

Certification of Confirmation

Audit Committee Meeting

Minutes

7 October 2021

I, Cr Margaret Thomas, hereby certify that the minutes from the Audit Committee held on 7 October 2021 pages (1) to (52) were confirmed at the Audit Committee held on 11 November 2021.



Signature

Cr Margaret Thomas
Presiding Member

Audit Committee Minutes

A meeting of the Audit Committee was held at the EMRC Administration Office, 1st Floor, 226 Great Eastern Highway, ASCOT WA 6104 and electronically on **Thursday, 7 October 2021**. The meeting commenced at **6:00pm**.

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1 DECLARATION OF OPENING AND ANNOUNCEMENT OF VISITORS

The Chairman opened the meeting at 6:00pm, welcomed visitors and acknowledged the traditional custodians of the land on which the meeting was held and paid respects to the elders past, present and future.

Mr James Cottrill, Internal Auditor from Stantons International was welcomed to the meeting.

2 ATTENDANCE, APOLOGIES AND LEAVE OF ABSENCE (PREVIOUSLY APPROVED)

Councillor Attendance

Cr Mel Congerton (on-site)	Chairman	City of Swan
Cr Kathryn Hamilton (on-site)	Committee Member	Town of Bassendean
Cr Lorna Clarke (MS Teams)	Committee Member	City of Bayswater
Cr Dylan O'Connor (MS Teams) (deputising for Cr Boyd)	Deputy Committee Member	City of Kalamunda
Cr Doug Jeans (MS Teams)	Committee Member	Shire of Mundaring

Apologies

Cr Lesley Boyd	Deputy Chairman	City of Kalamunda
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EMRC Officers

Mr Marcus Geisler (on-site)	Chief Executive Officer
Mr Hua Jer Liew (on-site)	Chief Financial Officer
Ms Izabella Krzysko (on-site)	Manager, Procurement and Governance
Mr David Schmidt (on-site)	Manager, Information Services
Mrs Lee Loughnan (on-site)	Personal Assistant to Chief Financial Officer (Minutes)

Observer(s)

Cr Giorgia Johnson (MS Teams)	Deputy Committee Member
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Visitor(s)

Mr James Cottrill (MS Teams)	Stantons International
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3 DISCLOSURE OF INTERESTS

Nil

4 ANNOUNCEMENTS BY THE CHAIRMAN OR PRESIDING MEMBER WITHOUT DISCUSSION

Nil

5 PETITIONS, DEPUTATIONS AND PRESENTATIONS

Nil

6 CONFIRMATION OF MINUTES OF PREVIOUS MEETING

6.1 MINUTES OF THE AUDIT COMMITTEE MEETING OF MEETING HELD ON 3 JUNE 2021 (D2021/08492)

That the minutes of the Audit Committee meeting held on 3 June 2021 which have been distributed, be confirmed.

AUDIT COMMITTEE RESOLUTION

MOVED CR HAMILTON

SECONDED CR O'CONNOR

THAT THE MINUTES OF THE AUDIT COMMITTEE 3 JUNE 2021 WHICH HAVE BEEN DISTRIBUTED, BE CONFIRMED.

CARRIED UNANIMOUSLY

7 QUESTIONS BY MEMBERS OF WHICH DUE NOTICE HAS BEEN GIVEN

Nil

8 QUESTIONS BY MEMBERS WITHOUT NOTICE

Nil

9 ANNOUNCEMENT OF CONFIDENTIAL MATTERS FOR WHICH MEETINGS MAY BE CLOSED TO THE PUBLIC

Nil

10 BUSINESS NOT DEALT WITH FROM A PREVIOUS MEETING

Nil

11 REPORTS OF EMPLOYEES

- 11.1 RISK MANAGEMENT UPDATE (D2021/18431)
- 11.2 CEO REVIEW OF FINANCIAL MANAGEMENT SYSTEMS AND PROCEDURES AND RISK MANAGEMENT, INTERNAL CONTROL AND LEGISLATIVE COMPLIANCE (D2021/18432)
- 11.3 ANNUAL FINANCIAL REPORT AND AUDIT REPORT FOR YEAR ENDED 30 JUNE 2021 (D2021/18472)

AUDIT COMMITTEE RECOMMENDATION(S)

MOVED CR HAMILTON

SECONDED CR O'CONNOR

THAT WITH THE EXCEPTION OF ITEM 11.3 WHICH WAS WITHDRAWN FOLLOWING DISCUSSION WITH THE OFFICE OF AUDITOR GENERAL (OAG), THE COMMITTEE ADOPTS THE RECOMMENDATIONS IN THE REPORTS OF EMPLOYEES (SECTION 11).

CARRIED UNANIMOUSLY

Councillors noted that Item 11.3 Annual Financial Report and Audit Report for Year ended 30 June 2021 was withdrawn and will be reissued with the requested amendments for the Audit Committee to review will be at its next scheduled 4 November 2021 meeting.

11 REPORTS OF EMPLOYEES

11.1 RISK MANAGEMENT UPDATE

D2021/18431

PURPOSE OF REPORT

The purpose of this report is to provide Council with an update on the EMRC's risk management profile.

KEY POINT(S)

- Sound corporate governance requires an integrated risk management approach including management processes, strategic planning, reporting and performance management.
- In accordance with the Risk Management Framework, an overview of the management of risk is reported approximately 3 – 4 times a year to the Audit Committee.

RECOMMENDATION(S)

That Council notes the update on the status of the Council's risk management profile.

SOURCE OF REPORT

Chief Financial Officer

BACKGROUND

- 1 At the ordinary Council meeting on 3 December 2020 it was resolved that:
- 2 *THAT COUNCIL:*
 1. *CANCELS 7.1 - RISK MANAGEMENT POLICY, FORMING ATTACHMENT 1 OF THIS REPORT.*
 2. *ADOPTS A NEW 7.1 - RISK MANAGEMENT POLICY, FORMING ATTACHMENT 3 OF THIS REPORT.*
 3. *ENDORSES THE NEW RISK MANAGEMENT FRAMEWORK, FORMING ATTACHMENT 4 OF THIS REPORT AND THE NEW RISK APPETITE STATEMENT, FORMING ATTACHMENT 5 OF THIS REPORT TO ENSURE THAT THE APPROPRIATE GOVERNANCE OF RISK MANAGEMENT WITHIN THE EMRC IS PROVIDED.*
- 3 The EMRC has quantified its broad risk appetite through the EMRC's risk assessment and acceptance criteria. The criteria are included within the EMRC's Risk Management Policy, Risk Management Framework and the Risk Appetite Statement.
- 4 The EMRC is to continue to monitor and review process and to report on the progress of its achievement of the risk management objectives, the management of individual risks and the ongoing identification of issues and trends.
- 5 The last risk performance objectives were reported to the Audit Committee and Council in June 2021.

REPORT

- 6 The EMRC's Risk Management Framework provides the guidance to integrate risk management into significant activities and functions performed by the EMRC and supporting the EMRC's ability to use risk management as part of the decision making processes.

- 7 The current EMRC risk appetite accepts the taking of controlled risks, the use of innovative approaches and the development of new opportunities to improve service delivery and to achieve EMRC objectives provided that the risks are properly identified, evaluated and managed to ensure that any exposures are acceptable.
- 8 The current risk management profile (heat map report), forming attachment 1 to this report, is a heat map report generated using the CAMMS risk software following its implementation and shows all of the EMRC's strategic risks. The heat map offers a visualised, comprehensive view of the likelihood and impact of the EMRC's strategic risks and helps the organisation improve its risk management and risk governance by prioritising risk management efforts.
- 9 The table below summarises the current risk management update associated with all of the EMRC's strategic risks that are included in the attachment to this report.

Risk Code	Risk Title	Risk Owner	Risk Status Update
SR-1	Excessive Employee Benefits leave liability	Chief Executive Officer	Introduced Competency Framework Management Guideline, monthly Executive Leadership Team reporting and included this into performance reviews.
SR-2	Inadequate succession planning	Chief Executive Officer	A succession planning workshop was held in September 2021.
SR-3	Ineffective Operational Reporting (timely and relevant)	Chief Operating Officer	All reports are effective with clear KPI's. The effectiveness of the reports is tested regularly.
SR-4	Over-use of single-source suppliers	Chief Financial Officer	Reports are reviewed monthly by the Executive Leadership Team to ensure compliance are met. The risk will remain major for non-compliance as it is a likely outcome. Continual vigilance is required.
SR-5	Legacy issues restricting innovation and performance	Chief Executive Officer	Set up business improvement group, it is now an agenda items at monthly Executive Leadership Team meetings and the strategic review has been finalised.
SR-6	Under/poor performance	Chief Executive Officer	Monthly P&L management reporting and review process in place.
SR-7	Reduced Grant Funding	Chief Sustainability Officer	Reduced Grant Funding is likely if some programs are not continued.

Risk Code	Risk Title	Risk Owner	Risk Status Update
SR-8	Inadequate leachate control	Chief Operating Officer	All leachate controls put in place are adequate. The leachate ponds are monitored on a daily bases. To date there are no issues in this area as the current set- up meets all requirements.
SR-9	Odour, noise, dust and traffic complaints	Chief Operating Officer	There are internal processes that allow neighbours and others to report on any of the items highlighted in this code. All complaints are acted on within a timely manner and signed off by both the Site Manager and Chief Operating Officer and filed in accordance with EMRC's internal requirements.
SR-10	WWTE (Pyrolysis) Project underperformance	Chief Project Officer	No change to the level of risk rating however progress on this project is being reported to Council every month; this includes updates on expenditure and progress.
SR-11	Fire in operational sites	Chief Operating Officer	All inductions and internal processes are adequate to manage all EMRC sites in the unlikely event of a fire on site. This includes all reporting requirements.
SR-12	By-passing established Tender or Procurement procedures	Chief Financial Officer	Following the initial risk rating, additional training was conducted. Working with other teams on various projects also provided the opportunity to reinforce best practice principles in relation to procurement processes.

Risk Code	Risk Title	Risk Owner	Risk Status Update
SR-13	Cyber attack	Chief Financial Officer	Following the initial risk rating and review, the Data Security Guideline continues to be reviewed and improved and supported by staff training to provide guidance to staff on how to avoid downloading malicious files. The Cyber Incident Response Plan was developed to provide guidelines for a timely and effective response to a cyber attack and is supported by Cyber Security Insurance which provides risk cover in the event of a cyber attack.
SR-14	Poor Stakeholder Engagement	Chief Executive Officer	Report presented to Council in September 2021.
SR-15	By-passing established administrative (non-financial) procedures	Chief Financial Officer	Ongoing monitoring and review.
SR-16	Injury to Operational Field Officers	Chief Executive Officer	Introduction of revised pre-starts, an OHS focus at recruitment and accountability/corrective action.
SR-17	COVID-19 Infection	Chief Executive Officer	Review scheduled.
SR-18	Capex project objectives/targets not achieved	Chief Project Officer	No change to the level of risk rating; spreadsheet developed to assist with monitoring of expenditure against forecast; monthly reviews are taking place.
SR-19	Licencing conditions breach	Chief Project Officer	No change to the level of risk rating; regular monitoring takes place at the EMRC's facilities as set out in licence conditions and our own procedures.
SR-20	Lack of interest from Member Councils regarding Sustainability Programs	Chief Sustainability Officer	Lack of Interest from Member Councils regarding Sustainability Programs has already been evidenced. The level of the impact may become clearer once the Establishment Agreement review is complete.

Risk Code	Risk Title	Risk Owner	Risk Status Update
SR-21	Employment related litigation	Chief Executive Officer	Audits by LGIS and Internal auditors of management guidelines and procedures took place as well as training regarding employee relations, OHS and site procedures enforcement.
SR-22	Sub-surface landfill fires	Chief Operating Officer	There is a process in place to follow in the unlikely event there is a sub-surface fire. This process also includes the reporting of the actual incident as well.
SR-23	Methane gas explosion	Chief Operating Officer	All areas are monitored on a daily basis by the EMRC site contractor (EDL) as well as EMRC site leaders. All inductions as well as EMRC's site emergency plan covers the requirements in the event of an incident. The EMRC conducts regular drills on evacuation procedures etc. This is to ensure that all personnel understand what is required in the unlikely event of a methane gas explosion.
SR-24	Light vehicle or pedestrian interaction with heavy equipment	Chief Operating Officer	All external visitors are inducted to highlight all operational active areas as well as issued with two-way radios & escorted safely by an EMRC site employee. No one enters EMRC sites without been inducted first. Inductions cover off on all site requirements when it comes to light vehicles or pedestrian activity. There are set safety KPI's for all managers and leaders of the sites. This is to ensure that EMRC leaders auditing the process to ensure all process are followed and adhered too. These results and mitigations are highlighted in our regular operational reports.

Risk Code	Risk Title	Risk Owner		Risk Status Update
SR-25	Fraudster changing a Creditor's bank account details	Chief Officer	Financial	This risk remains the same as the initial risk rating of moderate & unlikely, reflecting the likelihood & risk level. The verification process continues to be reviewed & has been reinforced to ensure that any changes to a creditor's bank account details are not changed without confirmation from the creditor.
SR-26	No scheduled maintenance program for all buildings	Chief Officer	Financial	Review in progress.
SR-27	Intentional activities in excess of delegated authority (PID Officer)	Chief Officer	Executive	Review scheduled.
SR-28	Large numbers of Ibis and Pelicans scavenging on open tip face	Chief Officer	Operating	There are internal procedures in place to ensure that this is managed in accordance with EMRC's requirements. The Operations team is also heavily supported by the Environmental team.

STRATEGIC/POLICY IMPLICATIONS

10 Key Result Area 3 – Good Governance

3.3 To provide responsible and accountable governance and management of the EMRC

FINANCIAL IMPLICATIONS

11 Nil

SUSTAINABILITY IMPLICATIONS


12 Nil

RISK MANAGEMENT

Risk – The EMRC is required to ensure that all risks are reviewed, monitored and controlled on a regular basis

Consequence	Likelihood	Rating
Moderate	Likely	High
Action/Strategy		
➤ Council to note the update on the status of the Council's risk management objectives.		

MEMBER COUNCIL IMPLICATIONS

Member Council	Implication Details
Town of Bassendean	 Nil
City of Bayswater	
City of Kalamunda	
Shire of Mundaring	
City of Swan	

ATTACHMENT(S)

Current risk management profile (D2021/18904)

VOTING REQUIREMENT

Simple Majority

RECOMMENDATION(S)

That Council notes the update on the status of the Council's risk management objectives.

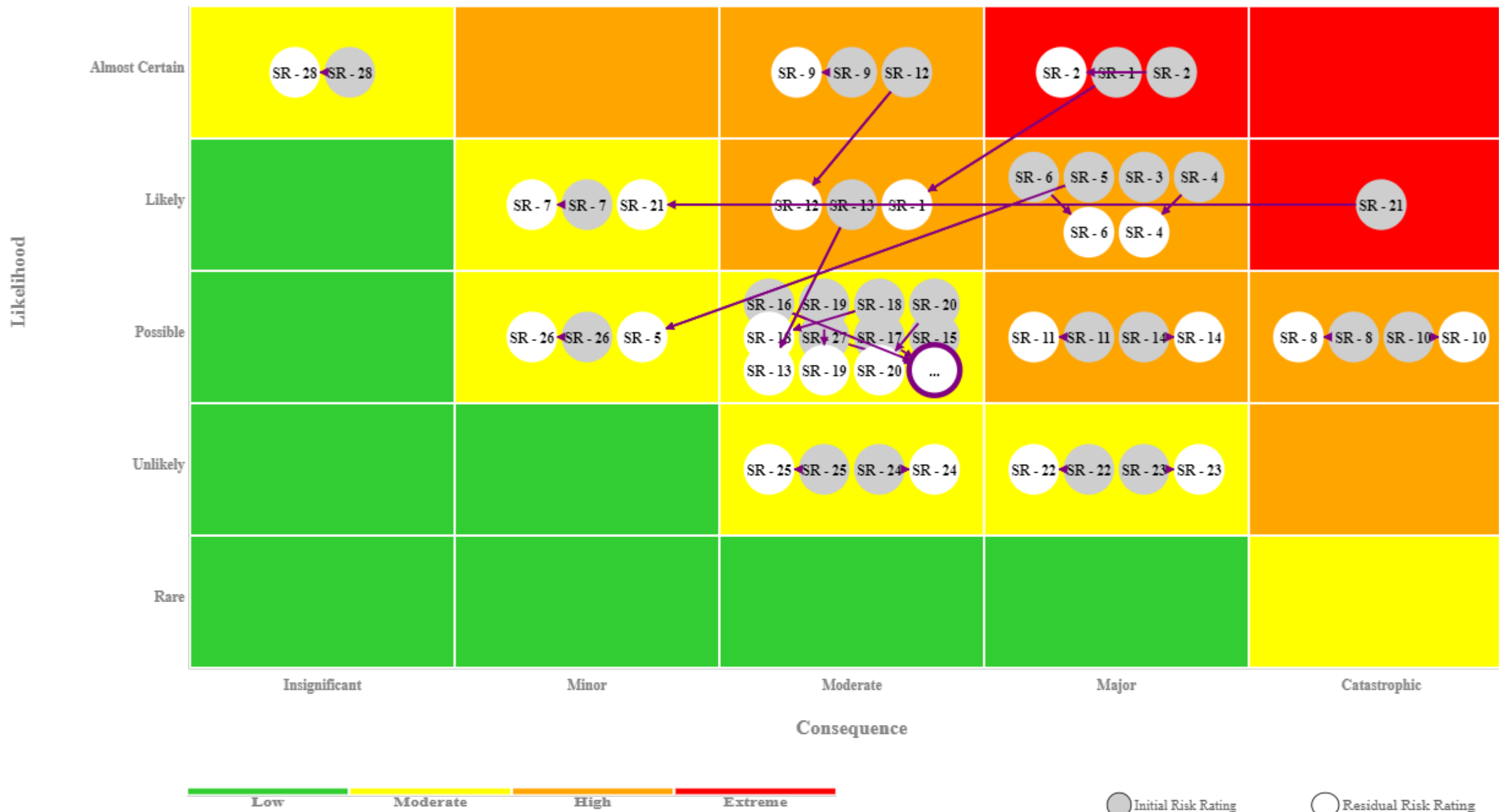
AC RECOMMENDATION(S)

MOVED CR HAMILTON

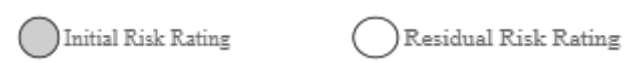
SECONDED CR O'CONNOR

That Council notes the update on the status of the Council's risk management objectives.

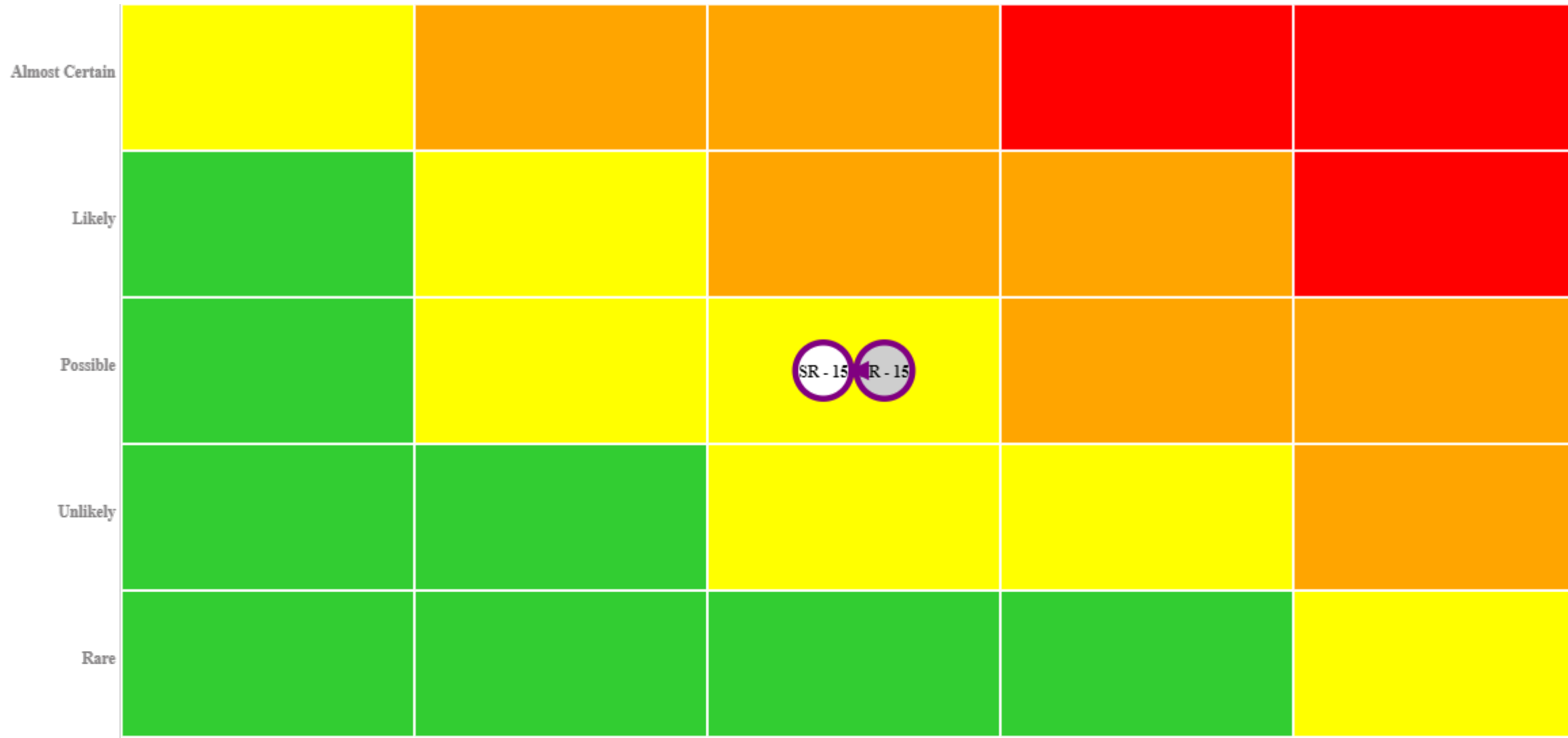
CARRIED UNANIMOUSLY



Risk Code	Risk Title
SR - 10	WWTE (Pyrolysis) Project underperformance
SR - 9	Odour, noise, dust and traffic complaints
SR - 18	Capex project objectives/targets not achieved
SR - 24	Light vehicle or pedestrian interaction with heavy equipment
SR - 13	Cyber attack
SR - 25	Fraudster changing a Creditor's bank account details
SR - 1	Excessive Employee Benefits leave liability
SR - 21	Employment related litigation
SR - 19	Licencing conditions breach
SR - 3	Ineffective Operational Reporting (timely and relevant)
SR - 12	By-passing established Tender or Procurement procedures
SR - 20	Lack of interest from Member Councils regarding Sustainability Programs
SR - 16	Injury to Operational Field Officers
SR - 8	Inadequate leachate control
SR - 5	Legacy issues restricting innovation and performance
SR - 14	Poor Stakeholder Engagement
SR - 23	Methane gas explosion
SR - 4	Over-use of single-source suppliers
SR - 28	Large numbers of Ibis and Pelicans scavenging on open tip face
SR - 22	Sub-surface landfill fires
SR - 7	Reduced Grant Funding
SR - 26	No scheduled maintenance program for all buildings
SR - 17	Covid-19 Infection
SR - 27	Intentional activities in excess of delegated authority (PID Officer)
SR - 6	Under/poor performance
SR - 11	Fire in operational sites
SR - 2	Inadequate succession planning
SR - 15	By-passing established administrative (non-financial) procedures



Likelihood

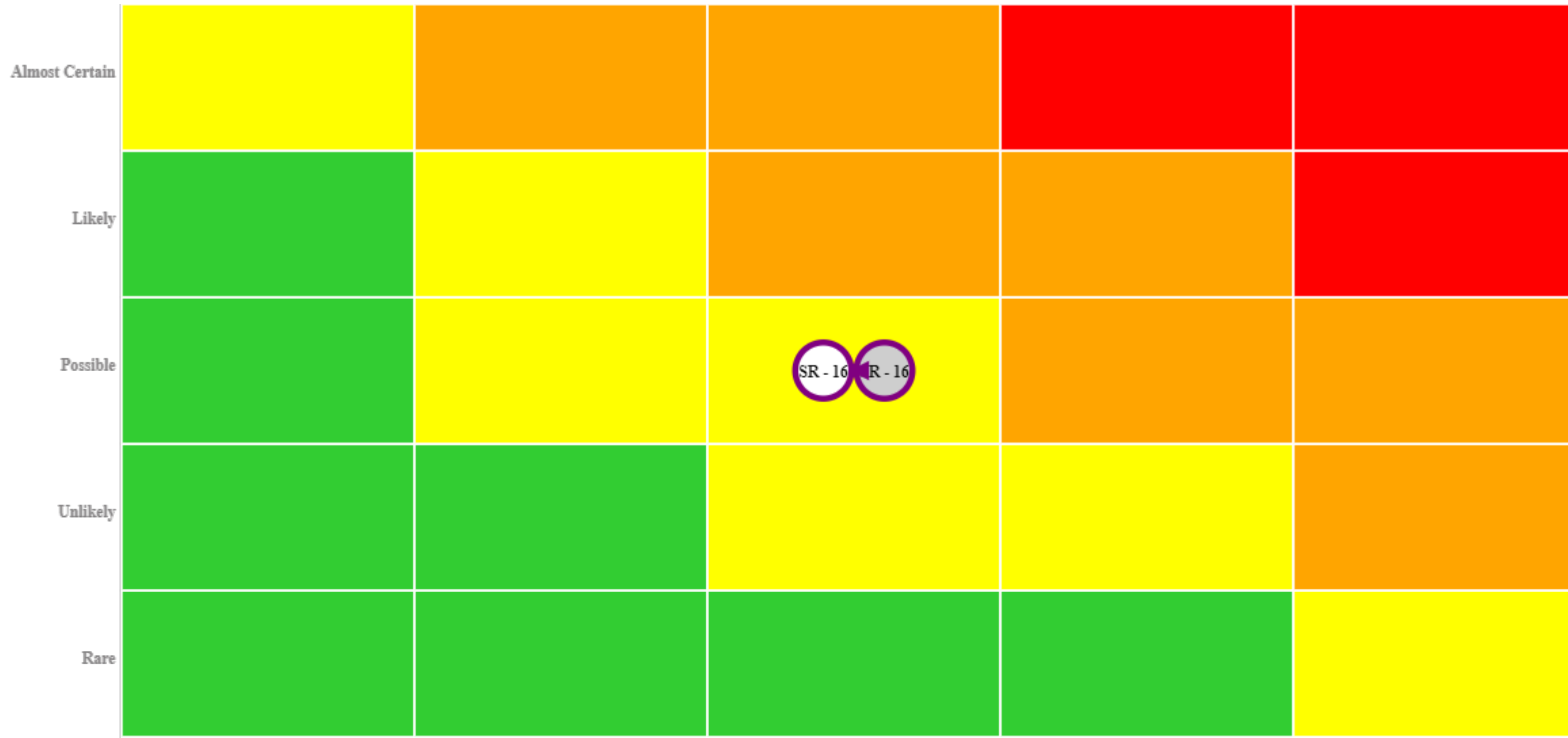


Consequence

Risk Code	Risk Title
SR - 15	By-passing established administrative (non-financial) procedures



Likelihood



Insignificant Minor Moderate Major Catastrophic

Consequence

Risk Code	Risk Title
SR - 16	Injury to Operational Field Officers



Likelihood

Almost Certain

Likely

Possible

Unlikely

Rare

Insignificant

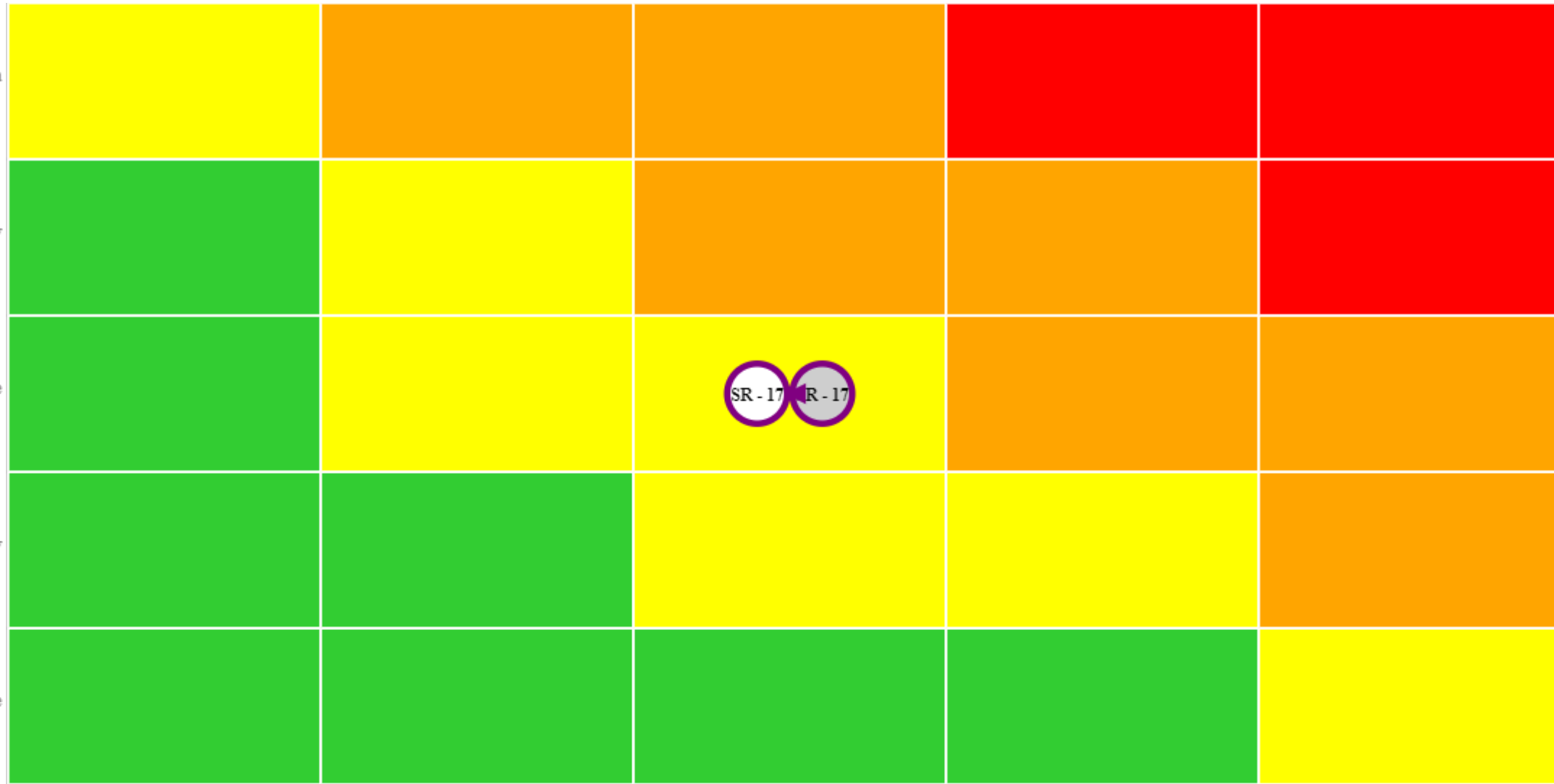
Minor

Moderate

Major

Catastrophic

Consequence



Risk Code	Risk Title
SR - 17	Covid-19 Infection



Likelihood

Almost Certain

Likely

Possible

Unlikely

Rare

Insignificant

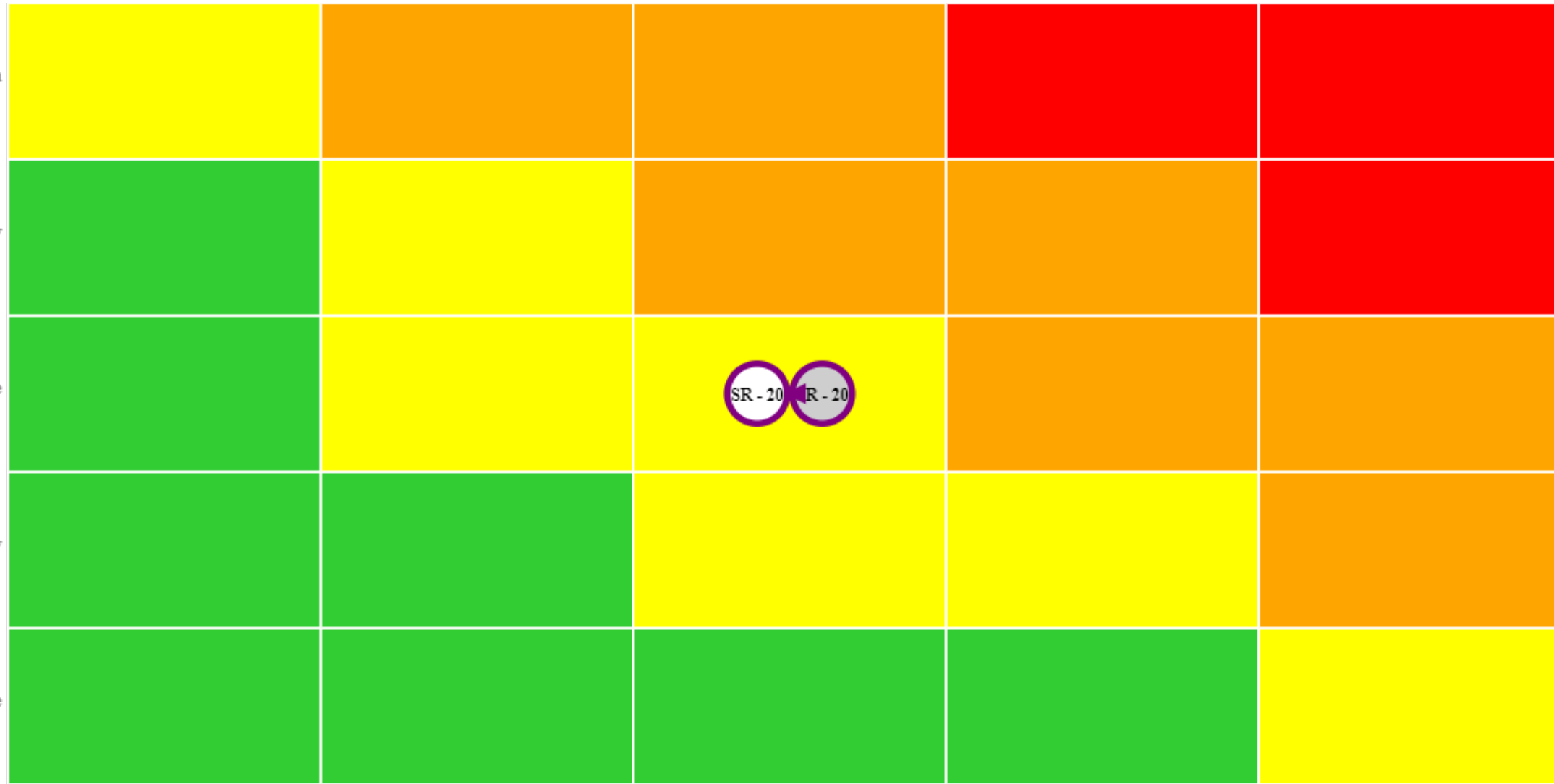
Minor

Moderate

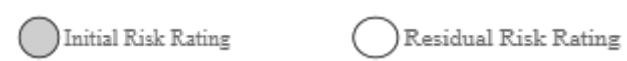
Major

Catastrophic

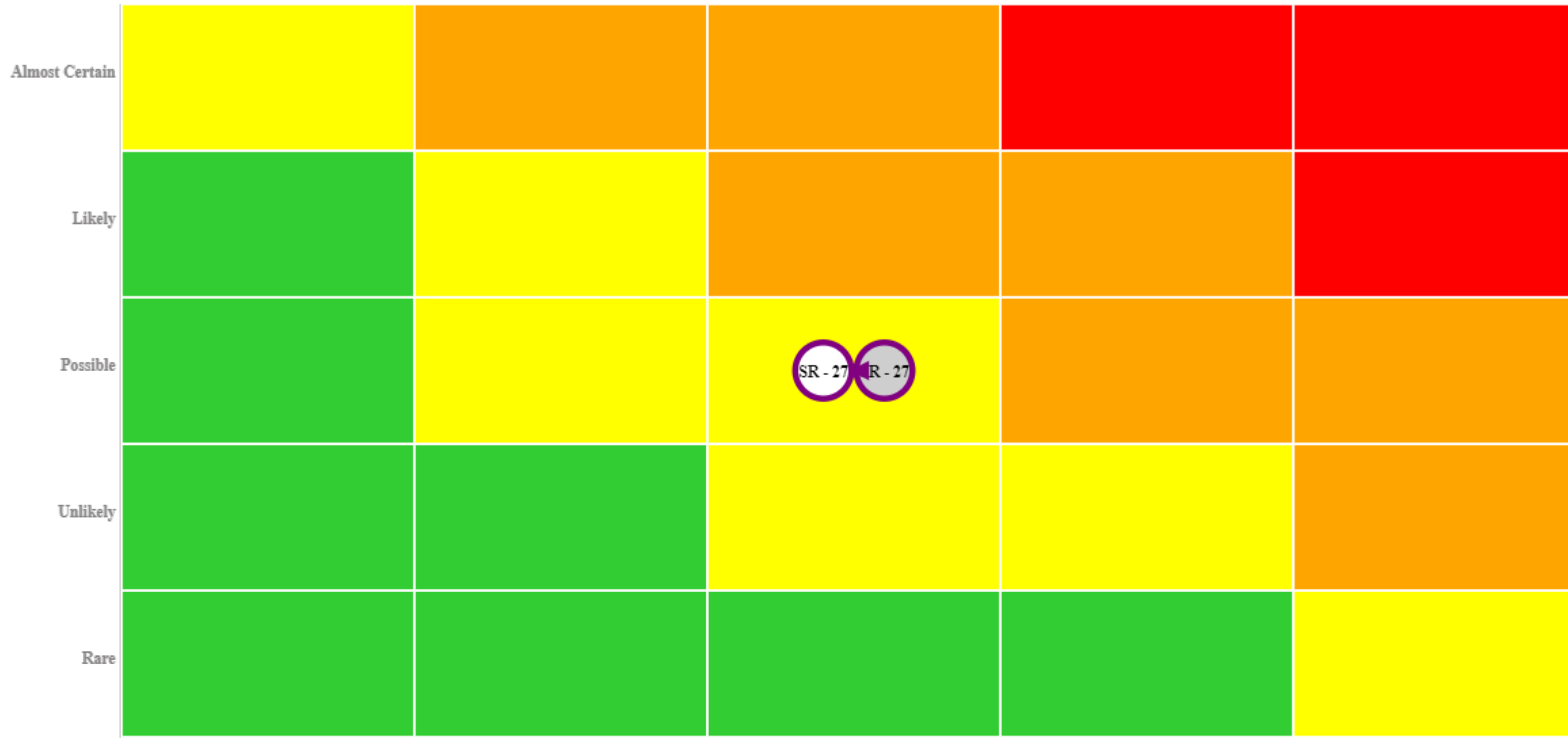
Consequence



Risk Code	Risk Title
SR - 20	Lack of interest from Member Councils regarding Sustainability Programs



Likelihood



Insignificant Minor Moderate Major Catastrophic

Consequence

Risk Code	Risk Title
SR - 27	Intentional activities in excess of delegated authority (PID Officer)

11.2 CEO REVIEW OF FINANCIAL MANAGEMENT SYSTEMS AND PROCEDURES & RISK MANAGEMENT, INTERNAL CONTROL AND LEGISLATIVE COMPLIANCE

D2021/18432

PURPOSE OF REPORT

The purpose of this report is to present to the Audit Committee the Chief Executive Officer's report on the appropriateness and effectiveness of the EMRC's systems in regard to risk management, internal control and legislative compliance for its consideration and referral to Council.

KEY POINT(S)

- Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* requires the Chief Executive Officer (CEO) to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every three financial years)
- Regulation 17 of the *Local Government (Audit) Regulations 1996* requires the CEO to review and report on the appropriateness and effectiveness of the local government's systems in regard to risk management, internal control and legislative compliance at least once every three (3) financial years.
- A review was undertaken by our internal auditors to meet and support these requirements.
- The review has determined that the EMRC has in place appropriate and effective systems, policies and procedures, as well as sound internal controls and audits by external parties to ensure the EMRC meets its obligations with regards to risk management, internal control and legislative compliance obligations.

RECOMMENDATION(S)

That Council in accordance with regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* and regulation 17(3) of the *Local Government (Audit) Regulations 1996* receives the review of the appropriateness and effectiveness of the financial management systems and procedures and risk management, internal control and legislative compliance.

SOURCE OF REPORT

Chief Executive Officer

BACKGROUND

- 1 The *Local Government (Financial Management) Regulations 1996* were amended on 26 June 2018. Regulation 5(2)(c) now requires the CEO to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every three financial years) and report to the local government the results of those reviews. Previously, the review was to be undertaken not less than once every four years.
- 2 The last review with regard to the appropriateness and effectiveness of the financial management systems and procedures was reported to the Audit Committee on 6 June 2019 (Ref: D2018/07475) and subsequently received by Council on 20 June 2019. The review state that the systems, controls and procedures in place are operating effectively and are appropriate, given the EMRC's structure and operations.

- 3 Regulation 17 of the *Local Government (Audit) Regulations 1996* was amended on 26 June 2018. The amendment requires the CEO to review and report on the appropriateness of the local government's systems in regard to risk management, internal control and legislative compliance. The report and review process is to occur at least once every three (3) financial years. Previously these functions were required to be reviewed every two (2) calendar years.
- 4 The last review with regard to risk management, internal control and legislative compliance was reported to the Audit Committee on 4 October 2018 (Ref: D2018/11600) and subsequently received by Council on 18 October 2018. The review determined that the EMRC has in place appropriate and effective systems, policies and procedures, as well as sound internal controls and audits by external parties to ensure the EMRC meets its obligations with regards to risk management, internal control and legislative compliance obligations.
- 5 At the Audit Committee meeting held on 4 June 2020 (Ref: D2020/07718), the Committee endorsed a three (3) year (plus three (3) year) Strategic Internal Audit Plan (SAIP), which was subsequently adopted by Council at its meeting of 18 June 2020. As part of the SAIP, the internal audit is to assist and support the CEO to meet the requirement of r.5 of the *Local Government (Financial Management) Regulations 1996* and the r. 17 of the *Local Government (Audit) Regulations 1996*.

REPORT

- 6 In accordance with the requirements of r.5 of the *Local Government (Financial Management) Regulations 1996* and r.17 of the *Local Government (Audit) Regulations 1996*, a review of:
 - a the appropriateness and effectiveness of the financial management systems and procedures of the local government; and
 - b the appropriateness and effectiveness of the systems and procedures relating to risk management, internal control and legislative requirements was undertaken.
- 7 To meet and support the requirements of r.5(2)(c) of the *Local Government (Financial Management) Regulations 1996* and r.17 of the *Local Government (Audit) Regulations 1996*, EMRC has engaged Stantons International as our internal auditors to provide the following services:
 - Assess the systems and processes in place for the risk management process;
 - Assess the systems and processes in place for maintaining legislative compliance;
 - Evaluate the internal control systems and processes; and
 - Evaluate the financial management systems and processes.
- 8 During the 2020/21 financial year, Stantons International has already conducted several internal audits which provide the reliance on this work done for the financial management components as required per the r.5 of the *Local Government (Financial Management) Regulations 1996*.
- 9 The review concluded as follows:
 - Robust, up-to-date policies and procedures are in place.
 - Adequately designed well implemented controls are in place.
 - Controls operate effectively as intended.
 - Information systems are in place, fully integrated and operating effectively.
 - Processes are effectively designed and human resources rely on these to achieve objectives.
- 10 It is thus considered that the systems and procedures related to risk management, internal control and legislative compliance are both appropriate and effective.

11 The next audit review is due in the 2024/2025 financial year.

STRATEGIC/POLICY IMPLICATIONS

12 Key Result Area – Good Governance

3.3 To provide responsible and accountable governance and management of the EMRC

FINANCIAL IMPLICATIONS

13 Nil

SUSTAINABILITY IMPLICATIONS

14 Nil

RISK MANAGEMENT

Risk – The EMRC must continue to improve financial and asset management practices and to report on any audit findings regularly

Consequence	Likelihood	Rating
Moderate	Likely	High
Action/Strategy		
➤ Council to note the risk management, internal control and legislative compliance audit review.		

MEMBER COUNCIL IMPLICATIONS

Member Council

Town of Bassendean
City of Bayswater
City of Kalamunda
Shire of Mundaring
City of Swan

Implication Details

Nil

ATTACHMENT(S)

Review Pursuant to r.5 of LG (F&M) Reg and r.17 of LG (Audit) Reg (D2021/19467)

VOTING REQUIREMENT

Simple Majority

RECOMMENDATION(S)

That Council in accordance with regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* and regulation 17(3) of the *Local Government (Audit) Regulations 1996* receives the review of the appropriateness and effectiveness of the financial management systems and procedures and risk management, internal control and legislative compliance.

AC RECOMMENDATION(S)

MOVED CR HAMILTON

SECONDED CR O'CONNOR

That Council in accordance with regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* and regulation 17(3) of the *Local Government (Audit) Regulations 1996* receives the review of the appropriateness and effectiveness of the financial management systems and procedures and risk management, internal control and legislative compliance.

CARRIED UNANIMOUSLY

Stantons International Audit and Consulting Pty Ltd
(ABN 84 144 581 519) trading as



Stantons

Chartered Accountants and Consultants



**Eastern Metropolitan Regional Council
Reviews pursuant to Regulation 17 of the Local
Government (Audit) Regulations 1996 and Regulation 5 of
the Local Government (Financial Management)
Regulations
September 2021**

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1. EXECUTIVE SUMMARY

Introduction

The Eastern Metropolitan Regional Council (EMRC) is a progressive and innovative regional local government working on behalf of five member Councils located in Perth's Eastern Region: Town of Bassendean, City of Bayswater, City of Kalamunda, Shire of Mundaring, and City of Swan. This Region is a major gateway to greater Perth, hosting Western Australia's major air, road, and rail transport hubs. The EMRC is an incorporated body established under the Western Australian *Local Government Act 1995*. The EMRC's operations are governed under an Establishment Agreement.

EMRC provides a broad range of services across the region including waste management and education, resource recovery, urban and natural environmental management, and regional development of the region. Its Council is responsible for setting the EMRC's strategic direction. EMRC management implements this direction, ensures the organisation's values are sustained and provides an environment that encourages staff to reach their full potential.

The Council engaged Stantons International to provide the following services in relation to the requirements of Regulation 17 of the *Local Government (Audit) Regulations 1996* and Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*:

- Assess the systems and processes in place for the risk management process within the Council
- Assess the systems and processes in place for maintaining legislative compliance within the Council
- Evaluate the internal control systems and processes within the Council
- Evaluate the financial management systems and processes within the Council.

The review was undertaken in response to the above requirements.

Reviews Required by Legislation

Local Government regulations require the following:

Regulation 17 (reg. 17) of the *Local Government (Audit) Regulations 1996* provides that 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

... not less than once in every three financial years."

The CEO is to report to the audit committee the results of the review.

Regulation 5 (reg. 5) of the *Local Government (Financial Management) Regulations 1996* provides that the CEO is to:

"Undertake the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every three financial years) and report to the local government the results of those reviews."

During the 2020/21 financial year, Stantons International has already conducted several internal audits and we will be placing reliance on this work done for the financial management components as required per the *Local Government (Financial Management) Regulations 1996 r.5(2)*.

The financial management related internal audits already performed include:

- Accounts Payable (Master File) and Contract Management
- Human Resource Management
- Payroll
- IT General Controls (including SynergySoft controls).

For this audit we focussed on the following areas that we have yet to assess the appropriateness and effectiveness of the financial management systems and procedures including internal controls:

- Asset Management
- Banking
- Credit Cards
- Fringe Benefits Tax (FBT)
- Goods and Services Tax (GST)
- Expenditure and Payments
- Revenue, Receipting and Accounts Receivable.

In relation to the *Local Government (Audit) Regulations 1996 r.17*, for the Council's Risk Management, Internal Controls and Legislative Compliance we have placed reliance on the internal audit work already performed in relation to corporate governance and some aspects of risk management. In relation to Legislative Compliance, we have evaluated if there is adequate compliance with legislation and regulations, assessing the process of monitoring changes to legislation or new legislative requirements and assessing the processes in place to ensure compliance with legislative reporting requirements.

Scope of works

The audit period was 1 July 2020 to 30 June 2021.



2. OVERALL RISK AND MATURITY ASSESSMENT

Overall Risk Rating

There were no findings.	N/A
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Overall Maturity Rating



Mature:

- ✓ Robust, up-to-date policies and procedures are in place.
- ✓ Adequately designed well implemented controls are in place.
- ✓ Controls operate effectively as intended.
- ✓ Information systems are in place, fully integrated and operating effectively.
- ✓ Processes are effectively designed, and human resources rely on these to achieve objectives.

3. SUMMARY OF FINDINGS

There are no findings noted.

4. RECOMMENDATIONS

There are no recommendations noted.

5. BUSINESS IMPROVEMENTS

1. Audit noted that three Operational Asset Management Plans are currently under development for each of EMRC's sites. Audit suggests prioritising the completion of the Asset Management Plans.
2. Audit noted there are no formal policies or procedures in place at EMRC for FBT. A new BMS flowchart could be considered a formal documented procedure to demonstrate how EMRC captures all their transactions to be assessed for FBT.
3. Audit suggests that the Business Continuity Management Plan scheduled review date to be included within the document.

6. OVERALL COMMENTS

Eastern Metropolitan Regional Council (EMRC) - Management Comments

The Operational Asset Management Plan is now in final draft form with a view to be presented to the Executive Leadership Team.

The BMS flowchart for the FBT will be completed in the next 3 - 4 months.

The Business Continuity Plan is updated regularly to ensure that the most current staff and supplier details are reflected in the document. An annual review in the last quarter of the calendar year is undertaken to ensure that it has considered all the changes in the organisation and that the proposed plan is still current and relevant to the needs of the organisation.

Stantons International - Audit Management Comments

We acknowledge the management comments from EMRC. It is pleasing to note EMRC will endeavour to implement the recommended business improvements and are in the final process of developing Asset Management Plans. We also wish to thank all EMRC staff for their assistance with the audit.

7. RISK RATING AND DEFINITIONS

Risk Ratings and Interpretations

Risks Ratings	Rating Interpretation	Suggested timing of implementing recommendations
Critical	The finding poses a severe risk to EMRC if not appropriately and timely addressed.	Commence remedial action immediately
Major	The finding poses significant risk to EMRC if not appropriately and timely addressed.	Commence remedial action within 3 months
Moderate	The finding poses less significant risk to EMRC if not appropriately and timely addressed.	Commence remedial action within 6 months
Minor	The finding poses minimal risk to EMRC if not appropriately and timely addressed, and the risk may develop more or cause other risks to develop.	Commence remedial action within 12 months

Maturity Assessment Criteria

Needs Improvement	Improved	Mature
<ul style="list-style-type: none"> ✓ Adhoc, non existent, partially complete, out of date policies and procedures. ✓ Inadequately designed and implemented Internal controls. ✓ Controls not operating effectively as intended all the time. ✓ Information systems are in place but not fully operational or well intergrated. ✓ Processes are not fully designed and are fully dependent on human support. 	<ul style="list-style-type: none"> ✓ Existing, up-to-date but less robust, policies and procedures. ✓ Adequately designed internal controls but not well implemented. ✓ Controls operating effectively at times. ✓ Information systems are in place, operating as intended and are actively building towards full intergration. ✓ Processes are well designed, interact with human resources well and with scope for more improvement. 	<ul style="list-style-type: none"> ✓ Robust, up-to-date policies and procedures are in place. ✓ Adequately designed well implemented controls are in place. ✓ Controls operate effectively as intended ✓ Information systems are in place, fully intergrated and operating effectively. ✓ Processes are effectively designed and human resources rely on these to achieve objectives.

DISCLAIMER, BASIS OF AUDIT AND LIMITATIONS

We have conducted our review in accordance with the applicable Performance Standards of the International Standards for the Professional Practice of Internal Auditing.

Disclaimer

This report is prepared for EMRC's internal use and may be shared with its auditors and professional advisor for internal use. Copying and distribution of this report to other parties should not be done without prior approval and consent from Stantons International

Basis of Audit

We have conducted our audit in accordance with the applicable Performance Standards of the International Standards for the Professional Practice of Internal Auditing. The content of this report therefore represents the independent view by Stantons International purely based on the information provided by EMRC members of staff during audit fieldwork. Changes to the contents of the report without Stanton's involvement will render all contents less "independent" and unrepresentative of Stanton's position with regards to the contents contained therein.

Inherent Limitations

Because of the inherent limitations of any internal control structure, it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected.

An Audit is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed are on a sample basis.

Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate

Liability limited by a scheme approved under Professional Standards Legislation.

Report Release

Released by (Name): James Cottrill

Signature:



Title: Principal, Internal Audit, IT Audit & Risk Consulting

Date: 9 September 2021.

8. DETAILED AUDIT ASSESSMENT

8.1 ASSET MANAGEMENT

Overall Outcome	Audit noted through various asset tests, EMRC are compliant with Council Policy and draft Asset Management Plans are in place.
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Audit were informed that there was no standalone documentation relating to asset management procedures. E.g., additions, disposals, write offs etc. Audit has acknowledged that an Asset Management Plan is currently undergoing the process of development by an external consultant. Audit recommends that EMRC ensure their draft Asset Management Plan documents the relevant procedures so that proper guidance is in place to relevant staff members and maintenance of good controls to mitigate the risk of errors.

The asset management procedures include additions, disposals, transfers, values, locations, depreciation, stocktake, and maintenance. Audit conducted testing or walkthroughs of each of these procedures to evaluate the adequacy and effectiveness of EMRC's processes. Audit tested a sample of asset addition and disposal transactions during the financial year end 2021, agreeing transactions to underlying supporting documentation. We noted that asset additions and disposals have been appropriately treated during the period.

Assets greater than \$5,000 are capitalised at cost and subsequently recorded at fair value. An asset register is maintained in Synergy Soft, which includes details of the asset location, opening value, revaluations, current value, depreciation and written down value. Audit noted that a separate register of all expenditure is also kept in Synergy Soft. This register was scanned and reviewed for purchases that should have been added to the fixed asset register. No assets were found to be excluded. Audit also obtained and reviewed the insurance register for EMRC motor vehicles and properties. We have verified that assets owned by EMRC appears to be adequately insured.

Stocktakes are performed once every 18 months. During the stocktake process, the assigned officer will obtain extracts from the asset register and liaise with the sites and meet with the operational and administrative staff on site to reconcile the register through physically sighting the assets. Audit selected a list of assets from the asset register to be sighted while on site. A walkthrough was conducted with the Asset Officer, and we verified the existence of the assets by matching the asset code stickers found on the asset, back to the register. We noted that the assets were in good condition and does not indicate impairment or reduction in useful life.

For asset transfers, an asset transfer form is completed and signed by the relevant manager and co authorised by the relevant chief. The asset officer will then update the details in the asset register and notify the insurance company as required.

EMRC undertook revaluations in Land, Buildings, and Infrastructure classes during the 2020/21 financial year. We noted that a revaluation will be conducted every four years thereafter. Audit obtained and reviewed the Financial Reporting Valuation Report conducted by the contractors. We verified that the valuation was conducted on the basis of fair value and are in accordance with AASB 116 and AASB 13.

Per the Annual Financial Reporting Council Policy 3.1, fixed assets are depreciated over their estimated useful lives on a straight-line basis. Audit conducted a sample testing on assets to determine whether the depreciation was accurately calculated. We verified that depreciation appears to be correctly applied to assets during the period.

Despite not having a formal documentation process outlining minor works and maintenance, audit was informed that the current practice in place ensures all plant and equipment are serviced at regular intervals per the Council's service agreement with the suppliers. Mechanics are also available on site to place work order requests if an item of plant is in need of a service. For motor vehicles, officers using the EMRC vehicles have the sole responsibility of organising the service of the vehicle. The procurement team are responsible for organising servicing for fleet vehicles.

No issues noted.

Suggested Business Improvement	1. Audit noted that three Operational Asset Management Plans are currently under development for each of EMRC's sites. Audit suggests prioritising the completion of the Asset Management Plans.
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8.2 BANKING

Overall Outcomes	The banking processes and procedures at EMRC were adequate.
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Through inquiry with relevant staff members, and the performance of walkthroughs, audit gained an understanding of EMRC's step-by-step receipting, banking, and debtors' systems and processes, noting the design and implementation of the controls operating within EMRC.

Audit noted that EMRC have management guidelines in place in regard to banking of money. Audit reviewed the End of Day Cash Sales Reconciliation Management Guideline 2 April 2019 which is a document providing a step by step procedure for how money is required to be banked at EMRC.

Audit were informed by the Finance Team Leader that bank reconciliations are constantly performed by the team, anything that goes into the bank accounts is reconciled. Clients are also always contacted regarding payments, if a client claims they have completed a payment and the payment was not available to reconcile, this will raise a red flag suggesting the payment was made to an unauthorised account. Audit noted that there are adequate controls to prevent the funds coming to EMRC to be banked in an unauthorised bank account.

No issues noted.

8.3 CREDIT CARDS

Overall Outcomes	Through testing, audit was able to note that EMRC are compliant with their Credit Card Policies and Procedures.
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Audit obtained and reviewed EMRC's Corporate Credit Card Guideline March 2018 (currently under review) to assess the adequacy of the design of Internal Controls related to the management of Credit Cards. We have identified that the guideline complies with the *Local Government Act* and relevant statutory requirements. The guideline establishes controls on the acceptable use of credit cards as well as the responsibilities of management and the cardholder.

Credit Cards are only used for purchasing goods and services on behalf of the Council. Audit obtained the Credit Card Register and tested a sample of credit cards by obtaining the acquittals for credit cards for three periods during the financial year end 2021. Audit examined whether appropriate approval was sought as well as whether the acquittals agree the expenditure to underlying supporting documentation as approved. Audit also tested a sample of cancelled credit cards and examined whether the cancellation was authorised, and the card was appropriately disposed of. In addition, audit also verified the cancellation through obtaining the email correspondence with NAB Bank confirming the credit card has been cancelled.

No issues noted.

8.4 FRINGE BENEFITS TAX (FBT)

Overall Outcomes	Audit noted that EMRC makes use of the <i>Fringe Benefits Tax Act 1986</i> adequately as required by the local government to process their fringe benefits.
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There are no documented policies or procedures for FBT. Audit were informed that EMRC uses the *Fringe Benefits Tax Act 1986* as required by local governments to process their fringe benefits. We noted that the only FBT that applies to EMRC are Car/Fleet Fringe Benefits and Meal Entertainment Benefits. Car fringe benefits are calculated based on the statutory formula method, and meal entertainment benefits are calculated based on the number of EMRC employees that attended the meal (for entertainment purposes). EMRC's Annual Christmas Party also has FBT implications as the food and drink is provided as a form of entertainment. We noted that FBT returns are submitted annually and the NTAA FBT Preparer Software is used to assist in recording the Fringe Benefits.

Audit tested samples of Car and Meal Entertainment Fringe Benefits to verify that FBT processes are operating effectively. Audit noted that taxable value amount for vehicles were accurately calculated using the Statutory Method Formula. The statutory fraction of 20% was correctly used as per the *Fringe Benefits Tax Act 1986* and the number of days the car was provided was consistently logged for all vehicles. For meal entertainment, audit tested and verified that receipts were kept for any purchase of meals and the amount accurately ties back to the spreadsheet.

Suggested Business Improvement	2. Audit noted there are no formal policies or procedures in place at EMRC for FBT. A new BMS flowchart could be considered as a formal documented procedure to demonstrate how EMRC captures all their transactions to be assessed for FBT.
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8.5 GOODS AND SERVICES TAX (GST)

Overall Outcomes	Audit noted that EMRC have adequate and appropriate controls in place to record GST in revenue transactions.
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The council has a “GST Business Management System” which documents the processes involved in processing GST. Audit noted that GST is automatically applied into Synergy Soft and recorded against debtor invoices and claimed and recorded against creditor invoices within the system. Thus, GST balances used to populate the monthly BAS (Business Activity Statement) return is driven by the system. We identified that EMRC performs monthly BAS reconciliations. Audit obtained and reviewed the hardcopy samples of reconciliations for the current financial year 2021. We verified that the reconciliations are prepared within two weeks following each month end, the existence of date and signature by the preparer is included, appropriate evidence of review by a senior staff independent of the preparer, and investigations of any potential variances are promptly solved.

Audit also tested through selecting a sample basis of all expense transactions from the current financial year as well as a sample selection of revenue received for the year. It appears that EMRC have strong controls in place and an appropriate preparation and review process is implemented.

No issues noted.

8.6 EXPENDITURE AND PAYMENTS

Overall Outcomes	The design, implementation, and the operating effectiveness of the internal controls over expenditures were adequate.
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Audit conducted a sample test on expenditures for the financial year to assess the appropriateness of the design, implementation, and operating effectiveness of internal controls over purchasing. A selection of samples was chosen from the expenditure listing for the current financial year. The audit test includes matching the details of the invoice back to the general ledger, ensuring the expenditure is related to EMRC business activities, timely payment of the invoice, and that the invoices were approved by the person receiving the goods prior to payment. Audit has verified that the invoice amounts match between the general ledger and the invoice. Audit noted that the invoices are approved by the appropriate employee within their approved delegations and aligns with EMRC's management guideline for authorising expenditures.

No issues noted.

8.7 REVENUE, RECEIPTING AND ACCOUNTS RECEIVABLE

Overall Outcomes	The controls designed and implemented around the revenue cycle at EMRC were adequate.
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Audit selected random samples of revenue to ensure that effective controls have been designed and implemented around the revenue cycle and that they are operating effectively.

The samples were tested for the following:

- Invoice request form sighted
- Invoice(s) sighted
- Description of the invoices based on worksheet invoice request provided
- Worksheet/invoice is signed by the preparer
- Worksheet/invoice request is signed by the Finance Department (or Approver's name is printed on the worksheet)
- The worksheet/invoice request is updated with the corresponding invoice number / reference number once the invoice has been raised
- The receipts were receipted within a timely manner (i.e., 30 days)
- The revenue for services relates to the financial year 2020-21

The majority of EMRC's revenue comes from the waste disposal sites which does not require an invoice request form to be completed. EMRC have effective controls in place and no issues were noted in regard to the samples tested.

Audit also tested the bank reconciliation processes through testing a sample of bank reconciliations during the audited period. Audit selected the months of October 2020, January, and June 2021 bank reconciliations. The monthly bank reconciliations were tested for the following:

- Agreed as per bank-on-bank reconciliation and bank statement
- Agreed as per general ledger on bank reconciliation to general ledger
- Checked the validity of reconciling items and that reconciling items were cleared in the following months' bank reconciliations
- Agreed evidence of segregation of duties by checking bank reconciliations are separately signed as prepared and reviewed.

Audit noted that EMRC's controls in place for the monthly bank reconciliation were adequate and effective.

Audit also tested a sample of aged debtors that EMRC deal with to help assess the controls around the accounts receivable recoverability process and its effectiveness. Audit performed the following tests on the samples selected:

- Agreed as per aged analysis report is reconciled to balance per general ledger at month end
- Adequate information recorded for easily identifying outstanding debtor
- Sighted related invoice
- Sighted proof of demand letter sent to debtor
- Agreed evidence of segregation of duties by checking aged analysis report is separately signed as prepared and checked/reviewed.

EMRC did not have many aged debtors to select from as majority were council members who are guaranteed to make the payment as they are members of EMRC. The only aged debtors EMRC had issues with was ANERGY Pty Ltd. Audit were informed by the management that there is a loan agreement in place and the debt is treated as a doubtful debt as there are fears

the company will liquidate due to their struggle with their lack of cash flow. The processes in place with regard to aged debtors are effective and adequate.

Audit further tested a sample of weekly cash reconciliations for the following sites:

- Red Hill
- Hazelmere
- Bayswater.

There were no issues with the weekly cash reconciliation process.

Audit also selected a sample of receipts from the head office at Ascot. Audit tested the samples for the following:

- Is money banked daily or some other period
- Is there more than \$1,000 of collections not banked after 20 days
- Receipts are obtained for all banked funds
- Records are maintained for all funds banked
- EFT and credit card payments are reconciled to daily banking
- Any cheques received are stamped 'not negotiable'
- No stale cheques are in place.

Audit noted that the receipting processes used by EMRC are adequate and effective.

No issues noted.

8.8 LEGISLATIVE COMPLIANCE

Overall Outcomes	EMRC are in compliance with any legislative requirements relating to them.
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A robust compliance culture stems from organisational value which emphasises commitment to legal and regulatory compliance, integrity, and business ethics.

Audit noted that all chiefs and managers are responsible for their section's legislative compliance. Legislative updates are constantly passed to the chiefs and managers from relevant local government agencies such as WALGA (Western Australia Local Government Association), the Department of Local Government, Sport and Cultural Industries and other Local Government Authorities who offer advice and support.

Audit noted that all relevant Local Government acts and regulations apply to it as well as the existence of a Council EMRC Code of Conduct, which further includes the different legislations that apply to the council.

Audit noted that the Records Officer/Manager is responsible for receiving weekly Government Gazettes and sending them out to all EMRC chiefs and managers. The gazettes are received and reviewed for any relevant changes on a weekly basis. The chiefs and managers are responsible of informing their staff of any legislative changes that may be relevant to their sector. Legislative changes are also sent through WALGA to the CEO who is responsible to pass down the changes to the EMRC chiefs and managers.

EMRC staff are informed of their legislative responsibilities through the number of guidelines, policies, and procedures available for the staff to access through the EMRC intranet. These documents are constantly updated to reflect all legislative changes. The changes are reviewed and then introduced and communicated through emails, if the changes are complex then training workshops are conducted. Major changes are also discussed at the Council meetings and can lead to adjustments to policies and procedures.

Audit noted EMRC rely on the use of milestone dates and annual calendars to ensure compliance with legislative reporting requirements. Audit noted that there is an annual compliance audit return as well as internal and external audits which further help ensure compliance with the legislative reporting requirements.

Audit concludes that the legislative compliance of EMRC is adequate, and the staff have a high awareness of their legislative obligations. In addition, EMRC's robust systems of internal controls and appropriate risk management further mitigates and prevents non-compliance.

No issues noted.

8.9 RISK MANAGEMENT

Overall Outcomes	The risk management processes, procedures and awareness at EMRC is adequate.
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The risk management process involves the systematic application of policies, procedures, and practices to the activities of communicating and consulting, establishing the context and assessing, treating, monitoring, reviewing, recording, and reporting risk.

Audit noted that the EMRC have a Risk Management Council Policy 7.1 in place, last reviewed on 8 December 2020, which helps state the EMRC's intention to identify potential risks before they occur so that impacts can be minimised, or opportunities realised. This policy also outlines the responsibilities of the Council and EMRC employees to implement the policy. The policy includes a risk assessment and acceptance criteria which is utilised for all organisational risks helping to make consistent and informed decision making.

Audit noted that EMRC have developed and established a Risk Management Framework, last reviewed on 8 December 2020, which sets out the EMRC's approach to the identification, assessment, management, reporting and monitoring of its risks. The Risk Management Framework is scheduled to be reviewed at least once every three years; however, the last review date and next review date are not stated on the document. The risk management framework includes governance which helps EMRC in transparency of decision-making, clear identification of the roles and responsibilities of the risk management functions and an effective governance structure to support the risk framework.

The organisational roles and responsibilities for Risk Management and the procedures are also included in detail. All work areas of the EMRC are required to assess and manage risk on an ongoing basis. Each manager, in conjunction with the Manager Procurement & Governance is accountable for ensuring that risk is:

- Reflective of the material risk landscape of the EMRC
- Reviewed on at least a 12-month cycle, or sooner if there has been a material restructure or change in the risk and control environment
- Maintained in the standard format.

This process is supported by the use of key data inputs, workshops, and ongoing business engagement.

Once the context has been determined, the next step is to identify risks. This is the process of finding, recognising, and describing risks. Risks are described as the point along an event sequence where control has been lost. An event sequence is shown below:



Figure 5 : Event (Risk) Sequence

The risk management framework is an effective document that details all the required aspects of risk management and allows for easier understanding, identification, and control of risks.

Audits also noted that EMRC's risk register was last updated 12th of October 2020 with no further indication of next review dates. Audit noted this is because EMRC have adopted the use of CAMMS Risk Management software recently which allows them to easily track, review

and update the risks on an on-going basis in a live environment. As per the Manager Procurement & Governance the strategic and operational risks rely on the use of the new CAMMS software. The CAMMS software has programmed (scheduled) risk review parameters. However, with regards to the operational risks, these are still housed in the SynergySoft risk system, but the plan is to migrate all of the operational risks into CAMMS. The integration is a work in progress which requires the operational risk owners to review their risk on a monthly and no later than quarterly basis in the meantime.

The CAMMS program has been designed to assist with:

- Establishing risk registers;
- Conducting inherent, residual and target risk assessments;
- Establish causal factors and conducting regular reviews of these;
- Establish a comprehensive control framework and a centralised control library in line with industry and regulatory standards including ISO 31000, COSO and SOX compliance requirements;
- Document, assign and track a detailed treatment plan to assist in the implementation of controls and management of the risks on an ongoing basis;
- Utilise key indicators linked to risks to assist in the validation and rating of risks; and
- Analyse and explore risk impacts through quantitative risk analysis and reporting techniques including heat map reporting.

Currently the CAMMS risk software is being used for strategic risks. It is intended that this will also be used for all of the EMRC's operational risks and project risks at the next phase of the rollout.

Audit conducted interviews with the following EMRC staff regarding staff awareness of risk management:

- Manager Procurement & Governance
- Chief Financial Officer
- Manager Financial Services.

As per Manager Procurement & Governance, the level of awareness is good. The new CAMMS system has given an opportunity to the chiefs to address all the risks, easily review, update and delegate managers to also review. The adaptation of the Risk Management Policies and Framework also helps raise the awareness of Risk Management within EMRC. There is an Audit/Risk committee who conduct meetings every 2 to 3 months. However, internal Risk management steering committee comprising of EMRC staff have not had meetings lately and no meetings at all so far this year.

As per Chief Financial Officer, the EMRC staff are well aware of the importance of risk management, and this is already done as part of their roles without the perceived need of a formal articulated process. The managers along with the staff know the risks involved with their work and are aware of it but the challenge for the organisation is to ensure that it is not perceived as an additional task. It should be a fait accompli that it is automatically performed and managed. Internal discussions are always held between chiefs, managers, and staff in regard to managing any downside risk. The risks are constantly updated and reported back to the council. The use of CAMMS has also made it more accessible and much easier to assess and review.

As per Manager of Financial Services, everyone is aware of risk management as in the past there were meetings every six months. Now there are less meetings due to the introduction of the CAMMS system which has made it a lot easier to assess, add and delegate risks. The staff

are aware of possible risks to their departments, and they are always updated by their managers in regard to any updates to risks. The biggest risk faced by the Finance team is getting infiltrated, to counter it staff are encouraged to follow all procedures to ensure no infiltration occurs as the procedures are designed to account for any possible breaches.

Overall, audit noted that the awareness of Risk Management at EMRC is at a high level and adequate.

Audit assessed the involvement of key staff members in the process. Currently the Manager Procurement & Governance and the Chief Financial Officer are the responsible staff members of risk management since the risk manager left EMRC without being adequately replaced. They assist in improving and implementing risk management as well as help train the chiefs of any new systems or processes. The chiefs are then responsible for training their own staff to ensure everyone is utilising the correct processes.

Audit noted that EMRC have a Misconduct Corruption and Fraud control policy in place, last reviewed on the 1st of December 2020 with a scheduled review in November of 2021 or as required. The policy reinforces the EMRC zero-tolerance to misconduct, corruption and fraud and its commitment to maintaining an organisational culture which will ensure that effective misconduct, corruption, and fraud control is an integral part of all EMRC activities.

The policy includes the following principles followed by the EMRC:

- Ethical conduct is expected, encouraged, and supported
- EMRC officers are in a position of trust which requires them to maintain and enhance public confidence and integrity
- All employees are accountable and play a role in misconduct, corruption, and fraud control
- EMRC encourages employees to report suspected misconduct, corruption and/or eliminate the misconduct, corruption and/or fraud
- EMRC will investigate and manage all cases of misconduct, corruption and/or fraud in accordance with EMRC's Management Guideline - Managing Disciplinary Issues and in line with applicable legislative requirements
- The EMRC will ensure that it has effective operational controls and procedures/management practices in place to prevent, detect, report, and investigate incidents of misconduct, corruption, and fraud in accordance with the Australian Standard 8001-2008
- In 2020 the EMRC engaged a whistle blowing hotline provider and communicated this service to all staff. The whistleblowing hotline provides an independent avenue for EMRC to report any misconduct.

The Manager Procurement & Governance also sends out an email annually reminding all EMRC staff of their obligations under the gifts and benefits provisions under the *Local Government Act*.

Audit noted that there is no formal training in place for new employees or current employees for risk management and/or fraud. New employees are obligated to read all the relevant policies and procedures which would include things related to fraud, however, there is no specific formal induction conducted for new employees.

Audit noted that the EMRC has a Business Continuity Plan which is a disaster recovery plan in the scenario the Ascot site is uninhabitable. The business continuity plan was last updated on the 22nd of July 2021, and it is updated regularly, every time a new employee commences employment with the EMRC or an employee leaves employment with the EMRC it is updated.

EMRC also has a Business Continuity Plan Covid-19 Pandemic Planning which was last updated on the 13th of July 2021, and it is updated about 1-2 times a year.

The documents are adequate and very helpful in mitigating the risks that come with any disaster that can occur at the head office which can cripple the organisation's operations, however, both documents do not include the date for the next review of the documents.

Audit concludes that the Risk Management Policy and Framework are well documented and cover all the key requirements per *AS/NZ ISO 31000 Risk Management Standard*. Audit identified that the newly adopted risk management software is adequate by design, but the overall effectiveness is yet to be assessed as EMRC are still rolling-out the phases remaining.

Suggested Business Improvement	
	3. Audit suggests that the Business Continuity Management Plan scheduled review date to be included within the document.

11.3 ANNUAL FINANCIAL REPORT AND AUDIT REPORT FOR YEAR ENDED 30 JUNE 2021

D2021/18472

Following the release of the agenda for this Audit Committee meeting, a request was received from the Office of Auditor General for further amendments.

Consequently, this report item has been withdrawn and will be re-issued for the next Audit Committee meeting scheduled to be held on 4 November 2021.

12 REPORTS OF DELEGATES

Nil

13 NEW BUSINESS OF AN URGENT NATURE APPROVED BY THE CHAIRMAN OR PRESIDING MEMBER OR BY DECISION OF MEETING

Nil

14 CONFIDENTIAL MATTERS FOR WHICH THE MEETING MAY BE CLOSED TO THE PUBLIC

Nil

15 FUTURE MEETINGS OF THE AUDIT COMMITTEE

Meetings of the Audit Committee are covered under the Audit Committee Terms of Reference as follows:

“4 Meetings

- 4.1 The Audit Committee will meet as required at the discretion of the chairperson of the committee and at least three times per year to coincide with:
- a. Approval of strategic and annual plans;
 - b. Approval of the annual budget; and
 - c. The auditor’s report on the annual financial report.”

Future Meetings 2021

Thursday 4 November (If Required) at EMRC Administration Office

16 DECLARATION OF CLOSURE OF MEETING

The Chairman thanked the Audit Committee members for their guidance, input and support over the past two years and wished them all the best for the upcoming council elections and declared the meeting closed at 6:20pm.