

minutes

Audit and Risk Committee

MEETING HELD ON

MONDAY 9 AUGUST 2021

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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 MONDAY 9 AUGUST 2021.

ATTENDANCE

Committee Members

Cr Tom McLean, JP	<i>Presiding Member</i>	
Cr Christopher May		<i>from 6.10pm</i>
Cr Philippa Taylor		<i>from 5.47pm</i>
Cr Suzanne Thompson		
Cr John Logan		
Cr Christine Hamilton-Prime, JP	<i>Deputy Presiding Member</i>	<i>from 5.47pm</i>
Mr Richard Thomas	<i>External Member</i>	
Cr John Raftis	<i>Deputising for Cr Hamilton-Prime</i>	<i>to 5.47pm</i>

Observers

Cr John Raftis	<i>from 5.47pm</i>
	<i>absent from 7.29pm to 7.30pm</i>
Cr Russell Poliwka	<i>from 6.12pm</i>
	<i>absent from 7.23pm to 7.26pm</i>
	<i>absent from 8.04pm to 8.08pm</i>

Officers

Mr James Pearson	Chief Executive Officer	
Mr Mat Humfrey	Director Corporate Services	
Ms Christine Robinson	Manager Audit and Risk Services	
Mrs Vivienne Stampalija	Governance Coordinator	
Mr Peter McGuckin	Internal Auditor	
Ms Jodie Dutton	Analytics Lead	<i>to 7.59pm</i>
Mrs Natasha Mossman	Governance Officer	

ACKNOWLEDGEMENT OF TRADITIONAL CUSTODIANS

Prior to the opening of the Audit and Risk Committee meeting, the Presiding Member acknowledged the traditional custodians of the land.

DECLARATION OF OPENING

The Presiding Member declared the meeting open at 5.45pm.

DECLARATIONS OF FINANCIAL INTEREST / PROXIMITY INTEREST / INTEREST THAT MAY AFFECT IMPARTIALITY

Disclosures of Financial Interest / Proximity Interest

Nil

Disclosures of interest affecting Impartiality

Elected Members (in accordance with clause 22 of Schedule 1 of the *Local Government [Model Code of Conduct] Regulations 2021*) 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 their interest.

Name / Position	Cr Christine Hamilton-Prime, JP.
Item No. / Subject	Item 6 - Confidential - Chief Executive Officer's Credit Card Expenditure Report (April - June 2021).
Nature of Interest	Interest that may affect impartiality.
Extent of Interest	Cr Hamilton-Prime is listed as attending lunch at Parliament House café during the ALGA trip to Canberra with the Chief Executive Officer on 23 June 2021.

APOLOGIES AND LEAVE OF ABSENCE

Apologies

Hon. Mayor Albert Jacob, JP

CONFIRMATION OF MINUTES

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING HELD ON 2 MARCH 2021

MOVED Cr Thompson, **SECONDED** Cr Logan that the Minutes of the Audit and Risk Committee Meeting held on 2 March 2021 be confirmed as a true and correct record.

The Motion was Put and

CARRIED (5/0)

In favour of the Motion: Crs McLean, Logan, Raftis, 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.

PETITIONS AND DEPUTATIONS

Nil

REPORTS

ITEM 1 **CONFIDENTIAL - 2019-20 OFFICE OF THE AUDITOR GENERAL INFORMATION SYSTEMS AUDIT**

WARD	All
RESPONSIBLE DIRECTOR	Mr James Pearson Office of the CEO
FILE NUMBERS	106169, 101515
ATTACHMENTS	Attachment 1 2019-20 Audit Findings
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)(f)(ii) of the *Local Government Act 1995*, which also permits the meeting to be closed to the public for business relating to the following:

- (f) *a matter that if disclosed, could be reasonably expected to –*
 - (ii) *endanger the security of the local government's property.*

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

Cr Hamilton-Prime entered the room at 5.47pm.

Cr Taylor entered the room at 5.47pm.

Cr May entered the room at 6.10pm.

Cr Poliwka entered the room at 6.12pm.

MOVED Cr Hamilton-Prime, SECONDED Cr May that the Audit and Risk Committee NOTES the findings identified during the Office of the Auditor General Information Systems Audit for the period 1 July 2019 to 30 June 2020 as detailed in this Report.

The Motion was Put and

CARRIED (7/0)

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

ITEM 2 INTERNAL AUDIT OUTCOMES - PAYROLL PROCESSES FOR SUPERANNUATION CONTRIBUTIONS

WARD	All
RESPONSIBLE DIRECTOR	Mr James Pearson Office of the CEO
FILE NUMBERS	105279, 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 internal audit into payroll processes for superannuation contributions.

EXECUTIVE SUMMARY

The Town of Cambridge identified an issue relating to the alleged overpayment of additional superannuation contributions to a former Chief Executive Officer and six former senior employees. Elected members raised the matter with the City's Chief Executive Officer to determine if the issues identified at the Town of Cambridge also applied at the City. The Chief Executive Officer advised the Elected Members that an internal audit will be undertaken to provide independent assurance that the issue did not exist at the City.

The *Audit and Risk Services Program* sets out the program of audits to guide the work of the Internal Auditor, with the *2020-21 Internal Audit Program* including an audit of payroll processes. An internal audit was undertaken to determine if employee superannuation contributions and employer superannuation contributions, including extra or matching contributions, are compliant with contractual and legal obligations.

The financial years 2017-18, 2018-19, 2019-20 and 2020-21 (to May 2021) were selected as the period subject to review and included the following employees:

- Chief Executive Officer.
- All Directors.
- All Managers.
- Sample of current City employees (employed under Enterprise Agreements).
- Former Chief Executive Officer.
- Former Director Corporate Services.
- Former Managers (within the period subject to review).

The internal audit report dated 9 June 2021 concluded that superannuation payments were compliant with contractual and legal obligations. However, an issue was identified that resulted in the City making overpayments of the employer superannuation guarantee for some employees when they had changed their superannuation fund. This Report provides the results of the internal audit.

It is therefore recommended that the Audit and Risk Committee NOTES the outcomes of the Internal Audit into payroll processes for superannuation contributions as detailed in this Report.

BACKGROUND

A press release by the Town of Cambridge on 28 April 2021 revealed that the Town had become aware that additional superannuation contributions of \$99,407.41 had allegedly been made to the former Chief Executive Officer despite there not being a contractual obligation to do so. An internal audit was commenced by the Town of Cambridge and it identified alleged overpayments totalling \$193,763.52 to six former senior employees. The Town of Cambridge requested that the former Chief Executive Officer and the six former senior employees repay the additional amounts that total \$293,170.93. The request was declined, and the Town of Cambridge received legal advice that the statute of limitations allowed the Town of Cambridge only to commence legal action regarding the overpayments in the previous six years. The limitation reduced the recoverable amount to \$85,923.36.

Elected members of the City of Joondalup raised this issue with the Chief Executive Officer to establish if this is a local government issue and if the City is confident that salary packaging arrangements comply with contractual and legal obligations. The Chief Executive Officer informed elected members that the Internal Auditor will commence an audit in May 2021.

DETAILS

The City is required by the *Superannuation Guarantee (Administration) Act 1992* (the Act) to pay superannuation contributions on behalf of eligible employees. The rate (at the time of the audit) of 9.5% became effective from 1 July 2014 and therefore applies to the four financial years subject to this review. The current rate from 1 July 2021 is 10%.

Most of the City's employees are covered by Enterprise Agreements which includes the City's obligations for paying extra and matching employer superannuation contributions.

For the purposes of this Report the following employees are referred to as senior employees (who are not covered by these Enterprise Agreements) and have individual maximum term contracts which include their salary packaging arrangements. These employees can elect to pay extra superannuation contributions and / or salary sacrifice a portion of their salary, however the City is not required to pay extra or matching contributions above the 9.5% employer's contribution required by the Act:

- Chief Executive Officer.
- All Directors.
- All Managers.
- Former Chief Executive Officer.
- Former Director Corporate Services.
- Former Managers.

Payroll and employee data for the four years subject to review was provided to the Internal Auditor by Human Resources, and was examined to determine the following:

- 1 The City's superannuation guarantee contributions for current and former senior employees were compliant with contractual and legal obligations.
- 2 The City's superannuation guarantee contributions and any extra employer matching contributions were compliant with Enterprise Agreements and legislation.

The audit found no evidence that the issues alleged to have occurred at the Town of Cambridge exist at the City. Superannuation contributions made by the City for all employees were compliant with the Act, the individual contracts for senior employees and the Enterprise Agreements covering all other employees.

Overpayments by the City of Employer Superannuation Guarantee to Employees

While compiling data for the audit, Human Resources identified an error where an overpayment of the employer superannuation guarantee was made by the City for a former Manager. The former Manager elected to change superannuation funds, however an incorrect end date for the old fund was entered into the payroll system which then overlapped with the start date of the new fund. This resulted in the City paying the 9.5% superannuation guarantee contribution of \$616.95 to both funds for fortnight ending 22 February 2019. The City is in the process of seeking reimbursement of \$616.95 from the former Manager.

To prevent future occurrences of this issue Human Resources implemented a new alert system which detects any cross-over of dates for superannuation fund start and end dates and any duplicate employer superannuation contributions.

It was decided that further audit testing was required to determine if overpayments of the employer superannuation guarantee was made by the City for other employees when the employee changed their superannuation fund. Human Resources provided the Internal Auditor with details of all current and former employees who had changed their superannuation fund within the period subject to review. An audit sample of 10%, that is 12 employees, was selected for testing. This revealed that the City had paid 28.5% superannuation guarantee for one former employee in the pay period when their superannuation fund had changed, that is three times more than what was required to be paid by the City, an overpayment of \$619.38. An incorrect end date had been entered for the first superannuation fund which overlapped with the start date of the new superannuation fund. It is unclear how this resulted in three amounts of the employer superannuation guarantee being paid.

Given the results of audit testing the City will examine all superannuation guarantee payments made for employees who had changed their superannuation fund to determine if any other overpayments were made.

Current and Former Senior Employees' Superannuation Contributions

Review of payroll data revealed that only three current senior employees voluntarily pay extra superannuation contributions or salary sacrifice a portion of their salary. Examination of payroll data, including review of year end pay advices, revealed that the City contributed 9.5% employer contributions to all former and current senior employees as required by the Act. The City did not make any matching or extra contributions for any former or current senior employee, including those who voluntarily make extra contributions.

Employee and Employer Extra Superannuation Contributions

With the exception of senior employees, all employees of the City fall under one of the following four Enterprise Agreements:

- 1 Outside Workforce Enterprise Agreement 2018.
- 2 Inside Workforce Enterprise Agreement 2018.
- 3 Building Maintenance Enterprise Agreement 2016.
- 4 Leisure Centres Casual Workforce Enterprise Agreement 2016.

All the Agreements include clauses for the receipt of superannuation entitlements in accordance with the Act, that is employer contribution of 9.5% for eligible employees. In addition, Agreements one to three include entitlements for employees voluntarily making extra contributions and the percentage that will be matched by the City. The City's contribution is based on the date of commencement of employment as follows:

- Commenced employment prior to 26 March 2002. Eligible employees under Agreements one to three above who voluntarily contribute up to 6% to superannuation will have their contribution matched by the City. Under Agreement number two, once an employee contributes 5% or more the City will contribute 6%.
- Commenced employment on or after 26 March 2002. Eligible employees who voluntarily contribute up to 5% to superannuation will have their voluntarily contribution matched by the City up to a maximum of 5%.

The Internal Auditor requested a report from Human Resources that included all employees falling under the Enterprise Agreements that detailed the percentage of superannuation guarantee contributions made by the City, extra contributions made by the employee and extra contributions made by the City for the employee.

A representative sample of 24 employees was selected covering all the Enterprise Agreements and the years subject to review. Human Resources were requested to provide end of year pay advices for the employees included in the sample. The payroll information was examined to determine if employer and employee superannuation contributions were compliant with the City's Enterprise Agreements and the Act.

Examination of the superannuation report and the employee pay advices revealed that:

- the City made 9.5% superannuation guarantee contributions for all eligible employees as required by the Act
- the City made matching or extra contributions for employees who voluntarily made extra superannuation contributions in compliance with the Enterprise Agreements
- the City did not make any matching or extra superannuation contributions for employees who did not make extra voluntary contributions.

Legislation / Strategic Community Plan / Policy implications

Legislation *Local Government (Audit) Regulations 1996.
Superannuation Guarantee (Administration) Act 1992.*

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 cross 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

The City monitors reports by other agencies, particularly those relating to the local government sector, to determine if the issues being identified may also present risk exposures for the City. When necessary the appropriate action is taken to mitigate any risks and improve the control environment.

This audit activity provides 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.

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. The alleged issues identified at the Town of Cambridge relating to extra superannuation payments being made to senior employees do not exist at the City.

However, the internal audit did reveal issues that resulted in the City making one-off overpayments of the employer superannuation guarantee to some employees when they changed their superannuation fund. The City is examining all superannuation guarantee payments made for employees who had changed their superannuation fund to determine if any other overpayments were made. Appropriate action will be taken to improve controls and prevent future overpayments being made when an employee changes their superannuation fund. The City will also attempt to recoup any overpayments from current or former employees where appropriate.

VOTING REQUIREMENTS

Simple Majority.

MOVED Cr May, SECONDED Cr Logan that the Audit and Risk Committee NOTES the outcomes of the Internal Audit into payroll processes for superannuation contributions as detailed in this Report.

The Motion was Put and

CARRIED (7/0)

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

BACKGROUND

The 2020-21 *Internal Audit Program* includes audits of payroll processes, a number of which have been completed. During an internal audit of payroll processes for superannuation contributions, which included a focus on senior employees, an issue was identified relating to payments of accrued leave being made to senior employees on termination of employment.

It was determined that the audit should not be limited to the initial scope and that the issue required internal audit focus, which also broadened audit coverage for payroll processes included in the 2020-21 *Internal Audit Program*.

DETAILS

For various reasons payments, excluding normal pay, are made by the City to some senior employees, during, or after their employment with the City has ceased. An internal audit was undertaken for the financial years 2017-18, 2018-19, 2019-20 and 2020-21 (to May 2021) to determine if the payments were valid and accurate.

Payroll and employee data for the four years subject to review was provided to the Internal Auditor by Human Resources. The data was examined to determine if extra payments and / or final payments made to current and former senior employees were legitimate.

The audit found that all payments were legitimate, however, it was revealed that some senior employees had significant accrued annual leave and long service leave when leaving employment with the City.

Contracts for Directors and Managers do not define excessive leave, however, include the subclause, "*The Local government may reasonably require the Officer to take any accrued annual leave in accordance with the FW [Fair Work] Act.*"

The current and former Chief Executive Officer's contracts include the following clause:

"14.1 (c) *The Executive must take annual leave regularly to prevent more than 8 weeks of annual leave accruing at any time. In the event the Executive has annual leave accrued beyond 8 weeks, the Council may direct the Executive to take the amount of leave accrued in excess of 8 weeks, on giving the Executive four (4) weeks' notice. The Executive agrees to comply with such a direction.*"

Note that the City's Enterprise Agreements for Inside Workforce, Outside Workforce, and Building Maintenance define excessive leave as an employee who has accrued more than eight weeks paid annual leave. The Agreements include clauses stating that the City and employee may seek to confer with each other to try to reach agreement on how to reduce or eliminate the excessive leave accrual.

Extra Payments Made to Current and Former Senior Employees

A review of all payments made to current and former senior employees identified some gross fortnightly payments that were greater than normal. A sample of 10 of these payments were selected for further examination. Human Resources provided the Internal Auditor with payroll data for the sample including Aurion (payroll system) screen shots showing payment and deduction codes, letters, invoices, memorandums, and emails relevant to each payment.

Examination of payroll data revealed that payments to these employees were legitimate and in accordance with contractual obligations. The payments related to refunds for car lease arrangements, backdated salary increases, higher duties and study assistance.

Final Payments Made to Former Senior Employees

During the period subject to review eight senior employees left employment with the City. Payroll data including Aurion (payroll system) screen shots, letters, invoices, memorandums, and emails relevant to each payment was examined to determine if final payments made to these employees were legitimate.

Examination of payroll data revealed that the payments made to eight former senior employees were legitimate and in accordance with contractual obligations.

The amount of annual leave and long service leave accrued by some senior employees at the termination of their employment may be considered excessive, examples of this include the following:

- 8.6 weeks accrued annual leave and 26 weeks accrued long service leave.
- 8.14 weeks accrued annual leave and 14.5 weeks accrued long service leave.
- 16.86 weeks accrued annual leave and 19.5 weeks accrued long service leave.

The former Chief Executive Officer had accrued annual leave in excess of eight weeks at the end of the contract. To prevent excessive leave being accrued by the current Chief Executive Officer a possible solution may be to include the status of the Chief Executive Officer's leave as an item at meetings of the Chief Executive Officer Recruitment and Performance Review Committee.

The following audit recommendations have been accepted:

- The City consider defining excessive leave within future contracts for all senior employees.
- The City improve the monitoring of leave accruals by senior employees to identify excessive leave and, where appropriate, initiate action to reduce or eliminate any excessive leave accruals.

Legislation / Strategic Community Plan / Policy Implications

Legislation *Local Government (Audit) Regulations 1996.*
Superannuation Guarantee (Administration) Act 1992.

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 cross 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

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.

This audit has identified risk exposures through the accrual of excessive leave which includes financial liability for the City and health and welfare risks for employees. In certain circumstances excessive accrued leave may also be considered as a red flag for fraudulent behaviour.

Audit recommendations have been accepted by the Chief Executive Officer and are in the process of being implemented.

This audit activity also provides 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.

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. Improvements are being made to address the issues relating to excessive leave being accrued by senior employees.

VOTING REQUIREMENTS

Simple Majority.

Cr Poliwka left the room at 7.23pm and returned at 7.26pm.

Cr Raftis left the room at 7.29pm.

MOVED Cr Hamilton-Prime, SECONDED Cr May that the Audit and Risk Committee NOTES the outcomes of the Internal Audit into payments made to current and former senior employees as detailed in this Report.

The Motion was Put and

CARRIED (7/0)

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

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, as has the addition of the *COVID-19 Internal Audit Activity Program* which was developed to focus on critical actions proposed and discussed by the City's Crisis Management Team to determine if they have been appropriately actioned. 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.

DETAILS

2021-22 Program

The 2021-22 program includes actions and projects for the following:

- *Internal Audit Program.*
- *Risk Management Program.*
- *Business Continuity Program.*
- Integrity and conduct controls.

These actions and projects will be undertaken by the:

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

A new position of Integrity Officer has received approval from the Chief Executive Officer. The need for this position is to be able to assist the business unit to undertake activities associated with the service of *integrity and conduct controls* which has the objective *to enhance organisational culture to support ethical conduct*. This new service was established in 2019-20 without additional resourcing, however over the past two financial years, the actions to address this gap in resourcing has proven to not be sustainable long-term.

Specific activities are outlined in Attachment 1 to this Report.

2020-21 Program

The status of the work program for 2020-21 is outlined in Attachment 2 to this Report.

Some internal audits as detailed in the *2020-21 Internal Audit Program* have been delayed or rescheduled 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.

Legislation / Strategic Community Plan / Policy Implications

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

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 cross 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.

Enhanced risk management practices including the ongoing facilitation of reviews of risk registers and monitoring of overdue and / or non-compliance matters allows for continued oversight of risks the City is exposed to.

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.

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 which has resulted in an increase in the reporting of alleged serious and / or minor misconduct.

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.

Cr Raftis entered the room at 7.30pm.

MOVED Cr Logan, SECONDED Cr Hamilton-Prime that the Audit and Risk Committee NOTES:

- 1 the *Audit and Risk Services Program 2021-22* including the *Internal Audit Program* forming Attachment 1 to this Report;**
- 2 the status of the *Audit and Risk Services Program 2020-21* forming Attachment 2 to this Report.**

The Motion was Put and

CARRIED (7/0)

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

Appendix 1 refers

To access this attachment on electronic document, click here: [Attach1agnAUDIT210809.pdf](#)

ITEM 5 STATUS REPORT - BENEFITS MANAGEMENT PROGRAM

WARD	All
RESPONSIBLE DIRECTOR	Mr James Pearson Office of the CEO
FILE NUMBERS	103906, 101515
ATTACHMENT	Attachment 1 Forecast 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* for 2020-21.

EXECUTIVE SUMMARY

The City's dedicated and reportable program of service reviews, continuous improvement and innovation has been in place since 2013. At its meeting held on 6 August 2019 (Item 6 refers), the Audit and Risk Committee noted the change in name of the program from *Service Efficiency and Effectiveness Review Program (SEERP)* to *Benefits Management Program (BMP)*. The rebranded program was 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 as they arise.

Since the program has been rebranded to BMP, forecast benefits of \$936,419 are being monitored. The addition of the 2020-21 forecast benefits totalling \$642,937 brings the total to \$1,579,356. This does not include the financial impacts of COVID-19.

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 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 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 "*Benefits Management Program*" (BMP) with continued reporting through to the Audit and Risk Committee as noted at its meeting held on 6 August 2019.

The capture of information under the SEERP program centred predominantly around operational savings, however, City activities and initiatives may 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.

DETAILS

To support the City's continuous improvement 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).

Reviews continue to be undertaken as part of business as usual, 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.

COVID-19 Financial Impacts

On 23 March 2020 the global COVID-19 pandemic was declared a State of Emergency in Western Australia causing significant disruption and impact to City service delivery. Directives issued by the Federal and State governments forced the closure of a number of City facilities; either ceasing or restricting service delivery.

In 2019-20 actual employee costs were \$61,285,629, which were \$399,471 lower than the forecast. The expected COVID-19 related shutdowns and closures ended sooner than expected in Western Australia.

In 2020-21 there were significant budget reductions as a result of COVID-19, this included the following:

- \$1,030,000 reduction in employee costs resulting from vacancies not filled due to a vacancy freeze. This did not mean that roles would not be filled at all, just that the timing of proposed recruitment was likely to occur significantly later due to the freeze.
- \$1,201,655 due to the Inside Workforce Enterprise Bargaining Agreement increase that was due to the implemented on 1 July 2020 was not implemented following a vote by the affected employees deferring the increase to 1 July 2021.

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. It has also identified opportunities to create new revenue streams at Craigie Leisure Centre.

For the period 1 July 2020 to 30 June 2021 there have been 18 occurrences of benefits reported across six of the City's 16 business units. Of the 18 occurrences, all benefits have fallen into the category of financial benefits.

Forecast financial benefits as part of the "business as usual" programming for City service delivery, for the time period of 1 July 2020 to 30 June 2021 are \$642,937.

Savings

The transfer of the Duncraig Leisure Centre to Churches of Christ Sport and Recreation Inc. (CCSRA) has been finalised resulting in a saving of \$176,000.

Additional workflow efficiencies have been realised through the move to online staff rostering at Craigie Leisure Centre which has saved \$85,352 in staff time.

The City continues to expand its use of technology where available, financially viable and legislatively possible, resulting in the City moving further into the online space. Craigie Leisure Centre has moved to online enrolments for the short courses offered. This has resulted in 56% of enrolments being completed online and saving 20 hours of staff time resulting in a \$5,000 saving.

A review of the staffing structure for two business units has identified efficiency opportunities and reduced FTE levels by 1 FTE. This is a saving of 0.8 at \$31,588 and 0.2 at \$26,870. Total savings is \$58,458 in employee costs.

The welcome packs that are provided to new residents are now being generated in a digital version. On average, the City provides approximately 50 welcome packs per week and has resulted in a reduction in printing costs that have saved \$19,000 per year.

As a result of the COVID-19 pandemic in 2020-21 Citizenship Ceremonies have been scaled back. This is also reflective of the Department of Home Affairs moving citizenship ceremonies online during the pandemic. For 2020-21 this resulted in a \$19,000 savings.

Revenue

New revenue opportunities continue to be a focus of the City. Craigie Leisure Centre has increased the number of Platinum group fitness classes by 11 new classes per week. It is forecast that this will generate \$100,000 in new revenue for the City in the financial year. Additionally, the capacity of Cycle Classes has been increased by 60% from 22 to 37 bikes and expected to result in \$71,880 additional revenue for the City.

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 *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 May, SECONDED Cr Thompson that the Audit and Risk Committee NOTES the update of the *Benefits Management Program* for the period 1 July 2020 to 30 June 2021 as detailed in this Report.

The Motion was Put and

CARRIED (7/0)

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

Appendix 2 refers

To access this attachment on electronic document, click here: [Attach2agnAUDIT210809.pdf](#)

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 January 2021 to 30 June 2021.

VOTING REQUIREMENTS

Simple Majority.

MOVED Cr Thompson, SECONDED Cr Logan that the Audit and Risk Committee NOTES the contracts extended by the Chief Executive Officer during the period 1 January 2021 to 30 June 2021, forming Attachment 1 to this Report.

The Motion was Put and

CARRIED (7/0)

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

Appendix 3 refers

To access this attachment on electronic document, click here: [Attach3agnAUDIT210809.pdf](#)

ITEM 8 **ELECTED MEMBER DINNER ATTENDANCE REPORT - JUNE AND JULY 2021**

WARD	All
RESPONSIBLE DIRECTOR	Mr Jamie Parry Governance and Strategy
FILE NUMBER	109424, 101515
ATTACHMENTS	Attachment 1 Confidential - Attendance List - 25 June 2021 Attachment 2 Confidential - Attendance List - 30 July 2021
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 attendees to elected member dinners.

EXECUTIVE SUMMARY

Elected members are entitled under the *Elected Member's Entitlement Policy* (the Policy) to host up to six dinners per financial year and invite up to nine guests to each dinner.

Clause 10 of the *Elected Member's Entitlements Policy*, provides that "details of invited guests that attend elected member dinners are to be reported to the Audit and Risk Committee on a quarterly basis."

Provided as Attachment 1 and 2 to this Report, are the attendance lists for elected member dinners held on 25 June and 30 July 2021.

It is recommended that the Audit and Risk Committee NOTES the Elected Members Dinner Attendance report for June and July 2021, as detailed in this Report.

BACKGROUND

Elected member dinners are a provision within the *Elected Member's Entitlement Policy*. The Policy was recently reviewed and endorsed by Council at its meeting held on 18 May 2021 (CJ072-05/21 refers), with clause 10.1 identifying the parameters relating to elected member dinners, as follows:

- To provide an avenue to facilitate networking possibilities and for elected members to undertake discussions with various representatives of the community, the Council has agreed to host Elected Member dinners.

- The Mayor is entitled to host six dinners per calendar year, and each Ward a total of 12 each year, based on six dinners per Ward Councillor.
- Each table will allow for the elected member as host, plus up to a maximum of nine guests. Except for the elected member's spouse or partner, all guests invited are to have a relationship with the City or be a stakeholder of the City. Prior to an elected member dinner, elected members are to advise the City the details of their invited guests and their relationship with the City. Details of invited guests that attend elected member dinners are to be reported to the Audit and Risk Committee on a quarterly basis.

DETAILS

Elected members are entitled under the Policy to host up to six dinners per financial year and invite up to nine guests to each dinner.

Clause 10 of the Policy provides that "*details of invited guests that attend elected member dinners are to be reported to the Audit and Risk Committee on a quarterly basis.*"

Provided as Attachment 1 and 2 to this Report, are the attendance lists for elected member dinners held on 25 June and 30 July 2021.

Issues and Options Considered

As the first quarterly report presented to the Audit and Risk Committee, the Committee may accept the report as presented or request further information.

Legislation / Strategic Community Plan / Policy Implications

Legislation *Local Government Act 1995.*

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 *Elected Member's Entitlements Policy.*

Risk Management Considerations

Not applicable.

Financial / Budget Implications

The 2021-22 budget for elected member dinners is \$24,720.

Regional Significance

Not applicable.

Sustainability Implications

Not applicable.

Consultation

Not applicable.

COMMENT

Elected Members are entitled under the Policy to host up to six dinners per financial year and invite up to nine guests to each dinner.

Clause 10 of the Policy, provides that *“details of invited guests that attend elected member dinners are to be reported to the Audit and Risk Committee on a quarterly basis.”*

Two Elected member dinners have taken place; these events were held on 25 June and 30 July 2021. Two further elected member dinners are scheduled to be held this year on 27 August and 26 November 2021.

VOTING REQUIREMENTS

Simple Majority.

MOVED Cr Thompson, SECONDED Cr Hamilton-Prime that the Audit and Risk Committee NOTES the Elected Members Dinner Attendance report for June and July 2021, as detailed in this Report.

The Motion was Put and

CARRIED (7/0)

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

URGENT BUSINESS

Nil.

MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil.

Cr Poliwka left the room at 8.04pm and returned at 8.08pm.

REQUESTS FOR REPORTS FOR FUTURE CONSIDERATION

Cyber Security Review

Cr Hamilton-Prime requested a report be presented to the Audit and Risk Committee providing an overall review of the City's Cyber security protection; identifying risks and gap analysis and establishing an ongoing tracking system towards Cyber Security improvements.

Monitoring of Annual and Long Service Leave Accruals

Cr Thompson requested a report be presented to the Audit and Risk Committee in relation to the monitoring of the Chief Executive Officer and employee leave accruals, outlining how employees excessive annual leave and long service leave accruals will be effectively managed, and the establishment of a reporting system for Chief Executive Officer leave accruals.

Internal Audit Program

Cr Thompson requested a report be presented to the Audit and Risk Committee in relation to the Internal Audit Program (IAP), outlining all the activities that could be covered as part of the IAP, along with when they were last reviewed.

CLOSURE

There being no further business, the Presiding Member declared the Meeting closed at 8.10pm the following Committee Members being present at that time:

CR TOM McLEAN, JP
CR CHRISTOPHER MAY
CR PHILIPPA TAYLOR
CR SUZANNE THOMPSON
CR JOHN LOGAN
CR CHRISTINE HAMILTON-PRIME, JP
MR RICHARD THOMAS