

# minutes

## Audit and Risk Committee

MEETING HELD ON **TUESDAY 6 AUGUST 2019**

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## CITY OF JOONDALUP

**MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING HELD IN CONFERENCE ROOM 2, JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP ON TUESDAY 6 AUGUST 2019.**

### ATTENDANCE

#### Committee Members

Cr Christine Hamilton-Prime	<i>Presiding Member</i>
Cr Sophie Dwyer	
Cr John Chester	<i>Deputising for Cr John Logan</i>
Cr Russell Poliwka	<i>Deputising for Cr Christopher May</i>
Cr Tom McLean, JP	
Mr Richard Thomas	<i>External Member</i>

#### Officers

Mr Garry Hunt	Chief Executive Officer
Mr Mike Tidy	Director Corporate Services
Mr Brad Sillence	Manager Governance
Ms Christine Robinson	Manager Executive and Risk Services
Mr Roney Oommen	Manager Financial Services
Mr Peter McGuckin	Internal Auditor
Ms Jodie Dutton	Business Performance Analyst
Mrs Vivienne Stampalija	Governance Coordinator
Mrs Deborah Gouges	Governance Officer

### DECLARATION OF OPENING

The Presiding Member declared the meeting open at 5.45pm.

## 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>Mr Garry Hunt, Chief Executive Officer.</b>
<b>Item No./Subject</b>	Item 7 - Confidential - Chief Executive Officer's Credit Card Expenditure (January – March 2019).
<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 8 - Confidential - Chief Executive Officer's Credit Card Expenditure (April – June 2019).
<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

### Apologies:

Cr Nige Jones.  
Cr John Logan.  
Cr Christopher May.

### Leave of Absence previously approved

Mayor Albert Jacob, JP	17 July to 12 August 2019 inclusive;
Cr Kerry Hollywood	23 July to 27 August 2019 inclusive;
Cr John Chester	25 to 31 August 2019 inclusive.

## **CONFIRMATION OF MINUTES**

### MINUTES OF THE AUDIT AND RISK COMMITTEE HELD ON 5 MARCH 2019

**MOVED Cr McLean SECONDED Cr Dwyer that the minutes of the meeting of the Audit and Risk Committee held on 5 March 2019 be confirmed as a true and correct record.**

**The Motion was Put and**

**CARRIED (6/0)**

**In favour of the Motion:** Crs Hamilton-Prime, Chester, Dwyer, McLean, Poliwka and Mr Thomas.

## **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**

Nil.

**REPORTS****ITEM 1                      INTERNAL AUDIT – TIMELY PAYMENT OF SUPPLIERS**

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<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Garry Hunt Office of the CEO
<b>FILE NUMBER</b>	36574, 101515
<b>ATTACHMENT</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 and Risk Committee to note the details of an internal audit to determine if issues identified by the Western Australian Office of the Auditor General, in their audit on timely payment of suppliers, also exist at the City.

**EXECUTIVE SUMMARY**

Following an audit by the Office of the Auditor General (OAG) to determine if local government authorities were making timely payments to their suppliers, the City included a similar audit in its *2018-19 Annual Audit Plan*. The internal audit has now been completed and this report provides the results of that audit.

*It is therefore recommended that the Audit and Risk Committee NOTES the results of the internal audit on timely payment of suppliers, as detailed in this Report.*

**BACKGROUND**

The OAG undertook an audit to assess whether 10 sampled local government authorities were making payments to suppliers on a timely basis in accordance with best practice. The report which was released in June 2018 identified some weaknesses, including the lack of formal payment policies and practices resulting in inconsistency in how quickly payments were made. The results of the audit were reported to the Audit and Risk Committee at its meeting held on 5 March 2019.

The OAG audit did not include the City, however the report was reviewed, and an internal audit was undertaken of the City's systems to determine if the weaknesses identified apply to the City and if payments are being made to suppliers on a timely basis. The purpose of this report is to provide the results of the audit undertaken on the City's systems.

## DETAILS

The internal audit consisted of extracting data from the City's Data Analytics Program over an eleven-month period to establish information on the number of days to pay suppliers. The audit also consisted of extracting a random sample of supplier invoices to perform walk through tests to determine payment practices and establish if payments were made on a timely basis.

The details are summarised as follows:

### Payment Data Analytics (eleven-month period)

- The City made 25,621 payments during the reporting period, at a total value of \$111,830,314 (including GST).
- 74% of payments to suppliers, which included 18,909 transactions valued at \$83,250,442 (including GST), were paid between nine and 38 days.

### Audit Sample Testing

Audit testing of the random sample revealed that issues exist that may prevent the City accurately measuring the days it takes to pay its suppliers. The internal audit also identified similar issues to those identified by the OAG, with the main issues as follows:

- The absence of formal documented procedures for how to treat invoices when they are received by the City.
- Inconsistent definitions of standard payment terms used on City documentation.
- *Purchasing Policy* and associated purchasing protocols do not include periods for making payments to suppliers after receipt of invoices or the receipt of goods and services.

A draft internal audit report has been issued to Financial Services for consideration which include the following recommendations:

- Update and clarify the City's standard payment terms to provide consistency and remove uncertainty. The updated standard payment terms should be used on all relevant City documentation. Standard payment terms which may be considered include "30 days from the receipt of goods or services" or "30 days from the receipt of an invoice".
- Include specified payment periods for the timely payment of suppliers when the City's *Purchasing Policy* and related purchasing protocols are being updated.
- Establish a consistent process to ensure that systems accurately record the date an invoice is received by the City, whether by Accounts Payable or the Business Unit, to ensure that the days taken to pay suppliers can be accurately measured.

## Legislation / Strategic Community Plan / Policy implications

**Legislation** Not applicable.

### **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** *Purchasing Policy.*

**Risk management considerations**

Reviewing the Western Australian Office of the Auditor General's reports into other local government authorities allows the City to determine if similar risk exposures identified also apply at the City, and for improvements to be implemented.

**Financial / budget implications**

Not applicable.

**Regional significance**

Not applicable.

**Sustainability implications**

Not applicable.

**Consultation**

Not applicable.

**COMMENT**

The internal audit of timely payment of suppliers established that similar issues exist at the City to those identified by the OAG in their review of a sample of local government authorities. Although not high risk, recommendations for improvement have been made and are currently under consideration.

**VOTING REQUIREMENTS**

Simple Majority.

**MOVED Cr Dwyer SECONDED Cr McLean that the Audit and Risk Committee NOTES the results of the internal audit on timely payment of suppliers as detailed in this Report.**

**The Motion was Put and**

**CARRIED (6/0)**

**In favour of the Motion:** Crs Hamilton-Prime, Chester, Dwyer, McLean, Poliwka and Mr Thomas.

## **ITEM 2 NOTICE OF INTENTION – IMPLEMENTATION OF A WHISTLEBLOWING PROGRAM**

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<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Garry Hunt Office of the CEO
<b>FILE NUMBER</b>	107084, 33557, 101515
<b>ATTACHMENT</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 and Risk Committee to note the City's intention to implement a whistleblowing program.

### **EXECUTIVE SUMMARY**

To strengthen the City's integrity and conduct controls, the Chief Executive Officer has approved the implementation of a whistleblowing program which includes the expansion of the public interest disclosure function.

A whistleblowing program is a practical tool for managing disclosures in the workplace, with the *Public Interest Disclosure Act 2003* ("the Act") facilitating the disclosure of public interest information, as well as providing protection for those who make disclosures and for those who are the subject of disclosures.

A public interest disclosure is a disclosure which is made by a person who discloses to a proper authority (in local government that is the Public Interest Disclosure Officer), information which tends to show that a local government, a public officer (which includes elected members and employees of the local government) or a contractor, may be involved in activity which constitutes:

- improper conduct
- action which may constitute an offence under a written law
- substantial, unauthorised or irregular use of, or mismanagement of public resources
- substantial and specific risk of injury to public health, prejudice to public safety or harm to the environment
- a matter of administration which could be investigated by the Ombudsman.

*It is therefore recommended that the Audit and Risk Committee NOTES the City's intention to implement a whistleblowing program as detailed in this Report.*

## BACKGROUND

Each year the City completes an Integrity and Conduct Survey from the Public Sector Commission. The data collected for the survey over many years indicates that the City has never received any formal public interest disclosures. The survey questions have been expanded to include:

- How do you advise contractors, clients and suppliers about how to report unethical behaviour?
- How often do you actively remind employees about their obligations to report any suspected misconduct?

Even though the City's *Code of Conduct Policy* and *Fraud, Corruption and Misconduct Control Policy* provide an explanation of the Act, the City does not advise contractors, clients and suppliers nor actively reminds elected members and employees of their obligations.

Many reports prepared by the Western Australian Corruption and Crime Commission state that improper conduct (whether that be corruption, fraud or misconduct) has been identified due to internal whistleblowers. The August 2018 *Corruption and Crime Commission Report* of serious misconduct at the Shire of Halls Creek includes in its overall conclusion the following:

- The Commission's investigation also underlined the importance of 'whistleblowers', whether they be anonymous or otherwise. Without these persons, this investigation would not have been possible.
- The *Corruption, Crime and Misconduct Act 2003* protects any person subject to a non-disclosure or confidentiality agreement from any civil or criminal liability incurred as a result of making an allegation or providing that information to the Commission.
- The Commission encourages all persons with information regarding serious misconduct by a public officer to come forward.

The Association of Certificated Fraud Examiners *Report to the Nations 2018 Global Study on Occupational Fraud and Abuse* states that tips are the most common initial detection method, with over half being reported by employees.

Instances of alleged improper conduct have been highlighted to the Manager Audit and Risk Services and/or the Internal Auditor and some are able to be investigated, however without the protection offered under the Act, employees are reluctant to provide specific information to allow for focused investigations to occur. It seems employees are reluctant to, or are unaware of, how to make disclosures to the current Public Interest Disclosure Officer (being the Principal Legal Officer) or to external agencies such as the Corruption and Crime Commission and Public Sector Commission.

## DETAILS

An effective whistleblowing program must be built around the City's culture and work environment, as well as aligning to the values of the City. Public assurance from the Executive Leadership Team is essential to ensure trust and commitment to the practices and principles of whistleblowing. Ownership of this program rests with the Executive Leadership Team.

The March 2019 State of Victoria (Independent Broad-based Anti-corruption Commission) report on *Local Government Integrity Frameworks Review* states “*People in leadership positions set the ethical tone of an organisation and are key to building organisational integrity and corruption resistance. It is essential that they communicate expected standards of behaviour and values to staff, lead by example, appropriately supervise employees, and act on suspected misconduct or corrupt conduct.*” (page 66).

Operational support for the program will be provided by the Manager Audit and Risk Services. The Internal Auditor also plays a significant role by providing independent and objective assurance to the Executive Leadership Team and Council (via the Audit and Risk Committee) of the effectiveness of the system and procedures required.

There are two essential methods that can demonstrate the City’s commitment:

- 1 Reinforcing to elected members and employees that the City is committed to the practices and principles of whistleblowing, which are currently expressed within the *Code of Conduct* and *Fraud, Corruption and Misconduct Control Policy*.
- 2 Displaying actions that reinforce disclosures are taken seriously, are acted on promptly, and misconduct is identified and treated effectively (whilst supporting and protecting whistleblowers).

The City’s commitment would be further strengthened with the development of:

- a whistleblowing policy (and associated protocols for internal use and improved documentation for external use)
- a statement of business ethics for contractors and suppliers (which was the only recommendation not implemented by the City following the 2013 audit into procurement practices at five local government authorities by the Corruption and Crime Commission).

The expansion and improved awareness provides an avenue for elected members, employees and others to use the City’s whistleblowing processes in the first instance. This avoids unnecessary adverse publicity by allowing investigations to be undertaken internally without public exposure, as well as potential reporting to external oversight agencies by the City rather than a third party.

### **Issues and options considered**

Remain with the status quo (not supported by the Chief Executive Officer)

The City has one Public Interest Disclosure Officer, who is the Principal Legal Officer (and reports to the Chief Executive Officer).

To date, the City has never received any formal public interest disclosures, however improvements would be required to advise contractors, suppliers and the general public, as well as actively reminding employees of their obligations.

Expand the public interest disclosure function (approved by the Chief Executive Officer)

It is recommended that the role of Public Interest Disclosure Officer be expanded to include a range of employee levels with experience/knowledge of corruption, fraud or misconduct risks and/or undertaking investigations, as well as female employees and those who work with the outside workforce.

These employees must be seen as trustworthy, impartial, capable of building a rapport and confidence with others, as well as being discreet and able to address any concerns or reports of intimidation or victimisation. This is a critical role in supporting and protecting whistleblowers in difficult circumstances in which they may feel intimidated and fearful.

Public Interest Disclosure Officers also have a number of obligations under the Act, namely:

- receiving a public interest disclosure
- considering whether an investigation is needed
- carrying out, or instigating, any investigation
- maintaining confidentiality of the identity of the discloser and persons subject to the disclosure, in accordance with the requirements of the Act
- taking action following an investigation and reporting action taken to the discloser
- creating and maintaining proper records on disclosure
- keeping a public interest disclosure register documenting statistics of disclosures made
- acting in accordance with the rules of natural justice or procedural fairness
- complying with the Public Sector Commission's Code of Conduct and Integrity.

It is also recommended that the position of Manager Audit and Risk Services oversee the whistleblowing program as the Principal Public Interest Disclosure Officer to ensure improved and regular awareness is provided to employees, contractors, suppliers and the public.

The position of Principal Public Interest Disclosure Officer is recommended by the Public Sector Commission when there are multiple Public Interest Disclosure Officers. This role would be responsible for supporting the other Public Interest Disclosure Officers and coordinating any reporting requirements required under the Act.

The role would also be responsible in advising the Chief Executive Officer (as the Principal Officer under the *Corruption, Crime and Misconduct Act 2003*) of the need to report minor or serious misconduct to the Public Sector Commission or the Corruption and Crime Commission. However, the identity of the discloser would remain confidential as per section 16 (1) of the Act, unless:

- the person who made the disclosure of public interest information consents to the disclosure of information that might identify or tend to identify him or her
- it is necessary to do so having regard to the rules of natural justice
- it is necessary to do so to enable the matter to be investigated effectively
- the disclosure is made in accordance with an order of a court or any other person or body having authority to hear, receive and examine evidence
- the identifying disclosure is made in accordance with section 152 (disclosure by Commission or its officers) or 153 (disclosure by other officials) of the *Corruption, Crime and Misconduct Act 2003*.

The Public Sector Commission designs specific development programs for public authorities to support their Public Interest Disclosure Officer/s which will be arranged by the Manager Audit and Risk Services. The Public Sector Commission also provide a range of products (which will be used when updating and/or developing the City's documentation) such as:

- supporting information for Principal Executive Officers and Public Interest Disclosure Officers
- guidelines for public authorities
- *Don't be afraid to speak up* – Guide for disclosers
- *When someone speaks up* – Guide for managers.

It may also be of benefit for the identified Public Interest Disclosure Officers to undertake the Certificate IV in Government Investigations which is available via the Public Sector Commission.

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

**Legislation** *Public Interest Disclosure Act 2003.  
Corruption, Crime and Misconduct Act 2003.*

### **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** *Fraud, Corruption and Misconduct Control Policy.*

The Australian Standard AS8004-2003 *Whistleblowing Protection Program for Entities* will also be used to guide the development and implementation of the whistleblowing program. This Standard is intended to be revised (to *ISO 37002 Whistleblowing Management Systems – Guidelines*) based on the *Treasury Laws Amendment (Enhancing Whistleblower Protections) Bill 2017* which was passed by both houses of Parliament on 19 February 2019 (royal assent on 12 March 2019). This Bill expands the protections afforded to whistleblowers under the *Corporations Act 2001 (Cth)* and *Taxation Administration Act 1953 (Cth)*.

### **Risk management considerations**

Risk management includes misconduct, some of which may only be reported if the person doing so can be offered safe and secure means of reporting misconduct.

A whistleblowing program can also protect and enhance the City's reputation, as well as assisting in meeting the City's workplace safety and legal obligations, as misconduct or wrongdoing left unchecked may in some cases compromise and endanger the wellbeing of employees.

### **Financial / budget implications**

Not applicable.

### **Regional significance**

Not applicable.

### **Sustainability implications**

Not applicable.

### **Consultation**

The relevant Directors of the three identified Public Interest Disclosure Officers have been consulted with. The identified Public Interest Disclosure Officers will now be consulted with given the Chief Executive Officer's approval to appoint.

**COMMENT**

A joint communiqué from Australia's eight anti-corruption Commissioners (dated 7 December 2018) titled *United against corruption – Leadership is the key to corruption prevention* states "recurring theme from our investigations and research is that public sector leaders are crucial in setting the right 'tone from the top' to foster and develop strong cultures of integrity", and that "we encourage our public sector leaders to ensure they have in place the proper policies and procedures to ensure fairness and integrity is embedded in the decisions that public sector employees make every day".

The communiqué finishes with "and we ask our public sector leaders to work harder to ensure their employees, external partners and providers, and the wider community are aware of the protections available if they do speak up and report corruption. Instilling a positive organisational culture around reporting wrongdoing and enforcing practices that protect those who speak out will empower more to follow their example. We have good leaders in our public sector. We are confident they can achieve the cultural change that is required to stop corruption in its tracks. We are committed to supporting them in that journey".

The Institute of Internal Auditors Australia *Whitepaper Whistleblowing Programs, August 2018* states that:

*"Providing a way for people to disclose misconduct is a positive incentive to those who want to do the right thing. It can also be a strong deterrent for potential wrongdoers.*

*Establishing a whistleblowing program can send a powerful message demonstrating an organisation's commitment to ethical behaviour and in accordance with the relevant laws. Observing and maintaining the program is confirmation of an organisation's determination to conduct its business with integrity and respect.*

*Managers at all levels, and in particular line managers, should practice and maintain the integrity and professionalism expected. Nobody, including management, should be excluded from being subject to investigations. Managers need to equip and empower people to speak up where they observe alleged misconduct.*

*Employees are key players in a whistleblowing program, with a key role to:*

- *Keep on the alert for misconduct.*
- *Report known or suspected misconduct.*
- *Be an active bystander and do not let bad behaviour go unreported.*
- *Support whistleblowers.*
- *Avoid doing anything which could be seen as intimidation or victimisation.*
- *Keep confidential the identity of anyone they know or suspect of having made a disclosure."*

The implementation of a whistleblowing program will demonstrate the City's improvement and commitment to its integrity and conduct controls when completing the 2019 Integrity and Conduct Survey from the Public Sector Commission.

**MOVED Cr Poliwka SECONDED Cr Chester that the Audit and Risk Committee NOTES the City's intention to implement a whistleblowing program as detailed in this Report.**

**The Motion was Put and**

**CARRIED (6/0)**

**In favour of the Motion:** Crs Hamilton-Prime, Chester, Dwyer, McLean, Poliwka and Mr Thomas.

### ITEM 3                    **AUDIT AND RISK SERVICES PROGRAM 2019-20 AND 2018-19**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Garry Hunt Office of the CEO
<b>FILE NUMBER</b>	49586, 101515
<b>ATTACHMENT</b>	Attachment 1    2019-20 Audit and Risk Services Program Attachment 2    2018-19 Executive and Risk Services Program Status Update
<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 and Risk Committee to note the *Audit and Risk Services Program 2019-20* (which includes the *Internal Audit Program*) and the status of the *Audit and Risk Services Program 2018-19*.

#### **EXECUTIVE SUMMARY**

The *Audit and Risk Services Program* sets out the program of audits to guide audit activity, the work of the Internal Auditor and other activities, which aim to maintain the City's understanding of the risks it is exposed to and develop strategies to combat those risks.

The *Internal Audit Program* section allows for Chief Executive Officer (CEO) 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 and Risk Committee NOTES the Audit and Risk Services Program 2019-20 (which includes the Internal Audit Program) and the status of the Audit and Risk Services Program 2018-19 forming Attachments 1 and 2 to this Report.*

#### **BACKGROUND**

A review of the former Executive and Risk Services business unit was undertaken in late 2019 which resulted in the change of the business unit name (to Audit and Risk Services) as well as a greater focus on internal audit, risk mitigation and integrity/conduct controls that were not already being overseen by other areas.

The establishment of the role of Risk and Business Continuity Advisor in April 2018 has provided a dedicated resource to ensure governance processes exist for identifying and managing strategic, corporate (operational) and project risks as part of an integrated risk management program (including training opportunities for employees) and in alignment with City strategic objectives. This role has allowed the Internal Auditor to dedicate more time to internal audit and investigative activities rather than risk management arrangements.

The establishment of the role of Research Analyst in November 2017 has provided a support role for the Internal Auditor and Manager Audit and Risk Services using the data analytics work program focussing on detection and prevention of fraud, misconduct and corruption. The role provides sample testing, research and collation of evidence to allow for further investigation. The role also undertakes analysis of reports from external oversight agencies.

Currently the business unit structure supports the role of the Internal Auditor, who provides an independent and objective review of City operations and systems. The Internal Auditor also has a direct reporting link to the Chief Executive Officer to maintain independence and eliminate undue influence on audit/review activities, findings and reports.

The key activities of Audit and Risk Services are as follows:

#### Internal Audit

- Provision of an independent and objective internal audit service including the preparation of an annual *Internal Audit Plan*.
- Reviewing systems and procedures to provide assurance that risk management, internal controls and regulatory requirements are met.
- Provision of reports to the Audit and Risk Committee.

#### Risk Management and Business Continuity

- Maintaining a *Risk Management Framework* including policy, procedures and templates.
- Provision of governance processes for identifying and managing strategic, corporate (operational) and project risks.
- Provision of an electronic risk system including the development and monitoring of risk registers.
- Provision of training programs to enhance awareness of risk management.
- Monitoring and reviewing the City's *Business Continuity Plan*.

#### Integrity and Conduct Controls

- Provision of programs (including data analytics) for fraud, misconduct and corruption detection and prevention.
- Provision of an electronic gifts and contributions to travel register (for live monitoring).
- Provision of a whistleblowing program including support and training of Public Interest Disclosure Officers.
- Provision of investigations relating to fraud, misconduct and corruption or any other matters identified via public interest disclosures.
- Reporting to external oversight agencies.

#### Executive Support Services

- Provision of executive support services to the Office of the Mayor and Elected Members.

## **DETAILS**

### 2019-20 Program

The 2019-20 program includes actions and projects for the following:

- *Internal Audit Program*.
- Integrity and Conduct Controls.

- Monitoring of new and amended legislation.
- *Risk Management Program.*
- Business Continuity.
- Reports from external oversight agencies.

These actions and projects will be undertaken by the:

- Manager Audit and Risk Services
- Internal Auditor
- Risk and Business Continuity Advisor  
or
- Research Analyst.

Project milestone timeframes and specific activities are outlined in Attachment 1 to this Report.

### 2018-19 Program

The status of the work program for 2019-20 is outlined in Attachment 2 to this Report.

As part of the business unit review in late 2019, the role of Business Performance Analyst and activities were formally transferred to the Office of the CEO:

- *Australasian Local Government Performance Excellence Program.*
- *Service Efficiency and Effectiveness Review Program* and Benefits Tracking System.
- Performance Review of Procurement and Contract Management.
- Performance Review of Community Development and Youth Services.

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

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

Section 17 of 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.

**Key theme** Financial Sustainability.

**Objective** Effective management.

**Strategic initiative** To conduct business in a financially sustainable manner.

**Policy** Not applicable.

### **Risk management considerations**

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

Analysing reports from external oversight agencies allows for comparisons of the City's position and practices, as well as testing internal controls.

These activities 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 data analytics program continues to allow for targeted fraud, misconduct and corruption detection and prevention.

#### **VOTING REQUIREMENTS**

Simple Majority.

**MOVED Cr Dwyer SECONDED Cr McLean that the Audit and Risk Committee NOTES the *Audit and Risk Services Program 2019-20* (which includes the Internal Audit Program) and the status of the Audit and Risk Services Program 2018-19 forming Attachment 1 to this Report.**

**The Motion was Put and**

**CARRIED (6/0)**

**In favour of the Motion:** Crs Hamilton-Prime, Chester, Dwyer, McLean, Poliwka and Mr Thomas.

*Appendix 1 refers*

*To access this attachment on electronic document, click here: [Attach1agnAUDIT190806.pdf](#)*

**ITEM 4                      YEARLY REPORT - CONTRACT EXTENSIONS –  
1 JULY 2018 TO 30 JUNE 2019**

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<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Mike Tidy Corporate Services
<b>FILE NUMBER</b>	07032, 101515
<b>ATTACHMENT</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 and Risk Committee to note the details of contracts extended by the Chief Executive Officer between 1 July 2018 to 30 June 2019.

**EXECUTIVE SUMMARY**

The schedule of contracts extended by the Chief Executive Officer during the period 1 July 2018 to 30 June 2019 is provided in Attachment 1 to this Report.

*It is recommended that the Audit and Risk Committee NOTES the contracts extended by the Chief Executive Officer during the period 1 July 2018 to 30 June 2019, forming Attachment 1 to this Report.*

**BACKGROUND**

At its meeting held on 1 November 2005 (CJ231-11/05 refers), Council resolved that a half-yearly report be prepared for the Audit and Risk 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 and Risk Committee being prepared on a half-yearly basis providing details of those contracts extended.

No contracts were extended during the period 1 July 2018 to 31 December 2018 however during the period 1 January 2019 to 30 June 2019 one contract was 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 and Risk 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 July 2018 to 30 June 2019.

## **VOTING REQUIREMENTS**

Simple Majority.

**MOVED** Cr Chester **SECONDED** Cr Dwyer that the Audit and Risk Committee **NOTES** the contracts extended by the Chief Executive Officer during the period 1 July 2018 to 30 June 2019, forming Attachment 1 to this Report.

**The Motion was Put and**

**CARRIED (6/0)**

**In favour of the Motion:** Crs Hamilton-Prime, Chester, Dwyer, McLean, Poliwka and Mr Thomas.

*Appendix 2 refers*

To access this attachment on electronic document, click here: [Attach2agnAUDIT190806.pdf](#)

## **ITEM 5                    HALF YEARLY REPORT – WRITE-OFF MONIES – 1 JANUARY TO 30 JUNE 2019**

<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 and Risk 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 2019 was \$7,433.21. This amount mainly consisted of:

1	One Illegal dumping charge	\$ 154.54
2	One Parking – vehicle release fee	\$ 136.36
3	One Rates – court costs	\$ 394.70
4	6,663 items below \$100 reportable limit	\$ 6,747.61

The 6,663 small unpaid amounts below the \$100 reportable limit include 6,662 small amounts of unpaid rates.

*It is therefore recommended that the Audit and Risk Committee RECEIVES the report of amounts written-off under delegated authority for the period 1 January to 30 June 2019.*

### **BACKGROUND**

Section 6.12(1)(c) of the *Local Government Act 1995* gives 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 Chief Executive Officer the authority to write-off monies owed to the City, subject to a report being provided to the Audit and Risk Committee on a six-monthly basis on the exercise of this delegation for amounts between \$100 and \$20,000. The Chief Executive Officer 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 2019 a total amount of \$7,433.21 was written-off as unrecoverable. This amount includes the following:

- 6,663 items below the reportable limit totalling \$6,747.61, mainly small rates balances, representing in the main rounding decimals or minor penalty interest charges for a few days overdue 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.
- An item of \$394.70, being court costs, that was written off as agreed with the ratepayer on reaching a settlement of dues.
- Two items, as shown below, that were written-off as debt collection efforts proved unsuccessful and it was uneconomical to take any further action for their recovery.

Item	Date of Invoice	Debtor's Name	Nature of Debt	Amount \$
1	27/04/2018	P. Ware	Illegal dumping removal charges.	154.54
2	20/11/2018	C.L. Goodwin	Parking - vehicle release fee.	136.36

**Issues and options considered**

Not applicable.

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

**Legislation** Section 6.12(1)(c) of the *Local Government Act 1995*.  
Section 5.42 of the *Local Government Act 1995*.  
Section 5.44 of the *Local Government Act 1995*.

**Strategic Community Plan**

**Key theme** Financial Sustainability.

**Objective** Effective management.

**Strategic initiative** Not applicable.

**Policy** 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**

**Account No:** 3256.  
**Budget Item** Bad Debts written-off.  
**Annual Budget** \$13,500  
**Year to Date Budget** \$13,500  
**Tear to Date Actual** \$11,894  
**Year to Date variance** \$ 1,606

**Regional significance**

Not applicable.

**Sustainability implications**

Not applicable.

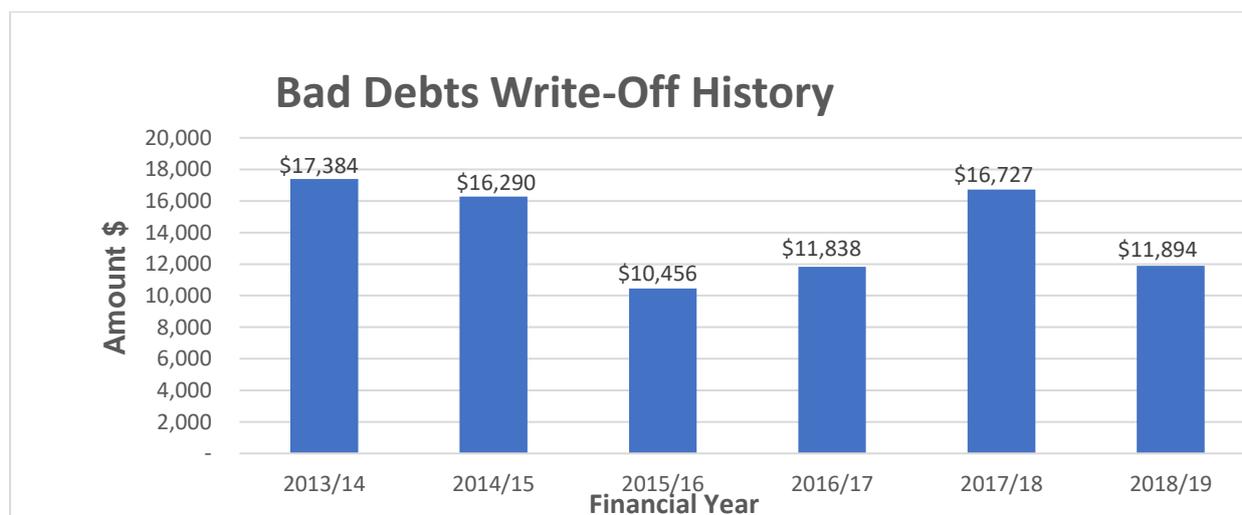
**Consultation**

Not applicable.

**COMMENT**

Monies written-off under delegated authority comprised 6,662 small items of unpaid rates totalling \$6,690.34, and one other item of \$57.27, all of which were below the \$100 reportable limit as well as three reportable items, comprising an amount of \$394.70 due from a ratepayer towards legal costs, and two items totalling \$290.90 that were written-off following unsuccessful debt recovery action.

History of bad debts written off over the past five financial years is below.

**VOTING REQUIREMENTS**

Simple Majority.

**MOVED Cr Dwyer SECONDED Cr McLean that the Audit and Risk Committee RECEIVES the report of monies written-off under delegated authority for the period 1 January to 30 June 2019.**

**The Motion was Put and**

**CARRIED (6/0)**

**In favour of the Motion:** Crs Hamilton-Prime, Chester, Dwyer, McLean, Poliwka and Mr Thomas.

## ITEM 6 STATUS REPORT – SERVICE EFFECTIVENESS AND EFFICIENCY REVIEW PROGRAM

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<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Garry Hunt Office of the CEO
<b>FILE NUMBER</b>	101515, 103906
<b>ATTACHMENT</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 and Risk Committee to receive an update on the City's *Service Effectiveness and Efficiency Review Program* and note the proposed change in scope and name to the *Benefits Management Program*.

### EXECUTIVE SUMMARY

Since July 2013 the City has undertaken detailed activity reviews with the aim of reducing costs through the implementation of more efficient and effective work practices across the organisation.

Over the past six years, the City has embedded the *Service Effectiveness and Efficiency Review Program* (SEERP) into its annual program of activities, including the implementation of improvements and initiatives recommended by independent consultants and external oversight agencies.

To further enhance the continuous monitoring of efficiency gains, the City is now modifying the program to also include the capturing and reporting of initiatives that deliver positive outcomes for the community beyond just reductions in expenditure. In recognition of this broader scope, it is recommended the program is renamed to the "*Benefits Management Program*" (BMP) with continued reporting to the Audit and Risk Committee.

### BACKGROUND

In 2013 the Chief Executive Officer initiated an extensive program of activity reviews to identify opportunities for increasing operational efficiencies and reducing waste and service delivery costs.

While this was the first time the City had introduced a dedicated and reportable program, service reviews, process mapping and continuous improvement were already long-established practices at the City.

Since 2005, the City has aligned its performance management systems and practices with the *Australian Business Excellence Framework* as a practical means of embedding continuous improvement across all management aspects of the organisation and ultimately, delivering enhanced service provision to the community.

To further support these practices, the SEERP was introduced, requiring managers (as part of the annual budgeting process) to assess the assumptions upon which estimates and/or proposals are based for customers, volumes, legislative change and significant cost variations. Proposals for change (for example resources, service levels, internal restructuring and processes) are to include the impacts to business and usual budget estimates. These annual reviews are aimed at:

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

The intent of SEERP (and business as usual reviews) is to guide the City in demonstrating effectiveness and efficiency of services provided. The reviews are aimed at identifying opportunities for:

- service 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.

## **DETAILS**

### Implementation of SEERP

Since 2013, numerous service reviews have been completed across all Directorates, utilising both internal and external resources to support the identification of opportunities for improved efficiencies and cost reductions.

To ensure the veracity and effectiveness of the program, the former Audit Committee and Council requested in 2014 (C10-03/14 refers) and 2015 (CJ150-08/15 refers) respectively, for the City to identify alternative mechanisms for reviewing and analysing levels of expenditure and to engage a “suitably qualified and independent organisation” to review the City’s SEERP and recommend additional areas for review.

In response to these requests, the City engaged an external Consultant to assess some of the following service areas, which was further supported through internal expertise, to complete and reported back through the former Audit Committee and Council (CJ199-10/14 refers):

- Fleet Utilisation and Operating Costs.
- Building Maintenance, Cleaning and Utility Consumption of City Buildings.
- Selected Civic Events and Cultural Events.
- Traffic Management Control.
- Plumbing Services Tender.
- Electrical Services Tender.

- Christmas Decorations.
- City Building Rental.
- Domestic and Recycling Collections.
- Street Lighting (Decorative and Non-Western Power Assets).
- Street Tree Maintenance.

Further to this review process, Deloitte Touche Tohmatsu was also engaged in 2014 to undertake an independent appraisal of the City's approach to reviewing its services and activities, ensuring it was:

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

Recommendations from this review were used to develop a framework for future SEERP initiatives that aligned with the implementation of an *ISO:9001 Quality Management System*, process mapping improvements and the *Business Excellence Framework*.

In response to Council's further request (CJ150-08/15 refers), the City engaged Deloitte (formerly Deloitte Touche Tohmatsu) again in 2016 to undertake an external review comparing the City's SEERP with leading local governments from Australia, New Zealand and the United Kingdom. Deloitte's assessment recommended the following improvements:

- The use data analytics to provide insights to help identify operational efficiency and cost saving opportunities.
- Analyse and evaluate headcount, payroll and spend data to uncover further efficiencies and cost savings.
- Prioritise recommendations and resourcing to achieve program objectives and outcomes.

The City continues to reference these recommendations through the implementation of new initiatives such as the following:

- The development of operational 'live' dashboards that utilise available data to inform daily decision-making processes.
- Participation in the *Australasian Local Government Performance Excellence Program* to assist with improved communication, control and management of local government authority performance through the use of benchmarking and analytics.
- Implementation of the *Strategic Asset Management Improvement Project* to review, collect and analyse data in order to enhance long-term financial planning practices for the City's \$2 billion worth of infrastructure assets.
- Roll out of mobility devices for field staff to reduce reliance on paper-based systems and improve efficiencies and data capture.
- The use of analytics to investigate trending data and monitor service delivery performance.
- Extension of on-line service delivery options through the launch of the City's new website to improve customer interactions and efficiencies.

#### Summary of SEERP achievements

Since its establishment in 2013, SEERP has overseen the completion of 28 specific service reviews. A selection of reviews completed are noted below:

- Non-Domestic Rubbish Collections (Parks, Reserves, Foreshores, Bus-Stops).
- City's Fleet Utilisation and Operating Costs.
- Maintenance of City Buildings.
- 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 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.
- Ranger Services.
- Human Resources Services.
- Procurement and Contract Management.
- Contract for the Provision of Traffic Management and Control Services.
- Building Leases and Licenses.
- Leisure and Cultural Services.
- *Project Management Framework.*
- Waste Services: Domestic and Recycling Collections
- Waste Services: Kerbside Collections.
- Rangers and Parking Services.
- Improvement Project: Pool Inspections.

The savings to the City over the past six years is \$4,433,566.

#### Proposed changes to SEERP

The current capture of information for SEERP centres predominantly around operational savings, however, City activities and initiatives often realise benefits beyond just reduced expenditure. To further strengthen SEERP, the City proposes to expand the capture and monitoring of benefits realised through service reviews, improvement projects and initiatives to include the following:

- Environmental outcomes.
- Societal outcomes.
- Asset capability.

To reflect this change in scope, it is proposed SEERP is renamed the "*Benefits Management Program*" and will continue to capture financial savings achieved. The additional information reported will further enhance the evidence-based decision making at the City and support informed discussions and decisions on service delivery to the community.

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

##### **Legislation**

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

**Strategic Community Plan**

<b>Key theme</b>	Governance and Leadership.
<b>Objective</b>	Corporate capacity.
<b>Strategic initiative</b>	Continuously strive to improve performance and service delivery across all corporate functions.
<b>Policy</b>	Not applicable.

**Risk management considerations**

The review of the City's activities ensures 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* are achievable.

**Financial / budget implications**

Not applicable.

**Regional significance**

Not applicable.

**Sustainability implications**

Not applicable.

**Consultation**

Not applicable.

**COMMENT**

Not applicable.

**VOTING REQUIREMENTS**

Simple Majority.

**MOVED Cr McLean SECONDED Cr Chester that the Audit and Risk Committee:**

- 1 NOTES the progress of the *Service Effectiveness and Efficiency Review Program* since its implementation in 2013-14;**
- 2 NOTES the change in scope and name of the *Service Effectiveness and Efficiency Review Program* to the *Benefits Management Program* from 2019-20.**

**The Motion was Put and**

**CARRIED (6/0)**

**In favour of the Motion:** Crs Hamilton-Prime, Chester, Dwyer, McLean, Poliwka and Mr Thomas.

<b>Name/Position</b>	<b>Mr Garry Hunt, Chief Executive Officer.</b>
<b>Item No./Subject</b>	Item 7 - Confidential - Chief Executive Officer's Credit Card Expenditure (January – March 2019).
<b>Nature of interest</b>	Interest that may affect impartiality.
<b>Extent of Interest</b>	The Chief Executive Officer is the card holder.

## **ITEM 7                      CONFIDENTIAL - CHIEF EXECUTIVE OFFICER'S CREDIT CARD EXPENDITURE (JANUARY – MARCH 2019)**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Mike Tidy Corporate Services
<b>FILE NUMBER</b>	09882
<b>ATTACHMENT</b>	Attachment 1    Chief Executive Officer's Credit Card Expenditure – Quarter Ended 31 March 2019

*(Please Note: The Report and Attachment is confidential and will appear in the official Minute Book only).*

<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)(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 Dwyer SECONDED Cr McLean that the Audit and Risk Committee NOTES the report on the corporate credit card usage of the Chief Executive Officer for the quarter ended 31 March 2019.**

**The Motion was Put and**

**CARRIED (6/0)**

**In favour of the Motion:** Crs Hamilton-Prime, Chester, Dwyer, McLean, Poliwka and Mr Thomas.

<b>Name/Position</b>	<b>Mr Garry Hunt, Chief Executive Officer.</b>
<b>Item No./Subject</b>	Item 8 - Confidential - Chief Executive Officer's Credit Card Expenditure (April – June 2019).
<b>Nature of interest</b>	Interest that may affect impartiality.
<b>Extent of Interest</b>	The Chief Executive Officer is the card holder.

## **ITEM 8                      CONFIDENTIAL - CHIEF EXECUTIVE OFFICER'S CREDIT CARD EXPENDITURE (APRIL - JUNE 2019)**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Mike Tidy Corporate Services
<b>FILE NUMBER</b>	09882
<b>ATTACHMENT</b>	Attachment 1      Chief Executive Officer's Credit Card Expenditure – Quarter Ended 31 March 2019

*(Please Note: The Report and Attachment is confidential and will appear in the official Minute Book only).*

<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)(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 McLean SECONDED Cr Dwyer that the Audit and Risk Committee NOTES the report on the corporate credit card usage of the Chief Executive Officer for the quarter ended 30 June 2019.**

**The Motion was Put and**

**CARRIED (6/0)**

**In favour of the Motion:** Crs Hamilton-Prime, Chester, Dwyer, McLean, Poliwka and Mr Thomas.

**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 6.39pm; the following Committee Members being present at that time:

Cr Christine Hamilton-Prime  
Cr John Chester  
Cr Sophie Dwyer  
Cr Tom McLean, JP  
Cr Russell Poliwka  
Mr Richard Thomas