Shire of Northam

Heritage, Commerce and Lifestyle

Shire of Northam

Minutes

Audit Committee Meeting

1 June 2018

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Contents

1. DECLARATION OF OPENING

The Presiding Member, Cr C R Antonio declared the meeting open at 11:03am.

2. ATTENDANCE

Committee:

Shire President	Cr C R Antonio
Councillors	Cr A J Mencshelyi
	Cr J Proud

Staff:

Chief Executive Officer	J B Whiteaker
Executive Manager Corporate Services	C Young
Executive Assistant – CEO	A C Maxwell
Accountant	Z Macdonald

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 8TH MARCH 2018

RECOMMENDATION / COMMITTEE DECISION
Minute No: AU.095
Moved: Cr Mencshelyi **Seconded: Cr Proud**
That the minutes of the Audit Committee meeting held on Thursday, 8th March 2018 be confirmed as a true and correct record of that meeting.
CARRIED 3/0

5.   COMMITTEE REPORTS

5.1   LOCAL PRICE PREFERENCE POLICY

Address:	N/A
Owner:	N/A
File Reference:	1.6.1.6
Reporting Officer:	Colin Young Executive Manager Corporate Services
Responsible Officer:	Colin Young Executive Manager Corporate Services
Voting Requirement	Absolute Majority

BRIEF

For Council to review its Local Price Preference Policy.

ATTACHMENTS

Attachment 1:   Policy F4.4 Local Price Preference Policy.

BACKGROUND / DETAILS

During the recent Procurement review it was found that policy F4.4 Local Price Preference does not fully align with the *Local Government Act 1996*.

This policy seeks to maximise the use of competitive local businesses in goods, services and works purchased or contracted on behalf of the Shire of Northam.

CONSIDERATIONS

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.

Financial / Resource Implications
N/A.

Legislative Compliance
Section 2.7(2)(b) of the Local Government Act 1995 provides that it is the role of Council to determine the local government's policies.

Local Government (Functions and General) Regulations 1996, Part 4A Regional price preference:

<u>Regulation 24E. Regional price preference policies for local governments</u>
(1) Where a local government intends to give a regional price preference in relation to a process, the local government is to —
   (a) prepare a proposed regional price preference policy (if no policy has yet been adopted for that kind of contract); and
   (b) give Statewide public notice of the intention to have a regional price preference policy and include in that notice —
      (i) the region to which the policy is to relate; and
      (ii) details of where a complete copy of the proposed policy may be obtained; and
      (iii) a statement inviting submissions commenting on the proposed policy, together with a closing date of not less than 4 weeks for those submissions; and
   (c) make a copy of the proposed regional price preference policy available for public inspection in accordance with the notice.
(2) A regional price preference policy may be expressed to be —
   (a) for different regions in respect of different parts of the contract, or the various contracts, comprising the basis of the tender;
   (b) for different goods or services within a single contract or various contracts;
   (c) for different price preferences in respect of the different goods or services, or the different regions, that are the subject of a tender or tenders (subject to the limits imposed by regulation 24D),

   or for any combination of those factors.

Policy Implications
Ensure that Policy F4.4 is compliant.

Stakeholder Engagement / Consultation
Where a local government intends to give a regional price preference in relation to a process, the local government is to —
   (a) give Statewide public notice of the intention to have a regional price preference policy and include in that notice —
      (i) the region to which the policy is to relate; and
      (ii) details of where a complete copy of the proposed policy may be obtained; and
      (iii) a statement inviting submissions commenting on the proposed policy, together with a closing date of not less than 4 weeks for those submissions; and
   (b) make a copy of the proposed regional price preference policy available for public inspection in accordance with the notice.

It is proposed that should no submissions be received the policy be adopted. Should submissions be received the Policy will be represented to Council for consideration.

Risk Implications

If the Local Price Preference Policy was not updated, council could be in breach of the *Local Government Act 1995* and *Local Government (Functions and General) Regulations 1996.*

OFFICER'S COMMENT

Policy F4.4 has been updated to ensure that it aligns with the Local Government Act 1995 and *Local Government (Functions and General) Regulations 1996.*

RECOMMENDATION / COMMITTEE DECISION

Minute No: AU.096

Moved: Cr Proud
Seconded: Cr Mencshelyi

That Council:
1. **In accordance with Reg. 24E, Local Government (Functions & General) Regulations 1996, give Statewide public notice of its intention to adopt the revised draft Policy F4.4 – Local Price Preference as provided in Attachment 1, and call for public submissions on the proposal; and**
2. **Adopts policy F4.4, should no submissions be received during the submission period.**

CARRIED 3/0
BY ABSOLUTE MAJORITY

Clarification was sought in relation to the changes made to the policy. The Executive Manager Corporate Services advised that the changes made are detailed within the attachment and that these were required in order for Council to comply with legislation.

Attachment 1

F 4.4 Local Price Preference

Responsible Department	Corporate Services
Resolution Number	C.2706
Resolution Date	20/06/2018
Next Scheduled Review	2020
Related Shire Documents	
Related Legislation	*Local Government Act 1995 – s3.57 Tenders;* *Local Government (Functions & General) Regulations 200 – Part 4A;* *Local Government (Administration) Amendment Regulations 2000 – s29.*

OBJECTIVE

The purpose of this policy is to stimulate economic activity and growth in the Shire by maximising the use of competitive local businesses in supplying goods, services and works purchased or contracted on behalf of the Shire of Northam.

SCOPE

Applies to all Purchases.

POLICY

1. Local Price Preference

A price preference will apply to suppliers who are based in, operate from or source goods or services from within the Shire in relation to all quotations/tenders invited by the Shire for the supply of goods, services and construction (building) services.

The Local price preference enables suppliers to be evaluated as if the proposed tender/quotation bid price were reduced in accordance with permitted price preferences as specified below in this policy.

This policy will operate in conjunction with the purchasing considerations and procedures as outlined in the Council's 'Purchasing Policy' when evaluating and awarding tender contracts.

2. Qualifying Criteria

Local Supplier

A supplier of goods or services who submits a tender/quotation is regarded as being a local tenderer if:

i. the supplier has a physical business premises (in the form of an office, depot, shop, outlet, headquarters or other premises where goods or services are being supplied from), located within the Shire. This does not exclude suppliers whose registered business is located outside the Shire but undertake the business from premises located in the Shire;

ii. a business having permanent staff that are based at the business premises located within the Shire;

iii. management or delivery of the majority of the outcomes will be carried out from the business premises located in the shire; and

In order for the policy to apply, the supplier is required to provide to the Shire sufficient evidence which demonstrates compliance with the above criteria.

3.   Local Price Preference Value

Goods and Services:

~~Up to a 10% price preference (to a maximum price reduction of $100,000 excluding GST) where goods and services are sourced from within the Shire of Northam.~~

Up to 10% where the contract is for goods or services, up to a maximum price reduction of $50,000

Up to 5% where the contract is for the construction (building) services, up to a maximum price reduction of $50,000

Up to 10% where the contract is for goods or services (including construction (building) services), up to the maximum price reduction of $100,000, if the Local Government is seeking tenders for the provision of those goods or services for the first time due to those goods or services having been, until then, undertaken by the local government.

5.2   INTERIM AUDIT

Address:	N/A
Owner:	N/A
File Reference:	1.6.1.6
Reporting Officer:	Colin Young Executive Manager Corporate Services
Responsible Officer:	Colin Young Executive Manager Corporate Services
Voting Requirement	Absolute Majority

BRIEF

For the Audit Committee to receive an update on the Interim Audit that was conducted by the Shire's auditor, Moore Stephen's on the 16 & 17 April 2018.

ATTACHMENTS

Attachment 1:   Email from Auditor.

BACKGROUND / DETAILS

The Interim Audit was carried out on the 16 & 17 April, Moore Stephen's conducted the interim audit, it concentrated largely on compliance and administration issues rather than financial issues that are concentrated on during the year-end audit.

CONSIDERATIONS

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.

Financial / Resource Implications
N/A.

Legislative Compliance
Local Government Act (1995) Section 7.12A.

Policy Implications
Nil.

Stake Holder Engagement / Consultation
Nil.

Risk Implications

If the Interim Audit was not carried out there would be a risk that agreed procedures that where not followed (if any), would not be reported to Council.

OFFICER'S COMMENT

The Auditor has raised one issue as presented below, as the issue is minor a formal report was not forthcoming from the Auditor;

1. Purchase order 47543 dated 26/9/2017 for the payment of Slav's Cleaning Service for $8,873 paid on the 25/9/2017 by EFT27827

   Management Comment: The above payment was made in the interim period between the end of Slav's Cleaning Services Contract(had a 12 month reoccurring order in place) and the Commencement of the new cleaning contract with DMC Cleaning. Mangers oversight, all employees are reminded regularly of the required purchasing procedures.

RECOMMENDATION / COMMITTEE DECISION
Minute No: AU.097
Moved: Cr Proud   **Seconded: Cr Mencshelyi**
That Council receive the 2017/18 Interim Audit Finding.
CARRIED 3/0   **BY ABSOLUTE MAJORITY**

Discussion was held around the following matters:

- Noted that one issue was identified within the interim audit (as listed) which occurred when there was a change in cleaning contractor.

Attachment 1

From: Gilles Chan [mailto:gchan@moorestephens.com.au]
Sent: Tuesday, 15 May 2018 9:58 AM
To: Zoe Macdonald <Accountant@northam.wa.gov.au>
Cc: Colin Young <emcorps@northam.wa.gov.au>; Hayley Platt <hplatt@moorestephens.com.au>
Subject: RE: Urgent Interim Audit Report Shire of Northam

Hi Zoe,

Please find below our findings:-

Compliance:-
1) The delegation register needs to be reviewed every year.
2) The audit reg 17 – I am not sure if this was reviewed. E.g This was supposed to be done every 2 years- Can you please check your last one.
3) NEW THIS YEAR- As per section 7.12 A of the Local Gvt Act which states below:-

The act requires them to provide a report to Council as to which actions they will take to address the issues raised and then provide this report to the department within 3 months of receipt of the audit report. They are also required to publish a copy of the report on their website 14 days after the report is provided to the department.
Last year , we have included in our audit report that the annual financial report has not been sent to the department within 30 days.

I am not sure if this has been done as it is new.

Internal control.

All mth end reconciliations appeared to be performed on regularly basis and reviewed.

We have only found one instance where the purchase order was raised after the invoice was received e.g
Purchase order 47543 dated 26/9/2017 for the payment of slav cleaning service for $ 8,873 paid in 25/9/2017 by eft 27827.

Thanks.

Gilles Chan
Manager
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Perth WA 6000

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MOORE STEPHENS   EnterpriseFirst

5.3   PROCUREMENT PROCESS REVIEW REPORT

Address:	N/A
Owner:	N/A
File Reference:	1.6.1.6
Reporting Officer:	Colin Young Executive Manager Corporate Services
Responsible Officer:	Colin Young Executive Manager Corporate Services
Voting Requirement	Simple Majority

BRIEF

This report is for Council to consider the Procurement Review Report for adoption.

ATTACHMENTS

Attachment 1:   Procurement Process Review Report.

BACKGROUND / DETAILS

In July 2017 under the direction of the CEO, staff called for quotes from qualified business to conduct a Procurement Process Review on the Shire of Northam's purchasing focusing on, Tenders, Records Management, Probity and Credit Card Usage.

The Audit was designed to provide both the CEO and the Council with an additional element of accountability through a check on current procurement processes, ensuring these are being adhered to by staff.

CONSIDERATIONS

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.

Financial / Resource Implications
$9,937 plus GST for the report.

Legislative Compliance
There is no legislative requirement to hold an Internal Procurement Review, however it is best practice.

Policy Implications
N/A.

Stakeholder Engagement / Consultation
All senior staff were asked to review the document and make any comments.

Risk Implications
It is best practice to undertake this review as it will assist in identifying areas for improvements which may result in reducing any risk associated with this matter.

OFFICER'S COMMENT

On Monday 22 January 2018 Moore Stephens conducted an Audit on the Shire of Northam's Procurement processes, after the site visit follow up interviews were conducted with the Executive Management Team and the Procurement Officer.

A final report was received on 7 May 2018 that included the following contents:
1. Engagement Overview;
2. Executive Summary;
3. Summary Controls Table;
4. Review Findings and Recommendations;
5. Improvement Opportunities;
6. Procurement Processes – Tenders and Contracts Management;
7. Other Matters;

A copy of the report is attached for Council's perusal. The major areas identified for improvement works are detailed below, along with management responses:

REVIEW FINDINGS & RECOMMENDATIONS				
Observation	**Potential Risks**	**Rating**	**Recommendation**	**Management Comment**
Per the Local Gov't (Functions and General) Regulations 1996, Part 4A, Section 24D (Discounts permitted for regional price preferences), there are three scenarios where the bid from the tenderer can be considered for a price reduction. The legislation allows for: • up to 10% reduction for goods or services up to a maximum of $50,000;	Non-alignment to Gov't Regulations.	Moderate1	The Shire Local Price Preference Policy should be updated to align with the thresholds in the Regulations.	Local Price Preference Policy has been reviewed and will be presented to Council for consideration.

	REVIEW FINDINGS & RECOMMENDATIONS			
Observation	**Potential Risks**	**Rating**	**Recommendation**	**Management Comment**
• up to 5% reduction for construction (building) services up to maximum of $50,000; or • up to 10% where the contract is for construction (building) services up to a maximum price reduction of $500,000. The Shire's Local Price Preference Policy (F 4.4), Section 3 - Local Price Preference Value, allows for a maximum price reduction of $100,000 (excluding GST) for goods and services from within the Shire. The amount per the Shire policy does not fully align with the requirements outlined above under Section 24D.				

	IMPROVEMENT OPPORTUNITIES		
ESTABLISHMENT OF PRE-QUALIFIED PANEL OF SUPPLIERS			
Observation	**Potential Risks**	**Recommendation**	**Management Comment**
It was noted during the audit that the Shire currently does not operate any formal panels of pre-qualified suppliers. Rather, through the years, it has maintained an informal list of suppliers which it has consistently used for recurring needs such as electrical services, painting, etc. Use of an informal list may present the following limitations: • precludes consideration of other suitable service providers which are new market entrants;	The following contractors were used multiple times for the period 1 July 2017 to 31 January 2018. Examples: <u>Plumbing Services</u> • Andy's Plumbing [43 POs; spend @ $14,000] • Blackwell Plumbing [17 POs; spend @ $15,500] <u>Electrical Services</u> • Grafton Electrics [46 POs; $22,000] • Verlindens Electrical [4 POs; $11,600]	It is recommended that goods and services which are: • recurring, • purchased frequently throughout the year; and • deemed to be low or medium procurement risk, be considered for establishment as a pre-qualified panel under Division 3 of Regulations. Determination of these services could be based on spend data by service	Staff will investigate and establish pre-qualified panels where appropriate.

IMPROVEMENT OPPORTUNITIES			
ESTABLISHMENT OF PRE-QUALIFIED PANEL OF SUPPLIERS			
Observation	**Potential Risks**	**Recommendation**	**Management Comment**
• rates quoted by known suppliers are often not market tested; and • pre-qualified panel provides greater transparency in the selection process and if implemented follows a prescribed set of rules governing how the panel will operate to manage risks and to ensure a more efficient procurement process.		category for the past 2 or 3 years. Any services which are likely to reach $150,000 however, must undergo a public tender process as per Section 11.	

SPEND ANALYSIS			
Observation	**Potential Risks**	**Recommendation**	**Management Comment**
Spend analysis will provide insight into current procurement arrangements and identify opportunities for strategic procurement by spend category such as assessment of sole source arrangements and the use of pre-qualified panels (refer to point 1.0 Establishment of Pre-qualified panels). A regular review will also contribute to the understanding of historical spend patterns and whether anticipated value for money outcomes were achieved, thus providing input into subsequent tender planning processes. Spend analysis will also enable the Shire to benchmark suppliers which provide similar services for the purposes of "value for money"	The following examples illustrate the information that was obtained through a quick analysis of spend data from1 July 2017 to 31 January 2018: • Glenn Stuart Beveridge @ 9 months is $91,000; this supplier could reach the $150,000 threshold if not monitored. • Several contractors provide ongoing technical services which require specialist environmental, health and safety knowledge. However, there is no contract or service agreement in place i.e. Avon Valley Contractors, Central Mobile Mechanical Repairs. • Avon Valley Contractors; POs for $8,800 for 3 months has been sole source supplier for hire of graders.	It is recommended that at least annually, a review is performed by a person independent of the Procurement function of spend by supplier, by service type and other relevant criteria to ensure that overall procurement for goods and services is a strategic activity. Procurement planning may also alleviate the reliance on sole source suppliers if request for goods and services on short notice is minimised.	Procedures will be put in place ensuring suppliers that have recurring purchases that may reach the $150,000 tender threshold are reviewed annually.

SPEND ANALYSIS			
Observation	**Potential Risks**	**Recommendation**	**Management Comment**
assessment for future reference.			

A separate report will be presented to council through the audit committee to revise the current local price policy, the other improvement actions are currently being discussed and procedures will be put in place to incorporate them into Councils procurement practices.

RECOMMENDATION / COMMITTEE DECISION

Minute No: AU.098

Moved: Cr Proud
Seconded: Cr Mencshelyi

That Council receives the Procurement Process review as provided in Attachment 1.

CARRIED 3/0

Discussion was held around the following matters:
- Queried whether this is a part of the governance review. The Chief Executive Officer advised that this forms part of the internal audit framework established by Council. Reference was made to the recent article about the City of Perth relating to internal audits.
- The audit demonstrates that Council has strong systems and processes in place however there is room for improvement with a few matters being identified. One of these includes the Local Price Preference Policy which wasn't compliant with legislative requirements and as a result has been presented to this meeting.
- Establishing panel contractors and the benefit and risk associated with this due to some contractors breaching the threshold. The Chief Executive Officer advised that Council has established this in the past which is undertaken through the tender process
- Credit card usage was queried. The Executive Manager Corporate Services advised that this was assessed and confirmed that purchases made using Shire credit cards are approved and in accordance to the Credit Card Use Policy.

Attachment 1

MOORE STEPHENS

Process Review – Procurement

Shire of Northam

March 2018

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Contents

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1.0   Engagement Overview

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Introduction

At the request of the Shire, Moore Stephens was engaged to provide an independent review of the following:

- procurement processes as they relate to the tendering process (from development of the tender through to award of tender); and
- to evaluate the internal controls around purchasing below the tender threshold being $150,000.

Objective

To provide an assessment of the:

- governance processes of the Shire (i.e. probity and accountability); and
- effectiveness of procurement controls in delivering outcomes in accordance with business objectives as well as statutory and compliance obligations.

Scope

The review procedures were focused on the following processes and internal controls which support the procurement activities (not an exhaustive list):

Tender, evaluation and contract awarding processes:

- Development of a tender package for:
    - procurement strategy and identification of potential supply sources;
    - selection criteria and other key inputs to enable robust assessment of submissions; and
    - composition and determination of the tender panel.
- Pre-award processes:
    - protocols for communicating with prospective tenderers before and after tender deadline;
    - management of information requests; and
    - confidentiality of records.
- Tender evaluation processes:
    - methodology;
    - documentation of rationale to support decision-making, and
    - assessment practices of panel members etc.
- Tender award processes:
    - governance and robustness of review;
    - post panel recommendations; and
    - communication protocols with third parties.
- Records management of relevant documentation.
- Review for probity – procurement is conducted in a manner that is fair, equitable and defensible. Purchases made via credit cards were tested for approval and compliance to policy (HR4.7).

1.0 Engagement Overview (continued)

Approach / methodology

The process included:

- Onsite interviews to gain understanding of the current processes and documented relevant policies and procedures (this included review of Code of Conduct, Procurement Policy and all which are tender or governance related and Conflict of Interest).

- Review of the tenders since 1 July 2017 to current (this included review of 'tender documentation' and related supporting documentation as well as discussions with Directors as necessary).

- Due to the small number of tenders advertised, testing on a judgementally selected sample was conducted for purchases greater than $50,000 for adherence to the Shire's Purchasing Policy; and

- Provision of draft report with observations and recommendations to management.

2.0   Executive Summary

Background

For the majority of procurement requirements, the Shire leverages off the WALGA Preferred Supplier Program and uses the eQuotes portal to obtain quotations. To increase participation amongst local suppliers and to encourage competition, information sessions regarding documentation requirements when submitting quotes and how to address selection criteria have been given to any interested suppliers.

The procurement function is led by the Executive Manager Corporate Services and supported by a purchasing officer. The Executive Management are all actively involved in the tender process either as tender panel members or during the tender development phase. The Shire's Governance Officer supports the procurement function with compliance requirements in accordance to Part 4 of the *Local Government (Functions and General) Regulations 1996*.

The Shire also uses specialists such as WALGA's Tender Management Services for high value and complex projects.

Overall Results

Results of Assessment

The assessment of the Shire's tendering and purchasing processes indicated a good system of internal control is in place to help ensure:

1. The Shire's Purchasing Policy (F4.2 Purchasing & Tendering Policy) is complied with. Evidenced by:

    - Minimum requirements for obtaining quotations are in accordance with purchasing thresholds;

    - Consideration of risk; and

    - Regulatory compliance with *Local Government (Functions and General) Regulations 1996 Part 4 Division 2*. There is, however, a discrepancy in the Shire's Local Preference Policy, refer to point 1.0 in Section 4.0 Review Findings and Recommendations.

2. The key controls within the tendering process are performed and supported in writing. Evidenced by:

    - tender planning and development of specifications;

    - management review of tender packages prior to tender advertisement;

    - tender evaluations being conducted appropriately and support tender award decisions presented to Council; and

    - maintenance of tender records to support legislative compliance.

3. Executive management and key staff involved in procurement understand and demonstrate their obligations to conduct themselves in an honest and professional manner with integrity and transparency through:

    - evidence of accountability for procurement activity e.g. sourcing of quotes, communication with potential suppliers;

    - consistency in performing internal checks and reviews; and

    - use of specialist advisers to ensure that the right outcomes are achieved for complex projects and procurement undertakings.

Details of the above controls are outlined in Section 3.0, Summary Controls Table.

Shire of Northam
Process Review – Procurement

Moore Stephens (WA) Pty Ltd | 5

2.0   Executive Summary (continued)

Overall Results (continued)

Opportunities for Improvement

Our review highlighted two opportunities for improvement. In our view, these should increase efficiency to existing practices and result in potential cost savings. These opportunities were identified in the following areas:

1.   Set-up of pre-qualified panel of suppliers for core services

The Shire currently does not formally operate any pre-qualified panels for recurring services such as electrical, general building maintenance etc.

Rather, an informal list of suppliers which has been maintained over the years is used as a source for obtaining quotations.

This informal list potentially inhibits wider market testing and lost opportunities with new market entrants.

The Shire should consider implementation of a public Request for Applications for Pre-qualified panel of Suppliers for the commonly used services. This will enable a more robust and transparent process for works to be distributed amongst suppliers that belong to the Shire's pre-qualified panel. The benefit for both parties is that once the panel is set-up, the terms of the services can be agreed up-front with respect to quality, indicative pricing and how the work will be distributed.

2.   Conduct a detailed spend analysis

- Analysis of spend to detect potential breach of tender threshold

Currently, there is no formal procedure to determine whether some services, in aggregate throughout the year or for a known fixed period may exceed the tender threshold of $150,000.

Our analysis of the extract of spend since the current financial year indicated at least one supplier, Glenn Stuart Beveridge, supplier of trades and building work with a spend of approximately $91,000 since 1 July 2017 and could potentially reach the threshold of $150k and meet the requirement for a public tender process.

During our review, the following trends were also noted:

- Purchase orders are often issued to suppliers as the 'sole source supplier' with the explanation that other suppliers were not available due to turnaround time resulting in 1 quotation being received; and

- Numerous contractors are providing ongoing technical services without a contract or service agreements in place. In these situations, the Purchase Order general terms and conditions may not mitigate against risks specific to the service requirements i.e. Avon Valley Contractors, Central Mobile Mechanical Repairs.

The Shire should conduct spend data analysis by supplier and service category at least annually to determine whether the service should be considered for public tender in the next budget year. Spend analysis will also provide insight into current procurement arrangements and identify opportunities for more strategic procurement.

Details of the above opportunities for improvement are outlined in Section 5.0 Improvement Opportunities.

3.0   Summary Controls Table

The following is a summary of the key controls assessed during the audit. Where the control assessment is assessed as 'Requires improvement' or is assessed as 'Does not meet requirements', details of the control deficiency are found in Section 4.0 Review Findings and Recommendations.

CONTROL ACTIVITY	CONTROL ASSESSMENT	TEST RESULTS	REFERENCE (SECTION 4.0)
CONTRACT TERMS AND CONDITIONS (sample = 1)			
Standard General Terms and Conditions are adopted by the Shire and included in the Tender Package.	Meets requirements	Procedure confirmed.	
Signed contract required to bind agreement by both parties.	Meets requirements	Procedure confirmed.	
TENDER SPECIFICATIONS (sample = 7)			
Tender specifications are clearly described and include all the relevant technical specifications, and are aligned to the scope of services /qualitative criteria.	Meets requirements	Complex and technical RFT have been drafted with the support of relevant specialists.	
Occupational Health and Safety and environmental requirements (as applicable) are outlined in tender specifications.	Meets requirements	Sighted evidence of OH&S specifications in tender.	
Tender specifications are drafted following a risk based approach to ensure that relevant risks specific to the scope are identified and mitigated through the procurement activity.	Meets requirements	Sighted evidence of risk considerations which commensurate with the risk profile of the project.	
Tender packages are reviewed and approved by the Business Unit prior to advertisement by Procurement Function.	Meets requirements	Council approval is required before tenders are advertised.	
TENDER EVALUATION PROCESSES (sample = 3)			
Tender submissions are compliance checked prior to panel assessments.	Meets requirements	Compliance checks are evidenced in writing. No exceptions noted.	
The methodology for evaluation of tenders is documented in sufficient detail to ensure consistent application and enables auditability by an independent person.	Meets requirements	Evaluation Reports are prepared and signed by panel members.	
Documentation by panel members to support justification for ratings is transparent, supported with factual information from tender process and evaluated against qualitative criteria.	Meets requirements	Evaluation Reports are prepared and signed by panel members.	

3.0   Summary Controls Table (continued)

CONTROL ACTIVITY	CONTROL ASSESSMENT	TEST RESULTS	REFERENCE (SECTION 4.0)
TENDER EVALUATION PROCESSES (cont'd)			
There is evidence to support that value for money criteria have been considered.	Meets requirements	Documentary evidence around value for money primarily centred on price.	
Evaluation of supplier financial strength is performed to demonstrate due diligence of supplier's (entity) background and financial capacity to undertake contractual commitments if successful.	Meets requirements	Through discussions this is performed just prior to the award stage.	
TENDER AWARD (sample = 1)			
Formal notice is provided to advise tenderers of the award decision, i.e. successful and not successful. Generic evidentiary support is retained and provided to unsuccessful tenderers upon request.	Meets requirements	Procedure confirmed.	
RECORDS MANAGEMENT			
A Tenders Register is maintained and available for public viewing.	Meets requirements	Tenders Register sighted.	
Key tender documents are retained and maintained centrally by Shire's Records Management Officer.	Meets requirements	Procedure observed.	
GOVERNANCE			
The Shire's Purchasing Policy and Local Price Preference are in accordance to legislative requirements.	Does not meet requirements	The Local Price Preference thresholds do not align fully with legislative requirements.	Full details on page 9
Staff are aware of their Code of Conduct, Public Interest Disclosure and Conflict of Interest declaration responsibilities.	Meets requirements	Code of Conduct training is provided during new employee inductions.	
Code of Conduct refresher training is formally conducted for staff.	Meets requirements	Yes, carried out in FY 2016/17	
Purchases are approved in accordance to the Shire's Delegations of Authority.	Meets requirements	Sample size = 15 No exceptions noted.	
Purchases made using Shire credit cards are approved and in accordance to the Credit Card Use Policy (HR4.7).	Meets requirements	Sample size = 3 months No exceptions noted.	
Conflict of Interest requirements and sensitivity of tender submissions are understood by staff and declared prior to involvement in tendering process.	Meets requirements	Yes, sighted evidence of requirement.	

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3.0   Summary Controls Table (continued)

CONTROL ACTIVITY	CONTROL ASSESSMENT	TEST RESULTS	REFERENCE (SECTION 4.0)
PURCHASING CONTROLS (sample = 10)			
Purchasing Checklist is completed and signed by authorised personnel to demonstrate compliance to Purchasing Policy.	Meets Requirements	No exceptions noted.	
Supporting documentation to evidence quotations received are maintained on file. Requestors provide the same information to all the potential suppliers to ensure that it is a fair and transparent process.	Meets requirements	No exceptions noted.	
Quotations are assessed with rationale for final decision documented and maintained on file.	Meets requirements	1 discrepancy noted, rationale for decision to procure from more expensive option was not provided e.g PO 47577.	
Purchase Orders are received from supplier with detailed description of goods and/or services which have been provided.	Meets requirements	Sample size = 15 No exceptions noted.	

Table Definitions

CONTROL ASSESSMENT – An evaluation of the internal control environment to assess the effectiveness of key controls for risk mitigation and legislative compliance.

Meets Requirements	The control activity when performed as intended, will provide reasonable assurance that it mitigates the risks for which the control was designed to mitigate.
Improvement Required	The control activity is meeting only *some* of its control objectives and therefore has the potential for risks to remain exposed.
Does Not Meet Requirements	The control activity does not contain all the required key control elements i.e. control frequency, assignment of responsibility / accountability, purpose of control etc. and may not be effective for risk mitigation or provide reasonable assurance that it has been operating as intended.

4.0 Review Findings and Recommendations

NO	OBSERVATION	POTENTIAL RISKS	RATING	RECOMMENDATION	MANAGEMENT COMMENTS
1.0	LOCAL PRICE PREFERENCE POLICY (*Regulations*)				
	Per the *Local Gov't (Functions and General) Regulations 1996*, Part 4A, Section 24D (Discounts permitted for regional price preferences), there are three scenarios where the bid from the tenderer can be considered for a price reduction.	Non-alignment to *Gov't Regulations*.	Moderate[1]	The Shire Local Price Preference Policy should be updated to align with the thresholds in the *Regulations*.	Local Price Preference Policy has been reviewed and will be presented to Council for consideration.
	The legislation allows for:				
	- up to 10% reduction for goods or services up to a maximum of $50,000;				
	- up to 5% reduction for construction (building) services up to maximum of $50,000; or				
	- up to 10% where the contract is for construction (building) services up to a maximum price reduction of $500,000.				
	The Shire's Local Price Preference Policy (F 4.4), Section 3 - Local Price Preference Value, allows for a maximum price reduction of $100,000 (excluding GST) for goods and services from within the Shire. The amount per the Shire policy does not fully align with the requirements outlined above under Section 24D.				

[1] Rating Classification: MODERATE - ISSUE REPRESENTS A WEAKNESS WHICH WILL BECOME MORE SERIOUS IF NOT ADDRESSED. REQUIRES MANAGEMENT ACTION WITHIN A REASONABLE TIME PERIOD.

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5.0 Improvement Opportunities

NO	OBSERVATION	AUDIT ANALYSIS	RECOMMENDATION	MANAGEMENT COMMENTS
1.0	Establishment of Pre-qualified Panel of Suppliers (Division 3 of *Regulations*)			
	It was noted during the audit that the Shire currently does not operate any formal panels of pre-qualified suppliers. Rather, through the years, it has maintained an informal list of suppliers which it has consistently used for recurring needs such as electrical services, painting, etc. Use of an informal list may present the following limitations: • precludes consideration of other suitable service providers which are new market entrants; • rates quoted by known suppliers are often not market tested; and • pre-qualified panel provides greater transparency in the selection process and if implemented follows a prescribed set of rules governing how the panel will operate to manage risks and to ensure a more efficient procurement process.	The following contractors were used multiple times for the period 1 July 2017 to 31 January 2018. *Examples:* Plumbing Services • Andy's Plumbing [43 POs; spend @ $14,000] • Blackwell Plumbing [17 POs; spend @ $15,500] Electrical Services • Grafton Electrics [46 POs; $22,000] • Verlindens Electrical [4 POs; $11,600]	It is recommended that goods and services which are: • recurring, • purchased frequently throughout the year; and • deemed to be low or medium procurement risk, be considered for establishment as a pre-qualified panel under Division 3 of *Regulations*. Determination of these services could be based on spend data by service category for the past 2 or 3 years. Any services which are likely to reach $150,000 however, must undergo a public tender process as per Section 11.	Staff will investigate and establish pre-qualified panels where appropriate.

5.0 Improvement Opportunities (continued)

NO	OBSERVATION	AUDIT ANALYSIS	RECOMMENDATION	MANAGEMENT COMMENTS
2.0	SPEND ANALYSIS			
	Spend analysis will provide insight into current procurement arrangements and identify opportunities for strategic procurement by spend category such as assessment of sole source arrangements and the use of pre-qualified panels (refer to point 1.0 Establishment of Pre-qualified panels).	The following examples illustrate the information that was obtained through a quick analysis of spend data from 1 July 2017 to 31 January 2018:	It is recommended that at least annually, a review is performed by a person independent of the Procurement function of spend by supplier, by service type and other relevant criteria to ensure that overall procurement for goods and services is a strategic activity.	Procedures will be put in place ensuring suppliers that have recurring purchases that may reach the $150,000 tender threshold are reviewed annually.
	A regular review will also contribute to the understanding of historical spend patterns and whether anticipated value for money outcomes were achieved, thus providing input into subsequent tender planning processes.	• Glenn Stuart Beveridge @ 9 months is $91,000; this supplier could reach the $150,000 threshold if not monitored.	Procurement planning may also alleviate the reliance on sole source suppliers if request for goods and services on short notice is minimised.	
	Spend analysis will also enable the Shire to benchmark suppliers which provide similar services for the purposes of "value for money" assessment for future reference.	• Several contractors provide ongoing technical services which require specialist environmental, health and safety knowledge. However, there is no contract or service agreement in place i.e. Avon Valley Contractors, Central Mobile Mechanical Repairs.		
		• Avon Valley Contractors; POs for $8,800 for 3 months has been sole source supplier for hire of graders.		

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6.0 Procurement Processes – Tenders & Contracts Management

Procurement Strategy	Procurement Execution	Procurement Management

Policy Framework

Local Government Act, Local Government (Functions and General) Regulations 1996, Part 4, Provision of Goods & Services
Governance: Code of Conduct, Policies and Procedures and Guidelines

CONTROL FRAMEWORK

✔ Budget Approval	✔ Procurement documentation for public tenders	Contract Administration
✔ Authorisation to spend	✔ Evaluation of Options	Contract Monitoring – spend, variations
⚠ Procurement Strategy & risk assessment	✔ Contract Award and Execution	Performance and relationship management
⚠ Business Requirements	✔ Compliance and due diligence	

✔ Controls are Adequate   ⚠ Improvement to Control Identified

This has been provided to illustrate the end to end Procurement Process. The review for Shire of Northam did not include Procurement Management and items which have been crossed off under Procurement Strategy.

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7.0   Other Matters

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5.4   PROGRESS TOWARDS BETTER PRACTICE REVIEW ACTION PLAN

Address:	N/A
Owner:	N/A
File Reference:	1.6.1.6
Reporting Officer:	Jason Whiteaker Chief Executive Officer
Responsible Officer:	Jason Whiteaker Chief Executive Officer
Voting Requirement	Simple Majority

BRIEF

To provide Council with an update of the progress made towards the Better Practice Review (BPR) Action Plan.

This report aims to establish a level of accountability in respect to completing the actions identified through the Better Practice Review Program to ensure that continuous improvement occurs within the organisation.

ATTACHMENTS

Attachment 1:   BPR Action Plan.

BACKGROUND / DETAILS

The Local Government BPR Program is an initiative undertaken in October 2015, with the Final Report received by Council in March 2016, by the Department of Local Government and Communities to recognise and promote good practice in Western Australian country local government. The BPR Program involved a team reviewing key areas of the Shire of Northam's activities and operations. The BPR Program objectives are to:
- Generate momentum for a culture of continuous improvement and greater compliance across the local government sector;
- Promote good governance and ethical regulation;
- Identify and share innovation and best practice in the local government sector; and
- Act as a 'health check' by providing departmental advice and support to local governments that may be experiencing operational problems.

The key findings from the review are summarised in the areas of Governance, Planning and Regulatory function, Plan for the Future (strategic and corporate planning), assets and finance, workforce planning / Human Resource (HR) management and community and consultation. The report aims to highlight areas where the local government is demonstrating better practice as well as

providing constructive feedback on addressing any areas for further development. The areas requiring further development are provided to the local government with suggested recommendations that the local government can aim to address through a documented action plan (Attachment 1).

CONSIDERATIONS

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.

Financial / Resource Implications
Staffing resources are required in order to action the recommendations detailed within the BPR Action Plan.

Legislative Compliance
Local Government Act 1995 and relevant subsidiary legislation.

Policy Implications
Nil.

Stake Holder Engagement / Consultation
Nil.

Risk Implications
Should the recommendations and relevant actions identified not be undertaken or addressed, Council may be at risk of not generating continuous improvement, better practice, good governance and legislative compliance.

OFFICER'S COMMENT

This review found that overall the Shire is an organisation that functions well. Areas of further development identified related to enabling planning, building and health staff to work more cohesively to deliver consistent information to the community, the improvement of asset management, financial reporting practices, meeting/briefing procedures and standing orders. Areas for further development and recommendations have been detailed in Attachment 1 with comments in respect to the progress made towards each of these.

Key to table:

Completed

No Action

Underway

Officers are working towards addressing the areas for further development whilst continuing the improvements already underway in order to achieve good practice, governance and legislative compliance into the future. The action plan for the review has been provided in Attachment 1 with an update of the progress made towards the recommendations.

RECOMMENDATION / COMMITTEE DECISION

Minute No: AU.099

Moved: Cr Mencshelyi
Seconded: Cr Proud

That Council receive the update as provided in the Attachment 1 in relation to the progress made towards the Better Practice Review Action Plan.

CARRIED 3/0

Discussion was held around the following matters:
- The incomplete items were discussed:
  - Developing an asset disposal policy: The Executive Manager Corporate Services advised that Council's processes for undertaking this didn't comply with legislation for the disposal of property. Staff have since changed the internal processes however have not yet developed a policy to reflect this.
  - Consider developing a statement or policy to guide contractors and suppliers on expected standards and conduct when acting on the Shire's behalf. The Executive Manager Corporate Services advised that there are some documents/elements of this in place (e.g. contractors are required to undergo an induction). However a formal policy has not been developed.
- The next steps when all actions are complete. The Chief Executive Officer advised that this can be assessed at the time, however Council may consider having another review done in future years.

Attachment 1

Area for Further Development	Recommendation / Action	Timeframe	Responsibility	Progress Report
	Governance			
Business Continuity Plan	o Continue to work towards developing a business continuity plan to complement any risk management documentation.	June 2016	CEOPA	Finalised June 2016.
Council forum meetings	o Review the council forum procedures and formalise these to minimise duplication with Ordinary Council Meetings.	May 2016	CEO	Review completed. Notes of forums now taken and presented to council meetings for acceptance. Process has been improved eliminating duplication of agenda preparation.
Local Laws	o Review (and update or repeal, where required) local laws, including the Standing Orders in line with the requirements of the *Local Government Act 1995*	2016/17	Gov Officer	Reviews underway.
Information Statement	o Review and update the Shire's Information Statement and ensure that it reflects the current council.	July 2016	Gov Officer	Review Completed 19/7/16. Next review completed 6/7/17.
Legislative compliance	o Develop a legislative compliance checklist/calendar to promote accountability and legislative awareness amongst all staff.	June 2016	CEO	In place.
Communication devices	o Develop a communication device usage agreement for Elected Members	October 2016	CEOPA	Presented to Council 20/12/2017 and was not endorsed.
Business ethics statement	o Consider developing a statement or policy to guide contractors and suppliers on expected standards and conduct when acting on the Shire's behalf.	August 2016	Purchasing Officer	No progress
	o Review the current arrangements with the Shire's IT provider to ensure appropriate support is provided.	May 2016	EMCS	Under development by I/T Officer

Area for Further Development	Recommendation / Action	Timeframe	Responsibility	Progress Report
Information Technology (IT) and Information and Communications Technology Framework (ICT)	o Consider the adoption of an ICT Strategic Framework as a resource to use to plan for, manage and review the Shire's information and technology assets.	November 2016	EMCS	Have realigned staff to accommodate I/T Officer to coordinate.
Governance Relationship	o Review the Shire's Code of Conducts and/or develop policies to formalise and document the Shire's practices in regards to elected member and staff interactions and requests for information.	January 2017	CEO	Complete. Policy adopted.
Emergency management	o Continue the process of reviewing and documenting emergency management processes and procedures, ensuring plans are current and relevant.	November 2016	Community Emergency Services Manager	Completion of Local Emergency Management Arrangements adopted by Council 16/11/16.
Planning and Regulatory				
Documentation on Development Application Process	o Review the current information and content on the Shire's website relating to Planning to ensure it is accurate and helpful.	October 2016	Manager Planning Services	Update 25/05/2018 In progress.
	o Further develop additional information that will assist applicants to understand the Development Applications process and ensure its availability on the Shire's website.	October 2016	Manager Planning Services	Complete April 2017.
Heritage	o Continue working towards developing a heritage list and revising and amending the Municipal inventory.	February 2017	Manager Planning Services	Update 25/05/2018 In progress, Scheme Amendment Proposal to Council in July 2018.
Plan for the Future				

Area for Further Development	Recommendation / Action	Timeframe	Responsibility	Progress Report
Corporate Business Plan	o Ensure the annual review of the Corporate Business Plan results in the development of an evolving and rolling four-year plan, with the current financial year as the base year, which is linked to the annual budget.	May 2016	CEO	Completed.
	o Review and provide clearer descriptions of the two categories of 'priority projects' in the Corporate Business Plan and ensure the financial allocation for the priority projects in the Corporate Business Plan aligns with the annual budget.	May 2016	CEO	Completed.
Asset and Finance				
Asset management	o Continue the process of drafting individual asset plans for each of the major asset classes ensuring integration with other IPR plans.	June 2016	EMES	Infrastructure Asset Plan finalised. Parks & Building Asset Plans under development
	o As part of the Shire's asset management review, both an asset management policy and strategy should be developed.	June 2016	EMES	Completed.
	o Consider developing an asset disposal policy.	November 2016	EMCS	No progress
Long Term Financial Plan	o Continue the process of revising the Long Term Financial Plan.	June 2016	EMCS	Completed.
	o Once the update of the Long Term Financial Plan is complete, consider undertaking annual reviews of the plan and its projections to ensure data remains current and up-to-date, resulting in a rolling and evolving 10-year plan.	April 2017	EMCS	In progress, ongoing annual review.
Statutory Ratios	o Monitor the Operating Surplus Ratio and the Shire's expenditures to avoid any further deterioration of the continuing trend of decline of this ratio.	Ongoing	CEO	Ongoing, staff are currently focusing on these indicators and looking at developing strategies to improve performance as part of the development of the LTFP

Area for Further Development	Recommendation / Action	Timeframe	Responsibility	Progress Report
	o Consider reviewing the Shire's long term capital investment program to ensure asset renewal is maintained at an appropriate level with sufficient funding support.	Ongoing	CEO	Ongoing, staff are currently focusing on these indicators and looking at developing strategies to improve performance as part of the development of the LTFP
	o Consider reviewing the Shire's depreciation calculations to ensure depreciation expenses are accurate.	July 2016	EMCS	Completed, resulted in significant movements in depreciation to better reflect Council position.
Workforce Planning and HR Management				
Workforce Plan	o Future revisions of the Workforce Plan should align with the rest of the Shire's Plan for the Future documentation, to ensure the most current Plan for the Future vision, mission statement, themes and objectives are captured.	December 2016	HRC	Update: 25/05/2018: Workforce Plan currently being developed.
Employee surveys	o Investigate the appropriateness of conducting an employee survey and including results from the survey in the revised Workforce Plan.	October 2016	HRC	Staff Survey completed.
Community and Consultation				
Tourism Plan	o Continue the development of a local tourism plan/marketing strategy.	November 2016	EMCMS	Development of plan underway – currently finalising
Reconciliation Action Plan (RAP)	o Work with Reconciliation Australia to develop and adopt a Reconciliation Action Plan.	December 2016	EMCMS	Council has appointed a Reconciliation Action Plan Working Group to develop the RAP along Reconciliation Guidelines.

5.5   PROGRESS TOWARDS THE REGULATION 17 REVIEW ACTION PLAN

Address:	N/A
Owner:	N/A
File Reference:	8.2.7.1
Reporting Officer:	Jason Whiteaker Chief Executive Officer
Responsible Officer:	Jason Whiteaker Chief Executive Officer
Voting Requirement	Simple Majority

BRIEF

To provide Council with an update of the progress made towards the Regulation 17 Review Action Plan.

This report aims to establish a level of accountability in respect to completing the actions identified through the Regulation 17 Review to ensure that Council's risk management, internal controls and legislative compliance is appropriate and effective.

ATTACHMENTS

Attachment 1:   Regulation 17 Review Action Plan.

BACKGROUND / DETAILS

The Shire of Northam procured AMD Chartered Accountants to undertake the Shire of Northam's Regulation 17 Review in accordance with Local Government (Audit) Regulations 1996, Regulation 17 for the period ending 31 December 2016. This Regulation 17 Review includes a review of the appropriateness and effectiveness of the risk management, internal controls and legislative compliance of the Shire of Northam. A report has then been prepared identifying the findings from the review along with recommendations (if applicable). These findings and recommendation have been developed into an action plan and provided in Attachment 1.

CONSIDERATIONS

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.

Financial / Resource Implications

Staffing resources are required in order to action the recommendations detailed within the BPR Action Plan.

Legislative Compliance
Local Government Act 1995 and relevant subsidiary legislation.

Policy Implications
Nil.

Stakeholder Engagement / Consultation
Nil.

Risk Implications
Should the recommendations and relevant actions identified not be undertaken or addressed, Council may be at risk of not generating continuous improvement, better practice, good governance and legislative compliance.

OFFICER'S COMMENT

This review indicated that the Shire of Northam is proactive in managing risk, internal controls and legislative compliance as well as taking the necessary steps to ensure appropriate risk management, internal controls and legislative compliance policies and practices are in place. Areas for improvement and recommendations have been detailed in Attachment 2 with comments in respect to the progress made towards each of these.

Officers are working towards addressing the recommendations from the review whilst continuing the improvements already underway in order to achieve an optimum levels of risk management, internal controls and legislative compliance into the future. The Action Plan for Review has been provided in Attachment 1 with an update of the progress made towards the recommendations.

RECOMMENDATION / COMMITTEE DECISION

Minute No: AU.100

Moved: Cr Proud
Seconded: Cr Mencshelyi

That Council receive the update as provided in Attachment 1 in relation to the progress made towards the Regulation 17 Action Plan.

CARRIED 3/0

Discussion was held around the following matters:

- The Chief Executive Officer provided an overview of the audit, advising that it is a requirement that the Chief Executive Officer undertakes this in accordance with the Audit Regulations. This report is for the audit undertaken for the period ending 31 December 2016 with the next audit being due in 2018.
- The incomplete items were discussed:
  o Appendix B, Item 1 - IT Disaster Recovery Plan: The Chief Executive Officer advised that there are some elements of this covered within the Business Continuity Plan however no formal IT Disaster Recovery Plan which includes the next level of detail.
  o Appendix B, Item 3 - ICT Framework: The Chief Executive Officer advised that there has been no progress in relation to this item however would expect that these would be completed by the end of the year. The Executive Manager Corporate Services advised that once there is some stability in the IT workforce these matters should be completed fairly quickly.it was also noted that agenda item 5.8 demonstrated that Council is under resourced in this area.

Attachment 1

APPENDIX A
SHIRE OF NORTHAM
RISK MANAGEMENT

No.	Finding	Finding Rating	Implication	Recommendation	Management Comment	Responsible Officer	Progress to Date
1	Shire of Northam have not developed an organisational-wide risk register which identifies risks, assesses the impact of the risk and identifies controls to mitigate risk. We would expect the organisational risk register to encompass each business unit incorporating the following categories for each business unit: • Operational; • Strategic; • Finance; • Technological; and • Compliance risks (also refer Appendix C) While we acknowledge Shire of Northam has developed a Risk Management Framework, Risk Dashboard and many individual policies and operational procedures, the risk identification process	Medium	Lack of documentation in place to evidence risks have been identified.	We recommend the Shire of Northam develop an organisational risk register. This should include conducting a comprehensive risk identification process to identify potential Shire of Northam risks within each business unit and incorporating the following categories: (a) Operational; (b) Strategic; (c) Finance; (d) Technological; and (e) Compliance risks. The risk register should identify the risk, analyse the risk by determining the likelihood, consequence and current controls in respect to each identified risk; evaluate the risk by deciding whether the risk is to be treated/controlled, reassessed or accepted and	A current register exists even though it is not as extensive as that suggested, the risk register will be updated in the future as recommended. Agree, the three identified policies will be developed.	Chief Executive Officer	A risk register has been developed, not to the extent as identified.

No.	Finding	Finding Rating	Implication	Recommendation	Management Comment	Responsible Officer	Progress to Date
	is the first step to effective risk management. In addition, we noted Shire of Northam's Risk policies and procedures do not include: (a) Litigation/Claims Policy; (b) Fraud Control Policy; and (c) Whistleblower/Public Interest Disclosure (PID) Policy (allowing anonymous reporting and to be available on the Shire's website to ensure external parties can report).			determine the action to be taken to treat or control each risk. The risk register should also be monitored and reviewed on a regular basis to ensure up to date and integrates with existing Shire of Northam Risk Management Framework policies and procedures.			
2	We noted at the time of our on-site visit the following plans are currently under review and require finalisation: (a) Landfill Site Waste Management Plan; (b) Local Emergency Response Plan; (c) Bushfire Management Plan; (d) Asset Management Plan; and (e) Long Term Financial Management Plan.	Medium	Risk of significant delays and business interruption in the event of unforeseen circumstances in respect to Northam Community and District operations. Risk of the plan being out of date and non-compliance with the plan.	Once the plans have been completed, we recommend they are endorsed and communicated to all staff, implemented and monitored on a regular basis including testing the plans to ensure that in the event of a disaster, appropriate actions can be taken.	Noted, all plans are expected to be finalized and adopted early 2017, current plans in place reduce the risk until the reviews are completed.	Various CESM	A – Inkpen Road Waste Management Facility Plan was adopted by Council on 25.01.2017. The Old Quarry Road Waste Management Facility Plan is being presented to Council on 17/05/2017. B – Completion of Local Emergency Management Arrangements adopted by Council 16/11/16. C – In progress, the new document will include Bushfire Management, procedures, HR induction, OSH,

No.	Finding	Finding Rating	Implication	Recommendation	Management Comment	Responsible Officer	Progress to Date
							Administration, BFAC Terms.
							D – Completed for road related assets, finalising parks & buildings currently
							E – Completed
3	We noted that the following from the sample of lease agreements tested: (a) Lease agreement for Northam Aero Club Management is not signed and the details on the lease register are out of the date; (b) Lease register not updated to reflect the lease agreement terms for Northam Airport – Hanger 13; and (c) The commencement date in the lease register for Blackberry Close Bakers Hill differs to that reflected in the lease agreement.	Medium	Risk the Shire is exposed to risks due to lessee non-compliance with lease terms.	We recommend a sample lessee compliance check be completed to ensure lessees are complying with stated lease terms, including obtaining documentation to support adequate insurance is maintained by the lessee. This could be completed on a rolling basis over several years to ensure all lessees are contacted at least once within the lease term.	(a) As discussed with the Auditor, the lease agreement for Northam Aero Club is not yet signed because it is with them (Aero Club) for their approval and signing. (b) Register for Hangar 13 has been updated. (c) The reason is that the original lease commenced in 2004 and went for 5 years, a new lease was initiated 1/7/2009 for two years with 4x2year options to renew. The lease register is currently being updated so this will be rectified. The Governance officer is the designated officer with the responsibility for ensuring compliance and	Governance Officer	Complete - The register is updated on a regular basis and random checks are conducted including Property Condition Reports.

No.	Finding	Finding Rating	Implication	Recommendation	Management Comment	Responsible Officer	Progress to Date
					random checks are done several times a year to ensure compliance.		
4	While the "Declaration of Interest" step was added to the Purchasing Process in Promapp post the Projects and Contracts Administration Officer and Procurement Officer attending the WALGA procurement training in August 2016, there is no centrally maintained register that records any disclosed Councillor and staff conflicts of interests. We acknowledge the Shire of Northam records those interests disclosed at the Council and Committee meetings in the Register of Financial Interest. However this register does not currently record any conflicts (whether perceived or actual) disclosed outside these meetings.	Medium	Risk that a Councillor/staff have a perceived/actual conflict of interest which is not recorded and managed appropriately by the Council.	We recommend that the Shire of Northam design and implement a conflict of interest register. This register should be monitored to ensure that all conflicts (whether perceived/actual) are disclosed. All conflicts of interest should be managed accordingly by the Shire.	Noted, management will investigate the establishment of a central register	CEO	Executive Assistant – CEO (EA – CEO) has posted an improvement idea/request onto the 'Manage Purchasing' process for an additional task outlining that a disclosure of interest form is to be completed (if applicable) and forwarded the EA – CEO. This will then be added to the existing Register for Interest Disclosures. This improvement idea/request is currently pending approval of the process owner (Executive Manager Corporate Services). The EA – CEO has also amended the register to add an additional field for the person/party/location which the disclosure relates to allow for a quick search to be undertaken when reviewing whether interests should be declared.

No.	Finding	Finding Rating	Implication	Recommendation	Management Comment	Responsible Officer	Progress to Date
5	Our inquiries of the Human Resources Officer identified that the Shire of Northam does not maintain a central Contractor/Sub-contractor Insurance Register and that the responsibility for checking insurances currently rests with the Responsible Officer who has arranged the Contract.	Medium	Risk that the Contractors/Sub-contractors insurances expire whilst providing the service to the Shire and that this is not identified in a timely manner.	We recommend that the Shire designs and implements a central Contractor/Sub-contractor Insurance Register which is maintained by one or two individual to ensure that all insurances are up to date.	Noted and will implement.	Human Resource Officer	Central contractor/sub contractor insurance register created and will be maintained by Engineering Services.
6	Our inquiries indicated Shire of Northam has no documented policy or procedure in respect to personally owned IT devices including laptops, smartphones, tablets, thumb drives etc.	Medium	Risk that existing procedures and practices in respect to personally owned devices are not formally documented.	In accordance with the Department of Local Government IT Framework (best practice guidelines), we recommend policies and procedures outlining the terms and conditions is respect to the use of personally owned devices and access be documented, approved, implemented and monitored on an ongoing basis.	Noted, a policy will be developed and implemented.	Exec Manager Corporate Services	Limited, policy to be developed as part of overall IT Strategy.

No.	Finding	Finding Rating	Implication	Recommendation	Management Comment	Responsible Officer	Progress to Date
7	While our inquiries indicate that the Shire of Northam's prior period Audit Regulation 17 Risk Report (being the risk dashboard) was presented to the Audit Committee, an updated risk report is not provided to the Audit Committee / Council on a regular basis.	Low	Lack of communication with those charged with governance.	Once the development of the organisation risk register (as noted at number 1 above) is completed, we recommend this register and / or risk dashboard is tabled at Audit Committee and subsequent Council meetings on a periodic basis.	Notes, currently in the process of reviewing the functions for the Audit committee.	CEO	Completed, per this report to the Audit Committee.
8	We note Shire of Northam does not currently hold Cybercrime insurance.	Low	Risk of being uninsured against cybercrime.	We recommend Council investigate obtaining cybercrime insurance.	Insurance coverage is reviewed annually in consultation with the council Insurance Company (LGIS), in the past this has not been identified as a 'high' risk area, will investigate as part of the annual insurance review.	Exec Manager Corporate Services	Complete – The Shire now has cover for Cybercrime.

No.	Finding	Finding Rating	Implication	Recommendation	Management Comment	Responsible Officer	Progress to Date
9	We noted the Shire of Northam Insurance Register does not currently record the date insurance claims are submitted to the Shire of Northam, to ensure insurance claims are subsequently lodged and followed up in a timely manner after an incident.	Low	Untimely recovery of costs associated with insurance events.	We recommend insurance claims be lodged on a timely basis after incidents occur (we suggest no longer than one month) and the date the claim is submitted to the Shire be recorded in the insurance claims register.	Noted.	Governance Officer	Complete - The register is updated and now reflects the date the event happened, when it was given to the Governance Officer and when it was provided to LGIS. If there is a gap in the dates, the reason for the gap has been entered. Updated regularly.
10	Our review identified that the: (a) Community Engagement Plan was last endorsed on 12 October 2011; and (b) Management of Council Property Leases was last reviewed on 16 October 2013.	Low	Risk that outdated documents are being referenced by Council staff.	We recommend all Council plans, policies and procedures are reviewed and updated regularly. We also recommend that reviews of policies and procedures include ensuring all references to legislation / guidelines are current and if legislation / guidelines have changed, the policy is updated to reflect those changes.	Plans and policies are monitored and reviewed (as required) internally on a regular basis.	Various CEO Governance	a) Not yet reviewed. No change since previous update. b) In progress. No change since previous update.

No.	Finding	Finding Rating	Implication	Recommendation	Management Comment	Responsible Officer	Progress to Date
11	Our inquiries of the Executive Manager, Corporate Services indicated that there is currently no Council signature specimen list in place.	Low	Risk that someone without the appropriate delegated authority signs a document approving a Contract, transaction etc. which could be enforceable by another party.	We recommend that the Shire of Northam develops a signature specimen list for all those with delegated authority.	A signature register is currently being developed.	Exec Manager Corporate Services	Completed.
12	Our inquiries of the Projects and Contracts Administration Officer identified that Council has not developed any probity plan(s) or Statement of Purchasing Ethics requiring acknowledgement by third parties.	Low	Risk of the third party not acting in accordance with the Shire's policies and procedures.	We recommend that the Shire develops and implements a Statement of Purchasing Ethics which sets out the way the third party conducts business with the Shire. Terms and conditions included within supplier contracts would require suppliers to comply with Council's Statement of Purchasing Ethics.	Will investigate the implementation.	Exec Manager Corporate Services	Completed March 2017.

No.	Finding	Finding Rating	Implication	Recommendation	Management Comment	Responsible Officer	Progress to Date
13	We noted that there is currently no process documented in Promapp which covers the following: • Receiving of goods/services; • Matching of purchase order to invoice; • Invoice verification; and • Invoice authorisation ready for payment.	Low	Lack of a formalised documented processes.	We recommend that the Shire designs and implements in Promapp an all-encompassing purchasing process which includes the following (in addition to the current Purchasing Process documented in Promapp): • Receiving of goods/services; • Matching of purchase order to invoice; • Invoice verification and authorisation	Staff are currently in the process of developing a procedure with the Promapp system for creditor payments this will cover the identified areas.	Exec Manager Corporate Services	Completed November 17

APPENDIX B
SHIRE OF NORTHAM
INTERNAL CONTROLS

No.	Finding	Finding Rating	Implication	Recommendation	Management Comment	Responsible Officer	Progress to Date
1	Our inquiries of the Executive Manager, Corporate Services identified that the Shire of Northam does not currently have a formal documented IT Disaster Recovery Plan in place. We acknowledge that IT Disaster Recovery is briefly commented on in the Business Continuity Plan and that by coincidence the Shire put to test the recovery of the Shire's back-up due to an incident that occurred on 22 September 2016.	Medium	Risk of significant delays and business interruption in the event of unforeseen circumstances in respect to Council organisational business.	We recommend the IT Disaster Recovery Plan be developed and implemented by the Shire of Northam. Once the plan has been completed, we recommend it is endorsed and communicated to all staff, implemented and monitored on a regular basis including testing the plan to ensure that in the event of a disaster, appropriate actions can be taken.	Staff are currently looking to develop an IT disaster recovery plan.	Exec Manager Corporate Services	Limited.
2	We noted there is a Contractor Induction process in place. However, testing identified no evidence that the contractor had attended/completed the Contractor Induction process.	Medium	Risk of non-compliance with stated policies, procedures including relevant health and safety requirements.	We recommend contractors be required to complete some level of induction (the level of induction completed should be determined based on the risks associated with the service or product provided) and the induction process be formally documented as evidence of attendance.	A current register exists even though it is not as extensive as that suggested, the risk register will be updated in the future as recommended.	CEO HR Coordinator	Not complete. HR/OSH Coordinator is to finalise with the Executive Manager Engineering Services.

No.	Finding	Finding Rating	Implication	Recommendation	Management Comment	Responsible Officer	Progress to Date
3	Our inquiries of the Executive Manager, Corporate Services indicated that the Shire of Northam does not currently have an ICT Framework in place.	Medium	Risk that existing procedures and practices in respect to information and communication technology are not formally documented.	We recommend the ICT Framework be developed to ensure procedures and practices in respect to information and communication technology is documented and presented to Council for review and adoption. The framework should be monitored on a pre-determined basis to ensure compliance with stated policies and procedures. As part of the development of the ICT framework, we suggest consideration be given to: •A formal cost v benefit analysis or feasibility study be completed prior to major ITC projects, including post implementation reviews; •KPI's are set for the IT process and regular monitoring against KPI be performed, including user satisfaction reviews; •Confidentiality clause be included in key service level agreements with external supplies; and •Review of external service level agreements be completed against targets included within those agreements.	Currently investigating available options.	Exec Manager Corporate Services	Looking at options

No.	Finding	Finding Rating	Implication	Recommendation	Management Comment	Responsible Officer	Progress to Date
4	Our inquiries of Council's Building Supervisor indicated the Shire of Northam does not currently have a signed contract in place with the external security companies used for monitoring and call-outs.	Medium	Risk of the Shire of Northam locations not being protected from break-ins, vandalism etc.	We recommend that contracts are in place with all third parties engaged to provide said security services.	Staff will develop an agreement.	Exec Manager Development Services	Council's security company has been changed. Staff are in the process of revising contract documentation with the new contractor.
5	Our inquiries of the Executive Manager, Corporate Services indicated there is no ongoing security awareness program in respect to IT.	Low	Risk of security breaches due to changing security environment.	We recommend an ongoing security awareness program be developed to ensure security needs of the Shire is updated as required (for example due to IT infrastructure or application changes) and to prevent any security breaches from occurring. This could be incorporated as part of Shire of Northam's overall Risk Management Framework.	Staff to investigate. While there is no formal program the Council IT Officer regularly sends notifications in regards to 'cyber alerts' and other potential IT related issues.	Exec Manager Corporate Services	Alerts being sent as they come to light
6	Our inquiries of the Executive Manager, Corporate Services identified that the Shire of Northam computers do not currently automatically log out when left dormant for a period of time. *We acknowledge that the licensing computers at the front counter does automatically log out when left formant.*	Low	Risk of someone else using the computer to access information that they do not currently have authority to view and/or amend details in order to receive some benefit etc.	We recommend that the Shire of Northam implements a policy where all Shire owned computers are automatically logged out after five minutes of being dormant (or as considered appropriate time limit).	Staff to investigate and implement.	Exec Manager Corporate Services	Completed June 2017

No.	Finding	Finding Rating	Implication	Recommendation	Management Comment	Responsible Officer	Progress to Date
7	Our inquiries of the Governance Officer identified that there is currently no cash handling policies and procedures in place.	Low	Risk that cash is not being handled appropriately by staff.	We recommend that cash handling policies and procedures are developed and implemented. Once developed, these policies and procedures should be reviewed and approved by Council and then communicated to all staff that handles the Shire's cash.	Staff are verbally informed of the procedures, these however are not written, and staff will look at developing a written procedure.	Exec Manager Corporate Services	Complete - There is a 'Guide to Reception Duties' document at Reception which is maintained and used for training.
8	We note that there is currently no independent review of the general journal adjustments posted to Synergy Soft.	Low	Risk that errors will not be identified in a timely manner.	We recommend that all general journal adjustment journals are independently reviewed and physically signed off by the reviewed as evidence of this review.	The measure will be implemented.	Exec Manager Corporate Services	Implemented.
9	We note that that credit card statements were not signed off to evidence review as required by policy HR 2.7 Credit Card Use.	Low	Risk that fraud or errors will not be identified in a timely manner.	We recommend that all credit card statements are signed off by the reviewer as evidence of this review, as per stated policy.	Credit Cards are independently reviewed by Finance Officer, Accountant, Exec Manager of Corporate Services and finally the Credit Card Holder. It is noted however that the reviewing persons do not sign to indicate the review has been completed. This has been corrected. It is also noted that that all credit card payments are itemised and presented to	Exec Manager Corporate Services	Completed

No.	Finding	Finding Rating	Implication	Recommendation	Management Comment	Responsible Officer	Progress to Date
					Council monthly for review.		
10	We note that the Vehicle Management Policy was currently under review at the time of our on-site visit.	Low	Risk of inappropriate usage of the Shire's fuel cards.	We recommend that the Vehicle Management Policy is finalised and approved by Council. This policy should detail limits and permissible usage. Once endorsed, the policy should be communicated to all staff, implemented and monitored on a regular basis including testing fuel card usage is in accordance with the policy.	Policy expected to be adopted early 2017.	Exec Manager Engineering Services	No progress since last update. In process of finalising, pending consultant advice.
11	Our testing identified instances where the purchase order was raised post receiving the invoice. This finding was raised previously when the Financial Management System Review was performed (report issued in June 2016) and we acknowledge that there have been no unexplainable instances of this occurring post the issuance of the report.	Low	Risk of non-compliance with policies and procedures. Risk of fraud or error not being identified in a timely manner.	We recommend purchase orders are raised and approved prior to the goods/services being incurred by the Shire.	Noted.	Various	Process in place and random audits undertaken by purchasing staff

No.	Finding	Finding Rating	Implication	Recommendation	Management Comment	Responsible Officer	Progress to Date
12	While best practice methods are used in respect to procurement practices, our testing identified one instance where a Purchasing Procedures Checklist was not attached to the payment documentation for All-ways Foods (invoice number 20368).	Low	Risk of non-compliance with policies and procedures.	We recommend that the Purchasing Procedures Checklist is completed, signed off and attached to all payment documentation in accordance with stated policy.	Noted.	Various	Implemented and audited by purchasing staff
13	While best practice methods are used in respect to tendering processes, our testing identified that Tender Checklist form was not signed off by the senior checking officer for tender 1 of 2016.	Low	Risk of non-compliance with policies and procedures.	We recommend that the Tender Checklist is reviewed and signed off by the senior checking officer once the tender process has been completed, in accordance with stated policy.	All staff involved have been reminded of the importance of following procedures.	Exec Managers	Completed.

A process is currently being developed for 'Managing Tenders'. This will include tasks outlining the requirements for updating and signing off tenders. |

**APPENDIX C
SHIRE OF NORTHAM
LEGISLATIVE COMPLIANCE**

No.	Finding	Finding Rating	Implication	Recommendation	Management Comment	Responsible Officer	Progress to Date
1	Our inquiries indicated Shire of Northam does not have a documented legislative compliance manual which is linked to each business unit risk management assessment. While we understand the Chief Executive Officer and Executive Managers Annual Delivery Plan sets out key compliance milestones, however there does not appear to be an overall compliance manual which identifies the legislation (as the first step) and follows the process from this initial point, to risk management.	Medium	Risk of non-compliance with all legislative requirements.	We recommend a compliance manual linked to each business unit risk management assessment be completed and implemented. We would expect the manual to be divided into each business unit section (as identified within the organisation structure) and to: • Identify relevant legislation to that business unit (for example the Health Act 1911 or the Planning and Development Act 2005 or the Dog Act 1976); • Identify key relevant sections within each legislation and note within the compliance manual; • Who is responsible for ensuring controls in place to ensure compliance with each identified legislation section; • The mechanism in place to ensure compliance, for example a policy or procedure (this component of the compliance manual	Noted.	CEO	Compliance calendar/checklist has been developed.

No.	Finding	Finding Rating	Implication	Recommendation	Management Comment	Responsible Officer	Progress to Date
				would link each relevant section of legislation to a policy, procedure, person or other control). • Regular testing of compliance, for example if the mechanism for compliance is a policy, regular review and spot checking (internal audit) of that policy; any • Key milestone / reporting dates applicable to that legislative section and how compliance is met. Once the compliance manual is implemented, we recommend a standing agenda item be added to the Audit Committee meeting agenda to assess the effectiveness of compliance through the review and assessment of the compliance manual.			
2	We noted two Audit and Risk Management Committee meetings were held during the year.	Medium	Risk of governance and oversight responsibilities not being met.	Local Government Operational Guideline Number 09 – Audit in Local Government outlines it is best practice for the Audit Committee to meet on at least a quarterly basis.	Noted and agreed that the committee should be meeting on more regular basis.	CEO	Completed
3	Our inquiries of the Chief Executive Officer identified the current Internal Audit Framework incorporates the:	Medium	Risk that internal controls are not being adhered to.	We recommend that Council consider conducting relevant internal audits in the years between Financial	Currently developing a framework for internal audits.	CEO	Completed July 2017.

No.	Finding	Finding Rating	Implication	Recommendation	Management Comment	Responsible Officer	Progress to Date
	(a) Financial Management System Review (conducted every four years, last conducted for the period 1 July 2015 to 30 April 2016); (b) Regulation 17 Review (conducted every two years, the current review for the period 1 July 2015 to 30 October 2016); and (c) DLGC Better Practice Review (conducted every four years, last conducted the end of 2015).			Management System reviews and Regulation 17 reviews.			
4	We note that the Audit Committee meeting minutes have not been signed by the Presiding Officer for the meeting held on 19 November 2014, 16 March 2015, 25 November 2015 and 8 March 2016.	Medium	Risk of non-compliance with clause 5.22(3) of the Local Government Act 1995.	We recommend that the Presiding Officer signs off the Audit Committee meeting minutes certifying confirmation.	Will ensure this is adhered to in the future.	CEO	Completed

5.6   PROGRESS TOWARDS SAFETY & RISK MANAGEMENT PLAN

Address:	N/A
Owner:	N/A
File Reference:	1.1.9.1
Reporting Officer:	Jason Whiteaker Chief Executive Officer
Responsible Officer:	Jason Whiteaker Chief Executive Officer
Voting Requirement	Simple Majority

BRIEF

To provide Council with an update of the progress made towards the Safety & Risk Management Plan.

This report aims to establish a level of accountability in respect to completing the actions identified through the audit undertaken by LGIS in 2014 and 2016 in order to ensure that continuous improvement occurs within the organisation.

ATTACHMENTS

Attachment 1:   Safety & Risk Management Plan.

BACKGROUND / DETAILS

The AS/NZS 4801:2001 Audit Report undertaken by LGIS in August 2016 has highlighted significant improvements pertaining to all aspects of Occupational Safety and Health at the Shire of Northam. The total 'average' score for the Shire of Northam was 67% which is significantly higher than the previous audit result of 28% which was achieved in 2014.

As a consequence and to ensure that any shortfalls identified during the audit are addressed, the Safety & Risk Management Plan has been developed to ensure that required improvements are made in a timely manner. This Plans demonstrates the commitment of the Executive team together with the Occupational Safety & Health Committee to the achievement of a safe working environment.

CONSIDERATIONS

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.

Financial / Resource Implications
Staffing resources are required in order to action the recommendations detailed within

Legislative Compliance
Local Government Act 1995 and relevant subsidiary legislation.
Occupation Safety & Health Act 1984 and relevant subsidiary legislation.

Policy Implications
Nil.

Stake Holder Engagement / Consultation
Nil.

Risk Implications
Should the actions identified not be undertaken or addressed, the Council may not meet its responsibilities in respect to legislative compliance and providing a safe working environment for its employees and contractors.

OFFICER'S COMMENT

The Shire, as an employer, must ensure that all employees and contractors across the entire scope of operations are considered and included in the application of occupational health and safety management systems.

As with all system based programs there is opportunity for continuous improvement aligned with AS/NZS 4801 guidance specifications. The implementation of the recommendations contained in audit report have assisted the Shire of Northam to improve its current occupational health and safety performance.

Officers are working towards addressing the areas requiring attention whilst continuing the improvements already underway in order meet its occupational health and safety responsibilities into the future. The Safety & Risk Management Plan has been provided as Attachment 1 with an update of the progress made towards the actions.

RECOMMENDATION / COMMITTEE DECISION

Minute No: AU.101

Moved: Cr Mencshelyi
Seconded: Cr Proud

That Council receive the update as provided in the Attachment 1 in relation to the progress made towards the following Safety & Risk Management Plan.

CARRIED 3/0

Discussion was held around the following matters:
- The Chief Executive Officer advised of the progress made to date advising that approximately four years ago Council was under 30% and this is now above 80%. If all actions listed within the attachment were completes we would be at 100%.
- The following incomplete items were discussed:
  - Item 12 – The Executive Manager Corporate Services advised that there are processes in place however no formal policy.
  - Item 19 – The Chief Executive Officer advised that this item should be listed as complete as OSH is a standing agenda item at Executive Manager and team meetings, with KPI's set around this area. There was discussion held around any trends, the Chief Executive Officer advised that strains and sprains are the biggest issue. All workers compensation claims are now internally investigated however Councils insurer has advised that Council cannot refuse these, making it a no fault system. It was raised that some matters are accidents and are out of our control however attention is given to what we can control in order to minimise the risk.

Attachment 1

Action Item	Element Number	Sub-element Number	Score	Requirements Extracted From Criteria	Actions to be Taken	Responsibility	Due Date
1	OSH Audit 2014	N/A	N/A		Close out actions from OHS Audit 2014 HR to note item as superseded by 2016 Audit	HR	31.3.17 ACTIONED
2	4.3	4.3.1	3	**Planning Identification of Hazards, Hazard/Risk Assessment and Control of Hazards/Risks** *The organisation shall establish, implement and maintain documented procedures for hazard identification, hazard/risk assessment and control of hazards/risks of activities, products and services over which an organisation has control or influence, including activities, products or services of contractors and suppliers.* *The organisation shall develop its methodology for hazard identification, hazard/risk assessment and control of hazards/risks, based on its operational experience and its commitment to eliminate workplace illness and injury. The methodology shall be kept up to date.*	Contractor management procedure to be developed and implemented to include hazard identification for contracts less than $100K.	HR	To be finalised with the Executive Manager Engineering Services
3	4.3	4.3.2	2	**Legal and Other Requirements** *The organisation shall establish, implement and maintain procedures to identify and have access to all legal and other requirements that are directly applicable to the OSH issues related to its activities, products or services, including relevant relationships with contractors and suppliers. The organisation shall keep this information up-to-date. It shall communicate relevant information on legal and other requirements to its employees.*	Develop a procedure for accessing legislative documentation e.g. Act, Regulations, Codes of Practice, Australian Standards etc.	HR	31.3.17 COMPLETED
4	4.3	4.3.3	3	**Objectives and Targets**		HR	ONGOING

Action Item	Element Number	Sub-element Number	Score	Requirements Extracted From Criteria	Actions to be Taken	Responsibility	Due Date
				The organisation shall establish, implement and maintain documented OHS objectives and targets, at each relevant function and level within the organisation. When establishing and reviewing its objectives, an organisation shall consider its legal and other requirements, its hazards and risks, its technological options, its operational and business requirements and the views of interested parties. The objectives and targets shall be consistent with the OSH policy, including the commitment to measuring and improving OSH performance.	Ensure that targets align with all Shire Business Plans and documents e.g. LTIFR targets		
5	4.3	4.3.4	2	**OHS Management Plans** *The organisation shall establish and maintain management plans for achieving objectives and targets. They shall include:* *a) Designation of responsibility for achievement of objectives and targets at relevant functions and levels of the organisation;* *b) Outlining the means and timeframes by which objectives and targets are to be achieved.* *Procedures shall be established to ensure that current plans are reviewed and if necessary amended to address such changes at regular and planned intervals, whenever there are changes to the activities, products or services of the organisation or significant changes in operating conditions.*	Ensure any OHS Management Plans (Safety and Risk Management Plans are regularly reviewed and updated.	OSH COMMITTEE	ONGOING TO BECOME A REGULAR ITEM ON AGENDA
6	4.4	4.4.1.2	2	**Responsibility and Accountability** *The organisation shall define, document and communicate the areas of accountability and responsibility (including those imposed by OHS legislation). Where contractors are involved, those areas of accountability and responsibility shall be clarified with respect to those contractors.*	Performance evaluations need to include OHS. Position descriptions should include a sign-off of OHS responsibilities. Any amendments made to	EXECUTIVE TEAM	30.6.17

Action Item	Element Number	Sub-element Number	Score	Requirements Extracted From Criteria	Actions to be Taken	Responsibility	Due Date
				a) *The organisation's top management shall appoint a specific management representative(s) who, irrespective of other responsibilities, shall have defined roles, responsibilities and authority for:* *a) ensuring that OHSMS requirements are established, implemented and maintained in accordance with AS/NZS 4801; and* *b) reporting on the performance of the OHSMS to top management for review and as a basis for improvement of the OHSMS.*	performance evaluations and/or Position Descriptions need to be communicated to relevant personnel.		
7	4.4	4.4.2	3	**Training and Competency** *The organisation in consultation with employees shall identify training needs in relation to performing work activities competently, including OHS training. Procedures shall be in place to ensure that OHS competencies are developed and maintained. Personnel shall be assessed as competent on the basis of skills achieved through education, training or experience, to perform assigned tasks taking into account the OHS obligations, hazards and risks associated with the work activities.*	Training requirements should be clearly stated in Position Descriptions.	EXECUTIVE TEAM & HR	31.1.18
8	4.4	4.4.2	2	**Training and Competency Continued** *Procedures shall be developed for providing OHS training. These procedures shall take into account:* *a) the characteristics and composition of the workforce which impact on occupational health and safety management; and* *b) responsibilities, hazards and risks.* *The organisation shall ensure that all personnel, including contractors and visitors, have undertaken training appropriate to the identified needs. Training shall*	Develop a procedure that outlines the specific training requirements for OHS including Contractors.	HR	Training Plan created through CRTAFE.

Action Item	Element Number	Sub-element Number	Score	Requirements Extracted From Criteria	Actions to be Taken	Responsibility	Due Date
				be carried out by persons with appropriate knowledge, skills and experience in OHS and training.			
9	4.4.3	4.4.3.2	3	**Communication** *The organisation shall have procedures for ensuring that pertinent OHS information is communicated to and from employees and other interested parties.*	All staff meetings and toolbox meetings must be documented and OHS items raised must be minuted.	DEPARTMENT MANAGERS	31.3.17 & ONGOING
10	4.4.3	4.4.3.3	3	**Reporting** a) *Appropriate procedures for relevant and timely reporting of information shall be established to ensure the OHSMS is monitored and performance improved. Reporting procedures shall be established to cover the following:* a) *OHS performance reporting (including results of OHS audits and reviews)* b) *Reporting on incidents and systems failures* c) *Reporting on hazard identifications* d) *Reporting on hazard/risk assessment* e) *Reporting on preventive and corrective action* f) *Statutory reporting requirements*	Include reporting notification timeframes in the OHS induction (for employees and contractors).	HR	31.3.17 COMPLETED
11	4.4	4.4.5	2	**Document and Data Control** *The organisation shall establish, implement and maintain procedures for controlling all relevant documents and data required by AS/NZS 4801 to ensure that:* a) *They can be readily located;* b) *They are periodically reviewed, revised as necessary and approved for adequacy by competent and responsible personnel;* c) c) *Current versions of relevant documents and data are available at all locations where*	Finalise Document Control and Records Management Procedure (see previous OHS Audit 2014 actions).	EXECUTIVE MANAGER CORPORATE SERVICES	Draft Completed, currently being reviewed by Executive Managers.

Action Item	Element Number	Sub-element Number	Score	Requirements Extracted From Criteria	Actions to be Taken	Responsibility	Due Date
				operations essential to the effective functioning of the OHSMS are performed; d) Obsolete documents are promptly removed from all points of issue or otherwise assured against unintended use; and e) Archival documents and data retained for legal or knowledge preservation purposes or both, are suitably identified. Documentation and data shall be legible, dated (with dates of revision) and readily identifiable and be maintained in an orderly manner for a specified period. Procedures and responsibilities shall be established and maintained concerning the creation and modification of various types of documentation and data. The organisation shall preclude the use of obsolete documents.			
12	4.4.6	4.4.6.1	2	**General** The organisation shall establish, implement and maintain documented procedures to ensure that the following are conducted: hazard identification; hazard/risk assessment; of hazards/risks; and then evaluation of steps a) to c).	Evaluate current Hazard Management Procedure for effectiveness and continual improvement. (Chiara will develop evaluation methodology and a template for reporting on this). Develop and implement a purchasing procedure & Hire/Lease procedure/Agreement that details hazard identification, risk assessment and risk control of new products	HR EXECUTIVE MANGER CORPORATE SERVICES	Ongoing evaluation at OSH Committee meetings 31.3.17

Shire of Northam
Heritage, Commerce and Lifestyle

Action Item	Element Number	Sub-element Number	Score	Requirements Extracted From Criteria	Actions to be Taken	Responsibility	Due Date
					Implement a Supplier/Contractor selection criteria and listing based on safety practices	EXECUTIVE MANGER CORPORATE SERVICE	31.3.17

13	4.4.6	4.4.6.2	2	**Hazard Identification**
				
				a) The identification of hazards in the workplace shall take into account:
				a) the situation or events or combination of circumstances that has the potential to give rise to injury or illness;
				b) the nature of the potential relevant injury or illness.
				   i. The identification process shall also include consideration of: the way that work is organised, managed, carried out and any changes that occur in this;
				   ii. the design of workplaces, work processes, materials, plant and equipment;
				   iii. the fabrication, installation and commissioning and handling and disposal (of materials, workplaces, plant and equipment);
				   iv. the purchasing of goods and services;
				   v. the contracting and subcontracting of plant, equipment, services and labour including contract specification and responsibilities to and by contractors;
				   vi. vi) the inspection, maintenance, testing, repair and replacement (of plant and equipment) to the activity, product or service; and
				c) past injuries, incidents and illnesses.
					Conduct a review of injury, hazard and incident data.
					
					Analyse and consider findings in data for planning future work.
					
					Chiara will develop a methodology and template for reporting on this.
						OSH COMMITTEE	ONGOING

Action Item	Element Number	Sub-element Number	Score	Requirements Extracted From Criteria	Actions to be Taken	Responsibility	Due Date
14	4.4.6	4.4.6.3	3	**Hazard/Risk Assessment** *All risks shall be assessed and have control priorities assigned, based on the established level of risk.*	Develop a Job Safety Analysis template that is consistent throughout the Shire departments ensuring that the template includes an initial risk rating and residual risk rating boxes. It is recommended that the document called "Task Steps" be re-named "Safe Work Method Statement" to align with the OHS legislation.	HR	30.11.16 COMPLETED
15	4.4.6	4.4.6.5	2	**Evaluation** *The process of hazard identification, hazard/risk assessment and control of hazards/risks shall be subject to a documented evaluation of effectiveness and modified as necessary.*	As above for 4.4.6.1.	HR	31.1.18 Evaluated on a regular basis at OSH Committee meetings
16	4.5.1	4.5.1.2	2	**General continued** *The organisation shall establish, implement and maintain documented procedures to monitor and measure on a regular basis the key characteristics of its operations and activities that can cause illness and injury. The effectiveness of these measures shall be evaluated. Appropriate equipment for monitoring and measurement related to health and safety risks shall be identified, calibrated, maintained and stored as necessary.*	Conduct a risk assessment to determine health surveillance requirements. This includes reviewing MSDS' and work processes. Chiara will assist with this process.	HR	31.1.18 Evaluated on a regular basis at OSH Committee meetings

Action Item	Element Number	Sub-element Number	Score	Requirements Extracted From Criteria	Actions to be Taken	Responsibility	Due Date
				Records of this process shall be retained according to the organisation's procedures. With regards to the OHSMS, the organisation shall establish, implement and maintain procedures to monitor: a) performance, effectiveness of operational controls and conformance with the organisation's objectives and targets; and b) compliance with relevant OHS legislation.	When it is determined whether health surveillance is required a procedure should be developed.		
17	4.5	4.5.3	2	**Records and Records Management** The organisation shall establish, implement and maintain procedures for the identification, maintenance and disposition of OHS records, as well as the results of audits and reviews. OHS records shall be legible, identifiable and traceable to the activity, product or service involved. OHS records shall be stored and maintained in such a way that they are readily retrievable and protected against damage, deterioration or loss. Their retention times shall be established and maintained. Records shall be maintained as appropriate to the system and to the organisation, to demonstrate conformance to the requirements of AS/NZS 4801.	As above for 4.4.5. Review current staff access, security arrangements and storage of records.	EXECUTIVE MANAGER CORPORATE SERVICES	Procedure drafted, currently under review by Executive Managers
18	4.5	4.5.4	1	**OHSMS Audit** The organisation shall establish, implement and maintain an audit program and procedures for periodic audits to be carried out by a competent person, in order to: a) determine whether the OHSMS: i) conforms to planned arrangements for OHS management including the requirements of AS/NZS 4801; ii) has been properly implemented and maintained; iii) is effective in meeting the organisation's policy	Develop a procedure for audits. Develop an Audit Program based on previous audit findings and areas of concern.	HR	30.6.17 Completed

Action Item	Element Number	Sub-element Number	Score	Requirements Extracted From Criteria	Actions to be Taken	Responsibility	Due Date
				as well as objectives and targets for continual improvement; and *iii) provide information on the results of audits to management and employees.* *The audit program, including any schedule, shall be based on the OHS importance of the activity concerned, and the results of previous audits. The audit procedures shall cover scope, frequency, methodologies and competencies, as well as the responsibilities and requirements for conducting audits and reporting results.*			
19	4.6	4.6	2	**Management Review** *The organisation's top management shall ensure, at intervals that it determines, review the OHSMS, to ensure its continuing suitability, adequacy and effectiveness. The management review process shall ensure that the necessary information is collected to allow management to carry out this evaluation. This review shall be documented. Management shall review the continued relevance of, and change where appropriate, policy, objectives, responsibilities and other elements of the OHSMS, in light of OHSMS audit results, changing circumstances and the commitment to continual improvement.*	Senior management to conduct a review of the OHS system. Develop an agenda for items and determine timeframes/intervals for the review.	EXECUTIVE TEAM	30.9.17

5.7   PROGRESS TOWARDS CUSTOMER SERVICE AUDIT

Address:	N/A
Owner:	N/A
File Reference:	1.6.1.6
Reporting Officer:	Cheryl Greenough Coordinator Governance / Administration
Responsible Officer:	Colin Young Executive Manager Corporate Services
Voting Requirement	Simple Majority

BRIEF

To provide Council with an update of the progress made towards the Customer Service Audit in order to ensure that continuous improvement occurs within the organisation.

ATTACHMENTS

Attachment 1:   Customer Service Audit Plan.

BACKGROUND / DETAILS

The Shire of Northam procured Aveling to conduct a Customer Service Management System Audit at the end of 2017 which included a review of the effectiveness of our ICS system and our Customer Service Charter. The report included an internal survey as well as an external customer survey.

Key findings of the review related to areas of recommended improvement for both ICS and the Customer Service Charter. Suggested improvements relating to the Customer Service Charter included document control and ensuring the document is easily accessible by customers.

For ICS' the recommended improvement areas included closing out of the documents and ensuring that the customer is kept up to date on the actions taken by staff.

CONSIDERATIONS

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.

Financial / Resource Implications

Staffing resources are required to action the recommendations

Legislative Compliance
Local Government Act 1995 and relevant subsidiary legislation.

Policy Implications
Nil.

Stakeholder Engagement / Consultation
Nil.

Risk Implications
Should the recommendations and relevant actions identified not be undertaken or addressed, Council may be at risk of not generating continuous improvement, better practice, good governance and legislative compliance.

OFFICER'S COMMENT

Progress is being made toward improving the Customer Service Charter to include being a controlled document.

Work has also commenced on a whistle-blower policy to allow confidentiality for anyone including staff who may have information of a sensitive nature they wish to report.

The Customer Service Charter will be made more accessible and information provided on making a complaint as well as compliment and requests within the next six months.

All staff are working toward the progression of action the in the ICS' and to advise customers of the steps taken including the close out stage.

RECOMMENDATION / COMMITTEE DECISION

Minute No: AU.102

Moved: Cr Proud
Seconded: Cr Mencshelyi

That Council receive the update as provided in Attachment 1 in relation to the progress made towards the Customer Service Audit Plan.

CARRIED 3/0

Discussion was held around the following matters:

- The Chief Executive Officer advised that this was adopted at the last committee meeting and therefore significant progress has not yet occurred, however believes it is on track.
- It was raised that ICS's are still an area of concern however attention has been given to this area and Council has made significant progress over the past few years. The committee looked at how many ICS's were currently outstanding, against how many were received and competed over the past month.
- It was noted that the audit was undertaken in accordance with the Australian Standards (not local government) which made it more challenging to comply with some items as these were not previously considered.

Attachment 1

Commitment			2.5	17/6	Responsible Officer	Comments
3.1	Does the organisation have a customer service Code of Conduct? (WSM)		2	Customer Service Charter supplied is an uncontrolled word document. This is written as addressing the community but there is no indication of how it is communicated to them.	GOV Officer	Currently being dealt with
3.2	Have you determined the external and internal issues that are relevant to your organisation's purpose and the achievement of customer satisfaction in the organisation's strategic direction? (ISO10001 6.2)		2	Charter identifies major stakeholders and attempts to provide them with workable solutions. The main areas missing are stakeholder closeout and reporting to elected members. The elected member monthly report for October 2017 appears to be flawed closeout numbers. It shows approximately 30% of year to date requests are still not closed, but does not seem to trigger any alarm. It is also suspected that significant numbers of complaints have been closed out on the ICS system, without being actually closed. Examples of this include where a letter has been sent by Shire staff requesting action and then closed on the system, but no follow up visit to ensure that the action has been completed.	Executive Managers	Weekly reporting is occurring for complaints and ICS's received. Complaints outstanding and completed over the period are monitored to ensure that complaints are not closed without actioning. Changes have been made to the Customer Requests process so that these are only allocated to one officer to ensure ownership of the complaint/ICS. Efforts have been made to action the number of outstanding request over the past 6 months with outstanding ICS's reducing by 153 since December 2017. This reporting is ongoing and the total number of ICS's/complaints received will be monitored.
3.4	Has input been gained to identify and assess the needs of customers in the development of the Code and procedures? (ISO10001 6.3)		2	There are no document control records for the process to indicate community consultation in the development.	GOV Officer	Under development

3.5	Is the Code clear, concise and written in simple language? (ISO10001 6.4)	3.5	The customer service charter is well written and copies have been made available in the main reception area (at times), however the majority or customer responses indicated that it has not been publicized as well as it could have been. It is recommended that a shortened version be produced and displayed in a similar manner to the City of Cockburn example shown in section 11.	GOV Officer	A similar idea has been considered but other alternatives are also considered
Capacity	**2**		**8/4**		
3.8	Have the objectives been established at relevant departmental and individual levels with the business?	1.5	No Key Performance Indicators (KPI's) have been set to monitor the number of requests/complaints or their close out times. This should be completed as a priority after the next round of staff training.	Executive Managers	No KPI's have been established to date.
3.10	Is customer service included in the business plan? (WSM) If so, what elements of customer service do you regularly monitor? (WSM)	2	While there is a customer service charter and reports are compiled for elected members and as part of the quarterly report card, there was no evidence available to suggest that customer service forms part of a formal business plan. Customer service requests and closeouts are reported monthly and quarterly, but no KPI appears to exist on this data.	Gov Officer	Not yet done
Visibility	**2**		**7/3**		
3.13	Is it relevant and responsive to customer needs? (ISO10001 4.6)	2	These issues are difficult to assess given that over 90% of customer survey respondents claimed that they had not seen it.	Gov Officer	Not yet done
Monitoring	**2**		**8/4**		

3.25	Are KPI results and/or other statistical measures used to review the performance of the organisation's customer service? (ISO10001 6.5 & 8.2)	2.5	An elected member monthly report and quarterly report card are produced which both include basic ICS statistics. These do not however offer any insight into long term open items or provide a performance target. As discussed previously, it was considered that a number of requests had been closed out without verification and that the statistics may not therefore show the true picture.	Executive Managers	No KPI's have been established to date. Community Satisfaction Survey is scheduled for 2018/19 period.
Procedures	**2.5**		**32/12**		
4.14	Are complaints closed out and recorded once agreed actions are complete? (ISO10002 7.9)	2.5	As previously noted, at least some complaints appear to be closed out prematurely and without verification of work orders being completed.	Executive Managers	Ongoing. Weekly reporting is occurring for complaints and ICS's received. Complaints outstanding and completed over the period are monitored to ensure that complaints are not closed without actioning. Changes have been made to the Customer Requests process so that these are only allocated to one officer to ensure ownership of the complaint/ICS. Efforts have been made to action the number of outstanding request over the past 6 months with outstanding ICS's reducing by 153 since December 2017. This reporting is ongoing and the total number of ICS's/complaints received will be monitored.

4.19	Is complaints information, including the identity of complainants, treated confidentially wherever possible or necessary? (ISO10002 4.7) Are procedures are in place to manage whistle-blower complaints in accordance with the Public Interest Disclosure Act?	2	There was no information available to suggest that confidentiality has been considered in terms of complaints and this should be included in future updates of the process. No information on whistleblower complaints is included in the Shire complaints process.	Executive Managers	Confidentiality is always maintained in relation to customer complaints and requests. The complaints process includes details in relation to the actions to take to maintain confidentiality if the complaint is of a confidential nature, however does not detail that the complainants details are to remain confidential (although is practice with all complaints and ICS's). It is proposed that the process be improved by detailing that all elements of the complaint are to be treated with confidentiality (including the identity of the complainant). Whisteblower policy is currently being prepared by HR Coordinator. It is proposed that this will be presented to Council in the coming months.
4.23	Are details of reviews and actions taken to improve services published to staff and the public? (ISO10002 8.6.3)	2	The quarterly report card is circulated widely and includes ICS statistics for customer service requests (including complaints), but does not look at individual cases or outcomes. Further it does not differentiate between complaints and work requests.	Executive Managers	Process mapping system is available to all staff to ensure they are following the process for managing ICS's and complaints. Weekly reporting is now occurring to monitor the requests and complaints received. Suggested changes are to be implemented into quarterly reporting (i.e. differentiate between complaints and requests)

| 4.26 | Does the complaints manager or coordinator compile reports for senior management based on the analysis of the data, which include recommendations for:
• complaint reduction strategies, or
• improvements to business processes | 2.5 | Reports are compiled monthly (for elected members) and quarterly (for the report card), however these are both basis numerical reports and do not provide any level of detail that would support continuous improvement in this area. | Executive Manager Corporate Services | Executive Assistant – CEO is now generating weekly reports for ICS's and complaints.

Process improvements for managing complaints and ICS's are managed through Council's process mapping system which allows all staff to suggest improvements in relation to the process for managing ICS's and complaints. |

5.8   AUSTRALASIAN LG PERFORMANCE EXCELLENCE PROGRAM FY17

Address:	N/A
Owner:	N/A
File Reference:	2.1.2.1
Reporting Officer:	Colin Young Executive Manger corporate Services
Responsible Officer:	Jason Whiteaker Chief Executive Officer
Voting Requirement	Simple Majority

BRIEF

In 2016 the Shire of Northam joined the Australasian LG Performance Excellence Program. The program is in essence an opportunity to compare the Shire of Northam across a range of areas with other Local Governments in Western Australia, Australia and New Zealand.

The areas of focus are:
- Workforce;
- Finance;
- Operations;
- Service Delivery;
- Risk management;
- Corporate Leadership; and
- Asset Management.

ATTACHMENTS

Attachment 1:   Report - The Australasian LG Performance Excellence Program FY17 (provided as a separate confidential attachment to this report).

BACKGROUND / DETAILS

In 2016 the Shire of Northam joined the Australasian LG Performance Excellence Program. The program is in essence an opportunity to compare the Shire of Northam across a range of areas with other Local Governments in Western Australia, Australia and New Zealand.

The areas of focus are:
- Workforce;
- Finance;
- Operations;
- Service Delivery;

- Risk management;
- Corporate Leadership; and
- Asset Management.

The process for populating the Council data occurred over a period from August 2017 – November 2017, with the information relating to the 2016/17 Financial Year.

Councils Audit Committee recommended the following on the 31 May 2017 based on the Australian LG Performance Excellence Report for the FY 16:

That Council:
1. *Receives the Australasian LG Performance Excellence Program FY16; and*
2. *Identifies the following areas to be assessed in more detail and reported back to a future Audit Committee Meeting in 2017:*
   a. *Information Technology resourcing; and*
   b. *Parks, Gardens & Sporting Grounds resourcing.*

CONSIDERATIONS

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.

Financial / Resource Implications
There has been staff time committed to populating the database associated with the survey and in analysing the results. It is expected that further staff resource will be provided to undertake a more detailed assessment of some specific areas.

Legislative Compliance
N/A.

Policy Implications
N/A.

### Stakeholder Engagement / Consultation
N/A.

Risk Implications
There is a risk of becoming a poor performing Council if organisational performance is not assessed on a regular basis.

OFFICER'S COMMENT

Staff have reviewed the outcomes of the Program and make the following comments:

1. Workforce
    FTE per 1,000 residents. Show the Council at 7.7, compared with 5.5 in the overall WA survey population. However, if you filter the survey population to WA Rural Council's the average is at 8.5, which is comparable with Council's FTE count (noting this is a very small sample size), as per the graph presented below. In essence this highlights that the larger City local governments skew the number of employees per 1,000 employees to the lower result of 5.5. Please note that the FTE is based on the headcount as of the 30 June 2017.
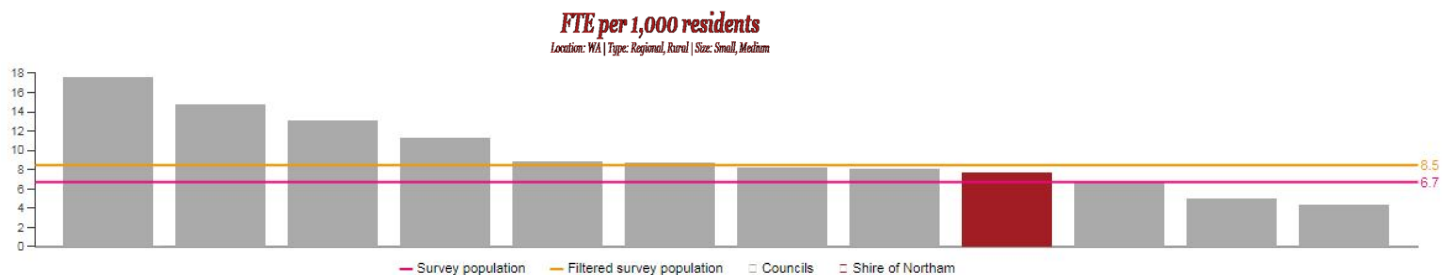
The other relevant factor associated with these numbers is the Council playing a role in the Killara Respite Centre, Licensing and Visitor Centres. These three areas are not 'usual' local government functions and may further skew the Shire of Northam figures. To put this into context Killara employs 1.4 employees per 1,000, whilst the combined Licensing and Visitor Centre represents 0.5 (approx.) employees per 1,000 residents.

In addition the Shire of Northam, as 'hang over' from the amalgamation has two swimming pools and libraries, which would be unusual for a rural or regional local government.

a. Remuneration as a % of operating expenses
    All the comments above remain relevant, although when filtering the results by Rural Local Governments across Australia our percentage of remuneration to operating expenses is at the higher end, being 42% compared with an average of 40% for the WA Survey Population.

b. Staff Turnover
    The turnover rate is higher than that the WA Survey population, with Northam being at 27%, WA. It is noteworthy to highlight that the turnover numbers are based on number of actual employees employed at 1 July 2016, not number of positions, so having positions vacant at that time will skew the results. It also does not take into account turnover instigated by the Council. Consequently the

turnover rates reported to Council regularly are considered more accurate and highlight our performance 24%.

The turnover of employees in the first year of service represents an area to watch to ensure are employment processes are sound, however as a general comment the employees that left gave reasons beyond Councils control.

c. Median sick leave days

At 3.7, the Shire is in a positive position compared with the WA Survey population showing 5.3, however this position is weaker that the FY 16 position of 2.8. This increase can be attributed to several long term employees requiring substantial time off due to ongoing illness or recovery from operations. Northam is ranked in the lower range for this particular category which is positive given it has been a focus over the past four years and indicates a good ethic / culture.

d. Lost Time Injuries

Councils LTI's increased from 62 to 174 days and substantially higher than the WA population which is 99, the reason there was a notable increase was due to a couple of incidents which resulted in extended period of absence for individuals during their recovery.

2. Finance

a. Cost of finance as a % of revenue

This is an area staff are currently investigating, however filtering the data to compare with other WA Regional and Rural Communities indicates that our finance function is only slightly higher than the average, with Northam being 4.5% of revenue whilst the average is 3.1%. It is however noted that Councils finance department includes the position of a Purchasing Officer which is rare within Local Government and supports the whole of the organisation in Procurement.

b. Capital Expenditure Per Resident

Councils current focus on capital expenditure is noticeable here with FY 17 expenditure increasing from the FY 16, ($600 to $690), it compares favourably to the WA survey population average expenditure of $585, and $650 for WA Small to medium Councils.

Capital expenditure ($) per resident
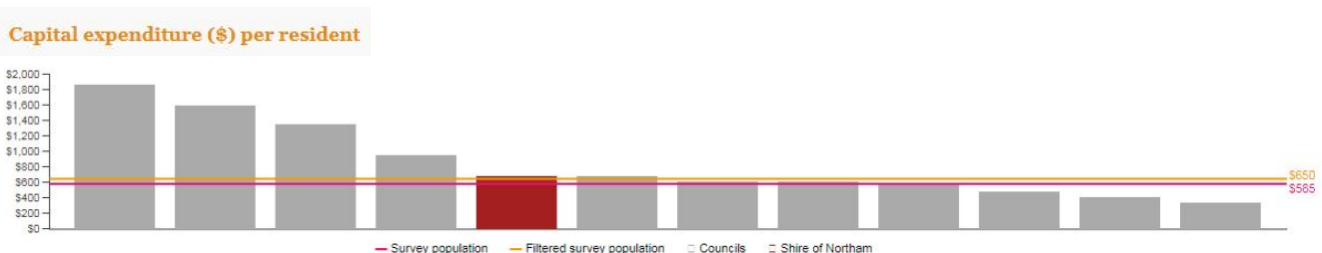
3. Operations
    a. Corporate Services staff per 100 employees
       At 16.8, this is slightly higher than the entire population survey results of WA at12.9, however the Rural WA cohort has an average of 15.2. Consideration does need to be given to the structure of our Corporate Services area with licensing being included, a function not undertaken by many local governments, this function equates to approximately 2.45 employees, 2 fulltime plus coverage for leave and lunch breaks.

   b. Customer Service staff per 100 employees
       Per above comment Councils level is 6.3 compared with the WA average of 3.3 and the Rural WA cohort of 3.8.

    c. I/T staff per 100 employees
       This is the most significant area of underperformance/representation within the organisation. Given that I/T is being raised across every audit and review Council is undertaking as a focus. It is an area which requires some consideration moving forward to ensure our organisational structure is effective and efficient.

       One I/T staff per 100 employees at the Shire of Northam compares with 3 for the WA Average for the entire population and 2.1 for rural and regional WA Councils.
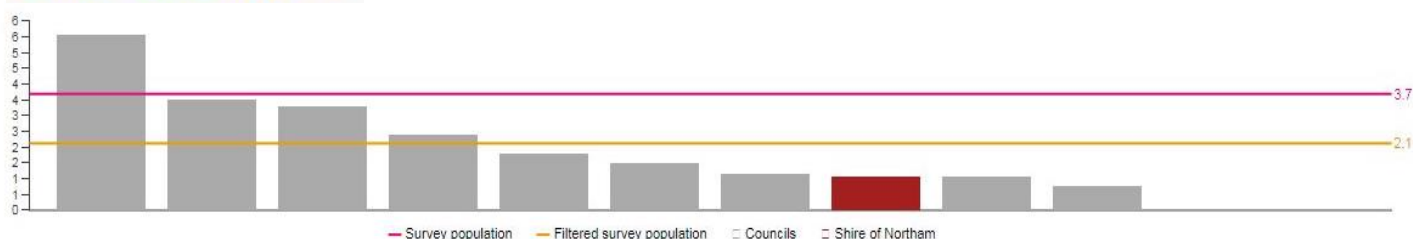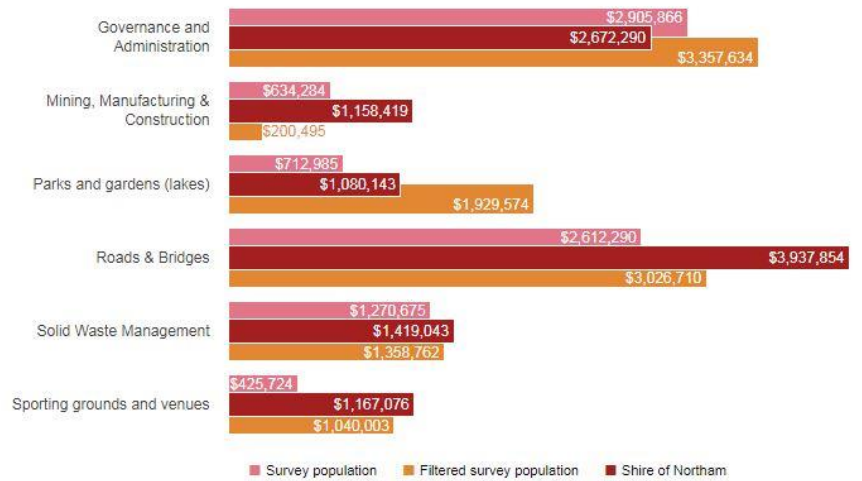

4. Service Delivery
    a. Service delivery operating costs and FTE breakdown (p.85)
       The provision of this comparison raises some areas of potential interest, however it also raised a number of queries regarding expenditure per service area with the only area spending less being Governance. This has been further analysed with WA Regional and Rural Communities which is much more consistent with Councils expenditure.

Operating costs per 10,000 residents

Governance and Administration	$2,905,866 / $2,672,290 / $3,357,634
Mining, Manufacturing & Construction	$634,284 / $1,158,419 / $200,495
Parks and gardens (lakes)	$712,985 / $1,080,143 / $1,929,574
Roads & Bridges	$2,612,290 / $3,937,854 / $3,026,710
Solid Waste Management	$1,270,675 / $1,419,043 / $1,358,762
Sporting grounds and venues	$425,724 / $1,167,076 / $1,040,003

Legend: ■ Survey population ■ Filtered survey population ■ Shire of Northam

b. Organisational design by span of control (p89)
   This highlights the relatively flat structure of the Shire of Northam, which is a positive. Our organisation performs well when compared with others in the context of the number of employees per supervisor/manager.

c. Solid Waste Management (p.94)
   Council cost of $142 per resident slightly higher than the average $138 with the survey population, indicating our current contract is around market rate.

d. Roads & Bridges (p.98)
   A breakdown of our roads & bridges cost per kilometre of road indicates Council is either very efficient, or underspending. This more detailed assessment needs to be undertaken in the context of the Council's endorsed asset management plan, which would indicate

Roads and Bridges - Breakdown of annual operating costs per kilometre

	Shire of Northam	Survey population	Filtered survey population	NSW	NZ	SA	WA
Outsourced contract expense		$2,428	$887				$887
Insourced staff remuneration	$2,601	$1,582	$936				$936
Other insourced expense	$358	$4,625	$2,156				$2,156
Depreciation expense	$2,899	$4,988	$4,980				$4,980

Legend: ● ● ● Survey population ● Shire of Northam

that our current spend is sufficient to maintain existing service standards. However a more detailed analysis may be advisable. It may very well be the case that Council is capitalizing more than its peers. The following table compares the Shire of Northam with WA regional rural peers, it this case the average spend is similar excluding depreciation expense.

When interpreting the report it should be noted that the network condition assessment and road categorisation process (Excellent to Very Poor) can vary between Local Governments. For example, some LGA's will have their road network surveyed using Automated Road Analysers (ARAN) with the data managed using software systems (i.e. RAMM in the case of Shire of Northam) Where as other LGA's may perform visual survey assessments, which leaves condition rating open to interpretation.

In addition when generating works programs from RAMM, variable weightings can be assigned to "Triggers" which will determine condition, severity and proposed treatments.

In recent years the Shire of Northam has assigned higher weightings to cracking which will trigger reseals. This is for the purpose of preventing deterioration of the road to a point where rehabilitation or re-construction of the road is required, which aligns with the Shire's Asset Management Strategy.

e. Parks, Gardens and Sporting Grounds (p.100)
   This area was highlighted in the FY 16 for further investigation, figure 4.29 shows that are spend per resident is still high compared to the total survey population, however based on the comparison below Councils $225 per person is comparable with WA Regional and Rural Communities that is $242 per person.

Parks and sporting grounds - Breakdown of annual operating costs per resident
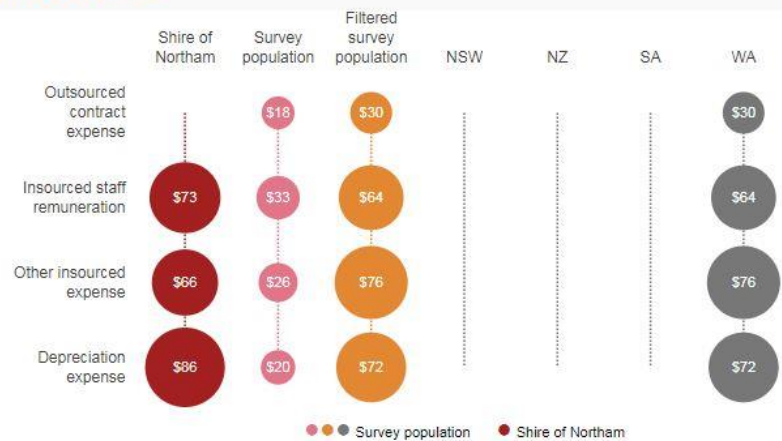
5. Risk Management
   a. Internal Audit
      At the time of reporting Council did not have an internal audit framework, however this has since been developed and implemented, with the first two audits being Customer Service and Procurement.

6. Corporate Leadership
   No specific areas requiring comment or focus

7. Asset Management
   No specific areas requiring comment or focus

Council recommended on the 31 May 2017 that more detailed assessments would be carried out on the following areas;
   1. Information Technology and Reporting
   2. Parks, Gardens & Sporting Grounds Resourcing

To date these more detailed assessments have not been carried out, as such Staff are recommending they be carried out under the internal audit framework during the 2018/19 financial year, preliminary estimates indicate this will cost in the vicinity of $25,000.

RECOMMENDATION

That Council:
  1. **Receives the Australasian LG Performance Excellence Program FY17; and**
  2. **Includes in the draft 18/19 budget the following areas to be assessed in more detail as part of the internal audit function and reported back to a future Audit Committee Meeting in 2018:**
      a. **Information Technology resourcing; and**
      b. **Parks, Gardens & Sporting Grounds resourcing.**

Discussion was held around the following matters:
- IT resourcing – The Chief Executive Officer advised that this matter is critical to look at.
- Parks, Gardens & Sporting Grounds resourcing – The Executive Manager Corporate Services advised that this will review the service being provided in addition to the allocation and overspend. The Chief Executive Officer advised that when compared to others, Council was spending more per square metre. It was believed that investigating this matter would be worthwhile to ensure that Council is operating as efficient and effective as possible.

- Roads and bridges operating costs – Discussion around whether this is an area that could be exposed to internal audit in relation to performance. It was confirmed staff have exposed our costing to external review in 2016, although this did not represent a detailed audit.
- Drainage – The Chief Executive Officer advised that there has been some assessments undertaken in areas.
- Rate Recovery – As one of the most significant corporate risks facing the Council is was discussed the potential to include this as a future internal audit focus, in relation to our recovery practices and processes as well as exploring the underlying drivers for increasing rate debt, such as affordability.

At the conclusion of discussing the outstanding rate debt and recovery the following motion was carried:

MOTION / COMMITTEE DECISION

Minute No: AU.103

Moved: Cr Proud
Seconded: Cr Mencshelyi

That Council:
1. **Receives the Australasian LG Performance Excellence Program FY17; and**
2. **Includes in the draft 18/19 budget the following areas to be assessed in more detail as part of the internal audit function and reported back to a future Audit Committee Meeting in 2018:**
   a. **Information Technology resourcing; and**
   b. **Parks, Gardens & Sporting Grounds resourcing.**
3. **Request the Chief Executive Officer to prepare a brief and obtain quotes to undertake an internal audit on outstanding rates and present this to the next scheduled Audit Committee meeting.**

CARRIED 3/0

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6. URGENT BUSINESS APPROVED BY PERSON PRESIDING OR BY DECISION

Nil.

7. DATE OF NEXT MEETING

The next Audit Committee meeting is proposed to be held on 22nd August 2018 unless otherwise advised.

8. DECLARATION OF CLOSURE

There being no further business the Presiding Member, Cr C R Antonio declared the meeting closed at 12:15pm.

"I certify that the Minutes of the Audit Committee meeting held on Friday, 1st June 2018 have been confirmed as a true and correct record."

_____ Presiding Member

_____ Date