

## Audit & Risk Committee Notice of Meeting | 10<sup>th</sup> March 2020

Dear Councillors

I respectfully advise that the AUDIT & RISK COMMITTEE MEETING will be held in Council Chambers, 10 Jennaberring Road, Quairading, WA on Tuesday 10<sup>th</sup> March 2020 following directly after the Telephone Meeting with the Auditor commencing at 5pm.

MEETING AGENDA ATTACHED

*Graeme Fardon*

**GRAEME FARDON**  
**CHIEF EXECUTIVE OFFICER**

Date: 6<sup>th</sup> March 2020

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### Disclaimer

Members of the public should note that in any discussion regarding any planning or other application that any statement or intimation of approval made by any member or officer of the Shire of Quairading during the course of any meeting is not intended to be and is not to be taken as notice of approval from the Shire of Quairading. No action should be taken on any item discussed at a Council meeting prior to written advice on the resolution of the Council being received.

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# CONTENTS

Agenda Item	Page
ITEM 1	OPENING & ANNOUNCEMENTS..... 3
ITEM 2	ATTENDANCE AND APOLOGIES..... 3
ITEM 3	DEPUTATIONS / PRESENTATIONS / SUBMISSIONS ..... 3
ITEM 4	DECLARATIONS OF INTEREST ..... 4
ITEM 5	CONFIRMATION OF MINUTES AND BUSINESS ARISING..... 4
5.1	Confirmation of Minutes – 10 <sup>th</sup> December 2019..... 4
5.2	Business Arising..... 4
ITEM 6	STANDING ITEMS – EXTERNAL AUDIT ..... 42
6.1	Audit Entry Meeting with Auditor .....42
ITEM 7	STANDING ITEMS – INTERNAL AUDIT..... 43
7.1	Statutory Compliance Audit Return - 2019 .....43
ITEM 8	STANDING ITEMS – FINANCIAL REPORTING..... 58
ITEM 9	STANDING ITEMS – CONTROLS, SYSTEMS AND PROCEDURES ..... 59
9.1	Response to the recommendations from the Office of the Auditor General ..... 59
9.2	Management Override Mitigation..... 69
ITEM 10	STANDING ITEMS – RISK MANAGEMENT REPORTS AND ISSUES ..... 80
10.1	Report on Excess Annual Leave and Long Service Leave.....80
ITEM 11	STANDING ITEMS – OTHER ..... 83
ITEM 12	COUNCILLORS' EMERGING ISSUES..... 84
ITEM 13	CONFIDENTIAL BUSINESS – AS PER LOCAL GOVERNMENT ACT S5.23 (2)..... 85
ITEM 14	NEXT MEETING DATE..... 85
ITEM 15	CLOSURE ..... 85

# SHIRE OF QUAIRADING

## ITEM 1 OPENING & ANNOUNCEMENTS

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The Chairperson opened the Meeting at \_\_\_\_\_ pm.

"Before we start our Meeting, I would like to acknowledge that we are meeting on Noongar land and we pay respect to the original custodians...past, present and future and welcome you all here today for this Meeting".

## ITEM 2 ATTENDANCE AND APOLOGIES

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### Councillors

Cr JN Haythornthwaite	Chairperson / Deputy Shire President
Cr WMF Davies	Shire President
Cr BR Cowcill	
Cr JW Haythornthwaite	
Cr JR Hippiisley	
Cr B McGuinness	
Cr PD Smith	
Cr TJ Stacey	

### Council Officers

Mr GA Fardon	Chief Executive Officer
Mr NL Gilfellon	Executive Manager of Corporate Services
Mr A Rourke	Executive Manager of Works & Services
Mr RM Bleakley	IPR/ Strategic Projects Officer

### Observers/Visitor

### Apologies

### Approved Leave of Absence

## ITEM 3 DEPUTATIONS / PRESENTATIONS / SUBMISSIONS

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Nil.

## ITEM 4 DECLARATIONS OF INTEREST

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Councillors to use pro forma declaration of interest handed to Chief Executive Officer prior to meeting or verbal declaration of interest.

- Declarations of Financial Interest – Local Government Act 1995 Section 5.60a
- Declarations of Proximity Interest – Local Government Act 1995 Section 5.60b
- Declarations of Impartiality Interest – Administration Regulations 1996 Section 34c

## ITEM 5 CONFIRMATION OF MINUTES AND BUSINESS ARISING

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### 5.1 Confirmation of Minutes – 10<sup>th</sup> December 2019

#### Recommendation

**That the Minutes of the Audit & Risk Committee Meeting held on the 10<sup>th</sup> December 2019 be confirmed as a true and accurate record with the following amendments as per the December 2019 Ordinary Council Meeting (Attached): -**

1. **That Item 9.1 Rates Collection Policy Recommendation should read "SECONDED Cr Jo Haythornthwaite"**
2. **That Item 12 Councillors' Emerging Issues - Cr Smith narrative should read as follows**

**Cr Smith requested a report on current Policies and Procedures on mitigation of "management override" plus the Chief Executive Officer's recommendations on additional procedures to achieve a higher standard" for the March 2020 Audit & Risk Committee Meeting.**

**VOTING REQUIREMENTS – Simple Majority**

### 5.2 Business Arising

## SHIRE OF QUAIRADING

The Quairading Audit and Risk Committee Minutes of the Meeting held on 10<sup>th</sup> December 2019 commencing at 4.56 pm.

### ITEM 1 OPENING & ANNOUNCEMENTS

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The Chairperson opened the Meeting at 4.56 pm.

“Before we start our Meeting, I would like to acknowledge that we are meeting on Noongar land and we pay respect to the original custodians...past, present and future and welcome you all here today for this Meeting”.

The Chairperson welcomed Councillors to the Meeting, particularly the newly elected Councillors to their first Audit & Risk Committee Meeting.

The Chairperson provided a brief overview of the conduct of the Committee Meetings and highlighted that Committee does not have Delegated Authority from Council, so all Motions are Recommendations to Council.

### ITEM 2 ATTENDANCE AND APOLOGIES

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#### Councillors

Cr Haythornthwaite	Chairperson
Cr WMF Davies	Shire President
Cr BR Cowcill	
Cr JW Haythornthwaite	
Cr JR Hippisley	
Cr B McGuinness	
Cr PD Smith	
Cr TJ Stacey	

#### Council Officers

Mr GA Fardon	Chief Executive Officer
Mr A Rourke	Executive Manager of Works & Services
Mr RM Bleakley	IPR/ Strategic Projects Officer
Ms J Yardley	Senior Finance Officer

#### Observers/Visitor

Nil.

#### Apologies

Mr NL Gilfellon	Executive Manager of Corporate Services
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#### Approved Leave of Absence

Nil.

### ITEM 3 DEPUTATIONS / PRESENTATIONS / SUBMISSIONS

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Nil.

## ITEM 4 DECLARATIONS OF INTEREST

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Councillors to use pro forma declaration of interest handed to Chief Executive Officer prior to meeting or verbal declaration of interest.

Nil, at this time.

## ITEM 5 CONFIRMATION OF MINUTES AND BUSINESS ARISING

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### 5.1 Confirmation of Minutes – 10<sup>th</sup> September 2019

**RECOMMENDATION: AR06-19/20**

**MOVED Cr Davies SECONDED Cr Hippisley**

That the Minutes of the Audit & Risk Committee Meeting held on 10<sup>th</sup> September 2019 be confirmed as a true and accurate record.

**CARRIED 7/1**

### 5.2 Business Arising

Cr Smith enquired on the progress to implement the Internal Audit Checklist and the Actions / Recommendations from the Auditor Generals Reports.

The Chief Executive Officer advised that the main focus has been the finalisation of the Annual Financial Statements and the Annual Audit. The CEO commented that the implementation timeframe for Internal Audit Checklist will be discussed by the Executive Management Team in early 2020.

The CEO undertook to provide an Action / Implementation timeframe to Councillors as soon as possible.

### 5.3 Confirmation of Special Meeting Minutes – 31<sup>st</sup> October 2019

**RECOMMENDATION: AR07-19/20**

**MOVED Cr Hippisley SECONDED Cr Stacey**

That the Minutes of the Special Audit & Risk Committee Meeting held on the 31<sup>st</sup> October 2019 be confirmed as a true and accurate record.

**CARRIED 8/0**

### 5.4 Business Arising

Nil.

## ITEM 6 STANDING ITEMS – EXTERNAL AUDIT

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*Audit & Risk Committee - Terms of Reference 7.6*

### 6.1 Audit Certificate and Management Letter Year Ended 30<sup>th</sup> June 2019

<b>Meeting Date</b>	10 <sup>th</sup> December 2019
<b>Responsible Officer</b>	CEO Graeme Fardon
<b>Reporting Officer</b>	EMCS Nathan Gilfellon
<b>Attachments</b>	(i) Independent Auditor's Report (ii) Management Report Letter. (iii) Annual Financial Statements to the 30 <sup>th</sup> June 2019
<b>Owner/Applicant</b>	Mr Greg Godwin, Auditor, Moore Stephens
<b>Disclosure of Interest</b>	Nil.

#### **RECOMMENDATION: AR08-19/20**

#### **MOVED Cr Davies SECONDED Cr Hippisley**

That the Audit and Risk Committee recommend to Council:

1. That Council receive and note the Audit Report from Council's Auditor Mr Greg Godwin (Moore Stephens) for the Year Ended 30<sup>th</sup> June 2019.
2. That Council note that the Annual Meeting with the Auditor, pursuant to Section 7.12A of the Local Government Act was held on the 4<sup>th</sup> December 2019.

**CARRIED 8/0**

#### **IN BRIEF**

- Council's Auditor Mr Godwin has completed and presented the Independent Audit Report for the Year ended 30<sup>th</sup> June 2019.
- Audit Report to be Received and Noted by Council.
- Management Letter has been prepared and sent to the Shire President by the Auditor.
- There are no Matters raised by the Auditor for the Audit & Risk Committee to consider.

#### **MATTER FOR CONSIDERATION**

Receipt of the Annual Auditor's Report and Management Letter for the Year Ended 30<sup>th</sup> June 2019.

#### **BACKGROUND**

The Annual Audit of Council's Financial Statements for the Year ended 30<sup>th</sup> June 2019 was conducted with an Onsite Audit Visit on from the 4<sup>th</sup> to the 6<sup>th</sup> November 2019.

Mr Godwin conducted a Post Audit Exit Meeting Tele-meeting with 6 Elected Members and Senior Staff on Wednesday 4<sup>th</sup> December 2019.

Council's Auditor, Mr Godwin, has now completed the Audit and has provided the "Independent Auditor's Report" dated the 5<sup>th</sup> December 2019.

#### **STATUTORY ENVIRONMENT**

##### **Local Government Act 1995**

- Annual Financial Statements prepared by Council in accordance with Section 6.4



- 2018/19 Audit Completed in accordance with Section 7.9
- Section 7.12A - Council is required to meet with the Auditor at least once in every Year

### **Local Government (Audit) Regulations 1996**

Applies

### **POLICY IMPLICATIONS**

N/A.

### **FINANCIAL IMPLICATIONS**

Audit Fees are provided for in Council's Adopted Budget. No further financial implications are envisaged from the Audit Report.

### **STRATEGIC IMPLICATIONS – Strategic Community Plan 2017 – 2027**

**Governance Objective: Strong governance and community engagement**

ITEM	OUTCOMES AND STRATEGIES
G4	Sound Organisation
G4.1	Maintain sustainability ratios at or above basic level

### **COMMUNITY CONSULTATION**

No consultation was required or undertaken in relation to this report.

### **RISK ASSESSMENT – Risk Management Policy and Risk Management Governance Framework Applicable.**

Financial - Risk Matrix Rating is assessed as Low. Independent Audit conducted by Council's Auditor in accordance with Legislation, Australian Accounting Standards and Moore Stephens Memorandum of Audit. The Audit comprised of an Interim Audit in June and a Final Audit in November 2019. Audit Opinion is Unqualified and there are no Significant Matters to report to Council. Audit Report is forwarded by Mr Godwin to the Minister for Local Government, the Shire President and the Chief Executive Officer.

Health – Risk Matrix Rating is assessed as Low

Reputation – Risk Matrix Rating is assessed as Low. Unqualified Audit Report is included in Council's Annual Report which is received by Council and also presented to the Annual Meeting of Electors.

Operation – Risk Matrix Rating is assessed as Low. Audit Visits and follow up work were undertaken as part of Council's normal Administration and Finance Operations.

Natural Environment – Risk Matrix Rating is assessed as Low.

ITEM 7      STANDING ITEMS – INTERNAL AUDIT

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*No matters for consideration.*

ITEM 8      STANDING ITEMS – FINANCIAL REPORTING

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*No matters for consideration.*

## ITEM 9 STANDING ITEMS – CONTROLS, SYSTEMS AND PROCEDURES

*Audit & Risk Committee - Terms of Reference 7.2*

### 9.1 Rates Collection Policy

<b>Meeting Date</b>	10 <sup>th</sup> December 2019
<b>Responsible Officer</b>	CEO Graeme Fardon
<b>Reporting Officer</b>	EMCS Nathan Gilfellon
<b>Attachments</b>	FIN.5 Rates Collection Policy
<b>Owner/Applicant</b>	Shire of Quairading
<b>Disclosure of Interest</b>	Nil

#### Committee Discussion

Cr Smith proposed that the Policy include an outstanding rates trigger point of 3%.

#### RECOMMENDATION: AR09-19/20

#### MOVED Cr Smith SECONDED Cr Jo Haythornthwaite

That the Finance and Risk Committee recommend to Council that Council adopt the FIN.5 Rates Collection Policy with a trigger point of 3% on outstanding rates.

**MOTION LOST 3/5**

#### OFFICER RECOMMENDATION

#### RECOMMENDATION: AR10-19/20

#### MOVED Cr Davies SECONDED Cr McGuinness

That the Finance and Risk Committee recommend to Council that Council adopt the FIN.5 Rates Collection Policy.

**CARRIED 5/3**

#### IN BRIEF

- Council requested that the Administration prepare a Draft Policy for Rate Collection, which includes an Outstanding Rates Target Percentage.
- Research has been undertaken of multiple Councils to obtain relevant wording for the Draft Policy.
- Draft Policy submitted for Committee Consideration and Recommendation to Council.

#### MATTER FOR CONSIDERATION

The establishment of a new Policy - FIN.5 Rate Collection Policy.

## **BACKGROUND**

All local governments have policies relevant to their operations. The Shire of Quairading has a number of policies that it maintains and reviews. As a continuous improvement initiative, Council at its Ordinary Meeting held on the 26<sup>th</sup> September 2019 (Motion 57-19/20) resolved that: -

*That Council request the Chief Executive Officer to prepare a Draft Outstanding Rates Collection Policy, which includes an outstanding rates target percentage and present the Draft to the December 2019 Audit & Risk Committee Meeting for Consideration.*

It was observed during the research for this Draft Policy that only one of the Councils researched had a Target Percentage for Outstanding Rates. This was a Percentage of 5%, but did not clearly state whether that percentage was of Total Rates Levied (including Prior Year Rates) or just the Current Years Rates Levied.

Whilst the Target Percentage may be intended to aspirational and reaching, it must be highlighted that Council had Outstanding Rates as at the 30<sup>th</sup> June 2019 totalling \$237,459, which includes a number of properties that Council is seeking to sell for long outstanding Rates and also Pensioner properties which are legally able to defer the payment of Rates until the Pensioner entitlement ceases or the property is sold, normally as a Deceased Estate.

10% of Council's Rates Levied in 2019/2020 equates to \$229,960.

Council's Outstanding Rates Debtors (as at 5<sup>th</sup> December 2019) totals \$409,223 which includes Ratepayers who have lawfully elected to pay by 4 Instalments during the 2019/2020 year.

The process for the Sale of a Property for Outstanding Rates is very protracted under the Local Government Act and then there is no guarantee that the sale of the land will be achieved and also that if sold, that the Proceeds of the sale will cover the outstanding Rates after Selling Expenses, which will then need the balance of the Unpaid Rates to be written off.

On the basis of the above issues raised, the Draft does not include a Percentage for Outstanding Rates as it should be Council's and the Administrations aim to maximise cashflow by the management of all Revenue Streams.

## **STATUTORY ENVIRONMENT**

Local Government Act 1995

Local Government (Financial Management) Regulations 1996

Rates and Charges (Rebates and Deferments) Act 1992

## **POLICY IMPLICATIONS**

Establishment of a new Policy.

## **FINANCIAL IMPLICATIONS**

The Policy if adopted would formalise the Rate Collection Process to be undertaken by Council's Administration, in accordance with both the Local Government Act and the Rates and Charges (Rebates and Deferments) Act and the relevant Regulations.

The Policy may give guidance to the Rate Collection Procedure, with the objective of improving the Cashflow to Council from Rates and Charges that have been lawfully levied on properties in the District.

## **STRATEGIC IMPLICATIONS – Strategic Community Plan 2017 – 2027**

Nil.

## **COMMUNITY CONSULTATION**

No consultation was required or undertaken in relation to this report.

**RISK ASSESSMENT – Risk Management Policy and Risk Management Governance Framework Applicable.**

Financial - Risk Matrix Rating is assessed as Low. Policy would be largely procedural as Council Staff are actively pursuing and managing Rates and Sundry Debtors that are owed to Council. Failure to effectively manage Council's Finances, including Revenue Streams would result in an increased Financial Risk.

Health – Risk Matrix Rating is assessed as Low

Reputation – Risk Matrix Rating is assessed as Low. Sound and consistently applied Rate Collection Policy and Procedures will minimise the risk of reputational damage.

Operation – Risk Matrix Rating is assessed as Low. Rate Collection and Revenue monitoring is part of Council's normal operations.

Natural Environment – Risk Matrix Rating is assessed as Low.

**COMMENT**

The attached Policy documents are provided for Council consideration and are self-explanatory.



## RATES COLLECTION POLICY

<b>Document Status</b>	Draft
<b>Statutory Environment</b>	Local Government Act 1995 Local Government (Financial Management) Regulations 1996 Rates and Charges (Rebates and Deferments) Act 1992

### Record of Policy Review

<i>Version</i>	<i>Author</i>	<i>Council Adoption</i>	<i>Resolution</i>	<i>Reason for Review</i>	<i>Review Date</i>
01	Nathan Giffellon			New Policy for consideration	10/12/2019

## PURPOSE

To provide guidance in the recovery of all Rates Revenue owed to the Shire, including outstanding Rates, Rubbish Charges and ESL Charges, as the Shire requires reliable revenue streams in order to meet the service provisions of the organisation.

To enable the Shire to meet its service obligations, it is necessary to ensure that revenues are received in a timely manner. The Shire is required to ensure that where revenue is not received in a timely manner, that appropriate measures are undertaken to recover outstanding amounts.

As a means to encourage the early payment of rates in full, the Shire may offer and administer a 'Rates Incentive Scheme'. This scheme provides eligible ratepayers with the opportunity to win prizes for prompt and full payment.

## OBJECTIVE

To provide a framework for the efficient and effective collection of outstanding rates and charges debts to reduce the likely occurrence of unrecoverable debts and to ensure consistency for all debt collection activities, whilst treating all people respectfully, fairly and consistently, and to fulfil statutory requirements in relation to the collection of rates and charges.

## POLICY

### 1. Recovery of Rates, Service and ESL Charges

The recovery of outstanding rates will be collected in a fair and timely manner. Rate notices are due for payment 35 days from date of issue in accordance with the Local Government Act 1995.

#### 1.1 Amounts that remain outstanding past the prescribed due date will have interest applied.

Interest is calculated on the number of days from the due date of payment until the day the payment is received by the Shire of Quairading. This includes overdue amounts where the rate payer has elected to pay by an instalment option.

#### 1.2 Accounts unpaid by the due date shown on the Rate Notice

Where accounts remain outstanding after the prescribed due date, a Final Notice shall be issued requesting full payment within fourteen (14) days, unless the rate payer has entered into a payment arrangement which has been agreed upon by both parties.

Final Notices are not to be issued to eligible persons registered to receive a pensioner or senior rebate under the Rates and Charges (Rebates and Deferments) Act 1992, as such persons have until the 30<sup>th</sup> June of the current financial year to make payment, without incurring any penalty interest. Final notices will, however, be issued to registered pensioners or seniors where there are unpaid charges which are not subject to a rebate or deferment e.g. rubbish collection charges.

#### 1.3 Accounts unpaid after the expiry date shown on the Final Notice

Where amounts remain outstanding after the expiry date shown on the Final Notice, recovery action will commence based upon a risk management approach as determined by the value and type of debt and may include such action as referral to Council's debt collection agency.

#### 1.4 Seizure of Rent for Non Payment of Rates

Where the property owner of a leased or rented property on which Rates and Service Charges are outstanding cannot be located or refuses to settle Rates and Service Charges owed, a Notice may be served on the lessee or tenant under the provisions of Section 6.60 of the Local Government Act 1995 requiring the lessee or tenant to pay to the Shire the rent due that they would otherwise pay under the lease/tenancy agreement as it becomes due, until the amount in arrears has been paid.



**1.5 Options to recover rates debt where rates are in arrears for in excess of (3) years**

Under the guidance of the Shire's debt collection service provider, legal action may be undertaken to recover outstanding rates and charges. This action may include General Procedure Claims and Property Seizure and Sale Orders (Goods). Any costs incurred in undertaking legal action in a Court of competent jurisdiction are recoverable from ratepayers under section 6.56 of the Local Government Act 1995.

**2. Alternative payment arrangement**

Where ratepayers are unable to make payment of their rates by one of the prescribed instalment options, they may apply for a special payment arrangement in order to avoid legal action for recovery. Special payments arrangements are to involve regular weekly, fortnightly or monthly repayments of a fixed amount, and are to achieve full payment of outstanding rates by the end of the financial year. A minimum payment of an equivalent of \$25 per week is to apply. Special payment arrangements will incur a one-off Administration Fee in accordance with Council's adopted Fees and Charges. Interest on overdue amounts accrues at the prevailing interest rate as set out in the adopted Fees & Charges.

Each Alternative Payment Arrangement requires the approval of the Chief Executive Officer in accordance with Delegation R.1 – Agreement as to Payment of Rates and Service Charges.

**2.1 Options to recover rates debt where rates are in arrears for in excess of three (3) years.****(i) Lodging a Caveat on the Title for Land**

If rates and service charges which are due to Council in respect of any rateable land have been unpaid for at least three (3) years a caveat may be registered on the title for the land, under the provisions of Section 6.64 (3) of the Local Government Act 1995. The approval of Council is required before this course of action is undertaken.

**(ii) Sale of Property**

If rates and service charges which are due to Council in respect of any rateable land have been unpaid for at least five (5) years, Council may take possession of the land under the provisions of Section 6.64 of the Local Government Act 1995. The approval of Council is required to be obtained before this course of action is undertaken.

**3. Write off Debts**

Financial Hardship is not a ground to write off debt. Where a person is experiencing financial hardship and is unable to pay their outstanding debt, the Shire may assist the applicant, where applicable, to negotiate an Alternative Payment Arrangement.

All write-offs will be presented to Council for Consideration and will include:

- Name of Debtor / Rate Payer
- Amount to be written off
- Description of invoice / Assessment Number
- Reason for write-off.

For a debt to be written off one of the following conditions must be satisfied:

- The debtor cannot be located
- Uneconomical to pursue the debt
- The hardship circumstances of the debtor do not warrant the taking or continuation of recovery action
- Legal proceedings through the courts have proved, or on legal advice would prove, unsuccessful.

#### 4. Management Reporting

Rates Debtors:

Management are required to maintain a status report of recovery action against all rates in arrears of more than one year.

#### 5. Rates Incentive Scheme

A rate incentive scheme, in the form of prizes donated by sponsors, will be operated in each rating year on the basis that:

- (a) Only those who have paid their rates in full, within thirty-five days of the Date of Issue, be eligible for an Entry in the Draw.
- (b) The winners to be selected by the Drawing out of Entry Forms. Such Draw to be administered and supervised by the Chief Executive Officer.
- (c) Council to allocate a budget to provide/subsidise a Rates Incentive Scheme.

### GUIDELINES

- Local Government Act 1995: Part 6, Division 4, Clause 6.13 - Interest on money owing to local governments
- Local Government Act 1995: Part 6, Division 6, Subdivision 4, Clause 6.45 – Options for payment of rates and service charges
- Local Government Act 1995: Part 6, Division 6, Subdivision 4, Clause 6.51 - Accrual of interest on overdue rates or service charges
- Local Government Act 1995: Part 6, Division 6, Subdivision 5, Clause 6.56 - Rates or service charges recoverable in court
- Local Government Act 1995: Part 6, Division 6, Subdivision 5, Clause 6.60 - Local government may require lessee to pay rent
- Local Government Act 1995: Part 6, Division 6, Subdivision 6, Clause 6.64 - Actions to be taken
- Local Government (Financial Management) Regulations 1996
- Rates and Charges (Rebates and Deferments) Act 1992

## 9.2 Review of Community Grants Process

<b>Meeting Date</b>	10 <sup>th</sup> December 2019
<b>Responsible Officer</b>	Richard Bleakley (IPR and Strategic Projects Officer)
<b>Reporting Officer</b>	Jen Green (Grants and Project Officer)
<b>Attachments</b>	CS.3 COMMUNITY GRANTS POLICY_2019_12_3 rb CS.3 COMMUNITY GRANTS - COUNCIL ASSESSMENT CRITERIA_2019_12_3rb SOQ_COMMUNITY_GRANT1_APPLICATIONFORM_2020rb SOQ_COMMUNITY_GRANT2_APPLICATIONFORM_2020rb SOQ_COMMUNITY_GRANT3_APPLICATIONFORM_2020rb SOQ_COMMUNITY_GRANT4_APPLICATIONFORM_2020rb Extracts from Community Grant Survey
<b>Owner/Applicant</b>	n/a
<b>Disclosure of Interest</b>	Nil

### RECOMMENDATION: AR11-19/20

#### MOVED Cr Hippisley SECONDED Cr McGuinness

That the Risk and Audit Committee Recommend to Council that: -

1. Council adopt the revised Community Grants Policy and supporting documentation; and
2. That the revised Funding Program be publicised to all Community Groups and Clubs with an application deadline of 31<sup>st</sup> March 2020 for Round 1.

**CARRIED 7/1**

### IN BRIEF

- Two rounds of the Community Grant Process have been delivered with a total of 37 grant applications being funded.
- This is the second review of the process and includes revisions to the Community Grant Policy, Assessment Criteria and the Grant Application Forms.
- Current review will add greater clarity and further streamline the process.

### MATTER FOR CONSIDERATION

Adoption of revised Community Grants Policy and supporting documentation.

### BACKGROUND

In 2018/19 the Shire introduced a Community Grants Process. This entailed the drafting and adoption of a Community Grant Policy and Strategy, Assessment Criteria, and Grant Application Forms.

First round was held in 2<sup>nd</sup> Quarter of 2018 with nine (9) applications being received.

A review of Community Grant Documents and Application Forms was conducted in November 2018 with the revisions being adopted by Council in December 2019.

In 2019, a second iteration of the process was conducted with two rounds (March 2019 and September 2019). Fifteen applications were received in Round 1, a further 5 applications (Grant 2 – Small Grants) in the second round.

A total of seven (7) applications have been received for Grant 1 – in-Kind grants.

In November 2019, the Grants Team conducted a further review of the Community Grant Process and is presenting revised documents to the Audit and Risk Committee for deliberation.

## STATUTORY ENVIRONMENT

Local Government Act 1995

## POLICY IMPLICATIONS

Revisions to existing Community Grants Policy and supporting documentation

## FINANCIAL IMPLICATIONS

2020/2021 Budget – Subject to Applications received and supported.

## STRATEGIC IMPLICATIONS – Strategic Community Plan 2017 – 2027

**Social Objective: Active, healthy, safe and inclusive community**

ITEM	OUTCOMES AND STRATEGIES
S1	Active community
S1.1	Provide facilities and support participation in sport and recreational activities, facilities and clubs
S1.2	Promote increased participation in the social and cultural life of the community

**Governance Objective: Strong governance and community engagement**

ITEM	OUTCOMES AND STRATEGIES
G1	Robust Integrated Planning and Reporting (IPR)
G1.1	Continual improvement in IPR, transparency and accountability

## COMMUNITY CONSULTATION

A short survey on Survey Monkey has been conducted with applicants from 2019/20 Program. This has provided additional feedback on the process

## RISK ASSESSMENT – Risk Management Policy and Risk Management Governance Framework Applicable.

Financial – Low Risk

- Further refinements to the Community Grant process will reduce risk to Council and the Clubs / Organisations through better planning and delivery of Projects supported by the Shire

Health – Low Risk

Reputation – Low Risk

- Further refinements to the Community Grant Process will increase transparency and accountability of both the Shire, the clubs and organisations.
- It will also streamline the process.

Operation – Low Risk

Natural Environment – Low Risk.

## COMMENT

- With the introduction of the Community Grant Process, the Shire has seen an increase in the number of clubs and organisation submitting applications.
- Feedback from the majority of applicants (Survey Monkey) has indicated in general, that the process is straightforward. Further detail on the responses will be provided to the Committee.
- Shire needs to ensure that adequate resources are allocated for the second round of applicants (3<sup>rd</sup> Quarter)
- There is still the question as to whether there should be a distinction and separation between
  - Recurrent funding applications (subsidized of O&M costs); and
  - Grant 1-3 – applications for programs, events and activities.
- Further streamlining is needed for the Grant 1 – In-Kind Funding.



## COMMUNITY GRANTS POLICY

<b>Document Status</b>	Revised
<b>Statutory Environment</b>	Local Government Act 1995

<b>Record of Policy Review</b>					
<i>Version</i>	<i>Author</i>	<i>Council Adoption</i>	<i>Resolution</i>	<i>Reason for Review</i>	<i>Review Date</i>
01	Graeme Fardon	29 March 2018	169-17/18	New Policy	
02	Graeme Fardon/ Richard Bleakley			Policy Review Project	5/12/2018
03	A&R Committee	20 December 2018	115-18/19	<i>Revised 12/12/2018</i>	
04	Grants Team				5/12/2019

## PURPOSE

Council's Annual Community Grants Program is a strategic tool for capacity building, supporting innovation and addressing community need in line with the Council and Community's vision.

## OBJECTIVES

- Enhance Community Organisation's capacity to provide one off projects / services / events.
- Improve the quality and opportunities for user accessibility and / or safety of Community space.
- Increase Community participation in Community activities.
- Help provide funding for a service or activity seen as a need for the betterment of and improvement to the enjoyment of life within the Community.

## POLICY

Funding is available to assist community groups in establishing and or continuing a service or activity seen as a need for the betterment of and improvement to the enjoyment of life within the community.

### Allocation of Resources

Council will review and confirm allocation of resources annually as part of their Annual Budget processes.

- In-Kind - A single tranche allocated and available to Groups / Clubs throughout the financial year from the adoption of the Annual Budget.
- ~~Annual Recurrent Funding – A single tranche allocated and available to Groups / Clubs from the adoption of the Annual Budget.~~
- **Small Grants** – Grant funding allocation divided into two tranches:
  - Grant submissions (closure 31<sup>st</sup> March) 75%
  - Grant submissions (closure 30<sup>th</sup> September) 25%

- **Major Projects and Events** – A single tranche allocated and available to Groups / Clubs from the adoption of the Annual Budget.

- ~~Annual Recurrent Funding – A single tranche allocated and available to Groups / Clubs from the adoption of the Annual Budget.~~

- ~~In-Kind – A single tranche allocated and available to Groups / Clubs throughout the financial year from the adoption of the Annual Budget.~~

### Category of Grants

Grants will be categorised as either In-kind, Small Grants, Major Projects and Events, or Annual Recurrent Funding.

- **In-Kind Contribution** – Each community group can apply to the CEO for in-kind contributions towards events or projects throughout the year. CEO has delegated authority to approve / reject applications. This may include access to venues, equipment or staff (max \$500 annually). Applications must be received at least 4 weeks prior to the event or project commencement.
- **Small Grants** cover requests for financial assistance from Council for between \$500 and \$2500 ex GST. Support may be either financial or in-kind and based on one third from Council, and two thirds from the applicant organisation and/or by way of external funding. Groups can only apply for one small grant per year. There is a requirement to provide an acquittal report back to Council to show where funds have been spent at the end of each financial year.

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- **Major Projects and Events** covers requests for financial support over \$2,500. Support may be either financial or in-kind and based on one third from Council, and two thirds from the applicant organisation and/or by way of external funding. Maximum of one application per year. There is a requirement to provide an acquittal report back to Council to show where funds have been spent at the end of each financial year.

**In-Kind, Small Grants and Major Projects and Events** grant funding is for projects, events and activities, and **not** for operational costs.

- **Annual Recurrent Funding** is financial support extended to community groups that maintain or operate in Shire-owned or club-owned venues / clubrooms. Groups must submit an application form each year by 31<sup>st</sup> March. There is a requirement to provide an acquittal report back to Council to show where funds have been spent at the end of each financial year.

#### Eligibility

- Applicant groups must be based within the Shire of Quairading.
- All successful project activities and events are to be completed by the end of the financial year in which funding was awarded.
- Applicants should demonstrate a link to the Shire's strategic plans and strong community benefit for their project or event.
- Incorporation is desirable but not essential.
- Verification by applicant that request is not covered by insurance.
- Funding will not be awarded to private businesses or individuals.
- Requests for funding or support cannot be for a project / event / activity that has already occurred.

#### General Conditions – Grant 1 – In-Kind Funding

- Applications are welcome all year-round.
- An In-Kind grant is an offer by the Shire to provide a service, piece of equipment or a facility, which is normally charged at a set fee, free of charge or at a reduced cost.
- Bond fees are still applicable.
- CEO has delegated authority to approve / reject applications. This may include access to venues, equipment or staff (max \$500 annually).
- Applications must be received at least 4 weeks prior to the event or project commencement.
- Budget allocation for the Community Grants Program will be determined during the Council's Annual Budgeting Process.
- Allocation of grant funding, partial or entire, will be at the sole discretion of the Council.

#### **General Conditions – Grants 2 & 3 – Major Grants & Events / Small Grants Funding**

- Grants 2 & 3 are for minor capital works or the purchase of equipment or events and activities.
- Grants 2 & 3 may be used as additional leverage for external funding.
- Council's position is to fund to a maximum of one third of the total project cost and applicants are encouraged to contribute their own funding and/or obtain grant or loan funding for the remaining project costs.

- Voluntary labour and equipment may be included in the applicant's contribution but may not exceed one third of the completed value of the project. Volunteer hourly rate should be included at \$20.00/hour.
- Council may opt to use their employees or equipment in lieu of a cash contribution.
- Council reserves the right to carry out a Progress Inspection or request a Progress Report at any stage of the project.
- Budget allocation for the Community Grants Program will be determined during the Council's Annual Budgeting Process.
- Allocation of grant funding, partial or entire, will be at the sole discretion of the Council.

**General Conditions – In-Kind Funding**

- ~~Applications are welcome all year round.~~
- ~~An In-Kind grant is an offer by the Shire to provide a service, piece of equipment or a facility, which is normally charged at a set fee, free of charge or at a reduced cost.~~
- ~~Bond fees are still applicable.~~
- ~~CEO has delegated authority to approve / reject applications. This may include access to venues, equipment or staff (max \$500 annually).~~
- ~~Applications must be received at least 4 weeks prior to the event or project commencement.~~
- ~~Budget allocation for the Community Grants Program will be determined during the Council's Annual Budgeting Process.~~
- ~~Allocation of grant funding, partial or entire, will be at the sole discretion of the Council.~~

**General Conditions – Grant 4 – Recurrent Funding**

- A single round of funding with applications to be submitted by 31<sup>st</sup> March.
- Application is for support of operational and maintenance costs of the club / organisation.
- Application is **not** for capital works, events or activities.
- Budget allocation for the Community Grants Program will be determined during the Council's Annual Budgeting Process.
- Allocation of grant funding, partial or entire, will be at the sole discretion of the Council.

**Acquittal**

All Groups that receive funding will have to provide the following after their project's completion or by no later than 31st July of the next financial year:

- Completed Acquittal Form (to be provided);
- Proof the project, activity or event took place (e.g. photographs etc.);
- Proof of expenditure (e.g. copy of financial records and invoices paid); and
- Evaluation of project, activity or event (e.g. copy of participant feedback, surveys etc.).

**Assessment Process**

- Applications will be assessed by the Grants Team based on Grant Criteria and a recommendation made to Council.
- Applications will be presented to Council and assessed based on eligibility and merit.
- Allocation of grant funding is at the discretion of the Council
- All applicants will be contacted regarding the outcome of the application process by post.

**Submission Deadline**

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All applications must be received by COB 31<sup>st</sup> March or 30<sup>th</sup> September annually. Applications can be received via mail, email or printed copies dropped into the Front Counter at Shire Administration Office. Late applications will not be accepted.

#### GUIDELINES

**Annexure A** - Assessment Criteria (Attached)

**Annexure B** - Community Grant Scheme Funding Process (Attached).

Community Grants Application Form (Separate Document).

## Annexure A

### ASSESSMENT CRITERIA

Each Small and Major Grant Submission will be assessed based on the following criteria

#### Criteria 1 – Community Benefit:

- Does the project align with Shire's Strategic Community Plan?
- Is there identified and demonstrated community need?
- What are the benefits (value adding) to the Quairading community?

#### Criteria 2 – Organisation:

- Incorporated body? Y/N
- Purpose of organisation including the type and number of activities they undertake annually
- Current Membership
- Current Financial Position (incl. Financial Statement)
- Sustainability of organisation

#### Criteria 3 – Project Cycle:

- Planning and design of project
- Management and delivery of project (incl. milestones and works schedule)
- Project Budget
- Financial contribution - \$; In-Kind, External
- Evaluation of project
- Sustainability of project

### SCORE

Each Grant Application will be assessed based on these criteria

Each criteria will be evaluated and given a score between 1 (Poor) and 5 (Excellent).

### WEIGHTING

Weighting for each criteria to be determined by the Council.

Proposed weighting is: -	
Community Benefit -	40%
Organisation -	20%
Project Planning -	40%

### RANKING

Following the individual evaluations, the scores will be entered into a Ranking Spreadsheet.

This spreadsheet will aggregate the *Criteria Scores*, and apply the *Weighting Ratios*.

The spreadsheet will then determine the Ranking of the individual grant applications.

## Annexure B

## YEAR 2020/2021

## Shire of Quairading Community Grant Scheme Funding Process



## ITEM 10 STANDING ITEMS – RISK MANAGEMENT REPORTS AND ISSUES

*Audit & Risk Committee - Terms of Reference 7.1, 7.3*

### 10.1 Report on Excess Annual Leave and Long Service Leave

<b>Meeting Date</b>	10 <sup>th</sup> December 2019
<b>Responsible Officer</b>	EMCS Nathan Giffellon
<b>Reporting Officer</b>	SFO Jodie Yardley
<b>Attachments</b>	Nil
<b>Owner/Applicant</b>	Shire of Quairading
<b>Disclosure of Interest</b>	Nil

#### **RECOMMENDATION: AR12-19/20**

#### **MOVED Cr Hippisley SECONDED Cr Davies**

That the Risk and Audit Committee Recommend to Council that: -

Council receive the report on the Shire's Leave Liabilities.

**CARRIED8/0**

#### **Committee Discussion**

Cr Smith queried the variation in LSL Hours compared to the Dollar value between August 2019 and September 2019 as there appeared to be an anomaly with the Hourly Rate used. The Chief Executive officer undertook to research and forward the findings to Councillors.

#### **IN BRIEF**

- Since 2017, Council has requested that excess Annual Leave and Long Service Leave be reported to the Audit and Risk Committee
- Council receive the report on the Shire's Leave Liabilities.

#### **MATTER FOR CONSIDERATION**

Report on Excess Annual Leave and Long Service Leave Entitlements and Leave Liabilities.

#### **BACKGROUND**

Since 2017, Council has requested that excess Annual Leave and Long Service Leave be reported to the Audit and Risk Committee.

The current policy defines excess leave as when the Employee has accrued more than 8 weeks paid annual leave.

#### **STATUTORY ENVIRONMENT**

*Local Government Act 1995*

Local Government (Long Service Leave Regulations)

Local Government Industry Award 2010

The Industry Award defines Excess Leave as -

*“An Employee has an **excess leave accrual** if the employee has accrued more than 8 weeks paid annual leave”*

## POLICY IMPLICATIONS

Current Policy: Leave Management Policy (ORG.2)

## FINANCIAL IMPLICATIONS

Annual and Long Service Leave Reserve Fund Cash Balance as at 30<sup>th</sup> November 2019 is \$203,936. The Projected Closing Balance as at the 30<sup>th</sup> June 2020 of \$205,721.

The Annual Budget treats Current Leave as Accruals.

The Annual and Long Service Leave Reserve funds any prior year Leave entitlements taken by Staff or paid out.

The current Liability for both types of Leave (if all Claimed on 30<sup>th</sup> November 2019) is calculated at \$250,725.

## STRATEGIC IMPLICATIONS – Strategic Community Plan 2017 - 2027

### Governance Objective: Strong governance and community engagement

ITEM	OUTCOMES AND STRATEGIES
G1	Robust Integrated Planning and Reporting (IPR)
G1.1	Continual improvement in IPR, transparency and accountability

## COMMUNITY CONSULTATION

N/A

## RISK ASSESSMENT – Risk Management Policy and Risk Management Governance Framework Applicable.

Financial – Risk Matrix Rating is considered as Medium Risk. Financial exposure and therefor Risk escalation, if Leave accruals are not monitored and managed.

Health – Risk Matrix Rating is considered as Low Risk

Reputation – Risk Matrix Rating is considered as Low Risk

Operation – Risk Matrix Rating considered Low Risk

Natural Environment – Risk Matrix Rating is considered as Low Risk.

## COMMENT

This report has been prepared to inform the Audit and Risk Committee of the current leave liabilities and of any employees who have excess leave and the steps taken to reduce these liabilities.

As at the 30<sup>th</sup> November 2019, there are no employees with excess annual leave.

The Chief Executive Officer has approved of One Employee's Plan to take their Long Service Leave in three instalments. The first of which has now been taken.

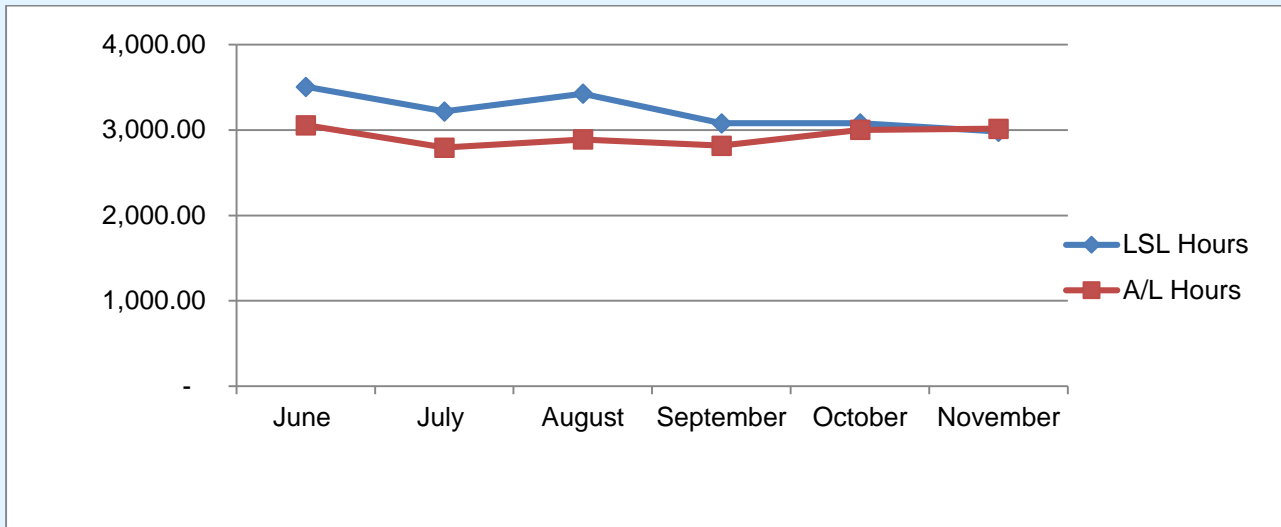
One Employee has Long Service Leave Liabilities as at the 6<sup>th</sup> September 2019. This has been approved to commence in March 2020.

Since the commencement of the 2019/20 financial year, it has remained steady with an increase of 1.22% (in Dollar Value) in the Annual Leave Liability through a combination of Separations and current staff taking accrued Annual Leave. Annual Leave Liability has risen slightly due to the increase of pay rates and an increase of accrued hours leading into the main holiday period.

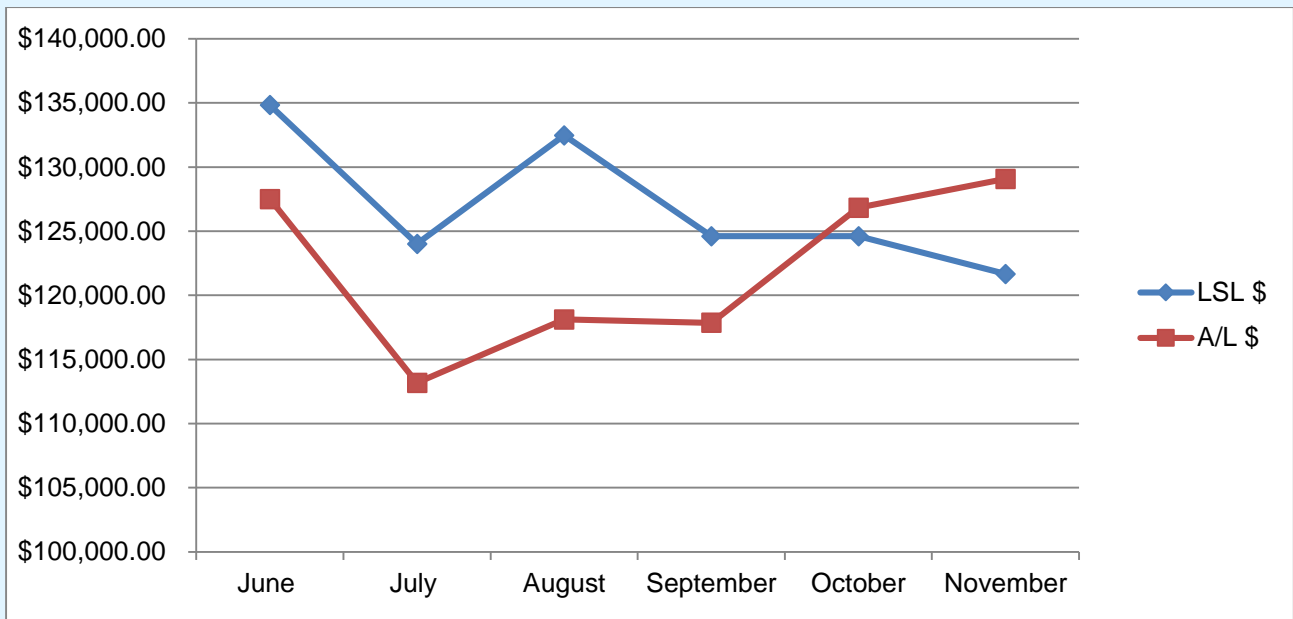
The Long Service Leave Liability has significantly reduced by 9.76% (in Dollar Value) since June 2019. The decrease can be attributed to payouts following the separation of three employees with Long Service Leave Entitlements and another redeeming their Long Service Leave.

	<i>LSL Hours</i>	<i>LSL \$</i>	<i>AL Hours</i>	<i>AL \$</i>
<b>June</b>	3,507	134,820	3,056	127,501
<b>July</b>	3,218	124,006	2,795	113,180
<b>August</b>	3,426	132,468	2,890	118,114
<b>September</b>	3,080	124,610	2,817	117,850
<b>October</b>	3,080	124,610	3,003	126,828
<b>November</b>	2,981	121,657	3,016	129,068

**Accumulated Hours of Leave**



**Outstanding Accumulated Dollar Value of Leave**



## ITEM 11 STANDING ITEMS – OTHER

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### *Audit & Risk Committee - Terms of Reference 9.5*

#### 11.1 Review of Committee Terms of Reference

<b>Meeting Date</b>	10 <sup>th</sup> December 2019
<b>Responsible Officer</b>	CEO Graeme Fardon
<b>Reporting Officer</b>	EMCS Nathan Gilfellon
<b>Attachments</b>	(i) GOV.5 Audit & Risk Committee – Terms of Reference December 2019 Revised
<b>Owner/Applicant</b>	Audit & Risk Committee
<b>Disclosure of Interest</b>	Nil

#### **RECOMMENDATION: AR13-19/20**

#### **MOVED Cr Hippisley SECONDED Cr Stacey**

That the Risk and Audit Committee Recommend to Council that: -

Council adopt the revised Audit and Risk Committee Terms of Reference (Dated 10<sup>th</sup> December 2019).

**CARRIED 8/0**

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#### **IN BRIEF**

- This report recommends that the Terms of Reference to reviewed to reflect the legislative requirements of the Audit and Risk Committee.
- Committee was established by Council in October 2017 for a 2-year term coinciding with the Election Cycle.
- Council has re-established the Committee on the 31<sup>st</sup> October 2019 with all Councillors being Members of the Committee.
- The Administration have reviewed the Terms of Reference and made suggested tracked changes to the current Terms of Reference to be considered by Committee before Recommendation to Council.

#### **MATTER FOR CONSIDERATION**

The Review of the Audit & Risk Committee Terms of Reference

#### **BACKGROUND**

The primary purpose of an Audit & Risk Committee is to provide oversight of the financial reporting processes, the audit process, the Shire's system of internal controls and compliance with legislation and regulations.

In 2017, amendments to the Local Government Act 1995 were passed by State Parliament enabling the Auditor General to audit local government finances and performance. This Amendment also provided more detail on the role and responsibilities of the Audit Committee.

The amendments to the Act have been supported by changes to the *Local Government (Financial Management) Regulations 1996* and the *Local Government (Audit) Regulations 1996* which were gazette on 26 June 2018.

The Department of Local Government Sports and Cultural Industries (DLGSCI) has also produced a guide on the Local Government Audit Reforms, [Link to Guide to Local Government Auditing Reforms](#)

## STATUTORY ENVIRONMENT

### Local Government Act 1995

### Local Government (Audit) Regulations 1996

#### Reg16.Functions of audit committee

An audit committee has the following functions —

- (a) to guide and assist the local government in carrying out —
  - (i) its functions under Part 6 of the Act; and
  - (ii) its functions relating to other audits and other matters related to financial management;
- (b) to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;
- (c) 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;
- (d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —
  - (i) regulation 17(1); and
  - (ii) the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c);
- (e) to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;
- (f) to oversee the implementation of any action that the local government —
  - (i) is required to take by section 7.12A(3); and
  - (ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and
  - (iii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and
  - (iv) has accepted should be taken following receipt of a report of a review conducted under the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c);
- (g) to perform any other function conferred on the audit committee by these regulations or another written law.

[Regulation 16 inserted: Gazette 26 Jun 2018 p. 2386-7.]

## POLICY IMPLICATIONS

In accordance with clause 9.5 of the Audit & Risk Committee Terms of Reference, the committee is required to, at least once a year, review its own performance, constitution and Terms of Reference to ensure it is operating at maximum effectiveness and recommend changes it considers necessary to the Council for approval.

## FINANCIAL IMPLICATIONS

Nil.



## STRATEGIC IMPLICATIONS – Strategic Community Plan 2017 - 2027

Governance Objective: Strong governance and community engagement

ITEM	OUTCOMES AND STRATEGIES
G1	Robust Integrated Planning and Reporting (IPR)
G1.1	Continual improvement in IPR, transparency and accountability

### COMMUNITY CONSULTATION

Public consultation was not relevant to the development of this report.

### RISK ASSESSMENT – Risk Management Policy and Risk Management Governance Framework Applicable.

Financial - Risk Matrix Rating is assessed as Low. Councillors Meeting Fees are provided for in Council's Budget. Auditor Fees are provided for in Council's Budget.

Health – Risk Matrix Rating is assessed as Low

Reputation – Risk Matrix Rating is assessed as Low. Reputational Risk is Mitigated with the effective operation of Council's Risk and Audit Committee and sound Governance and Financial management in place.

Operation – Risk Matrix Rating is assessed as Low. The annual review process provides a mechanism to ensure good governance of Council's Audit & Risk Committee. The Review process and Committee Structure is part of Council's normal operations.

Natural Environment – Risk Matrix Rating is assessed as Low.



## AUDIT & RISK COMMITTEE TERMS OF REFERENCE

<b>Document Status</b>	Under Review
<b>Statutory Environment</b>	Local Government Act 1995, Local Government (Audit) Regulations 1996, Local Government (Financial Management) Regulations 1996

### Record of Policy Review

<i>Version</i>	<i>Author</i>	<i>Council Adoption</i>	<i>Resolution</i>	<i>Reason for Review</i>	<i>Review Date</i>
01	Graeme Fardon	26 October 2017	72-17/18	New Policy	
02	Graeme Fardon	30 November 2017	98-17/18	Revised	
03	Graeme Fardon			Annual Review	4/12/2018
04	A&R Committee	20 December 2018	117-18/19	<i>Revised 12/12/2018</i>	
05	A&R Committee			Annual Review	10/12/2019

## PURPOSE

To ensure that the audit of Council's financial and statutory functions have been undertaken in accordance with the provisions of the Local Government Act 1995 and associated Regulations.

The Committee will also undertake a Risk Management function to ensure adequate statutory compliance and best practice mitigation is occurring.

## OBJECTIVE

The objective of the Committee is to assist Council in providing a transparent and independent process in its audit, risk and governance management to ensure accountability to the community in the governance and compliance framework and its financial and risk management responsibilities.

## POLICY

The Audit & Risk Committee (the "Committee") is a formally appointed Committee of the Shire of Quairading, pursuant to a number of specific pieces of legislation. These include: -

*The Local Government Act 1995, The Local Government (Audit) Regulations 1996, the Local Government (Financial Management) Regulations 1996. The Local Government Act 1995, Section 7 deals specifically with the audit and process.*

The Committee does not have executive powers or authority to implement actions in areas where Management has the responsibility and does not have any delegated financial responsibility. The Committee does not have any management functions and is therefore independent from management.

The Committee's role is to report to Council and provide appropriate advice and recommendations on matters relevant to its Terms of Reference in order to facilitate decision making by the Committee and Council in relation to the discharge of its responsibilities.

### 1. MEMBERSHIP

- 1.1 Members of the Committee are appointed by Council. The Committee is to consist of all Elected Members. The Elected Members are to vote and elect the Chairperson.
- 1.2 Only members of the Committee are entitled to vote in Committee meetings. Unless otherwise required by the Act not to vote, each member has to vote on every matter that is before the Committee for decision.
- 1.3 The Chief Executive Officer, Senior Management and other Administration Staff may attend any meeting as observers or be responsible for preparing papers for the Committee.
- 1.4 The Councils External auditors may be invited to attend meetings of the Committee.
- 1.5 Appointment of all members of the Committee will be for a term of two (2) years at the commencement of each Council term after a Council Election
- 1.6 Committee members are paid meeting attendance fees in accordance with the requirements of the Local Government Act.

### 2. SECRETARIAL/ADMINISTRATIVE RESOURCES

- 2.1 The Chief Executive Officer is required to provide sufficient administrative resources to the Audit and Risk Committee to enable it to adequately carry out its functions.

### 3. QUORUM

- 3.1 The quorum necessary for the transaction of business shall be five (5) members of the Audit and Risk Committee.

#### 4. FREQUENCY OF MEETINGS

- 4.1 The Committee may meet at least quarterly at a minimum or as determined by the Committee.
- 4.2 A schedule of ordinary meetings is determined by Council for the Year.
- 4.3 The Chief Executive Officer is delegated the authority to vary the meeting schedule after liaison with the Committee Chairperson.
- 4.4 The Chief Executive Officer is delegated not to call an ordinary meeting of the Committee should the Committee have no Matters for Consideration. Such Delegation to only be exercised after liaison with the Committee Chairperson.

#### 5. NOTICE OF MEETINGS

- 5.1 Ordinary meetings of the Committee are to be held at dates/times determined by Council.
- 5.2 A Special Meeting of the Committee may be called with the approval of all the Committee members.
- 5.3 The Agenda of the Committee meetings, subject to any items that are discussed in confidence under Sections 5.22 and 5.23 of the Act and subsequently retained as confidential under Section 5.23 of the Act, are also required to be made available to the public.
- 5.4 The Notice of Meeting and Supporting Papers is to be lodged in the Document Centre on the Quairading Website no later than three (3) clear days prior to the date of the Meeting.

#### 6. MINUTES OF MEETINGS

- 6.1 The Minutes of the Committee Meetings are to be in accordance with the provisions of the LG Act, LG Regulations and Departmental Guidelines.
- 6.2 Minutes of the Committee are to be lodged in the Document Centre on the Quairading Website within five (5) working days after a meeting.

#### 7. ROLES OF THE AUDIT COMMITTEE

##### 7.1 Support Function

The Committee will also support the Auditor as required and have functions to oversee: -

- the implementation of audit recommendations made by the Auditor, which have been accepted by council; and
- accepted recommendations arising from reviews of local government systems and procedures.

##### 7.2 Financial Reporting

The Committee is required to monitor the integrity of the financial statements of the Council, including its annual report, reviewing significant financial reporting issues and judgments which they contain.

The Committee is required to review and challenge where necessary: -

- The consistency of, and any changes to, accounting policies both on a year on year basis;
- The methods used to account for significant or unusual transactions where different approaches are possible;
- Whether the Council has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditors;
- The clarity of disclosure in the Councils financial reports and the context in which statements are made; and
- All material information presented with the financial statement such as the operating and financial review and any corporate governance statement (in so far as it relates to audit and risk management).

**7.3 Internal Control & Risk Management Systems**

The Committee is required to: -

- Keep under review the effectiveness of the Council's internal controls and risk management systems;
- Monitor and advise the CEO in the reviews of certain systems as prescribed from time to time by the Audit and Financial Management Regulations.
- Review and recommend the approval, where appropriate, of statements to be included in the annual report concerning internal controls and risk management;
- Receive and review reports from the Chief Executive Officer on the activities of the Strategic Risk Management Plan and the Operational Risk Management Plan ("Risk Management Dashboard").

**7.4 Other Investigations**

The Committee, when necessary, propose and review the exercise of Council's powers under the Act, in relation to the conduct of audits that would not otherwise be addressed or included as part of an annual external audit.

**7.5 Internal Audit**

- (a) The Committee is required to monitor and review the effectiveness of Council's internal audit function in the context of the Council's overall risk management system. The Audit and Risk Committee can consider and make recommendations on the program and the adequacy of resources accordance with the relevant professional and legislative requirements and standards.
- (b) The Committee may receive executive summary reports on all internal audits and review and monitor managements responsiveness to the findings and recommendations of any such internal audit.
- (c) The Committee may meet with Management and any internal auditors at least twice per year to discuss any issue arising from any internal audits carried out.
- (d) The Committee is required to monitor and review the selection process for the External Auditor and any internal auditor (if appointed). Appointment of any internal auditor is the responsibility of management.

**7.6 External Audit**

- (a) The Committee is required to monitor and review guidelines on the supply of non- audit services by the External Auditor, taking into account any relevant ethical guidance on the matter.
- (b) The Committee may consider, and make recommendations to the Council, in relation to the appointee, reappointment and removal of the Council External Auditor. The Committee is to oversee the selection process for a new External Auditor and if the External auditor resigns, the Committee endeavours to investigate the issues leading to the resignation and decide whether any action is required.
- (c) The Committee is required to oversee the relationship with the External Auditor, including, but not limited to: -
  - Recommending the approval of the external auditor's remuneration, whether fees for audit or non-audit services, and recommending whether the level of fees is appropriate to enable an adequate audit to be conducted;
  - Recommending the approval of the external auditors terms of engagement, including any engagement letter issued at the commencement of each audit and the scope of the audit;
  - Assessing the external auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the extent of Councils relationship with the auditor; including the provision of any non-audit services;
  - Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Council (other than in the ordinary course of business);

- Monitoring the external auditor's compliance with legislative requirements in the rotation of audit partner's and
  - Assessing the external auditor's qualifications, expertise and resources and the effectiveness of the audit process;
  - Oversee the transition of the Audit Function to the Office of the Auditor General.
- (d) The Committee may review and make recommendation to the Annual Audit Plan and ensure that it is consistent with the scope of the engagement and relevant legislation and standards.
- (e) The Committee is to review the findings of the External Audit. This may include, but not be limited to, the following: -
- Discussion of any major issues which arose during the audit;
  - Any accounting and audit judgments; and
  - Levels of errors identified during the audit.
- (f) The Committee is to review any representation letter(s) requested by the External Auditor before they are signed by Management.
- (g) The Committee is to review the report to the Chief Executive Officer and Management's response to the External auditor's findings and recommendations.

### 7.7 CEO Performance Appraisal

The Committee is also responsible for facilitating / arranging Chief Executive Officer's Performance Review Process.

## 8. REPORTING RESPONSIBILITIES

- 8.1 The minutes of the Committee are to be presented to the Council after every meeting to identify and present advice and recommendations.

## 9. OTHER MATTERS

The Committee is to: -

- 9.1 Have access to, at the Councils expense, legal or other professional advice on any matter within its Terms of Reference.
- 9.2 Be provided with appropriate and timely training, both in the form of an induction program for new members and on an on-going basis for all members.
- 9.3 Give due consideration to laws and regulations of the *Local Government Act 1995*.
- 9.4 Oversee any investigation of activities which are within its Terms of Reference.
- 9.5 At least once per year, review its own performance, membership and Terms of Reference to ensure it is operating at a maximum effectiveness and recommend changes it considers necessary to the Council for approval.

## GUIDELINES

Local Government Act 1995;

Local Government (Audit) Regulations 1996;

Local Government (Financial Management) Regulations 1996.

## ITEM 12 COUNCILLORS' EMERGING ISSUES

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### **Cr Smith**

Requested that the Performance Review of the Audit & Risk Committee be listed for the June 2020 Committee Meeting.

### **Cr Davies**

Cr Davies reported attending the City of Melville Dinner and provided details on the City's presentation to retiring Councillors, in the form of street name signs and commented that he thought it was a good idea.

### **Cr Smith**

Cr Smith requested a report on current Policies and Procedures on mitigation of "management override" plus the Chief Executive Officer's recommendations on additional procedures to achieve a higher standard" for the March 2020 Audit & Risk Committee Meeting.

### **Cr John Haythornthwaite**

Cr Haythornthwaite queried the size of Councillors badges with the new logo.

ITEM 13 CONFIDENTIAL BUSINESS – AS PER LOCAL GOVERNMENT ACT S5.23 (2)

*No matters for consideration.*



ITEM 14 NEXT MEETING DATE

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The next Audit & Risk Committee Meeting is scheduled to take place on Tuesday 10<sup>th</sup> March 2020, commencing at 5.00pm on at the Council Chambers, 10 Jennaberring Road, Quairading.

ITEM 15 CLOSURE

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There being no further business, the Chairman closed the Meeting at 6.10 pm.

I certify the Minutes of the Audit & Risk Committee Meeting held on 10<sup>th</sup> December 2019 were confirmed on 10<sup>th</sup> March 2020 as recorded on Resolution No. \_\_\_\_\_-19/20.

Confirmed..... 10/03/2020

## ITEM 6      STANDING ITEMS – EXTERNAL AUDIT

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*Audit & Risk Committee - Terms of Reference 7.6*

### **6.1      Audit Entry Meeting with Auditor**

Arrangements have been made with Council's Auditor Mr Greg Godwin of Moore Stephens to participate in an Audit Entry Telephone Meeting prior to the commencement of the Audit & Risk Committee Meeting.

The Audit & Risk Committee last met with Council's auditor on 4<sup>th</sup> December 2019 following the completion of the Annual Audit for the 2018/2019 Year.

The "Audit Strategy Memorandum Year Ending 30 June 2020" document will be forwarded under separate cover.

### **Statutory Requirements**

Local Government Act 1995

7.12A. Duties of local government with respect to audits

- (1) A local government is to do everything in its power to: -
  - (a) assist the auditor of the local government to conduct an audit and carry out the auditor's other duties under this Act in respect of the local government; and
  - (b) ensure that audits are conducted successfully and expeditiously.
- (2) Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.
- (3) A local government must: -
  - (a) examine an audit report received by the local government; and
  - (b) determine if any matters raised by the audit report, require action to be taken by the local government; and
  - (c) ensure that appropriate action is taken in respect of those matters.
- (4) A local government must: -
  - (a) prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and
  - (b) give a copy of that report to the Minister within 3 months after the audit report is received by the local government.
- (5) Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website.

### **Council Delegated of Authority**

*Delegation F.1 – Audit Committee: Meeting with Auditor*

Council delegates authority and power to the Audit & Risk Committee to meet with the Local Government's Auditor at least once per year.

## ITEM 7      STANDING ITEMS – INTERNAL AUDIT

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*Audit & Risk Committee - Terms of Reference 7.5*

### 7.1      Statutory Compliance Audit Return - 2019

<b>Meeting Date</b>	10 <sup>th</sup> March 2020
<b>Responsible Officer</b>	CEO Graeme Fardon
<b>Reporting Officer</b>	CEO Graeme Fardon
<b>Attachments</b>	Compliance Audit Return 2019
<b>Owner/Applicant</b>	Shire of Quairading
<b>Disclosure of Interest</b>	NIL

### OFFICER RECOMMENDATION

**That the Audit and Risk Committee recommend to Council that: -**

**The Statutory Compliance Audit Return for the period 1<sup>st</sup> January 2019 to 31<sup>st</sup> December 2019 be Adopted by Council.**

**VOTING REQUIREMENTS – Simple Majority**

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### IN BRIEF

- High Level of Compliance achieved.
- N/A Responses indicate that the particular Compliance Requirement was not actioned or required during the Year under Review.
- All Audit and Financial Management Compliance was completed within the Statutory timeframes.
- Question 4 of the Integrated Planning Section highlighted that a Minor Review of the Strategic Community Plan was undertaken in 2019.
- Question 5 of the Integrated Planning Section - Comments highlight that work was progressing in 2019 and into 2020 to review all Asset Plans.

### MATTER FOR CONSIDERATION

Consideration of the Statutory Compliance Audit Return for the year ended 31<sup>st</sup> December 2019.

### BACKGROUND

Council is required to undertake a Compliance Audit, via the Statutory Compliance Return provided by the Department of Local Government each year.

The CEO has reviewed the organisation's Procedures, Processes and Actions for the 2019 Calendar Year and prepared the Draft Statutory Compliance Return for consideration by the Audit & Risk Committee and Recommendation to Council.

Compliance Return comprises of Questions in the following Areas of Activity: -

- Commercial Enterprises by Local Governments
- Delegation of Power/Duty
- Disclosure of Interest

- Disposal of Property
- Elections
- Finance
- Integrated Planning and Reporting
- Local Government Employees
- Official Conduct
- Optional Questions – All Answered
- Tenders for Providing Good & Services

The Statutory Compliance Return is to be presented to Audit & Risk Committee and then Report by Recommendation to Council at the March 2020 Ordinary Council Meeting.

Council is required to submit the Signed (Shire President and CEO) Statutory Compliance Return and relevant Council Minutes to the Director General of the Department of Local Government by the 31<sup>st</sup> March 2020.

## STATUTORY ENVIRONMENT

Local Government (Audit) Regulations 1996

### 14. Compliance audits by local governments

- (1) A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.
- (2) After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.
- (3A) The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.
- (3) After the audit committee has reported to the council under subregulation (3A), the compliance audit return is to be –
  - (a) presented to the council at a meeting of the council; and
  - (b) adopted by the council; and
  - (c) recorded in the minutes of the meeting at which it is adopted.

### 15. Compliance audit return, certified copy of etc. to be given to Executive Director

- (1) After the compliance audit return has been presented to the council in accordance with regulation 14(3) a certified copy of the return together with –
  - (a) a copy of the relevant section of the minutes referred to in regulation 14(3)(c); and
  - (b) any additional information explaining or qualifying the compliance audit, is to be submitted to the Executive Director by 31<sup>st</sup> March next following the period to which the return relates.
- (2) In this regulation –
 

**certified** in relation to a compliance audit return means signed by –

  - (a) the mayor or president; and
  - (b) the CEO.

## POLICY IMPLICATIONS

N/A.

## FINANCIAL IMPLICATIONS

Nil Financial Implications in 2019/20 as Statutory Compliance Return has been completed internally and online by the CEO following a review of Council's Processes and Practices for the 2019 Calendar Year.

## STRATEGIC IMPLICATIONS – Strategic Community Plan 2017 - 2027

### Governance Objective: Strong governance and community engagement

ITEM	OUTCOMES AND STRATEGIES
G1	Robust Integrated Planning and Reporting (IPR)
G1.1	Continual improvement in IPR, transparency and accountability
G4	Sound Organisation
G4.1	Maintain sustainability ratios at or above basic level
G4.2	Increase non-rates revenue generation
G4.3	Ensure optimum organisational capacity and efficiency

## COMMUNITY CONSULTATION

N/A

### RISK ASSESSMENT – Risk Management Policy and Risk Management Governance Framework Applicable.

Financial - Risk Matrix Rating is assessed as Low. Risk is mitigated through ongoing review and monitoring of Council's Management & Compliance Procedures and Processes. The Compliance Audit Return is separate to Council's External Audit.

Health – Risk Matrix Rating is assessed as Low

Reputation – Risk Matrix Rating is assessed as Low. High level Compliance achieved mitigates the reputational risk that may occur from non-compliance.

Operation – Risk Matrix Rating is assessed as Low. Compliance undertaken as part of Council's day to day operations.

Natural Environment – Risk Matrix Rating is assessed as Low.



## Quairading - Compliance Audit Return 2019

### Certified Copy of Return

Please submit a signed copy to the Director General of the Department of Local Government, Sport and Cultural Industries together with a copy of section of relevant minutes.

<b>Commercial Enterprises by Local Governments</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s3.59(2)(a)(b)(c) F&G Reg 7,9	Has the local government prepared a business plan for each major trading undertaking in 2019?	N/A		Graeme Fardon
2	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2019?	N/A		Graeme Fardon
3	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2019?	N/A		Graeme Fardon
4	s3.59(4)	Has the local government complied with public notice and publishing requirements of each proposal to commence a major trading undertaking or enter into a major land transaction for 2019?	N/A		Graeme Fardon
5	s3.59(5)	Did the Council, during 2019, resolve to proceed with each major land transaction or trading undertaking by absolute majority?	N/A		Graeme Fardon



Department of  
**Local Government, Sport  
and Cultural Industries**

<b>Delegation of Power / Duty</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s5.16, 5.17, 5.18	Were all delegations to committees resolved by absolute majority?	Yes		Graeme Fardon
2	s5.16, 5.17, 5.18	Were all delegations to committees in writing?	Yes		Graeme Fardon
3	s5.16, 5.17, 5.18	Were all delegations to committees within the limits specified in section 5.17?	Yes		Graeme Fardon
4	s5.16, 5.17, 5.18	Were all delegations to committees recorded in a register of delegations?	Yes		Graeme Fardon
5	s5.18	Has Council reviewed delegations to its committees in the 2018/2019 financial year?	Yes		Graeme Fardon
6	s5.42(1),5.43 Admin Reg 18G	Did the powers and duties of the Council delegated to the CEO exclude those as listed in section 5.43 of the Act?	Yes		Graeme Fardon
7	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO resolved by an absolute majority?	Yes		Graeme Fardon
8	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO in writing?	Yes		Graeme Fardon
9	s5.44(2)	Were all delegations by the CEO to any employee in writing?	Yes		Graeme Fardon
10	s5.45(1)(b)	Were all decisions by the Council to amend or revoke a delegation made by absolute majority?	Yes		Graeme Fardon
11	s5.46(1)	Has the CEO kept a register of all delegations made under the Act to him and to other employees?	Yes		Graeme Fardon
12	s5.46(2)	Were all delegations made under Division 4 of Part 5 of the Act reviewed by the delegator at least once during the 2018/2019 financial year?	Yes		Graeme Fardon
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record as required?	Yes		Graeme Fardon

<b>Disclosure of Interest</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s5.67	If a member disclosed an interest, did he/she ensure that they did not remain present to participate in any discussion or decision-making procedure relating to the matter in which the interest was disclosed (not including participation approvals granted under s5.68)?	Yes		Graeme Fardon
2	s5.68(2)	Were all decisions made under section 5.68(1), and the extent of participation allowed, recorded in the minutes of Council and Committee meetings?	Yes		Graeme Fardon



Department of  
**Local Government, Sport  
and Cultural Industries**

No	Reference	Question	Response	Comments	Respondent
3	s5.73	Were disclosures under section 5.65 or 5.70 recorded in the minutes of the meeting at which the disclosure was made?	Yes		Graeme Fardon
4	s5.73	Where the CEO had an interest relating to a gift under section 5.71A(1), was written notice given to the Council?	N/A		Graeme Fardon
5	s5.73	Where the CEO had an interest relating to a gift in a matter in respect of a report another employee is providing advice on under section 5.71A (3), was the nature of interest disclosed when the advice or report was provided?	N/A		Graeme Fardon
6	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly elected members within three months of their start day?	Yes		Graeme Fardon
7	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly designated employees within three months of their start day?	Yes		Graeme Fardon
8	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all continuing elected members by 31 August 2019?	Yes		Graeme Fardon
9	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all designated employees by 31 August 2019?	Yes		Graeme Fardon
10	s5.77	On receipt of a primary or annual return, did the CEO, (or the Mayor/ President in the case of the CEO's return) on all occasions, give written acknowledgment of having received the return?	Yes		Graeme Fardon
11	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained the returns lodged under section 5.75 and 5.76?	Yes		Graeme Fardon
12	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70 and 5.71, in the form prescribed in Administration Regulation 28?	Yes		Graeme Fardon
13	s5.89A Admin Reg 28A	Did the CEO keep a register of gifts which contained a record of disclosures made under section 5.71A, in the form prescribed in Administration Regulation 28A?	Yes		Graeme Fardon
14	s5.88 (3)	Has the CEO removed all returns from the register when a person ceased to be a person required to lodge a return under section 5.75 or 5.76?	Yes		Graeme Fardon
15	s5.88(4)	Have all returns lodged under section 5.75 or 5.76 and removed from the register, been kept for a period of at least five years, after the person who lodged the return ceased to be a council member or designated employee?	Yes		Graeme Fardon





Department of  
**Local Government, Sport  
and Cultural Industries**

No	Reference	Question	Response	Comments	Respondent
16	s5.103 Admin Reg 34C & Rules of Conduct Reg 11	Where an elected member or an employee disclosed an interest in a matter discussed at a Council or committee meeting where there was a reasonable belief that the impartiality of the person having the interest would be adversely affected, was it recorded in the minutes?	Yes		Graeme Fardon
17	s5.70(2)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to the Council or a Committee, did that person disclose the nature of that interest when giving the advice or report?	Yes		Graeme Fardon
18	s5.70(3)	Where an employee disclosed an interest under s5.70(2), did that person also disclose the extent of that interest when required to do so by the Council or a Committee?	Yes		Graeme Fardon
19	s5.103(3) Admin Reg 34B	Has the CEO kept a register of all notifiable gifts received by Council members and employees?	Yes		Graeme Fardon

### Disposal of Property

No	Reference	Question	Response	Comments	Respondent
1	s3.58(3)	Was local public notice given prior to disposal for any property not disposed of by public auction or tender (except where excluded by Section 3.58(5))?	N/A		Graeme Fardon
2	s3.58(4)	Where the local government disposed of property under section 3.58(3), did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property?	N/A		Graeme Fardon

### Elections

No	Reference	Question	Response	Comments	Respondent
1	Elect Reg 30G (1) (2)	Did the CEO establish and maintain an electoral gift register and ensure that all 'disclosure of gifts' forms completed by candidates and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the candidates?	Yes		Graeme Fardon
2	Elect Reg 30G(3) & (4)	Did the CEO remove any 'disclosure of gifts' forms relating to an unsuccessful candidate or a successful candidate that completed the term of office from the electoral gift register, and retain those forms separately for a period of at least 2 years?	N/A		Graeme Fardon



Department of  
**Local Government, Sport  
and Cultural Industries**

<b>Finance</b>						
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>	
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act?	Yes		Graeme Fardon	
2	s7.1B	Where a local government determined to delegate to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority?	Yes		Graeme Fardon	
3	s7.3(1)	Was the person(s) appointed by the local government under s7.3(1) to be its auditor, a registered company auditor?	Yes		Graeme Fardon	
4	s7.3(1), 7.6(3)	Was the person or persons appointed by the local government to be its auditor, appointed by an absolute majority decision of Council?	N/A	Continuing Appointment under 3 year Contract. Absolute Majority at the time of appointment.	Graeme Fardon	
5	Audit Reg 10	Was the Auditor's report(s) for the financial year(s) ended 30 June received by the local government within 30 days of completion of the audit?	Yes	Received by the Shire 5/12/2019	Graeme Fardon	
6	s7.9(1)	Was the Auditor's report for the financial year ended 30 June 2019 received by the local government by 31 December 2019?	Yes	Formally Received by Council 19/12/2019	Graeme Fardon	
7	S7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under s7.9 (1) of the Act required action to be taken, did the local government, ensure that appropriate action was undertaken in respect of those matters?	N/A		Graeme Fardon	
8	S7.12A (4)	Where the auditor identified matters as significant in the auditor's report (prepared under s7.9(1) of the Act), did the local government prepare a report stating what action had been taken or it intended to take with respect to each of the matters and give a copy to the Minister within 3 months after receipt of the audit report?	N/A		Graeme Fardon	
9	S7.12A (5)	Within 14 days after the local government gave a report to the Minister under s7.12A(4)(b), did the CEO publish a copy of the report on the local government's official website?	N/A		Graeme Fardon	
10	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives of the audit?	Yes		Graeme Fardon	
11	Audit Reg 7	Did the agreement between the local government and its auditor include the scope of the audit?	Yes		Graeme Fardon	



Department of  
**Local Government, Sport  
and Cultural Industries**

No	Reference	Question	Response	Comments	Respondent
12	Audit Reg 7	Did the agreement between the local government and its auditor include a plan for the audit?	Yes		Graeme Fardon
13	Audit Reg 7	Did the agreement between the local government and its auditor include details of the remuneration and expenses to be paid to the auditor?	Yes		Graeme Fardon
14	Audit Reg 7	Did the agreement between the local government and its auditor include the method to be used by the local government to communicate with, and supply information to, the auditor?	Yes		Graeme Fardon

### Integrated Planning and Reporting

No	Reference	Question	Response	Comments	Respondent
1	s5.56 Admin Reg 19DA (6)	Has the local government adopted a Corporate Business Plan. If Yes, please provide adoption date of the most recent Plan in Comments?	Yes	Adopted 26/10/2017	Graeme Fardon
2	s5.56 Admin Reg 19DA (4)	Has the local government reviewed the Corporate Business Plan in the 2018-2019 Financial Year. If Yes, please provide date of Council meeting the review was adopted at?	No	To be reviewed in 2020	Graeme Fardon
3	s5.56 Admin Reg 19C	Has the local government adopted a Strategic Community Plan. If Yes, please provide adoption date of the most recent Plan in Comments?	Yes	Adopted 26/10/2017	Graeme Fardon
4	s5.56 Admin Reg 19C (4)	Has the local government reviewed the current Strategic Community Plan. If Yes, please provide date of most recent review by Council in Comments.  Note: If the current Strategic Community Plan was adopted after 1/1/2016, please respond N/A and provide adoption date in Comments?	Yes	Minor 2 Year Review Adopted 19/12/2019	Graeme Fardon
5	S5.56 Admin Reg 19DA (3)	Has the local government developed an Asset Management Plan(s) that covers all asset classes. If Yes, please provide the date of the most recent Plan adopted by Council in Comments?	Yes	Buildings & Structures (2011) Roads & Bridges (2012) Plant & Machinery (July 2019) All AMP under review in 2019/20	Graeme Fardon
6	S5.56 Admin Reg 19DA (3)	Has the local government developed a Long Term Financial Plan. If Yes, please provide the adoption date of the most recent Plan in Comments?	Yes	Adopted 26/10/2017	Graeme Fardon
7	S5.56 Admin Reg 19DA (3)	Has the local government developed a Workforce Plan. If Yes, please provide adoption date of the most recent Plan in comments?	Yes	Adopted 28/6/2018	Graeme Fardon



Department of  
**Local Government, Sport  
and Cultural Industries**

<b>Local Government Employees</b>						
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>	
1	Admin Reg 18C	Did the local government approve the process to be used for the selection and appointment of the CEO before the position of CEO was advertised?	N/A		Graeme Fardon	
2	s5.36(4) s5.37(3), Admin Reg 18A	Were all vacancies for the position of CEO and other designated senior employees advertised and did the advertising comply with s.5.36(4), 5.37(3) and Admin Reg 18A?	N/A		Graeme Fardon	
3	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position of CEO under section 5.36(4)?	N/A		Graeme Fardon	
4	Admin Regs 18E	Did the local government ensure checks were carried out to confirm that the information in an application for employment was true (applicable to CEO only)?	N/A		Graeme Fardon	
5	s5.37(2)	Did the CEO inform Council of each proposal to employ or dismiss a designated senior employee?	N/A		Graeme Fardon	



<b>Official Conduct</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s5.120	Where the CEO is not the complaints officer, has the local government designated a senior employee, as defined under s5.37, to be its complaints officer?	N/A		Graeme Fardon
2	s5.121(1)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that result in action under s5.110(6)(b) or (c)?	Yes		Graeme Fardon
3	s5.121(2)(a)	Does the complaints register maintained by the complaints officer include provision for recording of the name of the council member about whom the complaint is made?	Yes		Graeme Fardon
4	s5.121(2)(b)	Does the complaints register maintained by the complaints officer include provision for recording the name of the person who makes the complaint?	Yes		Graeme Fardon
5	s5.121(2)(c)	Does the complaints register maintained by the complaints officer include provision for recording a description of the minor breach that the standards panel finds has occurred?	Yes		Graeme Fardon
6	s5.121(2)(d)	Does the complaints register maintained by the complaints officer include the provision to record details of the action taken under s5.110(6)(b) or (c)?	Yes		Graeme Fardon



Department of  
**Local Government, Sport  
and Cultural Industries**

<b>Optional Questions</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	Financial Management Reg 5 (2)(c)	Did the CEO review the appropriateness and effectiveness of the local government's financial management systems and procedures in accordance with Local Government (Financial Management) Regulation 5 (2)(c) within the 3 years prior to 31 December 2019? If yes, please provide date of Council resolution in comments?	Yes	28/6/2018	Graeme Fardon
2	Audit Reg 17	Did the CEO review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance in accordance with Local Government (Audit) Regulation 17 within the 3 years prior to 31 December 2019? If yes, please provide date of Council resolution in comments?	Yes	26/9/2019	Graeme Fardon
3	Financial Management Reg 5A.	Did the local government provide AASB 124 related party information in its annual report(s) tabled at an electors meeting(s) during calendar year 2019?	Yes		Graeme Fardon
4	S6.4(3)	Did the local government submit to its auditor by 30 September 2019 the balanced accounts and annual financial report for the year ending 30 June 2019?	Yes		Graeme Fardon

<b>Tenders for Providing Goods and Services</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s3.57 F&G Reg 11	Did the local government invite tenders on all occasions (before entering into contracts for the supply of goods or services) where the consideration under the contract was, or was expected to be, worth more than the consideration stated in Regulation 11(1) of the Local Government (Functions & General) Regulations (Subject to Functions and General Regulation 11(2))?	Yes		Graeme Fardon
2	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than inviting tenders for a single contract?	N/A		Graeme Fardon
3	F&G Reg 14(1) & (3)	Did the local government invite tenders via Statewide public notice?	Yes		Graeme Fardon
4	F&G Reg 14 & 15	Did the local government's advertising and tender documentation comply with F&G Regs 14, 15 & 16?	Yes		Graeme Fardon



Department of  
**Local Government, Sport  
and Cultural Industries**

No	Reference	Question	Response	Comments	Respondent
5	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer, notice of the variation?	Yes		Graeme Fardon
6	F&G Reg 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of F&G Reg 16?	Yes		Graeme Fardon
7	F&G Reg 18(1)	Did the local government reject the tenders that were not submitted at the place, and within the time specified in the invitation to tender?	Yes		Graeme Fardon
8	F&G Reg 18 (4)	In relation to the tenders that were not rejected, did the local government assess which tender to accept and which tender was most advantageous to the local government to accept, by means of written evaluation criteria?	Yes		Graeme Fardon
9	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17 and did the CEO make the tenders register available for public inspection?	Yes		Graeme Fardon
10	F&G Reg 19	Did the CEO give each tenderer written notice advising particulars of the successful tender or advising that no tender was accepted?	Yes		Graeme Fardon
11	F&G Reg 21 & 22	Did the local governments advertising and expression of interest documentation comply with the requirements of F&G Regs 21 and 22?	N/A		Graeme Fardon
12	F&G Reg 23(1)	Did the local government reject the expressions of interest that were not submitted at the place and within the time specified in the notice?	N/A		Graeme Fardon
13	F&G Reg 23(4)	After the local government considered expressions of interest, did the CEO list each person considered capable of satisfactorily supplying goods or services?	N/A		Graeme Fardon
14	F&G Reg 24	Did the CEO give each person who submitted an expression of interest, a notice in writing in accordance with Functions & General Regulation 24?	N/A		Graeme Fardon
15	F&G Reg 24AC (1) & (2)	Has the local government established a policy on procurement of goods and services from pre-qualified suppliers in accordance with the regulations?	N/A		Graeme Fardon
16	F&G Reg 24AD(2)	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice?	N/A		Graeme Fardon
17	F&G Reg 24AD(4) & 24AE	Did the local government's advertising and panel documentation comply with F&G Regs 24AD(4) & 24AE?	N/A		Graeme Fardon



Department of  
**Local Government, Sport  
and Cultural Industries**

No	Reference	Question	Response	Comments	Respondent
18	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of F&G Reg 16 as if the reference in that regulation to a tender were a reference to a panel application?	N/A		Graeme Fardon
19	F&G Reg 24AD(6)	If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application, given notice of the variation?	N/A		Graeme Fardon
20	F&G Reg 24AH(1)	Did the local government reject the applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time specified in the invitation for applications?	N/A		Graeme Fardon
21	F&G Reg 24AH(3)	In relation to the applications that were not rejected, did the local government assess which application (s) to accept and which application(s) were most advantageous to the local government to accept, by means of written evaluation criteria?	N/A		Graeme Fardon
22	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers, comply with the requirements of F&G Reg 24AG?	N/A		Graeme Fardon
23	F&G Reg 24AI	Did the CEO send each person who submitted an application, written notice advising if the person's application was accepted and they are to be part of a panel of pre-qualified suppliers, or, that the application was not accepted?	N/A		Graeme Fardon
24	F&G Reg 24E	Where the local government gave a regional price preference, did the local government comply with the requirements of F&G Reg 24E including the preparation of a regional price preference policy?	N/A		Graeme Fardon
25	F&G Reg 24F	Did the local government comply with the requirements of F&G Reg 24F in relation to an adopted regional price preference policy?	N/A		Graeme Fardon
26	F&G Reg 11A	Does the local government have a current purchasing policy that comply with F&G Reg 11A(3) in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, \$150,000 or less?	Yes		Graeme Fardon





**Department of  
Local Government, Sport  
and Cultural Industries**

GOVERNMENT OF  
WESTERN AUSTRALIA

No	Reference	Question	Response	Comments	Respondent
27	F&G Reg 11A	Did the local government comply with its current purchasing policy in relation to the supply of goods or services where the consideration under the contract is, or is expected to be \$150,000 or less or worth \$150,000 or less?	Yes		Graeme Fardon

I certify this Compliance Audit return has been adopted by Council at its meeting on \_\_\_\_\_

\_\_\_\_\_  
Signed Mayor / President, Quairading

\_\_\_\_\_  
Signed CEO, Quairading

## ITEM 8      STANDING ITEMS – FINANCIAL REPORTING

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### *Audit & Risk Committee - Terms of Reference 7.2*

No matters for consideration.

## ITEM 9      STANDING ITEMS – CONTROLS, SYSTEMS AND PROCEDURES

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*Audit & Risk Committee - Terms of Reference 7.3*

### 9.1 Response to the recommendations from the Office of the Auditor General

<b>Meeting Date</b>	10 <sup>th</sup> March 2019
<b>Responsible Officer</b>	CEO Graeme Fardon
<b>Reporting Officer</b>	CEO Graeme Fardon
<b>Attachments</b>	i) OAG Recommendations Report
<b>Owner/Applicant</b>	Shire of Quairading
<b>Disclosure of Interest</b>	Nil

#### OFFICER RECOMMENDATION

**That the Audit and Risk Committee Recommend to Council that: -**

**Council receive the CEO's Report on the Office of the Auditor General Recommendations.**

**VOTING REQUIREMENTS – Simple Majority**

#### IN BRIEF

- The Auditor General was given the mandate to Audit West Australian Local Governments in October 2017.
- During this period the Auditor General has undertaken Performance Audits on several West Australian Local Governments and published the results and recommendations.
- The Management Team and relevant Staff have reviewed these OAG reports and have summarised our responses to the recommendations, stating what is currently undertaken or what will be introduced.

#### MATTER FOR CONSIDERATION

Council is to note the recommendations made by the Auditor General and the CEO's responses to the matters raised.

#### BACKGROUND

On 28 October 2017, the Local Government Amendment (Auditing) Act 2017 was proclaimed, giving the Auditor General the mandate to audit Western Australia's 139 local governments and 9 regional councils.

The Act allowed the Auditor General to conduct performance audits of local government entities from 28 October 2017. They will take on responsibility for the annual financial audits of local government entities as their existing audit contracts expire. By the financial year 2020-21, all local government entities will be audited by the Auditor General.

During the period the Auditor General has published the following reports:

- 09 May 2018 – Control over Corporate Credit Card
- 13 June 2018 – Timely Payment of Suppliers
- 11 October 2018 Local Government Procurement

- 07 March 2019 – Management of Supplier Master Files
- 09 April 2019 - Records Management in local Government
- 19 January 2019 - Verifying Employee Identity and Credentials
- 26 June 2019 – Local Government Building Approvals
- 15 August 2019 Fraud Prevention in Local Government

## STATUTORY ENVIRONMENT

N/A

## POLICY IMPLICATIONS

Existing Finance and Procurement Policies are reviewed regularly by the Chief Executive Officer for relevance and appropriateness to achieve transparency and good Governance.

Council formally reviews and adopts the Policies on a biennial basis.

## FINANCIAL IMPLICATIONS

Nil.

## STRATEGIC IMPLICATIONS – Strategic Community Plan 2017 - 2027

### Governance Objective: Strong governance and community engagement

ITEM	OUTCOMES AND STRATEGIES
G4	Sound Organisation
G4.3	Ensure optimum organisational capacity and efficiency

## COMMUNITY CONSULTATION

No consultation was required or undertaken in relation to this report.

### RISK ASSESSMENT – Risk Management Policy and Risk Management Governance Framework Applicable.

Financial - Risk Matrix Rating is assessed as Low. The actions being undertaken or proposed have the objective of reducing the risk of financial loss resulting from an act of fraud or poor procedure.

Health – Risk Matrix Rating is assessed as Low

Reputation – Risk Matrix Rating is assessed as Low. The review and implementation resulting from the Auditor General recommendations should reduce the risk of reputational loss through better HR, Building and Financial processes.

Operation – Risk Matrix Rating is assessed as Low. Implementing any new processes will involve a level of staff time, however this will be conducted within this year's current work flow.

Natural Environment – Risk Matrix Rating is assessed as Low.

## COMMENT

The Administration has used the reports and resulting recommendations from the Auditor General as benchmarks to set the level for compliance and governance within the Shire of Quairading.

Each recommendation varies in its complexity and time involved in implementing and timeframes for implementation have been outlined within the report.

The recommendations from the reports are used as one tool for the improvement of compliance and governance within the Shire, and these reports will continue to be observed and reviewing when published by the Auditor General.

## OFFICE OF THE AUDITOR GENERAL REPORTS AND RECOMMENDATIONS

The attached checklist has been implemented as an internal auditing tool. The list has been reviewed by management and will be reviewed on an ongoing basis. The checklist helps management identify areas of weakness and where further work is needed.

This process is not able to replace a normal Internal Audit, as there is no independence from management during the process.

Council has requested to provide a snapshot on actions from reports by the OAG. Listed below are reports received from the OAG during 2019:

### 1. [Records Management in Local Government](#)

The report had 4 recommendations.

1. Implement regular and thorough records training
2. Regular reviews of staff recordkeeping practices
3. Timely disposal of records
4. Adequate protection over digital records.

### **ACTIONS TO BE TAKEN AND TIMELINE**

In the past 2 Financial Years, there has been significant work undertaken to improve the record keeping system and procedures.

In 2018, with support from Consultant Kim Boulton, the Record Keeping Plan was reviewed and submitted to the State Records Office. The Review identified the need to introduce a new record keeping system based on "Keywords".

Work is still continuing in 2019/2020 to bed in the new procedures and records system.

### **Current Year Actions**

The Administration is focusing on the classification and disposal of records.

Staff Training has occurred with one Officer attending a Records Keeping Course in October 2019 and that Staff member then relaying learnings to other relevant Staff.

Council's CEO has engaged Consultants Iris in December 2020, to prepare the new Record Keeping Plan.

January 2020 – Onsite Disposal Training provided by Consultant Martin Fordham who worked with relevant Staff for 3 days on establishing the Procedures and Protocols for the identification and classification of permanent and non-permanent records and their correct archiving and preparing of Schedules for Disposal for sign off by the CEO.

First tranche of authorised Disposal (utilizing Avon Paper Shredders) will be by the 30<sup>th</sup> June 2020.

February 2020 – Record Keeping Plan completed and to be submitted to the State Records Office by the 28<sup>th</sup> February 2020.

The Record Keeping Plan contains a number of Recommended Improvements identified by Management with the assistance of the External Records Consultant and commitments are made in the Plan to undertake such work by 31<sup>st</sup> March 2021.

Revised Record Keeping Policy to be submitted for Council Adoption – February 2020 OCM.

The Record Keeping Plan has also listed a number of recommended improvements that will be undertaken by Council, The Shire has also budgeted in the 2019/2020 year for the creation of an IT Strategy, which will also include the method of improving digital records Protection and a Disaster Recovery Plan.

## 2. [Local Government Building Approvals](#)

Note: Recommendations specific to the local governments audited.

The CEO and Manager of Health and Building Services are to review the AGO Report to identify if the report's findings are relevant to the Shire of Quairading.

"B&E" refers to the Building and Engineering Division of the State Department of Mines, Industry Regulation and Safety. Previously known as the Building Commission

### **ACTIONS TO BE TAKEN AND TIMELINE**

The recommendations in the Report from the OAG, were made in relation to four large Local Governments.

These are outlined in the following.

#### **1 Recommendations**

Under section 7.12A of the *Local Government Act 1995*, the 4 sampled LG entities are required to prepare an action plan addressing significant matters arising from the audit relevant to their entity. This should be submitted to the Minister for Local Government within 3 months of this report being received by the local government, and published on the LG entity's website within 14 days after giving the report to the Minister. This action plan should address the recommendations below that are relevant to their entity.

1. Albany, Gosnells, Joondalup and Mandurah should:
  - a. require written declarations of interest from assessment staff, and ensure appropriate mitigation action is taken for any conflicts
  - b. improve the transparency of their building control activities by providing information about permits, monitoring and enforcement activities, and building related complaints to the State Building and Engineering Division (B&E), community and industry stakeholders
  - c. develop and implement a risk-based approach to monitor and inspect building works
  - d. improve guidance to staff on how to prioritise and manage building related complaints and enforcement activities to resolve community concerns and non-compliance issues in a timely way.
2. Joondalup and Mandurah should limit the authority and delegation to issue permits only to appropriately trained staff who assess and issue permits.
3. Albany and Joondalup should only start, pause and stop the clock in accordance with the requirements of the Act.
4. B&E should consult further with LG entities and stakeholders:
  - a. on ways to assist LG entities to implement consistent practices
  - b. to determine if it will progress or cease development of the centralised e-lodgement and assessment system.

The Shire of Quairading have addressed these recommendations respectively as follows.

1.

(a) Written Annual Returns on declared interests are completed and recorded.

(b) Information is provided to B & E regarding enforcement statistics and also via the online BPD Building activities register, which is then passed on to the Australian Bureau of Statistics, Worksafe and other bodies so that it is available to community and industry stakeholders.

(c) The majority of structures in the Quairading Shire are class 10a sheds, class 10b swimming pools and a small number of class 1a dwellings and dwelling additions.

The compliance risk associated with class 10a sheds and class 1a structures is considered minimal.

Swimming pools are inspected as part of the mandatory requirements of the Building Regulations 2012, with barriers being inspected at a minimum interval of 4 years.

It is considered that this inspection and monitoring program is sufficient for the risks within the Quairading Shire.

(d) There are limited building complaints. Any complaints are monitored by the Quairading CEO to ensure they are managed and responded to in a timely manner.

2. Only a qualified Building Surveyor is delegated to issue Building Permits.

3. The Shire of Quairading only starts, pauses and stops the Building Permit assessment clock in accordance with the requirements of the Building Act.

4. Is a recommendation for the Building and Engineering Division to address.

### 3. Verifying Employee Identity and Credentials

The report has 7 recommendations:

1. Have approved policies and procedures for verifying employee identity and credentials which cover:
  - using a 100-point identity check
  - criminal background checks, based on the risks associated with the position
  - periodic monitoring of existing employees
2. Assess the positions which may require a criminal background or working with children check and ensure that these requirements are clearly documented in position description forms
3. For high risk positions, or positions where there is an ongoing requirement to hold a license or professional qualification, obtain regular declarations from employees that there is no significant change in their circumstances.
4. Ensure that sufficient documentary evidence is obtained prior to appointment which supports an employee's:-
  - identification and right to work in Australia;
  - professional qualifications and memberships;
  - criminal background or capacity to work with children (where necessary);
5. Perform appropriate referee checks for all potential employees and ensure that all employees' reference checks are retained in their employee or recruitment file;
6. Develop a procedure for monitoring the expiry dates of licenses, certificates or working with children checks so that they can be followed up with the employee close to expiry date; and
7. Perform periodic criminal background checks for positions which require it.

### **ACTIONS TO BE TAKEN AND TIMELINE**

In 2018 the Shire has implemented a 'new employee' checklist that incorporates many of the recommendations above. The checklist has been used for several new employees. The recommendations above and lessons learnt from the employee's inducted through the new system will be used to conduct a review. The areas noted to be improved are 100 point identity checks,

“Right to Work in Australia” checks and the creation of a new periodic checklist to regularly check licenses, professional qualifications, working with children checks and criminal background checks.

1. Implement improved Procedures on verifying Identity and Credentials - February 2020  
Verification of identity (100-point identity check – relevant documents inspected and copy kept on personnel file) has been added to the Induction Checklist.
2. Current National Police Clearances already required for all Positions when being filled. Current Working with Children Card required for identified Positions.
3. Implement Declaration of ongoing Currency of Licenses / Qualifications for identified Positions – June 2020  
Currency of licenses is tracked by OHS. Drivers Licence Check Form (New Employee) is being amended for Internal Staff Licence verification.  
Qualifications for identified positions will be incorporated into each positions KPI's/Performance Review.
4. Improve Procedure on the identification, right to work and professional qualifications – March 2020  
Qualification/s verified (• Certified copy of the academic qualification or trade qualification inspected; • Verification of qualification through institution that provided the qualification; or • Verification through other external provider) has been added to the Induction Checklist.
5. Referee Checks are already in place and retained on the Personnel File.
6. Procedure already in place on Personnel Records and HR / Training Spreadsheet
7. Periodic Police Clearances be implemented for identified Positions – by December 2020.

#### 4. [Fraud Prevention in Local Government](#)

This report has 7 recommendations.

1. Should assess fraud risks across their business
2. Develop a Fraud and Corruption Control Plan and review it at least once every 2 years,
3. Develop and implement a periodic fraud awareness training program for all staff
4. Ensure that all conflicts of interest are recorded
5. Assessed and appropriate management plans are in place
6. Have policies and procedures in place to verify the identity and integrity of employees and suppliers
7. Document clear internal processes and systems to report any potential fraud, that include anonymous reporting and collect and analyze information received about potential fraud to identify any trends or emerging issues

The Shire has already implemented systems to assess changes to suppliers in order to detect fraud. Managers have also discussed the risks of fraud with their staff. The other recommendations from the report are currently being reviewed.

#### **ACTIONS TO BE TAKEN AND TIMELINE**

1. Fraud Risks identified in Risk Management Plan - October / November 2019
2. This could be a time consuming and costly process. Other methods of fraud control is to be implemented as first priority, with a formal plan to be considered afterwards.
3. Fraud Training will be incorporated into Admin staff training sessions and Works Toolbox Meetings – commencing March 2020.



4. All Declarations of Conflict of Interest (or possible Conflict of Interest) are recorded  
Conflict of Interest by Staff are to be formally reported to the CEO and for action of excluding the Staff member of dealing with the Issue or Reporting on the issue to Council (if applicable)
5. Timeframe to be determined by Management.
6. New procedure to be developed by end of April 2020
7. New procedure to be developed by end of April 2020.

#### 5. [Management of Supplier Master Files](#)

This report has 8 recommendations.

1. Have policies and procedures that include comprehensive guidance for employees to effectively manage supplier master files
2. Ensure that all additions or amendments to supplier master files are subject to a formal independent review to confirm validity and correctness
3. Regularly review employees' access to create or amend supplier master files to prevent any unauthorised access, and ensure adequate segregation of duties between those amending the master files and those approving payments
4. Ensure all key information is input at the time of creating a new supplier record
5. Apply consistent naming conventions for supplier records, to avoid suppliers being registered under multiple names
6. Ensure that documentary evidence is retained for all additions and amendments to supplier master files and there is a record of the reason for amending the supplier record
7. Include a requirement for a formal and periodic internal review to identify incomplete, incorrect, duplicate or redundant supplier records
8. Ensure any actual, potential or perceived conflicts of interest are declared and effectively managed, and that relevant employees are not involved in the procurement from, or management of supplier records in respect of their related suppliers.

### **ACTIONS TO BE TAKEN AND TIMELINE**

In Place - The Shire has a checking system when entering new or changed banking details that includes a segregation of duties. Bank details are checked for each supplier before any payment is made. Administration has incorporated an increased process to identify all changes of bank details which involves a secondary independent check to confirm details.

Administration is underway with the improvement of supplier details held and the process to enter supplier details.

#### **Actions and Timelines**

##### **2020**

1. Policies are currently in place and are reviewed every two years and formally documented.
2. Implemented as part of the new procedures in 2019 and will be formalised in new procedure by April 2020.
3. This is to be included as part of the scope of the IT strategy by June 2020
4. January 2020 - A New Supplier form has been implemented, which is issued to new suppliers which will ensure the correct information is collected and verified prior to entering into the Suppliers / Creditors System.

5. To be included in new procedure by end of April 2020
6. To be included in new procedure by end of April 2020
7. Yearly review of suppliers master file to be included in new procedure by end of April 2020
8. To be included in new procedure by end of April 2020

## **6 Local Government Procurement**

All LGs, including those not sampled in this audit, should review their policies, processes and controls against the focus areas of our audit in Appendix 1.

Each LG we audited should provide an action plan to address this recommendation, table it with their Council, and make it available on their website, as per the Local Government Act 1995.

### **Appendix 1: Audit focus areas**

#### **Policy**

- LGs regularly review policy to assess if value thresholds and quote requirements reflect current needs
- policies are clear about when and how to apply exemptions

#### **Current / Actions**

Policies are reviewed by Council every 2 Years. Next scheduled for December 2020.

#### **Training**

- LGs provide all staff involved in the procurement process with training in relevant policy and processes
- training emphasises personal accountability and how probity and transparency relate to procurement
- LGs provide staff with refresher training

#### **Action Undertaken – January 2020**

Following the introduction of the new Purchase Order System, training was provided to all employee involved in the procurement process.

Normally training is given at the time and periodically as determined by the EMCS.

#### **Seeking quotes**

- that business requirements were determined prior to engaging suppliers
- LG staff used the right purchasing method, as required by their own policies and the Regulations
- that the use of exemptions was justified and documented

#### **Action Undertaken**

A new Purchase Order request form has been introduced for all purchases over \$5,000 and is required to accompany a Purchase Order. This allows users to document any justifications for purchases.

#### **Tendering**

- that tenders were advertised, opened, assessed and recorded in line with the Regulations
- documentation was retained to support open, fair and transparent decisions, and show that processes have been followed
- that a Tenders Register was maintained in line with Regulations

#### **Action**

All Tenders are called in accordance with the Local Government Act and the Tender Regulations

All Tenders are opened as soon as practicable after the Closing of Tenders. All Tender Openings are open to the Public (inc Tenderers)

All Tender Documents including Evaluations, Assessments and Reference Checks are retained on the relevant Tender File and on F Drive.

The Tender Register is maintained in accordance with the Local Government Act and Tender Regulations.

### **Conflict of interest**

- that tender evaluation panel members provide positive assurance declarations
- that declarations were retained and there was a record of how they were assessed and how any conflicts were addressed

### **Action Implemented**

Conflict of Interest by Staff are to be formally reported to the CEO and for action of excluding the Staff member of dealing with the Issue or Reporting on the issue to Council (if applicable).

Any actual or perceived Conflict of Interest by a Tender Evaluation Panel Member must be declared to the CEO before the Appointment of the Tender Evaluation Panel is finalised. The CEO will determine the composition of the Panel, excluding any Staff member with a Declared or known Interest.

If the CEO has an actual or perceived Conflict of Interest, the CEO will declare this to the Shire President and will be excuse him/herself from the Evaluation Panel.

Positive Assurance Declarations to be developed – June 2020.

Seek example from WALGA Governance Team for adaption and use.

### **Conflict of Interest**

#### **Purchase orders and approvals**

- that purchase orders were raised for the full expected amount of the procurement
- purchase orders were approved by staff with appropriate authority
- internal approvals were obtained before goods and services were purchased

### **Action Implemented**

All purchase orders are checked to ensure they are of an appropriate amount to cover an invoice and the invoice batching stage.

The new Purchase Order system limits staff to their delegated limits.

All Purchase Orders need to be approved by an appropriate manager before being available to be used.

### **Segregation of duties**

- appropriate segregation of duties across the procurement process

### **Action Implemented**

A new two out of 3 process, requiring that an individual can only sign-off on two of the three following functions.

1. Authorise Purchase Order
2. Authorise the receipt of the Good or Service
3. Authorise the payment of an invoice.

In addition two separate Officers are required for any payment from the bank.

### **Reviewing invoices and payments**

- any differences between invoice charges and quoted or contracted rates had been reviewed and appropriately justified
- goods and services were received and approved by staff with appropriate authority
- that there were strong controls around payment of suppliers and access to bank accounts

- documentation was retained to support open, fair and transparent decisions, and show that processes have been followed.

**Action Implemented**

All invoices are checked by the EMCS and Finance Officer before being batched and again checked by two officers (CEO, EMCS, EO) before payment. This is to check Supplier details, invoice details, Purchase Orders, GST and correct authorisations.

All invoices must be signed off by the Purchasing Officer to confirm that the Goods or Services have been received and also authorised by the relevant Up line Manager.

## 9.2 Management Override Mitigation

<b>Meeting Date</b>	10 <sup>th</sup> March 2020
<b>Responsible Officer</b>	CEO Graeme Fardon
<b>Reporting Officer</b>	CEO Graeme Fardon
<b>Attachments</b>	i) Extracts of Recommendations and Observations from Inquiry Reports
<b>Owner/Applicant</b>	N/A
<b>Disclosure of Interest</b>	Nil

### OFFICER RECOMMENDATION

That the Audit & Risk Committee recommend to Council: -

1. That Council receive and note the CEO's Report on the Mitigation of Management Override.
2. As part of the Draft Budget deliberations, Council consider the funding of the engagement of independent Contractors for the conduct of Internal Audits and the preparation of the Statutory Compliance Return.

**VOTING REQUIREMENTS** – Simple Majority

### IN BRIEF

- Council's Auditor advised Council in his Concluding Audit Memorandum that "based on Audit Work undertaken, we are satisfied that the risk from management override has been reduced to an acceptable level.
- At the December 2019 Audit & Risk Meeting, Cr Smith requested a report be prepared on current Policies and Procedures on mitigation of "management override" plus the Chief Executive Officer's recommendations on additional procedures to achieve a higher standard" for the March 2020 Audit & Risk Committee Meeting.

### MATTER FOR CONSIDERATION

Officer's Report on Management Override Mitigation Measures

### BACKGROUND

The CEO has subsequently consulted with Council's Auditor on the Management Override Statement and sought recommendations on the preparation of the Report requested at the December 2019 Audit & Risk Committee meeting.

Mr Godwin recommended that Council's Management undertake a review of the Findings and Conclusions from recent Inquiries and Investigations into individual Regional Councils and to assess the Findings against Council's Current Policies and Procedures with the aim of further improvement to increasing mitigation measures against management override.

I report to the Committee that the following Inquiry and Investigation Reports have been reviewed for Key issues and Recommendations in regard to: -

- Shire of Dowerin – October 2016
- Shire of Exmouth – May 2017
- Shire of Halls Creek – August 2018
- Shire of Perenjori – July 2019

Areas of Governance examined included: -

- Segregation of Duties
- Procurement
- Declaration of Interest

To prevent management overrides, it is essential that a culture is fostered that encourages honesty and supports employees who speak up when they suspect something is wrong.

Independent External and Internal audits are recommended to review their financial information. These audits are objective views on how the Council's accounting policy is being used in the accounting workflow and to minimise the risk of fraudulent activities and transactions.

## **STATUTORY ENVIRONMENT**

*Local Government Act 1995*

*Local Government Regulations 1996 (Various)*

## **POLICY IMPLICATIONS**

Council has a number of Accounting / Financial Policies in place.

The Policies are regularly reviewed for relevance and appropriateness.

Council reviews all Policies on a biennial basis.

Further interim reviews or proposing of new policies are undertaken when it is determined by the CEO and Council, to be prudent for sound governance.

## **FINANCIAL IMPLICATIONS**

There are additional financial costs associated with the engagement of independent Contractors (Refer to the Recommendations Section).

## **STRATEGIC IMPLICATIONS – Strategic Community Plan 2017 - 2027**

### **Governance Objective: Strong governance and community engagement**

<b>ITEM</b>	<b>OUTCOMES AND STRATEGIES</b>
G1	Robust Integrated Planning and Reporting (IPR)
G1.1	Continual improvement in IPR, transparency and accountability
G4	Sound Organisation
G4.1	Maintain sustainability ratios at or above basic level
G4.2	Increase non-rates revenue generation
G4.3	Ensure optimum organisational capacity and efficiency

## **COMMUNITY CONSULTATION**

No consultation was required or undertaken in relation to this report.

## **RISK ASSESSMENT – Risk Management Policy and Risk Management Governance Framework Applicable.**

Financial - Risk Matrix Rating is assessed as Low. The Financial Risk could escalate if current and proposed Policies and Procedures are not adhered to or are able to be overridden.

Health – Risk Matrix Rating is assessed as Low

Reputation – Risk Matrix Rating is assessed as Low. Further Risk is mitigated through these improvements to Council's processes. As shown in the Councils reviewed (see attachment), significant reputational risk is possible if strong processes and ongoing internal review by Council and Management is not maintained.

Operation – Risk Matrix Rating is assessed as Low. Current Processes and Policies are incorporated into Council's everyday Operations and Resources.

Natural Environment – Risk Matrix Rating is assessed as Low.

### **COMMENT**

The following is currently in place to reduce the risk of Management Override in regards to the key areas:

#### **Segregation of Duties:**

General Journals – All general journals require two signatures (Creator and Authoriser). An overview report is created each month by the SFO and is checked and signed by the EMCS and CEO.

Payroll – Payroll is setup by two separate officers, checked by the EMCS and a final review before payment is conducted by the EMCS and CEO. An Audit report showing all variations from the previous Pay, is produced every pay run. This is checked and signed off by the CEO and EMCS.

Creditors – All Suppliers Details are verified with the Supplier and double checked when being inputted into the Creditors System and in the Westpac online Banking.

Invoices and PO's are required to be checked and signed by two separate officers. The invoices are then batched by the FO and checked by the EMCS. The payments are then submitted to the Bank and checked by two separate officers.

All Payments are reviewed by the Chair of the Audit & Risk Committee.

Credit Card – The Credit Card is reviewed by the EMCS and signed off by both the CEO and Chair of the Audit and Risk Committee. A copy of payments is provided to each Council meeting to be approved by the Council.

Bank – All bank transactions need to be approved by two separate officers. All passwords and logins are kept private and only officers know their own login.

Bank Reconciliations - All bank reconciliations are prepared by the SFO and are then reviewed by the EMCS.

Monthly Financial Statements – All monthly statements are currently prepared by the EMCS and reviewed by the CEO prior to their publication and submission to Council for adoption.

#### **Procurement**

Purchases – A new purchase order system was implemented in January. Only Authorised Officers now have access to authorising Purchase Orders. Any Purchase Order over \$5,000 now requires a Purchase Request Form. This is to be signed by two separate officers, including the CEO if the amount is over \$25,000. If the amount is over \$150,000 three separate signatures are needed. These forms are checked by the SFO and the EMCS.

## **Tenders**

The EMT list all budgeted major procurements for their Meetings to discuss the procurement requirements of the Local Government Act and Council's Purchasing Policy. Major Procurements do not proceed without this being first undertaken.

Tender documentation is referred to another member of the Executive Management Team for review and then formal approval is received from the CEO before any documentation is made available for the Call for Tender Process.

Each Tender includes a Tender Panel. This means each tender is scored by separate individuals who agree to the preferred tenderer.

The Shire has recently performed formal procurement training, with procurement training provided internally by the EMCS in line with the new Purchase Order System.

## **Declaration of Interest**

The Shire has a strong expectation that the officers declare any Conflicts of Interest. Any Officer with a conflict is expected to remove themselves from the evaluation process and decision making process.

This 'removal' has been conducted within the last twelve months on several occasions where current employees have removed themselves from Recruitment and Procurement activities. Senior staff are also required to submit a related party transactions return.

## **Recommendations**

Independent Internal Audit – An Internal Auditor works with the Audit Committee to test the internal controls of the Local Government. The Independence of this Auditor should reduce the risk of misconduct from the Administration, however will come at a financial cost.

Independent Preparation of the Compliance Audit Return – That Council consider budgeting for the engagement of a suitably experienced Consultant to undertake the independent preparation of the Annual Statutory Compliance Audit Return.

Training – Training has been recently provided both formally and internally. Further training is made available to all relevant staff and in particular for new Staff as part of their early Training.

Culture – The Executive Management Team is continually working to improve the Culture of the Organisation. This is by increasing understanding, awareness, bringing other staff into the process of auditing work and allowing staff to question current processes and to challenge and report any transactions that are seen to be irregular. This progression will be through our regular Staff Meetings.

Tenders and Recruitment – A Panel Member Declaration Form be developed and completed by each Member before a Procurement or Recruitment Process commences, to ensure that Panel Members do not participate in the process if they have a direct or indirect Interest in the Matter.

This process will strengthen the culture that any Undeclared Interest is not acceptable to the organisation and that Transparency and Fairness are Key Principles to be upheld by Management and Staff at all times.



## Management Over-ride Mitigation

### Extracts of Recommendations and Observations from Inquiry Reports

#### Shire of Dowerin

##### ***The knowledge and understanding of councillors***

General lack of knowledge of the Local Government Act especially on the Role and Responsibilities of a Councillor, including Governance.

Dowerin Councillors had very little training and there was no encouragement from the CEO.

##### ***CEO performance review***

Performance Review was undertaken annually but was always "in house" and using the same Format of Questionnaire.

No external Consultant engaged during the employment of the CEO.

##### ***Financial oversight by Council***

Dowerin did have a Finance and Administration Committee but it exercised no audit functions. There were few financial policies in place and no Credit Card Policy.

The Committee only considered Listed Accounts for Payment.

The Auditors knew Council was non-compliant in regard to not having and operating an Audit Committee but did nothing. Dowerin Shire should have been formally notified that they were non-compliant in failing to have an Audit Committee.

No understanding of *Local Government (Financial Management) Regulations 1996*

#### **OUTCOME**

The Commission recommends that DLGC advise local governments the proper interpretation of regulation 9 and its interaction with a council's responsibility for governance. "Noses In , Fingers Out"

##### ***Bank Tokens and Authorities***

No precautions were taken regarding banking tokens. Logon ID's and passwords were made available when staff on leave.

It was found that all Bank Tokens and Bank User Names and Passwords were kept together and were used by the same person to authorise transactions and make payments.

##### ***Bank reconciliation***

There were a number of months when bank reconciliations were not performed.

##### ***Fraud risk***

There was a breakdown in the checks and balances that should have detected these unauthorised transactions at an earlier time and not be allowed to go undetected for four years.

It is paramount in the area of local government to check credit cards during an audit because they are a high risk area. She agreed Dowerin's credit card policy or lack of it should have been noted.

The critical matters to be audited in the interim audit included statements of financial activity. Identification of the risk of fraud is nowhere mentioned.

There was a substantial breakdown of internal controls associated with the accounting processes regarding the payment of accounts and credit cards over a prolonged period of time. The former CEO had complete control of the accounting systems and processes and in addition was able to access security devices that would allow him to effect transactions through electronic funds transfer direct to his own bank account. The former CEO's control over the composition and presentation of financial reports allowed for these transactions to be suppressed from payment listings presented to

Council. In addition, he took the step to falsify records so that these transactions were not readily identified.

The Auditor agreed with the forensic accountant that it is paramount in the area of local government to check credit cards during an audit because they are a high risk area. The Auditor agreed Dowerin's credit card policy or lack of it should have been noted.

The Auditor attention was drawn to the fact that the CEO made many credit card transactions through the general journal and not through the creditor's system.

The credit card statements were simply hidden. There was no source documentation for most of the 567 transactions. If any credit card statements had been identified for examination, auditors should have discovered there were no source documents to verify the expenditure.

The Shire President was unaware of the scope of the audit:

The Commission recommends that all local governments be reminded:

- An audit committee is compulsory.
- Attention be paid to the scope of work contracted with the auditor.
- An audit may not detect fraud.
- It is council's responsibility to have robust policies and procedures to mitigate the risk of fraud.

The misappropriation of funds took place between October 2011 and October 2015. Unauthorised activity was made via the Shire's credit card, direct transfers from the Shire's bank accounts and fraudulent invoices.

The first instance of a betting transaction was recorded on the CEO's Shire credit card on 7 November 2011. Some 567 payments, totalling \$164,039.25, were made to betting agencies from the Shire's National Australia Bank credit card of the CEO for the period 7 November 2011 to 19 October 2015.

There were 83 transactions totalling \$363,052.67 from the Shire's Municipal Bank account and 15 transactions totalling \$72,788.00 from the Trust Bank account (total \$435,840.67) were made by the CEO to his own bank accounts. The CEO established different methods of transferring Shire funds into his own bank accounts, these included direct bank transfers, redirecting bank transfer by changing BSB details for creditors and falsifying invoices.

"There were 98 direct transfers of money from the municipal funds and also from trust funds ... with no supporting documentation whatsoever.

There was a complete breakdown of internal controls associated with the payment of these accounts and credit cards over a prolonged period of time.

The CEO had complete control of the accounting systems and processes and was able to access security devices that would allow him to make electronic funds transfers to his bank account. The CEO's control over the composition and presentation of financial reports allowed for these transactions to be concealed or omitted within payment listings presented to Council. In cases where items were listed or included in supporting documents, invoices and statements were altered or falsified to remove any reference to the unauthorised transactions. This process commenced in 2011 and continued to October 2015.

### **Salary Package – Unauthorised Adjustments**

It would appear that the CEO changed the structure of his employment package without the agreement of the Council. This is included the payment of leave loading, \$2,000 increase in the communications allowance and the provision of a rent free house including all outgoings of electricity, gas, water and telephone.

In addition, the CEO "cashed out" his long service leave entitlements commencing in 2013. There are no entitlements to "cash out" long service leave except on termination.

As to credit cards: "If any transactions are conducted on the credit card the documentation goes to the accounts payable officer." The statements are reconciled. All credit card statements go to Council.

## Shire of Exmouth

### Execution of the contract: An "astounding" process

The CEO executed the contract on or about 16 May 2016. His authority did not extend to executing the contract and he has no satisfactory explanation for why he did.

The CEO entered into a \$1million Contract for an Aquarium before the Matter went to Council.

- Both the Local Government Act and Exmouth's own policy limited the power of the CEO in respect of contracts. The CEO had no power to enter into a contract exceeding \$150,000. That power rested only with the Council. The CEO was well aware of this limit to his authority. Moreover, tenders had to be called unless the party was the sole source of supply.

### REPORT CONCLUSIONS

- The CEO's actions in enriching himself at Exmouth's expense illustrate again weakness in controls over CEOs. It must be acknowledged there is limited ability for a council, even when conscientiously carrying out an annual performance review, to properly supervise a CEO who disregards the policies and procedures and who deliberately lies to council.
- It is also unrealistic to expect that those who owe their continued employment to a CEO will always raise their concerns.
- Previous reports by the Commission, and this report, demonstrate that there remain structural weaknesses in local government. The Commission's 'Report on the Review of the Capacity of Local Government in the Pilbara to Prevent Identify and Deal with Misconduct (16 April 2013)' and 'Report on Misconduct Risk in Local Government Procurement (4 February 2015)' are especially relevant.
- A council governs the local government's affairs and is responsible for the performance of their functions. It is required to appoint a CEO whose administrative functions are extensive.
- When weaknesses in government are exploited, the rate payers are the poorer for it.
- There continues to be confusion as to the extent to which a councillor can make enquiries of administrative staff because of the limitation imposed by the *Local Government (Rules of Conduct) Regulations 2007 Reg 9* which prohibits a council member from undertaking tasks that contribute to administrative matters without authorisation by the Council or CEO. The difficulties in this bifurcation of responsibilities are exacerbated when a council is dominated by individuals or the force of the CEO's personality.
- Especially in smaller communities such as Exmouth, friendship can distort responsibility.
- Serious misconduct flourishes when there is inadequate governance, whether due to friendship, ignorance or some other reason.
- Serious misconduct flourished in Exmouth.

## Shire of Perenjori

### SCHEDULE OF FINDINGS

- The CEO, breached section 78(1) of the *State Records Act 2000* by not ensuring government records were being kept in accordance with the Shire's record keeping plan
- The CEO, repeatedly failed to comply with obligations under regulation 17(2) of the *Local Government (Functions and General) Regulations 1996* by not including prescribed details on the tender register.
- The CEO, failed to comply with Policy 4007 by failing to document why three (3) written quotes were not obtained for the purchase of goods or services relating to the tender to build the Business Incubator Toilets.
- The CEO breached regulation 12(1) of the *Local Government (Functions and General) Regulations 1996* in regard to separating the purchase of three transportable units and furniture for staff quarters that would otherwise be put to public tender as the contract to supply was more or likely to be more than \$150,000.
- The Council has breached regulation 12(1) of the *Local Government (Functions and General) Regulations 1996* by approving the separation of the purchase of three transportable units and furniture for staff quarters that would otherwise be put to public tender as the contract to supply was more or likely to be more than \$150,000.
- The Tender Panel failed to comply with Policy 4007 by not undertaking the evaluation of potential suppliers for the Independent Living Units contract impartially, honestly and consistently.
- There was a perceived, if not actual, conflict of interest for the CEO in relation to the Shire's original tender process for the Independent Living Units contract.
- The CEO, may have breached section 5.93 of the *Local Government Act 1995* by improperly disclosing SCH's confidential tender documents to a third party.
- The CEO did not comply with Policy 4007 by failing to disclose an actual or perceived conflict of interest in relation to the Shire's subsequent tender process for the Independent Living Units contract.
- The CEO failed to act in accordance with Policy 4007 by not evaluating tenders in relation to the Independent Living Units Project impartially, honestly and consistently.
- The CEO breached section 5.93 of the *Local Government Act 1995* by making improper use of confidential information that was known to her by way of her position as CEO (i.e. the original tender documents) and has advantaged one tenderer over and above other tenderers.
- The Shire has failed to comply with regulation 11(1) of the *Local Government (Functions and General) Regulations 1996* by failing to publicly invite tenders for the purchase of staff quarters valued at more than \$150,000.
- The Shire has failed to comply with regulation 12 of the *Local Government (Functions and General) Regulations 1996* by entering into two (2) contracts for the supply of staff quarters in circumstances such that the desire to avoid the requirements of regulation 11(1) was a significant reason for not dealing with the matter in a single contract.

## Shire of Halls Creek

### Report into how conflicts of interest undermine good governance - A report on the Chief Executive Officer of the Shire of Halls Creek

#### Overview

The complainant alleged that the CEO and other Shire employees had corruptly subverted the tender process for the procurement of six Shire vehicles to ensure the tender was awarded to a local Halls Creek vehicle dealership.

*The shire was getting ready to tender for new vehicles. The local Toyota dealer was given information as to what vehicles were required well prior to the tender going out, allowing her to get the appropriate vehicles ordered. After the successful tender was announced, the dealer from Broome who tendered, unsuccessfully, stated that the halls creek [sic] agency (Baz Industries) must have had inside information regarding the tender, as the requested vehicles were not currently available for purchase anywhere else in Australia. This gave them the best chance of winning the tender. The owner of Baz Industries is a friend of both the CEO and the Shire President.*

It was further submitted that the CEO was in a personal relationship with a senior Shire employee for whom he undertook performance reviews and approved salary increases.

The Commission has identified a lackadaisical and flawed procurement process for the purchase of Shire vehicles but has formed no opinion of serious misconduct.

Allegation - The corrupt appointment of a Shire employee which lead to the creation of a new Position and the recruitment of the person in which the CEO had a personal relationship. Prospective employee developed the Position Description for the new Position to be advertised.

CEO did not disclose his "close intimate relationship" to Council or to the Recruitment / Interview Panel.

The person was offered the position on the same day, following her interview. She was the only person interviewed for the position. She was offered the position while the application period was still open. There were other Applicants for the job.

#### **Performance reviews and pay increases**

CEO reviewed the performance of this officer on 4 occasions resulting in Salary Increases of \$24,000 since her commencement of employment.

Officers Contract had an express provision for an external facilitator to conduct her performance review. However, the CEO had declined to exercise this option on the basis that it was too costly, even though his own performance review was conducted by an outside consultant.

The *Local Government Act 1995* (LG Act) s 5.40 provides that no power with regard to matters affecting employees is to be exercised on the basis of nepotism and patronage, and employees are to be treated fairly and consistently.

Both the CEO and the Officer failed to appreciate the inherent conflict in having one's partner supervise the other. The CEO should have disqualified himself from conducting the Officer's performance reviews and making decisions in relation to her pay increases.

As Shire employees, it was incumbent on the CEO and the Officer to 'ensure that there was no actual (or perceived) conflict of interest between their personal interests and the impartial fulfilment of their professional duties'.

Their contracts of employment required that any relationships which may have conflicted with the discharge of their duties and functions of office be declared.

The CEO's intimate relationship with the Officer presented a clear conflict of interest that should have been declared at the commencement of the recruitment process and then managed accordingly.

### ***Failure to disclose financial interests***

During the course of its investigation, the Commission found that The CEO had failed to meet his obligations under the LG Act by not disclosing his financial interests in the companies.

The CEO's failure to make the disclosure obscured from public view that he was engaging in secondary employment while occupying the role of CEO.

### ***Secondary Employment***

The CEO failed to declare that he had secondary employment as a Director of a Windfarm in New Zealand whilst he was the CEO.

The Commission found no evidence that the Shire President was authorised by the Council to approve the CEO's secondary employment. Nor was there any indication the matter had even been considered by the Council.

Disclosure of private interests makes decision-making more transparent by minimising the possibility of conflicts arising between public duties and private interests. Failure to be transparent can give rise to a perception that an official may be improperly influenced in the exercise of their powers or functions. It also gives an impression that an official is trying to hide something.

The effect of the CEO's failure to disclose his financial interests was that both the Council and ratepayers were in the dark about what interests he had outside the Shire.

### ***Entitlement to time-in-lieu***

The CEO did not have a contractual right to accrue 'time-in-lieu' for working outside core business hours. Other Shire employees worked a nine-day fortnight and accrued time-in-lieu as a specific contractual entitlement. Shire policy stated that time-in-lieu was an entitlement for an employee only if specified as such in the employee's contract.

The CEO claimed and was paid significant amounts of Time in lieu without any authority or approval.

Administrative systems in place at the Shire automatically accrued 8.44 hours per fortnight of time-in-lieu for the CEO regardless of the hours he had worked during the fortnight. Not only was this accrual outside the terms of his employment, but it was also not necessary for the CEO to demonstrate he had worked any additional hours in overtime.

### ***Motor Vehicle Expenses Claimed and Mobile Phone Private use***

Likewise, seeking reimbursement for fuel expenses not personally incurred and misusing his mobile telephone entitlements could constitute stealing and therefore form the basis of a serious misconduct opinion.

## **CONCLUSION**

[The Commission recommends that all local government authorities and CEOs ensure that the contractual entitlements are understood and not exceeded.](#)

### ***Motor Vehicle Tender Processes***

The Shire, as a public authority, must be able to demonstrate to suppliers and the community that it conducts its procurement activities with high standards of probity and accountability. One of the elements of a procurement culture that promotes high standards of probity is that communications with suppliers are consistent and do not disadvantage or advantage one supplier over others. It is apparent from the evidence at hand that the CEO and others contravened those standards of probity and accountability.

The Shire's own procurement processes were not observed and officers demonstrated an utter lack of care in complying with the local government regulations.

The Shire Regional Price Preference Policy was not followed as Motor Vehicle were specifically excluded from the Policy.

## **CONCLUSION**

The Shire President reposed a significant level of trust in his CEO to do the right thing by the Shire. The CEO's tenure went relatively unchecked which enabled him to take advantage of the Shire's resources for his own private benefit. The Shire President's and the Council's trust was seriously misplaced.

Decisions in relation to tenders should be fair and transparent. There should be no preferential treatment afforded to any individual given public procurement activities are undertaken with public funds.

The Shire's 'botched' tender serves as an important lesson for all local councils. Councils must ensure that those who have any role in Shire finances are well-versed in procurement processes or risk public confidence in its operations being seriously undermined.

## ITEM 10 STANDING ITEMS – RISK MANAGEMENT REPORTS AND ISSUES

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*Audit & Risk Committee - Terms of Reference 7.1, 7.3*

### 10.1 Report on Excess Annual Leave and Long Service Leave

<b>Meeting Date</b>	10 <sup>th</sup> March 2020
<b>Responsible Officer</b>	EMCS Nathan Gilfellow
<b>Reporting Officer</b>	SFO Jodie Yardley
<b>Attachments</b>	Nil
<b>Owner/Applicant</b>	Shire of Quairading
<b>Disclosure of Interest</b>	Nil

#### OFFICER RECOMMENDATION

**That the Audit and Risk Committee Recommend to Council that: -  
Council receive the report on the Shire's Leave Liabilities.**

**VOTING REQUIREMENTS – Simple Majority**

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#### IN BRIEF

- Since 2017, Council has requested that excess Annual Leave and Long Service Leave be reported to the Audit and Risk Committee
- Council receive the report on the Shire's Leave Liabilities.

#### MATTER FOR CONSIDERATION

Report on Excess Annual Leave and Long Service Leave Entitlements and Leave Liabilities.

#### BACKGROUND

Since 2017, Council has requested that excess Annual Leave and Long Service Leave be reported to the Audit and Risk Committee.

The current policy defines excess leave as when the Employee has accrued more than eight weeks paid annual leave.

#### STATUTORY ENVIRONMENT

*Local Government Act 1995*

Local Government (Long Service Leave Regulations)

Local Government Industry Award 2010

The Industry Award defines Excess Leave as -

*"An Employee has an **excess leave accrual** if the employee has accrued more than eight weeks paid annual leave"*

#### POLICY IMPLICATIONS

Current Policy: Leave Management Policy (ORG.2)



## FINANCIAL IMPLICATIONS

Annual and Long Service Leave Reserve Fund Cash Balance as at 29<sup>th</sup> February 2020 is \$204,568. The Projected Closing Balance as at the 30<sup>th</sup> June 2020 of \$205,468.

The Annual Budget treats Current Leave as Accruals.

The Annual and Long Service Leave Reserve funds any prior year Leave entitlements taken by Staff or paid out.

The current Liability for both types of Leave (if all Claimed on 29<sup>th</sup> February 2020) is calculated at \$238,750.

## STRATEGIC IMPLICATIONS – Strategic Community Plan 2017 - 2027

### Governance Objective: Strong governance and community engagement

ITEM	OUTCOMES AND STRATEGIES
G1	Robust Integrated Planning and Reporting (IPR)
G1.1	Continual improvement in IPR, transparency and accountability

## COMMUNITY CONSULTATION

N/A

## RISK ASSESSMENT – Risk Management Policy and Risk Management Governance Framework Applicable.

Financial – Risk Matrix Rating is considered as Medium Risk. Financial exposure and therefor Risk escalation, if Leave accruals are not monitored and managed.

Health – Risk Matrix Rating is considered as Low Risk

Reputation – Risk Matrix Rating is considered as Low Risk

Operation – Risk Matrix Rating considered Low Risk

Natural Environment – Risk Matrix Rating is considered as Low Risk

## COMMENT

This report has been prepared to inform the Audit and Risk Committee of the current leave liabilities and of any employees who have excess leave and the steps taken to reduce these liabilities.

As at the 29<sup>th</sup> February 2020, there are no employees with excess annual leave.

The CEO has approved of One Employee's Plan to take their Long Service Leave in three instalments. The first of which has now been taken.

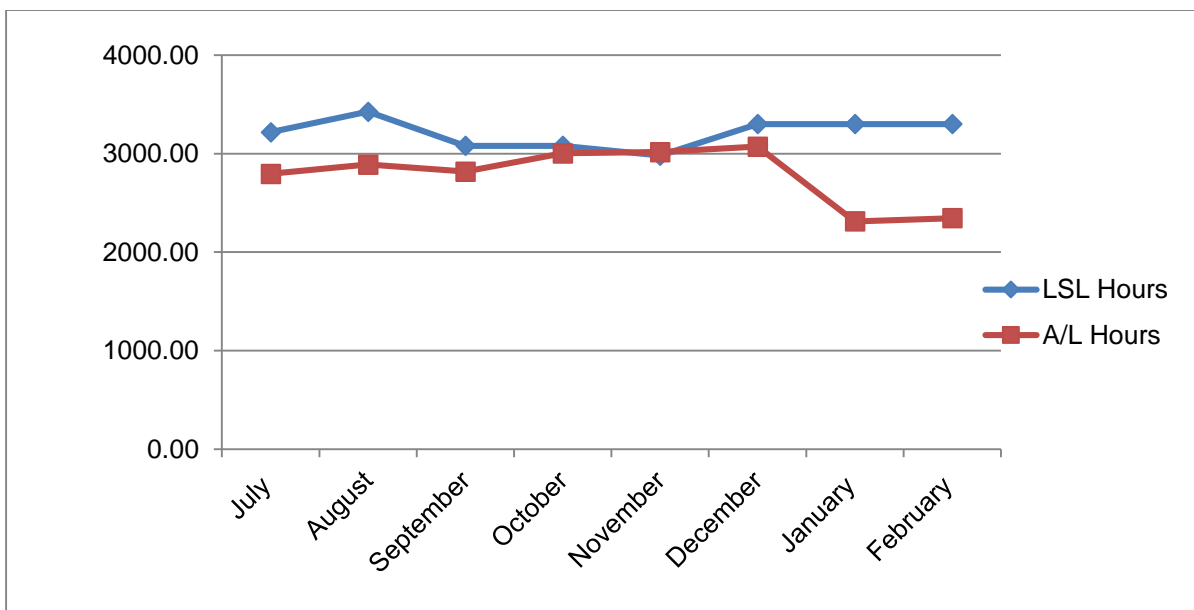
One Employee has Long Service Leave Liabilities as at the 6<sup>th</sup> September 2019. This has been approved to commence in March 2020.

Since the commencement of the 2019/20 financial year, it has had a considerable decrease of 19.3% (in Dollar Value) in the Annual Leave Liability through a combination of Separations and current staff taking accrued Annual Leave during the main holiday period.

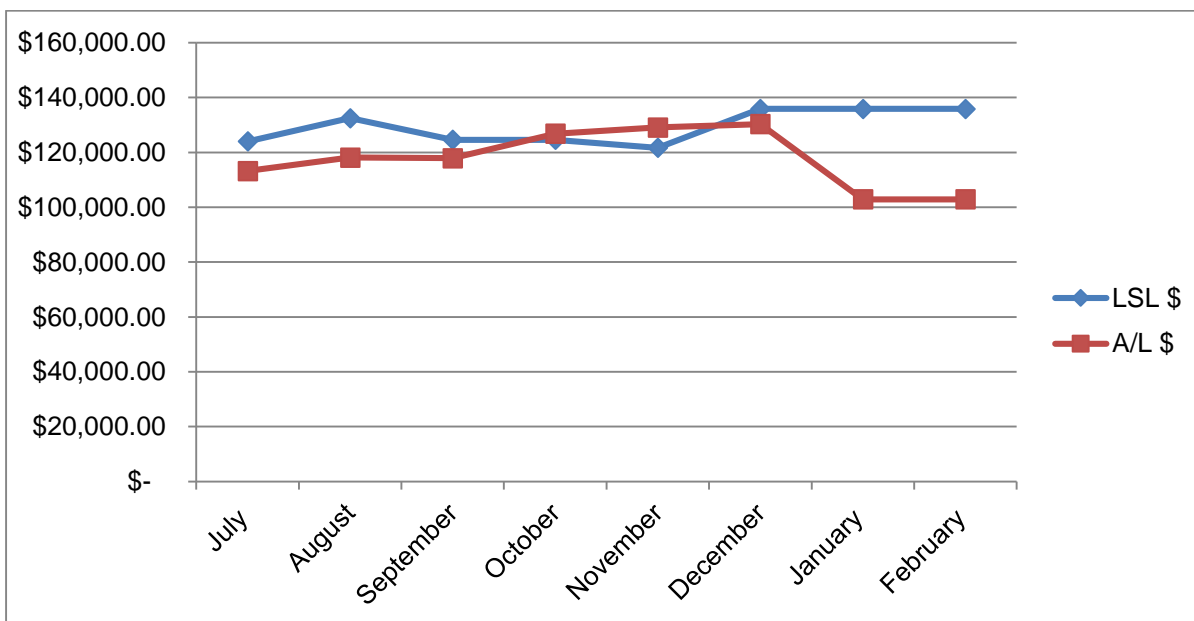
The Long Service Leave Liability has risen slightly by 0.8% (in Dollar Value) since June 2019. The stability can be attributed to payouts following the separation of employees with Long Service Leave Entitlements, two employees redeeming a portion of their Long Service Leave and two employees becoming eligible.

	<b>LSL Hours</b>	<b>LSL \$</b>	<b>AL Hours</b>	<b>AL \$</b>
<b>June</b>	3,507	134,820	3,056	127,501
<b>July</b>	3,218	124,006	2,795	113,180
<b>August</b>	3,426	132,468	2,890	118,114
<b>September</b>	3,080	124,610	2,817	117,850
<b>October</b>	3,080	124,610	3,003	126,828
<b>November</b>	2,981	121,657	3,016	129,068
<b>December</b>	3,300	135,877	3,071	130,333
<b>January</b>	3,300	135,877	2,312	102,902
<b>February</b>	3,300	135,877	2,344	102,873

**Accumulated Hours of Leave**



**Outstanding Accumulated Dollar Value of Leave**



## ITEM 11      STANDING ITEMS – OTHER

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*Audit & Risk Committee - Terms of Reference 9.2*

### **10<sup>th</sup> December 2019 Audit & Risk Committee**

#### **Cr Smith**

Requested that the Performance Review of the Audit & Risk Committee be listed for the June 2020 Committee Meeting.

ITEM 12 COUNCILLORS' EMERGING ISSUES

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ITEM 13      CONFIDENTIAL BUSINESS – AS PER LOCAL GOVERNMENT ACT S5.23 (2)

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*No matters for consideration.*

ITEM 14      NEXT MEETING DATE

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The next Audit & Risk Committee Meeting is scheduled to take place on Tuesday 9<sup>th</sup> June 2020, commencing at 5.00 pm on at the Council Chambers, 10 Jennaberring Road, Quairading.

ITEM 15      CLOSURE

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There being no further business, the Chairman closed the Meeting at \_\_\_\_\_ pm.