

# minutes

## Audit Committee

MEETING HELD ON **MONDAY 4 AUGUST 2014**

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## CITY OF JOONDALUP

MINUTES OF THE AUDIT COMMITTEE MEETING HELD IN CONFERENCE ROOM 2,  
JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP ON MONDAY  
4 AUGUST 2014.

### ATTENDANCE

#### Committee Members

Cr Tom McLean, JP *Presiding Member* *from 6.14pm*  
Mayor Troy Pickard  
Cr Geoff Amphlett, JP  
Cr Brian Corr  
Cr Mike Norman  
Cr Teresa Ritchie, JP *Deputy Presiding Member* *Presiding Member from 6.06pm to 6.14pm*

#### Officers

Mr Garry Hunt	Chief Executive Officer
Mr Mike Tidy	Director Corporate Services
Mr Brad Sillence	Manager Governance
Mr Glenn Heaperman	Acting Manager Executive and Risk Services
Mr Peter McGuckin	Internal Auditor
Mr John Byrne	Governance Coordinator
Mrs Lesley Taylor	Governance Officer

### DECLARATION OF OPENING

The Deputy Presiding Member declared the meeting open at 6.06pm.

### DECLARATIONS OF INTEREST

#### Disclosures of Financial / Proximity Interest

Nil.

**Disclosures of interest affecting impartiality**

Elected Members (in accordance with Regulation 11 of the *Local Government [Rules of Conduct] Regulations 2007*) and employees (in accordance with the Code of Conduct) are required to declare any interest that may affect their impartiality in considering a matter. This declaration does not restrict any right to participate in or be present during the decision-making process. The Elected Member/employee is also encouraged to disclose the nature of the interest.

<b>Name/Position</b>	<b>Mr Garry Hunt, Chief Executive Officer.</b>
<b>Item No./Subject</b>	Item 4 – Confidential - Chief Executive Officer's Credit Card Expenditure for the Quarter Ended 31 March 2014.
<b>Nature of interest</b>	Interest that may affect impartiality.
<b>Extent of Interest</b>	The Chief Executive Officer is the card holder.

<b>Name/Position</b>	<b>Mr Garry Hunt, Chief Executive Officer.</b>
<b>Item No./Subject</b>	Item 5 – Confidential - Chief Executive Officer's Credit Card Expenditure for the Quarter Ended 30 June 2014.
<b>Nature of interest</b>	Interest that may affect impartiality.
<b>Extent of Interest</b>	The Chief Executive Officer is the card holder.

**APOLOGIES/LEAVE OF ABSENCE****Apology:**

Cr Philippa Taylor.

**Leave of Absence Previously Approved:**

Cr Russ Fishwick, JP            4 August to 23 September 2014 inclusive;  
 Cr Liam Gobbert                6 August 2014;  
 Cr Geoff Amphlett,JP        6 August to  
    22 August 2014 inclusive;  
 Cr Liam Gobbert                20 August to 27 August 2014 inclusive;  
 Cr Tom McLean, JP            17 September to 10 October 2014 inclusive.

Cr Philippa Taylor has advised that she no longer requires the Leave of Absence previously approved by Council at its meeting held on 15 April 2014 (C11-04/14 refers) for the period 20 August to 12 September 2014 inclusive.

**CONFIRMATION OF MINUTES****MINUTES OF THE AUDIT COMMITTEE HELD 10 MARCH 2014**

**MOVED** Cr Norman, **SECONDED** Cr Amphlett that the minutes of the meeting of the Audit Committee held on 10 March 2014 be confirmed as a true and correct record.

**The Motion was Put and**

**CARRIED (5/0)**

**In favour of the Motion:** Cr Ritchie, Mayor Pickard, Crs Amphlett, Corr and Norman.



**ANNOUNCEMENTS BY THE DEPUTY PRESIDING MEMBER WITHOUT DISCUSSION**

Nil.

**IDENTIFICATION OF MATTERS FOR WHICH THE MEETING MAY BE CLOSED TO THE PUBLIC**

In accordance with Clause 5.2 of the City's *Meeting Procedures Local Law 2013*, this meeting was not open to the public.

**PETITIONS AND DEPUTATIONS**

Nil.

**REPORTS****ITEM 1                    HALF YEARLY        REPORT – WRITE-OFF        OF  
MONIES (1 JANUARY 2014 – 30 JUNE 2014)**

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<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Mike Tidy Corporate Services
<b>FILE NUMBER</b>	07032, 101515
<b>ATTACHMENTS</b>	Nil.
<b>AUTHORITY / DISCRETION</b>	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

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**PURPOSE**

For the Audit Committee to note the amounts of monies written off under delegated authority.

**EXECUTIVE SUMMARY**

The total amount written off under delegated authority during the six months ended 30 June 2014 came to \$9,924.17. This amount mainly consisted of 4,916 small amounts of unpaid rates below the \$100 reportable limit totalling \$5,481.26 and an amount of \$128.55 due from a rate payer for legal costs, as agreed on settlement of their dues.

The total amount includes the following items written off on the recommendation of the City's debt collection agency:

- Nine items of unpaid leisure centre membership fee of \$2,769.40.
- Four items of dog registration and impound fees of \$930.69.
- One item of room hire fees of \$147.27.
- One item of root intrusion clearance charge of \$412.50.
- One item of parking infringement charge of \$54.50, which is below the reportable limit of \$100.

*It is therefore recommended that the Audit Committee RECEIVES the report of amounts written off under delegated authority for the period 1 January to 30 June 2014.*

**BACKGROUND**

Section 6.12(1)(c) of the *Local Government Act 1995* gives the Council the power to write off any amount of money owing to the City.

At its meeting held on 6 June 2006 (CJ079-06/06 refers) Council approved to delegate to the CEO the authority to write off monies owed to the City, subject to a report being provided to the Audit Committee on a six monthly basis on the exercise of this delegation for amounts

between \$100 and \$20,000. The CEO under section 5.44 of the *Local Government Act 1995* has delegated his authority to nominated employees, up to the limits provided in the instrument of delegation.

## DETAILS

During the six months ended 30 June 2014 a total amount of \$9,924.17 was written off as unrecoverable. This amount included the following:

- 4,916 items of small rates balances that are below the reportable limit, totalling \$5,481.26, representing in the main rounding decimals or minor penalty interest charges for a few days late payment where ratepayers did not pay the penalty or the full penalty and the cost of collection was, for all practical purposes, proving to be uneconomical.
- One item of legal costs of \$128.55 due from a rate payer, as agreed with the rate payer on reaching a settlement of their dues.
- One item of \$54.50 was lodgement fee paid to Fines Enforcement Registry for parking infringement charge. The charge on the offender was withdrawn as the case was dismissed by the court and hence the lodgement fee is recommended for write off.

The following table provides the details of 15 reportable amounts written off during the six month period.

Item	Date of Invoice	Debtor's Name	Nature of Debt	Amount \$
1	19/02/2013	Shan Dane Stevens	Dog Registration and impound fee.	265.00
2	19/02/2013	Kiri Delia Genovese	Dog Registration and impound fee.	213.40
3	24/07/2013	Denise Thorpe	Dog impound fee.	221.20
4	21/08/2013	Raymond Collisson	Dog impound fee.	231.09
5	26/03/2013	Rediteach Training	Library room hire.	147.27
6	06/06/2013	Yvonne Mackenzie	Clearing root intrusion.	412.50
7	26/08/2013	Jamie Crawley	CLC membership arrears.	490.36
8	26/08/2013	Kane Joyce	CLC membership arrears.	268.18
9	26/08/2013	Andrew Lloyd	CLC membership arrears.	326.91
10	26/08/2013	Kainan Michailidis	CLC membership arrears.	255.91
11	26/08/2013	Robert Pesic	CLC membership arrears.	245.18
12	26/08/2013	Thami Silva	CLC membership arrears.	245.18
13	26/08/2013	Liam Vivian	CLC membership arrears.	357.27
14	26/08/2013	Dallas Waaka	CLC membership arrears.	335.23
15	26/08/2013	Dallas Bullock	CLC membership arrears.	245.18
			<b>Total</b>	<b>4,259.86</b>



**Financial/budget implications**

<b>Account no.</b>	3256
<b>Budget Item</b>	Bad Debts written off.
<b>Annual Budget</b>	\$ 15,344
<b>Year to Date Budget</b>	\$ 15,344
<b>Year to Date Actual</b>	\$ 17,384
<b>Year to Date variance</b>	\$ (2,040)

**Regional significance**

Not applicable.

**Sustainability implications**

Not applicable.

**Consultation**

Not applicable.

**COMMENT**

Monies written off under delegated authority comprised 4,916 small items of unpaid rates totalling \$5,481.26, all of which were below the \$100 reportable limit and an amount of \$128.55 due from a rate payer towards legal costs. The remaining 16 items totalling \$4,314.36 were all written off following unsuccessful debt recovery action.

**VOTING REQUIREMENTS**

Simple Majority.

*Cr McLean entered the room and assumed the Chair at 6.14pm.*

**MOVED Cr Norman, SECONDED Cr Corr that the Audit Committee RECEIVES the report of monies written-off under delegated authority for the period 1 January to 30 June 2014.**

**The Motion was Put and**

**CARRIED (6/0)**

**In favour of the Motion:** Cr McLean, Mayor Pickard, Crs Amphlett, Corr, Norman and Ritchie.

**ITEM 2                    HALF    YEARLY    REPORT    –    CONTRACT  
EXTENSIONS – 1 JANUARY 2014 TO 30 JUNE 2014**

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<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Mike Tidy Corporate Services
<b>FILE NUMBER</b>	07032, 101515
<b>ATTACHMENTS</b>	Attachment 1      Contract Expenditure Report
<b>AUTHORITY / DISCRETION</b>	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

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**PURPOSE**

For the Audit Committee to note the details of contracts extended by the Chief Executive Officer between 1 January 2014 to 30 June 2014.

**EXECUTIVE SUMMARY**

The schedule of contracts extended by the Chief Executive Officer during the half-year ended on 30 June 2014 is provided in Attachment 1.

*It is therefore recommended that the Audit Committee NOTES the contracts extended by the Chief Executive Officer during the period 1 January 2014 to 30 June 2014, forming Attachment 1 to this Report.*

**BACKGROUND**

At its meeting held on 1 November 2005 (Item CJ231-11/05 refers), Council resolved that a half-yearly report be prepared for the Audit Committee detailing contracts that were originally approved by Council and have subsequently been extended by the Chief Executive Officer.

**DETAILS**

Council has delegated to the Chief Executive Officer the authority to approve all contract extensions on tenders approved by Council subject to a report to the Audit Committee being prepared on a half-yearly basis providing details of those contracts extended.

During the period 1 January 2014 to 30 June 2014 one contract was extended.

**Issues and options considered**

The option to extend the contract by the Chief Executive Officer is required to maintain continuity of the applicable services to the City.

**Legislation / Strategic Community Plan / policy implications**

**Legislation** The City's legal advice is that under section 5.41(d) of the *Local Government Act 1995* the Chief Executive Officer may be delegated the power to extend a contract – provided the Chief Executive Officer does not extend the contract beyond the “total term of the contract” specified by Council in the resolution.

**Strategic Community Plan**

**Key theme** Governance and Leadership.

**Objective** Corporate capacity.

**Strategic initiative** Demonstrate accountability through robust reporting that is relevant and easily accessible by the community.

**Policy** Not applicable.

**Risk management considerations**

The delegated authority to extend Contracts is limited to the original terms and conditions approved by resolution of Council when the tender was first awarded.

**Financial/budget implications**

In accordance with each individual Contract and approved budget limits.

**Regional significance**

Not applicable.

**Sustainability implications**

Not applicable.

**Consultation**

Not applicable.

**COMMENT**

This report provides the Audit Committee with details of contracts originally approved by Council or by the Chief Executive Officer under delegated authority, which have subsequently been extended by the Chief Executive Officer during the period from 1 January 2014 to 30 June 2014.

## **VOTING REQUIREMENTS**

Simple Majority.

**MOVED** Cr Amphlett, **SECONDED** Mayor Pickard that the Audit Committee **NOTES** the contract extended by the Chief Executive Officer during the period 1 January 2014 to 30 June 2014, forming Attachment 1 to this Report.

**The Motion was Put and**

**CARRIED (6/0)**

**In favour of the Motion:** Cr McLean, Mayor Pickard, Crs Amphlett, Corr, Norman and Ritchie.

*Appendix 1 refers*

*To access this attachment on electronic document, click here:*  
[Attach1agnAUDIT040814.pdf](#)

**ITEM 3 EXECUTIVE AND RISK SERVICES PROGRAM 2014-15**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Garry Hunt Office of the CEO
<b>FILE NUMBER</b>	49586, 101515
<b>ATTACHMENTS</b>	Attachment 1 Executive and Risk Services Program 2014-15
<b>AUTHORITY / DISCRETION</b>	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

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**PURPOSE**

For the Audit Committee to note the *Executive and Risk Services Program 2014-15*, which includes the *Internal Audit Program*.

**EXECUTIVE SUMMARY**

The *Executive and Risk Services Program* sets out the program of audits to guide audit activity, the work of the Internal Auditor and other monitoring and reviewing activities to be undertaken.

The *Internal Audit Program* section allows for the Chief Executive Officer and other unspecified management requests, specialist advice and investigations. This section is subject to change and modification during the year on the authorisation of the Chief Executive Officer.

*It is therefore recommended that the Audit Committee NOTES the Executive and Risk Services Program for 2014-15 forming Attachment 1 to this Report.*

**BACKGROUND**

The City has been undertaking a review of its risk profile, and a gap analysis found that a greater focus and rigour on risk and assurance was required.

This resulted in the establishment of an Executive and Risk Services business unit from 1 July 2013 to oversee the *Executive and Risk Services Program*, review issues that are outside of the core activities for local government and to monitor the high number of City projects.

## DETAILS

The program has incorporated the *Internal Audit Program* which sets out the internal audit activity for the year 2014-15 to be carried out by the City's Internal Auditor (who reports directly to the Chief Executive Officer for assigned activities). The *Internal Audit Program* section is established in consultation between the Chief Executive Officer and the Internal Auditor and where appropriate includes input from Directors or Managers to address areas that present risks to the City's operations. This section is subject to change and modification during the year on the authorisation of the Chief Executive Officer. The audit activity is relied upon by external auditors as part of their audit.

The balance of the *Executive and Risk Services Program* encompasses monitoring and reviewing activities as determined by the Chief Executive Officer on an annual basis and includes management of the *Corporate Risk Register*, service level monitoring and review and, cost efficiency and service reviews (to identify areas to reduce costs by eliminating and identifying waste and improving efficiency and effectiveness throughout the City's operations). Business, financial and operational analysis is also undertaken to inform risk management decision making and to provide confidence and integrity of data and/or information.

### Legislation / Strategic Community Plan / policy implications

**Legislation** Regulation 6 of the *Local Government (Financial Management) Regulations 1996* and the *Local Government (Audit) Regulations 1996*.

### Strategic Community Plan

**Key theme** Governance and Leadership.

**Objective** Corporate capacity.

**Strategic initiative**

- Demonstrate accountability through robust reporting that is relevant and easily accessible by the community.
- Continuously strive to improve performance and service delivery across all corporate functions.

**Policy** Not applicable.

### Risk management considerations

Internal audit is an independent appraisal service, and audit activity is an important element of risk management and a contributor to the mitigation of risk.

Monitoring and reviewing activities will provide evidence of the appropriateness and effectiveness of systems and procedures in regard to risk management, internal control and legislative compliance, as required by the *Local Government (Audit) Regulations 1996*.

**Financial / budget implications**

Not applicable.

**Regional significance**

Not applicable.

**Sustainability implications**

Not applicable.

**Consultation**

Not applicable.

**COMMENT**

Internal audit activity focuses on areas of risk including financial and non-financial systems and compliance with legislation, regulations, policies and best practice. Action plans are developed and agreed with management for audit recommendations and follow-ups conducted to ensure that they are implemented as agreed. Criteria has been established to determine and report on the status of each recommendation and the overall status of each internal audit assignment. The status of internal audit recommendations is reported to the Chief Executive Officer on a monthly basis.

Action plans are also developed following the monitoring and reviewing activities when improvements are identified.

**VOTING REQUIREMENTS**

Simple Majority.

**MOVED Cr Amphlett, SECONDED Mayor Pickard that the Audit Committee NOTES the *Executive and Risk Services Program* for 2014-15 forming Attachment 1 to this Report.**

**The Motion was Put and**

**CARRIED (6/0)**

**In favour of the Motion:** Cr McLean, Mayor Pickard, Crs Amphlett, Corr, Norman and Ritchie.

*Appendix 2 refers*

*To access this attachment on electronic document, click here:*

[Attach2agnAUDIT040814.pdf](#)

**COMMITTEE DECISION – ADOPTION BY EXCEPTION RESOLUTION - [02154, 08122]**

**MOVED** Cr Amphlett, **SECONDED** Mayor Pickard that pursuant to the *Meeting Procedures Local Law 2013 – Clause 4.8 – Adoption by exception resolution*, the Committee **ADOPTS** the following items:

**Item 4 and Item 5.**

**The Motion was Put and**

**CARRIED (6/0)**

**In favour of the Motion:** Cr McLean, Mayor Pickard, Crs Amphlett, Corr, Norman and Ritchie.



**Disclosure of interest affecting impartiality**

<b>Name/Position</b>	<b>Mr Garry Hunt, Chief Executive Officer.</b>
<b>Item No./Subject</b>	Item 5 – Confidential - Chief Executive Officer's Credit Card Expenditure for the Quarter Ended 30 June 2014.
<b>Nature of interest</b>	Interest that may affect impartiality.
<b>Extent of Interest</b>	The Chief Executive Officer is the card holder.

## **ITEM 5                      CONFIDENTIAL - CHIEF EXECUTIVE OFFICER'S CREDIT CARD EXPENDITURE FOR THE QUARTER ENDED 30 JUNE 2014**

<b>WARD</b>	All	
<b>RESPONSIBLE DIRECTOR</b>	Mr Mike Tidy Corporate Services	
<b>FILE NUMBER</b>	09882, 101515	
<b>ATTACHMENT</b>	Attachment 1	Chief Executive Officer's Credit Card Expenditure – Quarter Ended 30 June 2014
	<i>(Please Note:</i>	<i>The report and attachment is confidential and will appear in the official Minute Book only)</i>
<b>AUTHORITY / DISCRETION</b>	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').	

This report is confidential in accordance with Section 5.23(2)(a) of the *Local Government Act 1995*, which also permits the meeting to be closed to the public for business relating to the following:

*a matter affecting an employee.*

A full report was provided to Elected Members under separate cover. The report is not for publication.

**MOVED** Cr Amphlett, **SECONDED** Mayor Pickard that the Audit Committee **NOTES** the report on the corporate credit card usage of the Chief Executive Officer for the quarter ended 30 June 2014 forming Attachment 1 to this Report.

The Motion was Put and **CARRIED (6/0)** by Exception Resolution after consideration of Item 3, page 16 refers.

**In favour of the Motion:** Cr McLean, Mayor Pickard, Crs Amphlett, Corr, Norman and Ritchie.

**ITEM 6                      CONFIDENTIAL                      -                      LOCAL                      GOVERNMENT  
PROCUREMENT AUDIT**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Garry Hunt Office of the CEO
<b>FILE NUMBER</b>	25586, 101515
<b>ATTACHMENTS</b>	Nil.
<b>AUTHORITY / DISCRETION</b>	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

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This report is confidential in accordance with Section 5.23(2)(f)(i) of the *Local Government Act 1995*, which also permits the meeting to be closed to the public for business relating to the following:

*a matter that if disclosed, could be reasonably expected to –*

- (i) *impair the effectiveness of any lawful method or procedure for preventing, detecting, investigating or dealing with any contravention or possible contravention of the law;*

A full report was provided to Elected Members under separate cover. The report is not for publication.

**MOVED Mayor Pickard, SECONDED Cr Amphlett that the Audit Committee NOTES the update on the audit of local government procurement practices initiated by the Corruption and Crime Commission and that the City has received its copy of the Consolidated Draft Report – Local Government Authority Procurement Audit from the Commission.**

**The Motion was Put and**

**CARRIED (6/0)**

**In favour of the Motion:** Cr McLean, Mayor Pickard, Crs Amphlett, Corr, Norman and Ritchie.

**ITEM 7                      CONFIDENTIAL - FRAUD AND MISCONDUCT RISK ASSESSMENT**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Garry Hunt Office of the CEO
<b>FILE NUMBER</b>	25586, 101515
<b>ATTACHMENTS</b>	Nil.
<b>AUTHORITY / DISCRETION</b>	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

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This report is confidential in accordance with Section 5.23(2)(f)(i) of the *Local Government Act 1995*, which also permits the meeting to be closed to the public for business relating to the following:

*a matter that if disclosed, could be reasonably expected to –*

- (i) *impair the effectiveness of any lawful method or procedure for preventing, detecting, investigating or dealing with any contravention or possible contravention of the law;*

A full report was provided to Elected Members under separate cover. The report is not for publication.

**MOVED Cr Ritchie, SECONDED Cr Norman that the Audit Committee NOTES the City's engagement of external consultants to undertake a fraud and misconduct risk assessment of its procurement practices.**

**The Motion was Put and**

**CARRIED (6/0)**

**In favour of the Motion:** Cr McLean, Mayor Pickard, Crs Amphlett, Corr, Norman and Ritchie.

## **ITEM 8                    OPTIONS AND ALTERNATIVE MECHANISMS TO REVIEW AND ANALYSE LEVELS OF EXPENDITURE OF CITY SERVICES AND ACTIVITIES**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Garry Hunt Office of the CEO
<b>FILE NUMBER</b>	103906, 101515
<b>ATTACHMENTS</b>	Attachment 1    Progress of Cost Efficiency and Service Reviews Program Attachment 2    Options and Alternative Mechanisms
<b>AUTHORITY / DISCRETION</b>	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

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### **PURPOSE**

For Council to note the options and alternative mechanisms to review and analyse levels of expenditure of City services and activities, and the progress of the cost efficiency and service reviews program.

### **EXECUTIVE SUMMARY**

Since July 2013 the City has been undertaking reviews of activities in order to identify areas to reduce costs by eliminating and identifying waste and improving efficiency and effectiveness throughout the City's operations.

*It is therefore recommended that Council NOTES the:*

- 1        options and alternative mechanisms to review and analyse levels of expenditure of City services and activities;*
- 2        progress of the cost efficiency and service reviews program.*

### **BACKGROUND**

At the Audit Committee meeting held on 10 March 2014 the Chief Executive Officer provided an update of the activities relating to the program of cost efficiency, service reviews and the approach to be undertaken.

The Chief Executive Officer initiated an extensive program of reviews to be undertaken of a number of the City's activities in order to identify opportunities for increasing efficiencies, reducing waste and reducing the costs of the services.

The intent of the cost efficiency and service reviews program is to enable the City to demonstrate effectiveness and efficiency of services provided. The reviews are aimed at identifying opportunities for:

- service and activity improvements
- assisting longer-term financial sustainability
- ensuring value for money and operational efficiency
- service level adjustments
- considering alternative modes of service delivery
- improved utilisation of available resources.

At its meeting held on 18 March 2014 (C10-03/14 refers) Council requested the Chief Executive Officer to prepare a report (among other things) on the options and alternative mechanisms to review and analyse levels of expenditure of City services and activities with the objective of improving efficiency (cost reduction) of the City's operations and services.

## DETAILS

Service reviews, process mapping and continuous improvement are a long established practice at the City, where improvement plans are implemented following reviews of existing service levels. As part of the City's annual business planning process, business units are required to identify main customer groups and determine the service expectations of each of these groups.

Since 2005 the City has had a policy framework that aligns the City's performance management systems and practices with the principles of the *Business Excellence Framework*. This is a practical methodology for continuous improvement across all management aspects of the organisation, and better practice in the provision of services to the community.

As part of the annual budget process Managers are required to assess assumptions on which estimates and/or proposals are based for customers, volumes, legislative change and significant cost changes. Proposals for any changes (resources, service levels, internal restructuring and processes) are to include the impacts to the 'business as usual' budget estimate. These annual reviews are aimed at identifying the same opportunities listed above as well as:

- identifying the service drivers (statutory, financial, operational) and reviews what is currently delivered
- considering desirable service levels – what should be delivered (within budgeting realities) while maintaining customer needs and process improvement focus
- reviewing and recommending how the service would be best delivered (delivery model).

Attachment 1 provides details on the progress of the cost efficiency and service reviews program.

## Issues and options considered

Five major review methodologies have been identified to assist the City's approach. These include the following:

- Cost Efficiency and Service Reviews.
- Performance Audits/Reviews as guided by the *Standard on Assurance Engagement ASAE 3500 Performance Engagements*.
- *Cost Management Program*.
- Structured Cost Reduction.
- ISO 9001:2008 Quality Management Systems Audits.

This analytical framework will aid in assessing opportunities to reduce costs while understanding the cost levers. Attachment 2 provides further details on the options and alternative mechanisms.

These methodologies have been identified from partnering with other local government authorities, researching of leading practice approaches and advice sought from the Western Australian Office of the Auditor General on the conduct of efficiency and effectiveness reviews.

In order to be able to make sound and sustainable decisions, it is critical that data and information be gathered to ensure a data-driven approach to understanding, comparing and interrogating costs and service levels.

The local government authorities who have partnered with the City undertake service delivery and needs assessments for every product and service (which is a wider scope of the City's current review) which provides a rating that is mapped on a product services quadrant to question whether the service should be provided by the local government authority or if there are other providers that can provide the service.

The weightings used for their assessments are as follows:

### Service Delivery

- 40% for service provider analysis
- 40% for risk
- 20% for financial.

### Service/Program Needs

- 30% for community wellbeing
- 25% for environmental wellbeing
- 20% for economic wellbeing
- 25% for governance/civic leadership.

One of the local government authorities also undertake value for money audits, which are used for the assessment of sound and strategic management, strategic commission and good governance, and the management of natural resources, assets and people.

### Outcome of Reviews

The outcome of these review methodologies is to identify *productive efficiencies* (the carrying out of the same activities at a lower cost, while maintaining performance) and *allocative efficiencies* (switching resources from activities that contribute less to the City's outcomes to those that contribute more, ensuring that there is no adverse effect on overall performance).

### Resources

The resources to undertake these reviews will be a mix of internal expertise (as there is a need of familiarity with the City's operations and challenges faced) and external consulting firms. Informal multi-functional teams will be utilised where appropriate.

### Data and Information

The data and information collected during these reviews will be used to develop a state of play matrix which can include:

- customer definition
- degree of discretion
- financial impact
- level of service definition
- reason for service
- method of delivery
- mandatory or minimum requirements
- service utilisation
- constraints
- links to Community Strategic Plan
- partners and/or competitors
- opportunity to generate revenue from the service
- alternatives to level of service
- potential to improve efficiencies
- alternatives to method of delivery.

The facilitation of these reviews will be undertaken in line with the City's *Project Management Framework* to ensure a consistent process for planning, implementation, monitoring and reporting.

The City's approach previously outlined to the Audit Committee at its meeting held on 10 March 2014 has now been updated and will be:

1	<b>Topic Selection.</b>	Via the annual budget/planning process, Chief Executive Officer and ISO:9001 Quality Management System Audits.
2	<b>Review Methodology.</b>  <i>(dependant on activity being reviewed).</i>	<p><b>Cost Efficiency and Service Reviews</b> – including the use of delivery and needs assessments, and value for money audits.</p> <p><b>Performance Audits / Reviews</b> as guided by the Standard on Assurance Engagement ASAE 3500 Performance Engagements (as advised by the Office of the Auditor General).</p> <p><b>Cost Management Program</b> – procurement value for money reviews; activity based costing; market testing and benchmarking.</p> <p><b>Structured Cost Reduction</b> – long-term aim to continually challenge the cost base, monitoring the relationship of costs incurred to outcomes achieved and aspiring to create an environment for continuous improvement (top-slicing of budgets or indiscriminate cost-cutting can leave organisations exposed and unprepared for the future and can lead to higher overall costs or the displacement of costs elsewhere).</p>
3	<b>Outcomes.</b>	<p><b>Tactical Efficiency Savings</b></p> <ul style="list-style-type: none"> <li>• Quick wins.</li> <li>• Prioritisation, localised cost savings / process improvement / performance improvement.</li> </ul> <p><b>Strategic Operational Realignment</b></p> <ul style="list-style-type: none"> <li>• Cost:value ratio – better utilisation / optimisation of people, processes, technology, procurement, capital assets.</li> <li>• Change customer expectations / consider alternative delivery models / shift customer channels.</li> </ul> <p><b>Sustainable Cost Reduction</b></p> <ul style="list-style-type: none"> <li>• Structured cost reduction program / transformational change program.</li> <li>• Ongoing embedded cost management and continuous improvement.</li> </ul>

**Legislation / Strategic Community Plan / policy implications**

**Legislation** Not applicable.

**Strategic Community Plan**

**Key theme** Governance and Leadership.

**Objective** Corporate capacity.

**Strategic initiative** Continuously strive to improve performance and service delivery across all corporate functions.

**Policy** Not applicable.

**Risk management considerations**

The review of the City's activities will ensure the effective and efficient allocation of resources and service levels. Cost efficiency targets are essential to ensure the City's *20 Year Strategic Financial Plan* and *Strategic Community Plan* is achievable.

**Financial / budget implications**2013-14 financial year impact

<b>Account no.</b>	1.210.A2101.3265.0000.
<b>Budget Item</b>	Consultancy.
<b>Budget amount</b>	\$50,000.
<b>Amount spent to date</b>	\$13,095.
<b>Proposed cost</b>	\$36,905.

**Regional significance**

Not applicable.

**Sustainability implications**

Cost efficiency and service reviews will contribute to the long term financial sustainability of the City and strengthen capacity to achieve the key objectives of the *Strategic Community Plan*.

**Consultation**

Not applicable.

**COMMENT**

Other than the 2012 study of service delivery reviews by the Australian Centre of Excellence for Local Government there is a limited body of research within Australia for options and alternative mechanisms to review and analyse levels of expenditure. In 2011, the Great Lakes Council in New South Wales implemented a Service Level Review to critically examine all aspects of its operations to identify efficiencies, cost savings, and revenue generation, in view of the long term projected budget deficit position.

In June 2014 the Australian Centre of Excellence for Local Government issued a Report 'Service Delivery Review' – a how to manual for local government.

The approaches recommended largely align with the program being pursued by the City.

Recent international reviews include:

- In March 2014, the County of Perth (and municipalities of North Perth, Perth East, West Perth and Perth South in Ontario, Canada) engaged KPMG to undertake a joint service delivery review intended to realise improvements and efficiencies in governance structures. The cost of this review is not known.
- In 2013, the Corporation of the City of Dryden (Ontario, Canada) engaged KPMG LLP to undertake a service delivery and operational review, the objective of which is to change its operations to reflect the loss in taxation revenue and become financially sustainable in the long-term, while still providing the services that make Dryden a desirable place to work and for businesses to thrive. The cost of this review is not known.
- In 2013, the City of Marshall (Texas, United States of America) received a final report from The Azimuth Group Inc. who were engaged to complete a city wide efficiency review as a part of its ongoing effort to ensure the cost effective and responsive delivery of services to the citizens and taxpayers of Marshall. The cost of this review is not known.

The objectives, scopes, methodology, approach and outcomes for all these reviews are, or will be, continuously reviewed and monitored.

## VOTING REQUIREMENTS

Simple Majority.

**MOVED Cr Amphlett, SECONDED Cr Norman that Council NOTES the:**

- 1 options and alternative mechanisms to review and analyse levels of expenditure of City services and activities;**
- 2 progress of the cost efficiency and service reviews program.**

**The Motion was Put and**

**CARRIED (6/0)**

**In favour of the Motion:** Cr McLean, Mayor Pickard, Crs Amphlett, Corr, Norman and Ritchie.

*Appendix 3 refers*

*To access this attachment on electronic document, click here:*

[Attach3agnAUDIT040814.pdf](#)

**URGENT BUSINESS**

Nil.

**MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN**

Nil.

**REQUESTS FOR REPORTS FOR FUTURE CONSIDERATION**

Nil.

**CLOSURE**

There being no further business, the Presiding Member declared the meeting closed at 7.01pm; the following Committee Members being present at that time:

Cr Tom McLean, JP  
Mayor Troy Pickard  
Cr Geoff Amphlett, JP  
Cr Brian Corr  
Cr Mike Norman  
Cr Teresa Ritchie, JP