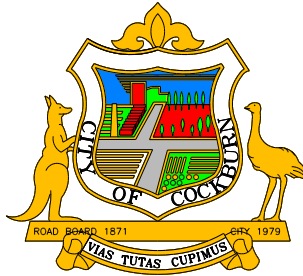


# **CITY OF COCKBURN**



## **AUDIT & STRATEGIC FINANCE COMMITTEE**

### **AGENDA PAPER**

**FOR**

**THURSDAY, 17 MARCH 2016**

# CITY OF COCKBURN

## SUMMARY OF AGENDA TO BE PRESENTED TO THE AUDIT & STRATEGIC FINANCE COMMITTEE MEETING TO BE HELD ON THURSDAY, 17 MARCH 2016 AT 6:00 PM

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**CITY OF COCKBURN**

**AGENDA TO BE PRESENTED TO THE AUDIT &  
STRATEGIC FINANCE COMMITTEE MEETING TO BE HELD  
ON  
THURSDAY, 17 MARCH 2016 AT 6:00 PM**

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1. **DECLARATION OF MEETING**
2. **APPOINTMENT OF PRESIDING MEMBER (If required)**
3. **ACKNOWLEDGEMENT OF RECEIPT OF WRITTEN DECLARATION**
4. **(ASFC 17/3/2016) - APOLOGIES & LEAVE OF ABSENCE**  
    Clr Chamonix Terblanche                      -              Leave of Absence
5. **PUBLIC QUESTION TIME**
6. **DEPUTATIONS & PETITIONS**
7. **CONFIRMATION OF MINUTES**
  - 7.1 **(ASFC 17/3/2016) - MINUTES OF THE AUDIT & STRATEGIC  
FINANCE COMMITTEE MEETING - 19 NOVEMBER 2015**

**RECOMMENDATION**

That Council receive the Minutes of the Audit and Strategic Finance Committee Meeting held on Thursday, 19 November 2015 as a true and accurate record.

**COMMITTEE RECOMMENDATION**

**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**

**10. COUNCIL MATTERS**

**10.1 (ASFC 17/3/2016) - RISK MANAGEMENT INFORMATION REPORT (021/012) (J NGOROYEMOTO)**

**RECOMMENDATION**

That Council receive the report on the Risk Management Program.

**COMMITTEE RECOMMENDATION**

**COUNCIL DECISION**

**Background**

At the Ordinary Council Meeting on 13 June 2013, Council endorsed the City's Risk Management Policy and associated roll-out program. Subsequently at the Ordinary Council Meeting (OCM) of 11 December 2014, via the Audit Committee, Council endorsed the Risk management Strategy. The City is progressing in implementing the Risk Program, and this report provides an update on the key milestones achieved over the past 4 months since the last information report was submitted to the Audit Committee.

The City's Risk Program, through adopting the guidelines and principles of the Australian risk standard, AS/NZ ISO 31000:2009 is committed to a culture of risk management. City policy SC51 Enterprise Risk Management (the policy) is a commitment by the City to ensuring that sound risk management practices and procedures are fully integrated into its strategic and operational processes and day to day business practices. The City continues to roll out the Risk Program in line with the Risk Management Strategy.

## Submission

N/A

## Report

Risk Management Program;

1. The City's Risk Monitoring and Reporting System; All of the City's operational risks are currently housed on excel spreadsheet. Investigations to identify an appropriate Risk Management Software have now been completed. Requests for quotations were sent out to three selected providers in accordance with the procurement policies. An analysis was conducted, and Risk Management and Safety Systems Pty Ltd (RMSS) were selected as the successful service provider.
2. Risk Review Group (RRG); Risk review group has been leading the review of the position statement PSES7 'Reports to Council', in order to incorporate risk management as a standing item on the agendas. The DAPPS Committee reviewed the Position Statement at its meeting of 25 February 2016 and subsequently adopted by Council on 10 March 2016. It is anticipated that this practice will commence in April 2016, after proper training for staff. The RRG continues its work on reviewing the Internal Audit Plan as its current project, in conjunction with spearheading implementation of RMSS software.
3. Strategic Risks; LGIS Risk Management is facilitating the development of a City of Cockburn Strategic Risk Register. This process has seen four workshops conducted with the Executive during the month of February. The workshops were focused on establishing the Strategic context, identifying Strategic risks, analysis, evaluation and treatments. The resulting strategic risk register will be presented at the next Audit committee meeting.
4. Operational Risks; 265 operational risks currently sit on the City's risk registers. All risks were reviewed at the previous Audit Committee meeting of November 2015, and have been rated using the City's risk matrix and compiled on excel spreadsheets. As at 10 March, there are;
  - NO EXTREME risks
  - 3 HIGH risks
  - 28 SUBSTANTIAL
  - 116 MODERATE risks
  - 115 LOW risks

Updates on the previously identified HIGH risks are detailed below;

*Risk Update: EW18*

Risk ID	Risk Statement	Existing Controls	Risk Rating
EW18	Inability to appropriately manage coastal Council Built assets and other infrastructure leading to loss of and/or higher rates of deterioration and associated maintenance costs.	CSCA Coastal vulnerability and adaptation studies being undertaken.	High

**Comment:** CSCA Adaptation report expected March, which will provide recommended coastal adaptation actions. Sand bypassing has been undertaken at Port Coogee to assist preserve Coogee Beach width. A seawall inspection has also been carried out at Port Coogee and remedial works will be undertaken by Fraser Property over next 3 months. Additionally a beach remediation contract will be advertised by the City in March which when the works are completed will provide a buffer between beach and the reserve at C Y O'Connor Beach. This risk remains rated as High.

*Risk Update: EW20*

Risk ID	Risk Statement	Existing Controls	Risk Rating
EW20	Failure to manage adverse environmental impacts on Natural Assets (coastal reserves and wetlands including loss of biodiversity)	CSCA Coastal vulnerability and adaptation studies being undertaken.	High

**Comment:** CSCA Adaptation Plan expected March, which will provide recommended environmental actions, planning for biodiversity buffer zones, environmental vegetation management plans and groundwater management. This risk currently remains rated as High.

*Risk Update: EW38*

Risk ID	Risk Statement	Existing Controls	Risk Rating
EW38	Closure of the SMRC or becomes no longer viable	"All waste staff to remain informed on industry trends.  Sit on advisory committee to SMRC.  Alternative sites including private contractors, landfill (waste, recycling, green waste).  Agreements with other facilities.  Use of hopper camera to	High



Risk ID	Risk Statement	Existing Controls	Risk Rating
		<p>check contents in the bin.</p> <p>HWRP could landfill all kerb collected waste initially. EOI to determine consultants qualified to deliver a Commercial Materials Recovery Facility. RFT to follow.</p> <p>Loan commitments will still be active though the risk of disposal of waste is reduced. DER reinstated full licence conditions."</p>	

Comment: This issue is still the subject for discussion between Elected Members and Executive. The City has the option to landfill waste if the SMRC were to close with short notice, though this outcome is unlikely. The DER has permitted the SMRC to run at full capacity now that the odour issues are resolved. Mr Sullivan and Mr Downing currently represent the City at a strategic level at SMRC at REC (Regional Executive Committee) Meetings. The construction of a Materials Recovery Facility is still proposed. The scope and type of this facility depends on decisions around the strategic future of waste management at Cockburn. This risk remains rated as High.

#### Future direction

As the City continues to implement and embed risk management through its Risk Program, the next four months will continue to focus on the following key areas and current initiatives:

- Implementation (scoping, project management, installation and configuration) staff training, system trial and rollout of the Risk Management and Safety Systems Software (RMSS)
- Finalisation and endorsement of the Strategic Risk Register
- Internal Audit Plan review
- Staff training awareness on usage of the 'risk management implications' section on Council Reports
- Continual review and monitoring of Operational risks

#### **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**

The City's 2015/16 Annual Budget makes provision for the continue development of and further introduction of Risk Management Framework.

**Legal Implications**

Local Government (Audit) Regulations 2013, Reg. 17.

**Community Consultation**

N/A

**Attachment(s)**

N/A

**Advice to Proponent(s)/Submissioners**

N/A

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

Nil.

**10.2 (ASFC 17/3/2016) - LOCAL GOVERNMENT COMPLIANCE AUDIT RETURN 2015 (087/005) (J NGOROYEMOTO) (ATTACH)**

**RECOMMENDATION**

That Council adopt the Local Government Compliance Audit Return for the period 1 January 2015 to 31 December 2015, as attached to the Agenda.

**COMMITTEE RECOMMENDATION**

**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 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.

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 of the Local Government (Audit) Regulations 1996 refer.

**Community Consultation**

N/A

**Attachment(s)**

City of Cockburn Compliance Audit Return 2015.

**Advice to Proponent(s)/Submissioners**

N/A

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

Nil.

**10.3 (ASFC 17/3/2016) - FINANCIAL AUDITS - EXTERNAL AUDIT SERVICES (067/002) (S DOWNING) (ATTACH)**

**RECOMMENDATION**

That Council note the report.

**COMMITTEE RECOMMENDATION**

**COUNCIL DECISION**

**Background**

As part of the post-local government reform agenda, the Minister for Local Government has proposed a greater role for the Auditor General of WA auditing Local Governments in Western Australia. The role, envisioned by the Minister is to review the financial and non-financial performances of Councils. The relevant sections of the Local Government Act have been amended to permit the Auditor General to take on the role envisioned by the Minister.

**Submission**

N/A

**Report**

Auditing of Local Governments in WA is performed under Section 7.2 of the Local Government Act. This has allowed individual Councils to appoint a suitably qualified auditor to audit the financial performance of the Council. The focus of the audit has been on the annual financial statements of the Council including an interim audit focusing on financial systems and controls. In addition to the formal audit of the

financial statements of the Council, the City of Cockburn has contracted with a suitably qualified accounting firm to undertake a range of internal audit functions.

The Department of Local Government and Communities (DLGC) has written to all Councils in WA advising of the proposed changes to the Local Government Act and the role the Auditor General will undertake in auditing the finances of Councils. As a precursor to any formal action, the DLGC has requested when audit contracts expire for all Councils. This will allow the DLGC and Auditor General to manage a staged role out of the new process. This process has yet to be finalised and advised to Councils.

The City has advised the DLGC that the City's current audit contract will expire with the completion of the audit associated with the 2015/16 Financial Statements.

A copy of the letter from Director General of the DLGC is attached

### **Strategic Plan/Policy Implications**

#### **Leading & Listening**

- Effective and constructive dialogue with all City stakeholders.
- Manage our financial and infrastructure assets to provide a sustainable future.

### **Budget/Financial Implications**

N/A

### **Legal Implications**

Sec. 7.2 of the Local Government Act 1995, refers.

### **Community Consultation**

N/A

### **Attachment(s)**

1. Email from Senior Legislative & Strategy Officer, Department of Local Government & Communities.
2. Letter from Director General, Department of Local Government & Communities.

### **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**

**12.1 (ASFC 17/3/2016) - 2015/16 EXTERNAL AUDIT PLAN (067/003) (N MAURICIO) (ATTACH)**

**RECOMMENDATION**

That Council :

- (1) adopt the External Audit Plan for the year ending 30 June 2016, as attached to the Agenda; and
- (2) endorse the Presiding Member of the Committee to sign on behalf of the Committee, the Fraud and Error Assessment document submitted by the City's appointed Auditor, Macri Partners.

**COMMITTEE RECOMMENDATION**

**COUNCIL DECISION**

**Background**

Section 7.12A of the Local Government Act 1995 requires a local government to assist its appointed auditor conduct successful and expeditious audits.

Regulation 16 of the Local Government (Audit) Regulations 1996 states that an audit committee may provide guidance and assistance to the local government in relation to matters to be audited and the scope of audits and this is reinforced within Local Government operational guidelines for the appointment, function and responsibilities of Audit Committees.

The duties and responsibilities listed under the City's terms of reference for the Audit & Strategic Finance Committee includes point

6.1.12 - Discuss with the external auditor the scope of the audit and the planning of the audit

### Submission

N/A

### Report

The City's External Auditor, Macri Partners has forwarded their proposed Audit Plan for the financial year ending 30 June 2016. This serves to inform members of the Audit and Strategic Finance Committee and the City's Management about the Auditor's responsibilities and how they will be discharged.

The Audit Plan outlines the purpose and scope of the audit and explains the audit approach and methodology to be used. The audit is delivered over two stages, being interim audit and final audit. Planning and control evaluation activities are undertaken during the interim audit stage, with substantive testing and audit completion making up the final audit stage.

The interim audit stage is primarily concerned with the examination of internal controls and reviewing the control and risk assessment environment within the City. This is aimed at ultimately providing the auditor with sufficient confidence in the information reported within the City's financial statements to allow an unqualified audit opinion to be expressed.

During the final audit stage, the Auditor focuses on auditing and testing balances, disclosures and other information within the City's financial statements. Management representations are also sought during this stage and the Auditor forms their audit opinion upon completion. The audit opinion given may be qualified if the Auditor has not been able to achieve the necessary level of confidence required for an unqualified opinion. The City's management always aims to work co-operatively with the Auditor to mitigate any risk of a qualified audit.

The 2015/16 Audit Plan has a number of focus areas including the following:

<b>Revenue</b>	Completeness and accuracy of Rates and service charges, Grant income, Fees and charges and Other revenue.
<b>Expenses</b>	Completeness of operating expenses.
<b>Payroll</b>	Completeness of payroll expenses.
<b>Cash and Cash Equivalents, Investments</b>	Existence, completeness and accuracy of cash and investment balances held with financial institutions.
<b>Trade and Other Receivables</b>	Existence, completeness and accuracy of receivables.
<b>Property and</b>	<ul style="list-style-type: none"> <li>• Impairment of property and infrastructure</li> </ul>

<b>Infrastructure</b>	<ul style="list-style-type: none"> <li>• Appropriateness of useful lives</li> <li>• Accuracy of depreciation charge</li> </ul>
<b>Plant and Equipment</b>	Valuation and accuracy of the asset class
<b>Trade and Other Payables</b>	Existence, completeness and accuracy of Sundry Creditors.
<b>Borrowings</b>	Existence, completeness and accuracy of borrowings with the Western Australian Treasury Corporation (WATC).
<b>Provisions for Annual and Long Service Leave</b>	Completeness, Accuracy and Valuation of Annual and Long Service Leave provisions.

The Auditor is required to consider fraud in the audit of the City's financial report in accordance with Auditing Standard ASA 240 *The Auditor's responsibility to consider fraud in an Audit of a Financial Report*. The Audit Plan outlines the procedures to be undertaken and they will report any findings to Council.

The Auditor requires a Fraud and Error Assessment Form to be signed by the Presiding Member of the Audit and Strategic Finance Committee on behalf of the Committee. This attests to whether Council's Policies and Procedures are adequate to minimise the risk of fraud, whether there is any awareness of fraud or suspected fraud and whether management has communicated its processes for identifying/responding to risks of fraud to the Committee.

Regulation 17A of the Local Government (Financial Management) Regulations 1996 required the take up of fair value for all property, plant, equipment and infrastructure assets, phased in over a three year period ending 2014/15. The City successfully achieved this requirement last financial year and this same regulation now requires plant and equipment to be revalued during the 2015/16 financial year. For this reason, the audit plan has identified plant and equipment values as a significant risk area this year. However, the City is well prepared to successfully meet this regulatory requirement.

Materiality drives the scope of the audit and is determined in accordance with auditing standards. The Auditors use their professional judgement to assess what is considered material and has set various materiality thresholds within the Audit Plan as follows:

<b>Type of Materiality</b>	<b>Amount</b>
Overall materiality	<b>\$2,500,000</b> - Approximately 2% of Total budgeted expenditure (2015/16 year) \$124.1M
Performance materiality	<b>\$1,875,000</b> - which has been set at 75% of Overall Materiality
Trivial error threshold	<b>\$125,000</b> - which has been set at 5% of overall materiality

Explanations for what and how these are used are disclosed in the Audit Plan.



## **Strategic Plan/Policy Implications**

### **Leading & Listening**

- Effective and constructive dialogue with all City stakeholders.
- A responsive, accountable and sustainable organisation.
- A culture of risk management and compliance with relevant legislation, policy and guidelines

### **Budget/Financial Implications**

The 2015/16 budget includes sufficient provision for the conduct of the external audit.

### **Legal Implications**

Australian Auditing Standards (AS 2401: Consideration of Fraud in a Financial Statement Audit) require the Auditor to consider the risk that fraud could occur within the Council. In preparing their Interim Audit Fraud Risk Assessment, they communicate with the Audit and Strategic Finance Committee through this Fraud and Error Assessment Form. Arising from this requirement, the Presiding Member signs an appropriate statement on behalf of the Audit and Strategic Finance Committee.

### **Community Consultation**

N/A

### **Attachment(s)**

1. City of Cockburn External Audit Plan for the year ending 30 June 2016.
2. Fraud & Risk Assessment Form

### **Advice to Proponent(s)/Submissioners**

N/A

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

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**

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

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

**19. MATTERS TO BE NOTED FOR INVESTIGATION, WITHOUT DEBATE**

**20. CONFIDENTIAL BUSINESS**

**21. CLOSURE OF MEETING**