisional Executives and Business / Service Unit Heads
Elected Members	Audit & Strategic Finance Committee Members

Table of Contents

1 Introduction

1.1 Legislative Context

The City of Cockburn (the City), a local government authority, operates in accordance with the requirements of the *Local Government Act 1995* (the Act) and subsidiary legislation to provide a wide variety of services, compliance and regulatory functions to the community.

Regulation 17 of the *Local Government (Audit) Regulations 1996* requires the City to have in place appropriate and effective systems and procedures to manage risk, and sound control measures to mitigate identified risk and achieve legislative compliance. This statutory obligation compels the City to ensure that risks, opportunities and other information that may impact the achievement of the City's goals and objectives in delivering good governance to the community are identified and managed.

This statutory requirement provides the legal context for the *City of Cockburn Risk Management Policy* (the Policy) and the *City of Cockburn Enterprise Risk Management Framework* (the RMF). The Policy documents the commitment and objectives for managing uncertainty that may impact the City's strategies, goals and objectives. The RMF details the requirements and processes supporting the Policy, specifying how risk management is embedded in the City's systems to ensure it is integrated at all levels and work contexts. It describes principles, elements and processes guiding staff to effectively manage risk, making it part of day-to-day decision-making and business practices. These documents provide the mechanism and processes for the City to ensure:

- compliance with statutory requirements and internal policies
- strong corporate governance
- the implemented Integrated Planning and Reporting Framework (IPRF) requirements are met
- uncertainty and its effects on objectives is understood and managed with appropriate controls.

The implemented RMF will:

- ensure a consistent approach to the risk management process across Council
- establish a structured process for undertaking the risk management process to identify, assess and control/treat risks
- encourage the integration of risk management into the strategic and operational process across all Business / Service Units of the City.

This framework applies to all City officers, contractors and volunteers undertaking any function for or on behalf of the City.

1

1.2 Australian and International Standards

In accordance with the City's Policy, the City's RMF is consistent with the Australian Standard AS ISO 31000:2018 *Risk management-Guidelines* (AS ISO 31000) detailing the City's approach to the identification, assessment, management, reporting and monitoring of risks to enable the City to manage its many complex responsibilities effectively in the best interests of the community. Terminology used is consistent with the International Organization for Standardization publication ISO Guide 73:2009 *Risk management - Vocabulary* (ISO Guide 73:2009). Where appropriate, terminology is used from the Committee of Sponsoring Organizations of the Tredway Commission (COSO) *2017 Enterprise Risk Management—Integrating with Strategy and Performance* (COSO 2017).

The City's RMF comprises an effective risk management approach embodying consistency, standardisation and an integration of all activities that are relevant to risk namely strategic, operational, governance, compliance and financial management.

1.3 Risk Mitigation to '*As Low As Reasonably Practicable*' ALARP

Statutory requirements compel the City to implement sound risk management processes. Effectively, these processes comprise a balancing exercise between mitigations, investment and residual risk exposure. Residual risk needs to be considered against the background effort to remove it as illustrated by the concept of '*As Low As Reasonably Practicable*' (ALARP). A risk managed to ALARP means that the level of that risk is tolerable and cannot be reduced further without the expenditure of costs that are disproportionate to the benefit gained, or where the solution is impractical to implement.

To decide if ALARP has been reached, the following points need to be considered:

    (i) has good practice been followed?
    (ii) is there any more that can be done to reduce the risk?
    (iii) if yes, are further controls practicable, investigate –
        o the cost and time to implement further controls
        o the magnitude of risk that will be reduced by implementing the controls?

The above compares risk with the sacrifice in further reducing it. If costs of further controls are high, but only insignificantly reduce the risk, then they may be grossly disproportionate – ALARP has been reached. However, if further controls make a significant risk reduction, or are cheap to implement, they will need to be introduced to reach ALARP.

The City's challenge is to find suitable balance between risk mitigation to ALARP and the community's expectation of desirable risk mitigation, which is at best common practice of judgement of the balance of risk and societal benefit.

Public outcry may be a factor in mitigation of risk as public reactions to risk assessments

may be negative. Projects may get rejected without valid reasons by the public. This provides the challenge to properly communicate risk throughout the life of a project, from cradle to grave, to avoid conflict of interest and present estimates that are understandable to foster good understanding of what a risk assessment can bring to better human existence, in an ethical and fair way – this is necessary to avoid public distrust. ALARP and public outcry are illustrated in *Figure 1* below:
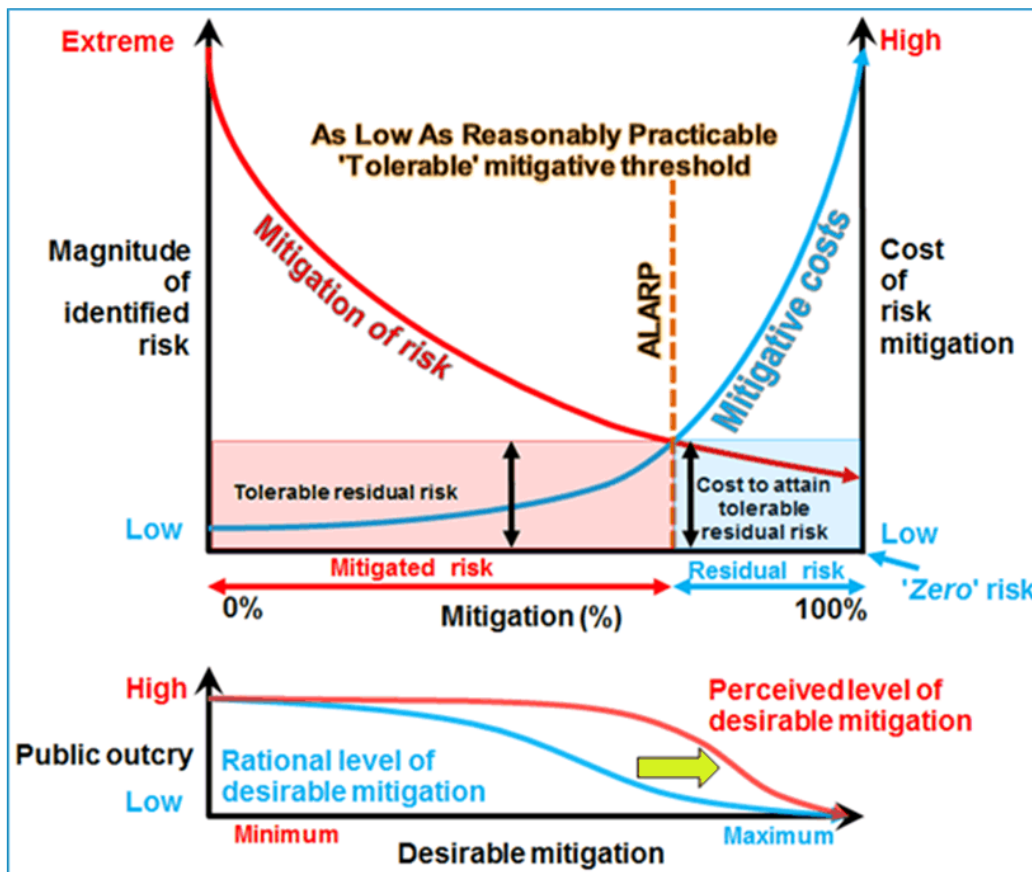

Figure 1: ALARP and community expectation of risk mitigation (adapted from Oboni et al 2014)

Risk management is critical to the City's ability to achieve the outcomes and strategies contained the *City of Cockburn Strategic Community Plan 2020-2030*. The aim of the RMF is not to eliminate risk but, rather to identify and manage and mitigate risk to ALARP on an ongoing basis, consistently across all City activities, whilst maximising opportunities and minimising adversity. It provides a system for the setting of priorities when there are competing demands on the City's limited resources. Additionally, the RMF supports the transparency of risk information to all stakeholders and interested parties.

3

2 Scope

2.1 Alignment with AS ISO 31000:2018

The components of the City's enterprise risk management system have been developed in accordance with the requirements of AS ISO 31000 as illustrated by the risk management principles, framework and process in AS ISO 31000 and displayed in *Figure 2* below:
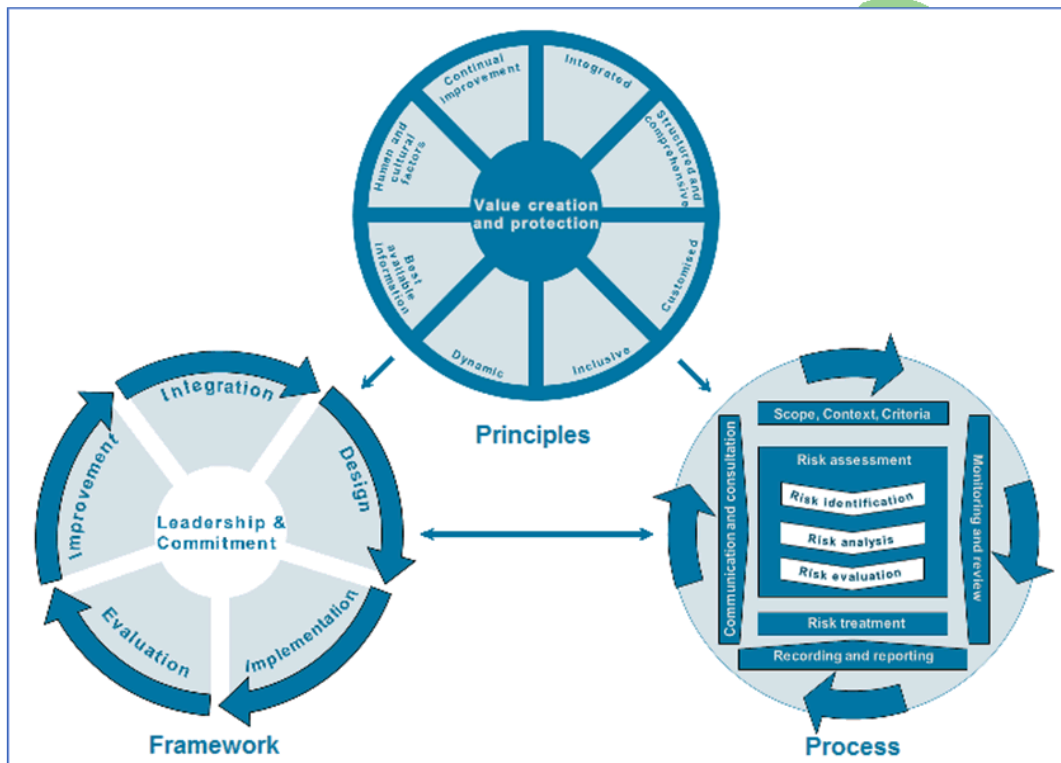
Figure 2: Principles, framework and process (adapted from AS ISO 31000)

The City's management of risk is good governance requiring integrated processes, strategic planning, and reporting and performance measurement - an ongoing system that provides many benefits which include:

- greater likelihood of achieving objectives
- compliance with legislative requirements
- improves stakeholder trust and confidence
- encourages decisive leadership rather than management of crises
- better information for decision making to balance opportunity and risk
- reduces unexpected and costly surprises

4

- better results from projects and activities
- more effective and efficient allocation of resources
- enhanced accountability and corporate governance
- assists in obtaining insurance cover.

2.2 Common Risk Definitions and Explanations

Successful risk management integration requires streamlining the approach to managing risk by ensuring that everyone in the organisation uses common language and documents their risk using a consistent approach. To this end, definitions, terms and acronyms used in this document are listed in the glossary in *Table 1* below:

Table 1: Glossary of terms and definitions used in this document

Term	Definitions
Act	*Local Government Act 1995.*
Administration	The operational arm of the City of Cockburn which includes the employees and is headed by the Chief Executive Officer.
ALARP	*As Low As Reasonably Practicable.* A risk that has been managed to ALARP means that the level of that risk is tolerable and cannot be reduced further without the expenditure of costs that are disproportionate to the benefit gained, or where the solution is impractical to implement.
A&SFC	Audit and Strategic Finance Committee. A City of Cockburn committee established pursuant to section 7.1A of the Act which reports to Council and provides appropriate advice and recommendations on matters relevant to its terms of reference in order to facilitate decision-making by Council in relation to the discharge of its responsibilities.
Audit	Includes to examine, investigate, inspect and review – as defined in Section 4(1) *Auditor General Act 2006.*
CEO	Chief Executive Officer – the most senior officer in the Administration and who is directly accountable to Council.
City	The City of Cockburn, including its Council and Administration.
Committee	A formal committee of the Council established under legislation.
Community	The entire population in the local government area of the City of Cockburn, including persons those who work in, or visit the local government area for recreational or similar reasons.
Control	Measure that maintains and / or modifies risk (AS ISO 31000).
Consequence	Outcome of an event affecting objectives (AS ISO 31000).
Corporate Business Plan (CBP)	The *City of Cockburn Corporate Business Plan 2020-2021 to 2024-2025.* A four year plan (updated on annual yearly basis) that can be considered a contract with the Community detailing how the City will deliver on the commitments set out in the *City of Cockburn Strategic Community Plan 2020-2030* (the SCP).
Council	The body constituting of all Elected Members sitting formally as a Council under the Act.

5

Term	Definitions
DLGSC	Department of Local Government, Sport & Cultural Industries.
Divisional Chiefs and Divisional Executives	The senior position in the Administration directly responsible to the CEO. The Executive Governance and Strategy is classified as a 'senior employee' in accordance with the Act.
Elected Member	An elected representative of the local government.
Employee	A person employed by a local government in accordance with s 5.36 of the Act including the CEO, Divisional Chiefs, Divisional Executives, Business / Service Unit Heads, officers, casual and contract employees.
Enterprise Risk Management (ERM)	ERM provides for a comprehensive approach to identifying, assessing and treating risk based on the City's risk appetite within the context of its risk environment, and: • provides a consistent approach to managing risk • allows for a systematic risk management approach that guides decision making and resource allocation • assigns responsibility and accountability for managing risk • helps develop key performance indicators to measure implementation.
Event	Occurrence or change of a particular set of circumstances (AS ISO 31000).
(ExCo)	Executive Committee, comprising CEO, Divisional Chiefs and Divisional Executives.
Governance	The system by which an organisation is controlled and operates, and the mechanisms by which it and its people are held to account. Ethics, risk management, compliance and administration are all elements of governance (Governance Institute of Australia).
Integrated Planning and Reporting Framework (IPRF)	Introduced in 2010 as part of the State Government's Local Government Reform Program, IPRF aims to ensure integration of community priorities into strategic planning for local governments, as well as implementation of the objectives that have been set from these priorities. All local governments were required to have their first suite of IPR documents in place by 1 July 2013.
IT	Information technology.
Likelihood	Chance of something happening (AS ISO 31000).
OAG	Office of the Auditor General for Western Australia.
Reasonably Practicable	The definition set out by the Court of Appeal United Kingdom (in its judgment in *Edwards v. National Coal Board* [1949] 1 All ER 743) is: "*'Reasonably practicable' is a narrower term than 'physically possible' ... a computation must be made by the owner in which the quantum of risk is placed on one scale and the sacrifice involved in the measures necessary for averting the risk (whether in money, time or trouble) is placed in the other, and that, if it be shown that there is a gross disproportion between them – the risk being insignificant in relation to the sacrifice – the defendants discharge the onus on them.*"

Term	Definitions
Responsible Person	Accountable and responsible for ensuring the ongoing effectiveness of Controls in place to manage an existing risk.
Risk	The effect of uncertainty on objectives (AS ISO 31000). Risk is measured in terms of likelihood and consequence. Three (3) elements are required to be identified in order to define a risk: (i) **Objectives** – *what is the aim, goal purpose, or strategic position to be achieved?* (ii) **Uncertainty** – *what could prevent the objective from being realised?* (iii) **Effect** – *what will happen if the uncertainty realises itself? [It can be positive, negative or both, and can address, create or result in opportunities and threats].*
Risk Appetite	The amount and type of risk that an organisation is willing to pursue or retain. (ISO Guide 73:2009).
Risk Assessment	The overall process of risk identification, risk analysis and risk evaluation (ISO Guide 73:2009).
Risk Framework	The set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation (ISO Guide 73:2009). This document describes and forms part of the framework.
Risk, Inherent	The risk to an entity in the absence of any direct or focussed actions by management to alter its severity (COSO). This means the raw risk level where no controls, mitigating factors or treatment are in place, or if all controls in place were to fail (i.e., be ineffective) at the same time.
Risk Management	The coordinated activities to direct and control an organisation with regard to *risk* (AS ISO 31000). In consideration of the City's RMF, this means providing the necessary foundations and organisational arrangements for managing risk across the City.
Risk Management Framework (RMF)	This document: *City of Cockburn Enterprise Risk Management. Framework*.
Risk Monitoring	Continual checking, supervising, critically observing or determining the status in order to identify change from the performance level required or expected (ISO Guide 73:2009).
Risk Owner	Has accountability and authority to manage that risk and is typically the individual most impacted by the risk if it were to eventuate.
Risk, Operational	Risk that can occur while undertaking operational activities that may adversely impact on the achievement of the City's operational
Risk, Residual	Actual residual risk - The risk remaining after management has taken action to alter its severity (COSO). The remaining level of risk after implementing risk treatment measures.

7

Term	Definitions
Risk Review	Activity undertaken to determine the suitability, adequacy and effectiveness of the subject matter to achieve established objectives (ISO Guide 73:2009).
Risk Reporting	Form of communication intended to inform particular internal or external stakeholders (ISO Guide 73:2009).
Risk Source	Element which alone or in combination has the potential to give rise to risk (AS ISO 31000).
Risk, Strategic	Strategic risks reflect the internal and external forces capable of threatening the City's ability to achieve its business strategies or strategic objectives or affect its long-term positioning and performance.
RMSS (Risk Management and Safety System)	The City's online enterprise risk management software solution. A licensed enterprise risk information solution from Risk Management and Safety Systems Pty Ltd.
Senior Leadership Team (SLT)	City of Cockburn team comprising the Executive Committee and Business Unit Heads.
Stakeholder	Person or organization that can affect, be affected by, or perceive themselves to be affected by a decision or activity (AS ISO 31000).
Strategic Community Plan (SCP)	The *City of Cockburn Strategic Community Plan 2020-2030*. An overarching plan that provides direction for all activities that guides the development and provision of the City's projects, services and programs over a ten year period.
Risk Treatment	The process to modify risk (ISO Guide 73:2009). Risk treatment dealing with negative consequences are sometimes referred to as 'risk mitigation', risk elimination', 'risk prevention', and 'risk reduction'. Note that risk treatment may create new risks or modify existing risks.

2.3 Risk Appetite

The City's overall risk appetite is '*risk prudent*'. The City accepts the taking of controlled risks, the use of innovative approaches and the development of new opportunities to improve service delivery and achieve its objectives provided that the risks are properly identified, evaluated and managed to ensure that exposures are acceptable.

2.3.1 Occupational Safety and Health / Injury / Wellbeing

The safety of employees, contractors and the public is a priority for the City. Safe working practices are continually being improved and refined and is the City has no appetite for employees not following due process where their or others safety may be at risk.

The City seeks opportunities to develop a multi-skilled workforce that includes employees increasing their skills and knowledge as well as encouraging initiative and enthusiasm. Whilst these are considered positive aspects, the City has no appetite for employees performing duties for which they are not suitably qualified or trained or acting outside of

their delegated authority. Where legislative requirements allow and formal qualifications and training are not required to perform duties the City has a low tolerance but appropriate supervision and oversight of activities and outcomes must be in place.

The City has a low appetite for implementing practices and procedures that may result in large scale dissatisfaction within the workforce. The City will, within established guidelines and practices, consult with its workforce but does have a low tolerance for change that impacts its workforce when focused on delivering appropriate, effective and efficient outcomes.

2.3.2 Financial

There is a low appetite for activities that threaten the long term financial stability of the City. It is recognised however that sustainability will require investigation into enhancing and/or diversifying income streams so there is a moderate tolerance for discrete activities or projects that may provide additional income streams or enhance economic diversity.

The City's Investment of Funds policy stipulates a very low appetite for risk with financial investments, as is imposed by legislation. The low risk appetite is reflected by a focus on preserving capital and optimising liquidity and returns within a conservative, risk averse framework.

Effective management of projects is important to the City and consequently there is a low appetite for project cost or time overruns. Acknowledging that historical legacies, multiple external stakeholders and other complexities exist there is a moderate tolerance towards project cost and time overruns exists but appropriate reporting and escalation are to occur and lessons learnt from these are to be reviewed to prevent reoccurrence.

2.3.3 Service Delivery / Strategic Objectives

The City has no appetite for unplanned service disruptions to critical and core services, including contracted services, as defined by the City's business continuity management process. In reality there exists a low tolerance for disruption to core services which are to be addressed within recovery time objectives established in the City's business continuity plans.

To support service delivery across all City deliverables there is a low appetite for disruption to other supplementary services which may be relaxed to a moderate tolerance recognising that resources may need to be directed to continuity of critical and core services.

There is a very low appetite for IT systems failures, data loss or security breaches.

The City wishes to encourage innovation and therefore there is a high appetite for considering and implementing service level enhancements and efficiencies when aligned

9

with all other aspects of this risk appetite statement.

2.3.4 Environmental

There is no appetite for not fulfilling its obligations to the built and natural environment including management of contaminated sites, sensitive or high profile sites, waste services or the City's preparation, planning, response and recovery to hazards. The City recognises the multiple stakeholders and responsibilities involved in fulfilling the obligations and needs to accept a low tolerance to those environmental risks.

2.3.5 Reputational

The City has a low appetite for reputational risks that may result in substantiated complaints from the community and/or key stakeholders. It is recognised the City has diverse community and stakeholder needs and expectations and therefore accepts a low tolerance for complaints.

The City has a low appetite for sustained and substantiated negative media coverage. The City has no appetite for the provision of inaccurate qualified advice or unethical actions with a low tolerance for errors in unqualified advice or provision of information.

2.3.6 Compliance

The City has obligations both mandated and recommended through numerous statutory and regulatory requirements and the City has no appetite for non-compliance, breaches of legislation or regulatory requirements or non-reporting of breaches and non-compliance to appropriate authorities. The City also has no appetite or any tolerance for theft, fraud or misconduct by Elected Members or Officers.

There is recognition that the City must accept a very low tolerance for some non-compliance due to competing requirements, changing requirements or minor breaches from time to time. The City does have a moderate appetite to lead challenges to review obsolescent, restrictive and unnecessarily risk adverse legislation and requirements.

3 Risk Management Principles

The City's commitment to risk management principles is underpinned by the risk management principles outlined in AS ISO 31000 and illustrated in *Figure 3* below:
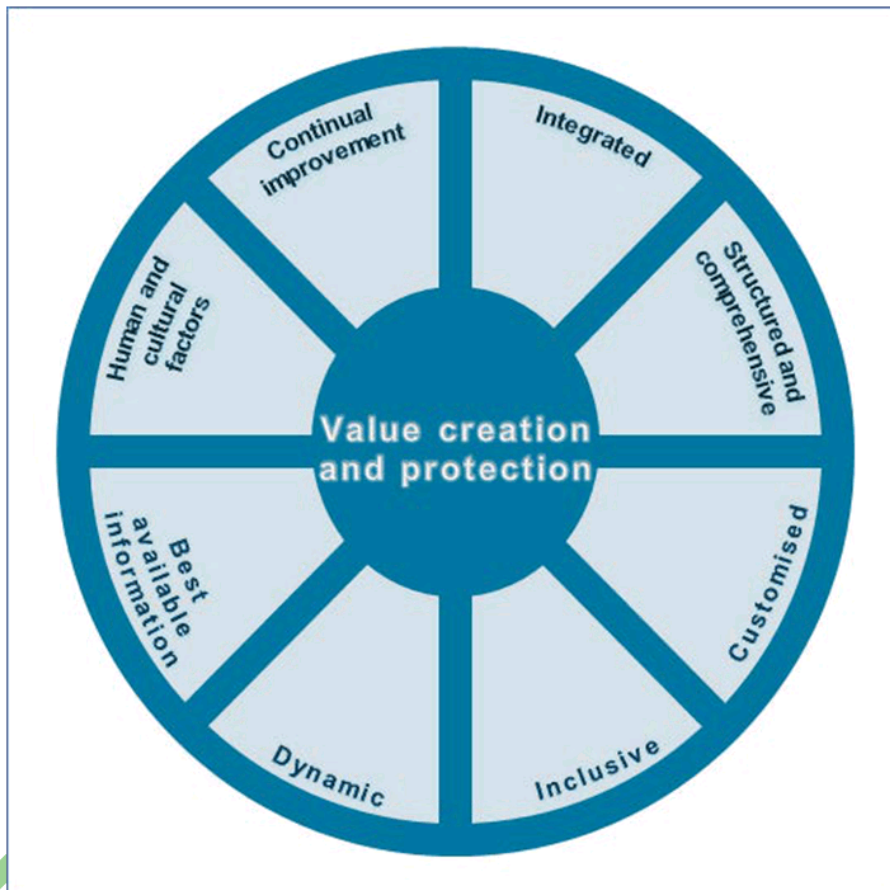

Figure 3: Risk management principles (adapted from AS ISO 31000)

3.1   Integrated

Risk management is integrated in accordance with the City's Policy, requiring the City to '…*develop and maintain a risk management program to ensure that sound risk management practices and procedures are fully integrated into its strategic and operational processes and day to day business practices.*'

3.2   Structured and comprehensive

Managing risk at the City is established upon a structured and comprehensive approach.

11

The City is committed to a systematic and timely process to identify, assess and monitor strategic, operational and emerging risks and appropriately report the management of this process. Internal controls, described in section 5.4 adequately support the management of risk and compliance with regulations form the risk assurance for this process.

3.3 Customised

The City's risk management system is linked to its objectives - customised to fit the City's context. It guides staff to effectively manage risk, making it part of day-to-day decision-making and business practices. It is a seamless part of the City's goals and objectives in delivering good governance to the community. The system is supported by the City's online enterprise risk management software solution RMSS.

3.4 Inclusive

The City' risk management system is informed by the knowledge, views and perceptions of appropriate stakeholders for transparency and better informed decision-making.

3.5 Dynamic

The City' risk management system adapts to internal and external changes, such as emerging strategic risks, detecting, anticipating, adapting and responding to those changes and events in an appropriate and timely manner.

3.6 Best available information

The City's risk management system accounts for any limitations and uncertainties, with the City being committed to ensuring that risk management is based on historical and valid information, as well as future information that would be reasonably foreseeable.

3.7 Human and cultural factors

Human and financial resources have been adequately allocated to manage the City's risk. Position descriptions direct employees to be responsible for managing risk. Supporting the risk management business model is the risk culture - a sub-set of the City's culture: – the City's risk management behaviour best described as '*the way things are done at the City*'.

Risk culture supports governance, stakeholder confidence, trust and compliance with statutory requirements to improve the control environment, operational effectiveness and efficiency and identification of opportunities and threats. The City's organisational culture comprises behaviours, values and beliefs that are shared by the City employees.

The City's values encourage a risk culture where understanding, managing and calculating a prudent level of risk is part of the everyday decision-making process, supported by:

(i) Leadership, which is articulated in the Policy;

(ii) Communicating the benefits of risk management; and

(iii) Integrating risk management with other business processes and systems so the task of managing risk is not regarded as an additional burden.

Key risk performance indicators to measure the City's transparent approach to mature risk management - are listed in *Table 2* below.

3.8   Continual improvement

The City's RMF is dynamic with opportunities for improvement identified through regular audits and industry based communications and information exchanges.

Table 2: Risk management indicators

Indicators	Measurement
Culture	
• Management is committed to risk management • Employees' contributions to risk management are valued • Practices and values are linked to risk management.	• Risk management included in Job descriptions • Risk management is linked to values and *City of Cockburn Code of Conduct for Employees* • Risk management is included in recognition and reward programs • All staff is aware of organisation's approach to risk management and the risk management format has been documented.
Risk Governance & Accountability	
• Risk governance is aligned to the *City of Cockburn Corporate Governance Framework* • The endorsed *City of Cockburn Risk Management Policy* is accessible to all staff • Executive and Audit Committee regularly receive, consider and discuss risk management reports • There is a process to support risk management attestation • There is a robust process for ensuring legal and regulatory compliance requirements are met • Roles and responsibilities for risk management are clearly defined at all levels of the organisation.	• RMF documented, approved & accessible to staff • Risk reports distributed and reviewed • Organisational wide approach to legal and regulatory compliance framework documented and accessible to staff • Risk roles and responsibilities documented • Risk meeting agendas and minutes recorded and maintained • Compliance Audit Returns correctly completed and timely submitted to DLGSC.

13

Indicators	Measurement
Resource & Planning	
• There are human resources to support risk management system and processes • Tools and templates are used to support risk management processes and assessments.	• Organisational wide Risk Management Policy • Risk management capabilities and training provided • Risk management skills gap addressed; • Organisational wide risk tools and templates are used • Organisational wide risk management plans documented, approved and accessible to all staff • Risk information system available and accessible to nominated staff • User software training made available to nominated staff.
Process	
• There are processes to ensure communication and consultation with internal and external stakeholder groups takes place during each activity of the risk management process • Risk appetite and tolerances has been agreed and is clearly understood • The external and internal context to be considered by staff is clearly defined • A risk rating criteria is clearly defined and risks are consistently documented and the effectiveness of existing controls is used to determine the estimated level of risk • Risks are consistently identified and by staff with the required knowledge and skills using an agree risk register format • There is a process in place to respond to incidents, near misses, incidents, hazards and complaints • Risks are assessed to determine tolerability & priorities for risk treatment. Risk treatment plans are prepared, implemented and monitored.	• Risk management guideline • Organisation wide risk appetite and tolerance has been documented, approved and available to all staff • Documented evidence of risk management forms part of the strategic and operational objectives that specifically takes into account risks which may impact the organisation • A defined risk criterion is available and consistently applied • The risk methodology is endorsed and available to all staff • Risk has been linked to agreed categories which have been documented and reviewed • System in place for near misses • Risk escalation processed established, clear and complied • Risk has been linked to agreed categories which have been documented and reviewed.
Assurance	
• Control owners assigned, & layered approach to risk controls • Control effectiveness considered within risk acceptance decision • Alignment with audit and assurance programs / activities. The internal validation and assurance activities are aligned to the risk profile.	• There is a clear, documented link between the validation and assurance program • The validation and assurance program incorporates data analytics such as dashboard reporting, measurements against targets • Assurance mapping.

14

4 Risk Management Framework

The City's commitment to a risk management framework is aligned with the risk management framework outlined in AS ISO 31000 and illustrated in *Figure 4* below:

Figure 4: Risk management framework (adapted from AS ISO 31000)

4.1 Leadership and Commitment

The City's leadership and commitment to a risk management framework is put into practice by embedding risk management resources within all Divisions across all functions. This commitment is demonstrated by the responsibility for risk management outlined in the City's Risk Management Accountability Structure in *Table 3* below.

15

Table 3: Risk management accountability structure

Role	Responsibilities
Council	Council's responsibilities are to: • Adopt a Risk Management Policy that complies with the requirements of AS ISO 31000 and to review and amend Risk Management the Policy in a timely manner and/or as required • Adopt the RMF for the Council • Be satisfied that risks are identified, managed & controlled appropriately to achieve Council's Strategic Objectives • Appoint and resource the A&SFC • Provide adequate budgetary provision for the financing of risk management including approved risk mitigation activities • Review Council's risk appetite.
Audit and Strategic Finance Committee (A&SFC)	On behalf of Council, the purpose of the A&SFC is to oversee that the City carries out its responsibilities for accountable financial management, good corporate governance, fostering an ethical environment and maintains a system of internal control and risk management. The A&SFC has been constituted to monitor and report on the systems and activities of the City in ensuring: • Reliable financial reporting and management information • High standards of corporate governance • Appropriate application of accounting policies • Compliance with applicable laws and regulations • Effective monitoring and control of all identified risks • Effective and efficient internal and external audit functions • Measures to provide early warning of any issues affecting the organisation's financial well-being • The level and effectiveness of appropriate Crisis Management, Business Continuity and Disaster Recovery planning • Maintenance and fostering an ethical environment.
CEO	• The CEO is accountable for the implementation and maintenance of risk management policies and processes across the organisation • The CEO is responsible for ensuring that strategic risks are regularly reviewed • The CEO is responsible for raising awareness and leading the culture of managing risk responsibly across the organisation.
Executive Committee (ExCo)	Promote and champion a strong risk management culture by linking and embedding risk management, and maintaining organisational risk focus across the City: • Manage and monitor the strategic risks • Ensure that an effective risk control environment is implemented and maintained • Ensure that risks are considered and integrated into corporate and business planning processes • Participate in the review and updating of the organisation's strategic risk profiles • Ensure that accountabilities for managing risks are clearly defined.

16

The City's Executive Committee has adopted the 'Four Lines of Defence' 2019 model promoted by the Office of the Auditor General (OAG) as the mechanism to provide assurance of effective risk management. This model, illustrated in *Figure 5* below, ensures roles, responsibilities and accountabilities for decision making are structured to demonstrate effective governance and assurance. By operating within the approved risk appetite and framework, all stakeholders will have assurance that risks are managed effectively to support the delivery of the Strategic, Corporate and Operational plans.
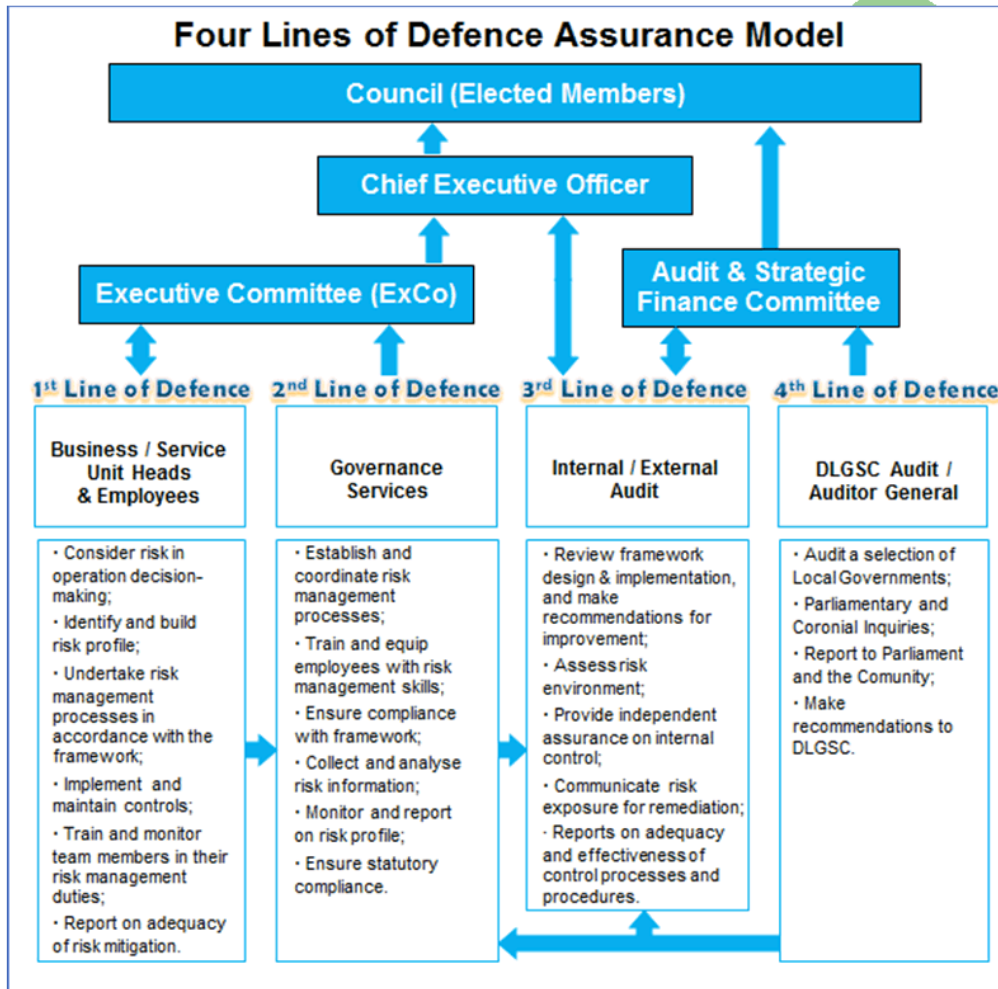

Four Lines of Defence Assurance Model

Council (Elected Members)

Chief Executive Officer

Executive Committee (ExCo)

Audit & Strategic Finance Committee

1st Line of Defence	2nd Line of Defence	3rd Line of Defence	4th Line of Defence
Business / Service Unit Heads & Employees	**Governance Services**	**Internal / External Audit**	**DLGSC Audit / Auditor General**
· Consider risk in operation decision-making; · Identify and build risk profile; · Undertake risk management processes in accordance with the framework; · Implement and maintain controls; · Train and monitor team members in their risk management duties; · Report on adequacy of risk mitigation.	· Establish and coordinate risk management processes; · Train and equip employees with risk management skills; · Ensure compliance with framework; · Collect and analyse risk information; · Monitor and report on risk profile; · Ensure statutory compliance.	· Review framework design & implementation, and make recommendations for improvement; · Assess risk environment; · Provide independent assurance on internal control; · Communicate risk exposure for remediation; · Reports on adequacy and effectiveness of control processes and procedures.	· Audit a selection of Local Governments; · Parliamentary and Coronial Inquiries; · Report to Parliament and the Comunity; · Make recommendations to DLGSC.

Figure 5: Office of Auditor General '*Four Lines of Defence*' assurance model

4.1.1 First Line of Defence – Business / Service Unit Heads & Employees

Each Division, Business / Service Unit is responsible for the ownership and management of their risks. Business / Service Unit Heads, Managers, Coordinators and Team Leaders

17

are the first line of assurance for risk management in the organisation and fundamental to its effectiveness through the practical performance of risk activities.

1st Line of defence key activities

- promote guide and encourage team members to participate in risk management, and establish and implement appropriate risk management processes and controls for the management of risk through the business area's systems and processes
- undertake adequate analysis (data capture) to support the decisions on risk matters
- prepare risk acceptance proposals where necessary, based on level of residual risk
- retain primary accountability for the ongoing management of their risk and control environment.

4.1.2 Second Line of Defence – Governance Services

Governance Services is responsible for the design and implementation of the framework, risk procedures and risk compliance in the organisation.

2nd Line of defence key activities

- provide independent assurance and transparency of risk matters as required;
- train and support employees with risk management skills
- manage and monitor compliance with this RMF
- prepare risk acceptance proposals where necessary, based on level of residual risk
- co-ordinate the City's risk reporting for the Executive Committee and A&SFC.

4.1.3 Third Line of Defence – Internal / External Audit

Internal / External Audit comprise the third line of defence, providing independent assurance to Council and A&SFC on the effectiveness of business operations and oversight the frameworks (1st and 2nd Lines), as follows:

- **Internal Audit** – the 3 year *City of Cockburn Strategic Internal Audit Plan 2019 – 2020* (with extension to 2022 (the internal audit plan) is overseen by Governance Services. The internal audit plan is developed with consideration to the strategic and operational business risk profile. The internal audit program is designed as a rolling three year plan based on risk against which Governance Services prepares audit reports for the A&SFC's consideration. These audit reports also include, where applicable, management responses, accountabilities and timelines for corrective actions. This plan shall detail the nature and timing of reports to be presented to the A&SFC and to Council and will reflect the priorities and functions of the A&SFC as detailed in their Terms

of Reference
- **External Audit** - External audit is now an OAG responsibility and either completed by them or sub-contracted to audit firm, for example KPMG3[rd] Line of defence key activities
- provide an independent assessment of the organisation's compliance with the City's legislative requirements, and the risk management framework and processes
- audit and assess specific areas as determined by the 3 year Internal Audit plan
- provide recommendations for continual improvement of the framework design, internal controls and processes.

4.1.4 *Fourth Line of Defence – Department of Local Government Sport and Cultural Industries Audit / Auditor General*

External performance and focus audits may be undertaken by the OAG, DLGSC or other parliamentary enquiries. The purpose of these audits is to ensure regulatory compliance, establish better practices and assess the City's level of integrity and data security.

The external audit reports are presented to parliament and the community. They are a helpful information tool for local governments to stay abreast with changes, expectations and improved methods of risk management.

This 4th Line of Defence provides both the leadership and the community with assurance that the City is operating with excellence, honesty and integrity.

4.2 Integration

Risk management resources and planning are embedded within existing processes and operates on a number of levels. A summary of our integrated approach to resources and planning, depicting the components that make up the City's Integrated Planning and Reporting Framework (IPRF, is illustrated in *Figure 6* below).

The City's IPRF, as the primary source of guidance for the organisation, provides context to which the risk management process operates. The IPRF is designed to strengthen the linkages between community aspirations, financial capacity and practical service delivery.

The City's risk management approach is embedded into this planning process and assists in the delivery of community needs in a sustainable manner. This planning process operates on a cyclical basis and provides opportunities to undertake analysis of emerging, known or unknown risks that may impact on the purpose and objectives of the City.

19

Elements of Integrated Planning and Reporting Framework (IPRF)
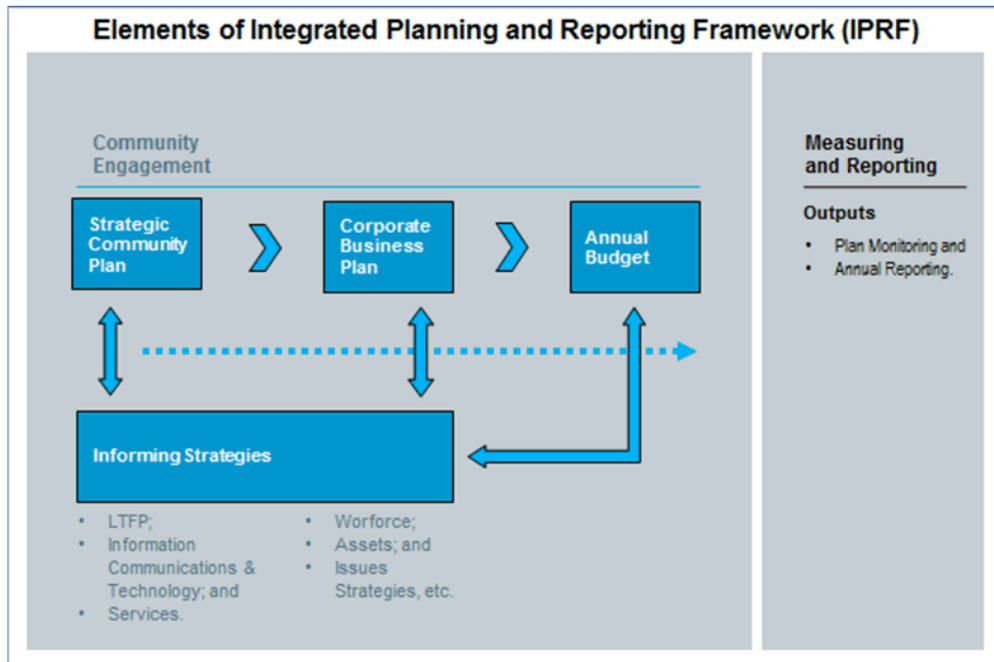
Figure 6: The City's Integrated Planning and Reporting Framework (IPRF)

The City is required to perform a biennial review of the IPRF elements. The review is designed to test and ratify the City's strategic direction, based on community needs. This provides the mandate to ensure the City's risk approach is also reviewed, in line with the legislative requirements of risk management.

4.3 Design

Our risk management accountability framework is aligned to our existing accountability requirements and summarised in the City's Risk Management Accountability Structure provided in *Table 3* earlier, which outlines the roles and responsibilities in relation to risk management.

Our approach to enterprise risk management is aligned to our strategic and business planning framework, as shown in *Figure 7* below.

Strategic risks are overseen by the Executive Committee and operational risks are identified and monitored as part of our annual business planning cycle.

Our risk register is enabled by RMSS risk management software solution. Our maturity and performance can be measured against our integrated risk management performance indicators.
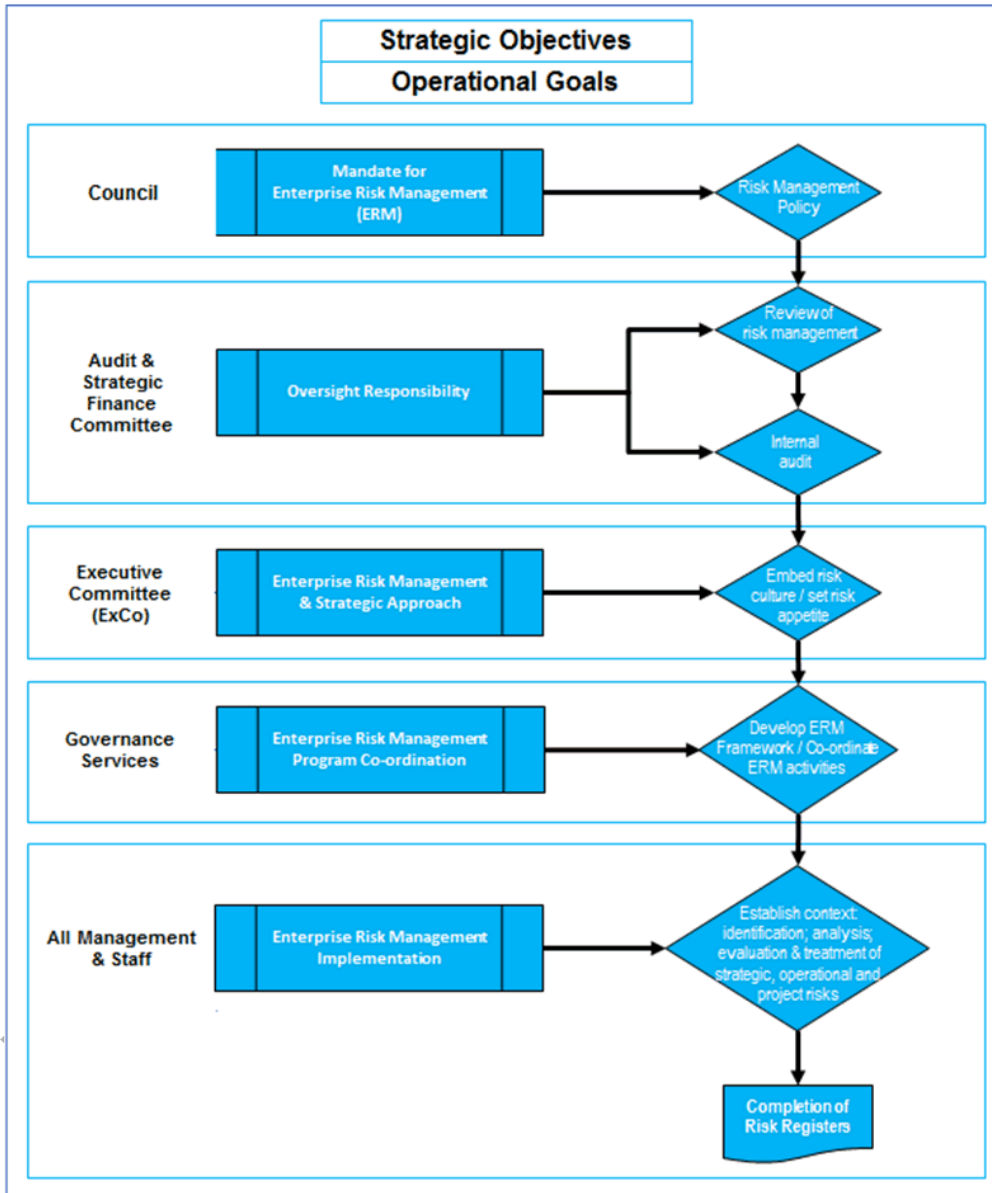
Figure 7: City's risk management process alignment with strategic and business planning frameworks

4.4 Implementation

The City has clarified roles, responsibilities, accountabilities and delegations at all levels.

The City's RMF is to be embedded through a number of communication, training and support systems.

To ensure that adequate risk management competency levels are achieved and maintained, the City provides regular training courses in the risk management process and its application in the City.

Specific risk management training sessions will be held on an annual basis, aimed at providing an overview of the RMF. The training will be provided by the Risk and Governance Advisor. Additional ad-hoc training will be provided as required.

This training is designed to increase the knowledge and awareness of staff and management in a number of risk management topics including:

(i)   Risk management principles and process;
(ii) Fraud and misconduct awareness;
(iii) Environmental management;
(iv) Events management; and
(v) Business Continuity and Crisis Management.

Instruments providing training on appropriate controls include job descriptions, inductions, policies, procedures, terms of reference, performance planning and review programs, contracts and delegations.

4.5 Evaluation

The RMF has been evaluated through external reviews and audits to be mature and appropriate for the City's operations and activities. This evaluation is supported by the Risk Management Action Plan detailed in *Table 4* below:

Table 4: Risk management action plan

Action	Description	Responsibility	Timing
Strategic Risk Management Review	Strategic risk workshops with the key deliverable of a strategic risk register for the City, to identify high level key strategic risks associated with the City's external environment, stakeholders, strategic direction and systemic organisational issues.	Executive Committee (coordinated by Governance Services)	Every 4 years in conjunction with the SCP review
Risk Maturity Review	Maturity review to measure and test Risk Management culture, and assesse appropriateness and effectiveness of the City's systems and procedures in	Executive Committee, Business / Service Unit Heads & All	Biennially

22

Action	Description	Responsibility	Timing
	relation to: • risk management • internal controls • legislative compliance.	Managers (coordinated by Governance Services)	
Review Risk Management Policy	Review the currency and effectiveness of Council's Risk Management Policy.	Council to adopt (review to be coordinated by Governance Services)	Biennially – presented to Delegated Authorities and Policies (DAP) Committee
Review Risk Management Framework	Review the currency and effectiveness of Council's RMF.	Council to adopt (review to be coordinated by Governance Services)	Biennially
Build robust contingency services to ensure the protection of Council assets and services	Annual test and review of Council Business Continuity & Crisis Management Program.	Governance Services	Annually
Review Operational Risk Registers	Review risks and controls contained in Council's corporate risk register and identify new or emerging risks.	All Managers (risk owners) to complete review (review to be facilitated by Governance Services)	Annually – presented to A&SFC
Risk Controls Assurance Review	Targeted control review to rate and confirm the effectiveness for controls contained in the operational risk register.	Governance Services	Annually – presented to the November Executive Committee Meeting
Include risk treatment plans in Operational Plan	Ensure that actions required by risk treatment plans are incorporated into the Operational Plan.	All Managers	Every year in conjunction with Operational Plan development/ review
Implement risk treatment plans in operational decisions	Implement actions contained in risk treatment plans.	Risk Owners	As identified in the risk treatment plans
Risk assessments for projects/initiatives in accordance with the project methodology	Conduct risk assessments as required for new or altered activities, processes or events.	Relevant Manager/ Risk Owner/ Project	Prior to deciding to proceed with new project/

Action	Description	Responsibility	Timing
		Manager/Team	initiative
Risk Status Report	Identify and review, by exception, any risk issues arising from the Quarterly risk register review and the current status of key risks (high & extreme), risk treatment plans, incidents and other relevant issues.	Executive Committee (coordinated by Governance Services)	Quarterly report to the A&SFC
Annual Report	Detail risk management activities undertaken during the previous year and any relevant risk management issues.	Governance Services	Annually
Operational Plan	Identify key risks that may impact on objectives as well as strategies and controls in place (or proposed) to manage those risks.	Managers/Risk Owners (overseen by Governance Services)	Annually
Staff Performance Review	Ensure risk management performance of managers is assessed on a regular basis.	Manager, Human Resources	Annually
Communication	Ensure staff are aware of relevant risk management issues and have access to risk management tools.	Governance Services	Ongoing

4.6 Improvement

The RMF has been developed to suit the requirements of the City and as such it is continually reviewed. The Revision process is biennial unless circumstances change which dictate more frequent reviews.

5 Risk Management Process

The City's risk management process involves the systematic application of the City's Policy and RMF as outlined in AS ISO 31000 and illustrated in *Figure 8* below:
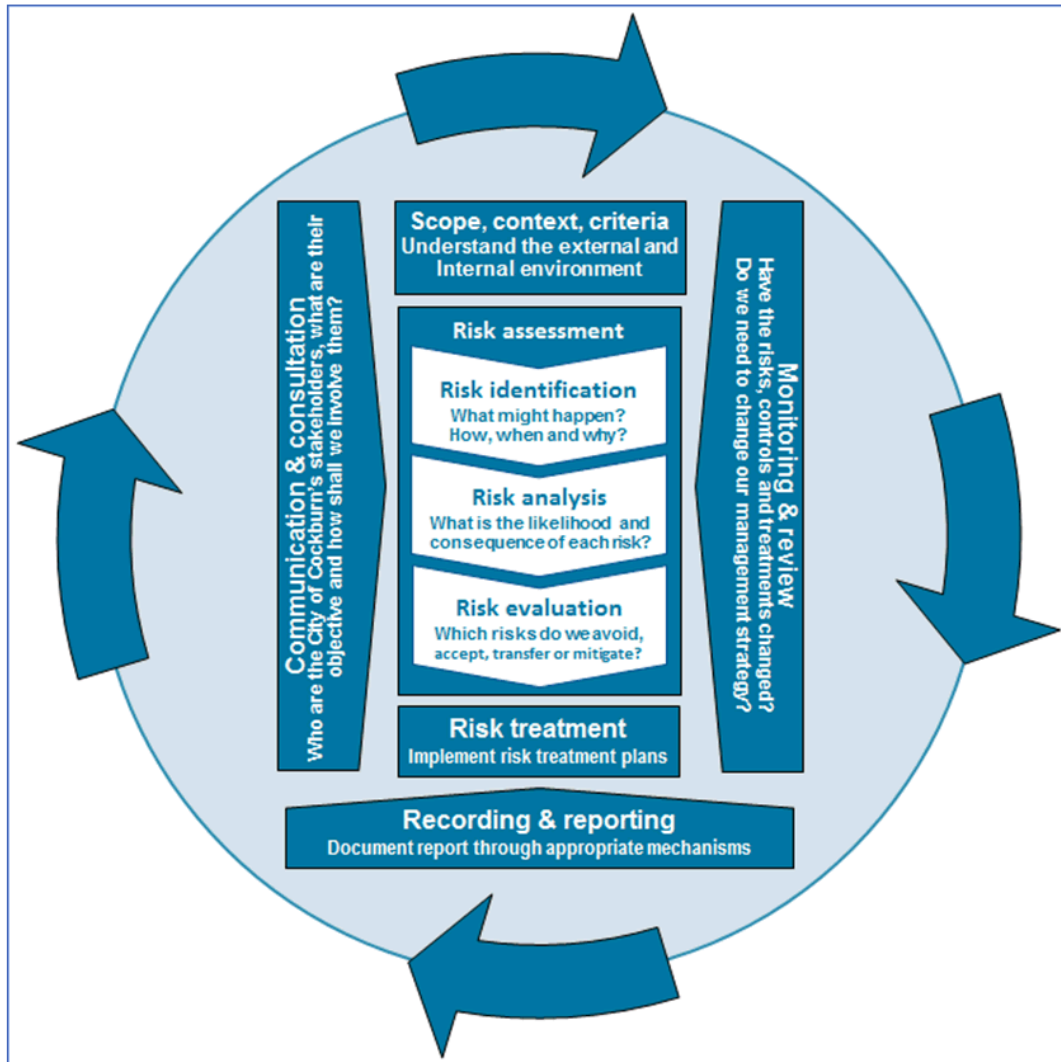

Figure 8: Risk management process (adapted from AS ISO 31000)

5.1 Risk Management Process Outline

The City's risk management decisions are based on the ISO 31000 approach: assessments are conducted in a structured consistent manner, and common language is used and understood throughout the organisation, as summarised in *Table 5* below:

25

Table 5: City's risk management process and its alignment with AS ISO 31000

Process Step		Description	Purpose
Communication and Consultation		Involving stakeholders (internal and external) and information sharing throughout the risk management process, across the City.	• Context is appropriately defined • Staff that are involved throughout the risk process understand the basis for decisions and actions required; and • Lessons learnt are shared and transferred to those who can benefit from them.
Establish Context (Explained further in section 5.2).		Understanding the City's objectives and defining the external and internal environment within which the City operates.	• Understand the critical success factors influencing the ability to achieve objectives • Consider the City's risk appetite • Determine boundaries within which the RMF operates using the City's Risk Assessment & Acceptance Criteria detailed in *Appendix 1*.
Risk Identification	Risk Assessment	Identifying risks, its sources, causes and potential consequences. Protocols for risk description are explained in section 5.3.	• Refer to the City's Risk Assessment & Acceptance Criteria to ensure risks are assessed in a consistent manner • Generate a comprehensive list of threats and opportunities based on the critical success factors that might enhance, prevent, degrade, accelerate or delay the achievement of set objectives • Enter into risk register.
Risk Analysis		Comprehending the nature of the risk and determining the level of risk exposure (likelihood and consequence). Identify existing controls (explained further in section 5.4.	• Provide an understanding of the residual (level of exposure should controls fail) and controlled risk (level of exposure with controls in effect); • Utilise the City's measures of existing controls in identifying ineffective controls • Determine relevant consequence categories to rate the residual risk • Combine the measures of consequence and likelihood to determine the level of risk.
Risk Evaluation		Comparing the risk analysis with the risk criteria to determine whether the risk is acceptable or tolerable.	• Determine whether the controlled risk aligns with the City's risk appetite; • Determine if controlled risks need further treatment • Identify priority order in which these risks should be treated • Consider the City's risk tolerance, e.g., ALARP?

26

Process Step	Description	Purpose
Risk Treatment (Explained further in section 5.5).	• Selecting one or more options for treating the risk • Reassessing the level of risks with controls and treatments in place (residual risk).	• Identify treatments for risks that fall outside the City's risk appetite • Provide an understanding of the residual risk (level of risk with controls and treatments in place) • Identify priority order in which individual risks should be treated, monitored and reviewed in line with the City's Risk Assessment & Acceptance Criteria.
Monitoring and Review	• Determining whether the risk profile has changed and whether new risks have emerged • Checking control effectiveness and progress of the treatment plans.	• Identifying emerging risks • Provide feedback on control effectiveness • Identify whether any further treatment is required • Provide a basis to reassess risk priorities • Capture lessons learnt from event failures, near - misses and success • Monitor risk controls and actions through RMSS.

5.2 Establishing the Risk Management Context

The context for consistent practice of risk definition, identification and management in the City is shown in *Table 6* below.

Table 6: Scope, context and criteria for the City's risk management process

Plans	Risk Definitions	Accountability
Strategic Community Plan The Strategic Community Plan (SCP) articulates the long term strategic direction and guides the City's planning process. It outlines the communities' aspirations and vision as well as identifying the strategies that the City is intending to implement to achieve its objectives. The SCP describes the vision and strategic objectives of the elected Council. In determining the strategic risk profile the City will have to collect information through environmental scanning, which is broad enough to include a range of trends, influences and time	**Strategic Risks** • Identified through analysis of both the SCP and Corporate Business Plan (CBP) and what can impede the organisation from delivering on strategic objectives as well as reviewing past performance and risks to determine future challenges and new priorities • Risks usually identified from the external environment, that affect the decisions made around organisational priorities, resource allocation, tolerance and acceptance of risk • Strategic risks are the risks that will prevent the City from meeting the objectives outlined in the SCP • They are the risks of most concern to the City and therefore require direct attention by the CEO.	Executive Committee

27

Plans	Risk Definitions	Accountability
horizons. They are usually identified through analysis of environmental factors, stakeholder expectations and strategy development and will likely have a material impact on the City's ability to achieve its mandate and strategic objectives.		
Business / Service Unit Operational Plans Annual plans that identify the Unit's key accountabilities in implementing the City's strategic plan, key strategies and targets. Plans are developed through a process of environmental scanning and reviewing past performance and risks to determine upcoming challenges and new priorities.	**Operational Risks** Risks or opportunities that may affect achieving the objectives of the planned Business / Service Unit outcomes of performance, identified through Business / Service Unit Plans, Specific Purpose Plans, programs of change, or hazard assessments. These risks usually stem from inadequate or failed internal processes, people and systems.	Business / Service Unit Heads
Program Plans Plans for implementing business strategies, policies and initiatives, or large-scale change, to achieve a desired outcome and benefits of strategic importance.	Operational risks are linked to the Business Plan objectives and take into consideration risks which will prevent Departments from delivering their annual business plans and ongoing services to the community.	Business / Service Unit Leader
Safety Management System The City's systematic approach to managing safety, including organisational structures, accountabilities, policies and procedures. Officers (persons conducting a business or undertaking) are responsible for protecting workers and other persons against harm to health, safety and welfare through the elimination or minimisation of risks arising from work or from particular types of substances or plant.	Each Department is required to undertake a risk assessment in accordance with this RMF to determine the risks in meeting its delegated statutory obligations and stated objectives. This process is incorporated into the business planning process. Operational risk predominantly relates to critical services and functional business processes that support the City's service delivery objectives. This risk type takes a horizontal perspective of risk across the City. Safety risks can cause harm or adverse effects (to individuals as health effects or to the City as property or equipment losses).	All Staff

28

Plans	Risk Definitions	Accountability
Project Plans Formal, approved documents used to guide both project execution and project control.	**Project Risks** Uncertain events or set of circumstances that, should they occur, will have an effect on the achievement of one or more project objectives. Project and program risk refers to the risks unique to a specific project/program. The City regularly undertakes significant projects and programs, management of which should be consistent with the City's project management methodology. Projects and programs should maintain a risk register(s) and regularly report risks to the project/program sponsor/s or steering committee. Any substantial risk that is strategic in nature should also be incorporated in the Operational risk register to ensure visibility across the enterprise.	PMO, Project Team/Manager
Specific Risk Functions Fraud and corruption - Refer to the Fraud and corruption prevention policy and framework.	Fraud and corruption risk management is an important subset of the City's overall risk management framework. The City and constituent business areas are required to conduct a fraud risk assessment on a regular basis, in doing so; the assessment should be consistent with the process prescribed in the framework. Correspondingly, provision for fraud risk has been integrated into the City risk register to enhance fraud and corruption reporting.	All service units with support from other units and external agencies
Business continuity management -. Refer to the Crisis Management and Business Continuity Plans.	Some risks are unavoidable and the City is unable to completely manage or avoid these, e.g. natural disasters. A key strategic risk for the City and its business areas is the inability to remain operational and continue delivering Council services. In these instances, the only action that can be taken is the preparation of contingency plans for business continuity. Business continuity management is a key mitigating factor as it increases the department's resilience in, response to and recovery from	

29

Plans	Risk Definitions	Accountability
Local Emergency Management Plans Series of plans that identify hazards, risks and their mitigation, response to and recovery from emergency events (Local Emergency Management Arrangements - LEMA). Detailed plans for response and recovery are linked to the District & State Emergency Management Plans.	events that may disrupt business services and operations Emergency Management Hazards/Risks & Public Hazards Risks and hazards which: • Would pose a threat to life, property or the environment • Would require a large scale emergency response • Would require support / action from the City • Would require Recovery strategies to be adopted to return the community to normal.	

30

5.3 Risk Identification

To ensure consistency in the risk identification approach, all risks identified throughout the City, should be recorded according to the following protocol:

- **Risk name** – succinct newspaper-type '*headline*'
- **Risk description** - brief description of the uncertainty / unwanted event / potential threat / opportunity. These are usually prefaced with – '*Loss of…*'; '*Lack of…*'; '*Failure of…*'; ' *Inability to…*'; '*Disruption of…*'; '*Inability to…*'
- **Cause** - drivers or triggers that may lead to the realisation of the risk / uncertainty
- **Result** - consequences that may arise from the risk / uncertainty materialising.

5.4 Controls

The measure of an organisation's corporate governance is reflected by the integrity of its internal controls, which provide the necessary checks and balances. Internal controls are the processes that the City has implemented to ensure operations and service delivery are performed within statutory requirements, adding value to the community and providing the steering mechanism to embed the City's values and moral code.

The goals of the City's internal controls include:

- **Statutory compliance** - internal controls are put in place to ensure compliance with the Act (and any other legislation), Council and other policies, standards and any codes of practice applying to local government.
- **Safeguarding assets and projects** – internal controls assist in asset management and project management, preventing asset loss due to mismanagement, mistakes or fraud.
- **Minimising errors** – human beings invariably make mistakes, and internal controls ensure that financial information is carefully reviewed to reduce errors
- **Promoting efficiency** – while arguably internal controls may add time for a task (which may in itself lower efficiency), internal controls can also prevent errors which in the long term *improves* efficiency overall
- **Minimising risk** – internal control processes may include audits and regular risk assessments to find areas where inaccuracies or problems occur, thus providing opportunities for improvement.

The pathway to determine if process controls exist is illustrated in *Figure 9* below:
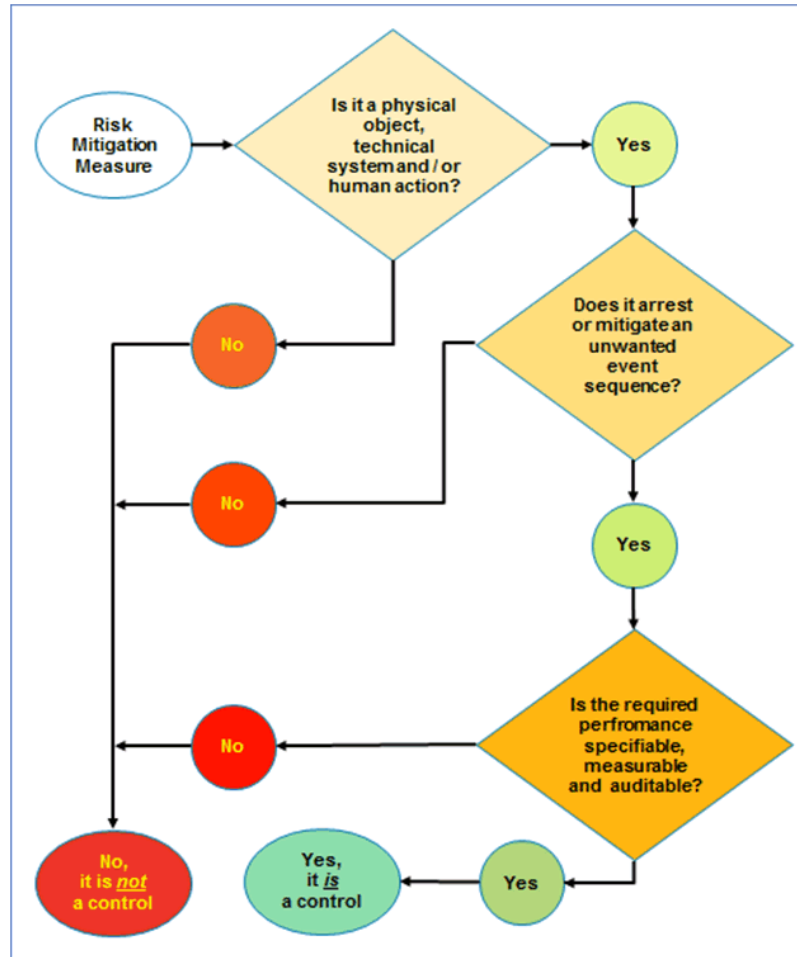
31

Figure 9: Pathway to determine if risk controls exist

To meet these goals the City has implemented a number of controls described below:

5.4.1 Directive controls

- controls *designed to establish desired outcomes and encourage desirable events to occur* – can reduce both the likelihood and impact of the risk
- controls apply at the beginning and establish the business environment and processes required for operations and service delivery, and include, but are not limited to:
  - statutory requirements
  - standards and codes of practice
  - corporate processes, i.e., policies, procedures and work instructions.

32

5.4.2 Preventative controls

- controls *designed to limit likelihood of undesired event and prevent errors, loss or irregularities*
- controls apply at the beginning of a risk's life or at near the root causes, as a barrier to 'nip (the risk) in the bud' – as such, they modify the likelihood of the risk of fraud and mistakes from occurring in the first place, and include, but are not limited to:
  - pre-employment police checks
  - segregation of duties amongst different employees to reduce inappropriate action
  - organisation spending limits and authorities.

5.4.3 Detective controls

- controls *designed to limit consequence of undesired event, providing evidence after-the fact to implement corrective action - do not prevent an occurrence*
- controls apply somewhere in the middle of the risk's life and rely on analysis of information in order to detect that an undesirable event is 'in motion' and has not been caught by preventative controls
- controls that are 'earlier' in the risk's life usually help to modify the *likelihood* of the risk, while those that are 'later' in the risk's life usually help to modify the *consequence* of the risk, and include, but are not limited to:
  - exception reports listing invalid entries or transactions for evidence of wilful misconduct – data reconciliation of bank transactions
  - bank reconciliation
  - audits, inventories stocktake and quality assurance checks like checking for consistency in assessments.

5.4.4 Corrective and reactive controls

- controls *designed to keep focus on undesirable conditions until corrected – may assist processes to prevent recurrence of the undesirable event*
- controls towards the end of a risk's life when the consequence of the risk is imminent / being felt and are implemented to modify a risk's impact or to restore normality after the occurrence of an undesirable event, and include, but are not limited to:
  - journal reports of entries after discovering an error
  - changing IT profile (security access / password) if employee's role changes, or exits from the organisation
  - complaints procedures.

5.4.5 Recovery controls

- controls *designed to assist mitigate damage once undesired event has*

33

materialised

- controls apply when consequences of an unwanted event are felt and being evaluated for proposed counter measures, and include, but are not limited to:
  - o IT disaster recovery plan
  - o business continuity plan
  - o crisis and media management plans.

5.4.6 Automated controls

- controls *designed for no human interaction but still require human intervention to check that the control is working*
- controls at the beginning, as a condition for the process required for operations and service delivery, and include, but are not limited to:
  - o data backups from current systems
  - o IT access permissions
  - o system password updates requirements.

The above types of internal control and examples are summarised in *Table 7* below.

Table 7: Examples of corporate governance controls in place at the City

Directive	Preventative	Detective	Corrective	Recovery	Automated
Statutory requirements	Pre-employment police checks	Exception reports	Journal reports of errors	IT Disaster recovery plan	Data backups from current system
Standards and codes of practice	Segregation of duties	Bank reconciliation	Changing IT profiles	Business continuity plan	IT access permissions
Corporate processes - policies, procedures and work instructions	Organisation spending limits and authorities	Audits and inventories stocktakes	Complaint procedure	Store backups offsite	System password update requirements
Position descriptions	Approval, authorisations	Access log and alert system	Store documents and IT backups in protected environment	Insurance	Pre-set spending limits
Training and supervision	IT access authorisations	Security cameras	Procedure review and change	Crisis and media management plans	Emergency shutdown or fail-safe mechanisms
IT configuration standards	Passwords				System delegations

5.5 Treatment

Risks falling outside the City's risk appetite need treatment options identified which may improve existing controls based on:

- cost versus benefit
- ease of implementation
- alignment to organisational values and objectives.

The above criteria may involve one or more of the following actions:

- avoiding the risk by not starting or continuing the activity giving rise to that risk
- taking or increasing the risk in order to pursue an opportunity
- removing the risk source
- changing the likelihood
- changing the consequences
- sharing the risk (e.g., through contracts, buying insurance)
- retaining the risk by informed decision.

A treatment assigned to a risk needs to be treated like a project – there is a beginning, implementation phase and an end. Like a project, a treatment needs:

- timeframes
- human resources allocation
- financial resources allocation
- performance measures
- key performance indicators.

There are two categories of treatment:

- the first category is one where there is a start and an end, but the treatment does not become a control itself
- the second category of treatment involves developing a treatment that, once implemented, becomes a new ongoing control itself.

The risk level for the risk will not reduce until the control has been deemed effective.

Risk treatment plans documenting the chosen treatment options to be implemented are prepared for risks ranked either *High* or *Extreme*. Information in treatment plans should include:

- risk ID, risk description, risk level
- reasons for selection of treatment options, including benefits to be gained
- those who are accountable for approving the plan and those responsible for implementing the plan (e.g. Risk owner)

35

- proposed actions and resource requirements including contingencies;
- plan to monitor implemented controls
- reporting requirements (e.g. Council action, A&SFC action, Executive Committee action etc.)
- timing and schedule.

Management of risk may display evidence that existing controls may not always exert the intended or assumed modifying effect and that appropriate risk treatment may be required. When appropriate risk treatment options are considered and selected, and risk treatment plans are implemented, risk mitigation may be to ALARP, as illustrated in *Figure 10* below:
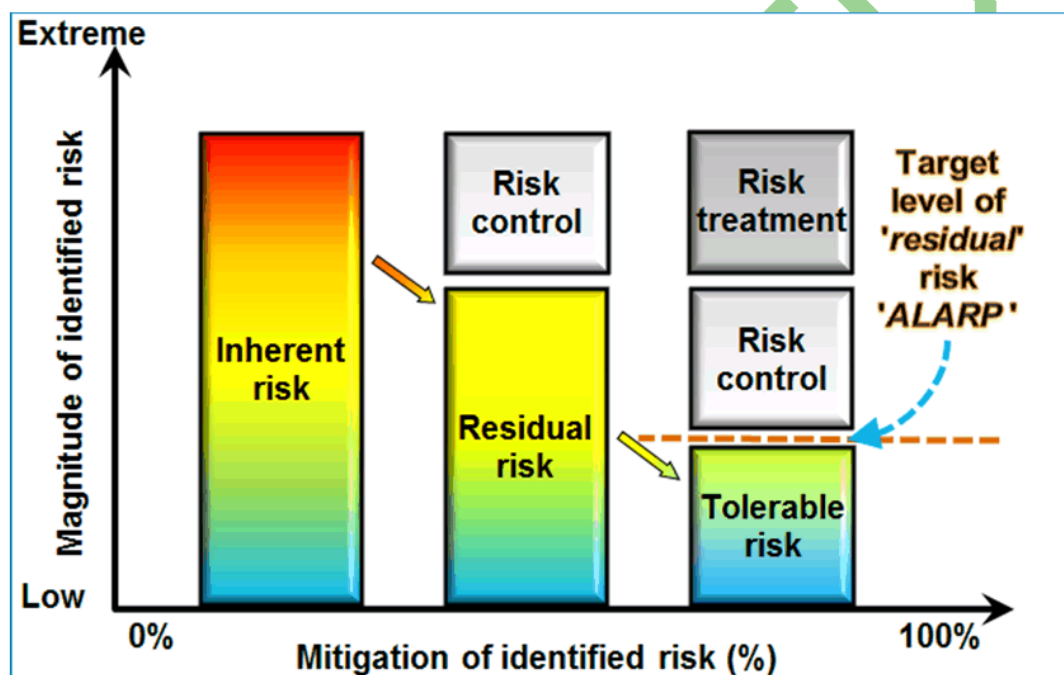

Figure 10: Risk controls, treatments and ALARP

5.6 Monitor and Review

The City's will review all Risk Profiles in line with the Risk Assessment & Acceptance Criteria or if triggered by one of the following:

- changes to context
- a treatment is implemented
- an incident occurs or due to audit/regulator findings.

The Governance & Risk Management Advisor will monitor the status of risk treatment implementation and report on progress, if required.

The CEO, Divisional Chiefs and Divisional Executives will monitor substantial risks and treatment implementation as part of their normal Executive Committee meeting agenda item with specific attention to be given to risks that meet any of the following criteria:

(i) Risks with a Level of Risk of High or Extreme;
(ii) Risks with an Inadequate Existing Control Rating;
(iii) Risks with a Consequence Rating of Catastrophic; and
(iv) Risks with a Likelihood Rating of Almost Certain.

The risk management validation and assurance program operates on a number of levels from management reviews to internal and external reviews.

Management Control reviews

These annual reviews are initiated by management to inform and to provide another level of insight on the degree to which management and operational levels has a shared understanding of risk management.

This level of scrutiny completes an important aspect of a risk management system. That is to provide assurance that key risks are actively controlled and control mechanisms in place reduce the risk profile of the City.

Audit services

The internal audit program is overseen by Legal, Governance and Risk Management. The internal audit plan is developed with consideration to the strategic and operational business risk profile. Internal audit projects are completed by contract auditors or professionals in the subject matter being audited, ensuring that audit reports are both informative and useful for reducing targeted risks.

External reviews

These reviews are conducted by an agency external to Council. Typically the agencies which currently conduct independent reviews are the Auditor General's Office and the Parliamentary Commissioner for Administrative Investigations (commonly known as the Ombudsman Western Australia).

Risk Maturity review

Governance services conduct a maturity assessment every 2 years, in line with the corporate planning cycle to measure and test staff's perception of Council's risk management culture. The results are reported to the Executive Committee and where appropriate incorporated into an action plan.

5.7 Risk Tools

The risk register enables staff to document, manage, monitor, review and update strategic,

37

operational, hazard or project risk information. Risk register reporting allows the City to monitor and review risks in alignment with the SCP, CBP, Business /Service Unit Plans, programs and other cascading plans.

Information from the risk management process is to be recorded, reported and monitored using the City's various risk registers:

RMSS risk register

The online risk management software solution, a tool to assist the City in recording, monitoring and reporting operational and strategic risk information.

Offline risk registers

These are various risk register templates used for projects, programs, events and hazard assessments. This information is not kept within RMSS.

Appendix 1: Risk Assessment and Acceptance Criteria

Risk Assessment Matrix

								Project				Likelihood / Probability				
Measures of Consequence and Likelihood												Rare 1	Unlikely 2	Possible 3	Likely 4	Almost certain 5
		OSH / Injury / Well-being	Financial Impact	Brand Reputation	Operations / Delivery Disruption	Environment Health	Compliance	Quality	Cost	Time		Theoretically such an event is possible but not expected to occur during an operation / asset life / project.	Possible that such an event may occur once during operation / asset life / project.	Such events may occur more than twice during an operation / asset life / project.	Such events may occur frequently during an operation / asset life / project.	Such events are expected to occur routinely during an operation / asset life / project.
Consequence / Severity	Insignificant 1	No injuries.	< $50,000 or < 5% of OP. Little or no impact on asset.	Low impact. Low profile. No complaint.	Little impact. Business as usual. < 5% variation against PI.	An insignificant environmental event that can be immediately corrected under the control of the City.	Minor breach of policy / process requiring some response with little impact on other criteria.	Majority of milestones and objectives being achieved with minor variation to scope and/or quality reported. Minor impact absorbed through project.	< 5% of Project Budget or < $50,000, whichever is lower.	< 5% of Project Timeline or < 30 days, whichever is lower.		1 Low	2 Low	3 Low	4 Low	5 Moderate
	Minor 2	First aid treatment.	$50k ≤ to < $250k or 5% ≤ to <10% of OP. Minor loss or damage.	Low impact. Low profile. Low media attention. Possible complaint.	Minor impact. Easily dealt with. Still business as usual. 5 ≤ to < 10% variation against PI.	A minor environmental event that can be corrected through system improvements within the City.	Compliance breach of policy / process requiring additional work or minimal damage control.	Minor impact on milestones and objectives being achieved with minor variation to scope and/or quality reported. Disruptive impact on project deliverables expected.	5% ≤ to < 10% of Project Budget or $50k ≤ to < $250k, whichever is lower.	5% ≤ to <10% of Project Timeline or 30 ≤ to < 60 days, whichever is lower.		2 Low	4 Low	6 Moderate	8 Moderate	10 Substantial
	Major 3	Medical treatment. No lost time injury (LTI).	$250k ≤ and < $1m or 10% ≤ to < 25% of OP. Major damage to asset.	Moderate impact. Moderate media attention. Public complaint.	Some objectives affected. Can continue business as usual, with minor controls executed. 10 ≤ to < 25% variation against PI.	A moderate environmental event that can be remediated but requires multiple stakeholder input.	Compliance breach requiring investigation, mediation or restitution and breach of legislation or regulations.	Major impact on milestones and objectives being achieved with minor variation to scope and/or quality reported. Serious impact on project deliverables expected.	10% ≤ to < 25% of Project Budget or $250k ≤ to < $1m, whichever is lower.	10% ≤ to < 25% of Project Timeline or 60 ≤ to < 90 days, whichever is lower.		3 Low	6 Moderate	9 Moderate	12 Substantial	15 High
	Critical 4	Partial disablement or severe injury. LTI < 10 days.	$1m ≤ and < $5m or 25% ≤ to < 50% of OP. Significant loss of asset.	Damage to reputation. Public embarrassment. High media attention. Several public complaints. Third party legal action.	Some major objectives cannot be achieved. Business can still deliver, but not to expected level. 25 ≤ to < 50% variation against PI.	A significant environmental event where rehabilitation involves multiple stakeholders and various levels of the community and government.	Compliance breach involving external investigation or third party actions resulting in tangible loss or reputation damage to the City and breach of legislation or regulations.	Major impact on milestones and objectives being achieved with significant variation to scope and/or quality reported. Critical impact on project deliverables expected.	25% ≤ to < 50% of Project Budget or $1m ≤ to < $5m, whichever is lower.	25% ≤ to < 50% of Project Timeline or 90 ≤ to < 120 days, whichever is lower.		4 Low	8 Moderate	12 Substantial	16 High	20 Extreme
	Catastrophic 5	Death or permanent disablement. LTI ≥ 10 days.	≥ $5 million or ≥ 50% of OP. Complete loss of asset.	Irreversible damage to reputation. Very high level of public embarrassment. Very high media attention. Many public complaints.	Most objectives cannot be achieved. Business cannot operate. ≥ 50% variation against PI.	A severe environmental event requiring multiple stakeholders, all levels of the community and government to remediate.	Compliance breach involving regulatory investigation and / or third party actions resulting in tangible loss or significant reputation damage to the organisation and breach of legislation or regulations.	Catastrophic impact on milestones resulting in the failure to achieve one or more objectives of the project.	≥ 50% of Project Budget or ≥ $5 million, whichever is lower.	≥ 50% of Project Timeline or ≥ 120 days, whichever is lower.		5 Moderate	10 Substantial	15 High	20 Extreme	25 Extreme

Risk Acceptance Criteria

Risk Level	Criteria	Treatment	Responsibility
Low	Risk acceptable with adequate controls, managed by routine procedures. Subject to annual monitoring or continuous review throughout project lifecycle.	Management through routine operations/project, Risk Registers to be updated.	Business Unit Head / Service Unit Head / Project Manager
Moderate	Risk acceptable with adequate controls, managed by specific procedures. Subject to semi-annual monitoring or continuous review throughout project lifecycle.	Communication and awareness of increasing risk provided to SM, Risk Registers to be updated.	Business Unit Head / Service Unit Head / Project Manager
Substantial	Accepted with detailed review and assessment. Action Plan prepared and continuous review.	Assess impact of competing Business Unit / Service Unit Projects. Potential redirect of Business Unit / Service Unit resources. Risk registers to be updated.	Divisional Chief / Divisional Executive / Steering Committee
High	Risk acceptable with effective controls, managed by senior management/executive. Subject to quarterly monitoring or continuous review throughout project lifecycle.	Escalate to CEO, report prepared for Audit & Strategic Finance Committee. Quarterly monitoring and review required. Risk Registers to be updated.	Divisional Chief / Divisional Executive / Steering Committee / Project Sponsor
Extreme	Risk only acceptable with effective controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority and subject to continuous monitoring.	Escalate to CEO, report prepared for Audit & Strategic Finance Committee. Monthly monitoring and review required. Risk Registers to be updated.	CEO / Council / Project Sponsor

Existing Control Ratings

Rating	Foreseeable	Description
Effective	Doing more than what is reasonable under the circumstances.	1. Existing controls exceed current legislated, regulatory and compliance requirements, and surpass relevant and current standards, codes of practice, guidelines and industry benchmarks expected of this organisation; 2. Subject to continuous monitoring and regular testing; and 3. Any control improvements that can be implemented have minimal impact on operations.
Adequate	Doing what is reasonable under the circumstances.	1. Existing controls are in accordance with current legislated, regulatory and compliance requirements, and are aligned with relevant and current standards, codes of practice, guidelines and industry benchmarks expected of this organisation; 2. Subject to continuous monitoring and regular testing; and 3. Control improvements may be implemented.
Inadequate	Not doing some or all things reasonable under the circumstances.	1. Existing controls do not provide confidence that they meet current legislated, regulatory and compliance requirements, and may not be aligned with relevant and current standards, codes of practice, guidelines and industry benchmarks expected of this organisation; 2. Controls not operating as intended and have not been reviewed and tested; and 3. Existing controls need to be improved.

OSH / Injury / Wellbeing Hierarchy of Control

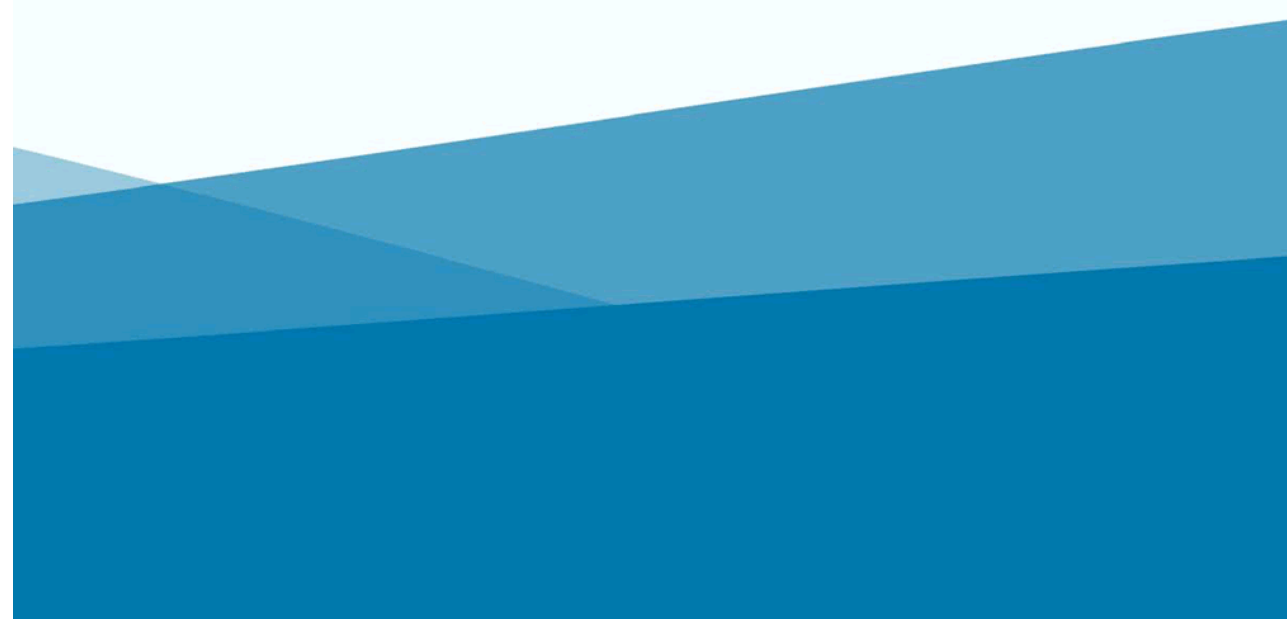| Effectiveness	Control methodology	Impact on unwanted event (hazard), and examples
100% Effective	Elimination	Remove the hazard, or unwanted event, completely or discontinue the process or practice. For example, if the electric cable from a stage microphone is a trip hazard, use a wireless microphone instead.
	Substitution	Replace a hazardous or vulnerable system, material, practice or process with one that presents a lower risk. For example, if an outdoors event is conducted during a summer day, use of market umbrellas could be substituted by providing marquees or shade sails.
Increasing Effectiveness	Isolation	Use lockable barriers to restrict unauthorised access and separate people from hazard, practice or process. For example, install guards on machines where there is a risk of a person being trapped in a machine.
	Engineering	Change the physical characteristics of the practice or process through engineering redesign. For example, provide ramps if patrons in wheelchairs will be attending an event.
	Administrative	Establish appropriate policies, practices, procedures, guidelines and operating instructions to control exposures to unwanted events. For example, if an event requires serving of alcohol, ensure that bar employees have been trained in 'Responsible Service of Alcohol'.
≤ 20% Effective	Personal Protective Equipment	Provide appropriate safety equipment. For example, traffic controllers need to be provided with long sleeves, long trousers, wide brimmed sunhats and high visibility safety vests.

39

City of Cockburn
9 Coleville Crescent, Spearwood WA 6193
PO Box 1215, Bibra Lake DC Western Australia
6965
Telephone: 08 9411 3444 Fax: 08 9411 3333
Email: Governance@cockburn.wa.gov.au
City of Cockburn website: cockburn.gov.wa.au

16. Corporate Affairs

Nil

17. Office of the CEO

Nil

18. Motions of Which Previous Notice Has Been Given

Nil

19. Notices Of Motion Given At The Meeting For Consideration At Next Meeting

20. New Business of an Urgent Nature Introduced by Members or Officers

21. Matters to be Noted for Investigation, Without Debate

Nil

22. Confidential Business

Nil

23. Closure of Meeting