

Audit & Risk Committee Meeting

Minutes for 27 November 2017

UNCONFIRMED



**city of
kalamunda**

INDEX

1.0	OFFICIAL OPENING.....	3
2.0	ATTENDANCE, APOLOGIES AND LEAVE OF ABSENCE PREVIOUSLY APPROVED	3
3.0	PUBLIC QUESTION TIME	4
4.0	PETITIONS/DEPUTATIONS	4
5.0	CONFIRMATION OF THE MINUTES OF PREVIOUS MEETING.....	4
6.0	ANNOUNCEMENTS BY THE PRESIDING MEMBER WITHOUT DISCUSSION	4
7.0	MATTERS FOR WHICH MEETING MAY BE CLOSED	4
8.0	DISCLOSURE OF INTERESTS.....	5
9.0	REPORTS TO COUNCIL	5
	10. INTERNAL AUDIT REPORT NOVEMBER 2017.....	6
	11. ADOPTION OF ANNUAL FINANCIAL REPORT 2016/2017.....	10
	12. CITY OF KALAMUNDA RISK PROFILE	16
	13. REVIEW OF GOVERNANCE AND POLICY FRAMEWORK.....	21
10.0	MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN	25
11.0	QUESTIONS BY MEMBERS WITHOUT NOTICE	25
12.0	QUESTIONS BY MEMBERS OF WHICH DUE NOTICE HAS BEEN GIVEN	25
13.0	URGENT BUSINESS APPROVED BY THE PRESIDING MEMBER OR BY DECISION.....	25
14.0	TABLED DOCUMENTS	25
15.0	MEETING CLOSED TO THE PUBLIC.....	25
16.0	CLOSURE	25

MINUTES

1.0 OFFICIAL OPENING

The Presiding Member opened the meeting at 6:03pm and welcomed Councillors, Staff and Members of the Public.

2.0 ATTENDANCE, APOLOGIES AND LEAVE OF ABSENCE PREVIOUSLY APPROVED

2.1 Attendance

Councillors

John Giardina	(Mayor) South East Ward
Geoff Stallard	South East Ward
Lesley Boyd	South West Ward
Allan Morton	South West Ward
Brooke O'Donnell	South West Ward
David Almond	North West Ward
Sara Lohmeyer	North West Ward
Dylan O'Connor	North West Ward
Cameron Blair	North Ward
Tracy Destree	(Presiding Member) North Ward
Margaret Thomas	North Ward

Members of Staff

Rhonda Hardy	Chief Executive Officer
Dennis Blair	Director Asset Services
Gary Ticehurst	Director Corporate & Community Services
Rajesh Malde	Manager Financial & Risk Services
Simon Di Rosso	General Counsel & Executive Advisor, Governance & Legal
Nicole O'Neill	Manager Customer & Public Relations
Kristy Lisle	Executive Research Officer Governance & Legal Services

Members of the Public 3

Members of the Press 0

2.2 Apologies

Councillors

Michael Fernie	South East Ward
----------------	-----------------

Members of Staff

Natalie Martin Goode	Director Development Services
----------------------	-------------------------------

2.3 Leave of Absence Previously Approved

Nil.

3.0 PUBLIC QUESTION TIME

A period of not less than 15 minutes is provided to allow questions from the gallery on matters relating to the functions of this Committee. For the purposes of Minuting, these questions and answers are summarised.

3.1 Mr John Flahive, 4 Laurena Place, Maida Vale

Q1. Why is there a systemic avoidance of the legislation, namely the Dog Act by the Council?

Q2. If there is a prescribed form, such as 38.2, why has the form not been applied as it should be, and as required under the law? Policy does not override Law.

A1. These questions were taken on notice.

4.0 PETITIONS/DEPUTATIONS

4.1 Nil.

5.0 CONFIRMATION OF THE MINUTES OF PREVIOUS MEETING

5.1 That the Minutes of the Audit & Risk Committee Meeting held on 18 September 2017, as published and circulated, are confirmed as a true and accurate record of the proceedings.

Moved: **Cr Geoff Stallard**

Seconded: **Cr Sara Lohmeyer**

Vote: **CARRIED UNANIMOUSLY (11/0)**

6.0 ANNOUNCEMENTS BY THE PRESIDING MEMBER WITHOUT DISCUSSION

6.1 Crowe & Howarth have been appointed as the City's Internal Auditor with a two year plus one optional contract term.

6.2 The Office of Auditor General will be taking responsibility for external audits across all local governments from July 2018. They are currently working with local governments to complete these changes and it is likely that the services will be contracted out. The confirmation of these details is yet to come.

7.0 MATTERS FOR WHICH MEETING MAY BE CLOSED

7.1 Nil.

8.0 DISCLOSURE OF INTERESTS

8.1 Disclosure of Financial and Proximity Interests

- a. Members must disclose the nature of their interest in matters to be discussed at the meeting. (Section 5.65 of the *Local Government Act 1995*.)
- b. Employees must disclose the nature of their interest in reports or advice when giving the report or advice to the meeting. (Section 5.70 of the *Local Government Act 1995*.)

8.1.1 Nil.

8.2 Disclosure of Interest Affecting Impartiality

- a. Members and staff must disclose their interest in matters to be discussed at the meeting in respect of which the member or employee had given or will give advice.

8.2.1 Nil.

9.0 REPORTS TO COUNCIL

Please Note: declaration of financial/conflict of interests to be recorded prior to dealing with each item.

Declaration of financial / conflict of interests to be recorded prior to dealing with each item.

10. Internal Audit Report November 2017

Previous Items	
Responsible Officer	Director Corporate and Community Services
Service Area	Internal Audit
File Reference	
Applicant	Nil
Owner	Nil
Attachment 1	Internal Audit Report – Reserve Funds – New Industrial Land Contributions
Attachment 2	Internal Audit Report – Inventory
Attachment 3	Internal Audit Report – Legislative Compliance Employee Training
Attachment 4	Internal Audit Report - Risk Management – Managing and Assessing Risk
Attachment 5	Internal Audit Report – Novated Leases
Attachment 6	Internal Audit Report – New Fees – Cat Act
Attachment 7	Audit Risk Register

EXECUTIVE SUMMARY

1. The purpose of this report is to provide Council with the findings and recommendations arising from the recently completed Internal Audit review for the 2016/2017 Financial Year.
2. The Internal Audit was completed in accordance with the provisions of the *Local Government Act 1995, associated regulations, Australian Accounting Standards*.
3. The Internal Audit did not identify any material control weaknesses or deficiencies within the review.
4. It is recommended that Council receives the Internal Audit Report.

BACKGROUND

5. Internal Audit focuses on:
 - Compliance with the Local Government Act and associated regulations
 - Compliance with Australian Accounting Standards
 - Assessment of accounting procedures
 - Assessment of internal controls
 - Assessment of risk
 - Compliance with Council policies
6. Audit Findings and the associated management responses are reported and monitored through the Audit Risk Register to ensure that matters identified are addressed in a satisfactory and timely manner.

DETAILS

7. During the month of June 2017, the following Internal Audit work was undertaken:
Review – Reserve Funds – New Industrial Land Contributions
Ensured that developer's contributions are held separately in a restricted reserve to be used for the acquisition of land for development of roads, drainage infrastructure and other expenditure specifically for the DCA.
8. **Review of Inventory**
Reviewed the effectiveness of year end stock takes for inventory items.
9. **Review Employee Training – legislative compliance**
Reviewed adequacy of staff training with regard to new legislative training.
10. **Review adequacy of the management and assessment of risk**
Ensured that risk assessments are undertaken and key findings are incorporated into the Internal Auditors Report.
11. **Review of Novated Leasing**
Reviewed the management of Novated leases.
12. **Review of New Fees – Cat Act**
Reviewed the management procedures for the Cat Owners Register.

STATUTORY AND LEGAL CONSIDERATIONS

13. *Local Government Act 1995*
Local Government (Financial Management) Regulations 1996
Local Government (Functions and General) Regulations 1996

POLICY CONSIDERATIONS

14. Nil.

COMMUNITY ENGAGEMENT REQUIREMENTS

Internal Referrals

15. Internal Audit findings were discussed with relevant business unit managers.

External Referrals

16. Nil.

FINANCIAL CONSIDERATIONS

17. The monitoring and review of internal controls within the Internal Audit program will reduce the risk and likely exposure of potential loss to the City.

STRATEGIC COMMUNITY PLAN

Strategic Planning Alignment

18. *Kalamunda Advancing: Strategic Community Plan to 2027*

OBJECTIVE 4.1: To provide leadership through transparent governance.

Strategy 4.1.1 Provide good governance

SUSTAINABILITY

Social Implications

19. Nil.

Economic Implications

20. Nil.

Environmental Implications

21. Nil.

RISK MANAGEMENT CONSIDERATIONS

22.

Risk: Internal Audit fails to identify material non-compliance or control deficiencies.		
Likelihood	Consequence	Rating
Unlikely	Moderate	Low
Action/ Strategy		
Internal Audit Plan developed and reviewed annually. Internal Audit working papers reviewed by External Auditors.		

OFFICER COMMENT

23. The Internal Audit was completed in accordance with the provisions of the *Local Government Act 1995, associated regulations, Australian Accounting Standards*.

24. The Internal Audit did not identify any material control weaknesses or deficiencies within the review.

Voting Requirements: Simple Majority

OFFICER RECOMMENDATION (A&R 10 /2017)

That Council:

1. Receives the Internal Audit Report.
2. Notes the recommendations contained within the Audit Report (Attachments 1 to 7)

Moved: **Cr John Giardina**

Seconded: **Cr Margaret Thomas**

Vote: **CARRIED UNANIMOUSLY (11/0)**

Declaration of financial / conflict of interests to be recorded prior to dealing with each item.

11. Adoption of Annual Financial Report 2016/2017

Previous Items	
Responsible Officer	Chief Executive Officer
Service Area	Office of the Chief Executive Officer
File Reference	
Applicant	N/A
Owner	N/A

[Attachment 1](#) 2016/2017 Annual Financial Report

Confidential Attachment 2 Audit Findings Report
Reason for Confidentiality
Local Government Act 1995
S5.23 (2) (c) – "a contract entered into, or which may be entered into, by the local government which relates to a matter to be discussed at the meeting.

[Attachment 3](#) Local Government Operational Guidelines – Financial Ratios No 18.

EXECUTIVE SUMMARY

1. The purpose of this report is to provide Council with the Audited Financial Report for the 2016/2017 Financial Year (The Report - Attachment 1) together with the issues raised by the Auditor in the Audit Findings Report (Attachment 2).
2. The Audit of the Financial Report was undertaken by Grant Thornton (GT) who completed an audit of the report for the financial year ending 30 June 2017. The Audit did not identify any material adverse findings affecting the City's operations.
3. In accordance with legislation, it is a requirement for the City to provide a copy of the Annual Financial Report to the Department of Local Government and Communities within 30 days of the receipt of the Auditors report. The report was submitted to the Department on 30 October.
4. It is recommended that Council accepts the 2016/17 Annual Financial Report. (Attachment 1).

BACKGROUND

5. *Section 6.4 (1) of the Local Government Act 1995 (The Act) requires a local government to prepare an Annual Financial Report for each financial year and details what the Annual Financial Report is to contain.*

-
6. *Section 6.4 (2)* of the Act requires a local government to submit by 30 September following each financial year, or as such time as the Minister allows, to its auditor –
 - (a) The accounts of the local government, balanced up to the last day of the preceding financial year; and
The annual financial report of the local government for the preceding financial year.
 7. *Section 7.12A (3)* of the Act requires the local government to examine the report of the auditor under section 7.9 (1) and any other report prepared under section 7.9 (3) forwarded to it, and is to –
 - (a) Determine if any matters raised by the report or reports require action to be taken by the local government; and
Ensure that appropriate action is taken in respect of those matters.
 8. *Section 7.12A (4)* of the Act requires the City to –
 - (a) Prepare a report on any actions under subsection (3) in respect of an audit conducted in respect of a financial year; and
 - (b) Forward a copy of that report to the Minister, by the end of the next financial year, or six months after the last report prepared under section 7.9 is received by the local government, whichever is the latest time.
 9. The City continues to strengthen its financial position with a surplus of \$3.4 million for the year prior to non-cash adjustments flowing from the revaluation of certain non-current assets. The overall surplus as reported in the Financial Activity Statement amounted to \$5.7 million. The net assets of the City increased moderately to \$360 million.

DETAILS

10. The 2017 Annual Financial Report is presented for Council's acceptance and compared with the result in 2016.

Comprehensive Income Statement

- In comparison with 2016, revenue increased by 10.6%.
 - The main component was rates which rose by 7% with an increase of the rate in the dollar, rates on new properties and some distortion through rates for 2018 being prepaid in the 2017 financial year.
 - Contributions and reimbursements increased by \$1.2 million due mainly to CELL9 road land acquisitions being reimbursed from the Trust account.
 - Operating grants increased by \$1.9 million mainly due to early receipt of the first quarter of the 2018 road grant.
- Operating expenditure includes a non-cash adjustment of \$4.1 million to depreciation, following an infrastructure depreciation systems realignment.
 - Employment costs were up by \$1.9 million, mainly as a result of redundancies following the withdrawal of the City from providing

HACC services and, following expenditure reclassifications in the Waste Management area from materials and contracts.

- Materials and contracts increased by \$4.9 million due mainly to Forrestfield Industrial Area and Cell 9 expenditure on road land acquisition.
- Non-operating grants decreased by \$2.7 million as 2016 was inflated by grants related to the Hartfield Park redevelopment.
- The loss on sale of fixed assets reduced by \$1.4 million because in 2016 Transperth resumed the Dundas Road reserve for use in the Forrestfield – Airport rail link.
- Developer contributions at \$3 million were similar to the previous year but equity in the EMRC joint venture fell by \$700,000.
- The revaluation of Land and Buildings resulted in a reduction in value of \$2.7 million which was \$2.3 million more than last year's adjustment.

Statement of Financial Position

- Cash increased by \$2 million due mainly to increases in rates and waste income, an increase in unexpended capital works and early receipt of the road grant.
- The value of the investment in the EMRC increased by \$1.3 million.
- Capital Work in Progress of \$1.7 million was shown as a separate asset class this year and comprises construction works on Cell 9 and Forrestfield Industrial area Scheme 1.
- Fixed assets are down \$3.9 million from the previous year mainly due to depreciation and revaluation adjustments.
- Current leave provisions increased by \$300,000 due to an increase in long service leave.
- Borrowings did not change significantly.
- In Equity the retained surplus increased with the net result for the year of \$3.4 million less the revaluation adjustments of \$2.5 million.

Statement of Cash Flows

- Operating Activities produced \$6.9 million as compared to \$7.7 million in 2016.
- A total of \$8 million was invested during the year, \$3.7 million above the amount invested in 2015/2016 mainly due to works in the Forrestfield Industrial Area.
- Developer contributions of \$3 million, similar to last year continued to fund expenditure in the Forrestfield Industrial Area.

11. The Auditors (Grant Thornton), conducted the field work in April and August 2017 and issued their report in October 2017. The audit certificate is provided on pages 58/59 of the Annual Financial Report. As noted by the auditors, there were no indications of significant adverse trends in the financial position or financial management practices of the Shire.

-
12. In accordance with standard practice, the Auditors also issued an Audit Findings Report (Attachment 2), which provides commentary on areas of classification of a portion of long service leave between current and non-current, caused by utilising a slightly different algorithm in a program supplied by the Shire's previous auditors.
Additionally, it commented on part of rates paid in advance, held as a negative debtor, when should have been treated as a creditor.
Neither of these items impacted on the equity or surplus of the City and, as classification issues, were not material to the report as a whole.
 13. The Financial Ratios (Local Government Operational Guidelines – Attachment 3) are satisfactory overall with the Current Ratio strengthening markedly from .83 last year to 1.79. The Debt Service Cover Ratio remains very strong reflecting a prudent approach to taking on debt. The Asset Sustainability Ratio has deteriorated from 1.5 to .54 following an increase in Roads depreciation adjusted back over several years. This will recover in the current year. The Operating Surplus Ratio has turned marginally negative as a result of the depreciation adjustment. The Own Source Revenue Coverage Ratio has declined slightly due to the increased depreciation charge but is still strong.
 14. Reserves have increased by \$600,000 over the year. Major increases are \$500,000 in the Waste Management Reserve, \$640,000 in the Nominated Leave Provisions Reserve, \$440,000 in the Asset Enhancement Reserve and \$760,000 in the Unexpended Capital Works and Specific Purpose Grants Reserve. This is offset largely by a fall of \$2.1 million in the Forrestfield Industrial Scheme Stage 1 Reserve, as capital works are expended in this development.
 15. The City's reserves will continue to be closely monitored to ensure the long term financial sustainability of the City.

STATUTORY AND LEGAL CONSIDERATIONS

16. Sections 6.4, 7.9, 7.12A of the *Local Government Act 1995*.
17. Regulation 51 of the Local Government (*Financial Management*) *Regulations 1996*.

POLICY CONSIDERATIONS

18. There are no policy implications.

COMMUNITY ENGAGEMENT REQUIREMENTS

Internal Referrals

19. The Finance Team worked closely with Auditors and Executive were briefed on the findings associated with the Annual Financial Report 2016/17.

External Referrals

20. Although no community engagement consultation is required in the preparation of the Annual Financial Report, Section 5.55 of the Act requires that the Chief Executive Officer give local public notice of the availability of the Annual Report as soon as practicable following acceptance of the Annual Report by the local government. The Annual Financial Report forms one component of the Annual Report.

FINANCIAL CONSIDERATIONS

21. The 2017/18 Budget includes provision for the cost of having the accounts and the Annual Financial Report audited by an externally appointed registered auditor. The auditor fees for 2017/2018 are estimated at \$20,000.

STRATEGIC COMMUNITY PLAN

Strategic Planning Alignment

22. *Kalamunda Advancing: Strategic Community Plan to 2027*
- OBJECTIVE 4.1: To provide leadership through transparent governance.
- Strategy 4.1.1 Provide good governance.

SUSTAINABILITY

Social Implications

23. Nil.

Economic Implications

24. Nil.

Environmental Implications

25. Nil.

RISK MANAGEMENT CONSIDERATIONS

26.	Risk: Audit Certificate is qualified by the external auditor.		
	Likelihood	Consequence	Rating
	Unlikely	Moderate	Low
	Action/ Strategy		
	Employ qualified suitably skilled staff. Maintain controls and compliance with policy. Ensure an effective internal audit program.		
	Risk: Failure to lodge the Annual Financial Report with the Local Government Department within the required timeframe.		
	Likelihood	Consequence	Rating
	Rare	Moderate	Low

Action/ Strategy

Lodge the report with the Department of Local Government within 30 days of the signing of the auditor's report.

OFFICER COMMENT

27. The 2016/2017 Annual Financial Report includes:
- Statement by the Chief Executive Officer
 - Statement of Comprehensive Income by Nature and Type
 - Statement of Comprehensive Income by Program
 - Statement on Financial Position
 - Statement of Changes in Equity
 - Statement of Cash Flows.
 - Rate Setting Statement
 - Notes to and forming part of the Financial Report
 - Independent Auditor's Report
 - Supplementary Ratio Information
28. The Audit Report did not identify any significant matters of a material nature affecting the City's operations.
29. Regulation 51 of the *Local Government (Financial Management) Regulations 1996* requires the Chief Executive Officer to provide a copy of the Annual Financial Report to the Department of Local Government & Communities within 30 days of the receipt by the auditor's report on that financial report. The report signed on 13 October 2017 was provided to the Department on 30 October 2017.

Voting Requirements: Simple Majority

OFFICER RECOMMENDATION (A&R 11/2017)

That Council:

1. Pursuant to Section 6.4 of the *Local Government Act 1995*, accepts the 2016/2017 Annual Financial Report (Attachment 1).

Moved: **Cr Geoff Stallard**

Seconded: **Cr Dylan O'Connor**

Vote: **CARRIED UNANIMOUSLY (11/0)**

Declaration of financial / conflict of interests to be recorded prior to dealing with each item.

12. City of Kalamunda Risk Profile

Previous Items	N/A
Responsible Officer	Manager Finance and Risk Services
Service Area	Finance
File Reference	
Applicant	N/A
Owner	N/A
Attachment 1	City of Kalamunda Risk Profile
Attachment 2	City of Kalamunda Integrated Risk Management Plan
Attachment 3	City of Kalamunda Strategic Risk Register

EXECUTIVE SUMMARY

1. The purpose of this report is to provide Council with an update of the City's Risk Profile consisting of the top eleven reported Risks at 20 November 2017.
2. The City's Risk Profile has been prepared in accordance with the adopted Integrated Risk Management Plan (The Plan). The Risk Profile outlines the top eleven ranked risks facing the organisation.
3. The Risk Profile has been developed following a review of the City's Strategic Risk Register by the Executive Management Team.
4. It is recommended that Council endorse the Risk profile.

BACKGROUND

5. Risk Management is a core element of corporate governance and an integral part of contemporary management practices. The Risk Profile has been adopted in accordance with the Risk Management Plan and is structured around *AS/NZS/ISO 31000:2009 and the requirements under the Local Government (Audit) Regulations 1996*.
6. The management of risk is focused on:
 - Maintaining high levels of integrity for services provided by the City;
 - Protecting the City's physical, and non-physical assets including, employees, elected members, financial and property;
 - Achieving and maintaining legislative and regulatory compliance, including codes of conduct and professional standards;
 - Creating an environment where all employees assume responsibility for the proactive management of risk; and
 - Demonstrating transparent and responsible risk management processes aligned to accepted best practice so as to address uncertainty and to deliver continuous improvement.

-
7. The Risk Profile captures those risks that are likely to:
- Adversely impact the City's capacity to deliver current and future services
 - Have an organisational wide focus or impact
 - Have an adverse financial impact
 - Result in reputational or political damage

DETAILS

8. Risk Management refers to the co-ordination of activities that directs and controls the organisation with regard to risk. It is acknowledged that risk management involves both the management of potentially adverse impacts together with realisation of opportunities. Risk Management is a focal element of the City's strategy to promote accountability through good governance and robust business practices, contributing to maintaining a sustainable organisation focused on the effective management of resources and operations.
9. In recognising that risk management is integral to good business practices, Enterprise Risk Management is comprised of the following elements:
- City Risk Management Framework
 - Risk Management Policy and Management Procedures
 - Senior Management Team commitment to leading and championing risk management practices and thinking
 - Management systems to establish and report on the profile and treatment of risks
 - Broad based training and awareness raising to enhance risk management understanding
10. The City's Risk Management Framework is based on 11 best practice principles contained in the (AS/NZS ISO 31000:2009). These principles are:
- Creating and protecting value – contributing to the achievement of the City's objectives and improving performance
 - An integral part of the organisational processes
 - A key element of decision making
 - Explicitly addressing uncertainty
 - Systemic, structural and timely
 - Founded on the best available information
 - Tailored with the internal and external operating environments
 - Human and cultural factors – recognising that people capabilities, perceptions can aid or hinder the achievement of objectives
 - Transparent and inclusive
 - Dynamic, interactive and responsive to change
 - Focused on continual improvement
11. The City's Executive Management Team recently undertook a series of workshops to review and update the Strategic Risk Register. From the workshops the Risk Profile was compiled based on the top eleven strategic risks likely to impact the City's ability to achieve its strategic objectives.
12. The City's Strategic Risk Register has been developed so as to:
- identify any new risk events
 - Highlight risk trends between the current and previous years
 - Identify priority treatment actions planned for the next 12 months

STATUTORY AND LEGAL CONSIDERATIONS

13. Local Government (Audit) Regulations Amendment.
Amendments to the *Local Government (Audit) Regulations 1996* came into effect on 9 February 2013. Specifically, clause 17 which states:

"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."

In addition to the requirement for the CEO to prepare a report as outlined in clause 17, the Regulation also stipulates an additional responsibility for the Audit Committee as detailed in clause 16(c) which states:

"(c) is to 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."*

POLICY CONSIDERATIONS

14. The City of Kalamunda's Risk Profile has been developed in accordance with the Integrated Risk Management Plan and the City of Kalamunda's Risk Management Policy (C-HR06).

COMMUNITY ENGAGEMENT REQUIREMENTS

Internal Referrals

15. The Risk Profile was developed following an assessment and review of the City's strategic risks.

External Referrals

16. A loss validation exercise is currently underway with Regis Mutual Management who will provide an independent assessment of risk.

FINANCIAL CONSIDERATIONS

17. Nil.

STRATEGIC COMMUNITY PLAN

Strategic Planning Alignment

18. *Kalamunda Advancing: Strategic Community Plan to 2027*

OBJECTIVE 4.1: To provide leadership through transparent governance

Strategy 4.1.1 Provide good governance

SUSTAINABILITY

Social Implications

19. Nil.

Economic Implications

20. Nil.

Environmental Implications

21. Nil.

RISK MANAGEMENT CONSIDERATIONS

22.

Risk: That the Risk Profile fails to identify a material risk event.		
Likelihood	Consequence	Rating
Possible	Moderate	Medium
Action/ Strategy		
Risk Assessment based on the Risk Management Plan and established standard. Risk Profile reviewed by Executive and Council.		

OFFICER COMMENT

23. Risk Management is a core element of corporate governance and an integral component of contemporary management practices. The Risk Management Plan is structured around *AS/NZS/ISO 31000:2009 and the requirements under the Local Government (Audit) Regulations 1996*.

24. The effective management of risk enables the City to promote accountability through good governance and robust business practices, contributing to maintaining a suitable organisation focused on the effective management of resources and operations.

Cr Destree moved a motion to amend the Officer Recommendation, however the amendment lapsed for want of a seconder. The substantive motive was therefore put.

AMENDMENT

That Council:

1. Endorse **Note** the Risk Profile.
2. Notes the Strategic Risk Register.
3. Adopts the updated City of Kalamunda Integrated Risk Management Plan.
4. Notes that the Risk Profile will be brought to subsequent Audit and Risk Committee Meetings.
5. **Schedule a strategic risk review with Councillors to align with the 2018 Strategic Retreat.**

Moved: **Cr Tracy Destree**

Seconded:

Vote: **LAPSED**

Voting Requirements: Simple Majority

OFFICER RECOMMENDATION (A&R 12/2017)

That Council:

1. Endorse the Risk Profile.
2. Notes the Strategic Risk Register.
3. Adopts the updated City of Kalamunda Integrated Risk Management Plan.
4. Notes that the Risk Profile will be brought to subsequent Audit and Risk Committee Meetings.

Moved: **Cr John Giardina**

Seconded: **Cr Margaret Thomas**

Vote:

For	Against
Cr John Giardina	Cr Brooke O'Donnell
Cr Geoff Stallard	Cr Tracy Destree
Cr Lesley Boyd	LOST (9/2)
Cr Allan Morton	
Cr David Almond	
Cr Sara Lohmeyer	
Cr Dylan O'Connor	
Cr Cameron Blair	
Cr Margaret Thomas	

Declaration of financial / conflict of interests to be recorded prior to dealing with each item.

13. Review of Governance and Policy Framework

Previous Items	OCM May 2013
Responsible Officer	Chief Executive Officer
Service Area	Governance
File Reference	N/A
Applicant	N/A
Owner	N/A

[Attachment 1](#) Governance & Policy Framework

EXECUTIVE SUMMARY

1. The Governance and Policy Framework was adopted by Council in May 2013 and provides a concise outline of the governance and policy processes for the effective and compliant operations of the Council and the City.
2. The Framework has been reviewed to reflect recent changes including the change of status of the Local Government, changes to the Local Government Act around gift provisions and also an improved framework for policy development.
3. This report recommends that Council adopt the revised Governance and Policy Framework (the Framework) (Attachment 1).

BACKGROUND

4. As an outcome of a number of investigations and reviews in 2012 relating to governance oversight, it was identified that the City required a formal Governance and Policy Framework.
5. A forum on the Governance and Policy Framework was conducted on 25 February 2013.
6. At its May 2013 Ordinary Council Meeting, Council adopted the Governance and Policy Framework.
7. After four years in operation and with a pending Council election imminent it is appropriate that the Governance and Policy Framework is reviewed and represented to Council for adoption, hence the provision to Council of the Framework.
8. Council at its September 2017 Audit and Risk Committee (A&R 07/2017) requested that Council:
 1. *Defer the adoption of the City of Kalamunda Governance and Policy Framework to the next Audit & Risk Committee Meeting and request the Chief Executive Officer arrange a Strategic Briefing Session.*

A briefing was provided to the Strategy Session on 7 November 2017.

DETAILS

9. Effective governance is an important issue for all organisations, both within the corporate area and all levels of government. The practice of good governance is seen as critical for ensuring that:
- An organisation meets legal and ethical compliance
 - Decisions are made in the interest of stakeholders
 - Organisations behave as a good corporate citizen should
10. Within a local government context, there are a range of benefits that can be derived from the development and implementation of an effective Framework.
- These include:
- Providing clear guidelines for the roles of the Council and CEO, ensuring that all responsibilities are properly allocated and performance expectations are well understood
 - Enshrining best practice in relation to Council processes
 - Assisting the Council and CEO in delivering good governance
 - Influencing processes throughout the organisation by setting guidelines for strategic planning at all levels
 - Acting as a point of reference for disputes
 - Assisting as an induction tool for new Elected Members
11. The Framework provides guidelines on the processes that will ensure the good governance of the City of Kalamunda and highlights a number of other documents that set down the fundamental principles of good governance.
- The Framework sets out the governance principles that will ensure that the City's management and organisational practices are professional and Council decisions will be informed and take into account the needs of the community to which it is primarily accountable.
12. The Framework establishes the respective roles and responsibilities of the Council and Administration by:
- Promoting ethical and responsible decision making
 - Promoting timely and balanced disclosure
 - Respecting the rights of the community and other stakeholders
 - Recognising and managing risk
 - Encouraging better performance by all participants in the governance process at the City of Kalamunda
13. The review of the Framework was required to reflect a number of changes occurring including:
1. updating the status of the Shire to reflect a City;
 2. including additional definitions;
 3. including the new Vision for the City;
 4. including the Elected Members Communication and Contact with Staff policy;
 5. an outline of briefing sessions and strategy sessions;
 6. improving the details of Quasi-judicial role of Council;

7. updating Gift provision declaration regulations;
8. a simplified terminology for Policy making to clearly separate Council Policy from those mandated by the Chief Executive Officer; and
9. Inclusion of self-assessment surveys for the performance of Elected Members.

STATUTORY AND LEGAL CONSIDERATIONS

14. The *Local Government Act 1995* is the principal piece of legislation governing the operations of all local governments in Western Australia. It contains numerous sections that relate to the role and functions of the Mayor, Councillors, CEO and employees. The Framework is designed to articulate these requirements in a concise and logical format.

POLICY CONSIDERATIONS

15. The Framework and associated documents describe the principles and key roles that guide Council in its decision making. The adoption of protocols and principles relating to good Governance of the City of Kalamunda will impact on all Council and Administrative Policies and the implementation of such Policies.

COMMUNITY ENGAGEMENT REQUIREMENTS

16. Public consultation is not required for the development and implementation of the Framework.

FINANCIAL CONSIDERATIONS

17. There are no direct financial implications in adoption of the Framework.

STRATEGIC AND SUSTAINABILITY IMPLICATIONS

Strategic Planning Alignment

18. *Kalamunda Advancing: Strategic Community Plan to 2027*

Objective 4.1 To provide leadership through transparent governance.
Strategy 4.1.1 Provide good governance

Sustainability Considerations

Social Implications

19. Nil.

Economic Implications

20. Nil.

Environmental Implications

21. Nil.

RISK MANAGEMENT CONSIDERATIONS

22.	Risk: The City or Council fails to comply with its governance responsibilities.		
	Likelihood	Consequence	Rating
	Unlikely	Major	High
	Action / Strategy		
	By ensuring Elected Members are effectively inducted and have appropriate level of support and information provided to support their role will assist in mitigating and risk of non-compliance.		

OFFICER COMMENT

- 23. The Framework and associated documentation is designed to ensure effective, transparent and sustainable management of the City’s affairs and is recommended for adoption.
- 24. The Framework is a key document used for new Councillors during their induction process it is therefore timely that Council adopts the revised Framework in readiness for the forthcoming October election.

*Cr Destree referred to the Governance Framework on page 41 of Attachment 1 and asked for clarification on the definition of risk management as it refers to AS/NZ 4360:1999 which is no longer in place and is inconsistent with the risk management definition that is provided in the Risk Management Framework. The recommendation was amended as **bolded** below.*

Voting Requirements: Simple Majority

OFFICER RECOMMENDATION (A&R 13/2017)

That Council:

- 1. Adopts the City of Kalamunda Governance and Policy Framework shown as Attachment 1 **subject to Amendment to paragraph 9.7 on page 41 to be aligned with the Risk Management Plan definition.**

Moved: **Cr Margaret Thomas**

Seconded: **Cr Geoff Stallard**

Vote: **CARRIED UNANIMOUSLY (11/0)**

10.0 MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

10.1 Nil.

11.0 QUESTIONS BY MEMBERS WITHOUT NOTICE

11.1 Nil.

12.0 QUESTIONS BY MEMBERS OF WHICH DUE NOTICE HAS BEEN GIVEN

12.1 Nil.

13.0 URGENT BUSINESS APPROVED BY THE PRESIDING MEMBER OR BY DECISION

13.1 Nil.

14.0 TABLED DOCUMENTS

14.1 Nil.

15.0 MEETING CLOSED TO THE PUBLIC

15.1 Nil.

16.0 CLOSURE

16.1 There being no further business the Presiding Member declared the meeting closed at 6.25pm.

I confirm these Minutes to be a true and accurate record of the proceedings of this Council.

Signed: _____
Presiding Member

Dated this _____ day of _____ 2017