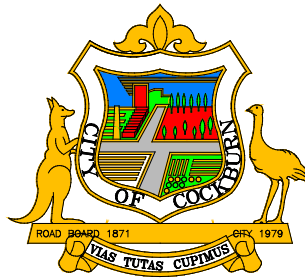


CITY OF COCKBURN



SPECIAL COUNCIL MEETING

AGENDA PAPER

FOR

WEDNESDAY, 27 MARCH 2013

CITY OF COCKBURN

SUMMARY OF AGENDA TO BE PRESENTED TO THE SPECIAL COUNCIL MEETING TO BE HELD ON WEDNESDAY, 27 MARCH 2013 AT 6:00 PM

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CITY OF COCKBURN**AGENDA TO BE PRESENTED TO THE SPECIAL COUNCIL
MEETING TO BE HELD ON
WEDNESDAY, 27 MARCH 2013 AT 6:00 PM**

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 & LEAVE OF ABSENCE**
6. **PUBLIC QUESTION TIME**
7. **DECLARATION BY COUNCILLORS WHO HAVE NOT GIVEN DUE CONSIDERATION TO MATTERS CONTAINED IN THE BUSINESS**
8. **(SCM 27/3/2013) - PURPOSE OF MEETING**

The purpose of the meeting is to adopt the Minutes of the Audit and Strategic Finance Committee Meeting held on Thursday, 21 March 2013.

9. COUNCIL MATTERS

9.1 (SCM 27/3/2013) - MINUTES OF THE AUDIT AND STRATEGIC FINANCE COMMITTEE MEETING - 21 MARCH 2013 (026/007) (S DOWNING) (ATTACH)

RECOMMENDATION

That receive the Minutes of the Audit and Strategic Finance Committee Meeting held on 21 March 2013, and adopt the recommendations contained therein.

TO BE CARRIED BY AN ABSOLUTE MAJORITY OF COUNCIL

COUNCIL DECISION

Background

A meeting of the Audit and Strategic Finance Committee was conducted on 21 March 2013.

Submission

N/A

Report

The Audit and Strategic Finance Committee received and considered the following items:

1. **Local Government Statutory Compliance Audit Return 2012**
The annual Compliance Audit Return is to be presented to, and reviewed by a meeting of the Audit and Strategic Finance Committee in accordance with Regulation 14(3A) of the Local Government (Audit) Regulations 1996 and the result of that review be reported to a meeting of Council for adoption.
2. **Proposed Amendments to Audit and Strategic Finance Committee Terms of Reference**
In February 2013, following recent amendments to reduce the Compliance Audit Return, the Local Government (Audit) Amendment Regulations 2013 will now extend the current role of local government Audit Committees to encompass a review of

areas such as risk management, internal control and legislative compliance. These amendments are contained the Minutes.

3. Internal Audit Report – Procurement
Project 1 – Procurement was one of the 2012/13 Projects endorsed by the Audit and Strategic Finance Committee at its July 2012 meeting. This has now been completed and contained within the Minutes of the Committee Meeting.
4. Enterprise Risk Management – Policy and Guidelines
The principle objective of Risk Management is to establish a systematic approach to control risk and the subsequent impacts on the business. The Policy and Guidelines have been developed to provide a systematic overview of the risks faced by the organisation.

Strategic Plan/Policy Implications

Leading & Listening

- A responsive, accountable and sustainable organisation.
- Manage our financial and infrastructure assets to provide a sustainable future.
- A culture of risk management and compliance with relevant legislation, policy and guidelines

Budget/Financial Implications

As contained in the Minutes.

Legal Implications

As contained in the Minutes.

Community Consultation

N/A

Attachment(s)

Minutes of the Audit and Strategic Finance Committee Meeting – 21 March 2013.

Advice to Proponent(s)/Submissioners

N/A

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

Nil.

10. (SCM 27/3/2013) - RESOLUTION OF COMPLIANCE (SECTION 3.18(3), LOCAL GOVERNMENT ACT 1995)

RECOMMENDATION

That Council is satisfied that resolutions carried at this Meeting and applicable to items concerning Council provided services and facilities, are:-

- (1) integrated and co-ordinated, so far as practicable, with any provided by the Commonwealth, the State or any public body;
- (2) not duplicated, to an extent Council considers inappropriate, services or facilities as provided by the Commonwealth, the State or any other body or person, whether public or private; and
- (3) managed efficiently and effectively.

COUNCIL DECISION

11. CLOSURE OF MEETING

CITY OF COCKBURN

SUMMARY OF MINUTES OF AUDIT & STRATEGIC FINANCE COMMITTEE MEETING HELD ON THURSDAY, 21 MARCH 2013 AT 6:00 PM

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CITY OF COCKBURN

MINUTES OF AUDIT & STRATEGIC FINANCE COMMITTEE MEETING HELD ON THURSDAY, 21 MARCH 2013 AT 6:00 PM

PRESENT:

ELECTED MEMBERS

Mr T Romano	-	Councillor (Presiding Member)
Mr L Howlett	-	Mayor
Mrs C Reeve-Fowkes	-	Councillor
Ms L Smith	-	Councillor
Mr B Houwen	-	Councillor

IN ATTENDANCE

Mr S. Cain	-	Chief Executive Officer
Mr S. Downing	-	Director, Finance & Corporate Services
Mr M. Littleton	-	Director, Engineering & Works
Mrs B. Pinto	-	PA to Directors – Fin. & Corp. Services & Admin. & Comm. Services

1. DECLARATION OF MEETING

The Presiding Member declared the meeting open at 6.02 pm.

2. APPOINTMENT OF PRESIDING MEMBER (If required)

Nil.

3. ACKNOWLEDGEMENT OF RECEIPT OF WRITTEN DECLARATION

Nil

4 (ASFC 21/03/2013) - APOLOGIES & LEAVE OF ABSENCE

Deputy Mayor Kevin Allen	-	Apology
Clr Yaz Mubarakai	-	Apology

5. PUBLIC QUESTION TIME

Nil



6. DEPUTATIONS & PETITIONS

Nil

7. CONFIRMATION OF MINUTES

7.1 (MINUTE NO 115) (ASFC 21/03/2013) - MINUTES OF AUDIT AND STRATEGIC FINANCE COMMITTEE MEETING - 25/10/2012

RECOMMENDATION

That Council adopt the Minutes of the Audit and Strategic Finance Committee Meeting held on Thursday, 25 October 2012, as a true and accurate record.

COMMITTEE RECOMMENDATION

MOVED Cllr C Reeve-Fowkes SECONDED Mayor L Howlett that the recommendation be adopted.

CARRIED 5/0

8. BUSINESS LEFT OVER FROM THE PREVIOUS MEETING (IF ADJOURNED)

Nil

9. DECLARATION OF COUNCILLORS WHO HAVE NOT GIVEN DUE CONSIDERATION TO MATTERS IN THE BUSINESS PAPER

Nil

10. COUNCIL MATTERS

10.1 (MINUTE NO 116) (ASFC 21/03/2013) - LOCAL GOVERNMENT STATUTORY COMPLIANCE AUDIT RETURN 2012 (CC/L/002) (J NGROYEMOTO) (ATTACH)

RECOMMENDATION

That Council adopt the Local Government Compliance Audit Return for the period 1 January 2012 to 31 December 2012, as attached to the Agenda.



COMMITTEE RECOMMENDATION

MOVED Cllr C Reeve-Fowkes SECONDED Mayor L Howlett that the recommendation be adopted.

CARRIED 5/0

COUNCIL DECISION**Background**

Since 2000, completion of the Local Government Compliance Audit Return has been mandatory for all local governments in this State in accordance with Regulations 14 and 15 of the *Local Government (Audit) Regulations 1996*.

Submission

N/A

Report

The annual Compliance Audit Return is to be presented to, and reviewed by, a meeting of the Audit Committee in accordance with Regulation 14(3A) of the *Local Government (Audit) Regulations 1996* and the result of that review be reported to a meeting of Council for adoption.

Following adoption by Council, a certified copy of the Return, signed by the Mayor and Chief Executive Officer, along with a copy of the relevant section of the Council Minutes, is submitted to the Director General, Department of Local Government and Regional Development in accordance with Regulations 14 and 15 of the *Local Government (Audit) Regulations 1996*, by 31 March.

The Return indicates a conformity rating of 100% for the year.

Strategic Plan/Policy Implications**Leading & Listening**

- A responsive, accountable and sustainable organisation.
- A culture of risk management and compliance with relevant legislation, policy and guidelines



Budget/Financial Implications

N/A

Legal Implications

Regulations 14 and 15 Local Government (Audit) Regulations 1996 refer.

Community Consultation

N/A

Attachment(s)

Compliance Audit Return – 2012.

Advice to Proponent(s)/Submissioners

N/A

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

Nil.

10.2 (MINUTE NO 117) (ASFC 21/03/2013) - PROPOSED AMENDMENTS TO AUDIT & STRATEGIC FINANCE COMMITTEE TERMS OF REFERENCE (026/007) (S DOWNING) (ATTACH)

RECOMMENDATION

That Council adopt proposed amendments to the Terms of Reference of the Audit and Strategic Finance Committee, as shown in the attachment to the Agenda.

COMMITTEE RECOMMENDATION

MOVED Clr L Smith SECONDED Clr C Reeve-Fowkes that the recommendation be adopted.

CARRIED 5/0

COUNCIL DECISION



Background

In November 2009, Council amended its Terms of Reference, under which the Audit and Strategic Finance Committee was to operate and conduct business.

In February 2013, Local Government (Audit) Amendment Regulations 2013 (Expanded Role for Audit Committees) was gazetted following its passing by the Parliament and receiving royal assent.

Following recent amendments to reduce the Compliance Audit Return, the Local Government (Audit) Amendment Regulations 2013 will now extend the current role of local government Audit Committees to encompass a review of areas such as risk management, internal control and legislative compliance.

The transfer of responsibilities to local government Audit Committees will enable local governments to manage legislative compliance within their own timeframes, with increased transparency and involvement from Elected Members.

Submission

N/A

Report

The current Terms of Reference under Regulation 17 of the Local Government (Audit) Amendment Regulations had the following role for Audit Committees:

The new regulations, gazetted in February 2013 are:

17. CEO to review certain systems and procedures

- (1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —*
 - (a) risk management; and*
 - (b) internal control; and*
 - (c) legislative compliance.*
- (2) The review may relate to any or all of the matters referred to in Sub-regulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.*
- (3) The CEO is to report to the audit committee the results of that review.*



The proposed amendments would now include Regulation 17 as an Objective with specific mention of the 1 (a), (b), (c) and the minimum reporting timeframe of at least two years in 17(2) of the amended Regulation.

As part of the Workforce Plan, a Risk Management Officer is to be employed by the City in 2012/13 and will co-ordinate the City's Risk Management Draft Policy and the response to Risk Management initiatives across the administration.

The Governance Co-ordinator will co-ordinate the legislative compliance required by the amended regulations.

Internal controls across the municipality will be co-ordinated by the Manager, Financial Services. Whilst internal controls has not been defined by the new regulation 17, the exposure is primarily to financial internal controls, however, internal controls do not stop with financial management. A review by all Managers at the Strategic Business Manager (SBMG) level will be undertaken and reported back to the Committee in due course.

The City does undertake a comprehensive internal audit program each three years in conjunction with the City's internal auditors, Deloittes. The City is in the second year of the current three year plan. As a matter of course, the City will meet with the internal auditors to review the current plan to determine if changes are required and a report will be presented to the next meeting of this Committee.

Strategic Plan/Policy Implications

Leading & Listening

- A responsive, accountable and sustainable organisation.

Budget/Financial Implications

The cost of employing a Risk Management Officer has been factored into the adopted 2012/13 Municipal Budget. The impact of any amendment to the current internal audit plan will be reported to the next committee meeting.

Legal Implications

Regulation 17 of the Local Government (Audit) Regulations 2013 as amended.

Community Consultation

N/A



Attachment(s)

Proposed amended Terms of Reference of the Audit and Strategic Finance Committee.

Advice to Proponent(s)/Submissioners

N/A

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

Nil.

10.3 (MINUTE NO 118) (ASFC 21/03/2013) - INTERNAL AUDIT REPORT - PROCUREMENT (026/007) (ATTACH) (N MAURICIO)

RECOMMENDATION

That Council receive the Internal Audit Report on Procurement, as shown in the attachment to the Agenda.

COMMITTEE RECOMMENDATION

MOVED Clr C Reeve-Fowkes SECONDED Clr B Houwen that the recommendation be adopted.

CARRIED 5/0

COUNCIL DECISION

Background

The Audit and Strategic Finance Committee endorsed the following projects for the 2012/13 internal audit plan at its July 2012 meeting:

- Project 1 – Procurement and Supply Chain Management Process;
- Project 2 – Audit delegated authorities (specifically the exercise of authorities);
- Project 3 – Audit and assurance of financial processes in place at the FESA funded services; and
- Project 4 – Audit compliance with new Building Act requirements and effectiveness of business processes.



The first and most significant of these projects (Procurement) has now been completed and is the subject of this report. Audit work on the second project (Delegated Authorities) is well advanced with the final report to be brought to the July Audit and Strategic Finance Committee meeting.

The two remaining projects are scheduled to commence in the second half of 2013, given the significance of the first two projects completed and limited resources and budget provisions.

Submission

N/A

Report

A high priority was placed upon the audit of the City's procurement function, given the overall spend budget of around \$90M for the City. Recent adverse media coverage and heightened attention on local government procurement practices were also catalysts for this audit project. Previously, the fraud and risk review completed by the City last year identified the procurement function as a key priority for audit, given its high risk potential.

The Audit and Strategic Finance Committee's Terms of Reference were agreed to with the City's internal auditor (Deloitte) in October 2012, after which the audit assignment was completed over a several week period in November and December 2012. Draft audit findings were discussed and reviewed, before management responses were then finalised at the end of February 2013.

The key finding from the audit was the City's procurement objectives are being successfully achieved through a predominantly centralised procurement approach and no critical risk areas were identified.

The audit observed that the system of internal controls employed by Cockburn were typical for a City of our size and circumstances. It also acknowledged the continuing maturity of the function as evidenced by recently introduced improvements.

Several factors were highlighted as having a positive impact on the procurement function, these being:

- Experienced Procurement Co-ordinator with a strong understanding of the relevant legislative requirements.
- Design of the City's Technology One Financial System provides strong automated control over authority delegation and procurement transactions.
- Employment of a Systems Accountant with prior Technology One experience to develop the system.



- Established Procurement Policy and Procedures followed by the procurement team.

The audit did however find that the City is somewhat challenged in achieving full compliance with legislative requirements, as well as its own internal procurement policies and procedures. It also identified the lack of an organisation wide and focused procurement strategy, which could offer efficiencies and savings across the whole procurement function. Further opportunities for strengthening internal controls were also recommended by the audit.

Audit observations and opportunities for improvement were categorised under six specific areas. The following two of the six were rated at a 'High' risk level, warranting 'Important' prioritisation.

1. Procurement Model

It was recommended that the City develop and implement a procurement strategy and model and restructure the Procurement Services function in order to drive the strategy. This was agreed to by Management.

2. Tendering and Process Controls

In order to achieve better compliance and value for money from its procurement function, the audit recommended the segregation of tendering roles from those of general purchasing. The application of contract management disciplines through the appropriate Technology One module was also recommended. A need for further staff education on tendering requirements was also identified. These measures are broadly agreed to by management.

Audit observations for the other four areas were categorised at a 'Medium' risk level, warranting 'Moderate' prioritisation. These areas were mainly concerned with staff awareness and staff compliance with internal procedures, together with improving the internal control environment. Most audit recommendations made in regard to these areas have been agreed to by management.

Specific details on the audit recommendations made and the corresponding management responses are included in the audit report attached to the Agenda. These include action plans with identified responsible parties and target dates for achievement.

Strategic Plan/Policy Implications

Leading & Listening

- A responsive, accountable and sustainable organisation.
- Manage our financial and infrastructure assets to provide a sustainable future.



- A skilled and engaged workforce.
- A culture of risk management and compliance with relevant legislation, policy and guidelines

Budget/Financial Implications

The cost of this audit assignment came in at \$17,861 and is funded from the City's \$30,000 annual budget for internal audit. The balance of the budget will be used to fund the delegated authorities audit project.

Legal Implications

N/A

Community Consultation

N/A

Attachment(s)

City of Cockburn Internal Audit Report on Procurement – March 2013.

Advice to Proponent(s)/Submissioners

N/A

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

Nil

10.4 (MINUTE NO 119) (ASFC 21/03/2013) - ENTERPRISE RISK MANAGEMENT - POLICY AND GUIDELINES (021/012) (M LITTLETON) (ATTACH)

RECOMMENDATION

That Council

- (1) endorse the Enterprise Risk Management Policy and Guidelines, as attached to the Agenda; and
- (2) refer the Enterprise Risk Management Policy and Guidelines to the next Delegated Authority, Policies and Position Statements Committee for their consideration and endorsement prior to it being adopted by Council.



COMMITTEE RECOMMENDATION

MOVED Cllr C Reeve-Fowkes SECONDED Mayor L Howlett that the recommendation be adopted.

CARRIED 5/0

COUNCIL DECISION**Background**

Risk is inherent in all administrative and business activities. By accepting the presence of risk in our business we also accept that we have a responsibility to better understand and manage it. Formal and systematic approaches to managing risk have evolved and are now regarded as the foundation of good business. The City acknowledges that the adoption of a strategic and formal approach to risk management will improve decision-making, enhance outcomes and lead to greater accountability.

A broad commitment to risk management has been identified in the City's Corporate Governance Charter is as follows:

Council supports and is committed to a risk management program at a policy and strategy level through the establishment of an Audit Committee, in accordance with sec. 7.1A of the Local Government Act 1995, and the CEO and senior management ensure processes are in place for identifying and managing risk as well as responding and minimising such risks.

Submission

N/A

Report

The principle objective of Risk Management is to establish a systematic approach to control risk and the subsequent impacts on the business. Considered and structured risk-taking is an essential ingredient in the successful achievement of the City's strategic objectives. To this end, this Policy and Guidelines have been developed to provide a systematic overview of the risks faced by the organisation. The process is consistent with the relevant Standards, ISO 31000 Risk Management – Principles and Guidelines and AS/NZS 4360:2004 - *Risk Management*.



Risk is an iterative process. Whilst the process outlined in these Guidelines is relatively simplistic in form, the identification of risk and implementation of control is much more complex. As the City embraces a more structured approach to risk management and mitigation, our systems and processes will mature. These Guidelines will be reviewed to capture improvement and to continue to challenge the organisation's approach to risk.

This matter was first considered by the Audit and Strategic Finance Committee in July 2011. At that meeting the draft Policy and Guidelines as well as the formation of a Risk Review Group were supported to further progress the risk agenda for the City. Since that time the Risk Review Group has met consistently to complete the following tasks:

- Consider and finalise the Policy
- Consider and review the Guideline with specific attention given to the practicality of the risk assessment process developed (specifically the Likelihood and Consequence of risk i.e. Tables 1 and 2 and the proposed Treatment processes)
- Develop an appropriate Risk Register Template
- Validate the process through application of the Guideline and associated risk assessment tools
- Develop Risk Registers for each business unit (Engineering Division completed)
- Assist/Champion the corporate integration of risk

The process of review has been completed by the Risk Review Group and the attached Policy and Guidelines is the culmination of that corporate oversight. Whilst much of the Guidelines remains unchanged, the Risk Register Template has substantially evolved since earlier iterations. The group has commenced identification of corporate risks using this process and template and the engineering risk registers have been largely completed.

To continue the momentum, the City has supported the creation of a Risk Co-ordinator in the 2012/13 budget. This position will be integral to the implementation of the Risk Management Framework at a corporate level, and will assist business units with the identification and assessment of risk, which will ensure a regular review of identified risks and will continue to report back to the Audit and Strategic Finance Committee on the progress of risk management within the City. The position was identified for employment in the 3rd quarter of the financial year. A Position Description has been created for the role and the recruitment process has commenced.

Whilst the City has continued to develop and evolve the risk management framework through the formation of the Risk Review Group, the formal adoption of the Enterprise Risk Management Policy and Guidelines attached to this report is seen as significant step towards integrating risk management into the City's business systems



and will demonstrate a clear commitment to a more structured approach to identifying and controlling risk. The Policy and Guidelines has been reviewed, are robust and are recommended for adoption.

Strategic Plan/Policy Implications

Leading & Listening

- A responsive, accountable and sustainable organisation.
- Manage our financial and infrastructure assets to provide a sustainable future.
- A culture of risk management and compliance with relevant legislation, policy and guidelines

Budget/Financial Implications

The City has provided funding for the employment of Risk Co-ordinator in this current financial year's budget.

Legal Implications

Following recent amendments to reduce the Compliance Audit Return, the Local Government (Audit) Amendment Regulations 2013 will now extend the current role of local government Audit Committees to encompass a review of areas such as risk management, internal control and legislative compliance.

Community Consultation

N/A

Attachment(s)

1. Proposed new Policy 'Enterprise Risk Management'.
2. Enterprise Risk Management - Guidelines

Advice to Proponent(s)/Submissioners

N/A

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

Nil.

11. PLANNING & DEVELOPMENT DIVISION ISSUES

Nil



12. FINANCE & CORPORATE SERVICES DIVISION ISSUES

Nil

13. ENGINEERING & WORKS DIVISION ISSUES

Nil

14. COMMUNITY SERVICES DIVISION ISSUES

Nil

15. EXECUTIVE SERVICES DIVISION ISSUES

Nil

16. MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil

17. NOTICES OF MOTION GIVEN AT THE MEETING FOR CONSIDERATION AT NEXT MEETING

Nil

18. NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY DECISION OF MEETING BY COUNCILLORS OR OFFICERS

Nil

19. MATTERS TO BE NOTED FOR INVESTIGATION, WITHOUT DEBATE

Nil

20. CONFIDENTIAL BUSINESS

Nil

21 (ASFC 21/03/2013) - CLOSURE OF MEETING

6.31 pm.



CONFIRMATION OF MINUTES

I, (Presiding Member) declare that these minutes have been confirmed as a true and accurate record of the meeting.

Signed: Date:/...../.....

