



**SHIRE OF ASHBURTON
AUDIT AND RISK COMMITTEE MEETING**

AGENDA & ATTACHMENTS

**Clem Thompson Sports Pavilion, Stadium
Road, Tom Price
23 October 2018
9.45 am**

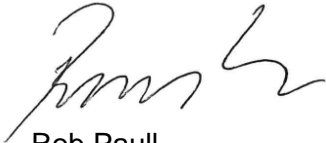
AGENDA AND ATTACHMENTS
AUDIT AND RISK COMMITTEE MEETING 23 OCTOBER 2018

SHIRE OF ASHBURTON
AUDIT AND RISK COMMITTEE MEETING

Dear Councillor

Notice is hereby given that an Audit and Risk Committee of the Shire of Ashburton will be held on 23 October 2018 at the Clem Thompson Sports Pavilion, Stadium Road, Tom Price commencing at 9.45 am.

The business to be transacted is shown in the Agenda.



Rob Paull
CHIEF EXECUTIVE OFFICER

DISCLAIMER

The recommendations contained in the Agenda are subject to confirmation by the Committee and endorsement by the Council. The Shire of Ashburton warns that anyone who has any application lodged with Council must obtain and should only rely on written confirmation of the outcomes of the application following the Council meeting, and any conditions attaching to the decision made by the Council in respect of the application. No responsibility whatsoever is implied or accepted by the Shire of Ashburton for any act, omission or statement or intimation occurring during a Council meeting.

AGENDA AND ATTACHMENTS
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AGENDA AND ATTACHMENTS
AUDIT AND RISK COMMITTEE MEETING 23 OCTOBER 2018

1. DECLARATION OF OPENING

The Presiding Member declared the meeting open at ____am.

1.1 ACKNOWLEDGEMENT OF COUNTRY

As representatives of the Shire of Ashburton Council, we respectfully acknowledge the local Indigenous people, the traditional custodians of this land where we are meeting upon today and pay our respects to them and all their elders both past and present.

2. ATTENDANCE

2.1 PRESENT

Members:	Cr P Foster Cr K White Cr D Dias Cr M Lynch	Tom Price Ward (Presiding Member) Onslow Ward Paraburdoo Ward Tom Price Ward
Staff:	Mr R Paull Mr J Bingham Mrs M Lewis Mrs N Tyson	Chief Executive Officer Director Corporate Services Councillor Support Officer Manager Governance & Corporate Strategy
Guests:		
Members of Public:	There were _____ members of the public in attendance at the commencement of the meeting.	
Members of Media:	There were _____ members of the media in attendance at the commencement of the meeting.	

2.2 APOLOGIES

2.3 APPROVED LEAVE OF ABSENCE

3. ANNOUNCEMENT OF VISITORS

4. DECLARATION BY MEMBERS

4.1 DUE CONSIDERATION BY COUNCILLORS TO THE AGENDA

Councillors Foster, White, Dias and Lynch are requested to acknowledge during the meeting that they have given due consideration to all matters contained in the Agenda.

4.2 DECLARATIONS OF INTEREST

Councillors to Note

A member who has an Impartiality, Proximity or Financial Interest in any matter to be discussed at a Council or Committee Meeting, that will be attended by the member, must disclose the nature of the interest:

- (a) In a written notice given to the Chief Executive Officer before the Meeting or;
- (b) At the Meeting, immediately before the matter is discussed.

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A member, who makes a disclosure in respect to an interest, must not:

- (a) Preside at the part of the Meeting, relating to the matter or;
- (b) Participate in, or be present during any discussion or decision-making procedure relative to the matter, unless to the extent that the disclosing member is allowed to do so under Section 5.68 or Section 5.69 of the *Local Government Act 1995*.

NOTES ON DECLARING INTERESTS (FOR YOUR GUIDANCE)

The following notes are a basic guide for Councillors when they are considering whether they have an interest in a matter.

These notes are included in each agenda for the time being so that Councillors may refresh their memory.

1. A Financial Interest requiring disclosure occurs when a Council decision might advantageously or detrimentally affect the Councillor or a person closely associated with the Councillor and is capable of being measure in money terms. There are exceptions in the Local Government Act 1995 but they should not be relied on without advice, unless the situation is very clear.
2. If a Councillor is a member of an Association (which is a Body Corporate) with not less than 10 members i.e. sporting, social, religious etc), and the Councillor is not a holder of office of profit or a guarantor, and has not leased land to or from the club, i.e., if the Councillor is an ordinary member of the Association, the Councillor has a common and not a financial interest in any matter to that Association.
3. If an interest is shared in common with a significant number of electors or ratepayers, then the obligation to disclose that interest does not arise. Each case needs to be considered.
4. If in doubt declare.
5. As stated in (b) above, if written notice disclosing the interest has not been given to the Chief Executive Officer before the meeting, then it **MUST** be given when the matter arises in the Agenda, and immediately before the matter is discussed.
6. Ordinarily the disclosing Councillor must leave the meeting room before discussion commences. The **only** exceptions are:
 - 6.1 Where the Councillor discloses the **extent** of the interest, and Council carries a motion under s.5.68(1)(b)(ii) or the *Local Government Act*; or
 - 6.2 Where the Minister allows the Councillor to participate under s.5.69(3) of the *Local Government Act*, with or without conditions.

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Declarations of Interest provided:

There were no Declarations of Interest for this agenda

Item Number/ Name	Type of Interest	Nature/Extent of Interest

5. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

5.1 AUDIT AND RISK COMMITTEE MEETING HELD ON 19 SEPTEMBER 2018

Officers Recommendation

That the Minutes of the Audit and Risk Committee Meeting held on 19 September 2018, be confirmed as a true and accurate record. **(ATTACHMENT 5.1)**.

6. TERMS OF REFERENCE

Under the *Local Government Act 1995*, Local Governments are required to appoint an Audit Committee (section 7.1A of the *Local Government Act 1995*).

An Audit and Risk Committee is to provide guidance and assistance to the Local Government – as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act and as to the development of a process to be used to select and appoint a person to be an auditor and may provide guidance and assistance to the Local Government as to – matters to be audited, the scope of audits, its functions under Part 6 of the Act and the carrying out of its functions relating to other audits and other matters related to financial management (clause 16 Local Government (audit) Regulations 1996).

7. AGENDA ITEMS

7.1 WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT – LOCAL GOVERNMENT PROCUREMENT – OCTOBER 2018/19

FILE REFERENCE:	CM02.16
AUTHOR'S NAME AND POSITION:	John Bingham Director Corporate Services
AUTHORISING OFFICER AND POSITION:	Rob Paull Chief Executive Officer
DATE REPORT WRITTEN:	16 October 2018
DISCLOSURE OF FINANCIAL INTEREST:	The author and the authorising officer have no financial, proximity or impartiality interests in the proposal.
PREVIOUS MEETING REFERENCE:	Not Applicable

Summary

Committee is requested to note the Western Australian Auditor General's Report - Local Government Procurement – October 2018/19 that was tabled in State Parliament on 11 October 2018.

Background

In early October 2018, the Office of Auditor General (OAG) tabled a report on *Local Government Procurement* in Parliament (**ATTACHMENT 7.1**). The report details the findings of a performance audit involving eight local governments (LG's). OAG performance audits are now mandated by Parliament in the *Local Government Amendment (Auditing) Act 2017*.

Comment

The objective of this particular performance audit was to assess the effectiveness of procurement arrangements. Overall each of the LG's were compliant however shortcomings were found in the following areas:

Weak procurement controls, processes and documentation for:

- Tendering;
- Purchase orders and approvals; and
- Reviewing invoices and payments.

To address these stronger internal controls, policy review and implementation, process improvement and regular training are recommended by the Auditor General. In relation to the Shire of Ashburton, over the last six to twelve months Shire Officers have highlighted the same areas of shortcoming when it comes to procurement.

In that time staff have responded by reviewing Council policy (including Delegations authority), improving processes (new requisition system implemented) and enhanced internal controls (new procedures via a Finance Manual).

AGENDA AND ATTACHMENTS
AUDIT AND RISK COMMITTEE MEETING 23 OCTOBER 2018

Consultation

All Councillors
Executive Management Team

Statutory Environment

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.

Financial Implications

There are no direct financial implications to this item however the OAG *Local Government Procurement* report identifies significant impacts associated with local government finances now and into the future.

Strategic Implications

Shire of Ashburton 10 year Community Strategic Plan 2017 - 2027
Goal 5 - Inspiring Governance
Objective 3 - Council Leadership
Objective 4 – Exemplary Team and Work Environment

Risk Management

This item has been evaluated against the Shire of Ashburton's Risk Management Policy CORP5 Risk Matrix. The perceived level of risk is considered to be "Low".

Policy Implications

ELM10	Financial Sustainability Policy
ELM11	Integrated Planning Policy
FIN06	Significant Accounting Policy
FIN07	Investment Policy
FIN09	Authorised Signatures for Cheque/Electronic Funds Transfer (EFT) Payments
FIN12	Purchasing Policy
FIN13	Debtors Management – General
FIN15	Rates Debt Recovery Policy
FIN20	Related Party Disclosures
FIN21	Rating

Voting Requirement

Simple Majority Required

Officers Recommendation

That with respect to the Western Australian Auditor General's Report – Local Government Procurement – October 2018/19 that Committee recommend Council note the Report and **ATTACHMENT 7.1.**

8. CONFIDENTIAL MATTERS

Under the Local Government Act 1995, Part 5, and Section 5.23, states in part:

(2) If a meeting is being held by a Council or by a committee referred to in subsection (1)(b), the Council or committee may close to members of the public the meeting, or part of the meeting, if the meeting or the part of the meeting deals with any of the following:

(a) a matter affecting an employee or employees;

(b) the personal affairs of any person;

(c) a contract entered into, or which may be entered into, by the local government and which relates to a matter to be discussed at the meeting;

(d) legal advice obtained, or which may be obtained, by the local government and which relates to a matter to be discussed at the meeting;

(e) a matter that if disclosed, would reveal:

(I) a trade secret;

(II) information that has a commercial value to a person; or

(III) information about the business, professional, commercial or financial affairs of a person,

Where the trade secret or information is held by, or is about, a person other than the local government.

(f) a matter that if disclosed, could be reasonably expected to:

(I) Impair the effectiveness of any lawful method or procedure for preventing, detecting, investigating or dealing with any contravention or possible contravention of the law;

(II) Endanger the security of the local government's property; or

(III) Prejudice the maintenance or enforcement of any lawful measure for protecting public safety;

(g) information which is the subject of a direction given under section 23(1a) of the Parliamentary Commissioner Act 1981; and

(h) such other matters as may be prescribed.

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8.1 CONFIDENTIAL ITEM - STATUS OF ROEBOURNE – WITTENOOM ROAD

FILE REFERENCE: RD.O299

AUTHOR'S NAME AND POSITION: Keith Pearson
Special Projects Advisor

AUTHORISING OFFICER AND POSITION: Rob Paull
Chief Executive Officer

DATE REPORT WRITTEN: 10 October 2018

DISCLOSURE OF FINANCIAL INTEREST: The author and the authorising officer have no financial, proximity or impartiality interests in the proposal.

PREVIOUS MEETING REFERENCE: Not Applicable

REASON FOR CONFIDENTIALITY

The Chief Executive Officer's Report is confidential in accordance with s5.23 (2) *the Local Government Act 1995* because it deals with matters affecting s5.23 (2):

(d) legal advice obtained, or which may be obtained, by the local government and which relates to a matter to be discussed at the meeting.

Voting Requirement

Simple Majority Required

Officers Recommendation

That with respect to Confidential Item – Status of Roebourne – Wittenoom Road, that the Audit and Risk Committee recommend Council note the Report.

AGENDA AND ATTACHMENTS
AUDIT AND RISK COMMITTEE MEETING 23 OCTOBER 2018

8.2 CONFIDENTIAL ITEM - GOVERNANCE AND ADMINISTRATION REVIEW

FILE REFERENCE:	GV32
AUTHOR'S NAME AND POSITION:	Nicky Tyson Manager Governance & Corporate Strategy
AUTHORISING OFFICER AND POSITION:	Rob Paull Chief Executive Officer
NAME OF APPLICANT/RESPONDENT:	Not Applicable
DATE REPORT WRITTEN:	10 October 2018
DISCLOSURE OF FINANCIAL INTEREST:	The author and the authorising officer have no financial, proximity or impartiality interests in the proposal.
PREVIOUS MEETING REFERENCE:	15 December 2017 – Audit and Risk Committee Meeting

REASON FOR CONFIDENTIALITY

The Chief Executive Officer's Report is confidential in accordance with s5.23 (2) *the Local Government Act 1995* because it deals with matters affecting s5.23 (2):

- (b) *the personal affairs of any person;*
- (d) *legal advice obtained, or which may be obtained, by the local government and which relates to a matter to be discussed at the meeting.*

Voting Requirement

Simple Majority Required

Recommendation

That the Audit and Risk Committee with respect to the Governance and Administration Review recommend Council to:

1. Receive the Governance and Administration Review undertaken by Ron Back and Associates as provided in **CONFIDENTIAL ATTACHMENT 8.2A and 8.2B** and remain confidential in accordance s5.23 (2)(b) & (d) of the *Local Government Act 1995*; and
2. Request the Chief Executive Officer to use all reasonable endeavors to continue to improve and implement good governance and better practice throughout the organisation.

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9. NEXT MEETING

The next Audit and Risk Committee Meeting will be held on 18 December 2018 at a time to be determined.

10. CLOSURE OF MEETING

The Presiding Member closed the meeting at _____.



**SHIRE OF ASHBURTON
AUDIT AND RISK COMMITTEE MEETING**

**MINUTES
(Public Document)**

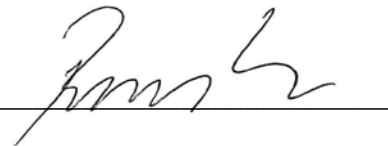
**Mayu Maya Centre, Pannawonica
19 September 2018**

MINUTES - AUDIT AND RISK COMMITTEE MEETING
19 SEPTEMBER 2018

SHIRE OF ASHBURTON
AUDIT AND RISK COMMITTEE MEETING

The Chief Executive Officer recommends the endorsement of these minutes at the next Audit and Risk Committee Meeting.

CEO: _____



Date: 19/09/2018

These minutes were confirmed by the Committee as a true and correct record of proceedings of the Audit and Risk Committee Meeting held on 19 September 2018.

Presiding Member: _____

Date: ___/___/2018

DISCLAIMER

The recommendations contained in the Agenda are subject to confirmation by the Committee and endorsement by the Council. The Shire of Ashburton warns that anyone who has any application lodged with Council must obtain and should only rely on written confirmation of the outcomes of the application following the Council meeting, and any conditions attaching to the decision made by the Council in respect of the application. No responsibility whatsoever is implied or accepted by the Shire of Ashburton for any act, omission or statement or intimation occurring during a Council meeting.

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**MINUTES - AUDIT AND RISK COMMITTEE MEETING
19 SEPTEMBER 2018**

1. DECLARATION OF OPENING

The Presiding Member declared the meeting open at 9.31 am.

1.1 ACKNOWLEDGEMENT OF COUNTRY

As representatives of the Shire of Ashburton Council, we respectfully acknowledge the local Indigenous people, the traditional custodians of this land where we are meeting upon today and pay our respects to them and all their elders both past and present.

2. ATTENDANCE

2.1 PRESENT

Members:	Cr P Foster Cr K White Cr M Lynch	Tom Price Ward (Presiding Member) Onslow Ward Tom Price Ward
Staff:	Mr R Paull Mr J Bingham Ms J Smith Mrs D Walkington	Chief Executive Officer Director Corporate Services Executive Officer Administration Officer
Guests:	Cr L Thomas Cr M Gallanagh Cr L Rumble	Tableland Ward Pannawonica Ward Paraburdoo Ward
Members of Public:	There were no members of the public in attendance at the commencement of the meeting.	
Members of Media:	There were no members of the media in attendance at the commencement of the meeting.	

2.2 APOLOGIES

There were no apologies.

2.3 APPROVED LEAVE OF ABSENCE

Cr D Dias Paraburdoo Ward

3. ANNOUNCEMENT OF VISITORS

There were no visitors in attendance.

4. DECLARATION BY MEMBERS

4.1 DUE CONSIDERATION BY COUNCILLORS TO THE AGENDA

Councillors Foster, White, and Lynch noted that they had given due consideration to all matters contained in the Agenda presently before the meeting.

4.2 DECLARATIONS OF INTEREST

Councillors to Note

A member who has an Impartiality, Proximity or Financial Interest in any matter to be discussed at a Council or Committee Meeting, that will be attended by the member, must disclose the nature of the interest:

- (a) In a written notice given to the Chief Executive Officer before the Meeting

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19 SEPTEMBER 2018

or;

- (b) At the Meeting, immediately before the matter is discussed.

A member, who makes a disclosure in respect to an interest, must not:

- (a) Preside at the part of the Meeting, relating to the matter or;
(b) Participate in, or be present during any discussion or decision-making procedure relative to the matter, unless to the extent that the disclosing member is allowed to do so under Section 5.68 or Section 5.69 of the Local Government Act 1995.

NOTES ON DECLARING INTERESTS (FOR YOUR GUIDANCE)

The following notes are a basic guide for Councillors when they are considering whether they have an interest in a matter.

These notes are included in each agenda for the time being so that Councillors may refresh their memory.

1. A Financial Interest requiring disclosure occurs when a Council decision might advantageously or detrimentally affect the Councillor or a person closely associated with the Councillor and is capable of being measure in money terms. There are exceptions in the Local Government Act 1995 but they should not be relied on without advice, unless the situation is very clear.
2. If a Councillor is a member of an Association (which is a Body Corporate) with not less than 10 members i.e. sporting, social, religious etc), and the Councillor is not a holder of office of profit or a guarantor, and has not leased land to or from the club, i.e., if the Councillor is an ordinary member of the Association, the Councillor has a common and not a financial interest in any matter to that Association.
3. If an interest is shared in common with a significant number of electors or ratepayers, then the obligation to disclose that interest does not arise. Each case needs to be considered.
4. If in doubt declare.
5. As stated in (b) above, if written notice disclosing the interest has not been given to the Chief Executive Officer before the meeting, then it **MUST** be given when the matter arises in the Agenda, and immediately before the matter is discussed.
6. Ordinarily the disclosing Councillor must leave the meeting room before discussion commences. The **only** exceptions are:
 - 6.1 Where the Councillor discloses the **extent** of the interest, and Council carries a motion under s.5.68(1)(b)(ii) or the Local Government Act; or
 - 6.2 Where the Minister allows the Councillor to participate under s.5.69(3) of the Local Government Act, with or without conditions.

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Declarations of Interest provided:

Item Number/ Name	Type of Interest	Nature/Extent of Interest
There were no Declarations of Interest provided.		

5. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

5.1 AUDIT AND RISK COMMITTEE MEETING HELD ON 19 JUNE 2018

Officers Recommendation and Committee Decision

MOVED: Cr M Lynch

SECONDED: Cr K White

That the Minutes of the Audit and Risk Committee Meeting held on 19 June 2018, be confirmed as a true and accurate record.

**CARRIED 3/0
Councillors Foster, White & Lynch voted for the motion**

ATTACHMENT 5.1

6. TERMS OF REFERENCE

Under the Local Government Act 1995, Local Governments are required to appoint an Audit Committee (section 7.1A of the Local Government Act 1995).

An Audit and Risk Committee is to provide guidance and assistance to the Local Government – as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act and as to the development of a process to be used to select and appoint a person to be an auditor and may provide guidance and assistance to the Local Government as to – matters to be audited, the scope of audits, its functions under Part 6 of the Act and the carrying out of its functions relating to other audits and other matters related to financial management (clause 16 Local Government (audit) Regulations 1996).

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7. AGENDA ITEMS

7.1 REGULATION 17 - RISK AUDIT PROGRESS REPORT SEPTEMBER 2018

MINUTE: 22/2018

FILE REFERENCE:	FM14.16.17
AUTHOR'S NAME AND POSITION:	Nicky Tyson Manager Governance & Corporate Strategy
AUTHORISING OFFICER AND POSITION:	Rob Paull Chief Executive Officer
NAME OF APPLICANT/RESPONDENT:	Not Applicable
DATE REPORT WRITTEN:	5 September 2018
DISCLOSURE OF FINANCIAL INTEREST:	The author and the authorising officer have no financial, proximity or impartiality interests in the proposal.
PREVIOUS MEETING REFERENCE:	Agenda Item 7.1 (Minute No. 17/2018) – Audit and Risk Committee Meeting 19 June 2018

Summary

The Shire's contracted Auditors, Moore Stephens Pty Ltd (MS) conducted the most recent Risk Audit and review process in late 2016. Its report contains a list of improvements/opportunities.

At the June 2018 Audit and Risk Committee meeting it was reported that a number of suggestions and opportunities had already been completed and planning had commenced and/or systems had been put in place to address the remaining. The Committee is now informed that further items have been completed with almost all outstanding items in the final stages of progression.

Background

Local Government (Audit) Regulations 1996 includes 'Local Government Operational Guideline – 9 – Audit in Local Governments'. Regulation 17 prescribes a number of matters that are to be reviewed by local government Audit Committees. These functions now include reviewing the appropriateness and effectiveness of the local government's systems in regard to risk management, internal control and legislative compliance; and reporting the results of the Committee's consideration of that review, to the Council. This Risk Audit and review process is now to occur at least once every three calendar years.

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The latest review / audit was conducted onsite, 24 – 25 October 2016, by MS and a report was presented to the Audit and Risk Committee in December 2016. Further progress reports were presented to the committee each quarter with the most recent being June 2018.

Comment

The attached report from the Chief Executive Officer is referred to the Audit and Risk Committee and contains progress of action taken on the recommendations from MS in the Regulation 17 Audit for the Shire of Ashburton's consideration in the areas covered by the audit, that being:

- Risk Management;
- Internal Controls; and
- Legislative Compliance.

There were no critical (i.e. legislative compliance) issues raised in the MS Regulation 17 Audit and attached is the CEO's report to the Audit and Risk Committee (which contains updated Officer Status/Progress Comments) outlining how the Shire's Governance propose to see the improvements recommended, progressed and finalised.

ATTACHMENT 7.1

As the attached report outlines, of the 43 improvement opportunities suggested in the report, all but 2 have been completed through new or existing actions, upon review and approval from the committee and Council. The remaining items are anticipated to be finalised by December 2018.

Consultation

Executive Management Team
Manager Governance & Corporate Strategy
Moore Stephens Australia (Pty) Ltd

Statutory Environment

Recent audit reforms have now been implemented with changes to the reporting period. This review is now only required once every three financial years.

Regulation 17 Local Government Audit Regulations 1996 requires the following:

A suitable allocation has been made in the budget for future reviews, with the next review due late 2019.

1. *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to:*
 - a) *risk management;*
 - b) *internal control; and*
 - c) *legislative compliance.*
2. *The review may relate to any or all of the matters referred to in sub regulation (1) (a), (b) and (c), but each of those matters is to be the subject of a review at least once every three calendar years.*
3. *The CEO is to report to the Audit Committee the results of that review.*

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Financial Implications

Implementing the recommendations of the Report that have financial impacts will be processed through normal budgetary processes.

Strategic Implications

Shire of Ashburton 10 Year Community Strategic Plan 2017-2027

Goal 5 – Inspiring Governance

Objective 4 – Exemplary Team & Work Environment

Risk Management

Adoption of this item has been evaluated against the Shire of Ashburton's Risk Management Policy CORP5 Risk Matrix. The perceived level of risk is considered to be "Medium" risk (largely due to the costs of developing/implementing new procedures, etc.) but can be managed by routine procedures and monitoring by the Director Corporate Services.

Policy Implications

Various policies have been amended to align with new processes.

Voting Requirement

Simple Majority Required

Officers Recommendation and Committee Decision

MOVED: Cr K White

SECONDED: Cr M Lynch

That the Audit and Risk Committee with respect to *Review of Risk Management, Legislative Compliance and Internal Controls* recommend Council to:

- 1. Note the updated Chief Executive Officer (CEO)'s Report (as per ATTACHMENT 7.1) which describes how the suggested improvements/opportunities will be implemented, including actions completed.**
- 2. Request the CEO to use all reasonable endeavours to address and complete all actions by December 2018.**

CARRIED 3/0

Councillors Foster, White and Lynch voted for the motion

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19 SEPTEMBER 2018

7.2 CORPORATE BUSINESS PLAN - QUARTERLY PROGRESS REPORT

MINUTE: 23/2018

FILE REFERENCE:	CM03
AUTHOR'S NAME AND POSITION:	Nicky Tyson Manager Governance & Corporate Strategy
AUTHORISING OFFICER AND POSITION:	Rob Paull Chief Executive Officer
NAME OF APPLICANT/RESPONDENT:	Not Applicable
DATE REPORT WRITTEN:	5 September 2018
DISCLOSURE OF FINANCIAL INTEREST:	The author and the authorising officer have no financial, proximity or impartiality interests in the proposal.
PREVIOUS MEETING REFERENCE:	Agenda Item 12.4 (Minute No. 391/2018) – Ordinary Meeting of Council 18 June 2018

Summary

Council adopted its latest iteration of the Shire of Ashburton Corporate Business Plan (CBP) 2018 – 2022 on 18 June 2018.

While formal reporting of progress in relation to the Corporate Business Plan is to occur annually, via the Shire's Annual Report, it was recommended that progress reports are presented to Council on more regular basis.

The intention is to provide progress reports to Council on a three monthly basis. This is the first status report of the newly adopted CBP.

Background

The Corporate Business Plan (CBP) outlines the strategic and operational objectives to be achieved in the four year period. The CBP demonstrates activities and projects that are fully resourced and have appropriate timelines and performance measures.

This is underpinned by a series of informing strategies and plans which include:

- our 10 year Long-Term Financial Plan;
- our Workforce Plan that is reviewed every four years in conjunction with the CBP;
- our Asset Management Plans for the life cycle of all assets including maintenance and replacement programs;

MINUTES - AUDIT AND RISK COMMITTEE MEETING 19 SEPTEMBER 2018

- Our adopted Annual Budget; and
- Any relevant issue specific strategies and plans for major projects or key developments.

Comment

The Corporate Business Plan identifies five Focus Areas in line with our Strategic Community Plan, as shown below:

1. Vibrant and Active Communities;
2. Economic Prosperity;
3. Unique heritage and Environment;
4. Quality Services and Infrastructure; and
5. Inspiring Governance

The attached document is a condensed version of the adopted CBP that reports directly on each project included in the priority areas for the 18/19 financial year, with commentary on the relevant projects status.

Any projects or priorities not allocated or achieved within this financial year will be the focus of the following annual budget review for the subsequent years of the plan.

Each action links to our Strategic Community Plan and allows us to ensure we are meeting our requirements for the 'Plan for the Future'.

ATTACHMENT 7.2

Consultation

Executive Management Team
Manager Governance & Corporate Strategy

Statutory Environment

Local Government Act 1995

Section 5.56. Planning for the Future

(1) A local government is to plan for the future of the district.

(2) A local government is to ensure that plans made under subsection (1) are in accordance with any regulations made about planning for the future of the district

Local Government (Administration) Regulations 1996

Section 19DA Corporate Business Plans, requirements for (Act s 5.56)

Section 19DB (5) Corporate Business Plans, requirements for (Act s 5.56).

Financial Implications

All items as per the adopted 18/19 budget.

Strategic Implications

Shire of Ashburton 10 Year Community Strategic Plan 2017-2027

Multiple Goals and Objectives will be achieved over the course of the financial year. Attachment 7.3 references actions linked to the relevant Goal and Objective.

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Risk Management

Adoption of this item has been evaluated against the Shire of Ashburton's Risk Management Policy CORP5 Risk Matrix. The perceived level of risk is considered to be 'Moderate' risk that will be managed by policy, procedures and monitoring by Governance and the CEO.

There is a level of reputational risk to the organisation in not achieving the proposed projects, this will be closely managed by the Chief Executive Officer, Manager Governance along with the individual responsible owners of each linked project.

Policy Implications

ELM11 Integrated Planning Policy

Voting Requirement

Simple Majority Required

Officers Recommendation and Committee Decision

MOVED: Cr M Lynch

SECONDED: Cr K White

That the Audit and Risk Committee with respect to *Corporate Business Plan – Quarterly Progress Report* recommend Council:

- 1. Accept the first quarterly report of the Shire of Ashburton Corporate Business Plan 2018 - 2022; and**
- 2. Request the Chief Executive Officer to continue providing *Corporate Business Plan – Quarterly Progress Reports*, with the next report being made available to the December 2018 Audit and Risk Committee.**

CARRIED 3/0

Councillors Foster, White and Lynch voted for the motion

MINUTES - AUDIT AND RISK COMMITTEE MEETING
19 SEPTEMBER 2018

7.3 WESTERN AUSTRALIA NATURAL DISASTER RELIEF AND RECOVERY ARRANGEMENTS (WANDRRA) CASH FLOW THRESHOLDS - PROGRESS REPORT

MINUTE: 24/2018

FILE REFERENCE:	CM02.18
AUTHOR'S NAME AND POSITION:	James Muir (Contractor)
AUTHORISING OFFICER AND POSITION:	Ian Hamilton Director Infrastructure Services
NAME OF APPLICANT/RESPONDENT:	Not Applicable
DATE REPORT WRITTEN:	5 September 2018
DISCLOSURE OF FINANCIAL INTEREST:	The author and the authorising officer have no financial, proximity or impartiality interests in the proposal.
PREVIOUS MEETING REFERENCE:	Not Applicable

Summary

Delays with Western Australia Natural Disaster Relief and Recovery Arrangements (WANDRRA) recoup funding approvals have placed significant pressure on Council cash flow. Main Roads Western Australia (MRWA) and the Office of Emergency Management (OEM) are responsible for WANDRRA reimbursement funding.

The intention of this report is to provide Council with the understanding that we may have to cease works where the turnaround time of reimbursements significantly impacts cash flow.

Background

On 13 February 2017 the Western Australian Government proclaimed the flooding events which occurred in January and February 2017 is an eligible natural disaster event under WANDRRA.

WANDRRA is jointly funded by the State and Commonwealth Governments and administered by the OEM, with assistance from other agencies. Through WANDRRA, the Western Australian and Commonwealth Governments provide help to people who have suffered the direct impact of a proclaimed natural disaster event.

The Shire of Ashburton was listed as an authority subject to the above proclamation and the Australian Government Reference Number for the event is 743 (AGRN743).

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Comment

Under the WANDRRA program flood damage works are carried out by an appointed construction contractor and Shire of Ashburton is reimbursed by OEM through MRWA. Typical approval times are four to six weeks.

Recently the Shire have been experiencing approval turnaround times of 12 weeks. MRWA have not been able to provide a response to these lengthy delays apart from that "they have been very busy". It is a tiered approval process whereby MRWA approves and forwards to OEM for approval, which in turn forwards back to MRWA (Perth) for final checking and onto, MRWA Pilbara for Shire notification and submission of invoice. Payment of invoice usually takes two weeks.

Shire Administration has established mitigation measures to ensure appropriate escalation and resolution of the delays in recoup approval. Any cessation in works could potentially trigger litigation by the contractor and the Shire may be responsible for substantial stand down costs. MRWA has indicated that future approvals will be forthcoming in a timelier manner.

A review of the current WANDRRA process has recently been undertaken to determine what is required to meet the changes associated with the introduction of the new Disaster Recovery Funding Arrangements (DRFA), coming into effect 1 November 2018.

For all events prior to 1 November 2018 the process will remain the same apart from quarterly estimate figures which will now be managed by Department of Fire and Emergency Services (DFES). The main focus by DFES will be accurate estimates and precise variation reporting. This shall provide a more detailed process but deliver a smoother process for approval with elimination of unsubstantiated variations.

Consultation

Executive Management Team

Statutory Environment

Local Government Act 1995

3.57. Tenders for providing goods or services

- (1) *A local government is required to invite tenders before it enters into a contract of a prescribed kind under which another person is to supply goods or services.*
- (2) *Regulations may make provision about tenders.*

Local Government (Functions and General) Regulations 1996

- (1) *Tenders are to be publicly invited according to the requirements of this Division before a local government enters into a contract for another person to supply goods or services if the consideration under the contract is, or is expected to be, more, or worth more, than \$150, 000 unless sub-regulation (2) states otherwise.*
- (2) *Tenders do not have to be publicly invited according to the requirements of this Division if:*
 - (a) *the supply of the goods or services is to be obtained from expenditure authorised in an emergency under section 6.8(1)(c) of the Act; or*
 - (b) *the supply of the goods or services is to be obtained through the WALGA Preferred Supplier Program;*

**MINUTES - AUDIT AND RISK COMMITTEE MEETING
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Financial Implications

For 2018/19 the Shire is limited in terms of free cash-flow available to fund large projects. In the case of AGRN 743, a \$10.5M works program, the Shire has planned for:

- A cash-flow turnaround on re-coups of two months - i.e. from the date the re-coup is prepared and sent to MRWA to the time payment is received in the Shire's bank account; and
- A provisional maximum of \$2M negative cash-flow at any one time to ensure payments to our operational activities and cash reserve investment arrangements are not disrupted.

Re-coup no.1 was submitted on 30 May 2018. As at 22 August the recoup had not been paid – a period of 84 days or nearly three months. In addition the Shire had submitted recoup no's 2 to 6 in mid-July and early August resulting in the total accumulated outstanding recoups at around \$2.9M.

The main financial implication of recoups going beyond the set limits of two months and \$2M is to place significant strain on free cash-flow for operational and investment activities e.g. it becomes necessary to 'call' funds away from investment grade returns into working accounts. This results in a significant reduction to interest earnings and the potential requirement to access Restricted Funds.

Strategic Implications

Shire of Ashburton 10 Year Community Strategic Plan 2017-2027

Goal 4 – Quality Services and Partnerships

Objective 01 – Quality public infrastructure

Risk Management

Adoption of this item has been evaluated against the Shire of Ashburton's Risk Management Policy CORP5 Risk Matrix. The perceived level of risk is considered to be "High" (consequences "Major", likelihood "Possible"). This level of risk is being driven by the value of the WANDRRA Claim, and the fact that prolonged interruption of services will result from delays. It is considered that the likelihood of a risk event occurring is "possible" but it will be managed by specific monitoring response procedures by senior management/executive and subject to monthly reporting.

This item has been evaluated against the Shire of Ashburton's Risk Management Framework. The perceived level of risk from the Risk Matrix is considered to be "Moderate / Likely (12)" in light of the potential delays in recoup approval. As the Risk Acceptance is considered to be "High", the Executive Management Team will monitor progress of this item.

Policy Implications

CORP5 Risk management Policy

FIN06 Significant Accounting Policy

Voting Requirement

Simple Majority Required

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Committee Decision

MOVED: Cr M Lynch

SECONDED: Cr K White

That the Committee suspend Standing Orders at 9.46 am.

CARRIED 3/0

Councillors Foster, White and Lynch voted for the motion

Committee Decision

MOVED: Cr K White

SECONDED: Cr M Lynch

That the Committee reinstate Standing Orders at 9.56 am.

CARRIED 3/0

Councillors Foster, White and Lynch voted for the motion

Officers Recommendation and Committee Decision

MOVED: Cr K White

SECONDED: Cr M Lynch

That with respect to *WANDRRA Cash Flow Thresholds – Progress Report* the Audit and Risk Committee recommend Council:

- 1. Receive the WANDRRA AGRN 743 report of the Shire of Ashburton; and**
- 2. Request the Chief Executive Officer to report any delays in recoup approval of more than 12 weeks to the Audit and Risk Committee.**

CARRIED 3/0

Councillors Foster, White and Lynch voted for the motion

MINUTES - AUDIT AND RISK COMMITTEE MEETING
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8. CONFIDENTIAL MATTERS

Under the Local Government Act 1995, Part 5, and Section 5.23, states in part:

(2) If a meeting is being held by a Council or by a committee referred to in subsection (1)(b), the Council or committee may close to members of the public the meeting, or part of the meeting, if the meeting or the part of the meeting deals with any of the following:

- (a) a matter affecting an employee or employees;**
- (b) the personal affairs of any person;**
- (c) a contract entered into, or which may be entered into, by the local government and which relates to a matter to be discussed at the meeting;**
- (d) legal advice obtained, or which may be obtained, by the local government and which relates to a matter to be discussed at the meeting;**
- (e) a matter that if disclosed, would reveal:

 - (I) a trade secret;**
 - (II) information that has a commercial value to a person; or**
 - (III) information about the business, professional, commercial or financial affairs of a person,****

Where the trade secret or information is held by, or is about, a person other than the local government.

- (f) a matter that if disclosed, could be reasonably expected to:

 - (I) Impair the effectiveness of any lawful method or procedure for preventing, detecting, investigating or dealing with any contravention or possible contravention of the law;**
 - (II) Endanger the security of the local government's property; or**
 - (III) Prejudice the maintenance or enforcement of any lawful measure for protecting public safety;****
- (g) information which is the subject of a direction given under section 23(1a) of the Parliamentary Commissioner Act 1981; and**
- (h) such other matters as may be prescribed.**

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Committee Decision

MOVED: Cr M Lynch

SECONDED: Cr K White

That Council close the meeting to the public at 9.59 am pursuant to sub section 5.23 (2) (b) and (d) of the Local Government Act 1995.

CARRIED 3/0

Councillors Foster, White and Lynch voted for the motion

8.1 CONFIDENTIAL ITEM - UPDATE ON WITTENOOM LITIGATION AND APPOINTMENT OF DELEGATE ON THE WITTENOOM STEERING COMMITTEE

MINUTE: 25/2018

FILE REFERENCE: LS34

AUTHOR'S NAME AND POSITION: Keith Pearson
Special Projects Advisor

Janyce Smith
Executive Officer

AUTHORISING OFFICER AND POSITION: Rob Paull
Chief Executive Officer

NAME OF APPLICANT/RESPONDENT: Not Applicable

DATE REPORT WRITTEN: 3 September 2018

DISCLOSURE OF FINANCIAL INTEREST: The authors and the authorising officer have no financial proximity or impartiality interests in the proposal.

PREVIOUS MEETING REFERENCE: Confidential Agenda Item 8.1 (Minute No. 17/2018) – Audit and Risk Committee Meeting 19 June 2018
Confidential Agenda Item 8.1 (Minute: 21/2018) - Meeting of the Audit and Risk Committee 13 March 2018

REASON FOR CONFIDENTIALITY

The Chief Executive Officer's Report is confidential in accordance with s5.23 (2) *the Local Government Act* because it deals with matters affecting s5.23 (2):

MINUTES - AUDIT AND RISK COMMITTEE MEETING
19 SEPTEMBER 2018

- (b) *the personal affairs of any person;*
 (d) *legal advice obtained, or which may be obtained, by the local government and which relates to a matter to be discussed at the meeting.*

Officers Recommendation

That the Audit and Risk Committee with respect to Confidential Item – Update on Wittenoom Litigation and Appointment of Delegate on the Wittenoom Steering Committee recommend Council:

1. Receive the Confidential Item – Update on Wittenoom Litigation and Appointment of Delegate on the Wittenoom Steering Council report and remain confidential in accordance s5.23 (2)(b) & (d) of the Local Government Act 1995;
2. Request Shire management continue to provide Wittenoom Litigation progress reports to the Audit and Risk Committee; and
3. Appoint the Chief Executive Officer as the delegate on the Department of Planning, Lands and Heritage’s Wittenoom Steering Committee.

Committee Decision

MOVED: Cr P Foster

SECONDED: Cr M Lynch

That the Audit and Risk Committee with respect to *Confidential Item – Update on Wittenoom Litigation and Appointment of Delegate on the Wittenoom Steering Committee* recommend Council:

1. **Receive the *Confidential Item – Update on Wittenoom Litigation and Appointment of Delegate on the Wittenoom Steering Council* report and remain confidential in accordance s5.23 (2)(b) & (d) of the *Local Government Act 1995*;**
2. **Request Shire management continue to provide Wittenoom Litigation progress reports to the Audit and Risk Committee; and**
3. **Appoint the Chief Executive Officer as the delegate and the Executive Officer as the deputy on the Department of Planning, Lands and Heritage’s Wittenoom Steering Committee.**

CARRIED 3/0

Councillors Foster, White and Lynch voted for the motion

Reason for Change:

Acknowledge that should the CEO be unavailable a deputy is able to attend the Wittenoom Steering Committee.

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**8.2 CONFIDENTIAL ITEM - SAFETY, RISK AND COMPLIANCE REPORT,
SHIRE OF ASHBURTON**

MINUTE: 26/2018

FILE REFERENCE:	GV05
AUTHOR'S NAME AND POSITION:	Rick Muller Safety and Wellbeing Coordinator
AUTHORISING OFFICER AND POSITION:	Rob Paull Chief Executive Officer
NAME OF APPLICANT/RESPONDENT:	Not Applicable
DATE REPORT WRITTEN:	3 September 2018
DISCLOSURE OF FINANCIAL INTEREST:	The author and authorising officer have no financial proximity or impartiality interests in the proposal.
PREVIOUS MEETING REFERENCE:	Not Applicable

REASON FOR CONFIDENTIALITY

The Chief Executive Officer's Report is confidential in accordance with s5.23 (2) *the Local Government Act 1995* because it deals with matters affecting s5.23 (2):

- (b) *the personal affairs of any person;*
- (d) *legal advice obtained, or which may be obtained, by the local government and which relates to a matter to be discussed at the meeting.*

Officers Recommendation and Committee Decision

MOVED: Cr K White

SECONDED: Cr M Lynch

That the Audit and Risk Committee with respect to *Confidential Item - Safety, Risk and Compliance Report, Shire of Ashburton* recommend Council:

- 1. Receive *Confidential Item - Safety, Risk and Compliance Report, Shire of Ashburton* report and remain confidential in accordance s5.23 (2)(b) & (d) of the *Local Government Act 1995*.**

CARRIED 3/0

Councillors Foster, White and Lynch voted for the motion

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Note:

Australian Standard AS/NZS 4801:2001 (**ATTACHMENT 8.2H**) will be provided to Councillors under separate cover as an attachment to the minutes.

UNCONFIRMED MINUTES

MINUTES - AUDIT AND RISK COMMITTEE MEETING
19 SEPTEMBER 2018

8.3 CONFIDENTIAL ITEM - ONSLOW AIRPORT LANDING FEES

MINUTE: 27/2018

FILE REFERENCE: TT06

AUTHOR'S NAME AND POSITION: Rob Paull
Chief Executive Officer

AUTHORISING OFFICER AND POSITION: Rob Paull
Chief Executive Officer

NAME OF APPLICANT/RESPONDENT: Not Applicable

DATE REPORT WRITTEN: 10 September 2018

DISCLOSURE OF FINANCIAL INTEREST: The author and the authorising officer have no financial proximity or impartiality interests in the proposal.

PREVIOUS MEETING REFERENCE: Agenda Item 12.3 (Minute No. 303/2018) – Ordinary Meeting of Council 13 February 2018
Agenda Item 11.5 (Minute No. 345/2018) – Ordinary Meeting of Council 23 April 2018

REASON FOR CONFIDENTIALITY

The Chief Executive Officer's Report is confidential in accordance with s5.23 (2) *the Local Government Act 1995* because it deals with matters affecting s5.23 (2):

- (b) *the personal affairs of any person;*
- (d) *legal advice obtained, or which may be obtained, by the local government and which relates to a matter to be discussed at the meeting.*

Officers Recommendation and Committee Decision

MOVED: Cr K White

SECONDED: Cr M Lynch

That the Audit and Risk Committee with respect to *Confidential Item – Onslow Airport Landing Fees* recommend to Council without prejudice, and after full consideration of all available facts and legal advice, that Council not seek to pursue reimbursement of any potential outstanding landing fees from Chevron at the Onslow Airport prior to 1 September 2017.

**CARRIED BY ABSOLUTE MAJORITY 3/0
Councillors Foster, White and Lynch voted for the motion**

MINUTES - AUDIT AND RISK COMMITTEE MEETING
19 SEPTEMBER 2018

Committee Decision

MOVED: Cr K White

SECONDED: Cr M Lynch

That Council re-open the meeting to the public at 10.19 am.

CARRIED 3/0

Councillors Foster, White & Lynch voted for the motion

9. NEXT MEETING

The next Audit and Risk Committee Meeting will be held at a date and time to be determined in consultation with the Presiding Member.

10. CLOSURE OF MEETING

The Presiding Member closed the meeting at 10.21 am.

UNCONFIRMED MINUTES



Media contact: Matt McKeone

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11 October 2018

Auditor General finds improvements are needed to strengthen local government procurement controls

Western Australia's Auditor General, Ms Caroline Spencer, has found that while the procurement policies of 8 sample local governments¹ broadly met regulatory requirements, improvements are needed to address procurement risks and ensure probity and value for money in procurement practices.

The [Local Government Procurement](#) report was tabled in Parliament today, and it reveals that controls, documentation, and oversight of procurement activities need to improve at all 8 metropolitan and regional local governments.

Ms Spencer said ratepayers expect local governments to appropriately spend public money to ensure their communities receive quality services and outcomes that are value for money.

'Having purchasing policies and controls that are effective is essential if local governments, and the ratepayers they serve, are to have confidence in how their money is spent' she said.

Local governments in Western Australia manage more than \$40 billion in community assets and spend over \$4 billion annually on essential community services and infrastructure such as roads and footpaths, public spaces, recreational facilities, and rubbish collection.

'All local governments should have robust procurement practices that are fit for purpose, and centre around the principles of probity, accountability, and transparency,' said Ms Spencer.

The audit identified that procurement policies at each local government broadly met the regulatory requirements under the [Local Government Act 1995](#). However, procurement practices that focus on minimum compliance with legislation are unlikely to provide adequate oversight and controls to address procurement risks at local governments.

More can still be done by local governments to monitor procurement controls and the effectiveness of their purchasing processes.

The audit also found that:

- while all 8 local governments had procurement policies and procedures in place, they were not always effectively and consistently used
- local governments need better procurement oversight and controls
- procurement decisions, and conflict of interests, need to be better documented.

There was no notable difference in the effectiveness of procurement controls between regional and metropolitan, and small or large local governments. The audit did not identify any evidence of misconduct.

The Auditor General has recommended that:

1. All local governments, including those not sampled in this audit, should review their policies, processes and controls against the focus areas of our audit.
2. Each of the 8 local governments audited should provide an action plan to address the first recommendation, table it with their Council, and make it available on their website as per the [Local Government Act 1995](#).

The procurement issues identified in this report are relatively simple to fix. Engagement with the 8 local governments and their responses to the findings in the report are encouraging. Some local governments have already made improvements to their procurement controls.

'I am pleased all the local governments have committed to amending their policies and procedures and improving internal controls over purchases, where required. I encourage all local governments to review their procurement practices against the focus areas of this audit,' Ms Spencer said.

The Auditor General's report, *Local Government Procurement*, is available on the Office of the Auditor General website at www.audit.wa.gov.au.

ENDS

ⁱ The Office of the Auditor General visited and audited the following local governments:

- Town of Bassendean
- Shire of Dalwallinu
- City of Fremantle
- City of Greater Geraldton
- Shire of Harvey
- City of Kalgoorlie Boulder
- City of Karratha
- City of Stirling.



Western Australian Auditor General's Report



Local Government Procurement



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WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

Local Government Procurement

Report 5
October 2018-19



**THE PRESIDENT
LEGISLATIVE COUNCIL**

**THE SPEAKER
LEGISLATIVE ASSEMBLY**

LOCAL GOVERNMENT PROCUREMENT

This report has been prepared for Parliament under the provisions of section 25 of the *Auditor General Act 2006*.

This was a narrow scope performance audit, conducted under section 18 of the *Auditor General Act 2006* and in accordance with Australian Auditing and Assurance Standards. Narrow scope performance audits have a tight focus and generally target compliance with legislation, public sector policies and accepted good practice.

The audit objective was to determine if local governments have effective procurement arrangements in place.

I wish to acknowledge the cooperation of staff at the local governments included in this audit.



CAROLINE SPENCER
AUDITOR GENERAL
11 October 2018

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Auditor General's overview

I am pleased to present this performance audit on aspects of local government procurement that require close attention.

Local governments in Western Australia manage more than \$40 billion in community assets and spend over \$4 billion annually on community infrastructure and services such as roads and footpaths, public halls, recreation facilities and rubbish collection.



Good procurement practices centred around the principles of probity, accountability and transparency are key to managing procurement risks and the delivery of good outcomes for ratepayers. When procurement processes are not followed, or local governments are seen not to be acting in the best interests of their communities, they face reputational damage and expose themselves to the risk of fraud and misconduct. Unfortunately, there are numerous recent reports from integrity agencies which highlight the very real consequences when procurement activities in the public sector are not managed effectively.

My report highlights weaknesses in procurement controls, processes and documentation across the 8 local governments we audited, as well as the need for them to build procurement capability to give staff the knowledge and skills to effectively carry out their jobs. These generally reflect areas for improvement identified in our previous audit reports about State Government entities as well as other public reports.

Some local governments disagreed with the significance of a number of control weaknesses identified. Local governments considered that a finding was not worthy of a 'significant' rating if the control weakness did not result in a breach of regulations or the audit did not find evidence of wrongdoing. While legislation places minimum specific requirements on local governments, they still need to ensure they have strong internal controls and good governance. Controls prevent things going wrong and are particularly important in financial management processes, where there is an inherent risk of financial misappropriation. I welcome discussion on this matter and am pleased all local governments have committed to amending their policies and procedures and improving internal controls over purchases, where required.

The findings from this audit have helped me identify areas worthy of future audit attention. Fostering enhanced understanding in the local government sector about the importance of strong internal control frameworks, around not only procurement, but over a wide range of areas, including information system security and regulatory functions, will be prioritised in our future work. I encourage all local governments to review their procurement practices against the focus areas of this audit.

Executive summary

Introduction

The objective of this audit was to assess the effectiveness of procurement arrangements at 8 local government entities (LGs) of varying sizes in both metropolitan and regional Western Australia.

Background

There are currently 148¹ LGs in WA. The population and geographical spread of each LG varies significantly, from small regional LGs like the Shire of Sandstone with a population of around 90, to large metropolitan LGs like the City of Stirling with a population of around 220,000.

LGs in WA employ around 15,000 people and manage more than \$40 billion in community assets. In 2016-17, the total expenditure across all Western Australian LGs was over \$4 billion.

Procurement activities in LGs are primarily governed by the Local Government (Functions and General) Regulations 1996 (the Regulations). The Regulations require LGs to have policies for purchases that are expected to be less than \$150,000. LGs develop their own policies, which are required to cover things like the form (verbal or written) and minimum number of quotes that must be obtained, and how procurement information will be recorded and retained.

For purchases over \$150,000, the Regulations set specific requirements for public tender. These include advertising, acceptance and rejection of tender applications, notification of outcomes, and maintaining a tenders' register.

The Regulations also allow for exemptions from the public tender process, these include, but are not limited to:

- certain emergency situations
- if a contract is to be awarded through auction (with Council approval)
- if goods and services are obtained through the WA Local Government Association's (WALGA) Preferred Supplier Program – a program of suppliers that have been pre-qualified to supply certain goods and services. WALGA members, of which most LGs are, can access the program.

LGs that are members of WALGA can also access a procurement toolkit that includes purchasing and contract management templates. LGs that use WALGA services are still required to meet their own policy and probity requirements and comply with the Regulations.

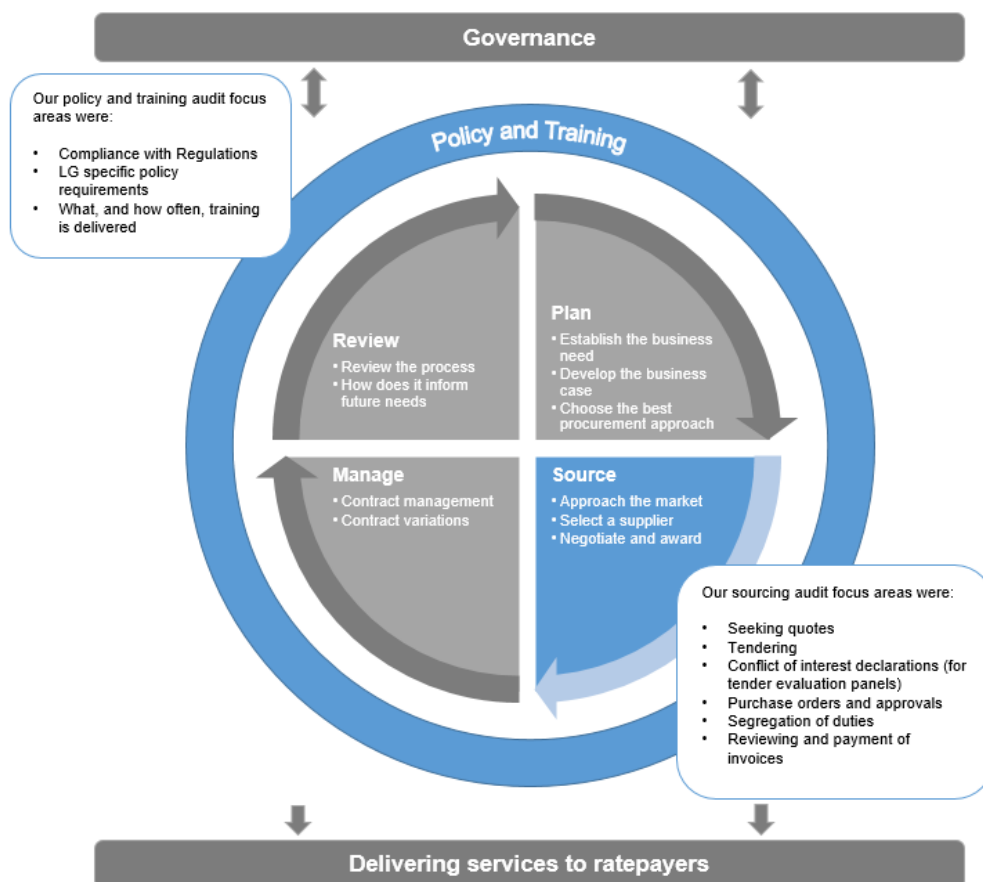
There are a number of procurement processes and controls that help reduce broader procurement risks and support value for money (Figure 1). Some of these are covered in Regulations, others are based on sound practice.

Due to a variety of factors affecting the way that LGs procure, we did not expect to find identical procurement practices across the LGs included in our audit. The audit therefore required significant judgement when assessing proper procurement practices. However, we did expect them to meet the principles of the *Local Government Act 1995* which places obligations on councils to oversee the allocation of the LG's finances and resources, and for determining the LG's policies, as well as for LGs to keep proper accounts and records.

¹ This includes 137 LGs, 2 Indian Ocean territories and 9 regional councils.

Furthermore, LGs are required to establish efficient systems and procedures for financial management which includes procurement.

Our audit focus areas are set out in Appendix 1. We reviewed the processes and controls used by LGs, but we did not review if procurement decisions attained the best value for money or outcomes for LG communities.



Source: OAG, with blue shading showing areas within audit scope

Figure 1: Procurement framework

Audit conclusion

All 8 local governments we reviewed had shortcomings in their procurement practices, most related to weak procurement controls, processes and documentation for tendering, purchase orders and approvals, and reviewing invoices and payment. However, we did not identify any evidence of misconduct.

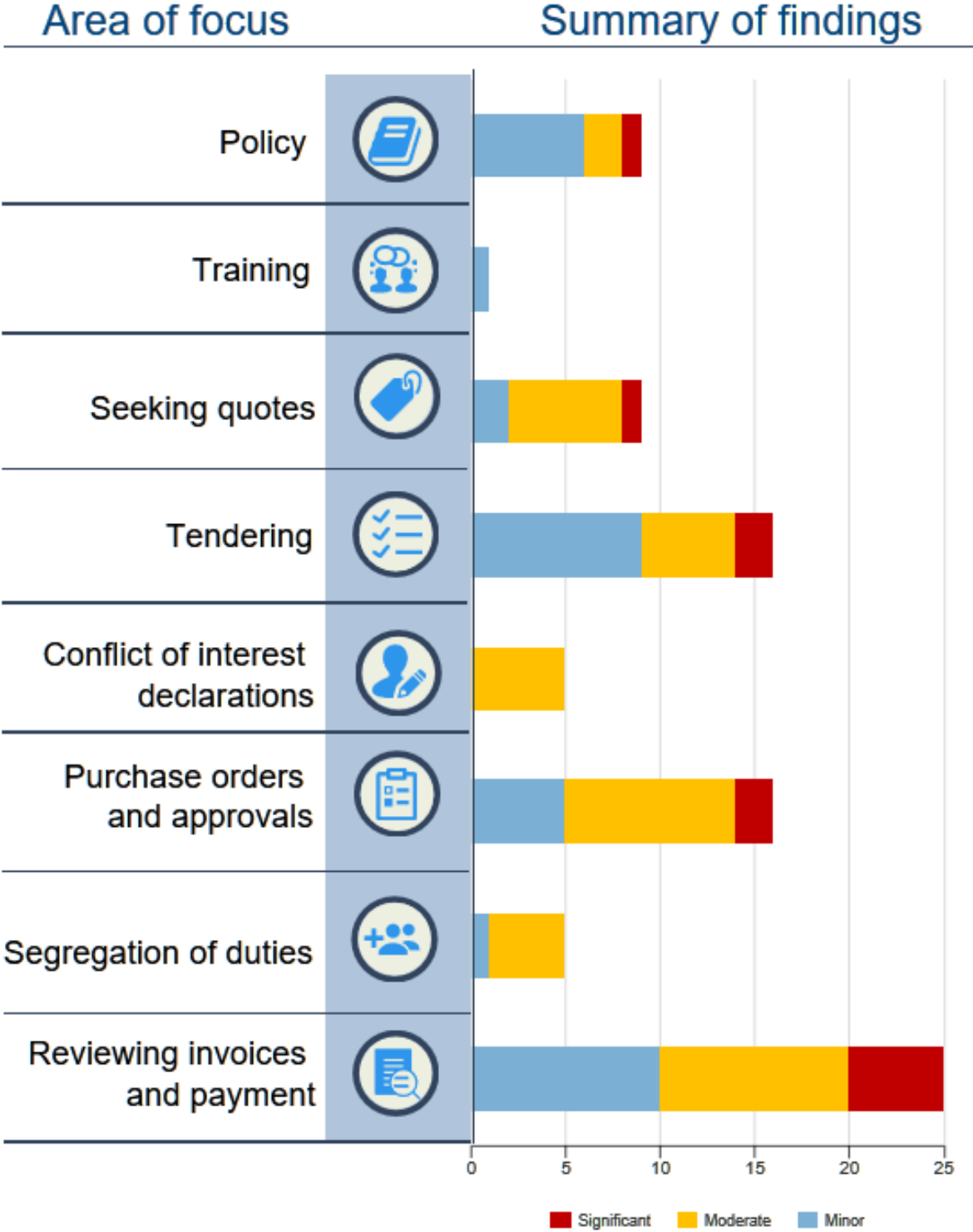
Local governments varied in how well they complied with legislation and their own procurement policies. While local government's policies broadly met regulatory requirements, they need to do more to monitor procurement controls and the effectiveness of processes. We saw no notable difference in the effectiveness of controls between the regional and metropolitan, and the small and large local governments we examined.

Having policies and controls that are appropriate, and monitoring their effectiveness is essential if local governments, and the ratepayers that they serve, are to have confidence in local government procurement activities. **Procurement practices that focus solely on minimum compliance with legislation are unlikely to provide local governments with the oversight and control they need to address risks and ensure value for money in their procurement.**

The issues identified in this audit are relatively simple to fix. By addressing them, governance of this important local government function can be strengthened.

Summary

We reported 86 detailed findings across the 8 LGs. This included 11 significant findings across 5 LGs, and 41 moderate and 34 minor across all 8 LGs. Figure 2 shows the findings against all our audit focus areas.

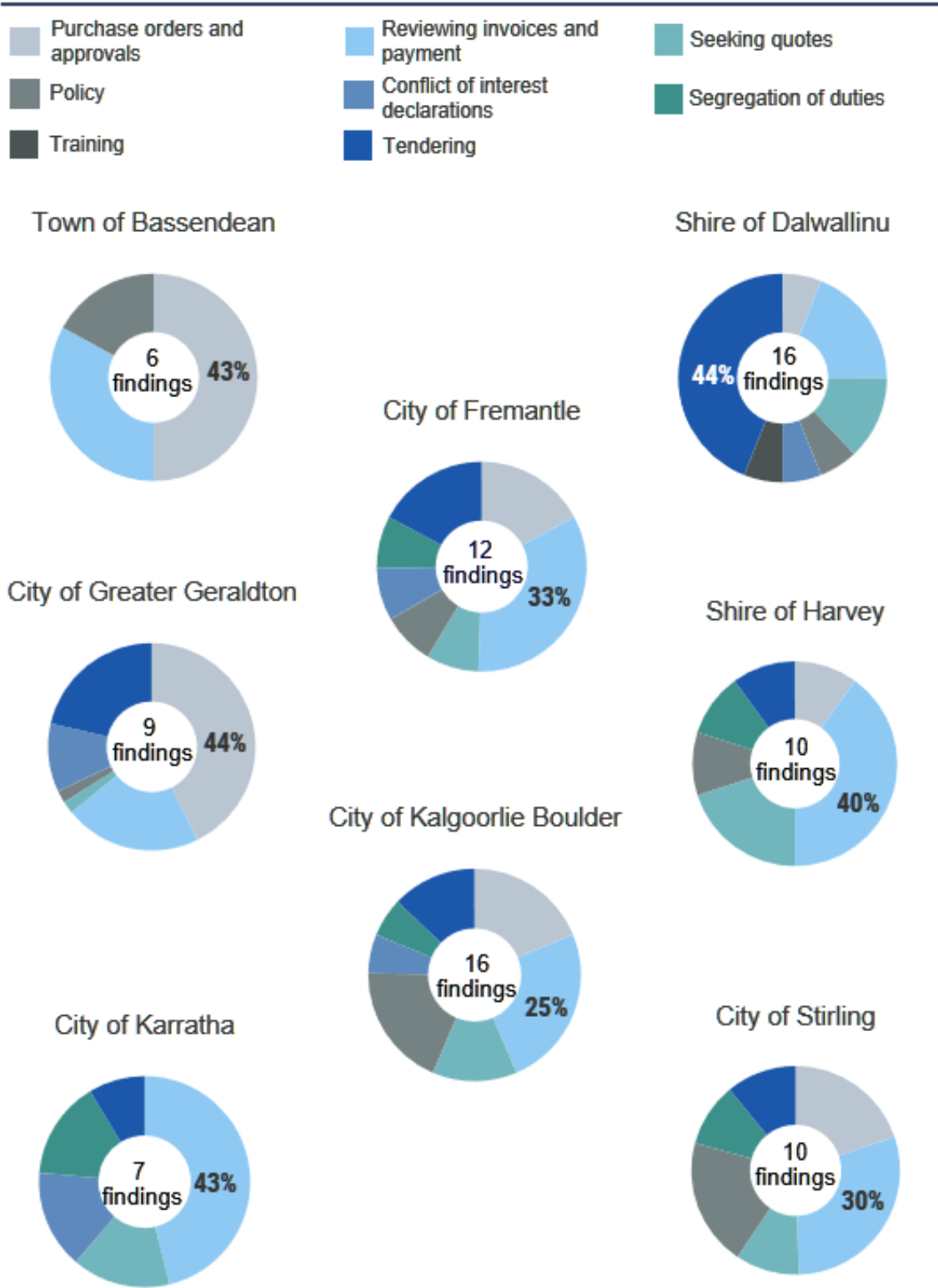


Source: OAG

Figure 2: Summary of key findings

Findings per local government

The issues we identified represent weaknesses in key policy and control principles. Figure 3 shows the breakdown of findings for each of the 8 LGs we reviewed, and shows no specific trends across size or location of the LG.



Source: OAG

Figure 3: Key findings by LG

Recommendations

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*.

Response from local governments

Local governments in our sample generally accepted our recommendations and confirmed that, where relevant, they have either amended their policies, procedures or administrative systems or will improve controls for monitoring and managing procurement activities.

Audit focus and scope

The audit objective was to determine if LGs have effective procurement arrangements in place.

The specific lines of inquiry were:

- Have LGs established policies and procedures for procurement of goods and services?
- Is there effective oversight and control of procurement activities?

We visited and reviewed the following LGs:

- Town of Bassendean
- Shire of Dalwallinu
- City of Fremantle
- City of Greater Geraldton
- Shire of Harvey
- City of Kalgoorlie Boulder
- City of Karratha
- City of Stirling.

We assessed LGs against the policy, training, and sourcing audit focus areas shown in Appendix 1. This audit did not review if procurement decisions attained the best value for money or outcomes for LG communities.

At each LG we selected 20 transactions with a value under \$150,000. For these items we reviewed recordkeeping of procurement activities, segregation of duties, quote processes, decision and approval delegations, LG policy and compliance with the Regulations. We also reviewed LGs use of WALGA's Preferred Suppliers as a procurement route, but did not review the arrangements in place at WALGA.

We reviewed a separate sample of 5 tenders from each LG. We assessed them against the requirements in the Regulations, including where and how long they were advertised, how submissions were recorded, if assessments were completed and recorded and if tenderers were notified of outcomes. We also reviewed how LGs recorded and assessed declarations of interests for tender evaluation panels and where applicable, council agendas, minutes and reports.

This was a narrow scope performance audit, conducted under section 18 of the *Auditor General Act 2006* and in accordance with Australian Assurance Standards ASAE 3500 Performance Engagements. We complied with the independence and other relevant ethical requirements related to assurance engagements. **Performance audits primarily focus on the effective management of agency and LG programs and activities.** The approximate cost of undertaking and tabling of this audit was \$470,000.

Findings

While all LGs had procurement policies and procedures, they are not always effectively and consistently used

All LGs had policies and training in place to support staff in the procurement process.

However, we found examples where LG procurement activity did not comply with their own policies, either because staff did not understand the policy requirements, or the policy did not meet the LG's needs. This included instances where the purchasing method used did not comply with the LG's own policies:

- 5 of the 8 LGs had instances of staff not seeking and recording quotes in line with their own policies
- 2 LGs had purchases that should have gone to tender, but did not.

LGs do not always purchase in line with their own policies

We found 23 purchases across 5 LGs, one of which had 8 instances where staff did not obtain quotes or failed to record them in accordance with their policies. Seeking and recording quotes promotes open and effective purchasing. When LGs do not comply with their own policies it reduces the likelihood they will get value for money and increases the potential for misappropriation of funds.

We also identified 2 purchases at 2 LGs that should have gone to tender, but did not. One LG sought quotes for the purchase from a number of suppliers, but did not tender. The other accepted a quote from a single supplier. Neither process met the tender, or exemption requirements under the Regulations. Tendering for high value purchases supports LGs in understanding the market and encourages open and effective competition for suppliers.

All LGs had procurement policies but there is opportunity to improve

All 8 LGs we reviewed had purchasing policies. At the time of our audit, 1 LG had a high level policy which did not meet the requirements of the Regulations. The LG has since updated its policy to meet requirements.

LGs should review their policies to ensure things like purchasing thresholds and quote requirements reflect current needs. In doing this LGs demonstrate they meet regulatory requirements and their policies are fit for their purpose. The issues identified above, around non-compliance with policy, also highlight an opportunity for LGs to review the appropriateness of their policies. Non-compliance can indicate a lack of understanding by staff, or that policies no longer meet the needs of the LG.

LGs provided staff with procurement training

All 8 LGs provided procurement training to staff. Three LGs delivered procurement training programs that included both induction and set refresher sessions. We found the training content to be sound as it not only covered policy and legislative requirements, process and procedures, but also provided essential context around procurement compliance and probity.

The other 5 LGs provided training at induction, through on-the-job activities or as a result of policy updates. We found this training covered policy requirements, but provided less context around procurement risks and individual accountability. These LGs also lacked a clear approach to providing refresher training.

The Corruption and Crime Commission's 2015 *Report on Misconduct Risk in Local Government Procurement*² (CCC report) identified inadequate training as one of the risks common to procurement related misconduct in LGs. Structured training and regular refresher training helps LGs manage this risk and reduce the number of instances of non-compliance with LG policies.

LGs need better procurement oversight and controls

We found weaknesses in key controls around approvals, segregation of duties, and checking of invoices at the 8 LGs. This exposes LGs to unnecessary procurement risks, such as improper use of funds or paying for goods and services not received.

Controls over raising and approving purchase orders could be improved

We saw a range of control weaknesses over purchase orders across all LGs, these included:

- **5 purchase orders across 4 LGs that were approved by staff without the appropriate authority to do so.** All LGs maintained lists of the role, position and dollar value limits of staff that are authorised to approve purchase orders. However, these approval limits were not always complied with, which increases the risk that goods or services are procured by someone without the proper experience or authority to determine the best value purchase for the LG.
- **13 instances across 5 LGs where purchase orders were raised after invoices were received.** Purchase orders act as an internal approval and control mechanism to proceed with a purchase. These controls are ineffective if purchase orders are raised after goods and services have been received. It is not possible for the LG to determine who approved the initial request for the goods or services, and if they had the proper authority to do so.
- We found a small number of purchase orders at 3 LGs that were raised for \$0 or for a nominal value (e.g. \$0.91) that did not reflect the expected spend. This was despite there being a known budget, quote or existing contracts for many of these items. **Purchase orders should be raised for the full, expected amount prior to the purchase being made and approved by someone with appropriate delegation. This increases the likelihood that expenditure will be capped or monitored.**

LGs should strengthen processes for checking goods and services when receiving them

We identified 36 invoices across 8 LGs that could not be verified against purchase orders, quotes or contracts. The invoices contained insufficient detail to reconcile them against agreed contract milestones and price schedules, but had still been approved for payment by the LG. The invoices included instances of LGs being overcharged and undercharged. **Verifying invoices for payment is an important control to ensure that LGs have received the expected goods and services and that they have been correctly charged.**

It is important that even small variances are checked as these are more likely to go undetected for long periods of time. **The CCC Report identified supervisors not checking payment processes and work actually done on contracts as common risks to procurement related misconduct.**

Sound practice is to ensure that there is evidence to support all transactions and that a clear audit trail exists. This includes documentation for contract payments, any variations, and reviewing supplier invoices for accuracy.

² Corruption and Crime Commission. 2015. *Report on Misconduct Risk in Local Government Procurement*.

LGs had weaknesses in their segregation of duties

Five of 8 LGs had not effectively segregated key steps in the procurement process or had insufficient records to show controls had been followed. For example:

- In 9 of the 20 purchases we reviewed at 1 LG, the same person had approved purchase orders, checked that goods and services had been received, and approved invoices to progress for payment. The 9 purchases totalled less than \$150,000.

Four LGs captured insufficient information for us to independently verify who was receiving goods and services and approving invoices to progress to payment. Without clear records the risk of inappropriate payments is increased and the effectiveness of monitoring controls is reduced.

Stronger controls would include, where possible, the implementation of automated systems that require segregation across the different procurement functions.

Segregation of duties is a key internal control which assumes the risk of two or more people making the same error or colluding to defraud is less than an individual acting alone³. **The CCC Report identified failure to separate duties as a risk common to procurement related misconduct.** The report cited the example of one person being able to be involved in various stages of organising contracts and authorising payments. Segregating duties is one key way LGs can reduce this risk.

In smaller LGs, where resources are limited and full segregation is more difficult, the increased involvement of other senior staff in checking purchases and controls can mitigate this risk.

While we identified weaknesses in individual segregations, we did not identify any purchases where one person was the sole approver for all steps in the process, including payment.

Procurement decisions and conflict of interest considerations need to be better documented

To ensure accountable and transparent procurement activities LGs need to document key processes. This includes justifying the use of sole supplier exemptions, tendering decisions and potential conflicts of interests.

Exemptions from seeking quotes are regularly used, but are poorly documented and not always justified

All 8 LGs claimed exemptions from procurement policies for purchases we reviewed. **Exemptions can improve efficiency in procurement activities, but need to be properly managed and sufficiently justified. They should not be used to avoid testing the market.** Of the 8 LGs:

- 5 LGs did not have sufficient records to support sole supplier exemptions, 3 LGs did.
- 1 LG used the sole supplier provisions 5 times for purchases totalling nearly \$150,000 but did not keep records to support these exemptions in line with its own policy. In 1 instance, when we requested support for the use of the sole supplier provision the LG advised that the supplier was an authorised distributor of a product, not that they were a sole supplier.

There are opportunities for LGs to be more transparent and efficient around when exemptions can be applied. For example, 1 LG achieved this by including a list of purchase types that were exempt from policy requirements (e.g. legal fees, utilities). Ideally this list

³ Western Australian Local Government Accounting Manual, Section 7 – Internal Control Framework, p 27.

would be approved by Council. Reporting higher value exemptions to Council, or a committee of Council (such as the Audit Committee) would also improve transparency and accountability. One LG already included this reporting mechanism in its policy.

Recording of tender processes and conflict of interests could be improved

Under the Regulations tenders have a number of specific requirements. We found 7 LGs could improve the information they captured on tender processes, for example:

- proof of when and where tenders have been advertised
- individual tender panel assessments
- sufficient detail in individual panel member workbooks to support awarding of scores.

Complete records provide transparency that tenders are handled and assessed in line with regulatory requirements and the LG's policy. All LGs are required to maintain a Tenders Register and make it available for public inspection. **All LGs maintained a public register but only 1 had the information available on its website. Making the register available online can reduce barriers to how the public accesses the information and increase confidence in tender processes.**

We found 1 LG did not have a clear record to support why Council did not accept the tender evaluation panel's recommendation. **Evaluation panels only make a recommendation to Council, who are not obliged to accept the recommendation. However, keeping a record of Council's reasons for not following a tender panel's recommendation supports the principle of transparent and accountable decision making and the requirement to keep proper records of the affairs of the LG.**

We also identified weaknesses in how 5 LGs recorded declarations of interest for tender evaluation panel members. **Declaring an interest doesn't automatically exclude someone from taking part in the evaluation process. However, there should be a clear record that a declaration has been made and signed, reviewed by someone with appropriate authority, and assessed as to whether it results in an actual, potential or perceived conflict of interest.** The decision made on how to remove or manage the conflict should be clearly recorded. Weaknesses we identified are shown in Figure 4.

Declarations of interest and management of conflicts – Tender panels

Four of the 8 LGs we reviewed had weak processes:

- 2 LGs required panel member declarations of interest, but for some samples none were recorded and for other samples some panel member declarations were retained, but others were missing
- 1 LG had instances of incomplete and unsigned panel member declarations
- 1 LG had 3 instances where panel members had declared interests and they were appropriately recorded. However, it was not clear how the interests were addressed. In all but 1 instance the panel member remained on the evaluation panel.

One LG only required panel members to complete a declaration if a conflict existed. Providing positive assurance by requiring declarations from all panel members is a sound approach that encourages all staff to engage with the process and consider if any real or perceived conflicts of interest exist.

Figure 4: Weaknesses in the management of conflict of interest declarations

Appendix 1: Audit focus areas

The following table shows our audit focus areas. They cover a number of sound procurement practices and controls, and are not intended as an exhaustive list.

Procurement Framework	Focus Area	What we expected to see:
Policy	<i>Policy</i>	<ul style="list-style-type: none"> 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
Training	<i>Training</i>	<ul style="list-style-type: none"> 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
Sourcing	<i>Seeking quotes</i>	<ul style="list-style-type: none"> 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
	<i>Tendering</i>	<ul style="list-style-type: none"> 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
	<i>Conflict of interest</i>	<ul style="list-style-type: none"> 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
	<i>Purchase orders and approvals</i>	<ul style="list-style-type: none"> 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
	<i>Segregation of duties</i>	<ul style="list-style-type: none"> appropriate segregation of duties across the procurement process
	<i>Reviewing invoices and payments</i>	<ul style="list-style-type: none"> 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

Auditor General's reports

Report number	2018-19 reports	Date tabled
4	Opinions on Ministerial Notifications	30 August 2018
3	Implementation of the GovNext-ICT Program	30 August 2018
2	Young People Leaving Care	22 August 2018
1	Information Systems Audit Report 2018	21 August 2018
Report number	2018 reports	Date tabled
13	Management of Crown Land Site Contamination	27 June 2018
12	Timely Payment of Suppliers	13 June 2018
11	WA Schools Public Private Partnership Project	13 June 2018
10	Opinions on Ministerial Notifications	24 May 2018
9	Management of the State Art Collection	17 May 2018
8	Management of Salinity	16 May 2018
7	Controls Over Corporate Credit Cards	8 May 2018
6	Audit Results Report – Annual 2017 Financial Audits and Management of Contract Extensions and Variations	8 May 2018
5	Confiscation of the Proceeds of Crime	3 May 2018
4	Opinions on Ministerial Notifications	11 April 2018
3	Opinion on Ministerial Notification	21 March 2018
2	Agency Gift Registers	15 March 2018
1	Opinions on Ministerial Notifications	22 February 2018

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