

minutes

Audit and Risk Committee

MEETING HELD ON **MONDAY 6 JULY 2020**

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CITY OF JOONDALUP

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING HELD IN THE COUNCIL CHAMBERS, JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP ON MONDAY 6 JULY 2020.

ATTENDANCE

Committee Members

Cr Tom McLean, JP	<i>Presiding Member</i>
Cr Christine Hamilton-Prime	<i>Deputy Presiding Member</i>
Cr John Logan	
Cr Philippa Taylor	
Cr Suzanne Thompson	
Mr Richard Thomas	<i>External Member</i>

Observers

Cr John Raftis

Officers

Mr Garry Hunt	Chief Executive Officer
Mr Mat Humfrey	Director Corporate Services
Mr Brad Sillence	Manager Governance
Ms Christine Robinson	Manager Audit and Risk Services
Mr Peter McGuckin	Internal Auditor
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.

Name/Position	Mr Garry Hunt, Chief Executive Officer.
Item No./Subject	Item 4 - Confidential - Chief Executive Officer's Credit Card Expenditure (January to March 2020).
Nature of interest	Interest that may affect impartiality.
Extent of Interest	The Chief Executive Officer is the card holder.

APOLOGIES / LEAVE OF ABSENCE**Apology**

Cr Christopher May.

Leave of Absence Previously approved

Mayor Hon. Albert Jacob, JP 1 to 10 July 2020 inclusive.

CONFIRMATION OF MINUTES**MINUTES OF THE AUDIT AND RISK COMMITTEE HELD ON 3 MARCH 2020**

MOVED Cr Logan, **SECONDED** Cr Taylor that the minutes of the meeting of the Audit and Risk Committee held on 3 March 2020 be confirmed as a true and correct record.

The Motion was Put and

CARRIED (6/0)

In favour of the Motion: Crs McLean, Hamilton-Prime, Logan, Taylor, Thompson 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.

REPORTS**ITEM 1 INTERNAL AUDIT OUTCOMES**

WARD	All
RESPONSIBLE DIRECTOR	Mr Garry Hunt Office of the CEO
FILE NUMBER	11805, 22884, 66528, 101515
ATTACHMENTS	Nil
AUTHORITY / DISCRETION	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 outcomes of the following internal audits:

- Potential duplicate invoice payments.
- Controls over changes to suppliers' bank account details.
- Payments to employees after employment has ceased.

EXECUTIVE SUMMARY

The *2019-2020 Internal Audit Program* includes audits of areas of financial and human resource systems where there are potential risks of fraudulent activity to occur. Audits have been completed using the City's data analytics program to determine if an appropriate level of controls are in place to:

- 1 prevent and identify the payment of duplicate invoices.
- 2 prevent fraudulent changes being made to suppliers' bank account details.
- 3 identify payments made to employees after their employment has ceased.

This report provides the outcomes of the audits which have been completed.

It is therefore recommended that the Audit and Risk Committee NOTES the outcomes of the internal audits, as detailed in this Report.

BACKGROUND

The City uses a data analytics program to assist and improve the effectiveness of the Internal Auditor's work program. The 2019-2020 work program includes an examination of potential areas where fraudulent and / or misconduct risks may exist. The data analytics program was utilised for the audits detailed in this report. Insufficient controls in these areas can increase the risks of fraudulent activity with significant financial loss for the City.

DETAILS

Potential Duplicate Invoice Payments

There is a risk that duplicate invoices may be issued by suppliers, fraudulently or by mistake, and that they are paid without being identified and / or credited. The City's data analytics program analyses information in the City's accounts payable ledger to identify potential duplication of payments against the following six core assumptions:

- 1 Supplier ID.
- 2 Supplier Name.
- 3 Physical Invoice Number.
- 4 Invoice Date.
- 5 Invoice Amount (including GST).
- 6 Invoice Comment.

For the financial year 2017-18 the data analytics identified 267 potential duplicate payments valued at \$154,586.32 (GST inclusive). Further examination revealed that 257 of these payments presented a result by identifying matches against the physical invoice number, invoice date, invoice amount and in some instances the invoice comment. However, these proved to be false positives as they did not provide a match with the same supplier name or supplier ID and could be eliminated as duplicate invoice payments. Examples of such payments include councillor allowances, grants and awards, reimbursements, dog registration refunds and impound waiver fees.

The remaining ten results valued at \$20,770.44 (GST inclusive) included five supplier matches against all six core assumptions and were duplicate invoice payments. Further examination revealed that on all occasions the duplicate invoice payments were identified and credited back to the City.

A further review was undertaken for the financial year 2018-19 and from 1 July 2019 to 30 April 2020. For 2018-19, 137 potential duplicate payments were identified however 135 of these proved to be false positives and could be eliminated. The remaining two invoices related to different suppliers which, coincidentally, had the same invoice number and the same invoice amount, and were therefore not duplicate invoices.

For 2019-20, 116 potential duplicate payments were identified. However, 113 of these proved to be false positives and could be eliminated. Examination of the remaining three payments confirmed that they were duplicate invoice payments valued at \$118.80, \$1,214.13 and \$6,548.98. All three payments had been credited back to the City.

Enquiries with Financial Services revealed that they had identified the duplicate invoice payments during the reconciliation of monthly supplier statements.

The audit report concluded that the duplicate invoice payments were minor and had been recouped by the City. However, the report included the following recommendation and management response:

“Recommendation

Although the amount of duplicate invoice payments detected for the period under review was very minor and subsequent recoupment was made, the City should determine if there are any system weaknesses that enabled duplicate invoice payments to be made. Where necessary, appropriate system improvements should be made.

Management Comments / Action

There is a built-in validation mechanism within Technology One [City's finance system] that prevents the use of the same invoice number. The positive results identified in the audit, while quite minor as a percentage of the total volume of invoices transacted in that period, raised a concern about whether this mechanism is operating as expected. The validation occurs in the invoice data entry screen after a number is entered into the invoice number field and the user attempts to save the document. Technology One compares the number entered to previous invoice numbers held within an accounts payable document register linked to the particular accounts payable invoice format. On investigation, it appears that one of the invoice formats in Technology One points to a different AP [accounts payable] document register compared to most of the other invoice entry formats. As a result, the validation occurring appears to be confined to the document register to which this format is attached. This is obviously not ideal and is being investigated with the necessary system amendments expected to be processed shortly to ensure that all the invoice formats are pointed to the same document register in Technology One to enable the validation to operate appropriately."

The validation error has been identified as a system setting anomaly which has been rectified following consultation with the software provider.

This audit will be conducted again during 2020-21 and has been added to the *Internal Audit Plan*.

Controls Over Changes to Suppliers' Bank Account Details

During January 2017 the City was the subject of a fraud committed through the provision of false bank account details being provided for a genuine supplier. This resulted in three invoices totalling \$106,590 being paid by electronic funds transfer to the false bank account. The City was alerted through contact from the genuine supplier and the City immediately contacted the banks involved. An amount of \$41,979 was recovered from the false account and the balance, less \$5,000 excess, was recovered through the City's insurance policy. Control improvements were made, and procedures and processes reinforced. The matter was reported to the former Audit Committee at the meeting held on 7 August 2017.

The City's data analytics program analyses accounts payable information to identify changes made to suppliers' bank account details that have subsequently been changed back to the original value. Such changes to bank account details may be suspicious and can indicate potential fraudulent activity, particularly where payments have been made to the supplier between the account changes. A sample of these suppliers were selected for testing to determine if the original and subsequent changes to the suppliers' bank account details were legitimate, and that the appropriate controls and authorisations were applied by accounts payable staff in compliance with internal procedures.

In addition to this, the Internal Auditor requested that Financial Services provide a list of all changes made to suppliers' bank account details during the 2018-19 financial year. A representative sample of these changes were selected for testing to determine if the appropriate controls and authorisations were applied when changing the bank account details.

The audit testing did not identify any anomalies and the audit report concluded that appropriate systems and authorisations are in place to control changes made to suppliers' bank account details and mitigate the risk of fraudulent payments being made.

The report did not make any recommendations.

This audit will be conducted again during 2020-21 and has been added to the *Internal Audit Plan*.

Payments to Employees after Employment has Ceased

For various reasons payments, excluding normal pay, are made by the City to some employees after their employment with the City has ceased. An internal audit was undertaken using data analytics information to identify such payments for the 18 month period ending 31 May 2020, and to determine if the payments were valid and accurate.

The City's data analytics program analysed employee and payroll data and identified 55 payments made to employees after their employment with the City had ceased. The number of days between the employment end date and the payslip date ranged from 15 days to 385 days. The value of the payments totalled \$80,529.19 and ranged from \$90.77 to \$27,672.29. All the payments were examined in liaison with the City's Payroll and Human Resources Systems Administrator and it was confirmed that the payments were valid for the following reasons:

24 payments	Enterprise agreement backpay.
18 payments	Long service leave payout.
4 payments	Salary sacrifice reimbursement.
2 payments	Employment end date was entered incorrectly in Aurion and therefore should not have been included; date has been corrected.
2 payments	Annual leave payout.
2 payments	Negative values relating to invoices issued by the City to employees for benefits fraudulently obtained.
1 payment	Delayed payment due to waiting for advice from Executor.
1 payment	Delay in employment end notice advice to Payroll Services.
1 payment	Final payment delayed due to pending workers compensation claim.

A sample of the payments were selected for audit recalculation to determine if they were accurate. The Payroll and Human Resources Systems Administrator provided all relevant documentation to the Internal Auditor including resignation letters, internal memoranda, emails, cheques, receipts and tax invoices from salary sacrifice providers and payroll data from Aurion (the City's human resources and payroll system). Audit review and recalculation confirmed the accuracy of the payments.

The audit report concluded that for the period under review, all payments made to employees after their employment with the City had ceased were valid and accurate.

The report did not make any recommendations.

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.

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

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

Risk management considerations

A lack of controls, or inconsistent application of controls, by the City within the areas subject to audit increases the risks of significant financial losses being incurred through error or fraudulent activity.

Financial / budget implications

Not applicable.

Regional significance

Not applicable.

Sustainability implications

Not applicable.

Consultation

Not applicable.

COMMENT

The City has controls in place, including data analytics testing, that mitigates the risk exposures in the areas subject to audit. The controls must be consistently applied and regularly reviewed to ensure they remain relevant and robust. The outcomes of the audits did not include any significant anomalies and indicated that appropriate levels of controls were in operation.

VOTING REQUIREMENTS

Simple Majority.

MOVED Cr Taylor, SECONDED Cr Hamilton-Prime that the Audit and Risk Committee NOTES the outcomes of the internal audits, as detailed in this Report.

The Motion was Put and

CARRIED (6/0)

In favour of the Motion: Crs McLean, Hamilton-Prime, Logan, Taylor, Thompson and Mr Thomas.

ITEM 2 COVID-19 INTERNAL AUDIT ACTIVITY

WARD	All
RESPONSIBLE DIRECTOR	Mr Garry Hunt Office of the CEO
FILE NUMBER	108687, 101515
ATTACHMENTS	Nil
AUTHORITY / DISCRETION	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 internal audit activity to occur during and after the COVID-19 pandemic.

EXECUTIVE SUMMARY

The *Audit and Risk Services Internal Audit Program* will continue although there will be a need to re-prioritise internal audit activities due to the impact of the COVID-19 pandemic (COVID-19). This report outlines the proposed internal audit activity during and after COVID-19 when operations are returning to relative normality.

It is therefore recommended that the Audit and Risk Committee NOTES the internal audit activity to occur during and after the COVID-19 pandemic, as detailed in this Report.

BACKGROUND

The City, like most other local governments, has taken actions to respond to the impacts that COVID-19 is having on its operations, communities and local businesses. Resources have been re-prioritised and diverted in order to maintain operations, deliver essential services and meet other needs of the community and local businesses. This included the closure of City facilities, ceasing of some services and operations, reducing the workforce, relocating some parts of the workforce and significantly increasing remote working arrangements.

Whilst such actions and arrangements are necessary and inevitable to maintain a level of service, they do present enhanced risk exposures for the City. Extra vigilance is required as these new ways of working can result in normal controls and checks and balances being reduced or bypassed.

DETAILS

The Chief Executive Officer called a meeting on 6 March 2020 to coordinate the City's actions in order to respond to COVID-19. A Crisis Management Team was established in accordance with the City's *Consolidated Business Continuity Plan* with the following membership:

- Chief Executive Officer (Chairperson).
- All Directors.
- Manager Asset Management.
- Manager Audit and Risk Services.
- Manager Human Resource Services.
- Manager Information Technology.
- Manager Leisure and Cultural Services.
- Manager Library Services and Community Development (since 8 April 2020).
- Acting Manager Communications and Stakeholder Relations.
- Acting Media Advisor.
- Principal Environmental Health Officer (key contact with the Department of Health).
- Risk and Business Continuity Advisor.
- Executive Assistant to the Chief Executive Officer.

From 16 March 2020 to 9 April 2020 daily meetings were held to address issues arising, detail recent actions taken and allocate future actions and responsibilities. From 14 April 2020 the meetings were held twice weekly for two weeks, then one day a week.

The issues and actions related to COVID-19 that are discussed by the Crisis Management Team are broadly identified across, but not limited to, the following areas:

- City buildings and property.
- Council.
- Customer service.
- Economic development.
- Finance.
- Fleet.
- Human resources.
- Information technology.
- Liaison with Western Australian Police.
- Media.
- Response and recovery.
- Service delivery (including closure of facilities).
- Waste management.

Notes are maintained for every meeting and include the proposed actions and the City officer responsible for implementing the action. An actions list and timeline document is maintained by the Risk and Business Continuity Advisor which details the Crisis Management Team's timeline of activities and the evidence of actions undertaken.

Issues and options considered

Some impending internal audits as detailed in the annual *Internal Audit Program* have been delayed, re-scheduled or cancelled. However ongoing audits and outstanding items related to fraud, corruption and misconduct risks have continued as normal, particularly as they pre-date COVID-19.

Internal audit activity will be redirected to focus on critical actions proposed and discussed by the Crisis Management Team to determine if they have been appropriately actioned, including amendments to legislation, but not limited to, the following areas:

- Raising tender threshold to \$250,000.
- New tender exemption for purchase required during a state of emergency declaration.
- Extension or renewal of existing contracts which are due to expire.

- Ease of process for the movement and use of reserve funds.
- Borrowing of money while a state of emergency declaration is in force.
- Notice of exemptions for planning and development.
- Modifications or suspension of legislative provisions (including local laws).

Audit activity has also been directed to review the risks associated with new arrangements introduced to maintain business continuity and deliver services, including relocation of the workforce and working from home arrangements.

COVID-19 internal audit activity will continue during and post COVID-19, with identified risks and recommendations for improvement being made as and when appropriate and reported to the Chief Executive Officer.

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.

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

Policy Not applicable.

Risk management considerations

The changes required to maintain business continuity and deliver services present enhanced risk exposures for the City, including:

- proposed and discussed actions by the Crisis Management Team are not actioned appropriately or in a timely manner
- key controls are reduced, ignored or easily exploited for fraudulent or malicious activity. Key controls include, but are not limited to, financial systems such as ordering and invoicing and security of information technology and working from home arrangements
- COVID-19 is used within the City as an excuse to delay, postpone or cancel required ongoing actions and responsibilities
- new or amended legislation is applied inappropriately, such as using the increased tender thresholds or new tender exemptions for purchases that are not required during a state of emergency.

Financial / budget implications

Not applicable.

Regional significance

Not applicable.

Sustainability implications

Not applicable.

Consultation

Not applicable.

COMMENT

On 2 April 2020, a media release from the Corruption and Crime Commission “cautions WA public sector agencies who are urgently diverting resources to the COVID-19 response and making plans for employees to work remotely, that there is a risk that checks and balances built into their usual workplace practices may be compromised or undone.

The Commission encourages all Directors General, managers and supervisors to ensure good systems, processes, and controls are not over-looked whilst government is working in different ways.

All public sector agencies must continue to demonstrate the highest standards of integrity while also adapting and finding creative solutions to deliver government services in the current environment.”

The Auditor General also commented that “good business governance and controls can be at risk during times of disruption, particularly in environments of crisis and urgent response. There are some who will seek to take advantage of any sense of chaos for their own interests.”

VOTING REQUIREMENTS

Simple Majority.

MOVED Cr Hamilton-Prime, **SECONDED** Cr Logan that the Audit and Risk Committee **NOTES** the internal audit activity to occur during and after the COVID-19 pandemic, as detailed in this Report.

The Motion was Put and

CARRIED (6/0)

In favour of the Motion: Crs McLean, Hamilton-Prime, Logan, Taylor, Thompson and Mr Thomas.

ITEM 3 AUDIT AND RISK SERVICES PROGRAM 2020-21 AND 2019-20

WARD	All
RESPONSIBLE DIRECTOR	Mr Garry Hunt Office of the CEO
FILE NUMBER	49586, 101515
ATTACHMENTS	Attachment 1 2020-21 Program Attachment 2 2019-20 Program Status Update
AUTHORITY / DISCRETION	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 *Audit and Risk Services Program 2020-21* (which includes the *Internal Audit Program*) and the status of the *Audit and Risk Services Program 2019-20*.

EXECUTIVE SUMMARY

The *Audit and Risk Services Program* (the 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 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 2020-21 (which includes the Internal Audit Program) and the status of the Audit and Risk Services Program 2019-20 forming Attachments 1 and 2 to this Report.

BACKGROUND

The Program is developed to undertake the following services and is informed by the Audit and Risk Committee, legislation, data analytics program and external oversight agencies:

Statutory Services

- Audit and Risk Committee management and reporting.
- Submission of compliance audit return.
- Provision of gift registers.
- Reporting of serious and / or minor misconduct.
- Provision of public interest disclosure function.

Discretionary Services

- *Internal Audit Program.*
- Risk management and business continuity.
- Integrity and conduct controls.
- Executive support service.

The assumptions of 'business as usual' have been maintained, with the addition of the *COVID-19 Internal Audit Activity Program*.

DETAILS

2020-21 Program

The 2020-21 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 Program.*
- 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.

Specific activities are outlined in Attachment 1 to this Report.

2019-20 Program

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

Some internal audits as detailed in the *2019-20 Internal Audit Program* have been delayed, rescheduled or cancelled due to the need to develop the *COVID-19 Internal Audit Activity Program*. However ongoing audits and outstanding items related to fraud, corruption and misconduct risks have continued as normal, particularly as they pre-date COVID-19.

Internal audit activity has been redirected to focus on critical actions proposed and discussed by the City's Crisis Management Team to determine if they have been appropriately actioned and includes amendments to legislation. This audit activity will also review the risks associated with new arrangements introduced to maintain business continuity and deliver services, including relocation of the workforce and working from home arrangements.

COVID-19 internal audit activity will continue during and post COVID-19, with identified risks and recommendations for improvement being made as and when appropriate and reported to the Chief Executive Officer.

Legislation / Strategic Community Plan / Policy implications

Legislation	Section 5.89A of the <i>Local Government Act 1995</i> .
	Regulation 34B of the <i>Local Government (Administration) Regulations 1996</i> .
	Regulations 14, 15 and 17 of the <i>Local Government (Audit) Regulations 1996</i> .
	Division 3, Subdivision 3 of the <i>Corruption, Crime and Misconduct Act 2003</i> .
	<i>Public Interest Disclosure Act 2003</i> .

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. The changes required to maintain business continuity and deliver services as a result of the COVID-19 pandemic presents enhanced risk exposures for the City.

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.

The Program also assists the Chief Executive Officer (as Principal Officer) to comply with the *Corruption, Crime and Misconduct Act 2003* and *Public Interest Disclosure Act 2003*.

VOTING REQUIREMENTS

Simple Majority.

MOVED Cr Logan, **SECONDED** Cr Hamilton-Prime that the Audit and Risk Committee **NOTES** the *Audit and Risk Services Program 2020-21* (which includes the Internal Audit Program) and the status of the *Audit and Risk Services Program 2019-20* forming Attachments 1 and 2 to this Report.

The Motion was Put and

CARRIED (6/0)

In favour of the Motion: Crs McLean, Hamilton-Prime, Logan, Taylor, Thompson and Mr Thomas.

Appendix 1 refers

To access this attachment on electronic document, click here: [Attach1agnAUDIT200706.pdf](#)

ITEM 5 STATUS REPORT – BENEFITS MANAGEMENT PROGRAM

WARD	All
RESPONSIBLE DIRECTOR	Mr Garry Hunt Office of the CEO
FILE NUMBER	103906, 101515
ATTACHMENT	Attachment 1 Forecasted Benefits Management Schedule
AUTHORITY / DISCRETION	Information – includes items provided to the Council for information purposes only that do not require a decision (that is for ‘noting’).

PURPOSE

For the Audit and Risk Committee to receive an update on the City's *Benefits Management Program*.

EXECUTIVE SUMMARY

The City's dedicated and reportable program of service reviews, continuous improvement and innovation has been in place since 2013. An embedded program known as *Service Efficiency and Effectiveness Review Program* (SEERP). At its meeting held on 6 August 2019 the Audit and Risk Committee noted the change in name of the program from SEERP to *Benefits Management Program* (BMP). The rebranded program has expanded to capture more than reductions in expenditure. The program will monitor and report on benefits, as they occur, in the areas of financial benefits, environmental outcomes, societal outcomes and asset capability.

Since the program has been rebranded to BMP, forecasted benefits of \$936,419 are being monitored. This does not include the financial impacts of COVID-19.

It is therefore recommended that the Audit and Risk Committee NOTES the update of the Benefits Management Program for the period 1 January 2020 to 31 May 2020.

BACKGROUND

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 seven years, the City has embedded 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 modified the program to also include the capture and reporting of initiatives that deliver positive outcomes for the community beyond just reductions in expenditure. In recognition of this broader scope, the program was renamed the BMP with continued reporting through to the Audit and Risk Committee.

The capture of information under the SEERP program centred predominantly around operational savings, however, City activities and initiatives often realise benefits beyond just reduced expenditure. Moving from SEERP to BMP expanded the capture and monitoring of benefits realised through service reviews, improvement projects and initiatives to include:

- financial benefits
- environmental outcomes
- societal outcomes
- asset capability.

The additional information reported further enhances the evidence-based decision making at the City and supports informed discussions and decision on service delivery to the community.

DETAILS

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 City.

To further support these practices, 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 changes and significant cost variations. Proposal for change (for example resources, service levels, internal restructuring and processes) are to include the impacts to business and usual budget estimates. These 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 constraints) while maintaining customer needs and process improvement focus
- reviewing and recommending how the service should be best delivered (delivery model).

The intent of SEERP (and business as usual reviews) has remained unchanged as the program transitions to BMP. The BMP continues to guide the City in demonstrating effectiveness and efficiency of services provided. Reviews continue to be undertaken aimed at identifying opportunities for:

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

Benefits Management Program

When benefits are reported it is at the commencement of a service review, improvement project or initiative. At this point, they are forecasted benefits. Benefits may be realised incrementally throughout the life of service reviews, improvement projects or initiatives. Final benefits realisation occurs at the end of a service review, improvement project or initiative. Based on this, reporting is completed in these stages, forecasted and realised.

COVID-19 impacts have delayed the intended development in Quarter 4 2019/2020, for the development of an analytical reporting tool for real time monitoring of the Benefits Management Program. It is proposed that the development of this tool will be completed in-house and internal resources were required to support the organisation in the rapid transition to remote service delivery to ensure minimal disruption was experienced by the community during the initial phases of the pandemic. The manual reporting processes and systems have remained in place, and will continue to do so until the development, testing and ‘go live’ are deemed accurate and successful. It is currently anticipated that this work will now commence towards the end of Quarter 1 2020.

Summary of BMP achievements

The City has continued to demonstrate its commitment to service efficiency and improvement through iterative reviews of services and service levels.

For the period 1 January to 31 May 2020 there have been nine occurrences of benefits reported across six of the City’s 16 business units. Of the nine occurrences, benefits have fallen into the category of financial benefits.

Forecasted financial benefits as part of the business as usual programming for City service delivery, for the time period of 1 January 2020 to 31 May 2020 are \$157,636.

Through the Australasian Local Government Performance Excellence Program (ALGPEP), an industry developed benchmarking program, the City is recognised as one of the leanest local government participants in Australasia with a Full Time Employee (FTE) per 1,000 residents as 4.0 as demonstrated in Figures 1, 2, 3 and 4.

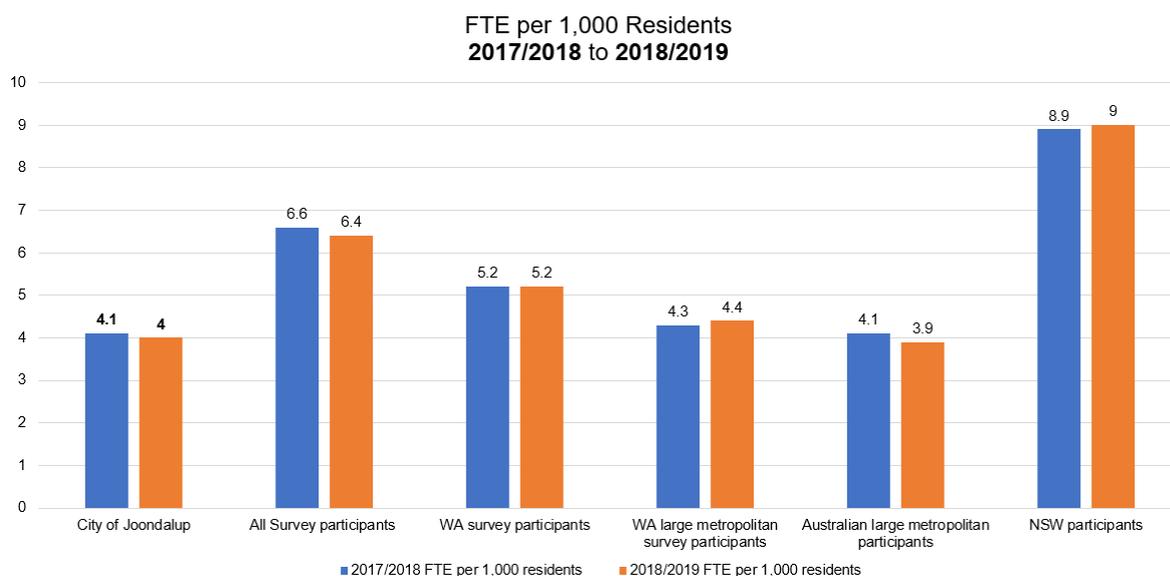


Figure 1. The City of Joondalup has one of the lowest number of employees per 1,000 residents when benchmarked against ALGPEP program participants in Australia and Australasia.

Source: Australasian Local Government Performance Excellence Program 2018/2019.

Employee cost per 1,000 residents
 Filtered by: Location: WA

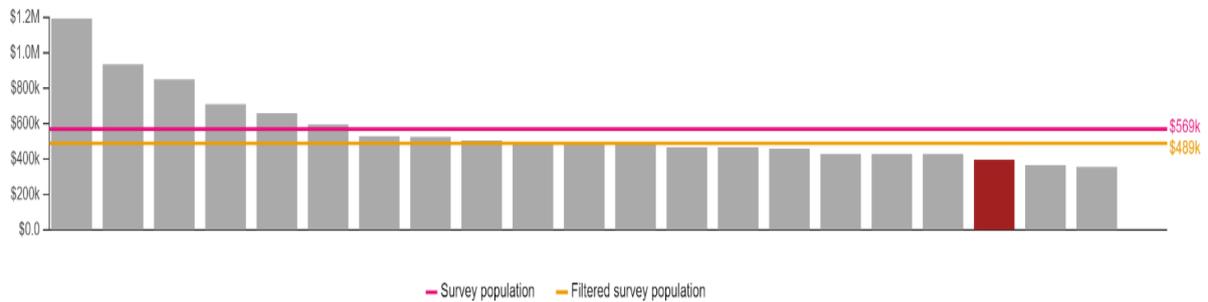


Figure 2. The City of Joondalup is ranked third lowest for number of employees per 1,000 residents when benchmarked against the WA ALGPEP program participants. Source: Australasian Local Government Performance Excellence Program 2018/2019.

FTE per 1,000 residents

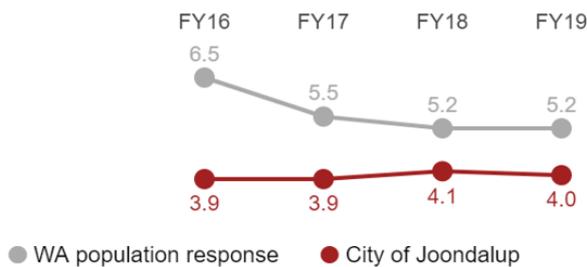


Figure 3. The City of Joondalup has demonstrated consistency in maintain low number of employees per 1,000 residents when benchmarked against the WA ALGPEP program participants for the past four years. Source: Australasian Local Government Performance Excellence Program 2018/2019.

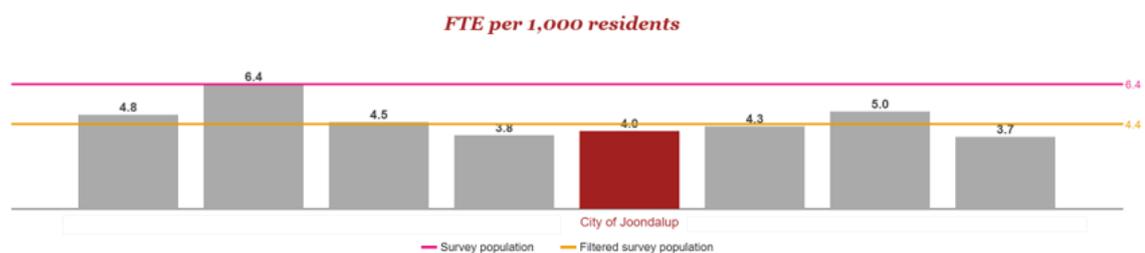


Figure 4. When compared to the WA large metropolitan local governments in the ALGPEP the City is ranked third lowest with 4.0 FTE. Source: Australasian Local Government Performance Excellence Program 2018/2019.

The City has been able to achieve this through its embedded continuous improvement programs, commitment and vision of staff to streamline services where possible and appropriate. An example is a review and resulting restructure of the Visual Arts program. The review identified an opportunity streamline services and reduce FTE by 0.4, a recurring annual saving of \$16,042.

Furthermore, the monthly review of the staff vacancy report in conjunction with service level reviews by Business Unit Managers has seen the City abolish 16 positions, totalling 12.46 FTE from 1 January 2020 to 31 May 2020. This has resulted in savings of \$1,179,289.

Part of these savings have been offset with the costs relating to two irrigation positions (total costs including on-costs of \$143,616) now forming part of a service delivery contract at a cost of \$110,000 which provides a true saving of \$33,616. The realised savings from the reduction of FTE levels provides a savings of \$1,145,673.

Innovation and the expanding use of technology where available, financially viable and legislatively possible, has seen the City move further into the online space. Following a trial period, online lodgement of building applications has been expanded to enable online lodgement 24/7 by all customers. Additionally, for those that continue to submit hard copy building applications, the City has commenced use of available technology to issue decisions electronically wherever possible, resulting in initial savings of approximately \$1,000 since commencement in March 2020.

Branch Librarians moved their meetings online during April as a result of the COVID-19 pandemic. Each Branch Librarian was provided with a webcam to facilitate the continuation of the leadership group meetings at their individual libraries. This has reduced travel time for staff saving approximately 40 minutes per meeting with a minimum of 12 meetings per year.

Data driven decision making and the use of analytics has seen changes trialled in the way midge larvae monitoring is undertaken. Informed decision making has enabled the City and partner agencies to adjust midge larvae sampling frequency based on historic data available, rather than arbitrary scheduling. The use of data to inform when midge larvae sampling is required, has reduced the number of sampling occasions and provided the City with a time saving, equivalent of approximately \$4,000 this financial year, that has been reallocated to environmental health related activities.

COVID-19 Financial Impacts

The global COVID-19 pandemic, declared as a State of Emergency in Western Australia on 23 March 2020, significantly disrupted and impacted the City's service delivery. Federal and State directives forced the closure of a number of City facilities; either ceasing or restricting service delivery. The closure of the Leisure Centres and the City's Libraries saw the casual workforce no longer offered work for the closure period. Casual staff engaged through Infrastructure Services for activities such as cleaning of city facilities were not required due to closures. Not expending the allocated budget for these three service areas during the closure period is estimated to reduce employee costs by \$1,632,077. This will not be finalised until the end of the financial year.

Additionally, the inability of the City to hold part of the scheduled 2019-20 event program due to COVID-19 has reduced anticipated and budgeted operating costs. An example of some of these events are listed below:

- Civic Functions
- Citizenship ceremonies
- Joondalup Festival
- Sunday Serenades
- Music in the Park
- Urban Couture
- Youth Centre programs
- Community programmed activities ie. Defeat the Beat, Youth Centre programs.

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.

Policy 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. The City embraces best practice principles such as the Australian Business Excellent Framework and continually reviews its services, activities and programs to support the financial viability of the City and keep costs at minimal levels at all opportunities.

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 Logan, **SECONDED** Cr Hamilton-Prime that the Audit and Risk Committee **NOTES** the update of the Benefits Management Program for the period 1 January 2020 to 31 May 2020.

The Motion was Put and

CARRIED (6/0)

In favour of the Motion: Crs McLean, Hamilton-Prime, Logan, Taylor, Thompson and Mr Thomas.

Appendix 2 refers

To access this attachment on electronic document, click here: [Attach2agnAUDIT200706.pdf](#)

Disclosures of interest affecting impartiality

Name/Position	Mr Garry Hunt, Chief Executive Officer.
Item No./Subject	Item 4 - Confidential - Chief Executive Officer's Credit Card Expenditure (January to March 2020).
Nature of interest	Interest that may affect impartiality.
Extent of Interest	The Chief Executive Officer is the card holder.

ITEM 4 CONFIDENTIAL – CHIEF EXECUTIVE OFFICER'S CREDIT CARD EXPENDITURE (JANUARY TO MARCH 2020)

WARD	All
RESPONSIBLE A/DIRECTOR	Mr Mat Humfrey Corporate Services
FILE NUMBER	09882
ATTACHMENT	Attachment 1 Chief Executive Officer's Credit Card Expenditure – Quarter Ended 31 March 2020 (Please Note: <i>The Report and Attachment is confidential and will appear in the official Minute Book only</i>)
AUTHORITY / DISCRETION	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

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

- *a matter affecting an employee.*

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

MOVED Cr Logan, SECONDED Cr Hamilton-Prime 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 2020.

The Motion was Put and

CARRIED (6/0)

In favour of the Motion: Crs McLean, Hamilton-Prime, Logan, Taylor, Thompson 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 7.00pm; the following Committee Members being present at that time:

Cr Tom McLean, JP
Cr Christine Hamilton-Prime
Cr John Logan
Cr Philippa Taylor
Cr Suzanne Thompson
Mr Richard Thomas