



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

**AGENDA AND ATTACHMENTS
(Public Document)**

**COUNCIL CHAMBERS, ONSLOW SHIRE COMPLEX,
SECOND AVENUE, ONSLOW**

**17 DECEMBER 2019
10.00 am**

**PUBLIC AGENDA - AUDIT AND RISK MANAGEMENT COMMITTEE
MEETING 17 DECEMBER 2019**

SHIRE OF ASHBURTON

AUDIT AND RISK MANAGEMENT COMMITTEE MEETING

Dear Councillor

Notice is hereby given that an Audit and Risk Committee of the Shire of Ashburton will be held on 17 December 2019 at the Council Chambers, Onslow Shire Complex, Second Avenue Onslow, commencing at 10.00 am.

The business to be transacted is shown in the Agenda.



Mr Steven Deckert
Acting 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.

**PUBLIC AGENDA - AUDIT AND RISK MANAGEMENT COMMITTEE
MEETING 17 DECEMBER 2019**

1.	DECLARATION OF OPENING	4
1.1	ACKNOWLEDGEMENT OF COUNTRY	4
2.	ATTENDANCE	4
2.1	PRESENT	4
2.2	APOLOGIES	4
2.3	APPROVED LEAVE OF ABSENCE	4
3.	ANNOUNCEMENT OF VISITORS	4
4.	DECLARATION BY MEMBERS	4
4.1	DUE CONSIDERATION BY COUNCILLORS TO THE AGENDA	5
4.2	DECLARATIONS OF INTEREST	5
5.	CONFIRMATION OF MINUTES OF PREVIOUS MEETING	6
5.1	AUDIT AND RISK COMMITTEE MEETING HELD ON 18 JUNE 2019	6
6.	TERMS OF REFERENCE.....	6
7.	AGENDA ITEMS.....	8
7.1	REVIEW OF 2018-19 INDEPENDENT AUDIT REPORT AND MANAGEMENT REPORTS.....	8
7.2	FRAUD AND CORRUPTION CONTROL PLAN.....	11
8.	CONFIDENTIAL MATTERS	14
8.1	CONFIDENTIAL ITEM - UPDATE ON WITTENOOM LITIGATION, WITTENOOM STEERING COMMITTEE, SENIOR COUNSEL LEGAL ADVICE AND ROEBOURNE - WITTENOOM ROAD	15
9.	NEXT MEETING	16
10.	CLOSURE OF MEETING	16

**PUBLIC AGENDA - AUDIT AND RISK MANAGEMENT COMMITTEE
MEETING 17 DECEMBER 2019**

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, present and emerging.

2. ATTENDANCE

2.1 PRESENT

Members:	Cr P Foster Cr K White Cr M Lynch Cr D Diver Cr L Rumble Cr M Gallanagh Cr R de Pledge Cr J Richardson	Tom Price Ward (Presiding Member) Onslow Ward Tom Price Ward Tom Price Ward Paraburdoo Ward Pannawonica Ward Ashburton Ward Tablelands Ward
Staff:	Mr S Deckert Mr. J Bingham Mr B Cameron Mr A McColl Mrs J Fell Mr G Garside Mrs. M Lewis Mrs K Cameron	Acting Chief Executive Officer Director Corporate Services Director Property and Development Services Director Infrastructure Manager Land and Asset Compliance Manager Finance and Administration Council Liaison Officer Governance Officer
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

Mrs S Johnston Acting Director Property and Development Services

2.3 APPROVED LEAVE OF ABSENCE

Cr D Dias Paraburdoo Ward

3. ANNOUNCEMENT OF VISITORS

4. DECLARATION BY MEMBERS

**PUBLIC AGENDA - AUDIT AND RISK MANAGEMENT COMMITTEE
MEETING 17 DECEMBER 2019**

4.1 DUE CONSIDERATION BY COUNCILLORS TO THE AGENDA

All Councillors are requested to give 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
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

**PUBLIC AGENDA - AUDIT AND RISK MANAGEMENT COMMITTEE
MEETING 17 DECEMBER 2019**

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.

Declarations of Interest provided:

Item Number/ Name	Type of Interest	Nature/Extent of Interest
There are no Declarations of Interest for this meeting.		

5. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

5.1 AUDIT AND RISK COMMITTEE MEETING HELD ON 18 JUNE 2019

Officers Recommendation

That the Unconfirmed Minutes of the Audit and Risk Committee Meeting held on 18 September 2019 (**ATTACHMENT 5.1**) be confirmed as a true and accurate record.

6. TERMS OF REFERENCE

Audit Committee

Purpose

The Audit Committee's role in accordance with Regulation 15 of the *Local Government (Audit) Regulations 1995* is to provide assistance and guidance to Council on the discharge of its duties under Part 6 and 7 of the *Local Government Act 1995 (the Act)*. The Audit Committee assists Council to monitor the integrity of the Shire's financial statements, risk management, internal controls and compliance with legislative requirements.

Responsibilities

The Audit Committee is responsible for:

- 1.1 Guiding and assisting Council in carrying out its functions under:
 - (a) Part 6 of the Act and its functions relating to other audits and other matters related to financial management; and
 - (b) Part 7 of the Act in relating to auditing the Shire's financial accounts.
- 1.2 Reviewing the CEO's report required under regulation 17(3).

**PUBLIC AGENDA - AUDIT AND RISK MANAGEMENT COMMITTEE
MEETING 17 DECEMBER 2019**

- 1.3 Monitoring and advising the CEO when the CEO is carrying out functions in relation to a review under:
 - (a) regulation 17 (1); and
 - (b) the *Local Government (Financial Management) Regulations 1996*, regulation 5(2)(c).
- 1.4 Support the Auditor conducting an audit and carrying out the Auditor's other duties under the Act.
- 1.5 Oversee the implementation of any action that Council
 - (a) is required to take, has stated it has taken or intends to take in respect to matters raised by the audit report;
 - (b) has accepted should be taken on receipt of the CEO's report of a review under regulation 17(1); and
 - (c) has accepted should be taken on receipt of the CEO's report under regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*.
- 1.6 The Audit Committee's duties include;
 - (a) considering the Auditor's interim audit of the Shire's accounting and internal control procedures for the financial year;
 - (b) reviewing the audited financial report for the previous financial year;
 - (c) reviewing the interim and final audit reports for the financial year;
 - (d) reviewing the annual Compliance Audit Return;
 - (e) reviewing the CEO's triennial report on the appropriateness and effectiveness of the Shire's systems and procedures regarding risk management, internal controls and legislative compliance;
 - (f) reviewing the CEO's triennial report on the appropriateness and effectiveness of the Shire's financial management systems and procedures; and
 - (g) considering the proposed timeline for Council to adopt the budget and the ten-year financial plan for the following financial year; and providing a report to council on those matters

**PUBLIC AGENDA - AUDIT AND RISK MANAGEMENT COMMITTEE
MEETING 17 DECEMBER 2019**

7. AGENDA ITEMS

7.1 REVIEW OF 2018-19 INDEPENDENT AUDIT REPORT AND MANAGEMENT REPORTS

FILE REFERENCE:	FM09
AUTHOR'S NAME AND POSITION:	John Bingham Director Corporate Services
AUTHORISING OFFICER AND POSITION:	Steve Deckert Acting Chief Executive Officer
NAME OF APPLICANT/RESPONDENT:	Not Applicable
DATE REPORT WRITTEN:	20 November 2019
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

The Auditors conducted the Annual Financial Audit for 2018/19 during October and November 2019. This report discusses the outcomes of the Audit including the Independent Auditors Report and Management letter.

Background

This year the Office of the Auditor General (OAG) was appointed as Councils auditor in accordance with the provisions of the *Local Government Amendment (Auditing) Act 2017*. Further to this appointment in February 2019 the OAG went to tender and advised RSM Australia would be the Shires external auditors for 2018/19.

RSM completed their fieldwork during a visit to Tom Price in late September. At a de-brief meeting prior to departure the Auditors confirmed there were no compliance issues nor detected any occurrences of fraud in relation to the *Local Government Act 1995* ("the Act") and the *Local Government (Financial Management) Regulations 2011* ("the Financial Regulations").

A list of outstanding information required by the Auditors plus completion of work papers by Finance Officers was finalised in December resulting in the Financial Report for the year ended 30 June 2019 being completed in the week ending 13 December 2019.

Comment

This year the audit process has been more extensive than prior years and as a result extra time and resources have been put to the task to meet audit requirements. The Finance team are to be acknowledged for their extra efforts and commitment.

As of date of writing please note the following:

PUBLIC AGENDA - AUDIT AND RISK MANAGEMENT COMMITTEE MEETING 17 DECEMBER 2019

On Friday 6 December, Mr. Travis Bate (Principal at RSM Auditors) confirmed the Shire's audit file was scheduled for review with Mr. David Wall (Partner at RSM) on Wednesday 11 December. After this the file is to be sent to the Office of Auditor General on Thursday 12 December for another review.

The Shire will then be issued with the following documents for our Audit Exit Meeting on Friday 13 December:

1. Exit Meeting Report
2. Audit Closing Report
3. Annexure A – Final Audit Management Letter points.

Please note it is these documents will be provided under separate cover and will form the basis of discussion at the Audit and Risk Committee Meeting on Tuesday 17 December in Onslow.

ATTACHMENT 7.1A (to be provided under separate cover)
ATTACHMENT 7.1B (to be provided under separate cover)

The Annual Financial Report includes a Statement of Financial Position as at 30 June 2019, a Statement of Comprehensive Income, a Statement of Changes in Equity, a Statement of Cash-flows and a Statement of Rate Setting Statement for the year ended 30 June 2019 inclusive of accounting policies and other explanatory notes and statements.

The 2018/19 Annual Financial Statements are presented in **ATTACHMENT 7.1C (to be provided under separate cover)**.

The Audit and Risk Committee will be provided the opportunity to meet and discuss the Audit Report and Management Reports with the Auditor at the meeting.

Consultation

Executive Management Team
Finance Team and Manager
RSM Australia (Auditor)

Statutory Environment

The Shire is required to prepare an Annual Report for each financial year in accordance with Part 5 Division 5 of *the Act*. The Report is to be accepted no later than 31 December by an absolute majority in accordance with section 5.54 of *the Act*. Section 7.12 of the *Act* also applies:

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 his or her 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 is to examine the report of the auditor prepared under section 7.9(1), and any report prepared under section 7.9(3) forwarded to it, and is to —*
 - (a) *determine if any matters raised by the report, or reports, require action to be taken by the local government; and*
 - (b) *ensure that appropriate action is taken in respect of those matters.*

**PUBLIC AGENDA - AUDIT AND RISK MANAGEMENT COMMITTEE
MEETING 17 DECEMBER 2019**

(4) A local government is to —

- (a) prepare a report on any actions under subsection (3) in respect of an audit conducted in respect of a financial year; and*
- (b) forward a copy of that report to the Minister, by the end of the next financial year, or 6 months after the last report prepared under section 7.9 is received by the local government, whichever is the latest in time*

Financial Implications

Outcomes of the Report will influence the current Budget as well as the Long Term Financial Plan.

Strategic Implications

Shire of Ashburton 10 Year Strategic Community Plan 2017-2027 (Desktop Review 2019)

Goal 5 Inspiring Governance
Objective 3 Council leadership

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 "Low" and can be managed by routine procedures, and is unlikely to need specific application of resources.

Policy Implications

There are no known policy implications for this matter.

Voting Requirement

Simple Majority Required

Officers Recommendation

That with respect to the Review of the 2018-19 Independent Audit Report and the Management Reports, that the Audit and Risk Committee note receipt of the Management Report for the year ended 30 June 2019 and recommend Council:

1. Note the presentation by the Auditor to the Committee;
2. Accept the 2018/19 Annual Financial Report **ATTACHMENT 7.1C**;
3. Accept the Independent Auditors Report to the Electors of the Shire of Ashburton for the year ended 30 June 2019 **ATTACHMENT 7.1A**; and
4. Audit Review the Audit Concluding Memorandum **CONFIDENTIAL ATTACHMENT 7.1D**, prior to the Audit and Risk Committee Meeting.

**PUBLIC AGENDA - AUDIT AND RISK MANAGEMENT COMMITTEE
MEETING 17 DECEMBER 2019**

7.2 FRAUD AND CORRUPTION CONTROL PLAN

FILE REFERENCE:	FM09
AUTHOR'S NAME AND POSITION:	John Bingham Director Corporate Services
AUTHORISING OFFICER AND POSITION:	Steve Deckert Acting Chief Executive Officer
NAME OF APPLICANT/RESPONDENT:	Not Applicable
DATE REPORT WRITTEN:	3 December 2019
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

The Shire of Ashburton is required to have a Fraud and Corruption Control Plan according to *section 7.12A of the Local Government Act 1995*. This report recommends Committee acknowledge the Office of Auditor General's findings in relation to controlling the Shires fraud risks and adopts the Fraud and Corruption Control Plan to help further control those risks.

Background

As a result of a high profile investigation into fraud in the public sector by the Western Australian Corruption and Crime Commission (CCC), in particular local government entities, the Office of the Auditor General (OAG) has recommended that in line with better practice, all entities should ensure they implement a coordinated approach to manage their fraud risks.

Comment

In August 2019 the OAG conducted an audit to review the systems that entities had in place to manage fraud risks. The result of the sector wide questionnaire was local governments can do more to prevent fraud.

ATTACHMENT 7.2A

Specifically organisations should:

- a. assess fraud risks across their business;
- b. develop a Fraud and Corruption Control Plan and review it at least once every two years;
- c. develop and implement a periodic fraud awareness training program for all staff;
- d. ensure that all conflicts of interest are recorded, assessed and appropriate management plans are in place;
- e. have policies and procedures in place to verify the identity and integrity of employees and suppliers;
- f. document clear internal processes and systems to report any potential fraud, that include anonymous reporting; and
- g. collect and analyse information received about potential fraud to identify any trends or emerging issues.

The Shire currently controls fraud risks in accordance with the requirements of its legislated responsibilities:

**PUBLIC AGENDA - AUDIT AND RISK MANAGEMENT COMMITTEE
MEETING 17 DECEMBER 2019**

<u>Legislation</u>	Fraud related requirements
Local Government Act 1995	<ul style="list-style-type: none"> • Disqualifies individuals from becoming elected members due to insolvency, criminal convictions, or misapplication of funds • Councillor must believe that a person is suitably qualified for the position of CEO, and CEO's must believe that staff are suitably qualified for their positions • All employees must be selected in accordance with the principles of merit and equity • Mandates a general need for good government and the creation of Code of Conduct. • Council members, the CEO and designated staff members must disclose financial interests • Employees must disclose any interests when they are advising or reporting to council • An audit committee must be form Sets out penalties for improper use of information • Sets out penalties for improper use of information
Local Government(Rules of conduct) Regulations 2007	<ul style="list-style-type: none"> • Requires council to act ethically, be open and accountable • Forbids council members from influencing employees or using their office for personal advantage • Council members must declare any interests in matters being discussed at council or audit committee meetings • Sets out restrictions von gifts and travel contributions to councillors and requirements for records to be kept
Local Government (Financial Management) Regulations 1996	<ul style="list-style-type: none"> • CEO's are to establish efficient systems and procedures for collection and custody of money owing to the entity
Local Government(Audit) Regulations 1996	<ul style="list-style-type: none"> • Describes the function of the audit committee • Regulations 17 requires a CEO to review appropriateness and effectiveness of systems and procedures relating to risk management, internal control and legislative compliance. This is then reported top the audit committee
Local Government (Administration) Regulations 1996	<ul style="list-style-type: none"> • Sets out information on disclosure of financial interests • Provides detailed information on what value of gifts must be reported and which are prohibited • Requires a register of gifts to be publicly accessible • Requires Codes of Conduct to contain information on gifts, travel contributions and disclosure interests

**PUBLIC AGENDA - AUDIT AND RISK MANAGEMENT COMMITTEE
MEETING 17 DECEMBER 2019**

The Shire also conducts external audits which *‘provide reasonable assurance about whether the annual financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.’*

A Fraud and Corruption Control Plan will further assist the Shire commit to the prevention, deterrence, monitoring and investigation of all forms of fraud and corruption.

The Plan is attached for review and recommendation by the Committee to Council.

ATTACHMENT 7.2B

Consultation

Executive Management Team
Office of Auditor General

Statutory Environment

Under section 7.12A of the *Local Government Act 1995*, all audited entities are required to prepare an action plan addressing significant matters relevant to their entity for submission to the Minister for Local Government within three months of the OAG August 2019 report (**ATTACHMENT 7.2A**) being tabled in Parliament and for publication on the entity’s website. This action plan should address the points above in a) to g), to the extent that they are relevant to their entity.

Financial Implications

There are no direct financial implications related to this matter.

Strategic Implications

Shire of Ashburton 10 Year Strategic Community Plan 2017-2027 (Desktop Review 2019)

Goal 5 Inspiring Governance
Objective 1 Effective planning for the future

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 “Low” and can be managed by routine procedures, and is unlikely to need specific application of resources.

Policy Implications

The *Public Interest Disclosure Act 2003* (PID Act) requires Council to establish a written policy and procedure for handling of any protected disclosures.

Voting Requirement

Simple Majority Required

Officers Recommendation

That with respect to the Draft Fraud and Corruption Control Plan, the Audit and Risk Committee recommend Council adopt the plan.

**PUBLIC AGENDA - AUDIT AND RISK MANAGEMENT COMMITTEE
MEETING 17 DECEMBER 2019**

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 (2)(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.**

**PUBLIC AGENDA - AUDIT AND RISK MANAGEMENT COMMITTEE
MEETING 17 DECEMBER 2019**

8.1 CONFIDENTIAL ITEM - UPDATE ON WITTENOOM LITIGATION, WITTENOOM STEERING COMMITTEE, SENIOR COUNSEL LEGAL ADVICE AND ROEBOURNE - WITTENOOM ROAD

FILE REFERENCE:	LS34
AUTHOR'S NAME AND POSITION:	Keith Pearson Special Projects Advisor Janyce Smith Executive Officer
AUTHORISING OFFICER AND POSITION:	Steven Deckert Acting Chief Executive Officer
NAME OF APPLICANT/RESPONDENT:	Not Applicable
DATE REPORT WRITTEN:	4 December 2019
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 631/2019) – Audit and Risk Committee Meeting 18 September 2019 Confidential Agenda 18.2 (Minute No. 687/2019) Ordinary Meeting of Council 22 October 2019

REASON FOR CONFIDENTIALITY

The Acting 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

That with respect to the Confidential Item – Update on Wittenoom Litigation, Wittenoom Steering Committee, Senior Counsel Legal Advice and Roebourne - Wittenoom Road, the Audit and Risk Committee recommend Council:

1. Receive the Confidential Item – Update on Wittenoom Litigation, *Roebourne - Wittenoom Road and Wittenoom Steering Committee Report (CONFIDENTIAL ATTACHMENTS 8.1A, 8.1B AN 8.1C)* and remain confidential in accordance s5.23 (2)(b) & (d) of the *Local Government Act 1995*; and
2. Ensure that the Shire management continue to provide Wittenoom related reports to the Audit and Risk Committee.

**PUBLIC AGENDA - AUDIT AND RISK MANAGEMENT COMMITTEE
MEETING 17 DECEMBER 2019**

9. NEXT MEETING

The next Audit and Risk Committee Meeting will be held on 10 March 2020 at the Council Chambers, Onslow Shire Complex, Onslow at a time to be advised.

10. CLOSURE OF MEETING

The Presiding Member closed the meeting at _____ am.

**PUBLIC MINUTES - AUDIT AND RISK COMMITTEE MEETING
18 SEPTEMBER 2019**



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

**MAYU MAYA CENTRE
PANNAWONICA**

**18 SEPTEMBER 2019
9.30 am**

**PUBLIC MINUTES - AUDIT AND RISK COMMITTEE MEETING
18 SEPTEMBER 2019**

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

The Chief Executive Officer recommends the endorsement of these minutes at the next Ordinary Meeting of Council.

CEO: 

Date: 18.09.2019

These minutes were confirmed by Council as a true and correct record of proceedings of the Audit and Risk Committee Meeting on the 18/09/2019.

Presiding Member: _____

Date: _____

DISCLAIMER

The resolutions contained in the Minutes are subject to confirmation by 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.

**PUBLIC MINUTES - AUDIT AND RISK COMMITTEE MEETING
18 SEPTEMBER 2019**

1.	DECLARATION OF OPENING.....	4
1.1	ACKNOWLEDGEMENT OF COUNTRY	4
2.	ATTENDANCE	4
2.1	PRESENT.....	4
2.2	APOLOGIES.....	4
2.3	APPROVED LEAVE OF ABSENCE	4
3.	ANNOUNCEMENT OF VISITORS.....	4
4.	DECLARATION BY MEMBERS.....	4
4.1	DUE CONSIDERATION BY COUNCILLORS TO THE AGENDA	4
4.2	DECLARATIONS OF INTEREST	5
5.	CONFIRMATION OF MINUTES OF PREVIOUS MEETING	6
5.1	AUDIT AND RISK COMMITTEE MEETING HELD ON 18 JUNE 2019	6
6.	TERMS OF REFERENCE	7
7.	AGENDA ITEMS	8
7.1	AUDITOR GENERAL REPORT, VERIFYING EMPLOYEE IDENTITY AND CREDENTIALS.....	8
7.2	POOL INSPECTION REPORT 2018/19	11
7.3	LOCAL GOVERNMENT INSURANCE SCHEME OCCUPATIONAL HEALTH AND SAFETY AUDIT	13
8.	CONFIDENTIAL MATTERS	16
8.1	CONFIDENTIAL ITEM - UPDATE ON WITTENOOM LITIGATION, WITTENOOM STEERING COMMITTEE, SENIOR COUNSEL LEGAL ADVICE AND ROEBOURNE - WITTENOOM ROAD	17
9.	NEXT MEETING.....	19
10.	CLOSURE OF MEETING	19

PUBLIC MINUTES - AUDIT AND RISK COMMITTEE MEETING 18 SEPTEMBER 2019

1. DECLARATION OF OPENING

The Presiding Member declared the meeting open at 9.30am.

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, present and future.

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 Ms C Bryce Mrs S Johnston Mr M Richardson Mrs J Fell Ms A Del Rio Mrs M Lewis	Chief Executive Officer Director Corporate Services Acting Director Property and Development Services Acting Director Community Services Manager Waste Services Manager Land and Asset Compliance Tourism and Economic Development Specialist Council Liaison Officer
Guests:	Cr L Rumble, Paraburdoo Ward Cr M Gallanagh, Pannawonica Ward Cr D Diver, Tom Price 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

There were no Councillors on approved leave of absence.

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

PUBLIC MINUTES - AUDIT AND RISK COMMITTEE MEETING 18 SEPTEMBER 2019

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.

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.

**PUBLIC MINUTES - AUDIT AND RISK COMMITTEE MEETING
18 SEPTEMBER 2019**

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.

Declarations of Interest provided:

Item Number/ Name	Type of Interest	Nature/Extent of Interest
There were no Declarations of Interest for this meeting.		

5. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

5.1 AUDIT AND RISK COMMITTEE MEETING HELD ON 18 JUNE 2019

Committee Decision	
MOVED: Cr D Dias	SECONDED: Cr M Lynch
That the Unconfirmed Minutes of the Audit and Risk Committee Meeting held on 18 June 2019 (ATTACHMENT 5.1) be confirmed as a true and accurate record.	
<p align="right">CARRIED 4/0</p> <p align="center">Councillors Foster, White, Lynch and Dias voted for the motion</p>	

PUBLIC MINUTES - AUDIT AND RISK COMMITTEE MEETING 18 SEPTEMBER 2019

6. TERMS OF REFERENCE

Audit Committee

Purpose

The Audit Committee's role in accordance with Regulation 15 of the *Local Government (Audit) Regulations 1995* is to provide assistance and guidance to Council on the discharge of its duties under Part 6 and 7 of the *Local Government Act 1995 (the Act)*. The Audit Committee assists Council to monitor the integrity of the Shire's financial statements, risk management, internal controls and compliance with legislative requirements.

Responsibilities

The Audit Committee is responsible for:

- 1.1 Guiding and assisting Council in carrying out its functions under:
 - (a) Part 6 of the Act and its functions relating to other audits and other matters related to financial management; and
 - (b) Part 7 of the Act in relating to auditing the Shire's financial accounts.
- 1.2 Reviewing the CEO's report required under regulation 17(3).
- 1.3 Monitoring and advising the CEO when the CEO is carrying out functions in relation to a review under:
 - (a) regulation 17 (1); and
 - (b) the *Local Government (Financial Management) Regulations 1996*, regulation 5(2)(c).
- 1.4 Support the Auditor conducting an audit and carrying out the Auditor's other duties under the Act.
- 1.5 Oversee the implementation of any action that Council
 - (a) is required to take, has stated it has taken or intends to take in respect to matters raised by the audit report;
 - (b) has accepted should be taken on receipt of the CEO's report of a review under regulation 17(1); and
 - (c) has accepted should be taken on receipt of the CEO's report under regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*.
- 1.6 The Audit Committee's duties include;
 - (a) considering the Auditor's interim audit of the Shire's accounting and internal control procedures for the financial year;
 - (b) reviewing the audited financial report for the previous financial year;
 - (c) reviewing the interim and final audit reports for the financial year;
 - (d) reviewing the annual Compliance Audit Return;
 - (e) reviewing the CEO's triennial report on the appropriateness and effectiveness of the Shire's systems and procedures regarding risk management, internal controls and legislative compliance;
 - (f) reviewing the CEO's triennial report on the appropriateness and effectiveness of the Shire's financial management systems and procedures; and
 - (g) considering the proposed timeline for Council to adopt the budget and the ten-year financial plan for the following financial year; and providing a report to council on those matters

**PUBLIC MINUTES - AUDIT AND RISK COMMITTEE MEETING
18 SEPTEMBER 2019**

7. AGENDA ITEMS

7.1 AUDITOR GENERAL REPORT, VERIFYING EMPLOYEE IDENTITY AND CREDENTIALS

MINUTE: 628/2019

FILE REFERENCE:	PE01.01
AUTHOR'S NAME AND POSITION:	Carla Loney Manager Human Resources
AUTHORISING OFFICER AND POSITION:	Rob Paull Chief Executive Officer
NAME OF APPLICANT/RESPONDENT:	Not Applicable
DATE REPORT WRITTEN:	27 August 2019
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

The Auditor General has conducted an audit on a number of Local Governments and found they need to improve controls for verifying the identity and credentials of new employees and monitoring the status of existing employees.

Background

In June 2019, the Auditor General released a report regarding [‘Verifying Employee Identity and Credentials’](#).

ATTACHMENT 7.1

This related to a number of performance audits of local governments, which were found to be deficient in their policies, procedures and practices of verifying the credentials of new and existing employees: Areas highlighted by the Auditor General included:

- Checking of identity
- Verifying the right to work in Australia
- Referee checks
- Criminal background checks (including ongoing checks during employment)

The Auditor General has proposed the following recommendations, in relation to this matter.

PUBLIC MINUTES - AUDIT AND RISK COMMITTEE MEETING 18 SEPTEMBER 2019

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 licence 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 licences, certificates or working with children checks so that they can be followed up with the employee close to expiry date
7. Perform periodic criminal background checks for positions which require it
8. Under section 7.12A of the *Local Government Act 1995*, all sampled entities are required.

Comment

In relation the recommendations the Shire currently has in place policies, procedures and practices in place for the matters listed, with the exception of ongoing checks for current employees. The Shire is currently reviewing EMP27 Recruitment and Selection Directive and will address all matters raised by the Auditor General to ensure compliance. The Shire is also developing a Directive in relation to contractor management, which will also contain these provisions, specifically in relation to labour hire arrangements.

Consultation

Executive Management Team
Manager Governance

Statutory Environment

Fair Work Act 2009 (Cth)
Local Government Act 1995 (WA)

Financial Implications

The implementation of the recommendations of the Auditor General can be covered by the current operating budget for the Human Resources Department, as most checks are currently being undertaken already.

PUBLIC MINUTES - AUDIT AND RISK COMMITTEE MEETING 18 SEPTEMBER 2019

Strategic Implications

Shire of Ashburton 10 Year Community Strategic Plan 2017-2027 (Desktop Review 2019)

Goal 05 Inspiring Governance
Objective 4 Exemplary Team and 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 '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 and Manager Governance along with the individual responsible owners of each linked project.

Policy Implications

There are no known policy implications for this matter.

Voting Requirement

Simple Majority Required

Officers Recommendation and Committee Decision

MOVED: Cr M Lynch

SECONDED: Cr D Dias

That with respect to the Auditor General Report, Verifying Employee Identity and Credentials, the Audit and Risk Committee recommend Council:

- 1. Note the matters addressed in the Report.**

CARRIED 4/0

Councillors Foster, White, Lynch and Dias voted for the motion

**PUBLIC MINUTES - AUDIT AND RISK COMMITTEE MEETING
18 SEPTEMBER 2019**

7.2 POOL INSPECTION REPORT 2018/19

MINUTE: 629/2019

FILE REFERENCE:	GR02
AUTHOR'S NAME AND POSITION:	Kathy Cameron Pool Compliance / Governance Officer
AUTHORISING OFFICER AND POSITION:	Rob Paull Chief Executive Officer
NAME OF APPLICANT/RESPONDENT:	Not Applicable
DATE REPORT WRITTEN:	8 August 2019
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

A formal request has been received from the Department of Mines, Industry Regulation and Safety Building and Energy (DMIRS) regarding the Shire of Ashburton's Pool Inspection Report for the 2018/19 year.

Background

As part of an Ombudsman Report, recommendation 7 - *Investigation into ways to prevent or reduce death of children by drowning* (Ombudsman Western Australia 2017).

In accordance with Part 8 Division 2 of the Building Regulations 2012 (the Regulations), all swimming pools within the Shire Town Boundaries must be inspected at least once within a 4 year period.

Comment

An Inspection Program was implemented and conducted between January 2019 and July 2019. The Shire is found to have 532 pools on its register. During this time, a total of 520 pools were inspected. To date there is nil pools overdue for inspection.

Consultation

Executive Management Team

Statutory Environment

Part 8 Division 2 of the Building Regulation 2012 (the Regulations)

Financial Implications

There were no known financial implications for this matter.

PUBLIC MINUTES - AUDIT AND RISK COMMITTEE MEETING 18 SEPTEMBER 2019

Strategic Implications

Shire of Ashburton 10 Year Community Strategic Plan 2017-2027 (Desktop Review 2019)

Goal 04 Quality Services and Infrastructure
Objective 2 Accessible and safe towns

Goal 04 Quality Services and Infrastructure
Objective 3 Well planned towns

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 "High." As a high risk matter, the Chief Executive Officer is monitoring progress.

Policy Implications

There are no known policy implications for this matter.

Voting Requirement

Simple Majority Required

Officers Recommendation and Committee Decision

MOVED: Cr M Lynch

SECONDED: Cr D Dias

That with respect to the Pool Inspection Report 2018/19, the Audit and Risk Committee recommend Council:

- 1. Note that the Shire undertook a Pool Inspection Program between January 2019 and July 2019 whereby:**
 - **The Shire has 532 pools on its register; and**
 - **520 pools were inspected during the Inspection program with nil pools overdue for inspection.**

CARRIED 4/0

Councillors Foster, White, Lynch and Dias voted for the motion

**PUBLIC MINUTES - AUDIT AND RISK COMMITTEE MEETING
18 SEPTEMBER 2019**

**7.3 LOCAL GOVERNMENT INSURANCE SCHEME OCCUPATIONAL
HEALTH AND SAFETY AUDIT**

MINUTE: 630/2019

FILE REFERENCE:	PE12.01
AUTHOR'S NAME AND POSITION:	Carla Loney Manager Human Resources
AUTHORISING OFFICER AND POSITION:	Rob Paull Chief Executive Officer
NAME OF APPLICANT/RESPONDENT:	Not Applicable
DATE REPORT WRITTEN:	27 August 2019
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

The Shire's insurers, Local Government Insurance Scheme (LGIS) conducted an Occupational Health and Safety (OSH) Systems Audit of the Shire in July 2019.

Background

LGIS last conducted an audit into the Shire's OSH Systems and Processes in 2014, with the Shire receiving an overall rating of 44%.

On 1 July 2019, the Shire was subject to a week-long audit by Mr Mide Babalola, Senior OSH Consultant from LGIS. The Shire achieved an overall rating of 61%, with a breakdown of areas assessed, as follows:

- Management commitment 81%
- Planning 42%
- Consultation and Reporting 57%
- Hazard Management 46%
- Training and Supervision 79%

Comment

The OSH Audit focused on verification activity at the Shire in areas of health and safety.

CONFIDENTIAL ATTACHMENT 7.3

The Shire was represented by Mr Gary Maynard, Health & Safety Coordinator and Mr Riaan Richards, Health & Safety Advisor for the duration of the assessment. The assessment was undertaken from the 1 to 5 July 2019, with the following sites visited and reviewed:

PUBLIC MINUTES - AUDIT AND RISK COMMITTEE MEETING 18 SEPTEMBER 2019

Onslow

Administration Building
Works Depot
Multi-Purpose Centre
Waste Transfer Station

Paraburdoo

Waste Transfer Station
Works Depot
Library

Tom Price

Waste Transfer Station
Works Depot
Library
Visitor Centre

The LGIS OSH Audit results of 61% reflect the Shire's compliance with its obligations under the *Occupational Health and Safety Act 1984 (WA)* and *Occupational Health and Safety Regulations 1996 (WA)*. The Shire is of the view that while the report is accurate in its depiction of the Shire's level of compliance, the majority of the issues outlined in the report in terms of findings had in most part been identified prior to the scheduled audit. The Shire has, in most cases, developed draft documents such as Directives and/or procedures which as the time of the Audit, were already written and under review, which address the findings.

The Shire has also developed an LGIS Audit Action Plan to address the noted areas for rectification and improvement, with the relevant responsible officers being identified and notified. The Action Plan is being implemented and is expected to be concluded in the near future.

Consultation

Executive Management Team
Manager Governance

Statutory Environment

Occupational Health and Safety Act 1984 (WA)

Financial Implications

There are no known financial implications for this matter.

Strategic Implications

Shire of Ashburton 10 Year Community Strategic Plan 2017-2027 (Desktop Review 2019)

Goal 05 Inspiring Governance
Objective 4 Exemplary team and 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 'Moderate' risk that will be managed by policy, procedures and monitoring by Governance and the CEO.

**PUBLIC MINUTES - AUDIT AND RISK COMMITTEE MEETING
18 SEPTEMBER 2019**

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

There are no known policy implications for this matter

Voting Requirement

Simple Majority Required

Officers Recommendation and Committee Decision

MOVED: Cr M Lynch

SECONDED: Cr D Dias

That with respect to the Local Government Insurance Scheme Occupational Health and Safety Audit, the Audit and Risk Committee recommend Council:

- 1. Receive the Confidential Item – Local Government Insurance Scheme Occupational Health and Safety Audit (CONFIDENTIAL ATTACHMENT 7.3) and remain confidential in accordance s5.23 (2)(b) & (d) of the Local Government Act 1995; and**
- 2. Note the matters addressed in the Report.**

CARRIED 4/0

Councillors Foster, White, Lynch and Dias voted for the motion

**PUBLIC MINUTES - AUDIT AND RISK COMMITTEE MEETING
18 SEPTEMBER 2019**

8. CONFIDENTIAL MATTERS

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

- 1. 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.**

Committee Decision

MOVED: Cr K White

SECONDED: Cr M Lynch

That Council close the meeting to the public at 9.49 am pursuant to sub section 5.23 (2) (a) and (b) of the Local Government Act 1995.

CARRIED 4/0

Councillors Foster, White, Lynch and Dias voted for the motion

**PUBLIC MINUTES - AUDIT AND RISK COMMITTEE MEETING
18 SEPTEMBER 2019**

8.1 CONFIDENTIAL ITEM - UPDATE ON WITTENOOM LITIGATION, WITTENOOM STEERING COMMITTEE, SENIOR COUNSEL LEGAL ADVICE AND ROEBOURNE - WITTENOOM ROAD

MINUTE: 631/2019

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 2019

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

PREVIOUS MEETING REFERENCE: Confidential Agenda Item 8.1 (Minute No 578/2019) – Audit and Risk Committee Meeting 18 June 2019

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 M Lynch

SECONDED: Cr D Dias

That with respect to the Confidential Item – Update on Wittenoom Litigation, Wittenoom Steering Committee, Senior Counsel Legal Advice and Roebourne - Wittenoom Road, the Audit and Risk Committee recommend Council:

1. Receive the Confidential Item – Update on Wittenoom Litigation, Roebourne - Wittenoom Road and Wittenoom Steering Committee Report (CONFIDENTIAL ATTACHMENT 8.1) and remain confidential in accordance s5.23 (2)(b) & (d) of the *Local Government Act 1995*; and

**PUBLIC MINUTES - AUDIT AND RISK COMMITTEE MEETING
18 SEPTEMBER 2019**

- 2. Ensure that the Shire management continue to provide Wittenoom related reports to the Audit and Risk Committee.**

CARRIED 4/0

Councillors Foster, White, Lynch and Dias voted for the motion

Committee Decision

MOVED: Cr M Lynch

SECONDED: Cr K White

That Council re-open the meeting to the public at 10.04 am pursuant to sub section 5.23 (2) (a) and (b) of the *Local Government Act 1995*.

CARRIED 4/0

Councillors Foster, White, Lynch and Dias voted for the motion

**PUBLIC MINUTES - AUDIT AND RISK COMMITTEE MEETING
18 SEPTEMBER 2019**

9. NEXT MEETING

The next Audit and Risk Committee Meeting will be held on 17 December 2019 at the Council Chambers, Onslow Shire Complex, Onslow at a time to be advised.

10. CLOSURE OF MEETING

The Presiding Member closed the meeting at 10.05 am.

UNCONFIRMED MINUTES

Western Australian Auditor General's Report



Fraud Prevention in Local Government

**Office of the Auditor General
Western Australia**

Audit team:

Aloha Morrissey
Gareth Govan
Adam Dias

National Relay Service TTY: 13 36 77
(to assist people with hearing and voice impairment)

We can deliver this report in an alternative format for
those with visual impairment.

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The Office of the Auditor General acknowledges the traditional custodians throughout Western Australia and their continuing connection to the land, waters and community. We pay our respects to all members of the Aboriginal communities and their cultures, and to Elders both past and present.

WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

Fraud Prevention in Local Government

Report 5
August 2019



**THE PRESIDENT
LEGISLATIVE COUNCIL**

**THE SPEAKER
LEGISLATIVE ASSEMBLY**

FRAUD PREVENTION IN LOCAL GOVERNMENT

This report has been prepared for submission to 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 entity compliance with legislation, public sector policies and accepted good practice.

The audit objective was to assess whether local government entities have taken appropriate steps to prevent fraud.

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

A handwritten signature in black ink, appearing to read 'C Spencer'.

CAROLINE SPENCER
AUDITOR GENERAL
15 August 2019

Contents

Auditor General's overview.....	4
Executive summary	5
Introduction	5
Conclusion	5
Background.....	6
Recommendations	7
Response from audited local government entities	8
Audit findings	9
Entities have not implemented a coordinated approach to manage their fraud risks.....	9
Entities could make themselves more fraud resistant if they strengthen their controls.	10
Better reporting avenues would help entities detect and respond to fraud	11
Audit focus and scope	14
Appendix 1: Summary of legislated responsibilities.....	15
Appendix 2: Better practice principles	17
Appendix 3: Summary of local government fraud questionnaire results	19
Appendix 4: Full responses from audited entities	20

Auditor General's overview

All organisations, public and private, face the risk of fraud. This will remain the case wherever people and scarce resources interact. Fraud, or even the perception of fraud, can have a serious impact on an organisation's reputation and resources. It can stem from inside or outside the organisation and by its nature is deceitful, dishonest, and often hard to detect. Numerous Corruption and Crime Commission investigations highlight the risks organisations face.



However, there are practical steps organisations can take to reduce fraud risks and build their fraud resistance. These include creation of a strong ethical culture that sets the standard of behaviour for all staff, raising staff awareness of the risks, and implementing good practice controls to manage them.

This audit found that many local governments have not assessed their fraud risks, and do not have comprehensive fraud management plans and programs. Most could do more to educate their staff on integrity policies and controls to reinforce anti-fraud messages and consider fraud risks in their daily duties. Local governments also need to make sure they have clear and easy processes for people to report any fraud concerns.

It was pleasing to find that all the local governments we reviewed had some fraud controls in place and the staff my audit team dealt with during the audit were diligent. But, high staff turnover and work load makes implementing good fraud controls even more of a priority.

I would like to acknowledge the willingness of the entire sector to engage with our questionnaire. Nearly 80% of local governments responded, providing valuable information about fraud approaches across the local government sector.

I encourage all entities to use the principles highlighted in Appendix 2 to build on their existing structures and practices, in a way that best suits their needs.

Executive summary

Introduction

Recent high profile investigations into fraud in the public sector by the Corruption and Crime Commission (CCC) in Western Australia (WA) have featured a number of local government entities (entities).

There are 148 entities in WA. In 2017-18, the sector spent more than \$4 billion, employed around 17,000 staff, and administered \$45 billion of assets. Fraud in this sector could result in substantial material and reputational losses, and this level of risk calls for entities to implement strong controls and better practice approaches to reduce the threat of fraud.

This audit reviewed whether entities have taken appropriate steps to prevent fraud, through the following lines of inquiry:

1. Have entities implemented a coordinated approach to manage fraud risks?
2. Do entities have adequate controls for preventing and detecting fraud?
3. Do entities respond appropriately to suspected fraud?

The purpose of this audit was to review the systems that entities had in place. We did not seek to identify any specific instances of fraud.

The audit included a sector wide questionnaire on entity approaches to managing fraud risks (see Appendix 3 for a summary of results). We conducted a more detailed review at the:

- Shire of East Pilbara
- Shire of Katanning
- City of Nedlands
- Shire of Serpentine-Jarrahdale
- City of Vincent.

Our sample focussed on entities that had not been part of recent audits, and included entities of varying size, from both metropolitan and regional areas.

Conclusion

Local government entities can do more to prevent fraud. We found entities do have some controls in place, but would benefit from better understanding their specific fraud risks and taking a coordinated approach to managing them.

Our questionnaire found many entities have not assessed their fraud risks, or created a plan to deal with fraud. The responses highlighted gaps in prevention and detection approaches. Many entities can do more to raise staff awareness of fraud, improve their screening processes, and strengthen protections for informants.

Our detailed review of 5 entities confirmed these results. We found they had core integrity policies in place, but none had assessed all their fraud risks, and implemented a coordinated approach to manage them. All entities could build on their current policies and practices to make workplaces more fraud resistant, and improve their reporting avenues to strengthen their ability to respond to fraud.

Background

Fraud is the act of obtaining a benefit, financial or otherwise, by deception. By its nature it is deceitful and dishonest, and can be very hard to detect particularly if collusion is involved. It is important that public sector entities design and implement strong internal control frameworks to prevent fraud.

Meeting legislated requirements provides entities with some level of fraud control (Appendix 1), particularly around council decision-making processes. Legislation includes requirements for:

- council and advisors to disclose conflicts of interest
- disclosure of financial interests for some staff
- the creation of Codes of Conduct
- handling of gifts
- when tendering is required for procurement activities.

This is the second report that we have tabled on public sector fraud controls. The previous report in 2013 reviewed 9 state government entities against elements taken from the *Australian Standard AS 8001-2008 Fraud and Corruption Control* (the Standard).

The Standard contains better practice guidance for controlling fraud risks. It is informative, flexible, and forms the basis of approaches in state and local government entities across Australia. It recommends entities tailor an approach that suits their needs, based on 4 components:



In developing our expectations for entities, we considered:

- key principles from the Standard
- guidance issued to entities by the Department of Local Government, Sport and Cultural Industries
- reports published by the CCC and the Public Sector Commission (PSC)
- guidance material issued by audit offices in other jurisdictions
- the best practice guide for fraud and corruption control published by the Crime and Corruption Commission in Queensland
- international research.

Recommendations

In line with better practice, all entities should ensure they implement a coordinated approach to manage their fraud risks. Entities should:

1. 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, assessed and appropriate management plans are in place
5. have policies and procedures in place to verify the identity and integrity of employees and suppliers
6. document clear internal processes and systems to report any potential fraud, that include anonymous reporting
7. collect and analyse information received about potential fraud to identify any trends or emerging issues.

Under section 7.12A of the *Local Government Act 1995*, all audited entities are required to prepare an action plan addressing significant matters relevant to their entity for submission to the Minister for Local Government within 3 months of this report being tabled in Parliament and for publication on the entity's website. This action plan should address the points above, to the extent that they are relevant to their entity, as indicated in this report.

Response from audited local government entities

All 5 audited entities supported the audit findings and accepted our recommendations. Appendix 4 includes the full responses from audited entities.

Audit findings

Entities have not implemented a coordinated approach to manage their fraud risks

We found that entities have not developed a good understanding of their fraud risks, or a clear vision of how they will manage them. As a result, entities cannot be sure they have adequate controls in place. These findings are similar to those of our 2013 audit into State government entity fraud controls, which found a lack of risk assessment and planning¹.

Entities have not assessed their business for fraud risks

None of the entities we reviewed had assessed all their fraud risks. We found strategic risk registers included some consideration of external theft and fraud. But, these were incomplete, focussed on external threats, and did not consider all fraud risks. This supports results from our questionnaire, as 25% of respondents told us they had not completed a fraud risk assessment. Completing an assessment would give entities a view of all their risks, and allow them to evaluate their controls.

Twenty-nine of the 116 entities (25%) that responded to this part of our questionnaire advised that they had not assessed their fraud risks. These entities had a combined expenditure of over \$310 million in 2017-18.

Entities have not planned how to manage fraud risks

We found that most entities have not developed a Fraud and Corruption Control Plan (Plan). These results are similar to those from our 2013 audit of fraud prevention in State government entities². That audit reviewed 9 State government entities and found none had developed a Plan. Plans are important better practice tools that capture an entity's commitment to manage its fraud risks, communicate its approach, and set timeframes and responsibilities.

Of the entities reviewed, only East Pilbara had developed a Plan. While the Shire completed this in 2013, it has not implemented any of the Plan's actions.

All 5 entities had Codes of Conduct (Codes) and East Pilbara, Nedlands and Vincent also have strategic fraud prevention policies. While these contain anti-fraud information, they are not as comprehensive as a Plan as they do not include controls, or assign timeframes or responsibilities for actions. Without a Plan, entities cannot be sure their approach to managing fraud risks is comprehensive.

Responses to the questionnaire show this is an issue across the sector, as more than half (54%) the entities told us they had not created a Plan.

We received documents from 26 of the entities who told us they had a Plan or equivalent. However, we found only 7 of these contained all the key elements of the Standard³. A further 8 contained at least 2 of the elements. Avenues for reporting suspected fraud, key controls to deal with fraud related risks and comprehensive fraud risk assessments were elements that were most commonly absent.

¹ Office of the Auditor General 2013 *Fraud prevention and detection in the Public Sector*. Report 7 – June.

² Ibid.

³ We reviewed the documents for key elements of the Standard including an entity position statement, accountabilities, a fraud risk assessment, outline of key controls, and reporting avenues and protections.

Entities could make themselves more fraud resistant if they strengthen their controls

We found that entities could make their organisations more fraud resistant if they raise staff awareness of risks, improve how they manage conflicts of interests, and better screen employees and suppliers.

Entities need to raise staff awareness of fraud risks

The Standard describes building a strong anti-fraud culture as a key strategy for managing the risk of fraud. Messaging to staff can help entities build and maintain fraud resistant cultures. Entities should commit to a program to raise staff awareness of integrity policies. By tracking participation they can be sure staff are aware of risks, the controls that are in place, and their responsibilities.

We found entities have not established regular programs to raise and maintain staff awareness of fraud risks. None of the entities we reviewed had established a regular training program, or had kept records of staff participation. The questionnaire provided similar results, with 55% of entities advising they did not train staff in fraud risks and controls.

Some of the entities we reviewed have made efforts to raise staff awareness of fraud risks and integrity policies. We found:

- 3 entities had used training, forums, or newsletters to engage staff in managing fraud risks (Figure1)
- 2 entities had tailored the language in their Codes to make them easier for staff to understand. To explain conflicts of interest, Serpentine-Jarrahdale used plain English rather than text from legislation, and Katanning included “real world” examples.

Katanning	Nedlands	Serpentine-Jarrahdale
The Infrastructure Department received refresher training on the Shire's code of conduct in January 2019.	Information about integrity issues have been included in staff newsletters. For example: <ul style="list-style-type: none"> • information on ethical decision making – August 2018 • article on conflicts of interest - September 2018. 	The Shire has conducted a series of staff forums. For example: <ul style="list-style-type: none"> • CEO led a forum on fraud controls - March and April 2017 • 'good governance' forum - September 2018 • forum on misconduct prevention, including a presentation from the PSC - January 2019.

Source: OAG using entity information

Figure 1. Examples of recent efforts to raise fraud awareness

All the entities we reviewed provided employees with key integrity policies at induction. However, none required staff to revisit the policies. The Standard recommends all employees confirm they understand and follow the Code, and other integrity policies, on a yearly basis. Results from our questionnaire suggest this is an issue across the sector, as 89% of entities told us they do not require staff to do this. Recording annual compliance would give entities a level of assurance that staff are regularly engaging with integrity policies and messages.

Not all conflicts of interest are captured

Three of the entities we reviewed did not capture all the conflicts of interest their staff may face. In line with legislation, entities record conflicts of staff and elected members on matters discussed by council. Entities also document financial, proximity and impartiality interests of elected members and senior staff.

However, processes are not in place to capture, assess and manage any other interests staff have that may conflict with their daily duties. Entities cannot be sure they appropriately manage all conflicts of interest (actual, potential or perceived), as they rely on individual business units to handle operational issues with no formal guidance or process. Staff need to be aware that they have a responsibility to declare any interests that could conflict with performing their public duties. Entities then need to capture and manage those declarations.

Vincent and Serpentine-Jarrahdale have recently implemented processes to better capture all conflicts of interest. Both entities have developed registers to capture the conflict, and require a manager or executive to approve the management plan. During the audit, both entities provided staff with guidance on how and when to make a declaration.

More screening of employees and suppliers would help entities reduce risks

The entities we reviewed did not have adequate policies to screen staff or suppliers. Good screening controls would give entities some assurance of the identity, integrity and credentials of employees and suppliers.

None of the entities we reviewed had policies in place to screen staff. These findings are similar to those in our 2019 audit *Verifying Employee Identities and Credentials*⁴.

Despite the lack of policy, 4 entities did retain copies of qualifications and identification. However, none consistently confirmed that qualifications were authentic or checked work histories. One entity did not engage in any police checks or do any checks beyond calling referees. Entities need consistently applied processes to confirm the identity, integrity and academic credentials of potential employees. The Standard also recommends entities screen all new employees and any employee transferring to an executive or high-risk area.

None of the entities we reviewed routinely screened their suppliers. Our questionnaire returned similar results, with less than 30% of respondents conducting media searches, police clearances or verifying directors' details. Purchases over \$150,000 are subject to tender which include some checks, including an ABN confirmation and receiving information on the financial position of the supplier. However, smaller purchases are not subject to this process.

To reduce fraud risks, the Standard recommends that entities verify the credentials of suppliers. Entities that have a large number of suppliers should consider a risk-based approach to screening to ensure appropriate use of resources.

Better reporting avenues would help entities detect and respond to fraud

To be well informed, entities need to have strong systems to receive, capture and act on information about potential fraud. International research has shown that organisations most frequently detect fraud through informants (whistleblowers)⁵.

⁴ Our audit found only 3 of the 8 entities reviewed had policies to verify employee identities and credentials.

⁵ Association of Certified Fraud Examiners 2018 *Report to the nations: global study on occupational fraud and abuse*. p4.

We found that it was not always clear how staff, the public or suppliers should report suspected fraud. The entities we reviewed did not have ways for individuals to make anonymous reports of potential fraud, other than Public Interest Disclosures (PID) through the *Public Interest Disclosure Act 2003* (PID Act). They also did not have a process in place to analyse all information they received about potential fraud. Entities may miss important information if reporting avenues are not clear or if reports are not analysed.

Entities need to better communicate how staff, suppliers and the public can report suspicious behaviour

At the entities we reviewed, Codes direct staff to report concerns of fraud to the CEO, deputy, or HR manager. However, there is no guidance for how a staff member would do this. Staff members may be reluctant to go directly to the executive on such a sensitive topic or when the suspicion relates to senior staff. The Standard highlights the need for formalised reporting systems and that these should include multiple avenues. Similarly, the Crime and Corruption Commission in Queensland has advised that employees will feel more confident in making reports if systems are readily accessible and well publicised⁶.

The PID Act encourages people to report concerns of wrongdoing in the public sector. Individuals can report concerns to authorised officers or to 1 of the authorities listed in the PID Act (such as the Auditor General for concerns including substantial unauthorised use of public resources). Other external reporting avenues include the CCC, PSC or the Western Australia Police Force.

All the entities we reviewed had clear processes around making a PID and had PID officers in place. However, entities should not rely only on PIDs, as this does not capture all potential reports or allegations. Staff may not wish to engage with the PID process or may not have information suitable for an investigation. The PSC reported that local government entities received 13 PIDs in 2017-18⁷.

Our questionnaire showed that many other entities could improve their reporting processes and protections. One third of respondents told us they did not have systems in place to protect staff who reported fraud. Of those that did have protections, 32% told us they relied solely on PIDs. Individuals may be reluctant to report concerns if they do not feel adequately protected.

Entities should include anonymous reporting options to encourage reporting

At the entities we reviewed, internal avenues to report suspected fraud did not include anonymous options. Both the Standard and guidance from other jurisdictions has raised the need for internal reporting to include options for anonymity. Making reports of wrongdoing can be difficult for some people and providing an anonymous option can make it easier.

We note that East Pilbara's Plan directs staff wishing to make an anonymous complaint to external agencies, either the CCC or the PSC. While directing staff to appropriate external reporting options is important, in our view better practice would be for internal reporting to also have anonymous options.

Entities need to better use information they receive about suspected fraud

None of the entities we reviewed have a way to capture, collate and analyse all information about potential fraud. The Standard expects organisations to develop a program and

⁶ Queensland Crime and Corruption Commission 2018 *Fraud and Corruption Control: best practice guide* p49.

⁷ Public Sector Commission 2018 *State of the sector statistical bulletin*: Integrity and Conduct Survey results.

recommends the development of a fraud register. Capturing information in a central location would make it easier for entities to look for trends, identify issues early and act appropriately.

Entities have reported potential fraud to the CCC. The entities we reviewed told us they had reported 4 instances of potential fraud in the past 5 years.

Audit focus and scope

This audit assessed whether local government entities have taken appropriate steps to prevent fraud. We asked the following questions:

1. Have entities implemented a coordinated approach to manage fraud risks?
2. Do entities have adequate controls for preventing and detecting fraud?
3. Do entities respond appropriately to suspected fraud?

During our audit we considered:

- key principles from the Fraud and Corruption Control Standard (AS 8001-2008)
- guidance issued to entities by the Department of Local Government, Sport and Cultural Industries
- guidance material issued by audit offices in other jurisdictions
- reports published by the CCC and the PSC
- the best practice guide for fraud and corruption control published by the Crime and Corruption Commission in Queensland
- international research.

During the audit we:

- provided a questionnaire to all 148 local government entities, requesting information about approaches to managing fraud risks.
 - 118 entities responded to the questionnaire (see Appendix 3)
 - 91 provided copies of their Codes of Conduct
 - 26 provided copies of their Plans. We reviewed the Plans for key elements of the Standard, including an entity position statement, accountabilities, a fraud risk assessment, outline of key controls, and reporting avenues and protections.
- reviewed approaches in more depth at 5 entities. This included interviews with key staff, and reviews of policies, registers and complaints systems. This sample included entities ranging from relatively small to large, from both metropolitan and regional areas.

We did not conduct detailed reviews of procurement, record keeping or systems for verifying employee identities. These areas were the focus of recent performance audits by this Office.

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 entity compliance with legislation, public sector policies and accepted good practice. The approximate cost of undertaking and tabling this audit is \$300,000.

Appendix 1: Summary of legislated responsibilities

Entities are required to meet a number of legislated responsibilities that help control fraud risks. A summary of key elements are listed below. This list is not exhaustive.

Legislation	Fraud related requirements
<i>Local Government Act 1995</i>	<ul style="list-style-type: none"> disqualifies individuals from becoming elected members due to insolvency, criminal convictions, or misapplication of funds councils must believe that a person is suitably qualified for the position of CEO, and CEOs must believe that staff are suitably qualified for their positions all employees must be selected in accordance with the principles of merit and equity mandates a general need for good government and the creation of a Code of Conduct council members, the CEO and designated staff members must disclose financial interests' employees must disclose any interests when they are advising or reporting to council an audit committee must be formed sets out penalties for improper use of information
Local Government (Rules of Conduct) Regulations 2007	<ul style="list-style-type: none"> requires council members to act ethically, be open and accountable forbids council members from influencing employees or using their office for personal advantage council members must declare any interests in matters being discussed at council or audit committee meetings sets out restrictions on gifts and travel contributions to councillors and requirements for records to be kept
Local Government (Financial Management) Regulations 1996	<ul style="list-style-type: none"> CEOs are to establish efficient systems and procedures for collection and custody of money owing to the entity
Local Government (Audit) Regulations 1996	<ul style="list-style-type: none"> describes the function of the audit committee Regulation 17 requires a CEO to review appropriateness and effectiveness of systems and procedures relating to risk management, internal control and legislative compliance. This is then reported to the audit committee
Local Government (Administration) Regulations 1996	<ul style="list-style-type: none"> sets out information on disclosure of financial interests provides detailed information on what value of gifts must be reported and which are prohibited requires a register of gifts to be publicly accessible requires Codes of Conduct to contain information on gifts, travel contributions and disclosing interests

Legislation	Fraud related requirements
Local Government (Functions and General) Regulations 1996	<ul style="list-style-type: none"> • entities must develop a policy for purchases less than, or equal to, \$150,000 • purchases worth more than \$150,000 must be conducted through tender • sets out requirements for pre-qualified suppliers
<i>Public Interest Disclosure Act 2003</i>	<ul style="list-style-type: none"> • entities must <ul style="list-style-type: none"> ○ publish internal procedures for reporting a PID ○ designate at least 1 PID officer to receive reports. They must comply with the Public Sector Commissioner's minimum standards of conduct and integrity

Source: OAG

Appendix 2: Better practice principles

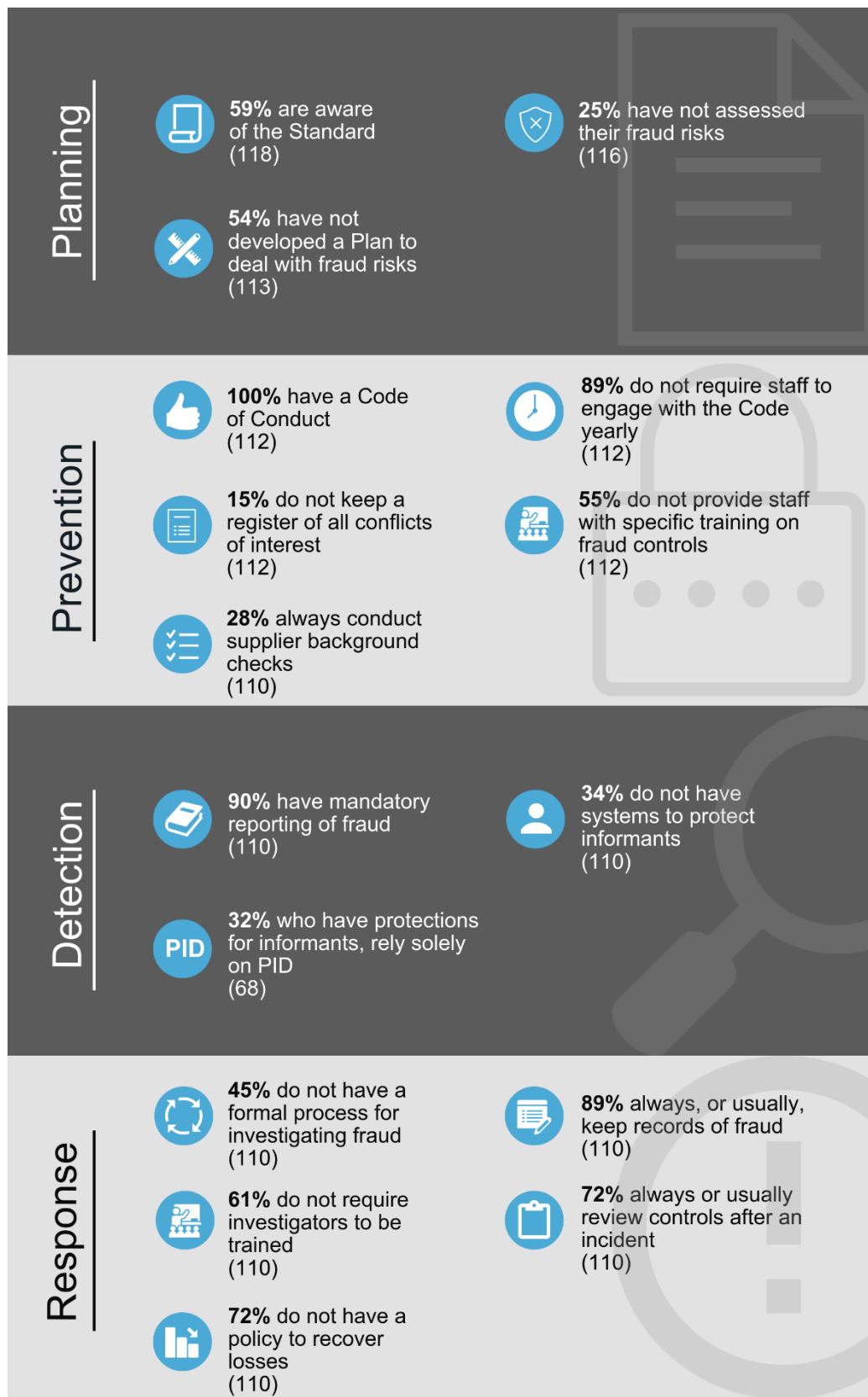
The table below shows key principles on which our audit focused. These principles are not exhaustive. Entities seeking to implement better practice approaches should also consult the Standard, and the guidelines prepared by the Department of Local Government, Sport and Cultural Industries.

Objective	Principle	What we would expect
Planning Develop a coordinated approach to manage fraud risks	Risks are understood	<ul style="list-style-type: none"> Fraud risks across organisation are assessed, documented and controls are in place.
	Approach is documented	<ul style="list-style-type: none"> Fraud and Corruption Control Plan (Plan) is in place and reviewed at least once every 2 years.
	Internal audit considers fraud risks	<ul style="list-style-type: none"> Audit committee engages with internal audit plan to ensure fraud risks are considered.
Prevention Create a fraud resistant organisation	Policy framework is in place	<ul style="list-style-type: none"> Integrity policies (such as Codes of Conduct and conflicts of interest) are appropriate, clearly written and available. Staff regularly engage with integrity policies. For example, signing yearly an understanding of the Code of Conduct. Fraud prevention and awareness training, newsletters and presentations are used to communicate entities ethical standards to staff.
	Internal controls are in place	<ul style="list-style-type: none"> Business processes, especially those assessed as higher risk, have controls that are well documented, updated and understood by all staff. Entities verify identity and credentials of all new employees and employees transferring to areas of higher risk, including: <ul style="list-style-type: none"> verify necessary qualifications review of past work history and referee checks criminal background checks confirm professional memberships are valid. Supplier credentials are checked, particularly for high-risk or high value purchases, including: <ul style="list-style-type: none"> Confirm ABN confirm directors are not bankrupt or disqualified.

Objective	Principle	What we would expect
Detection Entities are ready to detect fraud	Detection systems are in place	<ul style="list-style-type: none"> Entities should implement detection systems, as appropriate to their business needs, to identify potential fraud as soon as possible. Multiple avenues are in place for staff, the public and suppliers to report concerns. Reporting processes are well advertised, and include anonymous options.
Response Entities are ready to respond to potential fraud	All information is considered	<ul style="list-style-type: none"> Entities should implement processes to record, analyse and escalate all incidents. Processes are in place to review internal controls after incidents.

Source: OAG

Appendix 3: Summary of local government fraud questionnaire results



Number of responses to question marked in (*)

Source: OAG

Appendix 4: Full responses from audited entities

Shire of East Pilbara

Specific responses to recommendations

The Shire of East Pilbara agreed with all recommendations. They provided additional comments on recommendations:

2. Agree. But it is noted that the Shire of East Pilbara does have a Fraud and Corruption Plan. Our priority should be to deploy the plan effectively within the organisation and to undertake regular reviews internally
4. Agree. Conflicts of interest are recorded for elected members and key officers who are writing reports and/or attending Council meetings. It is noted that conflicts of interest for staff need to be recorded and this practice needs to be embedded further within the organisation.

Shire of Katanning

Specific responses to recommendations

The Shire of Katanning agreed with all recommendations.

City of Nedlands

The City is encouraged by the audit work of the Office of Auditor General in the local government space and believes that its work to date in providing clarity on governance inconsistencies and interpretation in local government, which is long overdue.

Specific responses to recommendations

The City of Nedlands agreed with all recommendations and advised they will aim to implement a streamlined and coordinated approach towards risk management within the next 18 months. They provided additional comment on recommendations:

1. Agree. In the past, the City has conducted an organisation wide Risk Assessment program which incorporated a fraud risk assessment. However, the City will aim to undertake the first full fraud risk assessment within next 18 months.
2. Agree. The City will aim to develop and implement a control plan within 8 months.
3. Agree. 2019/20 training will be scheduled followed by annual training.
4. Agree. The City agrees that all conflicts of interest are to be recorded and assessed. At present, the implemented process is to record, assess and manage the declared conflict of interest by the Elected Members and staff for any matter to be discussed at Council meetings. Based on this recommendation the City agrees that procedures should be in place for assessing and recording all conflicts of interest; however, is not aware of the nature, content or need for management plans to achieve this. The City will aim to implement an appropriate Procedure within 8 months.
5. Agree. It is noted that the need for and extent of verification, is a matter to be considered within proper risk assessment, as part of policy and procedures scope. At present, there are verification processes in place for both employees and suppliers. However, there is definitely room for the improvement in this area. Accordingly, the City will aim to review and update its HR and suppliers' policies and procedures within 12 months.

6. Agree. The City will aim to implement this within 12 months.
7. Agree. Once the work around the implementation of streamlined and coordinated approach towards fraud risk management is completed, the City will be able to perform the above task on an ongoing basis.

Shire of Serpentine-Jarrahdale

The Shire of Serpentine Jarrahdale welcomes the findings and subsequent recommendations of the 2019 Performance Audit for Fraud Prevention in Local Governments. It considers that the report is a balanced representation of areas and a good platform to work towards enhanced fraud management activities.

Specific responses to recommendations

The Shire of Serpentine-Jarrahdale agreed with all recommendations. They provided additional comment on recommendations:

1. Agree. The Shire will continue the fraud risk activities scheduled in the Internal Audit – Interim Audit Plan 2019. Outcomes of the initial risk / control activities will be transitioned to the updated Risk Framework when complete. Timeframe: April 2020.
2. Agree. The Shire will build a framework for management of fraud with a view to integrate into ongoing awareness and training processes inclusive of periodic review. Timeframe: April 2020
3. Agree. The Shire is in the process of implementing a learning and development management system. Induction and code of conduct are scheduled to be the initial modules to be implemented. The modules will be required on a periodic basis and be supported with audit trails and electronic signatures for tracking attendance. Timeframe: December 2019.
4. Agree. Building upon processes implemented to capture all conflicts of interest, the Shire is in the process of rolling out a consistent conflict of interest awareness process and supporting policy / procedure environment. Once the learning and development management system is implemented the Shire will progress to implement a specific module within the system. Timeframe: April 2020.
5. Agree. Employees - Policies will be reviewed to document a risk based approach to the screening of employees including enhancing the approach to assess qualifications, references and background searches. Suppliers - Policies will be reviewed to document a risk based approach to the screening for suppliers including consideration of legal history and checking of supplier Directors. Timeframe: December 2019.
6. Agree. Whistle-blower processes are scheduled to progress. The scope and approach of the processes will be informed by the recommendations of the report. Timeframe: October 2019.
7. Agree. Whistle-blower processes are scheduled to progress. The scope and approach of the processes will be informed by the recommendation of the report. April 2020.

City of Vincent

The City of Vincent (City) accepts the finding in the report and acknowledges that there are gaps in the City's current management and reporting of potential fraud. The City will table the Summary of Findings to its Audit Committee in August 2019, along with a management plan to address the recommendations identified. The management plan will be monitored by the Audit Committee to ensure all items are adequately completed.

Specific responses to recommendations

The City of Vincent agreed with all recommendations. They provided additional comment on recommendations:

1. Governance will develop and implement a program for the annual review of fraud risks across the business. The proposed implementation date is June 2020. The findings of the annual review will be tabled at Audit Committee, with any items requiring action being included in the Audit Log and monitored by the Audit Committee until completion.
2. Governance will review the City's current Fraud and Corruption Prevention Policy and prepare a control plan which incorporates this policy. The proposed implementation date for the plan is June 2020. The plan will be reported to Audit Committee annually and updated as required.
3. Human Resources with the support of Governance will develop and implement an online fraud awareness training program to be completed by all staff. New staff will be required to complete the training as part of their online induction process and current staff will receive notification to complete the training annually via the induction portal. The proposed implementation date is January 2020.
4. The City currently has a register for Elected Members and senior staff as required by the Local Government Act 1995 and a register to capture and manage any other actual, perceived or potential staff conflicts of interest. Governance, in coordination with Human Resources, will ensure all staff are aware of the conflict of interest disclosure requirements and provide training for new staff as part of the induction process.
5. Human Resources will develop and implement a recruitment and selection policy and procedure (which will include identity and integrity checks) for the City. Human Resources will periodically monitor employees for change of circumstances via a declaration form which WALGA are currently preparing to supply to Local Governments. The proposed implementation date is January 2020. Finance will review and update the City's supplier verification process. The proposed implementation date is December 2019.
6. The City will investigate systems and processes to report any potential fraud, including anonymous reporting. The proposed implementation date is December 2020.
7. The fraud reporting system, as referred to in 6. above, should enable this data to be easily compiled. Governance will periodically review the data.

Auditor General's reports

Report number	2019-20 reports	Date tabled
4	Access to State-Managed Adult Mental Health Services	14 August 2019
3	Delivering Western Australia's Ambulance Services – Follow-up Audit	31 July 2019
2	Opinion on Ministerial Notification	26 July 2019
1	Opinions on Ministerial Notifications	19 July 2019



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Fraud & Corruption Control Plan

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CONTENTS

EXECUTIVE SUMMARY	4
BACKGROUND	4
Context	4
Communication.....	4
OUR ATTITUDE TO FRAUD AND CORRUPTION	4
DEFINITIONS	5
PURPOSE	5
Council Objective.....	5
Scope	5
CORPORATE & REGULATORY FRAMEWORK	6
Corporate Framework	6
Regulatory Framework	6
ROLE AND RESPONSIBILITIES FOR FRAUD AND CORRUPTION CONTROL	7
1. PLANNING AND RESOURCING	7
1.1 Program for fraud and corruption control planning and review.....	7
1.2 Fraud control responsibility and resources.....	7
1.3 External assistance	8
1.4 Internal audit activity in fraud and corruption control	Error! Bookmark not defined.
2. FRAUD AND CORRUPTION PREVENTION	8
2.1 Implementing and maintaining our integrity framework	8
2.2 Commitment to controlling the risk of fraud and corruption	8
2.3 Maintaining strong internal control systems and internal control culture	8
2.4 Fraud and corruption risk assessment	9
2.5 Communication and awareness of fraud and corruption	9
2.6 Employment screening.....	9
2.7 Policy dealing with annual leave and job rotation.....	10
2.8 Supplier vetting	10
2.9 Fraud and Corruption Detection	10
2.10 Fraud and corruption detection program	10
2.11 External auditor's role in the detection of fraud	10
2.12 Mechanisms for reporting suspected fraud and corruption incidents	11
3. RESPONDING TO DETECTED FRAUD AND CORRUPTION INCIDENTS	11
3.1 Procedures of the investigation of detected or suspected incidents.....	11
Internal reporting	11
3.2 Disciplinary procedures	11
3.3 External reporting (Local Government, Public Sector Commission, Police or Crime & Corruption Commission)	12
3.4 Policy for civil proceeding to recover the proceeds of fraud and corruption	12
3.5 Internal control review following discovery of fraud	13
3.6 Maintaining and monitoring adequacy of Fidelity Guarantee insurance and other insurance related policies dealing with fraudulent or improper conduct.....	13
4. LEGISLATIVE AND STRATEGIC CONTEXT	13
5. REVIEW POSITION AND DATE	14
6. ASSOCIATED DOCUMENTS	14

EXECUTIVE SUMMARY

The Shire of Ashburton is committed to the prevention, deterrence, monitoring and investigation of all forms of fraud and corruption. Fraud and corruption can be damaging to Council through financial loss, loss of public confidence (either perceived or real), reputational damage and adverse publicity.

Council is the custodian of significant public funds and assets therefore it is important that the community has assurance that these are adequately protected from fraud and corruption.

Fraud and Corruption control forms part of Council's risk management framework. It is a risk that Council actively seeks to identify and limit its exposure to, by reducing the potential opportunity (risk likelihood) for fraud and corruption to occur.

This Fraud and Corruption control plan is to clearly document Council's approach to controlling fraud and corruption at both strategic and operational levels and is to be read in conjunction with the Shire's Risk & Opportunity Management Framework (Strategy) and relevant legislation.



BACKGROUND

Context

Elected Members (Councillors) and Council's administration are committed to policies and practices that prevent, deter and detect fraudulent and corrupt behaviour in the performance of Council activities.

The Western Australian Auditor-General has recommended all Councils adopt specific fraud control policies that address the risk of fraud and corrupt conduct.

The Shire of Ashburton has established an internal group which monitors, reports and guides the implementation of this policy.

The Finance Team and Governance Team provide reports on its activity to Council's Audit & Risk Management Committee.

Communication

This Plans contents are communicated across the organisation through articles on Council's Intranet site, presentations to Directorates and team meetings.

OUR ATTITUDE TO FRAUD AND CORRUPTION

The Shire of Ashburton has zero tolerance for corrupt conduct or fraudulent activities. Council is committed to preventing, deterring and detecting fraudulent and corrupt behaviour in the performance of Council activities. Employees must not engage in practices that may constitute fraud or corruption.

Council has developed a structured framework and approach to the implementation and review of fraud and corruption prevention, detection, monitoring and reporting.

This plan is based on the **Australian Standards for Fraud and Corruption Control (AS8001-2008)** and has been endorsed by the Executive.

The desired outcome of this commitment is the elimination of fraud and corruption throughout Council operations both internally and externally. Council will prosecute people identified as committing fraud or undertaking corrupt behaviour. Employees may also face disciplinary action under the Council Policy ELM04 Code of Conduct, and restitution of money or property lost through fraudulent activity will be pursued through legislative means.

DEFINITIONS

Definition of fraud and corruption:

For the purposes of this plan fraud and corruption shall be defined as:

“the use of deception or misrepresentation to obtain an unjust advantage or benefit, or to cause a disadvantage or loss to the Council, and includes theft or misappropriation of Council assets”.

PURPOSE

Council Objective

The objective of this policy is to outline Council's approach to fraud and corruption prevention, deterrence and detection. Council is committed to meeting its legislative obligations under the *Local Government Act 1995* including: ensuring that resources are maintained in a responsible and accountable manner.

Council's commitment to fraud control will be met by ensuring an environment in which fraudulent or corrupt conduct is discouraged, and conflicts of interest are avoided.

Council is committed to the values of:

- Respect
- Openness
- Teamwork
- Leadership
- Excellence
- Health and Wellbeing

Scope

This policy statement applies to all Councillors, employees, contractors and volunteers.

Councillors are also obliged to maintain standards as mandated by the Local Government Act 1995.

Relevant training on legislative obligations is to be provided at elected member and staff induction sessions.

Further guidance on the Shire's responsibilities under this policy and guideline is detailed at:

- Department of Local Government and Communities – Fraud & Corruption Control Framework – July 2015
- Australian Standard AS 8001-2008
- Crime Protection Policy (LGIS Insurance)

CORPORATE & REGULATORY FRAMEWORK

Corporate Framework

This policy is informed by the Shire of Ashburton Strategic Community Plan 2019 and the Council's Corporate Business Plan directly informs our budgets, strategies, policies and actions.

Framework

The *Local Government Act 1995* (the Act) requires Council to develop and maintain adequate internal control systems, and to establish codes of conduct and an Audit & Risk Management Committee.

The *Public Interest Disclosure Act 2003* (PID Act) requires Council to establish written procedures for handling of any protected disclosures.

This Fraud Control Plan operates within an existing legislative and strategic framework. The diagram below shows the interdependency of a good plan with complimentary programs and processes.



ROLE AND RESPONSIBILITIES FOR FRAUD AND CORRUPTION CONTROL

Roles and responsibilities for fraud and corruption control are clearly laid out in the Shire of Ashburton Public Interest Disclosure Procedures (PID) Policy and Procedure.

1. PLANNING AND RESOURCING

1.1 Program for fraud and corruption control planning and review

The Act requires that all local governments establish an audit committee. An audit committee plays a key role in assisting a local government to fulfil its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, legislative compliance, ethical accountability and the internal and external audit functions.

In 2012 the Victorian Auditor-General's Office tabled a report on the findings of Fraud Prevention Strategies in Local Government. The audit found that Councils had not effectively managed exposure to fraud and have not been sufficiently vigilant or effective in dealing with the risks associated with fraud.

The recommendations of the Auditor General were that Councils should:

- Develop and maintain an up to date fraud control plan
- Conduct thorough, periodic fraud risk assessments
- Provide induction and periodic fraud awareness training to all council staff
- Systematically monitor and report effectiveness of fraud control strategies
- Establish arrangements that assure effective ongoing scrutiny by executive management, internal audit and audit committees.

This plan is designed to achieve compliance with each of these recommendations.

The plan operates in association with existing programs and initiatives throughout the Shire and forms an integral part of the overall risk management program and framework.

This plan will be reviewed annually by the Chief Executive Officer with oversight from the Audit & Risk Management Committee. In reviewing the plan the CEO shall give regard to the following:

- Significant changes in business conditions
- Strategies arising out of recently detected fraud or corruption control incidents
- Results of fraud and corruption risk assessments completed
- Changes in fraud and corruption control practices locally and internationally
- Resourcing requirements
- Any identified changing nature of fraud and corruption within the sector

1.2 Fraud control responsibility and resources

The responsibility for implementation of this Plan sits with the Director Corporate Services. The Director will report six monthly to the Executive, on the progress of delivery on the outcomes from this Plan.

The Shire of Ashburton is committed to allocating the required resources across the organisation to ensure appropriate controls in regards to fraud and corruption. In particular resources will be made available to:

- Implement the Plan
- Undertake fraud and corruption risk assessments
- Deliver organisational training and awareness
- Review incidents reports
- Undertake investigations

Important resources within Council, in terms of controlling fraud and corruption, includes:

- All senior staff
- Human resources
- Governance
- Business Improvement
- Records
- Finance
- Procurement

1.3 External assistance

Where required, external assistance will be engaged, to support the delivery of any aspects of this plan.

2. FRAUD AND CORRUPTION PREVENTION

2.1 Implementing and maintaining our integrity framework

The Codes of Conduct are key enablers in delivering the sound and ethical culture required in the prevention of fraud and corruption throughout the organisation.

Senior staff shall set the example in regards to exercising and demonstrating high levels of integrity in the execution of their roles and functions by regularly reminding Staff of the importance of complying with Councils Code of Conduct and the Public Interest Disclosure Procedures (PID) Policy and Procedure.

2.2 Commitment to controlling the risk of fraud and corruption

Senior Management will not be complacent and will treat fraud and corruption risks as a serious threat to the organisation

The Shire of Ashburton Executive Management Team (EMT) will regularly be briefed on the following:

- Councils current fraud and corruption plan and policy
- Information on the program and robustness of the internal control environment in regards to preventing and detecting fraud
- The types of fraud and corruption common with the sector

- Incidence of fraud and corruption generally in Australia
- Information on the types of fraud and corruption that have been detected at Council over the previous five years
- Information of new or emerging trends in this area

2.3 Maintaining strong internal control systems and internal control culture

The Shire of Ashburton has an existing culture of continuous improvement. The implementation of effective systems of internal control is an integral part of this program, particularly for activities assessed as having a high predisposition to the risk of fraud and corruption.

Well planned and documented internal controls will be a major defence for avoiding fraud and corruption. When undertaking projects or reviewing existing practices into the future consideration will be given to appropriate fraud and corruption controls in the development of outcomes.

Internal controls will be:

- Appropriately documented
- Accessible
- Reviewed and amended regularly
- Communicated effectively to all relevant staff
- Subject to review of adherence

2.4 Fraud and corruption risk assessment

Risk assessments will be undertaken for all identified fraud and corruption risks in accordance with Council's current Risk & Opportunity Framework's management approach.

As a minimum the following risks will be assessed:

- Theft of cash
- Theft/misuse of assets
- Misuse of confidential corporate information
- Conflict of Interest
- Accounts payable
- Payroll practices
- Procurement
- IT and information security
- Recruitment
- Misuse of credit cards

Additional risks will be identified through normal business unit operations and through the regular review of the risk register.

2.5 Communication and awareness of fraud and corruption

It is important that fraud and corruption is identified and reported at an early stage and that staff have understanding and confidence in the system.

Staff will be provided with information on the Public Interest Disclosure Procedures (PID) Policy and Procedure so that they have confidence in knowing how to respond if this type of activity is detected or suspected.

The awareness of Council's risk of fraud and corruption controls will be made available to staff through the following:

- Copy of the Shire's Code of Conduct and Public Interest Disclosure Procedures (PID) Policy and Procedure will be included in packs for all new staff
- A dedicated page will be maintained on the Council intranet in regards to fraud and corruption, this will include links to all relevant documents in particular the process for reporting allegations

- Fraud & Corruption awareness training will be conducted annually (this may include e-learning)
- Any substantive changes in the Code or Plan or Policy will be communicated to all staff

2.6 Employment screening

Employment screening will be undertaken for all new 'senior officer' positions and to nominated positions that have been identified by the Executive to be 'higher risk' in terms of potential exposure to fraud and corruption due to their role within the organisation. This screening process will reduce the risk of a potential security breach and will provide a high level of assurance as to the integrity, identity and credentials of prospective employees.

Prior to the appointment of senior and nominated officer positions the following screening shall be undertaken with the express consent of the individual concerned, irrespective of whether they are internal or external applicants:

- Verification of identity requiring at least two forms of identity (passport, birth certificate, drivers licence, rate certificate, at least one must include photo identification)
- Police criminal history check – relevant identified positions
- Working with children check – relevant identified positions
- Reference checks with two most recent employers
- Consideration of any gaps on employment history and the reasons for the gaps
- Verification of formal qualifications claimed – where relevant or required for position

2.7 Policy dealing with annual leave and job rotation

Individual Directorates will regularly consider job rotation for positions where there are multiple officers undertaking the same or similar functions and the position is deemed a high risk from a fraud or corruption perspective, local law enforcement, parking enforcement, planning officers, contract management, for example.

Excess annual leave will be monitored on a quarterly basis to ensure excess leave is managed.

2.8 Supplier vetting

The Shire of Ashburton will continue to undertake supplier vetting for new and ongoing suppliers in accordance with existing practices.

In accordance with the Procurement Policy, new suppliers with prospective business in excess of \$150,000, the minimum checks will include:

- Search of Company Register
- ABN verification
- Insurance currency

For new or contracts exceeding, or potential to exceed, **\$500,000**, the following additional checks should be considered:

- Corporate scorecard check which looks at Bankruptcy search
- Assessment of credit rating
- Search of legal proceedings pending or judgements pending

2.9 FRAUD AND CORRUPTION DETECTION

2.10 Fraud and corruption detection program

As part of the development of the annual internal audit program the Audit & Risk Management Committee will consider opportunities to undertake pro-active fraud and corruption detecting activities that might include:

- **Post transactional reviews:** A review of transactions after they have been processed. This option may identify or uncover altered documents or missing documentation, falsified or altered authorisations or inadequate documentary support.
- **Data mining:** The application of sophisticated (and sometimes unsophisticated) software applications and techniques where a series of suspect transactions can be identified and then investigated which can identify anomalies at an early stage.
- **Analysis of management accounting reports:** Using relatively straight forward techniques in analysing management accounting reports, trends can be examined and investigated which may be indicative of fraudulent or corrupt conduct.

2.11 External auditor's role in the detection of fraud

Consistent with recent changes to international and Australian auditing standards, the auditor's accountability for the detection of fraud will form part of any audit. These provisions will increase the likelihood of detecting material miss-statements or errors in the Shire's financial statements.

2.12 Mechanisms for reporting suspected fraud and corruption incidents

The Shire's Public Interest Disclosure Procedures (PID) Policy and Procedure provides clear direction in regards to staff reporting suspicious or known illegal or unethical conduct. The policy also provides for alternative internal means by which to report matters of concern.

As a further support mechanism if any officer would prefer to make an external report this can be done directly to **Council's Internal Auditing contractors**.

Reports can be made anonymously. Anonymous reports will be examined and investigated on the available evidence.

All employees have the right to make a disclosure in accordance with the *Public Interest Disclosure Act 2003*. This is encouraged where any person wishes to access the protections afforded by the Act.

The Shire's Public Interest Disclosure Procedures (PID) Policy and Procedure is available on the Shire's website: www.ashburton.wa.gov.au

3. RESPONDING TO DETECTED FRAUD AND CORRUPTION INCIDENTS

3.1 Procedures of the investigation of detected or suspected incidents

The Shire's Public Interest Disclosure Procedures (PID) Policy provides:

- Appropriate measures for the comprehensive investigation of such matters based on the principles of independence, objectivity and fair due process (rules of natural justice)
- Systems for internal reporting of all detected incidents
- Process for reporting the matters of suspected fraud and corruption to the appropriate enforcement agency
- For the recovery of stolen funds or property

The policy will be reviewed annually to ensure that it continues to meet these objectives.

Internal reporting

The Director Corporate Services is to ensure that all incidents reported and investigated are documented and registered on the appropriate (Confidential File).

The documentation placed on the file must include the following minimum information:

- Date and time of report
- Date and time the incident was detected
- How the incident came to the attention of management
- The nature of the incident
- Value of loss (if any) to the entity
- Action taken following discovery of the incident.

3.2 Disciplinary procedures

The Shire's disciplinary guidelines and procedures outline the potential disciplinary outcomes that apply in regards to the application of this Plan and associated policy.

3.3 External reporting (Local Government, Public Sector Commission, Police or Crime & Corruption Commission)

The Shire's Public Interest Disclosure Procedures (PID) Policy and Procedure provides clear direction in regards to reporting any suspected fraudulent or corrupt conduct to any external enforcement agencies including:

From 1 July 2015 you can report any reasonable suspicion of minor misconduct involving a public officer to the Public Sector Commission (PSC). These powers come from the *Corruption, Crime and Misconduct Act 2003*.

It is important you consider what behaviours and circumstances constitute minor misconduct and whether the person/s involved is a public officer for the purposes of the legislation.

There is a good chance that if the public officer/s involved could be the subject of a disciplinary investigation within the authority, then it might be minor misconduct. If you suspect the behaviour you have seen or experienced is minor misconduct you can report it to the PSC or the Director Corporate Services.

Department of Local Government and Communities

Gordon Stephenson House, 140 William Street,
Perth WA 6000
GPO Box R1250, Perth WA 6844
Telephone: (08) 6551 8700 Fax: (08) 6552 1555
Free call (Country only): 1800 620 511
Email: info@dlgc.wa.gov.au Website: www.dlgc.wa.gov.au
Translating and Interpreting Service (TIS) – Tel: 13 14 50

Public Sector Commission

Phone: (08) 6552 8500
Fax: (08) 6552 8501
Email: admin@psc.wa.gov.au
Website: <https://publicsector.wa.gov.au>

Post: Public Sector Commission, Locked Bag 3002, West Perth WA 6872

In person: (Two office locations):

- Dumas House, 2 Havelock St, West Perth WA 6005
- Hale House, 1 Parliament Place, West Perth WA 6005

Corruption and Crime Commission

Postal address

PO Box 330
Northbridge Post Shop WA 6865

Street address

Level 5, 45 Francis Street
Northbridge WA 6003

Telephone

Phone: (08) 9215 4888
Toll-free: 1800 809 000
Fax: (08) 9215 4884
Email: info@ccc.wa.gov.au

Report Misconduct: [Report serious misconduct online](#)

Hearing impairment: If you are deaf, or have a hearing impairment or speech impairment, contact us through the National Relay Service:

TTY users phone 1800 555 677 then ask for 1800 809 000

Speak and Listen users phone 1800 555 727 then ask for 1800 809 000.

Internet relay users connect to the NRS then ask 1800 809 000

Tom Price Police

1 Court Road, Tom Price WA 6751
Tel: (08) 9188 0222
Fax: (08) 9188 0260
Hours: 24 hours, 7 days a week

3.4 Policy for civil proceeding to recover the proceeds of fraud and corruption

The Shire will pursue recovery of any losses due to fraud or corruption where there is clear evidence of fraud and corruption and where the likely benefits of such recovery will exceed the funds and resources required to be invested in the recovery action.

3.5 Internal control review following discovery of fraud

Where fraud or corruption is detected the relevant manager of the team will be responsible to assess the adequacy of the relevant internal control environment and provide a report to the **Executive** any recommended improvements identified.

Service unit managers will also be responsible for ensuring that recommendations arising out of the assessment are to be clearly allocated in the report with an associated time frame

3.6 Maintaining and monitoring adequacy of Fidelity Guarantee insurance and other insurance related policies dealing with fraudulent or improper conduct

The Shire will maintain a fidelity guarantee insurance policy that insures the risk of loss arising from internal fraudulent conduct. The level of the policy will be reviewed annually by **Executive** subject to analysis of cost/benefit analysis.

Insurance for external fraud and corruption, in particular theft of Council property, will also be maintained and reviewed annually by staff in conjunction with the normal annual reassessment of insurance policy cover and limits.

4. LEGISLATIVE AND STRATEGIC CONTEXT

Strategic context (Strategic Community Plan) and/or Federal or State legislation, directives, guidelines, Acts or Regulations:

- Australian Standards for Fraud and Corruption Control (AS8001-2008)
- *Public Interest Disclosure Act 2003*
- *Local Government Act 1995*
- *Local Government (Financial Management) Regulations 1996, Regulation 5:*

(1) *Efficient systems and procedures are to be established by the CEO of a local government —*

(a) for the proper collection of all money owing to the local government; and

(b) for the safe custody and security of all money collected or held by the local government; and

(c) for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process);

and

(d) to ensure proper accounting for municipal or trust —

(i) revenue received or receivable;
and

(ii) expenses paid or payable; and
(iii) assets and liabilities;

and

(e) to ensure proper authorisation for the incurring of liabilities and the making of payments; and

(f) for the maintenance of payroll, stock control and costing records; and

(g) to assist in the preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.

(2) *The CEO is to —*

(a) ensure that the resources of the local government are effectively and efficiently managed; and

(b) assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and

(c) undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 4 financial years) and report to the local government the results of those reviews.

- **Local Government (Audit) Regulations 1996 Regulation 17 (1):**

The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —

- (a) risk management; and*
- (b) internal control; and*
- (c) legislative compliance.*

(2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 3 calendar years.

(3) The CEO is to report to the audit committee the results of that review.

5. REVIEW POSITION AND DATE

Document Owner to review annually.

6. ASSOCIATED DOCUMENTS

The following documents and resources have a bearing on this document:

- [Australian Cybercrime Online Reporting Network](#)
- [Public Sector Commission \(WA\) – PSC](#)
- [Corruption and Crime Commission \(WA\)](#)
- Code of Conduct (Council Members, Committee Members, Staff and Volunteers)
 - Employee Code of Conduct
- Purchasing Policy (Tenders and Quotes) Policy
 - Evaluation of Tenders and Quotations Procedure
- Human Resource Policies & Procedures (Disciplinary Guidelines and procedures)
- IT System Security Guidelines
- Local Government Framework – Fraud & Corruption Control, July 2015
- Local Government Operational Guidelines – Number 09 – Revised September 2013 “*Audit in Local Government*”.
- Public Interest Disclosure Procedures (PID) Policy and Procedure
- Public Sector Commission - Integrity checking of employees managing misconduct allegations