

minutes

Audit and Risk Committee

MEETING HELD ON

MONDAY 22 MAY 2023

Acknowledgement of Traditional Custodians

The City of Joondalup acknowledges the traditional custodians of the land, the Whadjuk people of the Noongar nation, and recognises the culture of the Noongar people and the unique contribution they make to the Joondalup region and Australia. The City of Joondalup pays its respects to their Elders past and present and extends that respect to all Aboriginal and Torres Strait Islander peoples.

This document is available in alternate formats upon request

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Note:

Clause 15.10 of the City’s *Meeting Procedures Local Law 2013* states:

This local law applies generally to committee meetings except for clause 7.1 in respect of members seating and clause 7.8 in respect of limitation on members speaking.

CITY OF JOONDALUP

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING HELD IN CONFERENCE ROOM 1, JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP ON MONDAY 22 MAY 2023.

ATTENDANCE

Committee Members:

Cr John Raftis	<i>Presiding Member</i>
Mayor Hon. Albert Jacob, JP	
Cr Tom McLean, JP	
Cr Russell Poliwka	
Cr Russ Fishwick, JP	
Cr John Logan	
Mr Richard Thomas	<i>External Member</i>

Attendees:

Cr Adrian Hill

Officers:

Mr James Pearson	Chief Executive Officer	
Mr Mat Humfrey	Director Corporate Services	
Mr Nico Claassen	Director Infrastructure Services	<i>to 6.48pm</i>
Mr Chris Leigh	Director Planning and Community Development	
Mrs Simone Holmes-Cavanagh	Acting Director Governance and Strategy	
Mrs Kylie Bergmann	Manager Governance	
Ms Christine Robinson	Manager Audit, Risk and Executive Services	
Mr Blignault Oliver	Manager City Projects	<i>to 7.02pm</i>
Mr Joseph Hussey	Manager Regulatory Services	<i>to 6.35pm</i>
Mrs Susan Hateley	Governance Officer	

DECLARATION OF OPENING

The Presiding Member declared the meeting open at 6.01pm.

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

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	Mayor Hon. Albert Jacob, JP.
Item No. / Subject	Item 9 – CONFIDENTIAL Legal Expenses
Nature of Interest	Interest that may affect impartiality.
Extent of Interest	Mayor Jacob does some part time work for Thomson Geer. Mayor Jacob does not work on any City of Joondalup matters.

Name / Position	Mr Nico Claassen, Director Infrastructure Services
Item No. / Subject	Item 9 – CONFIDENTIAL Legal Expenses
Nature of Interest	Interest that may affect impartiality.
Extent of Interest	Director Claassen's daughter works for Thomson Geer, who are engaged to provide legal support to the City for the Sorrento Beach enclosure claim.

APOLOGIES AND LEAVE OF ABSENCE

Apology

Cr Daniel Kingston

Leave of Absence Previously Approved

Cr Christine Hamilton-Prime 1 April to 22 May 2023 inclusive.
Cr Nige Jones 21 to 29 May 2023 inclusive.

CONFIRMATION OF MINUTES

MINUTES OF THE AUDIT AND RISK COMMITTEE HELD ON 8 MARCH 2023.

MOVED Mr Thomas, SECONDED Cr Poliwka that the minutes of the meeting of the Audit and Risk Committee held on 8 March 2023 be confirmed as a true and correct record.

The Motion was Put and

CARRIED (7/0)

In favour of the Motion: Cr Raftis, Mayor Jacob, Crs McLean, Poliwka, Fishwick and Logan 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 is not open to the public.

PETITIONS AND DEPUTATIONS

Nil.

REPORTS

ITEM 1 OFFICE OF THE AUDITOR GENERAL PERFORMANCE AUDIT – REGULATION OF AIR-HANDLING AND WATER SYSTEMS

WARD	All
RESPONSIBLE DIRECTOR	Mr James Pearson Office of the CEO
FILE NUMBER	106169, 101515
ATTACHMENTS	Attachment 1 Report 20: 2022-23 (21 April 2023)
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

To provide the Audit and Risk Committee with details of the Western Australian Auditor General performance audit report titled *Regulation of air-handling and water systems*.

EXECUTIVE SUMMARY

In October 2022, the City was advised that it had been selected for inclusion in a performance audit to assess if the Department of Health and three local government entities effectively regulate air-handling and water systems to minimise the risk of Legionella.

Air-handling and water systems circulate water through built environments. Common examples include cooling towers and evaporative air conditioners (commonly used for air cooling in hotels, hospitals, shopping centres, office towers and universities), and warm water systems (such as plumbing systems that distribute water at warm temperatures; approximately 40 degrees Celsius, to reduce the risk of scalding, often found in hospitals and aged care settings).

Wet surfaces within these systems can support the growth of viruses, fungi and bacteria. The most concerning risk is the growth of Legionella pneumophila bacteria. These bacteria naturally occur in the environment but can proliferate in poorly managed systems. If water droplets containing these bacteria are inhaled, it can result in Legionnaires' disease; which is a rare but potentially life-threatening lung infection.

The performance audit concluded with the report tabled in Parliament on 21 April 2023.

It is therefore recommended that the Audit and Risk Committee NOTES the Western Australian Auditor General performance audit report titled Regulation of air-handling and water systems forming Attachment 1 to this Report.

BACKGROUND

In October 2017, the *Local Government Amendment (Auditing) Act 2017* (the Act) was proclaimed, giving the Auditor General the mandate to audit Western Australian local governments and regional councils.

The Act allows the Auditor General to conduct performance audits, which assess the efficiency and effectiveness of public sector activities, services and programs. They can focus on compliance with legislation, policies and accepted good practice. These audits highlight issues surrounding regulatory, financial and administrative processes and can also highlight best practice approaches for all entities to consider implementing.

DETAILS

The performance audit examined a selection of State and Local Government entities that have various responsibilities under the *Health (Air-handling and Water Systems) Regulations 1994*.

The entities were:

- Department of Health – lead regulator, as well as system manager for Health Service Providers. These Providers are responsible for the delivery of health services within their local communities and manage infrastructure including air-handling and water systems in Western Australian public hospitals.
- Three local government entities – the Cities of Joondalup, Melville and Perth were selected as they are enforcement agencies under the Regulations. All three entities also have buildings with air-handling and water systems within their boundaries and two are owners of cooling towers. The Department of Health estimates the majority of local government entities in Western Australia have cooling towers or warm water systems within their boundaries.
- Three State entities that own and operate several different types of air-handling and water systems. Two Health Service Providers, the North Metropolitan Health Service and WA Country Health Service were included as hospital settings are considered at increased risk of Legionella due to their design and need to accommodate vulnerable populations. The other State entity selected was the Department of Local Government, Sport and Cultural Industries, who operate buildings open to the public, including museums, galleries and theatres.

As part of the performance audit, documentation related to the regulation of air-handling and water systems was reviewed, data was analysed, key staff were interviewed, and sites visited to view air-handling and water systems in operation.

The performance audit found inconsistencies in how owners maintain and test their systems. It also found that the existing regulatory framework requires improvement; the Department of Health has recognised this and is developing new regulations for air-handling and water systems.

The performance audit resulted in the following three recommendations:

- 1 The Department of Health, in consultation with local government entities should:
 - a review current guidance to industry and local government entities in preparation for the adoption of the proposed new regulatory framework

- b develop and implement an education program to support and encourage system owners to achieve more consistent risk-based practice
 - c establish and maintain a central register of air-handling and water systems within WA
 - d consider splitting the implementation of the environmental health regulation package under the *Public Health Act 2016* to focus on areas of highest priority, including the air-handling and water systems regulations.
- 2 Local government entities, in consultation with Department of Health should:
- a develop ways to gather the information on air-handling and water systems in their areas that will support a central register
 - b consider introducing a risk-based monitoring/compliance process for air-handling and water systems within their jurisdiction.
- 3 State and local government entities who own air-handling and water systems should:
- a develop risk management plans
 - b ensure that systems are operated and maintained in accordance with *Australian/New Zealand Standard 3666, Air-handling and water systems of buildings – Microbial control*.

Issues and options considered

The City appreciated the opportunity to participate in the performance audit and acknowledges the public health risks posed by air-handling and water systems and supports the recommendations provided.

It is also recognised that the City has obligations as an owner of air-handling and water systems, to ensure that appropriate operational and maintenance activities continue to be performed to manage any risk to public health.

The City understands the importance of its role in promoting public health and that local governments are typically well placed to engage with businesses to provide advice on legislative obligations and monitor for compliance.

The City looks forward to working with the Department of Health in the lead up to a new regulatory framework that will be introduced as part of phase 5 implementation of the *Public Health Act 2016* and is confident that new regulations and any associated guidance will provide improved and consistent management of air-handling and water systems.

Legislation / Strategic Community Plan / Policy implications

Legislation *Local Government Amendment (Auditing) Act 2017.*
Health (Air-handling and Water Systems) Regulations 1994.

10-Year Strategic Community Plan

Key theme Leadership.

Outcome Capable and effective – you have an informed and capable Council backed by a highly-skilled workforce.

Policy Not applicable.

Risk management considerations

The City acknowledges that a new regulatory framework is approximately two years away and is committed to implementing the recommendations to ensure that the current risks associated with air-handling and water systems are being addressed.

Financial / budget implications

Not applicable.

Regional significance

Not applicable.

Sustainability implications

Not applicable.

Consultation

Not applicable.

COMMENT

Performance audits provide the City with an opportunity to be assessed by a third party, with improvement strategies (recommendations) being implemented to strengthen any weaknesses identified.

VOTING REQUIREMENTS

Simple Majority.

MOVED Cr McLean, SECONDED Cr Logan that the Audit and Risk Committee NOTES the Western Australian Auditor General performance audit report titled Regulation of air-handling and water systems forming Attachment 1 to this Report.

The Motion was Put and

CARRIED (7/0)

In favour of the Motion: Cr Raftis, Mayor Jacob, Crs Fishwick, McLean, Logan and Poliwka and Mr Thomas.

Appendix 1 refers

To access this attachment on electronic document, click here: [Attach1AUDRISK230522.pdf](#)

ITEM 2 OFFICE OF THE AUDITOR GENERAL REPORT – INFORMATION SYSTEMS AUDIT (LOCAL GOVERNMENT 2021-22)

WARD	All
RESPONSIBLE DIRECTOR	Mr James Pearson Office of the CEO
FILE NUMBER	106169, 101515
ATTACHMENTS	Attachment 1 Report 19: 2022-23 (29 March 2023)
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

To provide the Audit and Risk Committee with the details of the Western Australian Auditor General report titled *Information Systems Audit (Local Government 2021-22)*.

EXECUTIVE SUMMARY

The Western Australian Auditor General has released a report of the 2021-22 annual cycle of information systems audits; of which the City was one of 53 local government entities audited. Capability maturity assessments were also undertaken for 12 entities, which also included the City.

The audit and assessment focus on the following categories; with increased control categories from six to ten due to breaking down the category of information security to five categories*

- information security framework*
- human resource security*
- access management*
- endpoint security*
- network security*
- risk management
- business continuity
- change management
- IT operations
- physical security

The Office of the Auditor General has conducted information systems audits at the City for 2018-19; 2019-20; 2020-21 and 2021-22. The findings of the 2021-22 audit were presented to the Audit and Risk Committee at its meeting held on 8 March 2023.

It is therefore recommended that the Audit and Risk Committee NOTES the Western Australian Auditor General report titled Information Systems Audit (Local Government 2021-22) forming Attachment 1 to this Report.

BACKGROUND

The Introduction to the Western Australian Auditor General's report states:

This is our fourth report on the audits of local government entities' general computer controls (GCC). The objective of our GCC audits is to determine if entities' computer controls effectively support preparation of financial statements, delivery of key services and the confidentiality, integrity and availability of information systems. Cyber criminals target organisations of all sizes and nature. Well operating controls help entities protect their information systems and IT environments against data breaches and cyber security threats.

DETAILS

The Conclusion of the report states:

“For 2021-22 we reported 324 general computer control findings to 53 entities, compared to 358 findings to 45 entities last year. Nine percent (31) of this year's findings were rated as significant and 70% (226) as moderate. A large proportion of these findings relate to information and cyber security weaknesses and, if not addressed, could result in data breaches, system outages and financial loss. Recent cyber security incidents both in Australia and globally highlight the ever present risk of cyber attacks and the need for entities to manage and secure their information system environments.

Disappointingly, 69% (225) of the findings were unresolved issues from the prior year, including 27 of the 31 significant findings. Entities need to prioritise addressing audit findings to safeguard their systems and information, and reduce the risk of compromise to their confidentiality, integrity and availability.”

The City's findings from the 2021-22 audit included two minor ratings, with 22 matters listed as outstanding from prior audits. The findings from the prior audit (2020-21) were received in January 2022 and were still being progressed when the entrance meeting for the 2021-22 audit was held. The timing of the City's past three information systems audits are:

- 2019-20 – entrance meeting held in October 2020; findings received in March 2021.
- 2020-21 – entrance meeting held in August 2021; findings received in January 2022.
- 2021-22 – entrance meeting held in June 2022; findings received in December 2022.

Legislation / Strategic Community Plan / Policy implications

Legislation Not applicable.

10-Year Strategic Community Plan

Key theme Leadership.

Outcome Capable and effective – you have an informed and capable Council backed by a highly-skilled workforce.

Policy Not applicable.

Risk management considerations

These audits provide the City an opportunity to implement risk mitigation actions. Weaknesses identified from the information systems audits conducted are currently being progressed or have been implemented.

Financial / budget implications

Not applicable.

Regional significance

Not applicable.

Sustainability implications

Not applicable.

Consultation

Not applicable.

COMMENT

Not applicable.

VOTING REQUIREMENTS

Simple Majority.

MOVED Mr Thomas SECONDED Cr Raftis that the Audit and Risk Committee NOTES the Western Australian Auditor General report titled Information Systems Audit (Local Government 2021-22) forming Attachment 1 to this Report.

The Motion was Put and

CARRIED (7/0)

In favour of the Motion: Cr Raftis, Mayor Jacob, Crs Fishwick, McLean, Logan and Poliwka and Mr Thomas.

The Manager Regulatory Services left the meeting at 6.35pm.

Appendix 2 refers

To access this attachment on electronic document, click here: [Attach2AUDRISK230522.pdf](#)

ITEM 9 CONFIDENTIAL – LEGAL EXPENSES

WARD	All
RESPONSIBLE A/DIRECTOR	Mr James Pearson Office of the CEO
FILE NUMBERS	72574, 101515
ATTACHMENT	Attachment 1 Legal Expenses Incurred. (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) *a matter affecting an employee or employees.*
- (c) *a contract entered into, or which may be entered into, by the local government and which relates to a matter to be discussed at the meeting.*
- (d) *legal advice obtained, or which may be obtained, by the local government and which relates to a matter to be discussed at the meeting.*
- (f) *a matter that if disclosed, could be reasonably expected to:*
 - (i) *impair the effectiveness of any lawful method or procedure for preventing, detecting, investigating or dealing with any contravention or possible contravention of the law.*

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

This item was dealt with ahead of 'Item 3 - Chief Executive Officer's Three Yearly Review – Risk Management, Internal Control and Legislative Compliance', by agreement of the Members present.

MOVED Cr McLean, SECONDED Cr Logan that the Audit and Risk Committee NOTES the information provided in relation to legal expenses.

The Motion was Put and

CARRIED (7/0)

In favour of the Motion: Cr Raftis, Mayor Jacob, Crs Fishwick, McLean, Logan and Poliwka and Mr Thomas.

ITEM 3 CHIEF EXECUTIVE OFFICER'S THREE YEARLY REVIEW – RISK MANAGEMENT, INTERNAL CONTROL AND LEGISLATIVE COMPLIANCE

WARD	All
RESPONSIBLE DIRECTOR	Mr James Pearson Office of the CEO
FILE NUMBER	10011, 49586,101515
ATTACHMENTS	Attachment 1 Regulation 17 Audit Review
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 Council to note the results of the Chief Executive Officer's three yearly review of the appropriateness and effectiveness of the City's systems and procedures in relation to risk management, internal control and legislative compliance.

EXECUTIVE SUMMARY

The *Local Government (Audit) Regulations 1996* requires the Chief Executive Officer of a local government to review the appropriateness and effectiveness of a local government's systems and procedures in relation to risk management, internal control and legislative compliance, not less than once in every three financial years and report to the audit committee the results of that review.

The review was undertaken by Stantons International Audit and Consulting Pty Ltd for the period 1 July 2021 to 30 June 2022 and has now been completed. This report provides the results of the review.

It is therefore recommended that Council NOTES the results of the Chief Executive Officer's three yearly review of the appropriateness and effectiveness of the City's systems and procedures in relation to risk management, internal control and legislative compliance forming Attachment 1 to this Report.

BACKGROUND

Regulation 17 of the *Local Government (Audit Regulations) 1996* requires the Chief Executive Officer to review the appropriateness and effectiveness of a local government's systems and procedures in relation to:

- (a) risk management
- (b) internal control
- (c) legislative compliance.

The review may relate to any or all of the matters referred to but each of those matters is to be subject of a review not less than once in every three financial years. The Chief Executive Officer is to report to the Audit and Risk Committee the results of that review.

The previous review was completed in 2019. The results of that review were reported to the Audit and Risk Committee at its meeting held on 3 March 2020, before being noted by Council at its meeting held on 17 March 2020 (CJ035-03/20 refers).

DETAILS

Overall Outcome for Risk Management

The City has initiated a comprehensive risk management system, including risk identification, risk assessment, risk management, and risk reporting processes, however, the effectiveness of the controls to mitigate the causes of some of the strategic risks are still in the process of being determined and assessed in order to maintain the inherent and residual risks at the targeted level.

Aspects identified include:

- Risk management system comprising of risk management framework, risk management policy, strategic risk register (and report) and supporting documents and tools.
- Business continuity plan.
- Risk management training program.
- Fraud, corruption and misconduct control policy.
- Integrity framework.
- Strategic health and safety management plan 2021 – 2024.
- Purchasing of goods and services protocol.
- Tenders for procurement of goods and services protocol.
- Audit and risk committee charter.

Finding 1 The *Fraud, Corruption and Misconduct Control Policy* – 4.1.2 Policies and Procedures does not refer to section 5.51A of the [Local Government] Act which sets out the requirement for the “*Code of Conduct for Employees*” – which is a separate document from the *Code of Conduct for Council Members, Committee Members and Candidates* required by section 5.103.

Risk Rating – minor. The finding poses minimal risk to the City if not appropriately and timely addressed, and the risk may develop more or cause other risks to develop. Commence remedial action within 12 months.

Management Comments – the Policy was in the process of being updated during the review and now includes reference to the City’s two Codes of Conduct. The revised Policy was presented to the Audit and Risk Committee on 8 March 2023 and the Policy Committee on 8 May 2023. Amendments were requested by the Policy Committee (not relating to the Code of the Conduct) therefore the Policy will be further updated and presented to a future Policy Committee meeting.

Finding 2 Review of the risk documents generated out of the Promapp database identified that in relation to individual strategic risks, aspects of the City’s Strategic Risk Report (as well as the Risk Registers maintained by the respective Business Units) remain incomplete with regards to Control Effectiveness and Residual Risk not yet being assessed, Risk Ownership not yet assigned, and Target Status not being met.
Risk Rating – minor. The finding poses minimal risk to the City if not appropriately and timely addressed, and the risk may develop more or cause other risks to develop. Commence remedial action within 12 months.

Management Comments – updates have been made to registers (strategic and business unit level) since the audit has been conducted.

Monthly reviews of business unit risk registers occur, with annual reviews undertaken in line with the City’s business planning cycle. Reviews include control

effectiveness, residual risk and risk ownership. It is possible that the risk target status may not be met, and will be the case unless the inherent risk changes. The City's *Risk Management Framework* includes risk tolerance and management guidance to follow when risk target status is not met.

The draft strategic risk register is scheduled for review by the Audit and Risk Committee in August 2023, before being presented to Council for endorsement. Annual review will occur, with results presented to the Audit and Risk Committee.

Overall Outcome for Internal Control

The City has internal controls operating within the existing operational environment, although these have not been documented within an Accounting Manual demonstrating the existence of effective financial management processes/practices.

Finding 3 The City has not compiled an Accounting Manual (or other overarching process documents) detailing the City's approach for the functional administration (including associated internal controls) relating to each of the financial management areas contained within Local Government (Financial Management) Regulations 1996 – Regulation 5.

Risk Rating – moderate. The finding poses less significant risk to the City if not appropriately and timely addressed. Commence remedial action within 6 months.

Management Comments – the development of an accounting manual is not considered critical, since the finding does not suggest that the relevant protocols/processes/controls do not exist or are not operating effectively. Since these are in place, it is not considered essential to duplicate these in an accounting manual or similar document, noting that this is neither a requirement of legislation nor of accounting standards.

Overall Outcome for Legislative Compliance

The City has established an effective legislative compliance methodology, although the Annual Corporate Compliance Calendar that has been developed to monitor legislative compliance is not being utilised.

Aspects identified include:

- Governance framework
- Compliance audit return
- Annual corporate compliance calendar
- Audit and risk committee reporting
- Three year internal audit plan 2021-22 to 2023-24
- Code of conduct

Finding 4 Review of the Annual Corporate Compliance Calendar noted that the status of scheduled activities is either incomplete or contains information relating to 2019-2020, indicating that the Calendar has not been utilised by the City since 2020 to monitor compliance with the respective legislation.

Risk Rating – minor. The finding poses minimal risk to the City if not appropriately and timely addressed, and the risk may develop more or cause other risks to develop. Commence remedial action within 12 months.

Management Comments – resourcing issues resulted in the 2019 Annual Corporate Compliance Calendar not being updated. This version is being reviewed and updated with new requirements as a priority and is due for approval of the Chief Executive Officer soon. Following this approval, the Calendar will be a monthly agenda item for the meetings of the Executive Leadership Team.

Legislation / Strategic Community Plan / Policy implications

Legislation Regulation 17 of the *Local Government (Audit Regulations) 1996*.

Strategic Community Plan

Key theme Leadership.

Outcome Capable and effective – you have an informed and capable Council backed by a highly-skilled workforce.

Policy *Risk Management Policy*.

Risk management considerations

The Chief Executive Officer's three yearly review allows systems to be independently tested to establish if systems of internal control are appropriate and effective. Any risks and weaknesses identified will be addressed by introducing new controls and/or improving the current controls and control environment. Not undertaking this review will result in a breach of the *Local Government (Audit Regulations) 1996*.

Financial / budget implications

Current financial year impact

Account no.	1.230.A2301.3265.0000.
Budget Item	Consultancy.
Budget amount	\$ 50,000
Amount spent to date	\$ 13,700

Regional significance

Not applicable.

Sustainability implications

Not applicable.

Consultation

Stantons International Audit and Consulting Pty Ltd liaised with relevant City employees to undertake the review.

COMMENT

Audit management comments within the report stated *“Stantons appreciates the support and assistance that the City of Joondalup provided during the conduct of the internal audit and acknowledge the considered management comments. The recommendation in relation to the compilation of an Accounting Manual as a single source of reference was to enable the City to provide a complete representation of all relevant process internal controls in place by showing the overarching operational arrangements and interrelationship that exists between the various financial management functions, rather than as a series of discrete procedure/protocol documents. However, we accept the City’s viewpoint.”*

VOTING REQUIREMENTS

Simple Majority.

OFFICER’S RECOMMENDATION

That Council NOTES the results of the Chief Executive Officer’s three yearly review of the appropriateness and effectiveness of the City’s systems and procedures in relation to risk management, internal control and legislative compliance forming Attachment 1 to this Report.

MOVED Cr Raftis, SECONDED Cr Logan that Item 3 – Chief Executive Officer’s Three Yearly Review – Risk Management, Internal Control and Legislative Compliance – BE DEFERRED to the Audit and Risk Committee meeting to be held on 21 August 2023, to allow the Auditors to be invited and to present the Report.

The Motion was Put and

CARRIED (7/0)

In favour of the Motion: Cr Raftis, Mayor Jacob, Crs Fishwick, McLean, Logan and Poliwka and Mr Thomas.

Appendix 3 refers

To access this attachment on electronic document, click here: [Attach3AUDRISK230522.pdf](#)

ITEM 4 CHIEF EXECUTIVE OFFICER'S THREE YEARLY REVIEW – FINANCIAL MANAGEMENT

WARD	All
RESPONSIBLE DIRECTOR	Mr James Pearson Office of the CEO
FILE NUMBER	17871, 101515
ATTACHMENTS	Attachment 1 Regulation 5 (2)(c) Financial Management Review
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 Council to note the results of the Chief Executive Officer's three yearly review of the appropriateness and effectiveness of financial management systems and procedures.

EXECUTIVE SUMMARY

The *Local Government (Financial Management) Regulations 1996* requires the Chief Executive Officer of a local government to undertake a review of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every three financial years) and report to the local government the results of that review.

The review was undertaken by Stantons International Audit and Consulting Pty Ltd for the period 1 July 2021 to 30 June 2022 and has now been completed. This report provides the results of the review.

It is therefore recommended that Council NOTES the results of the Chief Executive Officer's three yearly review of the appropriateness and effectiveness of financial management systems and procedures forming Attachment 1 to this Report.

BACKGROUND

Regulation 5 (2) (c) of the *Local Government (Financial Management) Regulations 1996* requires that the Chief Executive Officer of a local government is to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every three financial years) and report to the local government the results of those reviews.

The previous review was completed in 2019. The results of that review were reported to the Audit and Risk Committee at its meeting held on 3 March 2020, before being noted by Council at its meeting held on 17 March 2020 (CJ035-03/20 refers).

DETAILS

Overall Outcome for Revenue, Receipting and Accounts Receivable

The City has in place adequate processes for revenue, receipting and accounts receivable, although the City's overarching approach (including internal controls) for the administration of the revenue, receipting and accounts receivable functions is not documented. Detailed audit assessment is outlined on pages 10 and 11 of Attachment 1.

Finding 1 Some of the documented procedures relating to revenue and receipting have either not been finalised and/or do not reflect practices that are occurring within the City.

Risk Rating – minor. The finding poses minimal risk to the City if not appropriately and timely addressed, and the risk may develop more or cause other risks to develop. Commence remedial action within 12 months.

Management Comments – processes and procedures are being reviewed in preparation for the ERP [Project Axiom] system replacement project. The City will review process documentation both for improvement and clarity and documentation will be updated as required to reflect current practice.

Overall Outcome for Accounts Payable

The City has in place adequate processes for accounts payable and contract management, although the City's overarching approach (including internal controls) for the administration of the accounts payable function is not documented. Detailed audit assessment is outlined on pages 13 to 16 of Attachment 1 to this Report.

Outcomes achieved; risk rating not applicable – no further action required.

Overall Outcome for Maintenance and Security of Financial Records

The City has adequate processes in place for the maintenance and security of financial records. Detailed audit assessment is outlined on pages 17 and 18 of Attachment 1 to this Report.

Outcomes achieved; risk rating not applicable – no further action required.

Overall Outcome for Payroll

The City has in place adequate processes for managing new employees, current employees, and terminated employees, although the City's overarching approach (including internal controls) for the administration of the payroll function is not documented. Detailed audit assessment is outlined on pages 19 and 20 of Attachment 1 to this Report.

Outcomes achieved; risk rating not applicable – no further action required.

Overall Outcome for Stock Control and Costing Records

The City has in place adequate processes for its stock control and costing records, although the City's overarching approach (including internal controls) for the administration of the inventory function is not documented. Detailed audit assessment is outlined on page 21 of Attachment 1 to this Report.

Finding 2 The Financial Services officer was identified as responsible for controlling the stocktake within the Warehouse, rather than the Internal Auditor as specified within the Protocol.

Risk Rating – minor. The finding poses minimal risk to the City if not appropriately and timely addressed, and the risk may develop more or cause other risks to develop. Commence remedial action within 12 months.

Management Comments – agree that oversight/control of the annual stores inventory stocktake should preferably not sit with Financial Services officers as it allows for better segregation of duties and, hence, stronger controls. It is noted that this task was previously undertaken by Internal Audit, as outlined in the protocol, but was ceased due to Internal Audit capacity. The protocol is under review and will be amended to reflect best practice.

Overall Outcome for Asset Management

The City has in place processes for managing assets, although the City's overarching approach (including internal controls) for the administration of the asset management function is not documented. Detailed audit assessment is outlined on pages 23 and 24 of Attachment 1 to this Report.

Finding 3 The City does not have documented policy/protocol relating to asset management practices within the City covering areas such as asset acquisition, asset capitalisation thresholds, asset register, asset transfer, asset disposal, asset write-off and the like.

Risk Rating – moderate. The finding poses less significant risk to the City if not appropriately and timely addressed. Commence remedial action within six months.

Management Comments – the City will review and develop appropriate documentation to cover these elements, where considered necessary or where not already covered under other policies/protocols, for example, accounting policies. It is envisaged this is most appropriately undertaken in conjunction with development of Asset Management Plans.

Finding 4 Asset addition forms were not completed (and authorised) for Asset #1011184 – Ford Ranger 1HNF304 and Asset #1011197 – Truck 1HPR183, and asset retirement forms were not completed (and authorised) for Asset #1010827 – 1EWI283 Hyundai and Asset #1010986 – Isuzu 1GKD537.

Risk Rating – minor. The finding poses minimal risk to the City if not appropriately and timely addressed, and the risk may develop more or cause other risks to develop. Commence remedial action within 12 months.

Management Comments – this process is already in place for PPE (Property, Plant and Equipment) assets, other than vehicles that are acquired/disposed as part of the fleet replacement program. It is not considered reasonable to implement these forms for Infrastructure Assets, due to the level of the componentisation detail involved. In the latter case, the regular Asset Capitalisation memos prepared and submitted to Financial Services serve to cover infrastructure assets capitalised and disposed of each quarter.

As advised to auditors during the review, the forms are not applied to vehicles that are listed in the annual fleet replacement program approved as part of the Annual Budget adoption by Council. Further the audit trail for the particular vehicle added links to the purchase order and invoice, approved under delegated authority, that support the asset addition.

Noted that, with system/technology upgrades, the forms would be pre-populated and would provide no additional control.

Finding 5 The City has indicated that it performs an asset stocktake every five years, however, the *WA Local Government Accounting Manual* Section 9.1.6 – Asset Inspection and Control, indicates that stocktakes should be conducted “*at least every three years*”.

Risk Rating – moderate. The finding poses less significant risk to the City if not appropriately and timely addressed. Commence remedial action within six months.

Management Comments – management notes that the current asset stocktake interval has been set after considering risk, effectiveness and efficiency, among other aspects. The asset stocktake process is currently being updated in respect of PPE (Property, Plant and Equipment) other than land and buildings and is expected to be finalised soon (changed from draft to final).

Assets that are reported at fair value have stocktakes undertaken in conjunction with the process of asset revaluations, which includes all infrastructure asset categories, land and buildings assets. It is not considered efficient to perform stocktakes outside the revaluation intervals, due to the significant effort and amount of data involved in the process.

It may be noted that the WA Local Government Manual is a guide and not a mandatory requirement for local governments to adopt.

Overall Outcome for IT General Controls

The City has in place IT general controls, although some additional actions are required to resolve the outstanding OAG findings. Detailed audit assessment is outlined on pages 27 to 30 of Attachment 1 to this Report.

Finding 6 The City still has several OAG findings due for completion in 2023 or beyond, including the finding for Cyber Security Incident Management (relating to testing of the City’s Incident Response Protocol) which remains outstanding whilst IT determines what form the testing regime will take.

Risk Rating – minor. The finding poses minimal risk to the City if not appropriately and timely addressed, and the risk may develop more or cause other risks to develop. Commence remedial action within 12 months.

Management Comments – as advised during the review, the City has been progressing with actions on the OAG findings, wherever these are pertinent and appropriate, with regular updates provided to the Audit and Risk Committee. In relation to testing of the Incident Response Protocol, the Audit and Risk Committee was advised that this would be undertaken as part of the annual Penetration Testing scheduled to take place in the next quarter.

Overall Outcome for Banking

The City has adequate processes over the banking function, although the City's overarching approach (including internal controls) for the administration of the banking function is not documented and some outstanding stale cheques appear within the bank reconciliation. Detailed audit assessment is outlined on page 31 of Attachment 1 to this Report.

Finding 7 The unpresented cheque list contains cheques that are more than 18 months old and may be considered stale.

Risk Rating – minor. The finding poses minimal risk to the City if not appropriately and timely addressed, and the risk may develop more or cause other risks to develop. Commence remedial action within 12 months.

Management Comments – the City has chosen not to cancel older cheques, due to the fee imposed by the bank for cancellation, which is irrespective of cheque value and not recoverable. Outstanding cheques are reviewed on a regular basis and, where unpresented for 2 years or more, are written off in the City's books. It may be noted that, despite the *Cheques Act 1986* considering cheques older than 15 months to be stale, the City has advice from the bank that cheques will continue to be honoured subsequent to this period, if presented, unless circumstances warrant that the bank declines to honour any.

The City considers the current approach to be appropriate to address unpresented cheques in the City's books without incurring cancellation costs. The cheques have been issued to payees and the City does not presently consider it an efficient use of resources to cancel old cheques, incur non-recoverable costs, and again liaise with these payees given that contact details, and the like may no longer be current.

The City will explore alternative arrangements with the banking service provider that stale cheques not be honoured if presented; however, this is not yet in place.

Overall Outcome for Credit Cards

The City has adequate processes for the administration of credit cards (including *the Use of Corporate Credit Cards Protocol*), although minor issues were noted with regards to credit card records, form, and statement. Detailed audit assessment is outlined on pages 33 and 34 of Attachment 1 to this Report.

Finding 8 The function of various sections on the *Purchasing Card Request / Petty Cash Reimbursement* appears to be unclear to users.

Risk Rating – minor. The finding poses minimal risk to the City if not appropriately and timely addressed, and the risk may develop more or cause other risks to develop. Commence remedial action within 12 months.

Management Comments – the City is already in the process of splitting this into two separate forms. Management notes that the Council has recently adopted a *Corporate Credit Cards Policy* which governs the related protocol and processes pertaining to the issue and use of corporate credit cards.

Overall Outcome for Budgeting and Reporting

The City maintains effective budgeting and reporting practices, despite minor issues noted with regards to not meeting some legislative requirements. Detailed audit assessment is outlined on pages 35 to 38 of Attachment 1 to this Report.

Finding 9 The *2022-2023 Annual Budget* - Note 9 – Fees and Charges Revenue is reflected by Type rather than by Program.

Risk Rating – minor. The finding poses minimal risk to the City if not appropriately and timely addressed, and the risk may develop more or cause other risks to develop. Commence remedial action within 12 months.

Management Comments – as advised to the auditors during the review, when the Department of Local Government, Sport and Cultural Industries (DLGSC) promulgated amendments to regulations removing the requirement for an Income Statement by Program, it was not entirely clear at the time that regulatory requirements for Program reporting were still in place, including the requirement for Program reporting in the notes. The *2022-23 Annual Budget* was in the last phase of development and the City consequently removed all Program reporting elements from the document as a consequence of the regulation amendments. When it subsequently became clear that the amendments were confined to the removal of the Income Statement only, it was ensured that relevant Program reporting notes were included in the current process of development of the 2023-24 Annual Budget. This will include Fees and Charges by Program.

Finding 10 The *2020-2021 Annual Financial Report* was submitted to the Departmental CEO beyond the required 30 days from the receipt of the auditor's report by the City's CEO.

Risk Rating – minor. The finding poses minimal risk to the City if not appropriately and timely addressed, and the risk may develop more or cause other risks to develop. Commence remedial action within 12 months.

Management Comments – as advised to the auditors during the review, the requirement has been complied with for the *2021-22 Annual Financial Report* and the City expects to do so with subsequent Annual Financial Reports for 2022-23 and beyond. The delay with the *2020-2021 Annual Financial Report* was due to an administrative oversight.

Legislation / Strategic Community Plan / Policy implications

Legislation Regulation 5 (2) (c) of the *Local Government (Financial Management) Regulations 1996*.

10-Year Strategic Community Plan

Key theme Leadership.

Outcome Capable and effective – you have an informed and capable Council backed by a highly-skilled workforce.

Policy Not applicable.

Risk management considerations

The Chief Executive Officer's three yearly review allows systems to be independently tested to establish if systems of internal control are appropriate and effective. Any risks and weaknesses identified will be addressed by introducing new controls and/or improving the current controls and control environment. Not undertaking this review will result in a breach of the *Local Government (Financial Management) Regulations 1996*.

Financial / budget implications

Current financial year impact

Account no.	1.230.A2301.3265.0000
Budget Item	Consultancy
Budget amount	\$ 50,000
Amount spent to date	\$ 23,200

Regional significance

Not applicable.

Sustainability implications

Not applicable.

Consultation

Stantons International Audit and Consulting Pty Ltd liaised with relevant City employees to undertake the review.

COMMENT

Audit management comments within the report stated *"Stantons appreciates the support and assistance that the City of Joondalup provided during the conduct of the internal audit and acknowledge the considered management comments. We acknowledge all the management comments to the recommendations. For recommendation four, we acknowledge it is not considered reasonable to implement these forms, due to the level of the componentisation detail involved and note that the forms will be pre-populated once system upgrades are completed.*

Audit acknowledges that much of the testing concentrated on transaction data between 1 July 2021 and 30 June 2022 and believes this was adequate given there were no major changes to systems, personnel, or processes. We have examined other documentation such policies and processes dated post 30 June 2022."

VOTING REQUIREMENTS

Simple Majority.

OFFICER'S RECOMMENDATION

That Council NOTES the results of the Chief Executive Officer's three yearly review of the appropriateness and effectiveness of financial management systems and procedures forming Attachment 1 to this Report.

MOVED Cr Raftis, SECONDED Cr Logan that Item 4 – Chief Executive Officer's Three Yearly Review – Financial Management – BE DEFERRED to the Audit and Risk Committee meeting to be held on 21 August 2023, to allow the Auditors to be invited and to present the Report.

The Motion was Put and

CARRIED (7/0)

In favour of the Motion: Cr Raftis, Mayor Jacob, Crs Fishwick, McLean, Logan and Poliwka and Mr Thomas.

Appendix 4 refers

To access this attachment on electronic document, click here: [Attach4AUDRISK230522.pdf](#)

ITEM 6 PINNAROO POINT DEVELOPMENT

WARD	All
RESPONSIBLE DIRECTOR	Mr Mat Humfrey Corporate Services
FILE NUMBER	110132, 101515
ATTACHMENTS	Attachment 1 Business Case
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 information provided in relation to the Pinnaroo Point development.

EXECUTIVE SUMMARY

At its meetings held in November 2022 Councillor Raftis requested a report on the Pinnaroo Point development be presented to the Audit and Risk Committee. The details are provided in this report.

It is recommended that the Audit and Risk Committee NOTES the details provided in this Report in relation to the Pinnaroo Point Development.

BACKGROUND

At its meeting held on 27 May 2013 Council considered a report entitled 'The Provision of Cafés/Kiosks/Restaurants on City Owned or Managed Land – Project Status and Progression Options Report' (CJ069-05/13 refers) and resolved in part:

"2 AUTHORISES the Chief Executive Officer to initiate an Expression of Interest process for the development of a Café/Kiosk facility at Pinnaroo Point".

In 2013 the City commenced an Expression of Interest process to identify a commercial operator / developer to construct and operate a café / kiosk building. Rock (WA) Pty Ltd trading as White Salt (White Salt) was identified as the successful respondent. White Salt subsequently created the entity Sandgate (WA) Pty Ltd (Sandgate) for the purpose of delivering the project.

A lease of Crown Land for Lot 501 on Deposited Plan 417135 commenced on 1 July 2020. At its meeting held on 17 November 2020 (CJ166-11/20 refers) Council authorised the execution of a Sublease of Lot 501 on behalf of the City, in accordance with section 9.49A of the *Local Government Act 1995* and on 13 July 2021 the sub-lease with Sandgate was signed and executed by the Mayor and CEO on behalf of the City.

Sandgate sought approval of a development application for a two storey food and beverage facility and on 20 December 2021 the WAPC granted conditional approval to commence development according to the plans submitted as part of the development application.

At its meeting held on 17 May 2022 Council approved requests from Sandgate for variations to the sublease, for consent to change control of Sandgate, and for consent to sub-sublease to Hillarys Beach Club (WA) Pty Ltd (Hillarys Beach Club) (CJ069-05/22 refers).

Final approvals including a liquor licence and building permit were obtained during 2022 and Sandgate commenced construction in December 2022.

The operator of Hillarys Beach Club intends to commence trading in December 2023.

DETAILS

At its meetings held in November 2022 Councillor Raftis requested a report on the Pinnaroo Point development be presented to the Audit and Risk Committee. The request is as follows:

“To aid in the delivery of the following City of Joondalup Strategic Community Plan outcomes:

- 5.1 *“Capable and effective leadership”*
- 5.4 *“Responsible and financially sustainable”*
- 4.1 *“Prosperous and local economy”*

It is requested that the CEO prepare a report on the Pinnaroo Point development to be presented to the Audit and Risk Committee. The scope of the report will include but not be limited to, the following:

- 1 *The full business case for the Pinnaroo Point development, including all City funds spent and planned to be spent on upgrading the carpark and other surrounding facilities and utilities to help meet the expected demands of the proposed café/restaurant.*
- 2 *The legal advice provided throughout the development of the proposal.*
- 3 *The rationale and legal advice for the type of lease document (retail tenancy) used to detail the lease of land arrangement between the City and the sub-lessee.*
- 4 *The process undertaken when the City permitted the sub-lease for the site to be changed to a different legal entity than that which submitted the Expression of Interest and whether this was in accordance with the required policies and legislative requirements.*
- 5 *The potential conflicts of interest that may exist or have existed between Elected Members or City staff and the parties associated with the sub-lessee and sub-sub-lessee.*
- 6 *The potential lost income for the City when the proposed development was upgraded in size after the awarding of the EOI to While Salt and not made open to expressions of interest again for interested parties to re-submit proposals on the increased scope of the project.*
- 7 *The clarity of information provided to Elected Members throughout the entire process of the development.*
- 8 *What steps the City and Council could have taken to generate a higher rate of return for the investment made by the City in the development.*
- 9 *Suggested improvements to the City’s policies and processes for future similar developments to improve the governance and the financial return for the City”.*

A response to the each of the matters raised above is provided below:

- 1 *The full business case for the Pinnaroo Point development, including all City funds spent and planned to be spent on upgrading the carpark and other surrounding facilities and utilities to help meet the expected demands of the proposed café/restaurant.*

A business case for the project was prepared for the Department of Planning, Lands and Heritage in 2018 to support the City's request for the lease of Crown Land (Attachment 1 refers). This business case is based on a template prepared by the DPLH. Some details of the project have changed since the 2018 business case following negotiations with the DPLH and Sandgate and decisions by Council. A breakdown of expenditure (past and future) and estimated income over the 42 year term of the lease is shown below (excludes escalation):

Expenditure

Consultancy	\$ 179,000
Project management	\$ 425,000
Utility services	\$ 613,000
Car park upgrades	\$ 541,000
Ground rent	\$ 270,000
Total	\$ 2,028,000

Income

Ground rent	\$ 1,560,000
Rates	\$ 1,371,000
Total	\$ 2,931,000

2 The legal advice provided throughout the development of the proposal.

Legal advice has been obtained on various matters relating to this project. Initial and ongoing legal advice on the Expression of Interest process and initial lease considerations was provided by the City's Principal Legal Advisor. Legal Consultant Jackson McDonald was then engaged to assist the City with the preparation of a draft sublease and negotiations with Sandgate on the sublease. Jackson McDonald also assisted the City with interpretation of the Crown Lease and negotiations with the Department of Planning Lands and Heritage.

More recently Jackson McDonald was engaged to assist the City with the various requests from Sandgate for variations to the sublease and for a sub-sublease to Hillarys Beach Club (WA) Pty Ltd, including preparation of deeds of variation to the leases.

3 The rationale and legal advice for the type of lease document (retail tenancy) used to detail the lease of land arrangement between the City and the sub-lessee.

The City engaged legal consultant Jackson McDonald to prepare the draft lease agreement. The City and Sandgate (WA) Pty Ltd agreed that the sublease would be in the form of a Commercial Tenancy (Retail Shops) Agreements lease. The Minister was provided with the draft lease documents in the agreed format and subsequently, provided consent to the sublease. After all parties involved accepted the format and agreed to the lease terms, Council authorised the execution of the sublease.

The City is not in a position to determine whether or not the *Commercial Tenancy (Retail Shops) Agreement Act 1985* will apply to any lease. The Act has a number of provisions that would allow a court or arbitrator to rule on a dispute using the provisions of the Act, if they determine that the Act applies, irrespective of what is written in the lease document.

4 The process undertaken when the City permitted the sub-lease for the site to be changed to a different legal entity than that which submitted the Expression of Interest and whether this was in accordance with the required policies and legislative requirements.

The EOI process undertaken by the City was a preferred process to identify suitable proponents for the development and operation of a facility at Pinnaroo Point. The process was undertaken in accordance with the EOI terms and conditions and was overseen by an external probity auditor. The EOI process was not undertaken to fulfil a specific statutory function or obligation under the *Local Government Act 1995* (WA) and the EOI process was not a tender for the provision of goods or services as regulated under section 3.57 of the *Local Government Act 1995* (WA) or Part 4 of the *Local Government (Functions and General) Regulations 1996*.

Rock (WA) Pty Ltd (Rock) was identified as the preferred proponent during the EOI process. In 2019 Rock advised the City that for commercial reasons they intended to create a new entity (Sandgate (WA) Pty Ltd (Sandgate)), for the purposes of entering into the sublease with the City. At that time the ownership and control of Sandgate was the same as Rock. Council was advised of the registration of the new entity Sandgate in a report considered at its meeting held on 17 March 2020 (CJ039-03/20 refers). The report incorrectly inferred that they were the same entity. Legal opinion obtained regarding the registration of a new entity confirmed that the membership and shareholding of the two entities were similar and that Rock Salt had the right to create the new entity. The advice also stated that the sublease would be binding on the City.

5 *The potential conflicts of interest that may exist or have existed between Elected Members or City staff and the parties associated with the sub-lessee and sub-sub- lessee.*

There are no known conflicts of interest between Elected Members or City Officers and the parties associated with the sublessee and the sub-sublessee. Elected Members and City officers will from time to time be required to liaise with members of the public including parties associated with leasing arrangements with the City, such as those between the City and the City's tenants and subtenants for the Pinnaroo Point project.

6 *The potential lost income for the City when the proposed development was upgraded in size after the awarding of the EOI to While Salt and not made open to expressions of interest again for interested parties to re-submit proposals on the increased scope of the project.*

There is not considered to be any potential lost income for the City as the lease is based on a ground rent. Therefore, the bigger lease area effectively resulted in greater rental income to the City. The lease income of \$40,000 per year for a 913sqm lease area is based on the market ground rent value as determined by the Valuer General and was ultimately negotiated with the DPLH and Sandgate. The leases were then approved by Council.

7 *The clarity of information provided to Elected Members throughout the entire process of the development.*

Numerous detailed reports have been provided to Elected Members over several years during the EOI process and subsequent land tenure negotiations. An appropriate level of information has been provided to Elected Members in order for decisions to be made on progressing the project and the report recommendations have always been endorsed by Elected Members, typically unanimously. When Elected Members raised questions or sought additional information on the project, the information was provided by the City.

8 *What steps the City and Council could have taken to generate a higher rate of return for the investment made by the City in the development.*

The City could have adopted a different land tenure model for the project, where the City builds a facility and leases the building to a commercial operator, similar to the land tenure model proposed to be adopted for the Burns Beach food and beverage facility project. This model was considered prior to commencing the Pinnaroo Point EOI in 2013. However considering the financial position of the City at that time and the inherent commercial risk of the City building at the site, the project adopted a land tenure model where a developer would take on the risk of building and operating the facility and the City would receive ground rent.

9 *Suggested improvements to the City's policies and processes for future similar developments to improve the governance and the financial return for the City.*

Based on the City's financial position and risk appetite in 2013 Council initially decided to progress an Expression of Interest (EOI) for both Pinnaroo Point and Burns Beach, based on a model where a developer/operator would build a facility and operate the business. The EOI at Pinnaroo Point continued to progress however the Burns Beach EOI was put on hold pending the outcome of the Burns Beach Master Plan.

At a later stage Council decided to progress an alternative model at Burns Beach where the City would build the building and lease it to a commercial operator. At that stage the Pinnaroo Point opportunity was already being progressed with Sandgate (WA) Pty Ltd.

An alternative process for a similar development at Burns Beach is currently underway. The process has adopted a different land tenure model where the City will build a facility and then lease the premises to a commercial food and beverage operator. This model should result in the City generating a greater financial return than the previous model adopted for Burns Beach and being implemented at Pinnaroo Point. The business case for the Burns Beach project was approved by Council at its meeting held on 21 July 2021 (CJ108-07/21 refers).

Issues and options considered

The Audit and Risk Committee has the option to note the information in this report or request additional information.

Legislation / Strategic Community Plan / Policy implications

Legislation Not applicable.

10-Year Strategic Community Plan

Key theme Place.

Outcome Functional and accessible – you have access to quality community facilities that are functional and adaptable.

Key theme Economy.

Outcome Innovative and confident - you are attracted to the City's unique characteristics and potential and feel confident in investing.

Policy Not applicable.

Risk management considerations

Not applicable.

Financial / budget implications

Not applicable.

Regional significance

It is envisaged that the development and operation of the facility at Pinnaroo Point will provide significant resident / visitor / tourist benefit by enhancing the City's existing natural assets and amenities.

Sustainability implications

The project philosophy and parameters (CJ103-06/10 refers) outlines the intent of Council in progressing the project and addresses the following sustainability implications:

- Project Vision.
- Land Use and Built Form.
- Environmental Strategy.
- Liaison Protocol.
- Fiscal Responsibility and Commerciality.
- Governance.

Consultation

The City advertised the Pinnaroo Point Café Expression of Interest process in statewide and Joondalup community newspapers and erected four signs on site at Pinnaroo Point. The local Coast Care Group and other key stakeholders were advised of the Expression of Interest via email.

In accordance with section 3.58(3) of the *Local Government Act 1995* the City gave local public notice of the proposed disposition of the lease area, inviting submissions for two weeks from 17 September 2020 to 1 October 2020.

The Development Application for the proposal was advertised for a period of two weeks to properties in the vicinity of the development site and three signs were erected on site, concluding on 22 September 2021. A total of 172 submissions were received. Of these 83 were objecting to the proposal, 85 were supportive of the proposal and four were neutral. A copy of the submissions was provided to the DPLH along with the City's recommendation on the Development Application.

COMMENT

Not applicable.

MOVED Cr Fishwick, SECONDED Cr McLean that the Audit and Risk Committee NOTES the information provided in relation to the Pinnaroo Point Development.

The Motion was Put and

CARRIED (7/0)

In favour of the Motion: Cr Raftis, Mayor Jacob, Crs Fishwick, McLean, Logan and Poliwka and Mr Thomas.

The Manager City Projects left the meeting at 7.02pm.

Appendix 5 refers

To access this attachment on electronic document, click here: [Attach5AUDRISK230522.pdf](#)

**ITEM 7 CONFIDENTIAL - CHIEF EXECUTIVE OFFICER'S
CREDIT CARD EXPENDITURE (JANUARY - MARCH
2023)**

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 2023 <i>(Please Note: 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) *a matter affecting an employee or employees;*

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

MOVED Cr Poliwka, SECONDED Cr McLean that the Audit and Risk Committee NOTES the report on the corporate credit card usage of the Chief Executive Officer for the quarter ended 31 March 2023.

The Motion was Put and

CARRIED (7/0)

In favour of the Motion: Cr Raftis, Mayor Jacob, Crs Fishwick, McLean, Logan and Poliwka and Mr Thomas.

ITEM 8 ELECTED MEMBER DINNER ATTENDANCE REPORT – QUARTER 2 (OCTOBER 2022 – DECEMBER 2022) AND QUARTER 3 (JANUARY 2023 – MARCH 2023)

WARD	All
RESPONSIBLE A/DIRECTOR	Mrs Simone Holmes-Cavanagh Governance and Strategy
FILE NUMBERS	110756, 101515
ATTACHMENT	Attachment 1 Confidential Attendance List for Quarter Three. <i>(Please note: The 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').

PURPOSE

For the Audit and Risk Committee to note attendees to Elected Member Dinners as per clause 10 of the *Elected Members' Entitlements Policy*, which 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.*”

EXECUTIVE SUMMARY

Elected Members are entitled under the *Elected Members' 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 Members' 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 to this Report is the attendance list for the Elected Member Dinners held between January 2023 – March 2023 Quarter Three.

It is therefore recommended that the Audit and Risk Committee:

- 1 *NOTES the Elected Member Dinners in Quarter Two did not go ahead due to quota of three councillors not being met;*
- 2 *NOTES that two Elected Member Dinners were held in Quarter Three and the Attendance List for the dinners is detailed as Attachment 1 to this Report*

BACKGROUND

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

- "a *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.*
- b *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.*
- c *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 *Elected Members' 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 Members' 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."

Issues and Options Considered

The Committee may accept the report as presented or request further information.

Legislation / Strategic Community Plan / Policy Implications

Legislation *Local Government Act 1995.*

10-Year Strategic Community Plan

Key theme Leadership.

Outcome Proactive and represented - you are confident that the City is advocating on your behalf for initiatives that benefit the community.

Policy *Elected Members' Entitlements Policy.*

Risk Management Considerations

Not applicable.

Financial / Budget Implications

The 2022-23 budget for elected member dinners is \$20,000 (excluding staffing costs).

Regional Significance

Not applicable.

Sustainability Implications

Not applicable.

Consultation

Not applicable.

COMMENT

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

Clause 10 of the *Elected Members' 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.*”.

No Elected Member Dinners occurred in Quarter 2 October 2022 to December 2022.

Quarter Three – January 2023 to March 2023, two elected member dinners went ahead. Friday 24 February 2023 and Friday 31 March 2023.

MOVED Cr McLean, SECONDED Cr Raftis that the Audit and Risk Committee:

- 1 NOTES the Elected Member Dinners in Quarter Two did not go ahead due to quota of three councillors not being met;**
- 2 NOTES that two Elected Member Dinners were held in Quarter Three and the Attendance List for the dinners is detailed as Attachment 1 to this Report.**

The Motion was Put and

CARRIED (7/0)

In favour of the Motion: Cr Raftis, Mayor Jacob, Crs Fishwick, McLean, Logan and Poliwka and Mr Thomas.

ITEM 9 CONFIDENTIAL – LEGAL EXPENSES

WARD	All
RESPONSIBLE A/DIRECTOR	Mr James Pearson Office of the CEO
FILE NUMBERS	72574, 101515
ATTACHMENT	Attachment 1 Legal Expenses Incurred. <i>(Please Note: 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 Item was dealt with earlier in the meeting, after Item 2 - Office of the Auditor General Report – Information Systems Audit (Local Government 2021-22), page 12 refers.

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 7.05pm the following Committee Members being present at that time:

Cr John Raftis
Mayor Hon. Albert Jacob, JP
Cr Tom McLean, JP
Cr Russell Poliwka
Cr Russ Fishwick, JP
Cr John Logan
Mr Richard Thomas