



# **Shire of Northam**

## **Minutes**

### **Audit & Risk Management**

### **Committee Meeting**

**12 December 2019**



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## 1. DECLARATION OF OPENING

The Shire President, Cr C R Antonio declared the meeting open at 4:02pm.

The Executive Manager Corporate Services entered the meeting at 4:02pm.

## 2. ATTENDANCE

### Committee:

Shire President  
Councillors

Cr C R Antonio  
Cr A J Mencshelyi  
Cr M P Ryan arrived at  
4:22pm  
Cr S B Pollard

### Staff:

Acting Chief Executive Officer  
Executive Manager Corporate Services  
Accountant  
Executive Assistant - CEO

C B Hunt  
C J Young arrived at 4:02pm  
Z Macdonald  
A McCall

### 2.1 APOLOGIES

Nil.

### 2.2 APPROVED LEAVE OF ABSENCE

Nil.

## 3. DISCLOSURE OF INTERESTS

Nil.

## 4. CONFIRMATION OF MINUTES

### 4.1 COMMITTEE MEETING HELD 4 DECEMBER 2019

#### RECOMMENDATION / COMMITTEE DECISION

Minute No: AU.138

Moved: Cr Pollard

Seconded: Cr Mencshelyi

That the minutes of the Audit Committee meeting held on 4 December 2019 be confirmed as a true and correct record of that meeting.

CARRIED 3/0

## 5. COMMITTEE REPORTS

### 5.1 SHIRE OF NORTHAM 2018/19 ANNUAL REPORT

<b>Address:</b>	N/A
<b>Owner:</b>	N/A
<b>Applicant:</b>	N/A
<b>File Reference:</b>	8.2.7.5
<b>Reporting Officer:</b>	Acting Chief Executive Officer, Chadd Hunt
<b>Responsible Officer:</b>	Acting Chief Executive Officer, Chadd Hunt
<b>Officer Declaration of Interest:</b>	Nil
<b>Voting Requirement:</b>	Absolute Majority
<b>Press release to be issued:</b>	Yes – public notice

#### BRIEF

For Council to consider and if acceptable receive the Annual Report for the year ended 30 June 2019 for the Shire of Northam.

#### ATTACHMENTS

The below attachment has been provided to Elected Members as a separate attachment to this agenda and minutes.

Attachment 1: Annual Report 2018/19 (supplied as a separate document).

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#### A. BACKGROUND / DETAILS

The Annual Financial Report for the year ended 30 June 2019 was completed and presented to the Shire of Northam's auditor for audit. The Audit was completed and signed off on 5 December 2019.

Section 5.54 'Acceptance of Annual Reports' of the Local Government Act 1995 requires an Annual Report to be accepted by Council by 31 December in each year unless the Auditors Report is not available in time. The Local Government Act 1995 Section 5.54(2) requires that if the Annual Report is not accepted by the Local Government by 31 December then it must be presented within two (2) months of the Auditors Report becoming available.

## B. CONSIDERATIONS

### B.1 Strategic Community / Corporate Business Plan

#### Theme Area 6: Governance & Leadership

Outcome 6.2: Residents and other stakeholders are actively listened to and their input into decision-making processes is valued.

- Decisions made by the Shire of Northam are communicated and the reasoning clearly articulated to residents and stakeholders; and
- Effective and efficient two-way communication between the Shire of Northam and stakeholders.

Outcome 6.3: The Shire of Northam council is a sustainable, responsive, innovative and transparent organisation.

- Improve community access to information to ensure they are able to be informed of our activities;
- Encourage active community participation in our local government;
- Maintain a high standard of corporate governance; and
- Undertake our regulatory roles in a safe, open, accountable and respectful manner.

Outcome 6.4: The Elected Members of the Shire of Northam provide accountable, strong and effective community leadership.

- Open, accountable and effective decision making.

### B.2 Financial / Resource Implications

It is estimated that advertising costs for the availability of the Annual Report and Annual Electors General meeting will be approximately \$1,500.00 including GST which will be charged to account 040521920 (Advertising).

### B.3 Legislative Compliance

#### Local Government Act 1995 Section 5.53 Annual Reports;

(1) *The local government is to prepare an annual report for each financial year.*

(2) *The annual report is to contain -*

- (a) *a report from the mayor or president; and*
- (b) *a report from the CEO; and*
- [(c), (d) deleted]*

(e) *an overview of the plan for the future of the district made in accordance with section 5.56, including major initiatives that are proposed to commence or to continue in the next financial year; and*

- (f) the financial report for the financial year; and
- (g) such information as may be prescribed in relation to the payments made to employees; and
- (h) the auditor's report for the financial year; and
- (ha) a matter on which a report must be made under section 29(2) of the Disability Services Act 1993; and
- (hb) details of entries made under section 5.121 during the financial year in the register of complaints, including —
  - (i) the number of complaints recorded in the register of complaints;
  - (ii) how the recorded complaints were dealt with; and
  - (iii) any other details that the regulations may require; and
- (i) such other information as may be prescribed.

Local Government Act 1995 Section 5.54 Acceptance of Annual Reports;

- (1) Subject to subsection (2), the annual report for a financial year is to be accepted\* by the local government no later than 31 December after that financial year.

\* Absolute majority required.

- (2) If the auditor's report is not available in time for the annual report for a financial year to be accepted by 31 December after that financial year, the annual report is to be accepted by the local government no later than 2 months after the auditor's report becomes available.

Local Government Act 1995 Section 5.55 Notice of Annual Reports;

The CEO is to give local public notice of the availability of the annual report as soon as practicable after the report has been accepted by the local government.

#### **B.4 Policy Implications**

Nil.

#### **B.5 Stakeholder Engagement / Consultation**

Should the 2018/19 Annual Report be endorsed at the Ordinary Council meeting held on 18 December 2019, it is intended that local public notice be published advising of the Annual Electors Meeting and 2018/19 Annual Report availability. The notice shall be placed into the following;

- West Australian – Saturday, 21 December 2019;
- Avon Valley Advocate – Wednesday, 8 January 2020.

Notices will also be placed on our Notice Boards, Facebook and the Shire of Northam website.

## B.6 Risk Implications

Risk Category	Description	Rating (consequence x likelihood)	Mitigation Action
Financial	N/A	N/A	N/A
Health & Safety	N/A	N/A	N/A
Reputation	N/A	N/A	N/A
Service Interruption	N/A	N/A	N/A
Compliance	The Report is to be presented to the Audit Committee annually in order to comply with relevant legislation	Low (3)	There are processes in place to ensure compliance with relevant legislation
Property	N/A	N/A	N/A
Environment	N/A	N/A	N/A

## C. OFFICER'S COMMENT

This year was the first year the Shire of Northam was audited by the Office of Auditor General. The process was more rigorous and prolonged than was expected by finance staff.

This was compounded with the mandatory adoption of AASB 15 Revenue from Contracts with Customers, AASB 16 Leases and AASB 1058 Income of Not-for-Profit Entities.

The Office of Auditor General also made a ruling relating to monies held in trust, this resulted in the transfer of \$831,382 from Councils trust to Councils municipal fund.

The preparation of the Financial Report adopted methodology in calculating the asset consumption ratio has been updated to align with the Current Long-Term Financial Plan and Asset Management Plans and now better reflects the condition of Councils infrastructure. Subsequently this ratio has weakened slightly dropping from 0.56 to 0.53, however it is still within the accepted standard.

The table below outlines the reconciliation between the budgeted surplus and the actual surplus as presented in the Financial Report, the required timing adjustments will be carried out as part of the budget review process.



Surplus Reconciliation	2018/19	Adjustment
<b>Budgeted Surplus</b>	<b>4,463,884</b>	
WANDRRA Accrued Income	(237,220)	This income had been initially accounted for as accrued income, however as not yet received, it will be accounted for as revenue in the 2019/20 financial year
Aquatic Centre Grant	(375,000)	This income had been initially accounted for as accrued income, however as not yet received, it was considered as having an element of risk should there be any complications prior to its completion, it will be accounted for as revenue in the 2019/20 financial year
Prepaid Rates	280,140	Prepaid rates were recognised as a liability at 30 June 2019 under AASB 9. From 1 July 2019 AASB 1058 applies as such this will be accounted for as a liability as of the 1 July 2019
Adjusted Total	4,131,804	
<b>Financial Report Actual Surplus</b>	<b>(4,162,558)</b>	
<b>Unallocated</b>	<b>(30,754)</b>	

Council is requested to accept the Annual Report for the year ended 30 June 2019 for the Shire of Northam.

Cr M P Ryan entered the meeting at 4:22pm.

#### **RECOMMENDATION**

**That Council endorse by Absolute Majority;**

- 1. In accordance with Sections 5.53 and 5.54 of the *Local Government Act 1995*, accepts the Annual Report for the 2018/19 financial year; and**
- 2. In accordance with Section 5.55 of the *Local Government Act 1995*, authorise the Chief Executive Officer to give public notice of the availability of the Annual Report from Saturday, 21 December 2019.**

**ABSOLUTE MAJORITY VOTE OF SIX (6) REQUIRED**

#### **RECOMMENDATION / COMMITTEE DECISION**

**Minute No: AU.139**

**Moved: Cr Pollard**

**Seconded: Cr Mencshelyi**

**That Council endorse by Absolute Majority;**

- 1. In accordance with Sections 5.53 and 5.54 of the *Local Government Act 1995*, accepts the Annual Report for the 2018/19 financial year; and**
- 2. In accordance with Section 5.55 of the *Local Government Act 1995*, authorise the Chief Executive Officer to give public notice of the availability of the Annual Report from Saturday, 21 December 2019.**
- 3. Endorse that the untied surplus of \$30,754 be transferred to the Recreation and Community Facilities Reserve.**

**CARRIED 4/0  
BY ABSOLUTE MAJORITY**

Discussion was held around the asset consumption ratio and how this is based on fair value. It was outlined that this was different in previous years however the calculation now used is a more accurate reflection of the replacement costs. It is not believed this ratio will vary substantially however there could be an impact on buildings e.g. if property values increase/decrease at the next fair valuation.

Discussion was held around the extra workload associated with the process involving the Office of the Auditor General (OAG). It was advised that this was due to a range of matters including:

- Advice from Council's Auditor and the OAG varying which caused confusion and re-work.
- Matters which were new and required staff to calculate which in some cases was time consuming.

- Amendments were required, for example with Council's grants. These are recorded as accrued income as the funds were not received but the expense was incurred. There is a signed contract in place ensuring the commitment to receiving the income.. The OAG believed this is not the correct method to record grants until the contract is completed. The OAG accepted this method with the Building Better Region Fund, but not the Department of Sport and Recreation this resulted in some inconsistencies and extensive discussion.
- The requirement to take off all assets under \$5,000. As items were reflected at fair value in the asset register, not purchase cost, significant time was spent on this process. This was a once off. Once staff had identified the purchase cost, they then had to calculate the depreciation for the year and reduce the year to date depreciation and written down value to write off. It was a time consuming process however it didn't alter the financial report.
- Amendments to how bonds/trusts are held. The OAG required that all bonds, other than Public Open Space, be moved into the municipal account. This will result in ongoing additional work to manage however staff will document a process for this. It was also advised that a policy will be presented to Council on how to manage the interest received from these bonds/trusts.
- Overall it was noted that there was extra accounting work as opposed to the audit aspect.

Discussion was held around pre-paid rates at the 30<sup>th</sup> June. It was advised that this is still a liability at 30 June 2019 however is to be reported as of 1<sup>st</sup> July. The OAG advised that this can be reported from 1<sup>st</sup> January when the accounting standards came into effect or by the financial period, however then advised that it must be based on the financial period to ensure consistency. This has to be accounted for as revenue but comes into effect as of 1<sup>st</sup> July, 2019 which result in a difference between the opening and closing surplus.

Discussion was held around the \$30,754 being unallocated. It was advised that this is untied surplus. The application of the policy for untied surplus requires this to be allocated to reserve, debt reduction or a one off project. It was advised at this stage this is unallocated as it is believed that this will be needed at budget review due to the reduction in the FAGs Grant. There was discussion about placing this into the Recreation and Community Reserve to comply with the policy. Discussion held around complying with the policy in the first instance and then if this is required at budget review it can be sourced from reserve accordingly.

Cr M P Ryan left the meeting at 4:28pm and returned at 4:28pm.

## 5.2 2018/19 ANNUAL ELECTORS GENERAL MEETING

<b>Address:</b>	N/A
<b>Owner:</b>	N/A
<b>Applicant:</b>	N/A
<b>File Reference:</b>	8.2.7.1
<b>Reporting Officer:</b>	Chadd Hunt, Acting Chief Executive Officer
<b>Responsible Officer:</b>	Chadd Hunt, Acting Chief Executive Officer
<b>Officer Declaration of Interest:</b>	Nil
<b>Voting Requirement:</b>	Simple Majority
<b>Press release to be issued:</b>	Yes – public notice

### BRIEF

For Council to consider and endorse the date for the Annual Electors General Meeting set by the Acting Chief Executive Officer.

### ATTACHMENTS

Nil.

## A. BACKGROUND / DETAILS

The Annual Electors General Meeting is to be held within 56 days of the local government accepting the Annual Report.

A requirement of setting the date is that 14 days local public notice is required for advertising the meeting. Providing the Annual Report is endorsed at the Ordinary Council Meeting held on 18 December 2019, it is recommended that this be held prior to the January Council Meeting which is scheduled on 22 January 2020.

## B. CONSIDERATIONS

### B.1 Strategic Community / Corporate Business Plan

#### Theme Area 6: Governance & Leadership

- Outcome 6.2: Residents and other stakeholders are actively listened to and their input into decision-making processes is valued.
- Decisions made by the Shire of Northam are communicated and the reasoning clearly articulated to residents and stakeholders; and
  - Effective and efficient two-way communication between the Shire of Northam and stakeholders.

Outcome 6.3: The Shire of Northam council is a sustainable, responsive, innovative and transparent organisation.

- Improve community access to information to ensure they are able to be informed of our activities;
- Encourage active community participation in our local government;
- Maintain a high standard of corporate governance; and
- Undertake our regulatory roles in a safe, open, accountable and respectful manner.

Outcome 6.4: The Elected Members of the Shire of Northam provide accountable, strong and effective community leadership.

- Open, accountable and effective decision making.

## **B.2 Financial / Resource Implications**

It is estimated that advertising costs for the availability of the Annual Report and Annual Electors General meeting will be approximately \$1,500 including GST which will be charged to account 040521920 (Advertising).

## **B.3 Legislative Compliance**

Local Government Act 1995 Section 5.27 Electors' general meetings:

- (1) A general meeting of the electors of a district is to be held once every financial year.
- (2) A general meeting is to be held on a day selected by the local government but not more than 56 days after the local government accepts the annual report for the previous financial year.
- (3) The matters to be discussed at general electors' meetings are to be those prescribed.

Local Government (Administration) Regulation No 15 Matters for discussion at general electors' meetings - s. 5.27(3)

For the purposes of section 5.27(3), the matters to be discussed at a general electors' meeting are, firstly, the contents of the annual report for the previous financial year and then any other general business.

Local Government Act 1995 Section 5.29 Convening Electors' Meetings:

- (1) The CEO is to convene an electors' meeting by giving –
  - (a) at least 14 days' local public notice; and
  - (b) each council member at least 14 days' notice, of the date, time, place and purpose of the meeting.
- (2) The local public notice referred to in subsection (1)(a) is to be treated as having commenced at the time of publication of the notice under

*section 1.7(1)(a) and is to continue by way of exhibition under section 1.7(1)(b) and (c) until the meeting has been held.*

#### **B.4 Policy Implications**

Nil.

#### **B.5 Stakeholder Engagement / Consultation**

Providing the 2018/19 Annual Report is endorsed at the Ordinary Council Meeting held on 18 December 2019. It is intended that public notice shall be placed into the following;

- West Australian – Saturday, 21 December 2019;
- Avon Valley Advocate – Wednesday, 8 January 2020.

Notices will also be placed on our Notice Boards, Facebook and the Shire of Northam website.

#### **B.6 Risk Implications**

<b>Risk Category</b>	<b>Description</b>	<b>Rating (consequence x likelihood)</b>	<b>Mitigation Action</b>
Financial	N/A	N/A	N/A
Health & Safety	N/A	N/A	N/A
Reputation	N/A	N/A	N/A
Service Interruption	N/A	N/A	N/A
Compliance	The Report is to be presented to the Audit Committee annually in order to comply with relevant legislation	Low (3)	There are processes in place to ensure compliance with relevant legislation
Property	N/A	N/A	N/A
Environment	N/A	N/A	N/A

#### **C. OFFICER'S COMMENT**

Council is requested to endorse the date proposed, in accordance with the Local Government Act, for the Annual Electors Meeting.

**RECOMMENDATION / COMMITTEE DECISION**

**Minute No: AU.140**

**Moved: Cr Pollard**

**Seconded: Cr Mencshelyi**

**That Council holds the Annual Electors General Meeting on Wednesday, 22 January 2020 at 5.00pm in the Shire of Northam Council Chambers and authorise the Chief Executive Officer to give public notice of the meeting from Saturday, 21 December 2019.**

**CARRIED 4/0**

### 5.3 REGULATION 17 REVIEW

<b>Address:</b>	N/A
<b>Owner:</b>	N/A
<b>Applicant:</b>	N/A
<b>File Reference:</b>	8.2.7.1
<b>Reporting Officer:</b>	Colin Young, Executive Manager Corporate Services
<b>Responsible Officer:</b>	Chadd Hunt, Acting Chief Executive Officer
<b>Officer Declaration of Interest:</b>	Nil
<b>Voting Requirement:</b>	Simple Majority
<b>Press release to be issued:</b>	No

#### BRIEF

For the audit committee to receive the Regulation 17 Review report that was conducted by the Chief Executive Officer between the 4 November and the 22 November 2019.

This report aims to establish an ongoing level of accountability to ensure that Council's risk management, internal controls and legislative compliance is appropriate and effective.

#### ATTACHMENTS

ATTACHMENT 1: Regulation 17 Review.

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#### A. BACKGROUND / DETAILS

Section 17 of the Local Government (Audit) Regulations requires the Chief Executive Officer to review the appropriateness and effectiveness of the Council's systems and procedures as they relate to the following areas;

- Risk management
- Internal controls, and
- Legislative compliance

The Chief Executive Officer carried out the review internally, the attached report is supplied to Council with the findings and recommendations.

#### B. CONSIDERATIONS

##### B.1 Strategic Community / Corporate Business Plan

Theme Area 6: Governance & Leadership

Outcome 6.3: The Shire of Northam council is a sustainable, responsive, innovative and transparent organisation.



## B.2 Financial / Resource Implications

Staffing resources are required in order to action the recommendations detailed within the Regulation 17 review.

## B.3 Legislative Compliance

*Local Government (Audit) Regulations 1996 Section 17 sets out the following:*

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

## B.4 Policy Implications

N/A

## B.5 Stakeholder Engagement / Consultation

Executive Management and relevant Officers as required to carry out the review.

## B.6 Risk Implications

Risk Category	Description	Rating (consequence x likelihood)	Mitigation Action
Financial	N/A		
Health & Safety	N/A	N/A	N/A
Reputation	Potential damage to reputation if Regulation 17 Review not carried out.	Low (2)	Continual improvement
Service Interruption	N/A	N/A	N/A
Compliance	Council may be at risk of not generating continuous improvement, better practice, good governance	Medium (3)	Ensure identified actions are addressed

	and legislative compliance.		
Property	N/A	N/A	N/A
Environment	N/A	N/A	N/A

### C. OFFICER'S COMMENT

In assessing the Council's risk management, internal controls and legislative compliance a risk based approach has been applied to assert identifiable risks from the following areas;

- Risk management
- Internal controls, and
- Legislative compliance

The assessment undertaken looked at potential causes of risk to Council within each of these areas, the key controls which currently exist to mitigate the risk, an assessment of the quality of the controls and an overall assessment of the risk rating for the area. Additionally the assessment looked at the key indicators currently in place to ensure we are monitoring the controls and a risk tolerance level, which implies the organisations appetite for risk in each of the areas. Finally, the report / assessment undertaken identified the actions required to improve areas which are deemed inadequate or requiring attention.

There are a number of areas highlighted within the report that have been assessed as requiring either updating or improvement. These are clearly identified within the appended report, along with the necessary strategies to bring these up to an acceptable standard.

Each of the areas that require improvement will receive attention to ensure that adequate controls/documentation are in place into the future.

The report also highlights positive outcomes, with the Shire being proactive in the management of risk, internal controls and legislative compliance.

#### **RECOMMENDATION**

**That Council adopt the 2019 Regulation 17 Review, undertaken by the Chief Executive Officer for systems and procedures relating to;**

- **Risk Management**
- **Internal Controls**
- **Legislative Compliance**

Discussion was held around whether an additional item was required in the recommendation to require the Committee to work with CEO to identify a timeline to action the identified actions. It was advised that it is recommended to report the actions in the same format as other audits, as a table. Reviews of which items have been undertaken, this includes reporting on the progress to each committee meeting until all actions are completed.

Discussion was held around whether four meetings a year is sufficient. It was advised that meetings are held as needed. It was noted that if the meetings are held too frequently, it will not give staff sufficient time to complete the actions identified from the review. It was advised that there is no issue calling extra meetings if these are required.

Discussion was held around the process for undertaking the review. It was advised that the CEO put together the document and then circulated this to staff to provide their comments. Once these were received, samples were requested to check the items. Concerns were raised in relation to self-auditing, it was advised that this was more of a combined effort.

It was noted that there has been several audits undertaken over the past 3 years. The Financial Management Review was undertaken in May which was a duplication of some of the items being audited in this review. Clarification was sought in relation to the frequency of this review and whether there has been a heavy audit workload. It was advised that this review is undertaken at least every three years and the workload is no more than usual.

Discussion was held around the following actions:

- WALGA risk policy and how this can be further improved by including further risk tolerances. It was queried who will complete this (i.e. Committee or CEO). It was advised that staff will provide timeframes for actions to be completed and report this to the committee. It is believed that given this is the CEO's policy, amendments will be made and then be presented to the Audit Committee for consideration.
- The testing of the Business Continuity Plan. It was advised that this was tested in a real life scenario when IT was down, from a cyber attack, it was tested. Apart from this, it is not believed to be tested since the plan was first developed.
- Fraud action to be taken. It was advised that this is assessed daily however there is nothing formally documented for this. An overview was provided of the Promapp Risk Module detailing how risk are identified and managed through treatments. It was acknowledged that there is a risk identified for external fraud and theft however nothing documented

for internal fraud. It was raised that a risk and associated treatments could be documented for this item. Discussion was held around the framework and purpose of this, i.e. provides the overarching guideline however is not necessarily detailed currently.

- A typographical error was identified in section 1.2, it was raised that, '20120' should be listed as '2020'.
- Variations for major projects. Discussion was held around the definition of a variation and the recent example with the Aquatic Facility project was discussed. The 'Manage Major Projects' process was demonstrated to the Committee which details variations and includes a form for approving these. It was suggested that the approval section require two signatories for each variation.
- Section 2. It was raised that the reference to 'tax invoice' should be amended to 'invoice' as it is not a tax invoice if the business or individual is not registered for GST. It was advised the word 'tax' will be removed.
- Section 2.1, payment of creditors, item 1. It was raised that the word 'Officers' need to be added after the word 'Creditors'.
- It was raised whether payments are in accordance with the contract terms and whether any associated documents are attached. It was confirmed that payments are in accordance with the contract terms, an overview was provided of the payment process which requires all documents to be attached to the payment and invoice.
- Section 2.8 and the two actions detailed. It was advised that this relates to petty cash and the actions listed are proposed to ensure a consistent process for managing petty cash across the Organisation.
- Section 3.3, complaints management process. It was advised that amendments are recommended to include provisions around the treatment of confidential and anonymous complaints.

The Acting Chief Executive Officer and Cr M P Ryan left the meeting at 4:58pm.

Cr M P Ryan returned to the meeting at 5:19pm.

The Acting Chief Executive Officer returned to the meeting at 5:25pm.

## **RECOMMENDATION / COMMITTEE DECISION**

**Minute No: AU.141**

**Moved: Cr Ryan**

**Seconded: Cr Mencshelyi**

**That Council:**

- 1. Adopt the 2019 Regulation 17 Review, undertaken by the Chief Executive Officer for systems and procedures relating to;**
  - Risk Management**
  - Internal Controls**
  - Legislative Compliance**

**Subject to the following amendment:**

- 1.3.3 - An action being identified to document the internal fraud risk and associated treatments within Promapp.**
- 2. Request the Chief Executive Officer to report to the Committee on the progress towards the recommended actions from the Regulation 17 Review.**

**CARRIED 4/0**

## **Attachment 1**



# **Shire of Northam**

## **Regulation 17 Review**

**Author: Chief Executive Officer, Jason Whiteaker**



Shire of Northam Regulation 17 Review



## Contents

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The Department of Local Government, Sport and Cultural Industries provide an operation guideline (No.9), which focuses on audit committees. As part of this guideline, appendix 3 provides a framework for Chief Executive Officers in conducting the required Regulation 17 review. This guideline has been used as the basis for undertaking this review in 2019.

On the previous two occasions this review has been undertaken, being 2016 and 2013, external groups have been utilised. On this occasion the Chief Executive Officer has undertaken the review, it is anticipated in future years external groups will be utilised to provide fresh perspectives and insights.

### 1. Risk management

Internal control and risk management systems and programs are a key expression of a local government's attitude to effective controls. Good audit committee practices in monitoring internal control and risk management programs typically include:

#### 1.1 Reviewing whether the local government has an effective risk management system and that material operating risks to the local government are appropriately considered;

Council has recently adopted the use of a software application, Promapp, to use as the basis for developing, monitoring and reporting on controls within its risk register.

The use of the Promapp system is supported by the recently adopted Risk Policy which provides a detailed framework as to how risks are identified and considered for inclusion of the organisational risk register.

In essence risks are identified and assessed formally through a range of mechanisms including;

- Council reports
- Council plans
- Council projects

Any risks identified as being high or extreme are automatically escalated to the Shire of Northam risk register in Promapp. The Shire of Northam Audit & Risk Committee are provided with reports on the Council risk register. These reports are a full disclosure of the risk register annually and a report on non-compliance with risk mitigation action timeframes at each meeting of the committee.

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**Action to be taken:**

**Review Risk Policy** - While the risk policy is relatively recent, it is felt it could be improved by further defining the Council's risk tolerances.

**1.2 Reviewing whether the local government has a current and effective business continuity plan (including disaster recovery) which is tested from time to time;**

The Shire of Northam has a current business continuity plan, adopted in 2016. The plan is due for review in 2020. While the business continuity plan is in place and an IT Disaster Recovery is briefly referenced in the Business Continuity Plan, the detail is considered insufficient. Further to this there are no formal mechanism in place to test the recovery of data.

**Action to be taken:**

1. **Business Continuity Plan** needs to be tested annually to ensure efficacy;
2. **IT Disaster Recovery Plan** to be developed and implemented by the Shire of Northam including a mechanism for annual testing. This will require the development of an ICT test environment separate from our live environment and will also provide for the mirroring of systems and data to alternative office locations for the purpose of training as well as testing and Disaster Recovery.

**1.3 Assessing the internal processes for determining and managing material operating risks in accordance with the local government's identified tolerance for risk, particularly in the following areas;**

**1.3.1 Potential non-compliance with legislation, regulations and standards and local government's policies;**

The Promapp risk system provides for compliance reporting/sign off for all risk treatments. In relation to potential legislative non-compliances a monthly compliance calendar has been developed and is audited by the Governance Officer which is also signed off monthly. Any non-compliances are brought to the attention of the relevant Executive Manager and Chief Executive Officer.

In relation to policy, application thereof is monitored at a number of levels;

## Shire of Northam Regulation 17 Review



- Reporting to Council – a separate section relating to policy application is provided, this ensure staff are actively reminded of need to assess policy implications
- Purchasing Policy – The Promapp risk system has documented the process with attached current documentation and checklists to ensure the purchasing policy is adhered to. All checks and balances and authorisations are in place, including a section to cover exceptions where non-compliance to the policy occurs. Only authorised purchases are processed and paid
- General Policy – All critical processes within the Shire of Northam are mapped utilising the Promapp system. As part of the mapping a procedure is in place for each of the processes, which includes links and references to all key policies.

### 1.3.2 Litigation and claims.

Council has a documented process and procedure in place for the management of insurance claims.

### 1.3.3 Misconduct, fraud and theft;

#### Fraud

The WA Office of the Auditor General has recently undertaken an audit of a select number of local authorities. While the Auditor General acknowledges their assessment framework is not exhaustive, it has been used for the purposes of this report to Council;

Objective	Principle	What we would expect	Chief Executive Officer Comment
Planning  Develop a coordinated approach to manage fraud risks	Risks are understood	<ul style="list-style-type: none"> <li>• Fraud risks across organisations are assessed, documented and controls are put in place.</li> </ul>	<ul style="list-style-type: none"> <li>• Not formally assessed</li> </ul>
	Approach is documented	<ul style="list-style-type: none"> <li>• Fraud and Corruption Control Plan (Plan) is in place and reviewed at least once every 2 years.</li> </ul>	<ul style="list-style-type: none"> <li>• Not in place</li> </ul>
	Internal audit considers fraud risks	<ul style="list-style-type: none"> <li>• Audit committee engages with internal audit plan to ensure fraud</li> </ul>	<ul style="list-style-type: none"> <li>• Is existing. However audit committee would be recommended to</li> </ul>



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Objective	Principle	What we would expect	Chief Executive Officer Comment
		<p>areas of higher risk, including:</p> <ul style="list-style-type: none"> <li>o verify necessary qualifications</li> <li>o review of past work history and referee checks</li> <li>o criminal background checks</li> <li>o confirm professional memberships are valid.</li> </ul> <ul style="list-style-type: none"> <li>• Supplier credentials are checked, particularly for high-risk or high value purchases, including: <ul style="list-style-type: none"> <li>o Confirm ABN</li> <li>o confirm directors are not bankrupt or disqualified.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Copies of all relevant qualifications are received and checked during induction,</li> <li>• An induction checklist is in place to ensure all job specific qualifications required are in place and valid.</li> <li>• All new employees have to have a police clearance before they are offered employment with the Shire.</li> <li>• Referee checks are carried out on all new employees.</li> <li>• Credit applications are checked for legitimacy using the ATO ABN lookup website. A copy of the status and trading name is printed to accompany the credit application.</li> <li>• Where there is a change in banking details, either on the creditor invoice or by email, the creditor is called using the existing details from Synergy, to confirm they are true and correct. The checking officer will sign the bank details notification</li> </ul>

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Objective	Principle	What we would expect	Chief Executive Officer Comment
			<p>to identify authentication has been carried out.</p> <ul style="list-style-type: none"> <li>Where the amounts involved are large capital projects due diligence in the past has been undertaken using a third party. Once the outcome is scrutinised and the commitment is endorsed, a project bank account has been utilised. The Creditor supplies a list of sub-contractors to be paid. Both parties authorise the payments to these contractors to ensure payment is made to third parties in a timely fashion.</li> </ul>
Detection  Entities are ready to detect fraud	Detection systems are in place	<ul style="list-style-type: none"> <li>Entities should implement detection systems, as appropriate to their business needs, to identify potential fraud as soon as possible.</li> <li>Multiple avenues are in place for staff, the public and suppliers to report concerns.</li> <li>Reporting processes are well advertised, and include anonymous options.</li> </ul>	<ul style="list-style-type: none"> <li>Procedure controls have been set up in all areas where fraud is considered to be a risk.</li> <li>Information available on the Shire's website relating to Public Interest Disclosures including responsibilities, how to report, process etc. <a href="#">View here</a>.</li> <li>Information available on the Shire's website relating to lodging</li> </ul>

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Objective	Principle	What we would expect	Chief Executive Officer Comment
Response  Entities are ready to respond to potential fraud	All information is considered	<ul style="list-style-type: none"> <li>Entities should implement processes to record, analyse and escalate all incidents.</li> <li>Processes are in place to review internal controls after incidents.</li> </ul>	<p>complaints. <a href="#">View here.</a></p> <ul style="list-style-type: none"> <li>Detection systems in place through receiving complaints, public interest disclosures, internal audits, disclosure of interest processes, primary / annual returns</li> <li>Developed / mapped a process to manage Public Interest Disclosures. <a href="#">View here.</a></li> <li>Developed / mapped a process to manage staff misconduct. <a href="#">View here.</a></li> </ul>

**Action to be taken:**

In accordance with the Department of Local Government I/T framework, policies and procedures are to be developed, outlining terms and conditions in respect to personally owned devices, and access to documented and approved policies implemented and monitored on an ongoing basis.

Policies and procedures relating to access and use of Shire CCTV systems also needs to be developed, documented, approved, implemented and monitored.

**Related ongoing and/or planned projects include (but not limited to):**

- Access to the Shire's network requiring a user to single-click an acknowledgment notification relating to terms of (fair) use and activity monitoring before access to Shire resources is granted. This will assist with the protection of the Shire as an organisation in relation to indemnity and liability related to any incidents of misconduct, fraud, theft, workplace bullying, etc.
- Simplified wireless network access in all offices, segregated into Staff, Councillors, Services (such as retic and security), and Guest layers



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that can be utilised by Shire resources as well as Bring Your Own Device (BYOD).

- Data encryption of all mobile Shire resources such as laptops, tablets, mobiles, and USB drives.
- "Follow me" printing and simplified user workstation access that allows all staff to access print resources, scanned data, usual/favourite browser links and shortcuts (etc) from any workstation within the organisation.

It is recommended that a risk be identified within Promapp to document the internal fraud risk along with any associated treatments to manage this.

**1.3.4 Significant business risks, recognising responsibility for general or specific risk areas, for example, environmental risk, occupational health and safety, and how they are managed by the Local Government;**

Captured in the organisational risk register which is reported to the audit and risk committee

**1.4 Obtaining regular risk reports, which identify key risks, the status and the effectiveness of the risk management systems, to ensure that identified risks are monitored and new risks are identified, mitigated and reported;**

In accordance with newly adopted Council policy, risks register non compliances are reported to the Audit Committee for their information/action.

The risk register is reported to the Audit Committee by exception, focusing on the top ten risk each quarter (by score).

**1.5 Assessing the adequacy of Local Government processes to manage insurable risks and ensure the adequacy of insurance cover, and if applicable, the level of self-insurance;**

Following mitigation actions in place within risk register;

1. Review of past 5 year Insurance performance (comparing premium contributions against claims). May result in assessing a range of factors including current level of cover, excesses and structure of workers compensation premium
2. Insurance coverage reviewed internally prior to presenting to Chief Executive Officer for sign off



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3. Insurance coverage assessed independently for adequacy (ever two years)

**1.6 Reviewing the effectiveness of the local government's internal control system with management and the internal auditors;**

1. It is considered that the Shire of Northam has a strong level of internal control over management of both strategic and operating risks, utilising the Promapp software package;
  - a. Risks identified
  - b. Risk treatment is recorded in Promapp, which includes sign off owners, frequency of review, due date
  - c. Promapp generates automatic email to sign off owners on due date.
  - d. Owner required to sign off and insert comment, may also be required to provide an attachment
  - e. In event owner does not sign off in required timeframe escalation email is sent to the risk owner.
  - f. All outstanding / overdue treatments are reported monthly to Executive Management meeting
  - g. All outstanding / overdue treatments are reported quarterly to Audit & Risk Committee

**1.7 Assessing whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk;**

The newly adopted Policy in relation to risk management provides clear guidance on assessing risk and how matters are escalated into the organisational risk register.

Key risks are identified through a range of areas, being Council reports, project plans, Council plans & strategies.

**1.8 Assessing the local government's procurement framework with a focus on the probity and transparency of policies and procedures/processes and whether these are being applied;**

Council has an adequate procurement framework in place, which is underpinned by the Promapp procurement process. The process and associated procedure provide a full and extensive guide to procurement within the Shire of Northam including identifying and linking to key elements of the framework including legislation, policy and internal guidelines.

A review of the tender variation process has been carried out, currently the variation form is to be signed by the project manager and the Chief

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Executive Officer, the procedure does not address the situation if the Chief Executive Officer is the project manager.

**ACTION TO BE TAKEN**

**Cost Variation Form – Add the following comment: 'In the event that the CEO is project manager, the variation is to be authorised or approved by another executive or a project superintendent, effectively requiring two signatures'**

**1.9 Should the need arise, meeting periodically with key management, internal and external auditors, and compliance staff, to understand and discuss any changes in the local government's control environment;**

The Promapp system allows for, and promotes, the continual identification and implementation of improvements or changes in control environments. This being the case immediate improvements are suggested and assessed by process owners as soon as staff become aware. In addition to this processes are required to be reviewed and signed off by process owners on an annual basis.

Additionally the Executive Management Team review risks and outstanding treatments monthly, whilst a report is provided quarterly on any outstanding treatments to the Shire of Northam Audit & Risk Committee. A full copy of the risk register is provided to the Audit & Risk Committee annually for review.

**1.10 Ascertaining whether fraud and misconduct risks have been identified, analysed, evaluated, have an appropriate treatment plan which has been implemented, communicated, monitored and there is regular reporting and ongoing management of fraud and misconduct risks.**

The following fraud and misconduct risks have been identified;

**Internal**

- Corporate card misuse, such as payment for personal expenses
- Fictitious names on the payroll system.
- Delayed terminations.
- Abuse of position and power, including accepting or offering bribes or gifts.
- Nepotism.
- Submitting false travel claims.
- Consistently recording incorrect hours of work on timesheets.
- Unauthorised use of Shire vehicles.
- Fuel card misuse

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- Theft or unauthorised use of public funds or physical resources, such as office supplies and stationery.

### External

- Customers deliberately claiming benefits for which they are ineligible.
- External providers making claims for services that were not provided.
- The provision of false or misleading information. Failure to provide information when obliged to do so.
- Inappropriate influence over grants and funding applications.
- Manipulation of a procurement process.

### Collusion

- Inappropriate involvement with suppliers, including unlawful or unauthorised release of information.
- Knowingly making or using forged or falsified documentation.
- Failing to declare and appropriately manage conflicts of interest.

The treatment strategies in place for these identified risks is varied ranging from adequate to inadequate.

### Action to be taken:

**Development of a Fraud and Misconduct Control Framework to be endorsed by the Audit & Risk Committee.**

## 2. Internal control

Internal control is a key component of a sound governance framework, in addition to leadership, long-term planning, compliance, resource allocation, accountability and transparency. Strategies to maintain sound internal controls are based on risk analysis of the internal operations of a local government.

An effective and transparent internal control environment is built on the following key areas:

- Integrity and ethics;
- Policies and delegated authority;
- Levels of responsibilities and authorities;
- Audit practices;
- Information system access and security;
- Management operating style; and
- Human resource management and practices.

The following are the controls that have been reviewed:

- Ledger Reconciliations monthly signed and dated by Officers and Managers



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- Audit reports signed by Accountant for payroll, creditors, debtors, and payroll
- ABN's checked on receipt of a new creditor application to ensure the business is legitimate
- Credit card statements signed and authorised by the card holders, Executive Managers and the CEO (all statements are co-signed by the CEO and the Executive Manager Corporate Services Co-signs the CEO's statement.)
- Signed receipt is given to the deliverer of cash from the external sites by the receiving officer who counts the money immediately
- Signing of all journals raised in Synergy
- Payment Runs, feedback to Executive Managers regarding the timeliness and accuracy of the paperwork processed
- Any changes to Synergy permissions is only processed by the ICT Officers or Accountant
- Any payments by any means other than an invoice have a signed statutory declaration, supporting Council Resolution or copy of the endorsed budget item

**2.1 Separation of roles and functions, processing and authorisation;**

The Shire of Northam endeavours to have distinct separation of roles and functions, processing and authorisations, which appropriate. As a medium sized local government it is not always possible to have complete separation of duties, however in the following key areas it is in place;

Payment of Creditors	<ul style="list-style-type: none"> <li>• Creditors Officers create invoices batches, linked to authorised purchase orders or signed cheque requisitions. Compliance and authorisations are checked.</li> <li>• Creditors Officers Batches are checked by SFO.</li> <li>• EFT/ cheque run is created by Creditors Officer based on due dates. System driven. Corresponding invoices are matched to each payment by Creditors Officer, collated into a boxed file.</li> <li>• Payment Run is uploaded to the Bank by the Creditors Officer, summary completed, and corresponding bank transfer where insufficient funds are in the Muni account is created. The bank account file is uploaded directly from Synergy to the Bank.</li> <li>• The payment run is checked invoice by invoice, Po by Po to ensure coding, bank accounts and authorisation is complete by the Accountant and One Executive Manager or CEO. Once checked as correct it is then authorised by two signatories.</li> </ul>
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	<ul style="list-style-type: none"> <li>Monthly reconciliations and audit trails are signed by an Officer and the Accountant.</li> </ul>
Receipting and Banking	<ul style="list-style-type: none"> <li>Receipting is undertaken by Customer Services Officers. All receipts and banking is balanced at the close of business daily. Each Officer signing for their balances and banking.</li> <li>A different Administration Officer counts and balances the cash daily and records it in the bank receipt book.</li> <li>The Officer takes the cash to the Bank or where the cash balance is significant, two Officers will go to the Bank.</li> <li>The SFO balances the Bank Reconciliation daily.</li> <li>All batches processed by satellite centres are emailed to SFO daily to ensure balance details for receipting into the bank are correct.</li> </ul>
Journal Processing	<ul style="list-style-type: none"> <li>All GL journals for code corrections or allocations are raised with supporting documentation and emails by SFO, Accountant or Executive Manager of Corporate Services.</li> <li>Each journal is signed by a different Officer in that group to authenticate its accuracy including the printout from Synergy of each journal that is signed by that person.</li> </ul>
Payroll	<ul style="list-style-type: none"> <li>Payroll processing is undertaken under the supervision of the Payroll Officer.</li> <li>Any data entry performed by any other Shire Officer is checked by the Payroll Officer.</li> <li>Any ad hoc calculations for termination pays, leave payouts or annual leave are checked by the Accountant.</li> <li>Once the payroll has been processed in variations, the Payroll Officer and SFO then check the current pays to the previous fortnight and compare and note any differences.</li> <li>This is then checked and signed by the Accountant.</li> <li>Once authorised the pay run is generated. The Payroll Officer uploads the Synergy file to the Bank and creates a corresponding bank transfer.</li> <li>This is checked, signed and authorised by two signatories, usually the Accountant and an Executive Manager.</li> <li>Monthly reconciliations are checked and signed by the Executive Manager of Corporate services.</li> </ul>

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	<ul style="list-style-type: none"> <li>Fortnightly audit trails are checked and signed by the Accountant.</li> </ul>
Bank Reconciliations	<ul style="list-style-type: none"> <li>Bank Reconciliations are undertaken daily by the SFO.</li> <li>All investments and payments are always authorised by the Accountant and an Executive Manager or CEO.</li> <li>Any changes of Bank Limits are done through phone banking using token and identity checks including an SMS message to a mobile phone.</li> <li>Monthly reconciliations are checked and signed by both the SFO and Accountant.</li> </ul>

## 2.2 Control of approval of documents, letters and financial records;

The Shire of Northam ensures that all documents are recorded and stored in a secure room. A register is in place to enable the tracking of records and files. Electronic records have varying degrees of access depending on delegations allocated to staff within the organisation.

I did undertake an audit of several registered documents and found that some documents that were considered to be sensitive, were not appropriately registered as limiting view.

### Action to be taken;

1. Process suggestion has been made to make provision for registering sensitive document
2. Staff to be provided with training/reminder of need to register certain documents whilst limiting access.

## 2.3 Limit of direct physical access to assets and records;

All physical records are held in a separate records room, which is administered by the Shire of Northam records officer. Any and all records which are required by staff are signed out through the records officer. The records officer has sight of all records within the room.

Access to Council buildings is limited by either the use of a 'fob' or hierarchical key system. Staff entering or leaving buildings using the 'fob' can be tracked via the requirement to enter a unique code into the various alarm systems.



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**2.4 Limit access to make changes in data files and systems;**

- Synergy access is limited and locked down for areas to minimise changes, Audit trails are in place and reviewed monthly with names times and Officers who have made changes.
- Access to G: (hosts majority of Council staff working documents) is limited on a hierarchical basis
- Promapp: (hosts risk register, processes, OHS reports and inspections and document depository). Access is available to majority of people within organisation however whenever changes are made multiple sign offs are required prior to being published. Extensive audit trails are available

**2.5 Regular maintenance and review of financial control accounts and trial balances;**

Monthly management and financial reporting by the Accountant, Managers and Executive team ensures any anomalies are investigated, captured and corrected.

**2.6 Comparison and analysis of financial results with budgeted amounts;**

- Reports developed start of each financial year
- Structured around Department, function and sub function, general ledger and job
- Available to all staff (focused on executive management, management and supervisor level)
- All Departments reviewed monthly by Chief Executive Officer & Executive Manager of Corporate Services – exception reporting provided (identifying areas of concern)
- Executive Managers required to review their Departments monthly
- Monthly reporting to Council at function level, with reporting at G/L level for capital items

**2.7 Report, review and approval of financial payments and reconciliations; and**

Extensive process and procedure are in place which I considered adequate

**2.8 Comparison of the result of physical cash and inventory counts with accounting records.**

Physical cash and inventory is held at numerous sites under the control and management of the Shire of Northam;

- Northam Recreation Centre
- Northam Swimming Pool

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- Wundowie Swimming Pool
- Bilya Koort Boodja
- Northam Visitor Centre
- Northam Library
- Wundowie Library
- Create 298
- Killara Day Care Centre

**Action to be taken;**

**Develop a single process for receipt of all 'offsite' money, inclusive of a mechanism to ensure accuracy of takings to banking.**

**Action to be taken;**

**Develop process and procedure for offsite stock management.**

### 3. Legislative compliance

The compliance programs of a local government are a strong indication of attitude towards meeting legislative requirements. Audit committee practices in regard to monitoring compliance programs typically include:

- Monitoring compliance with legislation and regulations;
- Monitoring the Compliance Audit Return and reporting; and
- The credibility and objectivity of external financial reporting

#### 3.1 Reviewing the annual Compliance Audit Return and reporting to council the results of that review;

Compliance Audit Return (CAR) is assessed internally (Governance Officer) and submitted to Council, via the Audit & Risk Committee Annually. To add further rigour around the compliance return, the Governance Officer has an internal audit framework in place which includes assessing monthly requirements of the CAR. This has been implemented to ensure that any non-compliances are identified in a timely manner, enabling prompt resolution, rather than waiting for the 'annual' audit.

In preparing the CAR for signoff by the CEO the Governance Officer is required to provide documentation to support the assertions made within the CAR.



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**Action to be taken;**

**Have the CAR undertaken independently once in every three years.**

**3.2 How management is monitoring the effectiveness of its compliance and making recommendations for change as necessary;**

Per above, in addition this is tracked through the Promapp system, which requires the Governance Officer to sign off on CAR assessment, Purchasing Policy compliance assessment, and other Legislative internal audit reviews.

**3.3 Reviewing whether the local government has procedures for it to receive, retain and treat complaints, including confidential and anonymous employee complaints;**

Extensive complaints management process and procedure is in place.

**Action to be taken;**

**Complaints management process to be amended to include provisions around treatment of confidential and anonymous complaints (internal / external).**

**3.4 Obtaining assurance that adverse trends are identified and review management's plans to deal with these;**

Where possible statistics are tracked through measurable indicators such as;

- Building approvals, time taken
- Financial performance, financial ratios
- Customer request, time taken to resolve

**3.5 Reviewing management disclosures in financial reports of the effect of significant compliance issues;**

Any significant disclosures would be reviewed at Audit Committee level.

**3.6 Monitoring the local government's compliance frameworks dealing with relevant external legislation and regulatory requirements; and**

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As per 3.2 – the Governance Officer monitors compliance with relevant legislation via the monthly compliance report and in turn the Annual Compliance Audit Return.

**3.7 Complying with legislative and regulatory requirements imposed on audit committee members, including not misusing their position to gain an advantage for themselves or another or to cause detriment to the local government and disclosing conflicts of interest.**

Member's interests in relation to financial interests, impartiality interests and proximity interests are disclosed in accordance with section 5.65 of the Local Government Act 1995

## 5.4 NORTHAM AQUATIC FACILITY, ARNOLD STREET ACCESS

<b>Address:</b>	N/A
<b>Owner:</b>	N/A
<b>Applicant:</b>	N/A
<b>File Reference:</b>	1.3.8.8
<b>Reporting Officer:</b>	
<b>Responsible Officer:</b>	
<b>Officer Declaration of Interest:</b>	Nil
<b>Voting Requirement:</b>	Simple Majority
<b>Press release to be issued:</b>	No

### BRIEF

This report is to address an issue raised relating to an element of a Council Decision not being adequately implemented due to staff oversight

### ATTACHMENTS

Refer to email sent to Councillors 30 November 2019 by the Chief Executive Officer.

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## A. BACKGROUND / DETAILS

At a Special Council Meeting 5 December 2018 Council made the decision to accept tender 2 of 2018 made by Cooper & Oxley Builders Pty Ltd incorporating a variation to create additional access to the proposed car park from Arnold Street.

In that same motion Council authorised the CEO to discuss potential cost savings without the loss of any facility. Six days later, discussions were held between the CEO, the Executive Manager Engineering Services and Cooper & Oxley regarding potential cost savings. At this stage the variation should have been raised with Cooper & Oxley but was not.

## B. CONSIDERATIONS

### B.1 Strategic Community / Corporate Business Plan

Theme Area 6: Governance & Leadership

Outcome 6.3: The Shire of Northam council is a sustainable, responsive, innovative and transparent organisation.

### B.2 Financial / Resource Implications

An estimated \$10,000 for the driveway installation inclusive of Council Resources.

### B.3 Legislative Compliance

*Local Government Act 1995 and relevant subsidiary legislation.*

*Local Government (Functions and general) Regulations 1996*

21A. Varying a contract for the supply of goods or services If a local government has entered into a contract for the supply of goods or services with a successful tenderer, the contract must not be varied unless —

(a) the variation is necessary in order for the goods or services to be supplied and does not change the scope of the contract;

### B.4 Policy Implications

N/A

### B.5 Stakeholder Engagement / Consultation

N/A

### B.6 Risk Implications

Risk Category	Description	Rating (consequence x likelihood)	Mitigation Action
Financial	N/A	N/A	N/A
Health & Safety	N/A	N/A	N/A
Reputation	Potential damage to reputation	Low (2)	Continual improvement
Service Interruption	N/A	N/A	N/A
Compliance	N/A	N/A	N/A
Property	N/A	N/A	N/A
Environment	N/A	N/A	N/A

## C. OFFICER'S COMMENT

There has been an element of human error through this process firstly with the staff member who replaced the CEOPA whilst she was on holidays by not following the process of putting open motions into Motion Tracker and the Chief Executive Officer for not ensuring the process was being followed.

Motion Tracker is a control used by staff to ensure all elements of a motion are completed prior to closing the motion off. In this instance the open motion was not placed in Motion Tracker and therefore not providing the visual trigger to complete all actions.

As there has been an oversight and the variance was not included in the contract, it is suggested that the best way to move forward would be for Council staff to make the driveway access off Arnold Street into the carpark.

Staff have reviewed current controls and consider they are effective; in this instance we believe there were two main oversights.

1. An error of judgement occurred from a junior staff member by not entering the requirement in motion tracker, had this occurred correctly chances of point two below remaining undetected would have been mitigated.
2. The contract variation was missed through an oversight from the Project Manager and other Senior Officers involved with the project.

Staff are of the opinion that this occurrence is not systemic and therefore rate the risk of it reoccurring as unlikely.

#### **RECOMMENDATION**

**That Council:**

- 1. Receive the report**
- 2. Refer works associated with the Arnold Street Access to the 2020/21 Draft Roads Program.**

Discussion was held around the reason for this occurrence. It was discussed what actions can be put in place to prevent this reoccurring. The process for preparing the minutes for Council meetings was demonstrated to the Committee, this includes a section to update motion tracker, this task was not undertaken which has resulted in the occurrence. The possibility of documenting Council decision not being actioned as a risk was discussed and including this task as treatment in Process Mapping which requires sign off each month by the Executive Assistant – CEO.

**RECOMMENDATION / COMMITTEE DECISION**

**Minute No: AU.142**

**Moved: Cr Pollard**

**Seconded: Cr Ryan**

**That Council:**

- 1. Receive the report;**
- 2. Refer works associated with the Arnold Street Access to the 2020/21 Budget Consideration List; and**
- 3. Request the Chief Executive Officer to document a risk treatment signoff in Promapp for updating Motion Tracker to ensure that all Council decisions are documented and actioned appropriately.**

**CARRIED 4/0**

**6. URGENT BUSINESS APPROVED BY PERSON PRESIDING OR BY DECISION**

Nil.

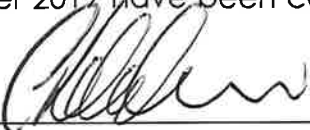
**7. DATE OF NEXT MEETING**

27<sup>th</sup> February 2020, 5:00pm

**8. DECLARATION OF CLOSURE**

There being no further business the Presiding Member, Cr Antonio declared the meeting closed at 5.53pm.

"I certify that the Minutes of the Ordinary Meeting of Council held on Wednesday, 12 December 2019 have been confirmed as a true and correct record."

 President

5/3/2020 Date