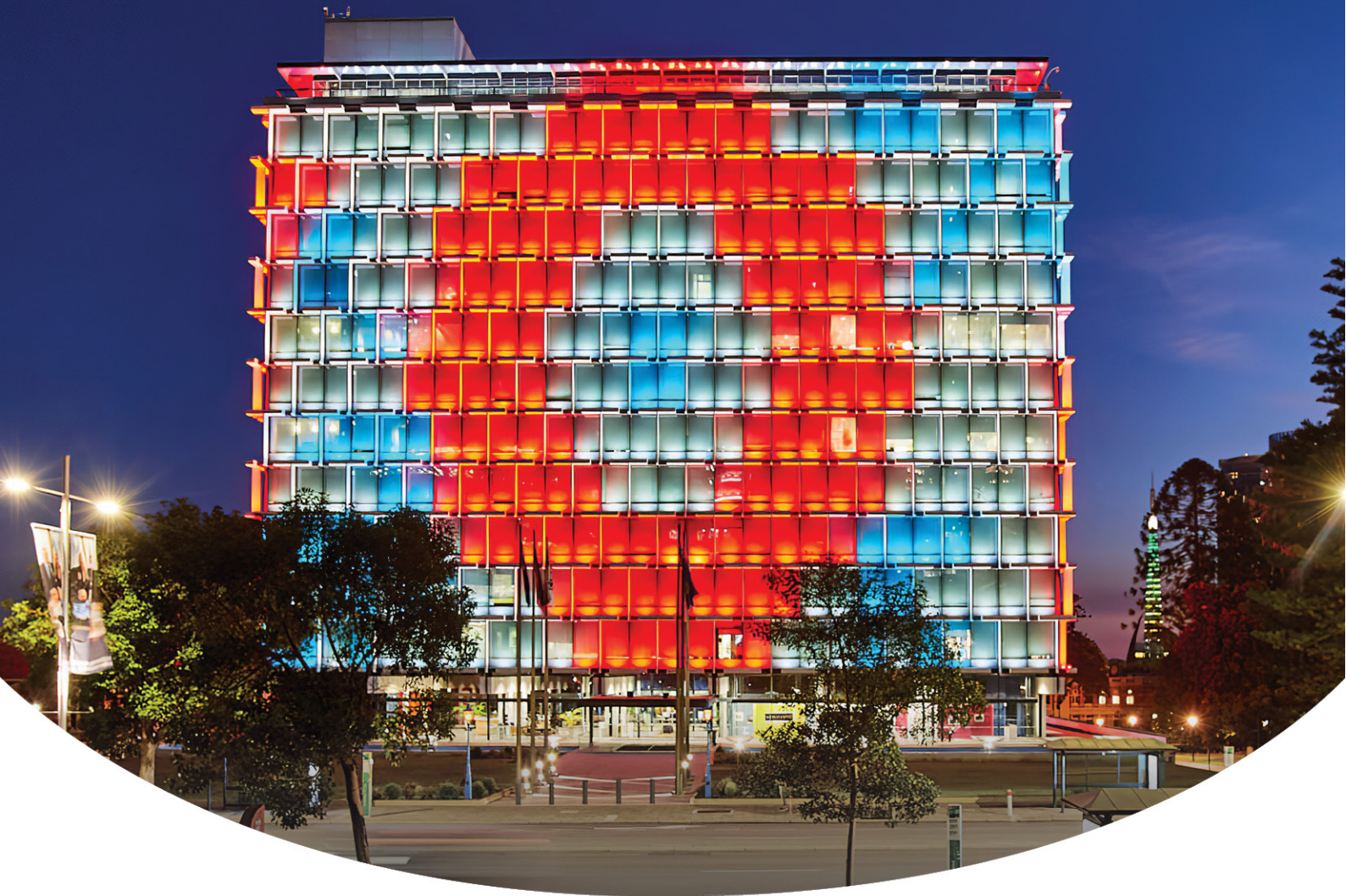




City of Perth

Special Audit and Risk Committee

MINUTES 14 October 2020, 4.30pm | Reception Room, Level 11, Council House



Minutes to be confirmed at the next Audit and Risk Committee

These minutes are hereby certified as confirmed

Presiding member's Signature: _____ Date: _____

Vibrant, Connected, Progressive.

This is the community's vision for Perth and the City of Perth.



AUDIT AND RISK COMMITTEE

Established: 11 May 2010

Members:
Commissioner Gaye McMath (Presiding Member)
Chair Commissioner Andrew Hammond
Commissioner Len Kosova
Robert Maurich (Independent Member)

Quorum: Two

Expiry: At the next City of Perth Election.

TERMS OF REFERENCE: [26/06/18]

1. The Audit and Risk Committee's role, in accordance with Regulation 16 of the *Local Government (Audit) Regulations 1996*, is to:
 - a. guide and assist the local government in carrying out:
 - i. its functions under Part 6 of the Act;
 - ii. its functions relating to other audits and other matters related to financial management; and
 - iii. functions in relation to audits conducted under Part 7 of the Act.
 - b. review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to:
 - i. report to the council the results of that review; and
 - ii. give a copy of the CEO's report to the Council.
 - c. monitor and advise the CEO when the CEO is carrying out functions in relation to a review under:
 - i. regulation 17(1); and
 - ii. the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c);
 - d. support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;
 - e. oversee the implementation of any action that the local government:
 - i. is required to take by section 7.12A(3); and
 - ii. has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and
 - iii. has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and
 - iv. has accepted should be taken following receipt of a report of a review conducted under the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c);
 - f. perform any other function conferred on the audit committee by these regulations or another written law.
2. The Committee may provide guidance and assistance to the local government regarding:
 - a. other matters to be audited;
 - b. the scope of audits; and
 - c. financial, risk and compliance management functions as prescribed in the Local Government Act 1995; as well as
 - d. other matters specified in these Terms of Reference.
3. The Committee may resolve to request the Chief Executive Officer (CEO) to provide any information or make arrangements to provide independent expert advice, as appropriate and required by the Committee in order to fulfil its duties and responsibilities.

4. The Committee is to review and make recommendations to the Council regarding:
- a. Financial Management**
 - i. the annual Financial Statements with a view to being satisfied as to their accuracy and timeliness and the inclusion of prescribed disclosures and information;
 - ii. changes in accounting practices, policies and material changes in accounting treatment, providing advice on the appropriateness of implementation strategies; and
 - iii. the City's financial status and performance.
 - b. Risk Management**
 - i. the City's risk management strategies and policies;
 - ii. the adequacy of the City's risk management systems and practices; and
 - iii. the management of strategic risks, identifying as appropriate, specific risks for more detailed review and response.
 - c. Internal Controls**
 - i. the standard and effectiveness of the City's corporate governance and ethical considerations;
 - ii. the integrity, adequacy and effectiveness of the City's financial and administration policies, systems and controls in providing financial and governance information which:
 - is accurate and reliable;
 - complies with legislative obligations and requirements; and
 - minimises the risk of error, fraud, misconduct or corruption; and
 - iii. the efficiency and effectiveness on achievement of objectives.
 - d. Legislative Compliance**
 - i. the integrity, adequacy and effectiveness of the City's systems and controls for legislative compliance;
 - ii. the level of compliance with legislative obligations as well as the City's policies;
 - iii. the CEO's report on the review of the City's legislative Compliance systems, at least once triennially; and
 - iv. the annual statutory Compliance Audit.
 - e. Internal and External Audit Planning and Reporting**
 - i. the integrity, adequacy and effectiveness of the City's Internal Audit Plan and External Audit Plan;
 - ii. reports, findings and recommendations arising from Internal and External Audits;
 - iii. the audit of the City's Annual financial statements;
 - iv. the integrity, adequacy and effectiveness of the management response and any actions proposed to be taken to address issues raised by the Internal or External Auditor; and
 - v. the oversight and monitoring of implementation of agreed actions.

Delegated Authority 1.1.1 – Audit and Risk Committee provides authority for the Committee to fulfil the duty of the Council to meet with the City's External Auditor at least once per year [s.7.12A(2)].

Order of Business

Item

1. Declaration of opening
2. Apologies and Members on Leave of Absence
3. Question Time for the Public
4. Disclosures of members interest
5. Matters for which the meeting may be closed

In accordance with section 5.23(2) of the *Local Government Act 1995*, to preserve the confidentiality of attachments 6.4B and 6.4C, it is recommended that the meeting be closed to the public prior to any discussion on these attachments.

Attachment No.	Item No. and Title	Reason
Confidential Attachment 6.4B and 6.4C	Item 6.4 - Risk Management Update - October 2020	s5.23(2)(e)(ii)

6. Reports

Item No.	Item Title	Page No.
6.1	Outstanding Audit Recommendations - September 2020	8
6.2	Proposed Amendments to Internal Audit Plan 2020/21	12
6.3	Owners and Occupiers Electoral Roll Audit September 2020	16
6.4	Risk Management Update - October 2020	24

7. Closure

Minutes of the Special Audit and Risk Committee meeting of the City of Perth in Reception Room, Level 11, Council House, 27 St Georges Terrace, Perth on Wednesday, 14 October 2020.

Members in attendance

Commissioner Gaye McMath	Presiding Member
Chair Commissioner Andrew Hammond	
Commissioner Len Kosova	
Robert Maurich	Independent Member

Officers in attendance

Michelle Reynolds	Chief Executive Officer
Bill Parker	General Manager Corporate Services
Chris Kopec	General Manager Infrastructure and Operations
Kylie Johnson	Alliance Manager Executive Services
Karin Strachan	Project Director Corporate Recovery
Michael Kent	Project Director Strategic Finance (CFO)
Danielle Uniza	Alliance Manager Governance
Mario Cheldi	Internal Auditor
Niloha Mendoza	Assistant Internal Auditor
Vanessa Phillips	Governance Officer

Observers

Nil.

1. Declaration of opening and Acknowledgement of Country

The Presiding Member declared the meeting open at **4.33pm** and read aloud the Acknowledgement of Country.

2. Apologies and members on leave of absence

Nil.

3. Question time for the public

Nil.

4. Disclosures of members interest

Member/Officer	Item No. and Title	Nature of Interest
Commissioner Len Kosova (CM 209083/20)	Item 6.1 - Outstanding Audit Recommendations - September 2020	Nature: Impartiality Interest - Commissioner Kosova has a close friend who is a director at Moore Stephens. Extent: Minor

5. Matters for which the meeting may be closed

In accordance with section 5.23(2) of the *Local Government Act 1995*, to preserve the confidentiality of attachments 6.4B and 6.4C, it was recommended that the meeting be closed to the public prior to any discussion on these attachments.

Attachment No.	Item No. and Title	Reason
Confidential Attachment 6.4B and 6.4C	Item 6.4 - Risk Management Quarterly Report - August 2020	s5.23(2)(f)(i)

6. Reports

Item 6.1 - Outstanding Audit Recommendations - September 2020

File reference	P1026043-2
Report author	Mario Cheldi, Internal Auditor
Other contributors	Niloha Mendoza, Assistant Internal Auditor
Reporting service unit and alliance	CEO Unit, CEO Alliance
Report author disclosure of interest	Nil
Date of report	1 October 2020
Nature of Council's role	Information and Executive
Voting requirement	Simple Majority
Attachment/s	Attachment 6.1A – Progress of the implementation of internal audit and other report recommendations as at 30 September 2020 Attachment 6.1B – Risk and Audit Response Matrix

Purpose

Provide a summary on the progress of the implementation of outstanding audit recommendations as at 30 September 2020 to the Audit and Risk Committee.

Background

This report is a standard item on the agenda for the Audit and Risk Committee meeting. It provides a status of implementation of outstanding audit recommendations from prior audits carried out by the Internal Audit Team or by external parties.




Risk and Audit Response Matrix

A Risk and Audit Response Matrix was approved by the Audit and Risk Committee at its meeting held on 20 May 2019. The Matrix (refer Attachment 6.1B) includes guidelines in relation to addressing risk and audit items. Based on the risk rating assigned to these items, the Matrix provides a timeframe for management to implement an action plan to address the items arising from the risk and audit reviews carried out.

The report on the Risk and Audit Response Matrix as presented to the Audit and Risk Committee at its meeting held on 20 May 2019 states "Following approval, the Risk Management and Internal Audit Teams will apply the requirements of the Matrix to all risks and internal audits reported to the Audit and Committee from August 2019".

Details

A summary of the progress of the implementation of outstanding recommendations is provided below.

Status Description		Reporting Cut-off Date	
		30 September 2020	17 July 2020
	Behind schedule	2	11
	On track	2	2
	Completed	9	11
Total		13	24

As at 17 July 2020 there were 13 outstanding audit recommendations (11 behind schedule and two on track) to be addressed by relevant responsible staff (as reported to the Audit and Risk Committee at its meeting held on 5 August 2020). Since then nine outstanding audit recommendations have been completed. The remaining four outstanding audit recommendations (as at 30 September 2020) relate to the following:

1. A Fraud and Corruption Control Plan to be developed and implemented within the organisation (Status: Behind schedule).
2. Council Policy 9.3 Management of Investments to be reviewed and updated in line with current legislation and requirements for management of investments (Status: Behind schedule).
3. Improvements to the management of debtors (Status: On track).
4. Recommendations to improve information security controls (Status: On track).

The progress of the implementation of outstanding audit recommendations (as at 30 September 2020) from prior audits carried out is detailed within Attachment 6.1A.

Extended Timeframes for Outstanding Audit Recommendations

One of the above “behind schedule” outstanding audit recommendations relates to the Fraud and Corruption Control Plan. Alliance Manager Governance and General Manager Corporate Services have deemed a revised completion date of 31 December 2020 for this Plan. This new timeframe is based on the need to consider recommendations from the Internal Audit and Risk Review (undertaken by Deloitte) pertaining to Fraud and Corruption Control. The abovementioned staff members are seeking acceptance from the Audit and Risk Committee of a revised completion date (extension) of 31 December 2020.

The other “behind schedule” outstanding audit recommendation (Council Policy 9.3 Management of Investments) has a revised completion date (extension) of 31 October 2020 as approved at the Audit and Risk Committee meeting held on 5 August 2020.

Stakeholder engagement

Engagement with internal stakeholders, as listed within Attachment 6.1A, was undertaken in relation to this report.

Strategic implications

Strategic Community Plan

This item addresses the community’s vision for the future and specifically the following Aspiration and Strategic Objective(s) contained in the Strategic Community Plan 2019 – 2029:

Aspiration:	Performance
Strategic Objective:	5.5 A financial business model underpinned by a culture of cost management, best value and strategic financial analysis that is subject to ongoing oversight, transparency and accountability. 5.6 Decision-making that is ethical, informed and inclusive. 5.7 Asset management, community services and major projects all guided by strategies that are inclusive, transparent, contemporary and intrinsically linked to the community’s strategic vision.

This report facilitates the monitoring of implementation of outstanding audit recommendations which may contribute towards the abovementioned strategic objectives.

Legal and statutory implications

The Audit and Risk Committee is to oversee the implementation of any action that Council has accepted should be taken following receipt of an audit report (regulation 16 of the *Local Government (Audit) Regulations 1996*).

Risk implications

Impact of decision	
Organisation	High
Community	Low

The outstanding audit recommendations within Attachment 6.1A have been risk rated by the Internal Audit Team in accordance with the City’s Risk Assessment Matrix.

Approval implications

This report is submitted to the Audit and Risk Committee for information as well as seeking the acceptance of extended timeframe for an outstanding audit recommendation as described within the report. If the Audit and Risk Committee does not adopt the Officer’s Recommendation, there will be a lack of formal accountability within the organisation for addressing the outstanding audit recommendations.

Financial implications

There are no financial implications related to this report.

Policy references

19.1 – Risk Management.

Comments

Provision of this report facilitates the monitoring of implementation of actions to address the outstanding audit recommendations from prior audits carried out.

The format of Attachment 6.1A (Progress of the implementation of internal audit and other report recommendations as at 30 September 2020) has been based on an Australian National Audit Office template used for the follow up of outstanding audit recommendations.

Recommendation and Committee Resolution

Moved: Commissioner Kosova
Seconded: Commissioner McMath

That the Audit and Risk Committee:

1. RECEIVES the report Outstanding Audit – September 2020; and
2. APPROVES the extended timeframe for completion of action proposed by relevant responsible staff to address the outstanding audit recommendation of a Fraud and Corruption Control Plan to be developed and implemented within the organisation.

CARRIED 4 / 0

For:
Commissioner McMath
Chair Commissioner Hammond
Commissioner Kosova
Mr Maurich

Against:
Nil

Item 6.2 – Proposed Amendments to Internal Audit Plan 2020/21

File reference	P1026043-2
Report author	Mario Cheldi, Internal Auditor
Other contributors	Nil
Reporting Service Unit and Alliance	CEO, CEO Alliance
Report author disclosure of interest	Nil
Date of report	29 September 2020
Nature of Council's role	Executive
Voting requirement	Simple Majority
Attachment/s	Attachment 6.2A – City of Perth Inquiry Report Recommendations containing audit requests Attachment 6.2B – Internal Audit Plan 2020/21 (Amended) Attachment 6.2C – Internal Audit Plan – Activity Table (Amended)

Purpose

The purpose of this report is to present proposed amendments to the Internal Audit Plan 2020/21 for the consideration and endorsement of the Audit and Risk Committee and Council.

Background

The Internal Audit Plan 2020/21 was approved by the Audit and Risk Committee at its meeting held on 6 May 2020 and by Council at its meeting held on 30 June 2020.

On 11 August 2020, the State Government made public the final report of the Inquiry into the City of Perth (Inquiry Report). A number of recommendations within this report contain requests for audits to be carried out on various activities of the City.

Proposed amendments have been made to the approved Internal Audit Plan 2020/21 to accommodate the abovementioned audit requests.

Details

The recommendations of the Inquiry Report containing requests for audits have been documented within Attachment 6.2A. These recommendations have been analysed and summarised by the Internal Auditor into the following nine audit areas for review:

- Council and Committee Decision Making
- Gifts and Entitlements
- Local Government Elections (Owners and Occupiers Roll)

- People Management – General (Human Resources function’s record-keeping compliance)
- Performance Management and Termination of Employment
- Grants, Sponsorships and Partnerships
- Procurement and Contracting
- Corruption and Misconduct Risks
- Complaints and Grievance Handling

As appropriate, the above audit areas have been scheduled to be undertaken inline with suggested timing and frequency for performing these audits as outlined within relevant Inquiry Report recommendations. A summary of the planned timing and frequency for carrying out the above audits is provided in Attachment 6.2A (refer Comments column).

The Owners and Occupiers Roll Audit has been completed by the Internal Audit Team and is the subject will be presented to the Audit and Risk Committee for consideration at its Special meeting to be held on 14 October 2020. Remaining eight audits will be undertaken by independent firms under the coordination of the Internal Auditor. Due to existing audit priorities and the Internal Auditor being on leave from 23 November 2020 until 31 December 2020, the engagement of independent firms to carry out these remaining audits will commence from January 2021.

Internal Audit Plan 2020/21 amended to accommodate the above audit areas, as appropriate, is provided in Attachment 6.2B.

An Internal Audit Activity Table is provided within Attachment 6.2C showing internal audits undertaken in the 2017/18, 2018/19 and 2019/20 financial years, as well as the proposed audits for the 2020/21, 2021/22 and 2022/23 financial years.

Stakeholder engagement

Engagement in relation to this report was undertaken with the Chief Executive Officer and Executive Leadership Team.

Strategic alignment

Strategic Community Plan

This item addresses the community’s vision for the future and specifically the following Aspiration and Strategic Objective(s) contained in the Strategic Community Plan 2019 – 2029:

Aspiration:	Performance
Strategic Objective:	5.5 A financial business model underpinned by a culture of cost management, best value and strategic financial analysis that is subject to ongoing oversight, transparency and accountability.

Legal and statutory implications

Under Regulation 17 of the *Local Government (Audit) Regulations 1996* the CEO is to review certain systems and procedures including risk management, internal controls and legislative compliance.

Risk implications

Impact of decision	
Organisation	High
Community	Low

Proposed inclusion of the requested audits within the Internal Audit Plans will mitigate risks associated with a number of issues as identified within the Inquiry Report recommendations.

Approval implications

If Council does not adopt the recommendation of this report, there will be no formal acceptance of Internal Audit Plan amendments to include the above requested audit areas identified from Inquiry Report recommendations.

Financial implications

An amendment to the budget may be required to accommodate the abovementioned engagement of independent firms.

Policy references

19.1 – Risk Management.

Comments

It should be noted that the City of Perth Internal Audit Plan is flexible in that it may be updated during the financial year to cater for new risks or changing audit priorities.

The outcomes of the City of Perth Inquiry emerging as a determinant of audit areas within Internal Audit Plans was flagged in the report on the City of Perth Internal Audit Plan 2020/21 presented to the Audit and Risk Committee and Council in May and June 2020 respectively.

Recommendation

That Council APPROVES the proposed amendments to the City of Perth Internal Audit Plan 2020/21.

Committee Resolution

Moved: Mr Maurich

Seconded: Commissioner Kosova

That the Audit and Risk Committee DEFERS consideration of Item 6.2 - Proposed Amendments to the Internal Audit Plan 2020/21 to the next Audit and Risk Committee to allow for the provision of more information under the financial implications section of the report.

CARRIED 4 / 0

For:

Commissioner McMath

Chair Commissioner Hammond

Commissioner Kosova

Mr Maurich

Against:

Nil

Reason:

The Audit and Risk Committee believe that more information should be provided under the financial implications section of the report and that the item be considered by the incoming Council.

Item 6.3 - Owners and Occupiers Electoral Roll Audit September 2020

File reference	P1026043-2
Report author	Mario Cheldi, Internal Auditor
Other contributors	Niloha Mendoza, Assistant Internal Auditor
Reporting Service Unit and Alliance	CEO, CEO Alliance
Report author disclosure of interest	Nil
Date of report	30 September 2020
Nature of Council's role	Executive
Voting requirement	Simple Majority
Attachment/s	Nil

Purpose

The purpose of this report is to seek approval of the Owners and Occupiers Electoral Roll audit.

BackgroundOwners and Occupiers Roll

The City maintains an “owners and occupiers roll” for people who are enrolled to vote in State and Federal elections from an address outside of the City, but who own or occupy rateable property within the boundary of the City of Perth. The Western Australian Electoral Commission (WAEC) maintain a residents roll for those who are enrolled for State and Federal Elections within the City's boundaries.

The Chief Executive Officer (CEO) of the City (or their delegate) determines whether people are eligible to be enrolled on the owners and occupiers roll in accordance with the requirements of the *Local Government Act 1995* (the Act).

Individuals may apply because they own or occupy property in their own right. Bodies corporate (such as companies or incorporated associations) which own or occupy property within the City may nominate two people to vote in the City's elections.

At the time of commencement of undertaking this audit in mid-September 2020, the final owners and occupiers roll prepared on 11 September 2020 had 2617 persons with 456 of those being occupiers and the remainder being owners.

Inquiry Report

The Report of the Inquiry into the City of Perth (Report) was tabled in Parliament on 11 August 2020. Contained within the Report are recommendations in relation to the City's electoral processes for the owners and occupiers roll.

The Report also contained findings that individuals created sham leases to appear to be eligible for the roll and the City's practices in assessing enrolment claims from occupiers of property were inadequate. On the basis of these findings, the risk of electoral misconduct is considered to be higher for occupiers than it is for owners.

The City has implemented several measures to improve its processes in relation to the owners and occupiers roll. These measures include the following:

- all processing officers have received training from a solicitor on how to assess an enrolment eligibility claim, notably how to determine if a lease is valid and enforceable;
- sought independent legal advice on complex enrolment eligibility claims;
- commissioned a solicitor to develop a lease assessment checklist to assist officers in determining if a lease is valid and enforceable; and
- reviewed and updated work instructions and procedures.

Details

This audit was carried out in two parts as follows:

- the owners and occupiers roll (roll audit); and
- the City's systems and processes regarding the owners and occupiers roll, including processes related to applying to be on the roll, acceptance of nominations, inclusion on the roll and release of information on that roll to parties including council members (process audit).

Roll Audit

Sample testing was undertaken to determine whether eligible persons are on the owners and occupiers roll (roll). The roll was separated into owners/owner nominees and occupiers/occupier nominees and separate samples of 110 for each of these two groups obtained via computer generated random numbers. A sample size of 110 represents approximately 25% of the 456 occupiers/occupier nominees on the roll allowing particular attention to be paid to this higher risk group (refer background section above). This sample size is considered sufficient for the owners/owner nominees group who are considered a lower risk in relation to electoral misconduct.

- Sample of owners/owner nominees

To confirm their eligibility to be on the roll, Pathway/Content Manager system records were firstly reviewed to determine whether a valid Enrolment Eligibility Claim Form (Form 2) had been received and processed for each sampled owner/owner nominee. Secondly, eligibility checks undertaken by the Governance Team were reviewed on Pathway/Content Manager to ensure that enrolment criteria had been met for the sampled owners/owner nominees i.e. applicant is on the state/commonwealth roll, a rateable property is recorded on Pathway in the name of the owner or body corporate for owner nominees. In addition, an Australian Securities and Investments Commission (ASIC) website search on the relevant body corporate is undertaken by the Governance Team to ensure that company details are valid. These ASIC searches as maintained on Pathway/Content Manager were also reviewed for owner nominees within the sample.

Sampled owners were found to be owners of rateable property within the City thereby making them eligible to be on the roll. The sampled owner nominees were also found to be eligible to be on the roll due to the corporate bodies nominating them identified to be owners of rateable property within the City. It was noted that for roughly half of the sample of owners/owner nominees, documentation on eligibility checks undertaken, as described in the above paragraph, were not being maintained on system records. As confirmed with the Governance Team this is due to electoral processing practices previously not requiring the system capture of documentation on eligibility checks. Current practice, as confirmed during this roll audit, is for documentation on eligibility checks to be maintained on the Pathway/Content system record for the claimant.

- Sample of occupiers/occupier nominees

Similar to the sample of owners/owner nominees, Pathway/Content Manager system records were firstly reviewed to determine whether a valid Enrolment Eligibility Claim Form (Form 2) had been received and processed for each sampled occupier/occupier nominee. Secondly, eligibility checks undertaken by the Governance Team were reviewed on Pathway/Content Manager to ensure that enrolment criteria had been met for the sampled occupiers/occupier nominees i.e. applicant is on the state/commonwealth roll, a rateable property is recorded on Pathway in the name of the landlord. In addition, ASIC website search on the relevant body corporate occupier is undertaken by the Governance Team to ensure that company details are valid. These ASIC searches as maintained on Pathway/Content Manager were also reviewed for occupier nominees within the sample.

For occupier/occupier nominee applicants, the Governance Team have been requesting a copy of the relevant lease agreement and proof of payment of rent. These requests are to provide evidence of a valid lease arrangement in place and to prevent individuals from creating a sham lease to appear to be eligible for the roll as was identified as a finding within the Inquiry Report. Lease agreements and proof of payment of rent as contained on Pathway/Content Manager were reviewed for the sample of occupiers/occupier nominees. Finally, it has been noted that, since August 2020, the Governance Team have been completing a Lease Checklist for occupier/occupier nominee applicants. This checklist is being used to assess an applicant’s right of continuous occupation of rateable property under a lease, tenancy agreement or other legal instrument. It is understood from the Governance Team that this checklist was developed by McLeods Lawyers.

The following table provides a summary of sample testing results. Details on the categories within the table are given below.

Category	Number within sample
All supporting documentation/checks confirmed in place	71
No response to letter to existing persons on roll for supporting documentation (to be removed from roll)	17
Response received from existing persons on the roll to letter for supporting documentation (to remain on the roll)	6
Proof of rent only not sighted (to remain on roll)	14
Rejected – Decision overturned by the WAEC	1
Decision maker error	1
Total	110

Sample testing has found that an Enrolment Eligibility Claim Form (Form 2) had been received, eligibility checks undertaken, valid lease agreement in place and proof of rent sighted for 71 occupiers/occupier nominees, thereby making eligible to remain on the roll.

The City had written to all persons on the City's Owners and Occupiers Electoral Roll who had not previously supplied a copy of their lease, tenancy agreement, other legal instrument or rent receipts in support of their claim for enrolment. The letter gave notice, as required by section 4.35(2) of the Act, that without this documentation the CEO may determine those persons to be ineligible. 61 persons did not provide required documentation in response to the notice and subsequent telephone calls. As a result, the CEO has determined those persons ineligible for enrolment and as required by section 4.35(3) of the Act sent a notice of this decision to the WAEC on 25 September 2020. The sample of occupiers/occupier nominees includes 17 of the 61 persons determined ineligible for enrolment and it was confirmed by the Governance Team that these persons are to be removed from the roll. The Governance Team have also confirmed that six persons within the sample of occupiers/occupier nominees had responded to the abovementioned letter and as a result have been allowed to remain on the roll.

Sample testing had identified that for 14 occupiers/occupier nominees, proof of rent was not able to be sighted (all other requirements for inclusion on the roll as described above including a valid lease had been demonstrated). The Governance Team have determined that occupiers/occupier nominees in this category can remain on the roll. It should be noted that there is no requirement under the Act for claimants to provide a rent receipt. In some cases, occupiers may not be required to pay rent eg crown lease or a lease may state that rent is only payable on demand. Proof of payment of rent is only used as a guide to the person with delegated authority to accept or reject a claim. For example, if the lease assessment is satisfactory and an applicant clearly has the right of occupation, the City does not want to disenfranchise a potential elector on the basis that they cannot provide a rent receipt.

One occupier within the sample had their claim rejected by the City due to documentation provided by the claimant not demonstrating right of continuous occupation under a lease tenancy agreement or other legal instrument for at least the next three months (*Local Government Act 1995* 4.31(1C) and 4.31(3)). The claimant appealed this decision to the WAEC who overturned the decision. As a result, the claimant is now accepted on the roll.

Finally, one case of decision maker error within the sample was identified. In this case the date of authorisation of the claim form (Form 2) for the occupier nominee is prior to the date of execution of a deed of licence to occupy office space within a rateable property in the City of Perth. On this basis the occupier nominee claim should have been rejected rather than accepted. It was noted that the date of authorisation of the claim form for the occupier nominee being prior to the date of execution of a deed of licence to occupy office space within the above rateable property was also observed for a number of other claims (not within the sample). Although the City had rejected these other claims, these decisions were later overturned on appeal by the claimants to the WAEC and the occupier nominees subsequently accepted on the roll.

With the exception of the sampled 17 persons who will be removed from the roll due to not providing required documentation and the case of decision maker error (refer above), occupiers/occupier nominees within the sample were found to be eligible to be on the roll.

- Conclusion

Overall conclusion is that eligible persons appear on the roll with the exception of the abovementioned 17 occupiers/occupier nominees to be removed from the roll due to not providing required documentation and the one instance of a decision maker error involving an occupier nominee as described above.

Process Audit

Current processes and systems regarding the owners and occupiers roll were reviewed with the Governance Officer responsible for maintaining this roll.

- Process relating to applying to be on the roll

Individuals or corporate nominees wanting to apply to be on the roll must complete and submit an Enrolment Eligibility Claim Form (Form 2). This form is used by the Governance Officer to register applicant details within the Pathway system. Various eligibility checks as described in the roll audit section of this report are undertaken by this officer depending on whether the applicant is an owner/owner nominee or occupier/occupier nominee.

- Acceptance of nominations

Once the abovementioned eligibility checks are completed, the Governance Officer makes a recommendation to either accept or reject the applicant's claim to be on the roll. The decision to accept or reject a claim is made by a delegated officer under Delegation of Authority 1.3.1 Electoral Roll Eligibility Claims and Electoral Roll. Delegated officer making this decision is usually the Governance Coordinator as identified in the roll audit.

A Notice of Acceptance of Enrolment Eligibility Claim (Form 3) is provided to the successful claimant. Conversely, for rejected claims the claimant is provided with a Notice of Rejection of Enrolment Eligibility Claim (Form 4).

- Inclusion on the roll

Details of successful claimants are being maintained on the Pathway system. A process is in place to export these details into a spreadsheet to comprise the owners and occupiers roll. The roll lists the full name of the successful claimant, their postal address, property address as well as voting type i.e. OWN, OWNNOM, OCC, OCCNOM.

- Release of information on that roll to parties including council members

A process is in place for a copy of the owners and occupiers roll (uncertified) to be provided to anyone who requests a copy. In relation to elected members, a copy of this roll is provided with an attachment that highlights relevant sections of the Act in relation to access and use of information by council and committee members i.e. section 5.92 Access to information by council, committee members and section 5.93 Improper use of information.

A certified copy of the owners and occupiers roll is provided to the Returning Officer (WAEC) to distribute to nominating candidates. For the upcoming election on 17 October 2020, the Chief Executive Officer has certified this roll in accordance with section 4.41(2) of the Act as evidenced within the attachment to this roll.

- Work Instructions

A number of detailed work instructions exist for the processing of enrolment claims and the maintenance of the owners and occupiers roll. These work instructions are listed as follows:

- Electoral - Enrolment - Processing Eligibility Claims;
 - Electoral - Maintenance - Removing Duplicates from the Owner and Occupier Roll;
 - Electoral - Maintenance - Creating an Uncertified/Certified Owners and Occupiers Roll;
 - Electoral - Maintenance - Creating Test/Certified Owners and Occupiers Roll for WAEC;
 - Electoral - Maintenance - Monthly Roll Audit;
 - Electoral - Maintenance - Updating Pathway Name and Addresses;
 - Electoral - Maintenance - Decision Report;
 - Electoral - Enrolment - Property Change of Ownership; and
 - Electoral Roll - Maintenance - Silent Electors on the Owner and Occupier Register and Roll
- Systems

As previously mentioned, applicants for the owners and occupiers roll are registered within the Pathway system. This system allocates an electoral licence number for each application which serves as a reference number for the application. A task workflow for each application is completed within Pathway by responsible officers and an audit trail maintained in relation to completion of these tasks. As evidenced in the roll audit, Form 2 and evidence of eligibility checks are stored within Pathway under the applicant's electoral licence number as well as under this number in the Content Manager record keeping system.

- Conclusion

Current processes and systems regarding the owners and occupiers roll are considered to be adequate. No areas for improvement or further controls needed were identified.

Stakeholder engagement

Engagement with the following internal stakeholders was undertaken in relation to this report.

- General Manager Corporate Services
- Governance Officer
- Governance Coordinator
- Electoral Officer
- Paralegal
- City Records Officer

Strategic alignment

Strategic Community Plan

This item addresses the community’s vision for the future and specifically the following Aspiration and Strategic Objective(s) contained in the Strategic Community Plan 2019 – 2029:

Aspiration:	Performance
Strategic Objective:	5.6 Decision-making that is ethical, informed and inclusive.

Legal and statutory implications

Under regulation 17 of the *Local Government (Audit) Regulations 1996* the Chief Executive Officer is to review certain systems and procedures including risk management, internal control and legislative compliance.

Connection with mandates in the *City of Perth Act 2016*

8(1)(a) - to provide for the good government of persons in the City of Perth, including residents, ratepayers and visitors

Risk implications

Impact of decision			
Organisation	High		
Community	Low		
Risk domain	Consequence	Likelihood	Risk rating
Legal and Regulatory/Ethical	Minor	Unlikely	Low
Reputation and External Stakeholders	Minor	Unlikely	Low

Approval implications

If Council does not adopt the recommendation of this report there will be no formal acceptance by Council of the Owners and Occupiers Electoral Roll Audit - September 2020.

Financial implications

There are no financial implications related to this report.

Policy references

19.1 – Risk Management.

Comments

The cooperation and assistance received from the Governance Officer responsible for maintaining the owners and occupiers roll and other staff listed above under stakeholder engagement to enable the completion of this review is appreciated.

Recommendation
That Council <u>APPROVES</u> the Owners and Occupiers Electoral Roll audit - September 2020.

Moved with Amendment
<p>Moved: Commissioner McMath Seconded: Commissioner Hammond</p> <p>That Council <u>NOTES</u> that the Owners and Occupiers Electoral Roll audit - September 2020 was conducted.</p> <p>Reason: The Audit and Risk Committee believed it appropriate only to note that the audit had been conducted.</p>

Committee Recommendation
<p>That Council <u>NOTES</u> that the Owners and Occupiers Electoral Roll audit - September 2020 was conducted.</p> <p>CARRIED 4 / 0</p> <p>For: Commissioner McMath Chair Commission Hammond Commission Kosova Mr Maurich</p> <p>Against: Nil</p>

Item 6.4 – Risk Management Update – October 2020

File reference	P1013822-3
Report author	Chris Noble, Corporate Strategy and Risk Advisor
Other contributors	Tess Jackson, Risk and Business Continuity Officer
Reporting Service Unit and Alliance	Corporate Recovery Unit, CEO Alliance
Report author disclosure of interest	Nil
Date of report	2 October 2020
Nature of Council's role	Executive
Voting requirement	Simple Majority
Attachment/s	Attachment 6.4A - Audit and Risk Committee Risk Profile Report - October 2020 Confidential Attachment 6.4B - Extreme and High Risk - Summary Report Confidential Attachment 6.4C - Review of the Internal Audit and Risk Management Functions <i>Confidential attachments are distributed to Committee Members under separate cover</i>

Purpose

This report provides an update to the Audit and Risk Committee on the City's operational and strategic risk profile.

Background

This update report is a standard item for the Audit and Risk Committee meeting and is provided to facilitate appropriate and independent oversight to the management and control of the City's risk management processes.

Details

This risk management report provides an update on the following areas:

1. City's Risk Portfolio;
2. Internal Audit and Risk Management Review; and
3. Business Continuity.

1. City’s Risk Portfolio

The City currently has 118 operational risks registered, of which one risk has been assessed as extreme and 17 risks assessed as high. The organisation is currently undertaking a review of its Strategic Risks, which once finalised will be provided to the Audit and Risk Committee. The data identified in this portfolio report is based on operational risks only. A summary of the portfolio is below:

Risks	Ratings		Controls					
<table border="1"> <tr> <td>Operational Risks</td> </tr> <tr> <td>118</td> </tr> </table>	Operational Risks	118	Total Risks by Rating	Extreme	1	Effective Controls	Adequate Controls	Inadequate Controls
Operational Risks								
118								
High	17	4 ↑		94 ↑	20 ↓			
Medium	81							
Low	19							

As part of the planning process a number of previously identified risks that had not fully completed the assessment process, have now been placed into registers which has seen an increase in the City’s risk totals.

All risks are reported to the Executive Leadership Team on a monthly basis and is available on the City’s Performance Measurement Dashboard. The online system to track and manage risk information (CGR) has been configured and the system is now live and active. During October 2020 a training program will be implemented to train key users on creating, updating and modifying new and existing risks.

The full summary of the City’s risk portfolio can be found in Attachment 6.4A.

2. Internal Audit and Risk Management Review

In August 2020 the City procured the services of a consultant to provide an independent review into the operations of the City’s Internal Audit and Risk Management functions. This review has now been finalised, with the full report provided as Confidential Attachment 6.4C.

The finalised report has identified over 50 recommended improvements, based on findings in relation to conformance with primary standards for each function. It has been highlighted by the auditors that the standards for Internal Audit and the standards for Risk Management vary in the sense that the Internal Audit Standards reflect a bare minimum level that is to be achieved whilst the Risk Management Standards reflect a best practice level. A high-level summary of the each functions conformance against key standards is shown below.

Function	Number of Key Standards	Conformance with standards		
		Generally	Partially	Does Not
Internal Audit	12	5	5	2
Risk Management	20	2	15	3

The City has implemented some immediate actions in response to this review. This includes:

- the consolidation of the Audit and Risk functions;
- recruitment of an Internal Audit and Risk Manager, reporting directly to the CEO;
- adopting a co-sourcing model to balance internal capacity and capability, with external expertise; and
- the consideration of a second independent member to be part of the Audit and Risk Committee, which will be presented as a separate item upon introduction of the new Council.

Further actions will be identified and implemented as soon as the Internal Audit and Risk Manager is appointed in the near future.

3. Business Continuity

The City has an updated Business Continuity Plan that has used feedback from the City’s response to COVID-19, as well as industry expert guidance. Upon commencement of the Internal Audit and Risk Manager, the Plan and supporting structures will undergo a review to ensure it is fit for purpose.

Stakeholder engagement

There has been no external stakeholder engagement regarding this report.

Strategic alignment

This item addresses the community’s vision for the future and its implications on the Strategic Community Plan 2019 – 2029, Corporate Business Plan 2020/21 – 2023/24 and relevant Issue or Area Specific Strategies or Plans.

Strategic Community and Corporate Business Plan

Aspiration:	Performance
Strategic Objective:	An integrated strategic framework with clear line of sight between community vision and operational outcome.
Operational Initiative:	N/A

This report provides opportunity for appropriate oversight by the Audit and Risk Committee to oversee the City’s management of its risk profile.

Legal and statutory implications

Local Government Act 1995 - Regulation 17 of the Local Government (Audit) Regulations 1996

Risk implications

Impact of decision	
Organisation	Low
Community	Low

This report provides some control and mitigation to the following risks domains:

Risk domain	Consequence	Likelihood	Risk rating
Financial	Minor	Unlikely	Low
Legal and Regulatory/Ethical	Moderate	Rare	Low
Reputation and External Stakeholders	Minor	Rare	Low

There are no direct risk implications regarding this report.

Approval implications

This report is provided as a status for Council oversight. There are no implications should the Audit and Risk Committee not approve Officer’s Recommendations.

Financial implications

There are no financial implications directly relating to this report.

Policy references

Council Policy 19.1 - Risk Management.

Comments

The City is currently undergoing a recruitment process to appoint an Internal Audit and Risk Manager, to oversee the Audit and Risk functions. This recruitment has been recommended as an outcome of the Review of the Internal Audit and Risk Management Function conducted by Deloitte. This review identified numerous opportunities for improvement, which will form the direction of the yet to be established unit.

5.15pm The Project Director Strategic Finance (CFO) departed the meeting.

5.22pm The Project Director Strategic Finance (CFO) returned to the meeting.

Recommendation
<p>That Audit and Risk Committee:</p> <ol style="list-style-type: none"> <u>RECEIVES</u> the Risk Management Update for October 2020 as detailed in Attachment 6.4A; and <u>ENDORSES</u> the Report on the review of Internal Audit and Risk Management as detailed in Confidential Attachment 6.4C.

Moved with Amendment

Moved: Commissioner Kosova

Seconded: Mr Maurich

That the Audit and Risk Committee RECEIVES the Risk Management Update for October 2020 as detailed in Attachment 6.4A.

Reason:

The Audit and Risk Committee moved to the amendment to enable the second point in the recommendation to be deferred.

Motion to Defer

Moved: Commissioner Kosova

Seconded: Mr Maurich

That the Audit and Risk Committee DEFERS the report on the review of Internal Audit and Risk Management as detailed in Confidential Attachment 6.4C.

CARRIED 4 / 0

For:

Commissioner McMath

Chair Commission Hammond

Commission Kosova

Mr Maurich

Against:

Nil

Reason:

The Audit and Risk Committee believed that endorsement of the Internal Audit and Risk Management review report should be deferred so that the financial implications can be further investigated and that the report be considered by the incoming Council.

Committee Resolution

That Audit and Risk Committee:

1. RECEIVES the Risk Management Update for October 2020 as detailed in Attachment 6.4A; and
2. DEFERS the report on the review of Internal Audit and Risk Management as detailed in Confidential Attachment 6.4C.

CARRIED 4 / 0

For:

Commissioner McMath
Chair Commission Hammond
Commission Kosova
Mr Maurich

Against:

Nil

Meeting Notes and Announcements by Presiding Member

Inclusion of Minutes with Agenda Papers

The Presiding Member suggested that all future Audit and Risk Committee agenda papers include the previous meeting's minutes for consideration.

The Chief Executive Officer took this on notice.

Acknowledgement of Country

The Presiding Member suggested that all future Audit and Risk Committee meetings should have the Acknowledgement of Country added to the Order of Business.

The Chief Executive Officer took this on notice.

Farewell and Thank you

The Presiding Member thanked everyone for their efforts and said it has been a delight being part of the Audit and Risk Committee. The Presiding Member wished members and staff well for the future.

Closure

5.59pm The Presiding Member declared the meeting closed.