

# minutes

**Audit** Committee

MEETING HELD ON **MONDAY, 10 AUGUST 2015**

**TABLE OF CONTENTS**

<b>Item No.</b>	<b>Title</b>	<b>Page No.</b>
	<b>Declaration of Opening</b>	<b>3</b>
	<b>Declarations of Interest</b>	<b>4</b>
	<b>Apologies/Leave of absence</b>	<b>4</b>
	<b>Confirmation of Minutes</b>	<b>5</b>
	<b>Announcements by the Presiding Member without discussion</b>	<b>5</b>
	<b>Identification of matters for which the meeting may be closed to the public</b>	<b>5</b>
	<b>Petitions and deputations</b>	<b>5</b>
	<b>Reports</b>	<b>6</b>
1	Half Yearly Report - Contract Extensions – 1 January to 30 June 2015 – [07032]	6
2	Half Yearly Report – Write-Off of Monies - 1 January to 30 June 2015 – [07032]	9
3	Status Report – Cost Efficiency and Service Reviews Program – [103906]	13
4	Executive and Risk Services Program 2015-16 – [49586]	17
5	Partnership between the City and Security Research Institute at Edith Cowan University – [49586]	21
6	Corruption and Crime Commission Misconduct Intelligence Assessment and Repositioning Report – [49586]	25
7	Local Government Procurement Audit Progress Report – [49586]	30
8	Confidential – Fraud and Misconduct Risk Assessment – Procurement – [25586]	35
9	Confidential – Chief Executive Officer’s Credit Card Expenditure for the Quarter Ended 31 March 2015 – [09882]	37
10	Confidential – Chief Executive Officer’s Credit Card Expenditure for the Quarter Ended 30 June 2015 – [09882]	38
	<b>Urgent Business</b>	<b>39</b>
	<b>Motions of which previous notice has been given</b>	<b>39</b>
	<b>Requests for Reports for future consideration</b>	<b>39</b>
	<b>Closure</b>	<b>39</b>

## CITY OF JOONDALUP

### MINUTES OF THE AUDIT COMMITTEE MEETING HELD IN CONFERENCE ROOM 2, JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP ON MONDAY 10 AUGUST 2015.

#### ATTENDANCE

##### Committee Members

Cr Tom McLean, JP	<i>Presiding Member</i>	
Mayor Troy Pickard		<i>from 7.45pm absent from 8.18pm to 8.24pm</i>
Cr Geoff Amphlett, JP		
Cr John Chester	<i>Deputising for Cr Corr</i>	<i>from 7.45pm</i>
Cr Mike Norman		<i>from 7.45pm</i>
Cr Teresa Ritchie, JP	<i>Deputy Presiding Member</i>	<i>from 7.45pm</i>
Cr Philippa Taylor		<i>from 7.45pm</i>

##### Officers

Mr Garry Hunt	Chief Executive Officer	
Mr Mike Tidy	Director Corporate Services	
Mr Nico Claassen	Director Infrastructure Services	<i>to 8.19pm</i>
Mr Roney Oommen	Manager Financial Services	<i>absent from 7.52pm to 7.54pm</i>
Mr Brad Sillence	Manager Governance	<i>from 7.47pm</i>
Mr Peter McGuckin	Acting Manager Executive and Risk Services	
Mr John Byrne	Governance Coordinator	
Ms Jodie Dutton	Business Performance Analyst	
Mrs Deborah Gouges	Governance Officer	

##### Guests

Mr Michael Hillgrove	Director Audit and Assurance, Grant Thornton Audit Pty Ltd	<i>to 7.52pm</i>
----------------------	--	------------------

#### DECLARATION OF OPENING

The Presiding Member declared the meeting open at 7.30pm.

#### ADJOURNMENT OF MEETING

There being no quorum, in accordance with Regulation 8(e) of the *Local Government (Administration) Regulations 1996*, the meeting was adjourned by the Presiding Member at 7.30pm until the conclusion of the Policy Committee meeting; the following committee members being present at that time:

Cr Tom McLean, JP  
Cr Geoff Amphlett, JP

*Mayor Pickard and Crs Chester, Norman, Ritchie and Taylor entered the Room at 7.45pm.*

The meeting **RESUMED** at 7.45pm.

## 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>Cr Teresa Ritchie, JP.</b>
<b>Item No./Subject</b>	Item 5 - Partnership Between the City and Security Research Institute at Edith Cowan University.
<b>Nature of interest</b>	Interest that may affect impartiality.
<b>Extent of Interest</b>	Cr Ritchie was employed by Edith Cowan University in 2014 and 2015.

<b>Name/Position</b>	<b>Mr Garry Hunt, Chief Executive Officer.</b>
<b>Item No./Subject</b>	Item 9 - Confidential - Chief Executive Officer's Credit Card Expenditure for the Quarter Ended 31 March 2015.
<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 10 - Confidential - Chief Executive Officer's Credit Card Expenditure for the Quarter Ended 30 June 2015.
<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 Brian Corr.

**Leave of Absence previously approved**

Cr Christine Hamilton-Prime	9 to 16 August 2015 inclusive;
Cr Geoff Amphlett, JP	18 August to 28 August 2015 inclusive;
Cr Russ Fishwick, JP	25 August to 8 September 2015 inclusive;
Cr Christine Hamilton-Prime	25 August to 7 September 2015 inclusive;
Cr Philippa Taylor	25 August to 7 September 2015 inclusive.

**CONFIRMATION OF MINUTES****MINUTES OF THE AUDIT COMMITTEE HELD 9 MARCH 2015**

**MOVED Cr Amphlett, SECONDED Cr Taylor that the minutes of the meeting of the Audit Committee held on 9 March 2015 be confirmed as a true and correct record.**

**The Motion was Put and**

**CARRIED (7/0)**

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

**ANNOUNCEMENTS BY THE 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**

Mr Michael Hillgrove, Director Audit and Assurance, Grant Thornton Audit Pty Ltd addressed the Audit Committee in relation to the 2015 Audit Plan for the City of Joondalup.

*The Manager Governance entered the Room at 7.47pm.*

*Mr Hillgrove and the Manager Financial Services left the Room at 7.52pm.*

**REPORTS****ITEM 1                    HALF YEARLY REPORT - CONTRACT EXTENSIONS  
– 1 JANUARY TO 30 JUNE 2015**

---

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Mike Tidy Corporate Services
<b>FILE NUMBER</b>	07032
<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').

---

**PURPOSE**

For the Audit Committee to note the details of contracts extended by the Chief Executive Officer between 1 January to 30 June 2015.

**EXECUTIVE SUMMARY**

The schedule of contracts extended by the Chief Executive Officer during the half-year ended on 30 June 2015 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 to 30 June 2015, 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 to 30 June 2015 four contracts were extended.

**Issues and options considered**

The option to extend the contracts 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 the 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 to 30 June 2015.

## **VOTING REQUIREMENTS**

Simple Majority.

*The Manager Financial Services returned to the Room at 7.54pm.*

**MOVED** Cr Norman, **SECONDED** Cr Amphlett that the Audit Committee **NOTES** the contracts extended by the Chief Executive Officer during the period 1 January to 30 June 2015, forming Attachment 1 to this Report.

**The Motion was Put and**

**CARRIED (7/0)**

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

*Appendix 1 refers*

*To access this attachment on electronic document, click here: [Attach1agnAUDIT100815.pdf](#)*



## **ITEM 2                      HALF YEARLY REPORT - WRITE OFF OF MONIES - 1 JANUARY TO 30 JUNE 2015**

---

<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').

---

### **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 2015 came to \$11,023.41. This amount mainly consisted of 5,186 small amounts of unpaid rates below the \$100 reportable limit totalling \$6,017.54.

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

- Two items of hall hire fees of \$3,170.54.
- Four items of dog registration and impound fees of \$926.55.
- One item for installation of firebreak of \$130.00.
- One item of Fines Enforcement Registry lodgement fee of \$134.00.
- Three items of unpaid leisure centre membership fee of \$402.27.
- Four items totalling \$242.51 that are below the reportable limit of \$100.00.

*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 2015.*

### **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 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 2015 a total amount of \$11,023.41 was written off as unrecoverable. This amount included the following:

- 5,186 items of small rates balances that are below the reportable limit, totalling \$6,017.54, 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.

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

Item	Date of Invoice	Debtor's Name	Nature of Debt	Amount \$
1	15/03/2013	Ballet Mouse – Vikki Pavlinovich	Community Hall hire	1,919.86
2	26/07/2013	Charmaine Smart	Community Hall hire	1,250.68
3	16/10/2012	Catherine Marvelli	Dog registration fee	225.40
4	16/10/2012	Catherine Marvelli	Dog registration fee	225.40
5	19/02/2013	Catherine Marvelli	Dog impound fee	251.20
6	30/12/2014	Jodie Carey	Dog impound fee	224.55
7	18/01/2012	Andrea Koh	Installation of fire break	130.00
8	01/10/2014	Monique Clarke	FER lodgement fee	134.00
9	30/04/2014	Brent Smith	CLC membership arrears	134.09
10	30/04/2014	Zac Joyce	CLC membership arrears	134.09
11	30/04/2014	Wayne Musa	CLC membership arrears	134.09
			<b>Total</b>	<b>4,763.36</b>

- Item 1 was for the hire of Jack Kikeros community hall. Although the debtor is known to have moved to Tasmania, she has not responded to any communications served at that address. The debt being uneconomical for any further action, it was recommended for write off.
- Item 2 was for the hire of Dorchester hall. Although the debtor initially acknowledged the debt all subsequent follow up actions have been unsuccessful. The debt being outstanding for two years and uneconomical to instigate further action, the debt was recommended for write off.
- Items 3 to 5 relate to the dog registration fee for two dogs and their impound fee. All attempts to contact the debtor have been unsuccessful and a field call has confirmed that they are not at their last known address and their whereabouts are unknown. Being uneconomical for any further follow up, the debt was recommended for write off. The practice that allowed a dog to be released from the pound without payment was changed in 2014.
- Item 6 was for a dog impound fee during July 2013 but for which the invoice had not previously been raised. No response was received from various attempts to contact the debtor and being uneconomical for further action, the debt was recommended for write off. The practice that allowed a dog to be released from the pound without payment was changed in 2014.

- Item 7 relates to the installation of firebreak by the City at a property owned by the debtor. The invoice was raised but not paid. Separately from this the City instituted a prosecution against the debtor for the offence of failing to clear the firebreak on this property and recovered the cost separately through the Court.
- Item 8 – Parking fine enforcement notice was withdrawn on receipt of the statutory declaration from the debtor that the vehicle concerned had been sold before the date of infringement. Since the declaration was received very late, the debtor was charged with the FER lodgement charges the City had already incurred. Notices sent were returned and the debtor could not be contacted. Being uneconomical for further action the debt was recommended for write off.
- Items 9 to 11 were for arrears of leisure centre membership fees. Since the collection efforts by the leisure centre failed, the debts were handed over to the City's debt collectors. Attempts to contact the debtors were unsuccessful and being uneconomical to pursue any further, the debts were recommended for write off.

### Issues and options considered

Not applicable.

### Legislation / Strategic Community Plan / policy implications

<b>Legislation</b>	Section 6.12(1) (c) of the <i>Local Government Act 1995</i> . Section 5.42 of the <i>Local Government Act 1995</i> . Section 5.44 of the <i>Local Government Act 1995</i> .
--------------------	---

### Strategic Community Plan

<b>Key theme</b>	Financial Sustainability
<b>Objective</b>	Effective management.
<b>Strategic initiative</b>	Not applicable.
<b>Policy</b>	Not applicable.

### Risk management considerations

The amounts written off are immaterial in value and are either unrecoverable or uneconomical to recover, none of which represent a noteworthy financial risk to the City.

### Financial/budget implications

<b>Account no.</b>	3256
<b>Budget Item</b>	Bad Debts written off.
<b>Annual Budget</b>	\$ 13,700
<b>Year to Date Budget</b>	\$ 13,700
<b>Year to Date Actual</b>	\$ 16,290
<b>Year to Date variance</b>	\$ (2,590)

### Regional significance

Not applicable.

**Sustainability implications**

Not applicable.

**Consultation**

Not applicable.

**COMMENT**

Monies written off under delegated authority comprised 5,186 small items of unpaid rates totalling \$6,017.54, all of which were below the \$100 reportable limit. The remaining 15 items totalling \$5,005.87 were all written off following unsuccessful debt recovery action.

**VOTING REQUIREMENTS**

Simple Majority.

**MOVED Mayor Pickard, SECONDED Cr Amphlett that the Audit Committee RECEIVES the report of monies written off under delegated authority for the period 1 January 2015 to 30 June 2015.**

**The Motion was Put and**

**CARRIED (7/0)**

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

### **ITEM 3                    STATUS REPORT – COST EFFICIENCY AND SERVICE REVIEWS PROGRAM**

<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	Progress of Review of Activities (Normal Business Practice)
<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').	

---

#### **PURPOSE**

For Council to note the progress of the cost efficiency and service reviews program and the progress of review of activities as normal business practice.

#### **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:*

- 1        *the progress of the cost efficiency and service reviews program;*
- 2        *the progress of review of activities as normal business practice.*

#### **BACKGROUND**

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.

At the Audit Committee meeting held on 4 August 2014 options and alternative mechanisms to review and analyse levels of expenditure of City services and activities were outlined. Deloitte Touche Tohmatsu was subsequently engaged by the City to undertake an independent appraisal to determine if the City's approach is:

- appropriate and structured
- consistent with relevant standards, guidelines and good practice in the local government sector
- likely to achieve its objectives efficiently and effectively.

At the Audit Committee meeting held on 9 March 2015 the Chief Executive Officer provided an update of the activities relating to the program of cost efficiency and service reviews.

## DETAILS

Attachment 1 outlines the status of the 17 reviews that are part of the Cost Efficiency and Service Reviews (Phase 1).

These reviews include the following:

- Non-Domestic Rubbish Collections (Parks, Reserves, Foreshores, Bus-Stops).
- City's Fleet Utilisation and Operating Costs.
- Building Maintenance of City Buildings.
- Building Cleaning of City Buildings.
- Utility Consumption of City Buildings.
- Contract for the Supply and Return of Christmas Decorations.
- City Building Rentals.
- Domestic and Recycling Collections.
- Contract for the Maintenance and Supply of Ornamental Street Lights.
- Provision of Tree Maintenance Services.
- Provision of Plumbing Services and Minor Works of Value Less Than \$100,000.
- Provision of Electrical Services.
- Improvement Project: Craigie Leisure Centre Customer Service.
- Improvement Project: Rating Services Knowledge Sharing.
- Contract for the Provision of Traffic Management and Control Services.
- Selected Civic Events.
- Selected Cultural Events.

Attachment 2 outlines the status of the reviews of activities that are undertaken as normal business practice.

A methodical and structured review program is necessary to provide solid and reliable information on which decisions can be based. The recommendations from the external review conducted by Deloitte will be used to develop a framework for Phase 2 reviews, which will be referred to as the Service Effectiveness and Efficiency Review Program and will align with other City activities such as ISO:9001 Quality Management System, continuous improvement, process mapping and the *Business Excellence Framework*.

Phase 2 reviews will be conducted by City Staff.

### Legislation / Strategic Community Plan / policy implications

#### Legislation

*Local Government Act 1995.*  
*Local Government (Audit) Regulations 1996.*

#### 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.

**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**2014-15 financial year impact

<b>Account no.</b>	1.210.A2301.3265.0000
<b>Budget Item</b>	Consultancy.
<b>Budget amount</b>	\$ 50,000
<b>Amount spent to date</b>	\$ 48,125 (six external reviews only).
<b>Proposed cost</b>	Nil.
<b>Balance</b>	\$ 1,875

All amounts quoted in this report are exclusive of GST.

**Regional significance**

Not applicable.

**Sustainability implications**

Not applicable.

**Consultation**

Not applicable.

**COMMENT**

By continuing the review program it is expected that the following outcomes can be achieved:

- 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.

It is also important to note that when introducing, adjusting or increasing service levels or programs, a cost benefit analysis must be undertaken to determine whether the identified return on investment is realised.

**VOTING REQUIREMENTS**

Simple Majority.

**MOVED Cr Amphlett, SECONDED Cr Chester that Council NOTES:**

- 1 the progress of the cost efficiency and service reviews program;**
- 2 the progress of review of activities as normal business practice.**

**The Motion was Put and**

**CARRIED (7/0)**

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

*Appendix 2 refers*

To access this attachment on electronic document, click here: [Attach2agnAUDIT100815.pdf](#)



## **ITEM 4 EXECUTIVE AND RISK SERVICES PROGRAM 2015-16**

<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 2015-16
<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').

---

### **PURPOSE**

For the Audit Committee to note the *Executive and Risk Services Program 2015-16*, 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 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 2015-16 forming Attachment 1 to this Report.*

### **BACKGROUND**

The City has undertaken 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 the Executive and Risk Services Business Unit from 1 July 2013 to oversee the *Executive and Risk Services Program*, as well as reviewing issues that are outside of the core activities for local government, and to monitor the high number of City projects.

## DETAILS

The program incorporates the following areas:

- 1 *Internal Audit Program* – this sets out the internal audit activity to be carried out by the City's Internal Auditor (who reports directly to the Chief Executive Officer for assigned activities). This 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.

With the establishment of the Executive and Risk Services Business Unit the City has been repositioning itself in order to gain a better understanding of the risks it is exposed to. The implementation of the recommendations following the fraud and misconduct risk assessment including the development of a fraud and corruption policy, and future use of data analytics techniques/tools to enable risk based targeted audits will assist the City in developing a strategy to better target areas where fraud and corruption risks exist.

- 2 *Service Effectiveness and Efficiency Review Program* – this sets out the reviews to be carried out by the City's Business Performance Analyst (who reports directly to the Chief Executive Officer for assigned activities). This section is established in consultation between the Chief Executive Officer and the Business Performance Analyst and where appropriate includes input from Directors or Managers to identify areas to reduce costs by eliminating and identifying waste and improving efficiency and effectiveness throughout the City's operations. This program also includes service level monitoring and review, and business/financial/operational analysis to inform risk management decision making and to provide confidence and integrity of data and/or information.

A methodical and structured review program is necessary to provide solid and reliable information on which decisions can be based. The recommendations from the external review conducted by Deloitte will be used to develop a framework for Phase 2 reviews, which will be referred to as the *Service Effectiveness and Efficiency Review Program* and will align with other City activities such as ISO:9001 Quality Management System, continuous improvement, process mapping and the Business Excellence Framework.

Both areas are subject to change and modification during the year on the authorisation of the Chief Executive Officer.

- 3 Improvement Projects – the Internal Auditor and/or the Business Performance Analyst will undertake follow-up reviews of the Improvement Projects completed by Strategic and Organisational Development to determine whether the agreed recommendations have been implemented.

## Legislation / Strategic Community Plan / policy implications

### Legislation

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

*Local Government (Audit) Regulations 1996*.

**Strategic Community Plan**

<b>Key theme</b>	Governance and Leadership.
<b>Objective</b>	Corporate capacity.
<b>Strategic initiative</b>	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.
<b>Policy</b>	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. Recommendation Action Plans are developed and agreed with management for audit recommendations and follow-ups conducted to ensure that they are implemented as agreed.

The *Service Effectiveness and Efficiency Review Program* focuses on improving efficiency and effectiveness throughout the City's operations and will follow the method of identifying target services, assessing and identifying opportunities, prioritising opportunities and developing recommendations, and monitoring and tracking progress.

## **VOTING REQUIREMENTS**

Simple Majority.

*Mayor Pickard left the Room at 8.18pm.*

**MOVED** Cr Amphlett, **SECONDED** Cr Norman that the Audit Committee **NOTES** the Executive and Risk Services Program for 2015-16 forming Attachment 1 to this Report.

**The Motion was Put and**

**CARRIED (6/0)**

**In favour of the Motion:** Crs McLean, Amphlett, Chester, Norman, Ritchie and Taylor.

*Appendix 3 refers*

*To access this attachment on electronic document, click here: [Attach3agnAUDIT100815.pdf](#)*

<b>Name/Position</b>	<b>Cr Teresa Ritchie, JP.</b>
<b>Item No./Subject</b>	Item 5 - Partnership Between the City and Security Research Institute at Edith Cowan University.
<b>Nature of interest</b>	Interest that may affect impartiality.
<b>Extent of Interest</b>	Cr Ritchie was employed by Edith Cowan University in 2014 and 2015.

## **ITEM 5 PARTNERSHIP BETWEEN THE CITY AND SECURITY RESEARCH INSTITUTE AT EDITH COWAN UNIVERSITY**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Garry Hunt Office of the CEO
<b>FILE NUMBER</b>	49586, 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').

### **PURPOSE**

For the Audit Committee to note the partnership between the City and Security Research Institute at Edith Cowan University.

### **EXECUTIVE SUMMARY**

The City has in place a *Corporate Risk Register* which was presented to the Audit Committee at its meeting held on 10 March 2014 and endorsed by Council at its meeting held on 18 March 2014 (CJ044-03/14 refers).

One of the risks identified under the category of Service Delivery and Business Continuity was the impact on major systems due to failure of information technology systems. The City's recent assessment of increased virtual/cyber attacks has shown the overall risk level as extreme, as the likelihood of probability is 'almost certain' and the consequence impact is 'major'.

The City has subsequently established a partnership agreement to enable further risk assessment/security reviews to be undertaken.

*It is therefore recommended that the Audit Committee NOTES the partnership between the City and Security Research Institute at Edith Cowan University.*

## BACKGROUND

In late 2013, the overall risk level of the impact on major systems due to failure of information technology systems was identified as moderate given the City already had the following control methods in place:

- *Information Technology Disaster Recovery Plan.*
- Backup and restore to major systems.
- Planned maintenance program.
- Firewalls and virus protection software.

However, the following further control methods were identified:

- Risk assessment to be undertaken by an external auditor to test the City's information technology systems and networks to determine the effectiveness of security and any risk exposures to external intrusion and unauthorised access.
- Annual review to be undertaken by the Information Technology Business Unit.

Prior to 2013, external reviews were undertaken at irregular intervals.

## DETAILS

During the 2014-15 annual review by the Information Technology Business Unit it was identified that the risk of successful virtual/cyber attacks (such as hacking) of information technology systems including internal attacks (such as unauthorised access and avoidance of security measures) was extreme.

Due to this, the following further control methods have been identified for inclusion in the City's *Corporate Risk Register*:

- Maintain currency of security systems and appliances. The replacement of firewalls has been completed and the mobile device management is currently being upgraded.
- On-going user education.
- Annual security test – an external network targeted threat penetration test has been undertaken by an external company which suggested four further actions are undertaken in conjunction with the City's current multi-year program of periodic assessment and reviews.
- Independent security reviews.

One of the further control methods identified in late 2013 was for a risk assessment to be undertaken by an external auditor to test the City's information technology systems and networks to determine the effectiveness of security and any risk exposures to external intrusion and unauthorised access; as well as independent security reviews being identified as a recent further control method.

To assist with this risk assessment/security review and other potential further controls, the City will be collaborating with the Security Research Institute at Edith Cowan University. This partnership will exist via a PhD Placement Scholarship which will provide the City with an opportunity to engage with a high quality student researcher who has completed their undergraduate degree and possesses skills in computer science, problem solving and developing innovative solutions.

The PhD student will be based at the City and will work on projects that are aligned to their PhD project. They will also have guidance and support from one or more senior academics within Edith Cowan University who will provide a mentorship role throughout the partnership.

The scholarship will be advertised following the formalisation of a letter of agreement which will outline the details of the work to be undertaken by the student for the City.

### **Issues and options considered**

Not applicable.

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

**Legislation** *Local Government (Audit) Regulations 1996.*

#### **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** *Risk Management Policy.*

### **Risk management considerations**

The *Corporate Risk Register* is an important element of risk management and will improve the City's ability to identify, assess and treat risks that threaten major systems, including the increasing risks from virtual/cyber attacks and the delivery of the *Corporate Business Plan* and the *Strategic Community Plan*.

### **Financial / budget implications**

The scholarship is currently valued at \$27,000 per annum (plus indexation) for a total of three and a half years. The City's commitment would be \$20,000 per annum (\$60,000 over three years) plus in-kind support and mentoring from City staff.

Edith Cowan University will provide the following:

- An additional attraction award of approximately \$5,000 per annum to ensure attraction/retention of a high calibre student. The total scholarship is valued at \$32,000 per annum (tax free to the student).
- Funds up to \$4,500 to the student to support PhD research activities.
- Access to supervision by senior academics and facilities (estimated in-kind value of \$22,000 per annum).

This is a more cost effective approach than a consultancy contract, with comparison rates for consultancy services through the Security Research Institute being \$4,000 (excl GST) per day.

Current financial year impact

<b>Account no.</b>	Various.
<b>Budget Item</b>	Various.
<b>Budget amount</b>	\$20,000
<b>Amount spent to date</b>	\$ 0
<b>Proposed cost</b>	\$20,000 per annum for the next three years.

**Sustainability implications**

Not applicable.

**Consultation**

Not applicable.

**COMMENT**

This partnership will allow for a stronger collaborative partnership with Edith Cowan University, as well as allowing the City to be exposed to some of the latest research and training in identifying threats and improvement controls against virtual/cyber attacks.

**VOTING REQUIREMENTS**

Simple Majority.

*The Director Infrastructure Services left the Room at 8.19pm.*

**MOVED Cr Amphlett, SECONDED Cr Ritchie that the Audit Committee NOTES the partnership between the City and Security Research Institute at Edith Cowan University.**

**The Motion was Put and**

**CARRIED (6/0)**

**In favour of the Motion:** Crs McLean, Amphlett, Chester, Norman, Ritchie and Taylor.



**ITEM 6                          CORRUPTION                  AND                  CRIME                  COMMISSION  
MISCONDUCT INTELLIGENCE ASSESSMENT AND  
REPOSITIONING REPORT**

<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     Misconduct     Intelligence     Assessment Report Attachment 2     Repositioning 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').

**PURPOSE**

For the Audit Committee to note the various reports issued by the Corruption and Crime Commission (the CCC).

**EXECUTIVE SUMMARY**

Having been in existence for 10 years and being cognisant of the substantial changes that have taken place in the Western Australian public sector, the CCC undertook an extensive intelligence gathering and risk assessment exercise. This resulted in the publication of the *Report on the Misconduct Intelligence Assessment of the Western Australian Public Sector* (the MIA Report). The CCC then explained how it seeks to reposition itself following the assessment in the *Report on an Administrative Matter Relating to the Functions of the Commission Pursuant to Section 88 of the Corruption and Crime Commission Act 2003* (The Repositioning Report).

*It is therefore recommended that the Audit Committee NOTES the:*

- 1            Misconduct Intelligence Assessment of the Western Australian Public Sector Report forming Attachment 1 to this Report;*
- 2            Report on an Administrative Matter Relating to the Functions of the Commission Pursuant to Section 88 of the Corruption and Crime Commission Act 2003 (The Repositioning Report) forming Attachment 2 to this Report,*

*issued by the Corruption and Crime Commission.*

## BACKGROUND

During 2014 the CCC undertook an extensive intelligence gathering and risk assessment exercise of the Western Australian public sector known as the Misconduct Intelligence Assessment (MIA). The assessment provided the CCC with a broad picture of the state of the sector and identified those public sector agencies and activities that are inherently more susceptible to corruption threats and misconduct risks. The CCC is now realigning its strategic business model and has committed to a comprehensive program of internal reform. Those public sector agencies and activities identified as high risk through the assessment are now regarded as priority areas for the CCC. Local governments have been identified by the CCC as high risk.

The Repositioning Report provides an account of how the CCC seeks to reposition itself following the evaluation of its first 10 years of operations and explains how a more strategic, targeted and intelligence-led approach, as demonstrated by the MIA Report, will be employed. The Repositioning Report also outlines organisational changes that have been taken by the CCC in order to implement an intelligence-led approach and to respond to specific internal governance and conduct challenges emerging from the CCC's evaluation of the first ten years of its operations.

## DETAILS

### Misconduct Intelligence Assessment Report (26 March 2015)

The CCC was established on 1 January 2004 following proclamation of the *Corruption and Crime Commission Act 2003*. After 10 years of operations the CCC conducted its inaugural MIA during 2014 which provided the CCC with a broad picture of the Western Australian public sector. The MIA identifies and assesses the current and emerging corruption threats and misconduct risks in the sector. The MIA Report was published on 26 March 2015 in order to communicate the results of the assessment to Western Australian public sector agencies to assist in adopting effective corruption control strategies relevant to their operating environments. It should be noted that the risk assessment looked at inherent corruption and misconduct risks within the public sector and did not examine the adequacy of the control environment in place to mitigate the inherent risks.

Since it was established the CCC has noted substantial changes to its operating environment including the following:

- The increase in size and complexity of its jurisdiction. Department of Treasury expenses for the total public sector have risen from approximately \$18 billion in 2004-05 to approximately \$42.4 billion in 2013-14. In the same period the State's *Asset Investment Program* has increased from approximately \$2.8 billion to \$6.8 billion.
- Demand for CCC services has continued upwards from 2,410 misconduct allegations being assessed in 2004-05 to 7,260 in 2013-14.
- Emergence of new forms of public sector service delivery including privatised and partially privatised business models and the use of non-government organisations.
- Increasingly complex and multiple/dual source funding arrangements and close partnerships with industry.
- Fiscal environment is one of contracting resource availability and systemic pressures and constraints causing public sector agencies to look for efficiencies.
- Corrupting forces/influences are more complex in nature and sophisticated in operations.

The MIA Report identified the following as contributing factors to local governments being at high risk to corruption and misconduct risks:

- The sector is large and disparate with complicated structures that makes central oversight and control difficult.
- Local governments can have substantial budgets and revenue raising capacity.
- A wide range and variety of services may be delivered by outsourcing and engaging non-government organisations including not-for-profit.
- Close and potentially conflicting relationships with industry, such as encouraging industry involvement in their communities but also regulating that involvement.

Particular corruption and misconduct risks identified for local government include:

- (a) relationships to industry, including conflicts of interest, gifts and benefits, regulation and sponsored travel
- (b) procurement and contract management
- (c) major projects, infrastructure, and building and works
- (d) regulation, fines and approvals, including discretionary decision-making
- (e) overseas travel
- (f) fraud.

The findings from the MIA will inform the CCCs priorities and those public sector agencies and activities identified as high risk are now regarded as priority areas for the CCC.

#### The Repositioning Report (21 April 2015)

The Repositioning Report provides an account of how the CCC seeks to reposition itself following the evaluation, explains how a more targeted and intelligence led approach is to be employed and outlines organisational changes that have been taken to implement this approach. The CCC will not respond to each individual allegation received but will engage identified corruption and serious misconduct hot spots by targeted investigations. This approach will result in fewer but higher value investigations being conducted in a systematic manner. This approach reflects the Parliament's intention that the CCC focus on corruption and serious misconduct with minor misconduct being transferred to the Public Sector Commission in accordance with the *Corruption and Crime Commission Amendment (Misconduct) Act 2014*.

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

<b>Legislation</b>	<i>Corruption, Crime and Misconduct Act 2003. (formerly the Corruption and Crime Commission Act 2003).</i>
<b>Strategic Community Plan</b>	
<b>Key theme</b>	Governance and Leadership.
<b>Objective</b>	Corporate capacity.
<b>Strategic initiative</b>	Demonstrate accountability through robust reporting that is relevant and easily accessible by the community.
<b>Policy</b>	<i>Risk Management Policy.</i>

**Risk management considerations**

Local government has been identified by the CCC as being at high risk to corruption and misconduct and failure to respond to the changing environment will only enhance these risks.

**Financial / budget implications**

Not applicable.

**Regional significance**

Not applicable.

**Sustainability implications**

Not applicable.

**Consultation**

Not applicable.

**COMMENT**

The CCC's MIA Report and the Repositioning Report, along with recent reports from other Australian investigative agencies, all indicate that local governments in Australia are exposed to high risks of fraud and corruption. The high volumes of transactions, the diverse range and nature of services and the increasing complexity of how services are delivered not only increase the risks of fraud and corruption occurring, but also the risks of it going undetected. Fraudulent and corrupt activity can be very sophisticated and it is important that local governments understand their operating environment and the risks that they are exposed to in order to develop strategies for combating risks.

With the establishment of the Executive and Risk Services Business Unit in July 2013 the City has been repositioning itself in order to gain a better understanding of the risks it is exposed to and develop strategies to combat those risks. This has included the development of a *Corporate Risk Register*, a *Risk Management Framework*, a *Risk Management Policy* and implementation of the recommendations following the CCC review of local government procurement practices.

A fraud and misconduct risk assessment of the City's procurement processes (in order to identify specific fraud and misconduct risks and related controls) has also recently been undertaken by KPMG, which will be provided to the Audit Committee as a separate report. The assessment has also identified areas for improvement and recommendations have been made for improvement. The implementation of these recommendations, including the development of a fraud and corruption policy, will assist the City in developing a strategy to better target areas where fraud and corruption risks exist.

**VOTING REQUIREMENTS**

Simple Majority.

**MOVED** Cr Amphlett, **SECONDED** Cr Ritchie that the Audit Committee **NOTES** the:

- 1**      **Misconduct Intelligence Assessment of the Western Australian Public Sector Report forming Attachment 1 to this Report;**
- 2**      **Report on an Administrative Matter Relating to the Functions of the Commission Pursuant to Section 88 of the *Corruption and Crime Commission Act 2003* (The Repositioning Report) forming Attachment 2 to this Report,**

**issued by the Corruption and Crime Commission.**

**The Motion was Put and**

**CARRIED (6/0)**

**In favour of the Motion:** Crs McLean, Amphlett, Chester, Norman, Ritchie and Taylor.

*Appendix 4 refers*

To access this attachment on electronic document, click here: [Attach4agnAUDIT100815.pdf](#)

## ITEM 7 LOCAL GOVERNMENT PROCUREMENT AUDIT PROGRESS REPORT

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Garry Hunt Office of the CEO
<b>FILE NUMBER</b>	49586, 25586, 101515
<b>ATTACHMENTS</b>	Attachment 1 WALGA Forum Presentations  <i>(Please Note: This Attachment is available electronically 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').

---

### PURPOSE

For the Audit Committee to note the City's progress following the Local Government Procurement Audit.

### EXECUTIVE SUMMARY

With the establishment of the Executive and Risk Services Business Unit in July 2013 the City has been repositioning itself in order to gain a better understanding of the risks it is exposed to, including fraud and misconduct risks in procurement activities.

Following the review by the Corruption and Crime Commission (the CCC) of procurement practices in local government and the issuing of their *Misconduct Risk in Local Government Procurement Report*, the City has been undertaking various activities to further improve procurement systems and reduce risks associated with fraud and misconduct.

*It is therefore recommended that the Audit Committee NOTES the details of the City's progress following the Local Government Procurement Audit.*

### BACKGROUND

The CCC conducted an audit of procurement practices at the Cities of Cockburn, Joondalup, Perth, Swan and Wanneroo to ascertain if weaknesses revealed in previous reviews are systemic across the local government sector. Following the audit each local government received its individual report which the City presented to the Audit Committee at its meeting held on 10 March 2014.

The CCC then compiled the consolidated *Report on Misconduct Risk in Local Government Procurement* which was provided to the Minister for Local Government on 4 February 2015, the same day it was made available to the Chief Executive Officers of the five participating local governments. The consolidated report was provided to the Audit Committee at its meeting held on 9 March 2015.

The CCC identifies in the report broad concerns that procurement and financial governance processes used by local governments in Western Australia can leave them vulnerable to fraud, corruption and other forms of misconduct which are exacerbated by a lack of risk assessment.

## DETAILS

### Best Practice in Procurement: Misconduct Risk Prevention Strategies Forum

In response to the CCC Report and from member demand, the Western Australian Local Government Association (WALGA) held a *Best Practice in Procurement: Misconduct Risk Prevention Strategies Forum* on 13 May 2015.

The forum was hosted by WALGA President Mayor Troy Pickard and the City's Chief Executive Officer spoke on local government procurement improvements, as well as participating in a panel discussion.

Attendees at the forum from the City included the Director Corporate Services, Manager Executive and Risk Services and Internal Auditor.

The presentations made included:

- Christopher Shanahan, Acting Commissioner, Corruption and Crime Commission of WA on the lessons from the *Misconduct Risk in Local Government Procurement Report*.
- Angela Corbett, Assistant Director Procurement Policy and Practice Improvement, Department of Finance on State Perspective on Procurement Compliance.
- Jenni Law, Director of Local Government Regulation and Support, Department of Local Government and Communities on Case Studies in Probity and Compliance.
- Garry Hunt (Chief Executive Officer, City of Joondalup), Dr Shayne Silcox (Chief Executive Officer, City of Melville) and Daniel Simms (Chief Executive Officer, City of Wanneroo) on Local Government Procurement Improvements, including a Panel Discussion.
- Emma Gillespie, Procurement and Contract Manager, WALGA on the Procurement Support Services provided by WALGA.

Refer to Attachment 1 for the full presentations.

### WALGA Online Procurement Compliance Checklist

During the forum, WALGA launched its online Procurement Compliance Checklist, a self-assessment tool enabling local governments to check procurement compliance against legislative requirements and best practice. The City has completed the checklist and received a report providing an overview of responses, scores and commentary on the levels of regulatory and best practice compliance.

The survey report offers suggestions on improvements that could be made to reduce the risk of misconduct and fraud. The overall conclusion for the City is:

*“The procurement framework in place is sound and compliance is being achieved. Continuing auditing of procurement practices is recommended as there remain some minor compliance gaps. Any questions where you have answered 'No' should become the focus of any initial improvement activities your Local Government may take in regard to managing procurement misconduct risks.”*

The feedback from the checklist will be considered during the Procurement and Contract Management Review being undertaken by the City's Business Performance Analyst to ensure the appropriate improvements are made to address any compliance gaps.

Findings from the completed checklist will also be integrated into a wide-ranging whole of sector report that can be utilised to inform future WALGA procurement services, resources and training to ensure that the local government sector as a whole has access to all the information, capacity and resources required to achieve a consistently satisfactory level of procurement compliance.

#### Fraud and Misconduct Risk Assessment – Procurement

The CCC recommended that the City undertake an assessment of its susceptibility to fraud and misconduct risks in its procurement practices.

The objectives of the fraud and misconduct risk assessment were to assist the City to identify and document specific fraud and misconduct risks and related controls in procurement and set out actions to improve controls to help mitigate those risks.

The assessment was completed by KPMG and the final report included a number of recommendations to which the City provided management comments and assigned responsibilities and target dates for their implementation. (Refer to separate report to the Audit Committee for full details).

#### Research and Knowledge Gathering

The following reports are being used by the City to reposition itself in order to gain a better understanding of the high risks of fraud and corruption it is exposed to and to develop strategies to combat those risks.

- Queensland Audit Office June 2015 Report titled *Fraud management in local government*.
- WA Corruption and Crime Commission April 2015 Report titled *Report on an administrative matter relating to the functions of the Commission pursuant to section 88 of the Corruption and Crime Commission Act 2003*. (Refer to separate report to the Audit Committee for full details).
- WA Corruption and Crime Commission March 2015 Report titled *Report on the misconduct intelligence assessment of the Western Australian public sector*. (Refer to separate report to the Audit Committee for full details).
- WA Corruption and Crime Commission February 2015 Report titled *Report on Misconduct Risk in Local Government Procurement* – particularly the six case studies included in the report.
- NSW ICAC (Independent Commission Against Corruption) October 2012 Report titled *Investigation into allegations that staff from a number of local councils and other public authorities accepted secret benefits from suppliers and that staff from two local councils facilitated payment of false invoices from suppliers*.
- NSW ICAC (Independent Commission Against Corruption) February 2009 Report titled *Attempts to improperly influence a Ku-ring-gai Council officer*.



The following seminars have been attended by the Manager Executive and Risk Services and Internal Auditor:

- Seminar titled *Identifying and Preventing Fraud, Misconduct and Corruption* with a presentation from Dr AJ (John) Purcell, B.Bus, B.Ec, Grad Cert Fraud Investigation, MBA, PhD, FCPA.

Dr Purcell is the chief auditor of CPA Australia, and has extensive governance, fraud and internal audit experience from the private and public sectors. His academic and professional interests are in the areas of organisational dysfunctionality, corruption, fraud and misconduct. His Masters thesis related to organisational dysfunctionality and corruption and his PhD thesis topic was audit committees, corruption and misconduct. He has published in areas of audit committees and corruption and is a member of five audit committees in local government.

The second presenter was Dr Eva Tsahuridu, BBus, MBA, PhD, who is the Manager, Accounting Policy and the Policy Adviser, Professional Standards and Governance of CPA Australia. She oversees the policy, guidance and resource development in professional and ethical standards and governance, and participates in a number of forums on ethics and governance and contributes to CPA Australia's publications INTHEBLACK and INPRACTICE. She previously held academic roles in Australian and European universities, developing and teaching business ethics and governance courses and researching business ethics, governance and whistleblowing.

- Seminar titled *Psychopaths in Suits (the corporate psychopath has many of the characteristics associated with white collar criminals. They are also destroyers of organisations and can create a toxic culture)*.

The presenter was Dr Alan Byrne CFE. He has presented on many topics in the area of ethics and morality and is currently researching in the field of personality disorders and the workplace. He is the Manager of Governance at Lotterywest with responsibility for development and implementation of fraud prevention plans, the code of conduct and ethical decision making. Dr Byrne is also Chair of the State Council for the Governance Institute in Western Australia and is a Certified Fraud Examiner and a member of the ACFE (Association Certified Fraud Examiners).

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

<b>Legislation</b>	<i>Corruption, Crime and Misconduct Act 2003. (formerly the Corruption and Crime Commission Act 2003).</i>
<b>Strategic Community Plan</b>	
<b>Key theme</b>	Governance and Leadership.
<b>Objective</b>	Corporate capacity.
<b>Strategic initiative</b>	Demonstrate accountability through robust reporting that is relevant and easily accessible by the community.
<b>Policy</b>	<i>Purchasing Policy.</i>

**Risk management considerations**

Local government has been identified by the CCC as being at high risk to corruption and misconduct and failure to respond to the changing environment will only enhance these risks.

**Financial / budget implications**

Not applicable.

**Regional significance**

Not applicable.

**Sustainability implications**

Not applicable.

**Consultation**

Not applicable.

**COMMENT**

With the establishment of the Executive and Risk Services business unit in July 2013 the City has been repositioning itself in order to gain a better understanding of the risks it is exposed to, including fraud and misconduct risks in procurement activities. Completion of the WALGA online Procurement Compliance Checklist and the feedback received will be used by the City to further improve procurement systems and reduce risks associated with fraud and misconduct.

**VOTING REQUIREMENTS**

Simple Majority.

*Mayor Pickard entered the Room at 8.24pm.*

**MOVED Cr Norman, SECONDED Cr Ritchie that the Audit Committee NOTES the details of the City's progress following the Local Government Procurement Audit.**

**The Motion was Put and**

**CARRIED (7/0)**

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

*Appendix 5 refers*

*To access this attachment on electronic document, click here: [Attach5agnAUDIT100815.pdf](#)*

## **ITEM 8                      CONFIDENTIAL - FRAUD AND MISCONDUCT RISK ASSESSMENT – PROCUREMENT**

<b>WARD</b>	All	
<b>RESPONSIBLE DIRECTOR</b>	Mr Garry Hunt Office of the CEO	
<b>FILE NUMBER</b>	25586, 101515	
<b>ATTACHMENTS</b>	Attachment 1	Fraud and Misconduct Risk Assessment Report
	<i>(Please Note: This 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)(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.

### **OFFICER'S RECOMMENDATION**

That the Audit Committee NOTES the details of the report titled '*Fraud and Misconduct Risk Assessment – Procurement*' forming Attachment 1 to this Report.

**MOVED Cr Amphlett, SECONDED Cr Chester that the Audit Committee:**

- 1        NOTES the details of the report titled '*Fraud and Misconduct Risk Assessment – Procurement*' forming Attachment 1 to this Report;**
- 2        REQUESTS the Chief Executive Officer to provide a further report addressing the management comment on those areas detailed as "partially effective".**

**The Motion was Put and**

**CARRIED (7/0)**

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

**ADOPTION BY EXCEPTION RESOLUTION - [02154, 08122]**

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

**Item 9 and Item 10.**

**The Motion was Put and**

**CARRIED (7/0)**

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

**Disclosure of interest affecting impartiality**

<b>Name/Position</b>	<b>Mr Garry Hunt, Chief Executive Officer.</b>
<b>Item No./Subject</b>	Item 9 - Confidential - Chief Executive Officer's Credit Card Expenditure for the Quarter Ended 31 March 2015.
<b>Nature of interest</b>	Interest that may affect impartiality.
<b>Extent of Interest</b>	The Chief Executive Officer is the card holder.

**ITEM 9                      CONFIDENTIAL - CHIEF EXECUTIVE OFFICER'S  
CREDIT CARD EXPENDITURE FOR THE QUARTER  
ENDED 31 MARCH 2015**

<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 31 March 2015
	<i>(Please Note: This 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 Mayor Pickard, SECONDED Cr Amphlett that the Audit Committee NOTES the report on the corporate credit card usage of the Chief Executive Officer for the quarter ended 31 March 2015 forming Attachment 1 to this Report.**

**The Motion was Put and CARRIED (7/0) by Exception Resolution after consideration of Item 8, page 36 refers.**

**The Motion was Put and CARRIED (7/0)**

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

**Disclosure of interest affecting impartiality**

<b>Name/Position</b>	<b>Mr Garry Hunt, Chief Executive Officer.</b>
<b>Item No./Subject</b>	Item 10 - Confidential - Chief Executive Officer's Credit Card Expenditure for the Quarter Ended 30 June 2015.
<b>Nature of interest</b>	Interest that may affect impartiality.
<b>Extent of Interest</b>	The Chief Executive Officer is the card holder.

**ITEM 10                      CONFIDENTIAL - CHIEF EXECUTIVE OFFICER'S  
CREDIT CARD EXPENDITURE FOR THE QUARTER  
ENDED 30 JUNE 2015**

<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 2015  (Please Note: <i>This 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 Mayor Pickard, SECONDED Cr Amphlett that the Audit Committee NOTES the report on the corporate credit card usage of the Chief Executive Officer for the quarter ended 30 June 2015 forming Attachment 1 to this Report.**

**The Motion was Put and CARRIED (7/0) by Exception Resolution after consideration of Item 8, page 36 refers.**

**The Motion was Put and**

**CARRIED (7/0)**

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

**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 8.38pm; the following Committee Members being present at that time:

Cr Tom McLean, JP  
Mayor Troy Pickard  
Cr Geoff Amphlett, JP  
Cr John Chester  
Cr Mike Norman  
Cr Teresa Ritchie, JP  
Cr Philippa Taylor