

# minutes

## Audit and Risk Committee

MEETING HELD ON      MONDAY 21 AUGUST 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*

## TABLE OF CONTENTS

1	DECLARATION OF OPENING .....	4
2	DECLARATIONS OF FINANCIAL INTEREST / PROXIMITY INTEREST / INTEREST THAT MAY AFFECT IMPARTIALITY.....	5
3	APOLOGIES AND LEAVE OF ABSENCE .....	5
4	CONFIRMATION OF MINUTES .....	5
5	ANNOUNCEMENTS BY PRESIDING MEMBER WITHOUT DISCUSSION.....	5
6	IDENTIFICATION OF MATTERS FOR WHICH THE MEETING MAY BE CLOSED TO THE PUBLIC .....	6
7	PETITIONS AND DEPUTATIONS .....	6
8	REPORTS .....	7
8.1	CHIEF EXECUTIVE OFFICER'S THREE YEARLY REVIEW - RISK MANAGEMENT, INTERNAL CONTROL AND LEGISLATIVE COMPLIANCE (WARD - ALL).....	7
8.2	CHIEF EXECUTIVE OFFICER'S THREE YEARLY REVIEW - FINANCIAL MANAGEMENT (WARD - ALL).....	13
8.3	THREE YEAR INTERNAL AUDIT PLAN (WARD - ALL).....	21
8.4	INTERNAL AUDIT OUTCOMES (WARD - ALL) .....	25
8.5	REVISED FRAUD, CORRUPTION AND MISCONDUCT CONTROL COUNCIL POLICY (WARD - ALL) .....	30
8.6	CONFIDENTIAL - INTEGRITY AND CONDUCT ANNUAL COLLECTION (WARD - ALL).....	33
8.7	DRAFT BENEFITS REALISATION FRAMEWORK (WARD - ALL).....	34
8.8	ELECTED MEMBER DINNER REPORT QUARTER 4 (APRIL - JUNE 2023) (WARD - ALL).....	39
8.9	HALF YEARLY REPORT: WRITE-OFF OF MONIES - 1 JANUARY 2023 TO 30 JUNE 2023 (WARD - ALL) .....	42
8.10	FRINGE BENEFITS PROVIDED AND FBT INCURRED FOR LAST 3 FINANCIAL YEARS (WARD - ALL).....	45
8.11	INCLUSION OF CUMULATIVE CONTRACTOR EXPENDITURE IN MONTHLY LIST OF PAYMENTS REPORT (WARD - ALL).....	49

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8.12	HALF-YEARLY CONTRACT EXTENSION REPORT TO AUDIT COMMITTEE (WARD - ALL).....	55
8.13	CONFIDENTIAL - CHIEF EXECUTIVE OFFICER'S CREDIT CARD EXPENDITURE (APRIL - JUNE 2023) (WARD - ALL).....	58
8.14	CONFIDENTIAL - CORPORATE CREDIT CARD STATEMENTS (WARD - ALL) .....	59
8.6	CONFIDENTIAL - INTEGRITY AND CONDUCT ANNUAL COLLECTION (WARD - ALL)).....	60
9	URGENT BUSINESS .....	61
10	MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN .....	61
11	REQUESTS FOR REPORTS FOR FUTURE CONSIDERATION .....	61
12	CLOSURE .....	61

**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 21 AUGUST 2023

### ATTENDANCE

#### Committee Members:

Cr John Raftis	<i>Presiding Member</i>	
Cr Tom McLean, JP		
Cr Russell Poliwka		<i>from 6.02pm</i>
Cr Russ Fishwick, JP		
Cr John Logan		
Mr Richard Thomas	<i>External Member</i>	

#### Officers:

Mr James Pearson	Chief Executive Officer	
Mr Jamie Parry	Director Governance and Strategy	<i>absent from 6.09pm to 6.10pm to 7.42pm</i>
Mr Mat Humfrey	Director Corporate Services	<i>to 7.42pm</i>
Mr Roney Oommen	Manager Financial Services	<i>to 6.54pm</i>
Mrs Kylie Bergmann	Manager Governance	<i>to 7.42pm</i>
Mrs Christine Robinson	Manager Audit, Risk and Executive Services	
Mrs Deborah Gouges	Senior Governance Officer	<i>to 7.42pm</i>
Ms Avril Schadendorf	Governance Officer	<i>to 7.42pm</i>

#### Guest:

Mr James Cottrill	Principal - Internal Audit, IT Audit and Risk Consulting, Stantons International	<i>to 6.54pm</i>
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## 1 DECLARATION OF OPENING

The Presiding Member declared the meeting open at 6.01pm.

## **2 DECLARATIONS OF FINANCIAL INTEREST / PROXIMITY INTEREST / INTEREST THAT MAY AFFECT IMPARTIALITY**

Nil.

## **3 APOLOGIES AND LEAVE OF ABSENCE**

### **3.1 LEAVE OF ABSENCE PREVIOUSLY APPROVED**

Cr Nige Jones 19 to 24 August inclusive.

Cr John Raftis 29 August to 2 September 2023 inclusive.

### **3.2 APOLOGIES**

Mayor Albert Jacob, JP.

*Cr Poliwka entered the Room at 6.02pm.*

## **4 CONFIRMATION OF MINUTES**

### **4.1 MINUTES OF THE AUDIT AND RISK COMMITTEE HELD ON 22 MAY 2023**

**MOVED** Cr Raftis, **SECONDED** Cr McLean that the Minutes of the Audit and Risk Committee held on 22 May 2023 be **CONFIRMED** as a true and correct record.

**The Motion was Put and**

**CARRIED (6/0)**

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

**Against the Motion:** Nil.

## **5 ANNOUNCEMENTS BY PRESIDING MEMBER WITHOUT DISCUSSION**

Nil.

## **6 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.

### **6.1 MOTION TO CHANGE THE ORDER OF BUSINESS**

**MOVED** Cr Raftis, **SECONDED** Cr McLean that the Audit and Risk Committee, in accordance with clause 14.1 of the *City of Joondalup Meeting Procedures Local Law 2013*, suspends the operation of clause 4.3 – Order of Business of the *City of Joondalup Meeting Procedures Local Law 2013*, to enable the consideration of:

1 Item 8.6 – Confidential – Integrity and Conduct Annual Collection (Ward-All),

to be discussed after Item 8.14 – Confidential Corporate Credit Card Statements (Ward-All).

The Motion was Put and

**CARRIED (6/0)**

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

**Against the Motion:** Nil.

## **7 PETITIONS AND DEPUTATIONS**

Nil.

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## 8 REPORTS

### 8.1 CHIEF EXECUTIVE OFFICER'S THREE YEARLY REVIEW - RISK MANAGEMENT, INTERNAL CONTROL AND LEGISLATIVE COMPLIANCE (WARD - ALL)

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr James Pearson Chief Executive Officer
<b>FILE NUMBER</b>	10011, 49586, 101515
<b>AUTHORITY / DISCRETION</b>	Information – includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

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#### PURPOSE

For 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 the following:

- 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); the revised Policy will be presented to the Audit and Risk Committee on 21 August 2023 before being 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. The City's *Risk Management Framework* includes risk tolerance and management guidance to follow if risk target status is not met.

The draft strategic risk register is scheduled for review at the Strategy Session to be held on 5 September 2023, before being presented to the Audit and Risk Committee and onto 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 six 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 the following:

- 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 has now been updated with new requirements and endorsed by the Chief Executive Officer in June 2023. The Calendar is a monthly agenda item for the meetings of the Executive Leadership Team.

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

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

#### **10-Year Strategic Community Plan**

**Key theme** 5. Leadership.

**Outcome** 5-1 Capable and effective - you have an informed and capable Council backed by a highly-skilled workforce.

**Policy** *Risk Management Council Policy.*

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**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**

All amounts quoted in this report are exclusive of GST.

Current financial year impact

<b>Account no.</b>	1.230.A2301.3265.0000
<b>Budget Item</b>	Consultancy
<b>Budget amount</b>	\$ 50,000
<b>Amount spent to date</b>	\$ 39,900
<b>Balance</b>	\$ 13,100

**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.*"

A representative from Stantons International Audit and Consulting Pty Ltd is to attend the meeting of the Audit and Risk Committee on 21 August 2023 to present the report.

**VOTING REQUIREMENTS**

Simple Majority.

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**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.

*The Director Governance and Strategy left the Room at 6.09pm and returned at 6.10pm.*

**ALTERNATE MOVED Cr Fishwick, SECONDED Cr Raftis that Council:**

- 1 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;**
- 2 REQUESTS the Chief Executive Officer:**
  - 2.1 to update the Risk Registers at the Business Unit and overarching strategic level;**
  - 2.2 to update the annual Corporate Compliance Calendar and ensure it is actively used as a priority;**
  - 2.3 present the updated Risk Registers and Corporate Compliance Calendar to a future Audit and Risk Committee meeting, prior to the end of 2023, for consideration.**

**The Alternate Motion was Put and**

**CARRIED (6/0)**

**In favour of the Alternate Motion:** Cr Raftis, Cr Fishwick, Cr Logan, Cr McLean, Cr Poliwka and Mr Thomas.  
**Against the Alternate Motion:** Nil.

**ATTACHMENTS**

1. Regulation 17 Audit Review (May 2023) [8.1.1 - 25 pages]

## 8.2 CHIEF EXECUTIVE OFFICER'S THREE YEARLY REVIEW - FINANCIAL MANAGEMENT (WARD - ALL)

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr James Pearson Chief Executive Officer
<b>FILE NUMBER</b>	17871, 101515
<b>AUTHORITY / DISCRETION</b>	Information – includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

### PURPOSE

For Council to note the 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).

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## 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 Enterprise Resource Planning (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.

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### 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 vehicles 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 Office of the Auditor General (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 unrepresented 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 unrepresented for two 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 unrepresented 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 Chief Executive Officer.

**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.

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## Legislation / Strategic Community Plan / Policy implications

**Legislation**                      *Local Government (Financial Management) Regulations 1996.*

### 10-Year Strategic Community Plan

**Key theme**                      5. Leadership.

**Outcome**                      5-1 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

All amounts quoted in this report are exclusive of GST.

#### Current financial year impact

<b>Account no.</b>	1.230.A2301.3265.0000
<b>Budget Item</b>	Consultancy
<b>Budget amount</b>	\$ 50,000
<b>Amount spent to date</b>	\$ 36,900
<b>Balance</b>	\$ 13,100

### 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."*

A representative from Stantons International Audit and Consulting Pty Ltd is to attend the meeting of the Audit and Risk Committee on 21 August 2023 to present the report.

## **VOTING REQUIREMENTS**

Simple Majority.

**OFFICER'S RECOMMENDATION MOVED Cr Raftis, SECONDED Cr Fishwick 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.**

**AMENDMENT MOVED Cr Poliwka, SECONDED Cr Raftis that additional Parts 2 and 3 BE ADDED to the Motion to read as follows:**

- 2 REQUESTS the Chief Executive Officer to ensure the City's Internal Auditor is present at every Audit and Risk Committee Meeting;**
- 3 REQUESTS the Chief Executive Officer to present a report to the Audit and Risk Committee considering the application of the *WA Procurement Rules 2021* to the City of Joondalup, where applicable, including cost implications.**

**The Amendment was Put and**

**CARRIED (6/0)**

**In favour of the Amendment:** Cr Raftis, Cr Fishwick, Cr Logan, Cr McLean, Cr Poliwka and Mr Thomas.  
**Against the Amendment:** Nil.

**The Original Motion as Amended being:**

**That Council:**

- 1 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;**
- 2 REQUESTS the Chief Executive Officer to ensure the City's Internal Auditor is present at every Audit and Risk Committee Meeting;**
- 3 REQUESTS the Chief Executive Officer to present a report to the Audit and Risk Committee considering the application of the *WA Procurement Rules 2021* to the City of Joondalup, where applicable, including cost implications.**

**The Motion was Put and**

**CARRIED (6/0)**

**In favour of the Motion:** Cr Raftis, Cr Fishwick, Cr Logan, Cr McLean, Cr Poliwka and Mr Thomas.  
**Against the Motion:** Nil.

## **ATTACHMENTS**

1. Regulation 5 (2)(c) Financial Management Review (May 2023) [8.2.1 - 39 pages]

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## 8.3 THREE YEAR INTERNAL AUDIT PLAN (WARD - ALL)

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr James Pearson Chief Executive Officer
<b>FILE NUMBER</b>	49586, 101515
<b>AUTHORITY / DISCRETION</b>	Information – includes items provided to Council for information purposes only that do not require a decision of Council (that is for ‘noting’).

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### PURPOSE

For the Audit and Risk Committee to note the *Three Year Internal Audit Plan* for the years 2023-24 to 2025-26.

### EXECUTIVE SUMMARY

At the Audit and Risk Committee meeting held on 9 August 2021 a report was requested in relation to the Internal Audit Program outlining all the activities that could be covered as part of the Internal Audit Program, along with when they were last reviewed.

The first *Three Year Internal Audit Plan* was presented to the Audit and Risk Committee at its meeting held on 15 December 2021, and continues to be updated on an annual basis.

*It is therefore recommended that the Audit and Risk Committee NOTES the Three Year Internal Audit Plan for the years 2023-24 to 2025-26 forming Attachment 1 to this Report.*

### BACKGROUND

Internal audit planning is important as it aligns internal audit activity with organisational objectives and the key risk areas to ensure that internal audit resources are targeted in an efficient manner.

The WA Auditor General recognises that there are four lines of defence which underpin a strong governance framework, of which internal audit is the third line of defence:

- First line of defence – internal control measures.
- Second line of defence – internal oversight, monitoring and reporting.
- Third line of defence – internal audit and review.
- Fourth line of defence – external audit, investigations and reviews.

The *Three Year Internal Audit Plan* (the Plan) is designed to bring a systematic methodology that contributes to the overall assurance provided to the Chief Executive Officer and the Audit and Risk Committee of the City’s systems of internal controls, legislative compliance and risk management processes.

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## DETAILS

The Plan is reviewed and updated following an assessment of the City's audit needs which includes, but is not limited to the following:

- Legislative audits, reviews and reporting requirements.
- Previous internal audit reports.
- Organisational risk registers.
- Review and analysis of external audit reports including the Corruption and Crime Commission, Office of the Auditor General and the Department of Local Government, Sport and Cultural Industries.
- External misconduct referrals, public interest disclosures and whistleblowing allegations.
- Chief Executive Officer, management and Audit and Risk Committee requests.
- Fraud, corruption and misconduct risks using live data analytics program.
- New and emerging risks.
- New corporate systems and services.

The Plan identifies the proposed activity, reason for inclusion, the year for inclusion (covering three financial years), the financial year last reviewed and the date the audit was reported to the Audit and Risk Committee.

Detailed scopes for each new internal audit are developed for management agreement and sign-off prior to the commencement of the audit. Action plans are developed for the implementation of agreed audit recommendations which includes implementation dates and responsibility for implementation.

### 2023-24 Internal Audit Plan

The Plan has 29 activities proposed, based on three levels of priorities; being importance, timing of completion of active audits, and when the audit area was last reviewed. The Plan is subject to change and modification during the year on the authorisation of the Chief Executive Officer.

One additional audit was undertaken during 2022-23 which was not included in the Plan and has been classified as a Priority 1 audit for 2023-24. The audit relates to recruitment of internally advertised positions, which was identified following an investigation into misconduct.

Six new audits areas have been added within the rolling three year plan:

- Recruitment (casual appointments).
- Debt collection for long service leave liabilities.
- Span of control per supervisor.
- Due diligence of new business partners, contractors, suppliers, consultants and outsourced service providers.
- Employees acting in positions over 12 months (claim for permanent position).
- Leave calculations (public holidays).

The Internal Auditor is supported by the following employees to progress the activities:

- Manager Audit, Risk and Executive Services;
- Integrity Officer;
- Research Analyst; and
- Risk and Business Continuity Advisor

#### 2022-23 Internal Audit Plan

The outcomes of the following audits completed in 2022-23 were reported to the Audit and Risk Committee on 16 November 2022:

- Use of Zoom and Microsoft teams for meetings (cyber security).
- Payments to casual and part time employees.
- Changes to bank details.
- Potential false or duplicate invoices.
- Review of unique / specialised provider (parking ticket machines).
- Payments made to ghost employees.
- Drug and alcohol testing of employees (process only; not results).
- Human resources misconduct investigation procedures.

The outcomes of the following audits completed in 2022-23 are to be reported to the Audit and Risk Committee on 21 August 2023:

- Employee use of fleet vehicles.
- Payments made after employee termination.

The outcomes of the following audits are prioritised to be reported to the Audit and Risk Committee after the August 2023 meeting:

- Payments made to invalid suppliers.
- Non purchase order payments.
- Attempts to bypass quotation and tender thresholds.
- Variances between purchasing requisition amount, approved purchase order, payment made.

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

**Legislation**                      *Local Government (Financial Management) Regulations 1996.*  
    *Local Government Act 1995.*

#### **10-Year Strategic Community Plan**

**Key theme**                        5. Leadership.

**Outcome**                        5-1 Capable and effective - you have an informed and capable Council backed by a highly-skilled workforce.

**Policy**                             Not applicable.

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**Risk management considerations**

Internal audit is an independent and objective appraisal service designed to add value and assist an organisation achieve its objectives through a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.

The Office of the Auditor General also places reliance on internal audit activities when conducting their annual financial audit of the City.

**Financial / budget implications**

Not applicable.

**Regional significance**

Not applicable.

**Sustainability implications**

Not applicable.

**Consultation**

Not applicable.

**COMMENT**

The development of a three-year Plan assists in directing internal audit resources more efficiently to provide sufficient assurance that key risks are identified, assessed and controlled effectively. The Plan is subject to change during the year as the Internal Auditor may need to undertake other matters such as referrals from external oversight agencies and requests for independent reviews from the Chief Executive Officer or senior management.

It should be noted that the majority of referrals from external oversight agencies are as a result of the evidence discovered from the work of the Internal Auditor.

**VOTING REQUIREMENTS**

Simple Majority.

**OFFICER'S RECOMMENDATION MOVED Cr Raftis, SECONDED Cr McLean that the Audit and Risk Committee NOTES the *Three Year Internal Audit Plan* for the years 2023-24 to 2025-26 forming Attachment 1 to this Report.**

**The Motion was Put and**

**CARRIED (6/0)**

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

**Against the Motion:** Nil.

*The Manager Financial Services and the Internal and Principal - Internal Audit left the Room at 6.54pm.*

**ATTACHMENTS**

1. Three Year Internal Audit Plan (2023/24 to 2025/26) [8.3.1 - 2 pages]

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## 8.4 INTERNAL AUDIT OUTCOMES (WARD - ALL)

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr James Pearson Chief Executive Officer
<b>FILE NUMBER</b>	08178, 66528, 101515
<b>AUTHORITY / DISCRETION</b>	Information – includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

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### PURPOSE

For the Audit and Risk Committee to note the outcomes of the following internal audits:

- 1 Employee use of fleet vehicles.
- 2 Payments made after employee termination.

### EXECUTIVE SUMMARY

The *Three Year Internal Audit Plan* is designed to bring a systematic methodology that contributes to the overall assurance provided to the Chief Executive Officer and the Audit and Risk Committee, that risks are appropriately identified, managed and controls are implemented and operating effectively.

Audits have been completed using the City's fraud and misconduct data analytics program and audit testing processes to determine if appropriate levels of controls are in place.

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

*It is therefore recommended that the Audit and Risk Committee NOTES the outcomes of the internal audits related to:*

- 1 *Employee use of fleet vehicles.*
- 2 *Payments made after employee termination.*

### BACKGROUND

Internal audit is an independent and objective appraisal service designed to add value and assist an organisation achieve its objectives through a systematic, disciplined approach to evaluate and improve the effectiveness of internal controls, legislative compliance and risk management processes.

The Office of the Auditor General places reliance on internal audit activities when conducting their annual financial audit of the City.

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## DETAILS

### Employee use of fleet vehicles

The objective of this audit was to determine if employee use of the City's fleet vehicles follows the City Protocol *City Owned Motor Vehicle Allocation and Usage* (the Protocol).

A random sample of fleet vehicles and employees allocated use of such was selected and the appropriate records and documentation tested to determine if systems are operating as intended and in compliance with the Protocol and other procedures and guidelines.

The findings of the audit were as follows:

- One employee was not making financial contributions for a restricted private use fleet vehicle once they returned to full time employment from parental leave in December 2021. Outstanding financial contributions will be determined for the employee to pay.
- Some employees appeared on the Fleet Register as a driver/operator of a commuting use fleet vehicle when they do not have this status as part of their employment letter with the City.

No employee was using a fleet vehicle without the authorisation of their supervisor. 13 employees will be provided with a letter from the City confirming and/or reconfirming their status to use a fleet vehicle for commuting use. A further six employees (who are part of the Cleaning Crew team) will have their status updated to 'day use only' within the Fleet Register.

- Inconsistent systems to record the allocation of fleet vehicles. The City's *Request to Appoint* electronic form has been updated to include fleet vehicles as a mandatory field to complete prior to the confirmation of employment. This will allow the City to check the asset number and vehicle registration with the Fleet Management team.

The City's human resources electronic system now flags positions that have a fleet vehicle allocation, as well as the asset number being flagged against the relevant employee.

A live reporting dashboard will be developed to monitor for discrepancies.

- The replacement date for 16 vehicles listed in the Fleet Register had expired, with five having Director approval for replacement. Two vehicles have since been replaced; 12 vehicles have been ordered; and two further vehicles are pending quotes being received.
- The Protocol was last reviewed in 2007 and will be reviewed by the City during 2023/24.

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## Background

The Protocol describes the circumstances under which an employee may have approval to use a City vehicle within the following categories:

- unrestricted private use
- restricted private use
- commuting use.

Fleet vehicles are also available for City employees to book when undertaking City business.

Details of all fleet vehicles and the employee they are allocated to are maintained by the Fleet Management team (within the Parks and Natural Environment business unit).

The use of a fleet vehicle may be part of an employee's contract or employment package and employees who have a private use component may be required to make a financial contribution.

The risks associated with systems relating to the operation of fleet vehicles include the following:

- Employees do not use a vehicle in compliance with the category of approval or their employment contract.
- Employees do not make a financial contribution as requirement by the terms of use.
- Records of City vehicles are not maintained and updated.
- Inefficient booking systems for employees to use a City fleet vehicle.

## Payments made after employee termination

The objective of this audit was to identify whether payments made to employees after their employment with the City had ceased were valid and accurate. The risks associated with such payments includes financial loss due to error or fraudulent activity, or reputational damage.

A random representative sample (from 46 employees who received a payment during 2022/2023 more than 14 days after their employment had ended) was selected for testing to determine if the payments were legitimate. The sample was provided to payroll who provided the necessary documentary evidence for each payment for audit review. Evidence included data from the City's payroll system and corporate documentation.

The internal audit confirmed that for the period under review, all payments were valid and accurate. The City will implement a process to enable notification of casual employees leaving the City to ensure leave entitlements are dealt with on a timely basis.

From the sample selected, the audit found the following:

- The number of days between the employment end date and the pay slip date ranged from 15 days to 640 days.

One employee received a payment 640 days after ceasing employment with the City. The casual employee last worked on 9 February 2021 and Human Resources were advised on 5 October 2022 that the employee had not worked (as a casual) for more than six months. Due to length of service, the employee was entitled to a long service leave payment which was calculated using the 12 months prior to last day of work.

- The value of the payments received by former employees ranged from \$2.70 to \$5,553.90 net. The highest payment related to a dispute for unpaid overtime.

One of the payments was a minus amount of \$1,092.61 for an overpayment made to a former employee due to a resignation letter not being received. The City issued an invoice dated 28 March 2022 to the former employee and the payment was recouped.

- Payments made included the following:
  - Six payments for salary backpay due to new agreement.
  - Three payments for annual leave payout.
  - One payment for long service leave payout.
  - One payment for salary backpay due to working outside of ordinary span of hours.
  - One payment for unpaid overtime.
  - One payment for termination in lieu of notice.
  - One payment for correction to underpayment of superannuation guarantee.
  - One payment for recoup of overpayment.

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

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

#### **10-Year Strategic Community Plan**

**Key theme**                      5. Leadership.

**Outcome**                      5-1 Capable and effective - you have an informed and capable Council backed by a highly-skilled workforce.

**Policy**                              Not applicable.

### **Risk management considerations**

The City has controls in place, including data analytics testing, which mitigates the risk exposures in the areas subject to audit. The controls must be consistently applied and regularly reviewed to ensure they remain relevant and robust.

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

Process and continuous improvements ensure any weaknesses identified can be rectified within a timely manner.

These audit activities also provide evidence of the appropriateness and effectiveness of systems and procedures in regard to risk management, internal control and legislative compliance, as required by the *Local Government (Audit) Regulations 1996*.

**Financial / budget implications**

Not applicable.

**Regional significance**

Not applicable.

**Sustainability implications**

Not applicable.

**Consultation**

Not applicable.

**COMMENT**

Not applicable.

**VOTING REQUIREMENTS**

Simple Majority.

**OFFICER'S RECOMMENDATION MOVED Cr Raftis, SECONDED Cr Poliwka that the Audit and Risk Committee NOTES the outcomes of the internal audits related to:**

- 1 Employee use of fleet vehicles;**
- 2 Payments made after employee termination.**

**The Motion was Put and**

**CARRIED (6/0)**

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

**Against the Motion:** Nil.

## 8.5 REVISED FRAUD, CORRUPTION AND MISCONDUCT CONTROL COUNCIL POLICY (WARD - ALL)

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr James Pearson Chief Executive Officer
<b>FILE NUMBER</b>	106335, 101515
<b>AUTHORITY / DISCRETION</b>	Executive - The substantial direction setting and oversight role of Council, such as adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.

### PURPOSE

For Council to adopt the revised *Fraud, Corruption and Misconduct Control Council Policy*.

### EXECUTIVE SUMMARY

The *Fraud, Corruption and Misconduct Control Council Policy* (the Policy) outlines the City's zero-tolerance approach and response actions to fraudulent, corrupt and/or misconduct behaviours within the performance of its functions and interactions with contractors and suppliers, the community and all other stakeholders of the City.

The policy was initially created in 2016, and in line with the need for periodic reviews of policies, is due for a major review to improve its operation.

Following feedback provided at the Policy Committee meeting held on 8 May 2023, a further review of the policy was undertaken, with changes to be presented to the Audit and Risk Committee on 21 August 2023.

*It is therefore recommended that Council ADOPTS the revised Fraud, Corruption and Misconduct Control Council Policy, as detailed in Attachment 1 to this Report.*

### BACKGROUND

The City continues to review its practices to strengthen its integrity and conduct controls, to enable the communication of a zero-tolerance approach to fraudulent, corrupt and/or misconduct behaviours.

The City's zero-tolerance approach means that all allegations, notifications and disclosures received, or any evidence obtained, that relates to potential fraudulent, corrupt and/or misconduct behaviours, will be systematically assessed to determine its veracity; and if there are reasonable grounds to suspect serious or minor misconduct it will be investigated; with the appropriate external oversight agency to be notified; and the appropriate disciplinary and recovery actions will be taken.

This policy enhances the importance of the City's fraud and corruption control system; which is currently under development (as per the City's *Integrity Framework*).

## DETAILS

The revised policy has been updated to align with the following:

- Updated Australian Standard AS 8001:2021 *Fraud and Corruption Control*.
- Definitions within the *Corruption, Crime and Misconduct Act 2003*.
- Definitions within the *Criminal Code Act Compilation Act 1913*.
- City's two Codes of Conduct (4.1.2 Policies and procedures).
- City's *Integrity Framework* (4.1.3 Prevention and detection).

The revised policy has also been updated to include the following:

- Reference to business partners, contractors, suppliers, consultants and outsourced service providers (3. Statement);
- Reference to the City's zero-tolerance approach (4.2);
- Better defined reporting requirements (4.3); disciplinary actions or sanctions (4.4); and recovery action (4.5).

The Details section of the revised policy has been reduced to reference the City's *Integrity Framework* (Attachment 3 refers), which includes details on organisational structure, policies and procedures, and prevention and detection, as well as responses to integrity breaches, and the oversight provided by the Chief Executive Officer, Council and the Audit and Risk Committee.

### Issues and options considered

Council can either:

- adopt the revised Fraud, Corruption and Misconduct Control Council Policy as presented
- adopt the revised Fraud, Corruption and Misconduct Control Council Policy with further amendments

or

- not adopt the revised Fraud, Corruption and Misconduct Control Council Policy.

### Legislation / Strategic Community Plan / Policy implications

**Legislation**                      *Corruption, Crime and Misconduct Act 2003.*  
     *Criminal Code Act Compilation Act 1913.*  
     *Local Government Act 1995.*  
     *Public Interest Disclosure Act 2003.*

### 10-Year Strategic Community Plan

**Key theme**                        5. Leadership.

**Outcome**                        5-1 Capable and effective - you have an informed and capable Council backed by a highly-skilled workforce.

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

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### **Risk management considerations**

As a large local government providing a wide variety of services to the community, appropriate systems of control are required to be developed and implemented to ensure that objectives are achieved. Vigilance should be constant, and systems of control should be subject to regular review and updated as appropriate to prevent, deter and detect opportunities for fraudulent and corrupt activity.

The updated Australian Standard AS 8001:2021 *Fraud and Corruption Control* allows the City to review its systems to identify risks and implement recommendations as appropriate; this 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**

There are no financial implications associated with the adoption of the revised policy.

### **Regional significance**

Not applicable.

### **Sustainability implications**

Not applicable.

### **Consultation**

Following feedback provided at the Policy Committee meeting held on 8 May 2023, a further review of the policy was undertaken, with changes to be presented to the Audit and Risk Committee on 21 August 2023.

### **COMMENT**

Not applicable.

### **VOTING REQUIREMENTS**

Simple Majority.

**OFFICER'S RECOMMENDATION MOVED Cr Fishwick, SECONDED Cr McLean that Council ADOPTS the revised Fraud, Corruption and Misconduct Control Council Policy, as detailed in Attachment 1 to this Report.**

**The Motion was Put and**

**CARRIED (6/0)**

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

**Against the Motion:** Nil.

### **ATTACHMENTS**

1. Revised Policy CLEAN VERSION [8.5.1 - 5 pages]
2. Current Policy TRACKED CHANGES [8.5.2 - 8 pages]
3. Integrity Framework 2022 [8.5.3 - 20 pages]

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**8.6 CONFIDENTIAL - INTEGRITY AND CONDUCT ANNUAL COLLECTION (WARD - ALL)**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr James Pearson Chief Executive Officer
<b>FILE NUMBER</b>	11827, 101515
<b>AUTHORITY / DISCRETION</b>	Information – includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

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This item was discussed later in the meeting, page 60 refers.

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## 8.7 DRAFT BENEFITS REALISATION FRAMEWORK (WARD - ALL)

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Jamie Parry Director Governance and Strategy
<b>FILE NUMBER</b>	111020, 101515
<b>AUTHORITY / DISCRETION</b>	Information – includes items provided to Council for information purposes only that do not require a decision of Council (that is for ‘noting’).

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### PURPOSE

For the the Audit and Risk Committee to note the revised approach to benefits management as outlined in the draft Benefits Realisation Framework.

### EXECUTIVE SUMMARY

Following a review of the City’s Benefits Management Program, a draft Benefits Realisation Framework has been developed as shown in Attachment 1. The aim of the draft Framework is to enable the City to demonstrate the benefits of improvement activities including the financial benefits, efficiencies in time and process, effectiveness in representing value for money, improvements in quality, reduced environmental impact, reduced risk, greater compliance and enhanced governance.

### BACKGROUND

The former Benefits Management Program was initiated in August 2019 (referred to as *Service Efficiency and Effectiveness Review Program* prior to this date). The intent was to monitor and report on financial benefits, environmental outcomes, societal outcomes and asset capability. An annual report was presented to the Audit and Risk Committee which outlined mainly financial benefits resulting from changes in organisational services, activities and programs in the financial year and provided little contextual commentary. Non-financial benefits were generally not reported.

In June 2022 a review of the Benefits Management Program was recommended following concerns regarding the lack of clarity on the definition of benefits and how benefits were accurately reported within the program.

Reporting to the Audit and Risk Committee on the Benefits Management Program was suspended pending a review of the program and the development of an agreed framework for realising benefits which includes comprehensive criteria, contextual commentary where appropriate, and a consistent approach across the organisation.

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## DETAILS

### Process for Developing the Draft Benefits Realisation Framework

The process for the development of the draft Benefits Realisation Framework has included the following:

- An assessment of the former Benefits Management Program and reports which had been provided to the Audit and Risk Committee.
- Undertaking research into contemporary benefits realisation practices in State and Federal Governments and benefits realisation in project management methodologies.
- Development of definitions to establish an agreed understanding of a benefit, output, benefits realisation, tangible and intangible benefits.
- Categorisation of benefits.
- Development of Benefits Realisation principles.
- Development of a process for the identification of benefits, method for the collection of data and consideration of a proposed reporting process.
- Trialing the report format for the draft Benefits Realisation Framework with a few improvement projects to test out the categorisation of benefits and what a report would look like.

### Scope

The draft Benefits Realisation Framework is intended to capture benefits arising from *internal business and process improvement projects and initiatives* undertaken as part of the City's continuous improvement activities to enhance performance.

The Framework is not intended to measure benefits from external projects such as Capital Works Program construction projects or infrastructure upgrades, this may be considered in the future.

### Draft Benefits Realisation Framework Approach

The draft Framework has been created to assist with standardising the City's approach to Benefits Realisation, outlining the following key components of benefits realisation:

- Definition of a benefit.
- Identification of benefits.
- Categorisation of benefits.
- Measuring benefits.
- Reporting of benefits.

### **Definition**

The draft Framework defines a benefit as *an advantage which delivers value from an internal City project or improvement initiative*.

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## **Benefit Categories**

In addition to financial benefits (such as reduced costs) resulting from improvement initiatives, the draft Benefits Realisation Framework includes a greater focus on other benefit categories from improvement projects (page 4 of Attachment 1 refers) such as:

- Improved performance
- Social/Employee benefits
- Environmental benefits
- Improved governance.

The categories have also been further defined as sub-categories to guide a consistent approach to demonstrating benefits.

The categorisation of benefits includes tangible benefits, such as benefits that can be measured such as cost savings, increased productivity and reduced utility usage which can be quantified and intangible benefits which may not be easy to quantify but can be qualified, for example, increased job satisfaction.

Some improvement projects may result in a range of benefits, for example, the transition to digital tipping vouchers will result in:

- reduced costs for printing and postage costs
- improved performance through process automation and enhanced customer service
- a positive environmental impact of reducing waste and carbon emissions.

## **Benefits Realisation Principles**

Benefits realisation principles have been provided within the Framework to provide guidance and consistency.

There is the potential to include a threshold for monetary benefits, however at this stage, thresholds have not been included in the draft Framework. In the initial stages, it may be preferable to accept the registering of all financial benefits and a decision can be made on whether only financial benefits within a specific threshold will be reported to the Audit and Risk Committee. The principles can be further refined following implementation and monitoring of the Framework.

## **Collection of Benefit Data**

Internal assistance and advice will be provided to guide the identification and capture of data. It is also intended to update the City's Project Management Framework to provide guidance in identifying and quantifying/reporting on benefits and, in the initial stages, capturing baseline data.

In addition, there is the potential to develop standard formulas to calculate benefits, where relevant, to provide a consistent approach to calculating cost savings or reduction in staff time to complete a process.

## Benefits Reporting Process

The Framework provides a brief outline of the process to assist with reporting project improvement initiative benefits. Included in the process will be the validation of the data and information by internal and/or external audit. This process is currently being drafted and will be further developed, in consultation with organisational leaders.

Process maps will also be developed to guide the reporting process and staff training can be provided to promote the Framework, support staff and encourage consistency.

## Legislation / Strategic Community Plan / Policy implications

**Legislation** Not applicable.

### 10-Year Strategic Community Plan

**Key theme** 5. Leadership.

**Outcome** 5-1 Capable and effective - you have an informed and capable Council backed by a highly-skilled workforce.

5-4 Responsible and financially sustainable - you are provided with a range of City services which are delivered in a financially responsible manner.

**Policy** *Australian Business Excellence Framework Council Policy.*

## Risk management considerations

A Benefits Realisation Framework provides a mechanism for monitoring and reporting on benefits of improvement projects and initiatives and provides greater transparency of organisational performance. A consistent approach and auditing of data and information on benefits captured will provide greater rigour and accountability.

## Financial / budget implications

Not applicable.

## Regional significance

Not applicable.

## Sustainability implications

The improvement projects and initiatives will be aligned to the key themes in *Joondalup 2032* which have been developed to ensure the sustainability of the City. It is anticipated that some improvement initiatives may lead to greater organisational sustainability and environmental sustainability.

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## Consultation

Consultation on the draft Benefits Realisation Framework is not considered necessary as the document is internally focused.

## COMMENT

While consistency in approach and rigour in reporting are key components of the draft Benefits Realisation Framework, the intent is to keep the draft Framework, and its application, simple at this stage to ensure greater staff understanding and willingness to embrace the principles of benefits realisation. Further refinements can be made following its introduction which may include the addition of disbenefits that may result from improvement activities.

Developing a range of benefit categories, including tangible and non-tangible benefits, will highlight the significant value of activities which lead to valuable organisational and cultural improvements.

Development of the City's draft Benefit Realisation Framework aligns with the Australian Business Excellence Framework and ISO 9001:2015, which the City use to monitor and drive continuous improvement.

## VOTING REQUIREMENTS

Simple Majority.

**OFFICER'S RECOMMENDATION MOVED Mr Thomas, SECONDED Cr Logan that the Audit and Risk Committee NOTES the City's revised approach to benefits management as outlined in the draft Benefits Realisation Framework, provided in Attachment 1 to this Report.**

**The Motion was Put and**

**CARRIED (6/0)**

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

**Against the Motion:** Nil.

## ATTACHMENTS

1. Benefits Realisation Framework [8.7.1 - 5 pages]

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## 8.8 Elected Member Dinner Report Quarter 4 (April - June 2023) (Ward - All)

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Jamie Parry Director Governance and Strategy
<b>FILE NUMBER</b>	110756, 101515
<b>AUTHORITY / DISCRETION</b>	Information – includes items provided to Council for information purposes only that do not require a decision of Council (that is for ‘noting’).

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### PURPOSE

For the Audit and Risk Committee to note 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.*

For an Elected Member Dinner to occur a quota of three Councillors are required to host tables.

*It is therefore recommended that the Audit and Risk Committee NOTES the attendance list of those attending the Elected Member Dinner held in June 2023.*

### 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** 5. Leadership.

**Outcome** 5-2 Proactive and represented- you are confident that the City is advocating on your behalf for initiatives that benefit the community.

**Policy** *Elected Members' Entitlements Council Policy.*

### **Risk management considerations**

Not applicable.

### **Financial / budget implications**

*The 2022-23 budget* for elected member dinners is \$10,000 (excluding staffing costs).

All amounts quoted in this report are exclusive of GST.

### **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.*

Quarter 4, one elected member dinner was held during the quarter, being on Friday 30 June 2023.

**VOTING REQUIREMENTS**

Simple Majority.

**OFFICER'S RECOMENDATION MOVED Cr Fishwick, SECONDED Cr Raftis that the Audit and Risk Committee NOTES the attendance list of those attending the Elected Member Dinner held in June 2023.**

**The Motion was Put and**

**CARRIED (6/0)**

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

**Against the Motion:** Nil.

**ATTACHMENTS**

1. CONFIDENTIAL REDACTED - RSVP List Elected Member Dinner - 30 June 2023  
[8.8.1 - 2 pages]

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## 8.9 HALF YEARLY REPORT: WRITE-OFF OF MONIES - 1 JANUARY 2023 TO 30 JUNE 2023 (WARD - ALL)

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr. Mat Humfrey Director Corporate Services
<b>FILE NUMBER</b>	07032, 101515
<b>AUTHORITY / DISCRETION</b>	Information – includes items provided to Council for information purposes only that do not require a decision of Council (that is for ‘noting’).

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### **PURPOSE**

For the Audit and Risk Committee to note the amounts of monies written off under delegated authority.

### **EXECUTIVE SUMMARY**

The total amount written off under delegated authority during the six months ended 30 June 2023 was \$8,540.73. This amount consisted of 4,236 small unpaid rate amounts and three items of unpaid debtors below the \$100 reportable limit, as well as one unpaid rates amount of \$544.40 and four unpaid debtor items totaling \$ 4,588.59, that were above the reportable limit.

*It is therefore recommended that the Audit and Risk Committee RECEIVES the report of amounts written off under delegated authority for the period 1 January 2023 to 30 June 2023.*

### **BACKGROUND**

Section 6.12(1)(c) of the *Local Government Act 1995* gives Council the power to write off any amount of money owing to the City.

At its meeting held on 6 June 2006 (CJ079-06/06 refers), Council approved to delegate to the Chief Executive Officer the authority to write off monies owed to the City, subject to a report being provided to the Audit and Risk Committee on a six-monthly basis on the exercise of this delegation for amounts between \$100 and \$20,000. The Chief Executive Officer under section 5.44 has delegated his authority to nominated employees, up to the limits provided in the instrument of delegation.

## DETAILS

During the six months ended 30 June 2023 a total amount of \$8,540.73 was written off as unrecoverable. This amount includes the following:

- 4,236 unpaid rates balances below the reportable limit totaling \$3,265.24, representing in the main rounding decimals or other minor miscellaneous charges and for which the cost of collection was, for all practical purposes, uneconomical.
- Three small debtor items below the reportable limit totaling \$142.5, which were related to alarm callout fees and were uneconomical to pursue recovery action for.
- One reportable unpaid rates item of \$544.40, comprising the costs of legal recovery action that was written off as part of a settlement with the ratepayer.
- Four reportable debtor items totalling \$ 4,588.59, as shown in Attachment 1, of which two lower value items were written off as uneconomical to continue with debt recovery action and the two items above \$1,000 were lodged with the debt collection service prior to August 2022 with debt recovery being unsuccessful and, due to the age of the debt and limited prospects of success, not considered suitable for continued action.

### Issues and options considered

Not Applicable.

### Legislation / Strategic Community Plan / Policy implications

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

### 10-Year Strategic Community Plan

**Key theme**                        5. Leadership.

**Outcome**                        5-4 Responsible and financially sustainable - you are provided with a range of City services which are delivered in a financially responsible manner.

**Policy**                              Not applicable.

### Risk management considerations

The amounts written off are either unrecoverable or uneconomical to recover, none of which represent a material financial risk to the City.

### Financial / budget implications

<b>Account No</b>		3356
<b>Budget Item</b>	Bad Debts	
Written off		
<b>Annual Budget</b>	\$	13,500
<b>Year to Date Budget</b>	\$	13,500
<b>Year to Date Actual</b>	\$	15,944
<b>Year to Date Variance</b>	\$	(2,444)

All amounts quoted in this report are exclusive of GST.

### Regional significance

Not applicable.

### Sustainability implications

Not applicable.

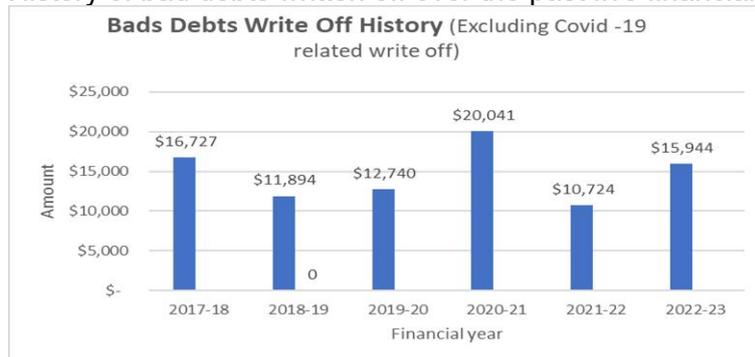
### Consultation

Not applicable.

### COMMENT

Monies written off under delegation comprised 4,236 small items of unpaid rates totalling \$3,265.24 as described in the report, and three small unpaid debtor items totalling \$ 142.50, all of which were below the \$100 reportable limit; as well as one reportable unpaid rates item of \$544.40 and four reportable unpaid debtor items totalling \$4588.59 that were written off as either uneconomical to continue debt recovery action or due to unsuccessful debt recovery action.

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



### VOTING REQUIREMENTS

Simple Majority.

**OFFICER'S RECOMMENDATION MOVED Cr Raftis, SECONDED Cr Poliwka that the Audit and Risk Committee RECEIVES the report of monies written off under delegated authority for the period 1 January 2023 to 30 June 2023.**

**The Motion was Put and**

**CARRIED (6/0)**

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

**Against the Motion:** Nil.

### ATTACHMENTS

1. CONFIDENTIAL REDACTED - CONFIDENTIAL Debtor Items (1) [8.9.1 - 1 page]

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## 8.10 FRINGE BENEFITS PROVIDED AND FBT INCURRED FOR LAST 3 FINANCIAL YEARS (WARD - ALL)

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Mat Humfrey Director Corporate Services
<b>FILE NUMBER</b>	05179, 101515
<b>AUTHORITY / DISCRETION</b>	Information – includes items provided to Council for information purposes only that do not require a decision of Council (that is for ‘noting’).

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### PURPOSE

For Council to note the fringe benefits provided to employees and fringe benefits tax paid for the FBT years 2021, 2022 and 2023.

### EXECUTIVE SUMMARY

At its meeting held on 8 March 2023, the Audit and Risk Committee requested the Chief Executive Officer to:

*“...prepare a report for the Audit and Risk Committee detailing all the fringe benefits provided to staff and the applicable fringe benefits tax paid for the 3 FBT years (1 April – 31 March) 2021, 2022 and 2023”.*

Following completion of the 2023 Fringe Benefits Tax return in May 2023, all relevant information is now available to prepare this information.

*It is recommended that Council NOTES the report detailing fringe benefits provided to employees and applicable fringe benefits tax paid for the 2021, 2022 and 2023 FBT years.*

### BACKGROUND

The *Fringe Benefits Tax Assessment Act 1986* (FBTAA) prescribes that certain benefits provided by an employer to an employee as a consequence of employment be considered taxable fringe benefits and, subject to any application deductions or offsets, be taxed accordingly. Under the FBTAA, the Fringe Benefits Tax (FBT) year runs from 1 April to 31 March of the following year, with a return to be submitted to the Australian Taxation Office by 21 May.

As an employer, the City provides certain employee benefits considered taxable fringe benefits and therefore incurs FBT on these benefits provided.

## DETAILS

Over the 2021, 2022 and 2023 FBT years, the City has provided the following taxable fringe benefits to employees:

- car fringe benefits
- residual vehicle fringe benefits
- meal entertainment fringe benefits
- car parking fringe benefits
- property fringe benefits
- other residual fringe benefits.

The following is the summary of fringe benefits, number of employees, and FBT incurred.

Fringe benefit	2021			2022			2023		
	Taxable Value	Num.	FBT	Taxable Value	Num.	FBT	Taxable Value	Num.	FBT
<b>Car</b>	\$51,045	49*	\$49,906	\$50,177	59*	\$49,057	\$38,956	53*	\$38,087
<b>Residual vehicle</b>	\$19,982	7	\$19,536	\$27,361	6	\$26,751	\$37,473	11	\$36,637
<b>Meal entertain.</b>	\$37,646	599	\$36,803	\$46,030	515	\$45,003	\$31,810	465	\$31,100
<b>Property</b>	\$180	1	\$176	-	-	-	-	-	-
<b>Car parking</b>	-	-	-	-	-	-	\$52,250	209	\$51,085
<b>Other residual</b>	\$4,211	450	\$4,117	\$3,911	450	\$3,824	\$3,860	350	\$3,774
<b>TOTALS</b>	<b>\$113,064</b>	<b>1,106</b>	<b>\$110,538</b>	<b>\$127,479</b>	<b>1,030</b>	<b>\$124,635</b>	<b>\$164,349</b>	<b>1,088</b>	<b>\$160,683</b>

### Car fringe benefits

There are two types of car fringe benefits that the City provides to employees:

- a. City vehicles provided to employees for restricted or unrestricted private use or commuting use as defined in the City's *City-Owned Motor Vehicle Allocation and Usage Protocol*.
- b. Fringe benefits provided to employees under novated leasing arrangements.

In the latter case, the City incurs no tax liability as the novated leases are structured to ensure any resultant taxable fringe benefits are fully offset by post-tax contributions from the employees in question. Novated leases on cars are provided by a third party that the City enters into an agreement with for this purpose. At the moment, the City has a single agreement with Easifleet, permitting it to offer novated leases to employees.

\* 31,34 and 35 employees in the 2021, 2022 and 2023 FBT years respectively were on novated lease arrangements.

The remaining car fringe benefits were incurred on City vehicles provided, after employee contributions were taken into account. The City's Protocol, which specifies contribution levels as well as defining private use and commuting use arrangements, is currently under review and is expected to be refined and updated in the coming months.

### Residual vehicle fringe benefits

Residual vehicle benefits refer to City vehicles provided to employees under the City's *City-Owned Motor Vehicle Allocation and Usage Protocol* that do not meet the definition of a 'car' under the FBTAA. Such vehicles are generally utility vehicles and are also subject to employee contributions under the protocol.

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### Meal entertainment fringe benefits

Fringe benefits under this category arise where an employee is provided a meal with alcohol served. The majority of these fringe benefits comprise those arising from the annual staff Christmas party that has been held at Central Park, where a limited amount of alcohol is provided to staff.

Other fringe benefits in this category arise in respect of employees who attend Council events or other City functions where meals are served with alcohol. Such employees would primarily be members of the City's Executive Leadership Team.

### Property fringe benefits

Taxable property fringe benefits were last provided in 2021, in respect of private use of internet connection provided to the CEO at the time. Other property fringe benefits typically provided comprise staff recognition awards that are offset by the individual minor benefits exemption provided for in the FBTAA and do not result in any taxable fringe benefits.

### Car parking fringe benefits

Car parking fringe benefits have arisen in 2023 following a change to the FBTAA that took effect from 1 April 2022, which now includes certain previously excluded types of parking facilities in the definition of "commercial parking stations" in the legislation. Commercial parking stations meeting particular criteria trigger a car parking fringe benefit event for employers in the vicinity. In the past, dedicated parking facilities that were limited to specific types of customers and were not intended for the general public were not considered to be "commercial parking stations".

In the City's case, the customer parking facility provided at Shenton House – which is intended for customers visiting the facility and, therefore, priced higher than nearby commercial parking facilities – now triggers car parking fringe benefits for parking provided to employees at the City's Administration Building as the daily parking fees exceed the fringe benefits threshold set by the Australian Taxation Office (ATO).

The City obtained a formal valuation of the parking spaces provided to employees and applied this to calculate the resultant tax liability for the 2023 FBT year. Under the FBTAA provisions, a new valuation will be required in the next FBT year, if the City intends to apply the valuation method to calculate taxable car parking fringe benefits.

### Other residual fringe benefits

These are residual entertainment facility leasing fringe benefits arising from the provision of entertainment facilities hired in relation to the annual staff Christmas party, being primarily the cost of hiring marquees and related infrastructure at the venue.

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

### **Legislation**

*Fringe Benefits Tax Assessment Act 1986.*

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## 10-Year Strategic Community Plan

**Key theme** 5. Leadership.

**Outcome** 5-4 Accountable and financially sustainable - you are provided with a range of City services which are delivered in a financially responsible manner.

**Policy** Not applicable.

### Risk management considerations

There is a risk that the City may fail to comply with the FBTAA. In 2021, the City engaged Stantons International to review its FBT compliance and administration arrangements. A report was provided to the City following the review which noted that the City was capturing and reporting fringe benefits appropriately and that administration arrangements adequately facilitated compliance with the legislation.

### Financial / budget implications

All amounts quoted in this report are exclusive of GST.

### Regional significance

Not applicable.

### Sustainability implications

Not applicable.

### Consultation

Not applicable.

## COMMENT

The City provides a number of taxable fringe benefits each year, on which FBT is incurred and paid. FBT has increased in 2023 compared to the trend from previous years, due primarily to car parking fringe benefits arising from the 2023 FBT year.

## VOTING REQUIREMENTS

Simple Majority.

**OFFICER'S RECOMMENDATION MOVED Cr Raftis, SECONDED Cr Poliwka that Council NOTES the report detailing fringe benefits provided to employees and applicable fringe benefits tax paid for the 2021, 2022 and 2023 FBT years.**

**The Motion was Put and**

**CARRIED (6/0)**

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

**Against the Motion:** Nil.

## ATTACHMENTS

Nil

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## 8.11 INCLUSION OF CUMULATIVE CONTRACTOR EXPENDITURE IN MONTHLY LIST OF PAYMENTS REPORT (WARD - ALL)

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Mat Humfrey Director Corporate Services
<b>FILE NUMBER</b>	55055, 101515
<b>AUTHORITY / DISCRETION</b>	Executive - The substantial direction setting and oversight role of Council, such as adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.

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### PURPOSE

To consider inclusion of cumulative contractor expenditure values as part of the monthly List of Payments report to Council.

### EXECUTIVE SUMMARY

At its meeting on 8 March 2023, the Audit and Risk Committee requested Chief Executive Officer to:

*"...prepare a report for the Audit and Risk Committee (and future Council meetings) for the monthly list of payments to include the cumulative expenditure to date for each contractor"*

The *Local Government (Financial Management) Regulations 1996* ("the Regulations") require that a list of accounts paid under delegation from the municipal or trust funds be presented to Council each month including information about payments made after the last such list was submitted to Council.

Cumulative expenditure to date in respect of each contractor is not one of the elements of information required to be included when a list of accounts paid is presented to Council. The Regulations stipulate that the payments provided to Council at each meeting comprise a list of accounts paid since the last such list was submitted to Council.

The monthly list of payments is presented to Council in compliance with the Regulations. It is proposed that presentation of cumulative expenditure on contractors to Council be considered through a mechanism other than the list of payments.

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## BACKGROUND

The *Local Government Act 1995* empowers Council to delegate to the Chief Executive Officer (CEO) to exercise various powers on its behalf, subject to any applicable conditions.

The City of Joondalup's Register of Delegation of Authority includes a delegation to the CEO under Regulation 12 to exercise the power to make payments from the municipal or trust funds subject to the requirement in Regulation 13 to prepare a list of accounts paid each month and present this to Council at the next ordinary Council meeting after the list is prepared.

Regulation 13 states:

- (1) *If the local government has delegated to the CEO the exercise of its power to make payments from the municipal fund or the trust fund, a list of accounts paid by the CEO is to be prepared each month showing for each account paid since the last such list was prepared:*
  - (a) *the payee's name; and*
  - (b) *the amount of the payment; and*
  - (c) *the date of the payment; and*
  - (d) *sufficient information to identify the transaction.*

## DETAILS

At its meeting on 8 March 2023, the Audit and Risk Committee called for the CEO to:

*"...prepare a report for the Audit and Risk Committee (and future Council meetings) for the monthly list of payments to include the cumulative expenditure to date for each contractor"*

Under Regulation 13 of the Regulations, a monthly list of payments is required to be presented to Council inclusive of the following:

- The payee's name.
- The amount of the payment.
- The date of the payment.
- Sufficient information to identify the transaction.

Regulation 13 further states that the above information must be presented for each account paid since the last such list was prepared. The Regulation clearly requires that a monthly list of accounts paid be presented to Council, namely accounts paid since the previous month's list of payments was submitted to Council.

The monthly list of payments report is prepared and presented to allow Council to review the accounts paid under the exercise of the CEO's delegation each month. It is a mechanism designed to allow Council to monitor what payments have been made each month, to whom and for what purpose.

Information on cumulative expenditure incurred in respect of any contractor could assist Council in determining the extent which the City transacts with specific contractors/suppliers and consider this in the context of the purposes for which those contractors were engaged, in order to better inform ongoing decision making on procurement of goods or services as well as procurement policy positions.

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The list of payments report, however, presents information on actual payments made. This is not the same as expenditure incurred due to the accrual principle. Information on cumulative and ongoing expenditure on contractors would likely be best presented separately from the list of payments report.

There are a few aspects about the configuration of such a report that require consideration and determination, namely:

*The period of time that this report would span.*

The request from the Audit and Risk Committee does not specify the period of time that such cumulative expenditure presented should cover. However, it can be inferred that the intent is to present contractor expenditure cumulatively year to date each month, but Council can determine whether the span of time covered by this information should extend beyond just the year in which such a report has been prepared and how far it should extend.

It is proposed that the monthly report present cumulative expenditure for the year to date.

*Cumulative expenditure or cumulative payments.*

As noted earlier, consideration must be given to whether such a report is presented on a payments basis or an accrual basis; that is, whether Council wishes to consider only payments made to contractors in the period in question or whether it wishes the report to present expenditure incurred – but that might not yet be paid when the report is prepared – for the period in question.

The request from the Audit and Risk Committee is for cumulative expenditure. This further supports the position that such a report be separate from the list of payments report, which is specifically prepared and presented on a payments basis.

*Scope of the report (that is, what contractor expenditure is included in the report).*

There are various options for Council to consider for inclusion in this report as follows:

- All contractors supplying goods or services, subject to some defined exclusions, such as the remittance of Emergency Services Levy funds to Department of Fire and Emergency Services, customer refunds, payment of elected member allowances and expenses, and so forth.
- Only contractors supplying any goods or services to a cumulative value above a defined threshold; or
- Only contractors supplying any goods or services who are engaged through a public tender or a public quotation process; or
- Only contractors supplying any goods or services who are engaged through a public tender or public quotation process or by way of a quote sought through the WALGA Preferred Supplier Panels; or
- Only a specific subset of contractors meeting particular criteria as Council determines to be necessary, such as the nature of goods or services provided, size, structure (for example corporate or non-corporate), location, cumulative year-to-date expenditure, and so forth.

It is proposed that the most value-adding option is for the report to include all contractors at a cumulative expenditure value exceeding a defined threshold, regardless of the mechanism (quote, tender, etc) used to procure the goods or the nature of goods or services provided, subject to specific exclusions proposed further below.

It is appropriate to set this cumulative value threshold at a level that allows Council to derive the best value from presentation and consideration of such a report, by providing sufficient data without overwhelming the report with smaller value items that may not inform meaningful analysis.

Cumulative expenditure year to date of \$10,000 or more (excluding GST) is proposed as the threshold for inclusion in this report.

### **Issues and options considered**

A Cumulative Contractor Expenditure report can be provided as follows:

- Cumulative expenditure for the year to date by supplier subject to the following:
  - Excluding ESL remittance payments to DFES.
  - Excluding customer refund payments.
  - Excluding allowances and expenses payments to Elected Members.

The report is proposed to be separate from the List of Payments, as its purpose and content is different to the content of the latter that is required by legislation.

Council may choose to:

- receive the report monthly directly to Council, or
- have the information submitted monthly under cover to the Elected Members, outside the Council meeting process.

The content of this report is not information required by legislation to be in the public domain for consideration by Council. Should Elected Members choose to receive this information separately from the monthly List of Payments report, alternative mechanisms to standard reports can be considered to disseminate this, such as dashboards.

Additionally, the current list of payments report already presents a cybersecurity risk in that it exposes the suppliers that the City transacts with as well as the means by which the City pays them – which is information considered highly useful by threat actors.

It is recommended that this information be provided to Elected Members separate from the Council meeting process. There is a significant quantum of information that is typically included in a Council meeting agenda. Yet another report not expressly required by legislation for any type of Council decision is not recommended.

Should it be considered appropriate for this to be included in the Council meeting process, it is recommended that such a report be provided as a confidential attachment to mitigate the cybersecurity risk.

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

**Legislation** Not applicable

**10-Year Strategic Community Plan**

**Key theme** 5. Leadership.

**Outcome** 5-4 Accountable and financially sustainable - you are provided with a range of City services which are delivered in a financially responsible manner.

**Policy** Not applicable.

**Risk management considerations**

Information on suppliers in the public domain increases the risk from threat actors seeking to compromise systems and perpetrate financial crime.

**Financial / budget implications**

Not applicable

**Regional significance**

Not applicable.

**Sustainability implications**

Not applicable.

**Consultation**

No consultation was undertaken in this regard as it was not considered necessary for the purpose of this report.

**COMMENT**

The information sought on cumulative contractor expenditure is not conducive to inclusion in the monthly List of Payments report, as the latter is prepared on a different basis and for a different purpose.

The desired information can be provided for cumulative year-to-date expenditure not less than \$10,000 excluding GST, either as a standard report to Council or separately circulated as information to Elected Members monthly, either as a report or by other mechanisms such as dashboards should Elected Members prefer such alternatives. Remittance of ESL to DFES, allowance and expenses payments to Elected Members, and customer refund payments are proposed to be excluded from the purview of such a report.

It is proposed that the report be provided to Elected Members on a monthly basis separately from the monthly Lists of Payments report, outside of the Council meeting process.

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## VOTING REQUIREMENTS

Simple Majority.

**OFFICER'S RECOMMENDATION MOVED Cr Poliwka, SECONDED Cr Raftis that Council:**

- 1 NOTES the report on presentation of cumulative contractor expenditure;**
- 2 APPROVES the provision of contractor expenditure information to Elected Members monthly on a cumulative year-to-date basis;**
- 3 APPROVES the exclusion of Emergency Services Levy remittances to the Department of Fire and Emergency Services, refund payments to customers, and payments to Elected Members for allowances and expenses, from this cumulative contractor expenditure information;**
- 4 NOTES that this information will not form part of the monthly List of Payments report provided to Council;**
- 5 NOTES that this information may be presented in the form of a dashboard or by another similar mechanism as an alternative to a standard report, after consultation with Elected Members.**

**The Motion was Put and**

**CARRIED (6/0)**

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

**Against the Motion:** Nil.

## ATTACHMENTS

Nil

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## 8.12 HALF-YEARLY CONTRACT EXTENSION REPORT TO AUDIT COMMITTEE (WARD - ALL)

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Mat Humfrey Director Corporate Services
<b>FILE NUMBER</b>	07032, 101515
<b>AUTHORITY / DISCRETION</b>	Information – includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

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### PURPOSE

For the Audit Committee to note the details of contracts extended by the Chief Executive Officer between 1 January 2023 to 30 June 2023.

### EXECUTIVE SUMMARY

The schedule of contracts extended by the Chief Executive Officer during the period 1 January 2023 to 30 June 2023 is provided in Attachment 1.

*It is recommended that the Audit Committee NOTES the contracts extended by the Chief Executive Officer during the period 1 January 2023 to 30 June 2023, forming Attachment 1 to this Report.*

### BACKGROUND

At its meeting held on 1 November 2005 (Item CJ231-11/05 refers), Council resolved that a half-yearly report be prepared for the Audit Committee detailing contracts that were originally approved by Council and have subsequently been extended by the Chief Executive Officer.

### DETAILS

Council has delegated to the Chief Executive Officer the authority to approve all contract extensions on tenders approved by Council subject to a report to the Audit Committee being prepared on a half-yearly basis providing details of those contracts extended.

Seven contracts were extended during the period 1 January 2023 to 30 June 2023.

### 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.

**10-Year Strategic Community Plan**

**Key theme** 5. Leadership.

**Outcome** 5-4 Accountable and financially sustainable - you are provided with a range of City services which are delivered in a financially responsible manner.

**Policy** Not applicable.

**Risk management considerations**

Not applicable.

**Financial / budget implications**

In accordance with each individual Contract and approved budget limits.

**Regional significance**

Not applicable.

**Sustainability implications**

Not applicable.

**Consultation**

Not applicable.

**COMMENT**

This report provides the Audit Committee with details of contracts originally approved by Council or by the Chief Executive Officer under delegated authority, which have subsequently been extended by the Chief Executive Officer during the period from 1 January 2023 to 30 June 2023.

**VOTING REQUIREMENTS**

Simple Majority.

**OFFICER'S RECOMMENDATION MOVED Cr McLean, SECONDED Cr Poliwka that the Audit Committee NOTES the contracts extended by the Chief Executive Officer during the period 1 January 2023 to 30 June 2023 forming Attachment 1 to this Report.**

**The Motion was Put and**

**CARRIED (6/0)**

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

**Against the Motion:** Nil.

## **ATTACHMENTS**

1. Contract Extensions Half Yearly Report - January 2023 to 30 June 2023 [8.12.1 - 1 page]

---

### 8.13 **CONFIDENTIAL - CHIEF EXECUTIVE OFFICER'S CREDIT CARD EXPENDITURE (APRIL - JUNE 2023) (WARD - ALL)**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Mat Humfrey Director Corporate Services
<b>FILE NUMBER</b>	09882, 101515
<b>AUTHORITY / DISCRETION</b>	Information – includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

---

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

(b) *the personal affairs of any person.*

A full report is provided to elected members under separate cover. The report is not for publication.

**OFFICER'S RECOMMENDATION MOVED Cr Raftis, SECONDED Cr Poliwka that the Audit and Risk Committee NOTES the report on the corporate credit card usage of the Chief Executive Officer for the quarter ended 30 June 2023.**

**The Motion was Put and**

**CARRIED (6/0)**

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

**Against the Motion:** Nil.

## 8.14 CONFIDENTIAL - CORPORATE CREDIT CARD STATEMENTS (WARD - ALL)

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Mat Humfrey Director Corporate Services
<b>FILE NUMBER</b>	18049, 101515
<b>AUTHORITY / DISCRETION</b>	Information – includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

This report is confidential in accordance with section 5.23(2)(c) of the *Local Government Act 1995*, which 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.

**OFFICER'S RECOMMENDATION MOVED Cr Raftis, SECONDED Mr Thomas that the Audit and Risk Committee NOTES the copies of corporate credit card statements for April 2023 to June 2023.**

**The Motion was Put and**

**CARRIED (6/0)**

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

**Against the Motion:** Nil.

*The Director Governance and Strategy, the Director Corporate Services, the Manager Governance, the Senior Governance Officer and the Governance Officer left the Room at 7.42pm.*

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## 8.6 CONFIDENTIAL - INTEGRITY AND CONDUCT ANNUAL COLLECTION (WARD - ALL)

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr James Pearson Chief Executive Officer
<b>FILE NUMBER</b>	11827, 101515
<b>AUTHORITY / DISCRETION</b>	Information – includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

---

This report is confidential in accordance with section 5.23(2)(c) of the *Local Government Act 1995*, which 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

**OFFICER'S RECOMMENDATION MOVED Cr Poliwka, SECONDED Cr McLean that the Audit and Risk Committee NOTES the 2023 Integrity and Conduct Annual Collection submitted to the Public Sector Commission.**

**The Motion was Put and**

**CARRIED (6/0)**

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

**Against the Motion:** Nil.

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## **9 URGENT BUSINESS**

Nil.

## **10 MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN**

Nil.

## **11 REQUESTS FOR REPORTS FOR FUTURE CONSIDERATION**

Cr Fishwick requested that the Internal Auditor provide a quarterly report to the Audit and Risk Committee on the Compliance Audit Return in accordance with the *Local Government (Audit) Regulations 1996*.

Cr Raftis requested a report listing all software/licences purchased by the City over the last 12 months including which area uses it, the cost, the benefits and any committed contracts.

## **12 CLOSURE**

Before closing the meeting, the Presiding Member thanked Mr Richard Thomas (external member of the Audit and Risk Committee) for his contribution over the past two years.

There being no further business, the Presiding Member declared the meeting closed at 8.23pm the following Committee Members being present at that time:

CR JOHN RAFTIS  
CR RUSS FISHWICK, JP  
CR JOHN LOGAN  
CR TOM MCLEAN, JP  
CR RUSSELL POLIWKA  
MR RICHARD THOMAS

## **21 AUGUST 2023 - AUDIT AND RISK COMMITTEE ATTACHMENTS**

<b>8.1 CHIEF EXECUTIVE OFFICER’S THREE YEARLY REVIEW - RISK MANAGEMENT, INTERNAL CONTROL AND LEGISLATIVE COMPLIANCE (WARD - ALL).....</b>	<b>2</b>
8.1.1 REGULATION 17 AUDIT REVIEW (MAY 2023).....	2
<b>8.2 CHIEF EXECUTIVE OFFICER’S THREE YEARLY REVIEW - FINANCIAL MANAGEMENT (WARD - ALL).....</b>	<b>27</b>
8.2.1 REGULATION 5 (2)(C) FINANCIAL MANAGEMENT REVIEW (MAY 2023)...	27
<b>8.3 THREE YEAR INTERNAL AUDIT PLAN (WARD - ALL).....</b>	<b>66</b>
8.3.1 THREE YEAR INTERNAL AUDIT PLAN (2023/24 TO 2025/26).....	66
<b>8.5 REVISED FRAUD, CORRUPTION AND MISCONDUCT CONTROL COUNCIL POLICY (WARD - ALL).....</b>	<b>68</b>
8.5.1 REVISED POLICY CLEAN VERSION.....	68
8.5.2 CURRENT POLICY TRACKED CHANGES.....	73
8.5.3 INTEGRITY FRAMEWORK 2022.....	81
<b>8.7 DRAFT BENEFITS REALISATION FRAMEWORK (WARD - ALL).....</b>	<b>101</b>
8.7.1 BENEFITS REALISATION FRAMEWORK.....	101
<b>8.12 HALF-YEARLY CONTRACT EXTENSION REPORT TO AUDIT COMMITTEE (WARD - ALL).....</b>	<b>106</b>
8.12.1 CONTRACT EXTENSIONS HALF YEARLY REPORT - JANUARY 2023 TO 30 JUNE 2023.....	106



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**City of Joondalup**  
**Regulation 17 Audit Review**

**May 2023**



City of Joondalup  
Internal Audit Report  
May 2023

## TABLE OF CONTENTS

1.	EXECUTIVE SUMMARY.....	3
	INTRODUCTION .....	3
	AUDIT OBJECTIVE: .....	3
	SCOPE OF WORKS.....	4
2.	OVERALL AUDIT OUTCOMES AGAINST AUDIT SCOPE OF WORKS.....	5
	OVERALL RISK RATING.....	5
3.	SUMMARY OF FINDINGS.....	6
4.	RECOMMENDATIONS.....	6
5.	BUSINESS IMPROVEMENTS.....	6
6.	OVERALL COMMENTS.....	7
	STANTONS INTERNATIONAL - AUDIT MANAGEMENT COMMENTS.....	7
7.	RISK RATING AND DEFINITIONS.....	8
	RISK RATINGS AND INTERPRETATIONS .....	8
	DISCLAIMER, BASIS OF AUDIT AND LIMITATIONS.....	8
8.	DETAILED AUDIT ASSESSMENT .....	9



## 1. EXECUTIVE SUMMARY

### Introduction

The City of Joondalup (the City) is a local government area with City status in Perth, Western Australia. The City covers an area of 96 square kilometres from Kinross in the north, to Warwick in the south and is bounded by Beach Road to the south, Wanneroo Road and Lake Joondalup to the east, Tamala Park to the north and the Indian Ocean to the west. Its central business district is in the suburb Joondalup (30 kilometres from the Perth CBD), and it includes the town centres of Hillarys and Warwick.

The City is one of the larger local governments in Western Australia based on a population of around 160,000 people. Popular beaches with excellent facilities are located at Marmion, Sorrento, Hillarys, Pinnaroo Point, Whitfords, Mullaloo, Ocean Reef, Iluka, and Burns Beach. Beachside leisure activities include boating, water skiing, snorkelling, fishing, windsurfing, animal exercise and dual use paths ideal for walking and cycling. The City provides a wide range of community services and some of the best leisure and sporting facilities available, catering for junior and senior sporting and recreational pursuits.

The City's natural assets include the Yellagonga wetlands, and the City works closely with the Department of Biodiversity, Conservation and Attractions, the City of Wanneroo, and a variety of community groups to manage the natural assets of the region. The City continues to work closely with regional stakeholders to develop cultural, educational, and economic initiatives.

### Audit Objective:

This audit is classified as an assurance audit with a focus on controls. We used a combination of walk throughs and sampling to test controls.

Stantons focussed on the following areas to assess the appropriateness and effectiveness of City's systems and procedures:

- Risk Management - To determine if the City has effective risk management systems that allows the identification, assessment and management of risks and reporting of risks to an appropriate level
- Internal Control - To determine if an effective internal control system is in place that safeguards assets, ensures accurate and reliable financial reporting and promotes compliance with legislation and effective and efficient operations. We used our work from the Regulation 5(2)(c) Financial Management Review audit to inform this area.
- Legislative Compliance - To determine if compliance programs allow the meeting of legislative compliance and that suitable monitoring and reporting systems are in place.

Our audit also considered the following:

Regulation 17 requires the CEO to undertake a review, not less than once in every three financial years and report to the audit committee the results of that review.

The examination should be conducted in reference to the Department of Local Government, Sport and Cultural Industries Operational Guidelines Number 09 - Audit in Local Government - Appendix 3 which provides further details and information on issues that should be considered for inclusion in the Chief Executive Officer's review of risk management, internal control, and legislative compliance. The report should include any significant issues identified during the examination and provide recommendations for improvement that will enhance the City's control environment relating to risk management, internal control, and legislative compliance.



City of Joondalup  
Internal Audit Report  
May 2023

**Scope of works**

The audit period was 1 July 2021 to 30 June 2022.



City of Joondalup  
Internal Audit Report  
May 2023

## 2. OVERALL AUDIT OUTCOMES AGAINST AUDIT SCOPE OF WORKS

### Overall Risk Rating

Scope Report Reference	Audit Scope	Outcomes	Risk Rating
8.1	Risk Management	Mostly Achieved	Minor
8.2	Internal Control	Partly Achieved	Moderate
8.3	Legislative Compliance	Mostly Achieved	Minor



City of Joondalup  
Internal Audit Report  
May 2023

### **3. SUMMARY OF FINDINGS**

1. The Fraud, Corruption and Misconduct Control Policy - 4.1.2 Policies and Procedures does not refer to section 5.51A of the 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.
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.
3. The City has not compiled an Accounting Manual detailing the City's overarching approach for the functional administration (including associated internal controls) covering each of the financial management areas contained within Local Government (Financial Management) Regulations 1996 – Regulation 5.
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.

### **4. RECOMMENDATIONS**

1. Audit recommends that the City identify within the Fraud, Corruption and Misconduct Control Policy that there is a Code of Conduct for Council Members, Committee Members and Candidates, that is separate from the Code of Conduct for Employees.
2. Audit recommends that the City review the Risk Registers at both a Business Unit and overarching Strategic level to ensure that they are both complete and up to date.
3. Audit recommends that the City compile an Accounting Manual detailing the City's overarching approach for the functional administration (including associated internal controls) for each financial management area specified within Local Government (Financial Management) Regulations 1996 – Regulation 5.
4. Audit recommends that the City actively uses the Annual Corporate Compliance Calendar to ensure that compliance with the legislative requirements that relate to the City's various day-to-day functions and operations are met in a timely manner.

### **5. BUSINESS IMPROVEMENTS**

1. There were no business improvements raised.



City of Joondalup  
Internal Audit Report  
May 2023

## 6. OVERALL COMMENTS

### City of Joondalup (the City) - Management Comments

Recommendations relating to the Fraud, Corruption and Misconduct Control Policy and Risk Registers (Business Unit and overarching Strategic level) have been accepted and are in progress.

Recommendation relating to the City compiling an Accounting Manual is noted. 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.

Recommendation relating to the City actively using an Annual Corporate Compliance Calendar has been accepted and will be updated as a priority.

### Stantons - Audit Management Comments

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.



City of Joondalup  
Internal Audit Report  
May 2023

**7. RISK RATING AND DEFINITIONS**

**Risk Ratings and Interpretations**

Risks Ratings	Rating Interpretation	Suggested timing of implementing recommendations
<b>Critical</b>	The finding poses a severe risk to the City if not appropriately and timely addressed.	Commence remedial action immediately
<b>Major</b>	The finding poses significant risk to the City if not appropriately and timely addressed.	Commence remedial action within 3 months
<b>Moderate</b>	The finding poses less significant risk to the City if not appropriately and timely addressed.	Commence remedial action within 6 months
<b>Minor</b>	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

**DISCLAIMER, BASIS OF AUDIT AND LIMITATIONS**

**DISCLAIMER**

*This report is prepared for the City’s internal use and may be shared with its auditors and professional advisors for internal use. Copying and distribution of this report to other parties should not be done without prior approval and consent from Stantons.*

**BASIS OF AUDIT**

*We have conducted our audit in accordance with the applicable Performance Standards of the International Standards for the Professional Practice of Internal Auditing. The content of this report therefore represents the independent view by Stantons purely based on the information provided by the City members of staff during audit fieldwork. Changes to the contents of the report without Stanton’s involvement will render all contents less “independent” and unrepresentative of Stanton’s position with regards to the contents contained therein.*

**INHERENT LIMITATIONS**

*Because of the inherent limitations of any internal control structure, it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected.*

*An Audit is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed are on a sample basis.*

*Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.*

*Liability limited by a scheme approved under Professional Standards Legislation.*

\*\*\*\*\*

**Report Release**

Released by (Name): James Cottrill  
Title: Principal, Internal Audit, IT Audit & Risk Consulting

Signature:   
Date: 05 May 2023



City of Joondalup  
Internal Audit Report  
May 2023

## 8. DETAILED AUDIT ASSESSMENT

### 8.1 RISK MANAGEMENT

<b>Overall Outcome</b>	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 the 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.
------------------------	--

#### Risk Identification

City of Joondalup (the City) has set up a Risk Management System, comprising Risk Management Framework, Risk Management Policy, Strategic Risk Register (Report) and supporting documents and tools. Audit obtained and reviewed the City’s Risk Management Framework and noted that the City has defined risks for the following six primary business areas:

1. Financial Loss: budget expenditure; single and reoccurring losses.
2. Health, Safety and Wellbeing: injury and illness (physical or mental); life loss; absence; liability claims; staff retention; potential reprisal resulting from public interest disclosure.
3. Reputation: items of news; customers satisfaction; staff turnover; time/effort to recover; internal and/or external actions.
4. Service Delivery: timely delivery; quality of service; customer satisfaction; disruption; cancellation; backlogs; complaint increases; recourses.
5. Environment: living organisms affected; natural resources; waste; pollution; natural resources; climate and coastal impacts.
6. Governance and Compliance: breach of policy/procedure (internal and external); audits; compliance; risk management; achievement of objectives; internal and external investigations.

#### Risk Assessment

As per the City’s Risk Management Policy, the City accepts the taking of controlled risk, aiming to maintain risks at targeted levels within each key area of business. The target inherent risk level has been set for each business area within the Risk Management Framework is as follows:

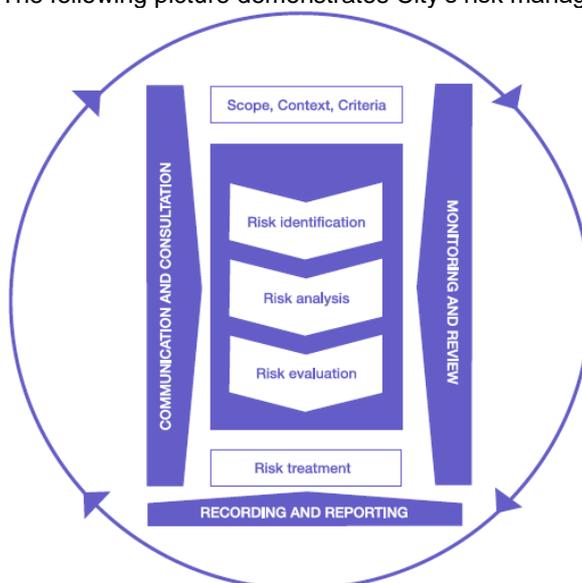
	Low	Medium	High	Extreme
Financial Loss		•		
Health, Safety and Wellbeing		•		
Reputation		•		
Service Delivery		•		
Environment		•		
Governance and Compliance		•		



City of Joondalup  
Internal Audit Report  
May 2023

Risk Level	Tolerance and Management Guidance	Minimum Monitoring / Report Frequency
Low	ACCEPTABLE with adequate or less control effectiveness; managed by routine procedures, consider if all controls are required.	Annual report to Risk Manager; projects in line with project length.
Medium	ACCEPTABLE IN MOST CASES depending on Risk Management Framework classification of primary area of impact assigned (approval required to manage outside of target); can have adequate and/or partially effective controls; managed by standard procedures; monitor effectiveness of controls.	On discovery outside of target risk to Risk Manager; then six-monthly report to Chief Executive Officer or as directed; projects in line with project length.

Within the Risk Management Framework, the City has also set up roles and responsibilities for risk accountability and governance, including Council; Audit and Risk Committee; Chief Executive Officer (CEO); Executive Leadership Team; Risk Management Taskforce; and Audit and Risk Services. The following picture demonstrates City’s risk management process.



A Business Continuity Plan was created by the City in April 2020 and was last reviewed in May 2021. As per the Business Continuity Plan, the City has conducted the Business Impact Assessment (BIA) on the following business units:

- Asset Management at 21/12/2021
- Audit, Risk and Executive Services at 26/08/2021
- City Projects at 30/08/2021
- Communications and Stakeholder Relations at 15/10/2021
- Financial Services at 20/09/2021
- Governance at 03/11/2021
- Human Recourse Services at 16/11/2021
- Information Technology at 11/10/2021
- Infrastructure Management Services at 19/11/2021
- Leisure and Culture Services at 14/10/2021
- Economic Development and Advocacy at 15/10/2021
- Operation Services at 16/11/2021
- Planning Services at 26/10/2021
- Rangers Parking and Community Safety at 26/10/2021
- Regulatory Services at 18/10/2021



- Strategic Organisational Development at 02/11/2021.

#### Risk Management

The City has introduced a Risk Management Training Program for employees, covering Risk Identification (1 hour), Risk Analysis (1.5 hours), Risk Control Effectiveness & Residual Risk (1.5 hours), Risk Awareness (30 minutes), and Promapp Risk all Users (30 to 60 minutes).

The City also has a Fraud, Corruption and Misconduct Control Policy and Integrity Framework. The Policy sets out the principles and standards of behaviour that Elected Members, Committee Members and employees must observe per the Code of Conduct that has been prepared and adopted by Council as required by section 5.103 of the *Local Government Act 1995*, however, section 5.103 sets the “*model code of conduct for council members, committee members and candidates*”, while section 5.51A sets “*Code of Conducts for Employees*”. The City has a Code of Conduct for Council Members, Committee Members and Candidates, which is separate from the Code of Conduct for Employees.

The City’s Integrity Framework, includes assigning responsibilities for defining, supporting, controlling and enforcing integrity across the organisation, as well as establishing Financial Management Controls (such as segregation of duties, monthly reconciliation reporting, etc), Human Resource Management Controls (such as new employee screening, comprehensive employee induction, etc), Information Management Controls (such as Record Keeping Plan, Online Services Usage Protocols, etc) and Internal Audit functions. The City also has set up a fraud and corruption detection system, comprising Financial Management Detection Systems (including Monthly data and exception issues analysis/reporting, etc), Governance Detection Systems (including conflicts of interest and gifts and hospitality declarations, etc), and Fraud and Misconduct Detection Systems (including live data analysis using accounts payable, contracts and payroll data).

Audit obtained the Strategic Health and Safety Management Plan 2021 – 2024 and noted that the City focuses on Safety Leadership, Safety Management System, Managing Risk, Safety Culture, and Health and Wellbeing Culture to prevent work-related injuries and unsafe work practices.

In addition, the City has a Purchasing of Goods and Services Protocol and a Tenders for Procurement of Goods and Services Protocol to ensure a consistent and transparent process for purchasing/procurement and obtaining best value for money.

#### Risk Reporting

The City has compiled a Strategic Risk Report (extracted from the Promapp risk database), which recognise key strategic risks and perceived causes (both internal and external). The Report specifies for each risk its Likelihood, Consequence, Control Effectiveness, Target Status, as well as the assessed Inherent and Residual risk. The Strategic Risk Report identifies 12 key strategic risks for the City being:

1. Decisions – Ineffective / improper decision making that does not align with City plans, value, strategic direction and/or legislative
2. Expectations – Inability to understand community expectations
3. Environment – Ineffective management of natural environment and climate changes impacting and services and assets
4. Reputation – Reputation damage / loss of community trust
5. IT – Inability to protect IT network from degradation, data loss, security breach or other cyber attack
6. Workforce – Inability to attract or retain skilled and competent workforce
7. Health/Safety – Failure to maintain safe and healthy workplace
8. Assets – Inadequate asset planning maintenance and renewals



City of Joondalup  
Internal Audit Report  
May 2023

9. Financial – Lack of financial sustainability
10. Attraction – Lack of desirability as a place to visit, live, invest and do business
11. Waste – Inability to meet strategic waste objectives
12. Legislation – Inability to influence or effectively advocate for statutory changes that benefits the City's growth and change.

Review of the Report noted that controls addressing causes of risk (due to/failures in) have not yet been identified for one or more of the internal/external risk causes within eleven of the twelve strategic risk areas – refer to Appendix 1 for the listing of causes for which controls have not yet been identified.

Where Control Source Documents / Processes addressing the risk causes have been identified, the following have not yet been assessed to determine the effectiveness of the control:

- Governance Framework
- Elected Member Induction Program and Joint Elected Member Induction Program
- Executive level induction training and awareness programs
- 5 year Capital Works program
- IT Strategic Plan
- Safety Management Plan
- Cultural Plan
- Emergency Evacuation Plan
- Local Planning Strategy
- Drainage Asset Management Plan
- Workforce Plan
- CEO / Director / Manager employment process.

Also, other Control Source Documents / Processes identified as addressing the risk causes have been indicated to either require increased control and needs implementation or control operates well but does not always meet its own objectives.

As a result, for the strategic risks contained within the Report:

- Residual Risk has not been assessed (for 12 out of 12)
- Inherent Risk is either High or Extreme (10 extreme and 2 high)
- Control Effectiveness remains Not Assessed or Inadequate (for 11 of the 12)
- Target Status has not been met (for 12 out of 12).

Furthermore, review of a sample of Risk Registers that are maintained by each of Business Units noted that some of the Registers also did not have the Residual Risk or Control Effectiveness assessed, Target Status met or had risk controls/treatments that are overdue for review.

Audit reviewed the Audit and Risk Committee Charter noting that membership comprises the Mayor, six Councillors and an External Independent member (with a quorum of four required). Officers in attendance at the Committee meetings include the CEO, Director Governance and Strategy, Director Corporate Services, Manager Governance, and Manager Audit, Risk and Executive Services.

The role of the Committee is to assist the City in fulfilling its responsibilities in relation to systems of risk management and internal control, the City's processes for monitoring compliance with laws and regulations, including the City's Codes of Conduct, financial and performance reporting, and external and internal audit. The Committee is not responsible for the management of these functions. As part of their role, the Committee is to review the strategic risks to the City and the plans to minimise or respond to those risks. This includes



City of Joondalup  
Internal Audit Report  
May 2023

assessing whether risks that may prevent the City from achieving its objectives or maintaining its reputation have been identified.

<b>Finding 1</b>	The Fraud, Corruption and Misconduct Control Policy - 4.1.2 Policies and Procedures does not refer to section 5.51A of the Act which sets out the requirement for the “ <i>Code of Conduct for Employees</i> ” – which is a separate document from the <i>Code of Conduct for Council Members, Committee Members and Candidates</i> required by section 5.103.
<b>Risk Rating</b>	Minor
<b>Recommendation 1</b>	Audit recommends that the City identify within the Fraud, Corruption and Misconduct Control Policy that there is a Code of Conduct for Council Members, Committee Members and Candidates, that is separate from the Code of Conduct for Employees.
<b>Finding 2</b>	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.
<b>Risk Rating</b>	Minor
<b>Recommendation 2</b>	Audit recommends that the City review the Risk Registers at both a Business Unit and overarching Strategic level to ensure that they are both complete and up to date.



## 8.2 INTERNAL CONTROL

Overall Outcomes	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.
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The Department of Local Government, Sport and Cultural Industries Operational Guidelines Number 09 - Audit in Local Government - Appendix 3 specifies that "internal control systems involve policies and procedures that safeguard assets, ensure accurate and reliable financial reporting, promote compliance with legislation and achieve effective and efficient operations and may vary depending on the size and nature of the local government".

The Department of Local Government, Sport and Cultural Industries – Introduction to Local Government Accounting – 4.5 Policies, Procedures and Delegations highlights that "many issues associated with financial performance can be addressed with the development of proper policies and procedures. These provide for the smooth running of the organisation, while providing for the stewardship function of the public money under the control of the local government. The legislative requirements for establishing efficient systems and procedures are outlined in FM Reg 5".

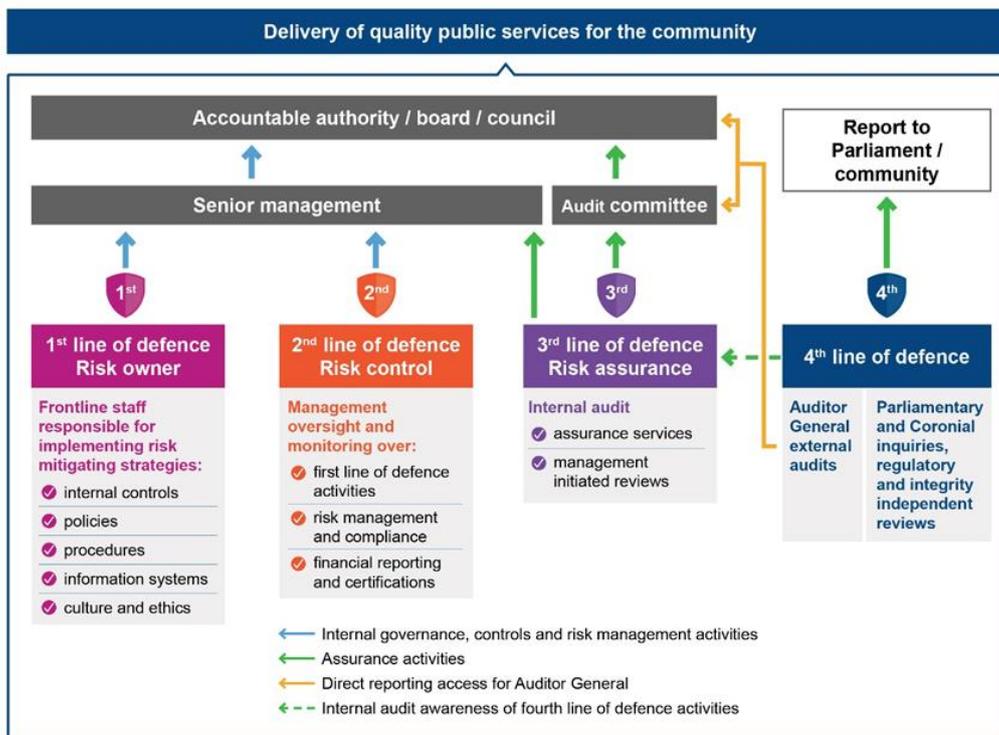
Local Government (Financial Management) Regulations 1996 – Regulation 5 in relation to financial management requires that efficient systems and procedures are to be established by the CEO of a local government:

- a) for the proper collection of all money owing to the local government; and
- b) for the safe custody and security of all money collected or held by the local government; and
- c) for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process); and
- d) to ensure proper accounting for municipal or trust —
  - (i) revenue received or receivable; and
  - (ii) expenses paid or payable; and
  - (iii) assets and liabilities; and
- e) to ensure proper authorisation for the incurring of liabilities and the making of payments; and
- f) for the maintenance of payroll, stock control and costing records; and
- g) to assist in the preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.

The Western Australian Local Government Accounting Manual, Section 7 – Internal Control Framework identifies key Monitoring and Control Activities that a Local Government should conduct (refer to Appendix 2). The application of these monitoring and control activities to the City's financial management environment should be documented for each of the areas identified within Regulation 5, in order to demonstrate that the processes/practices undertaken by officers during the delivery of public services to the community are sufficient to provide the City with the first and second lines of defence against risk as shown in the diagram below.



City of Joondalup  
Internal Audit Report  
May 2023



Review of documents provided during the Regulation 5(2)(c) Financial Management Review audit relating to internal policies, protocols and procedures noted that the City has not developed an Accounting Manual (or other overarching process documents) covering each of the financial management areas contained within Regulation 5, which include details such as:

- information systems and/or applications utilised throughout the organisation
- legislative requirements
- organisational approach(es)
- segregation of duties
- approval/authorisation processes (including associated delegations)
- reconciliations
- reporting (daily, weekly, monthly, annually)
- etc.

<b>Finding 3</b>	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.
<b>Risk Rating</b>	Moderate
<b>Recommendation 3</b>	Audit recommends that the City compile an Accounting Manual detailing the City's overarching approach for the functional administration (including associated internal controls) for each financial management area specified within Local Government (Financial Management) Regulations 1996 – Regulation 5.



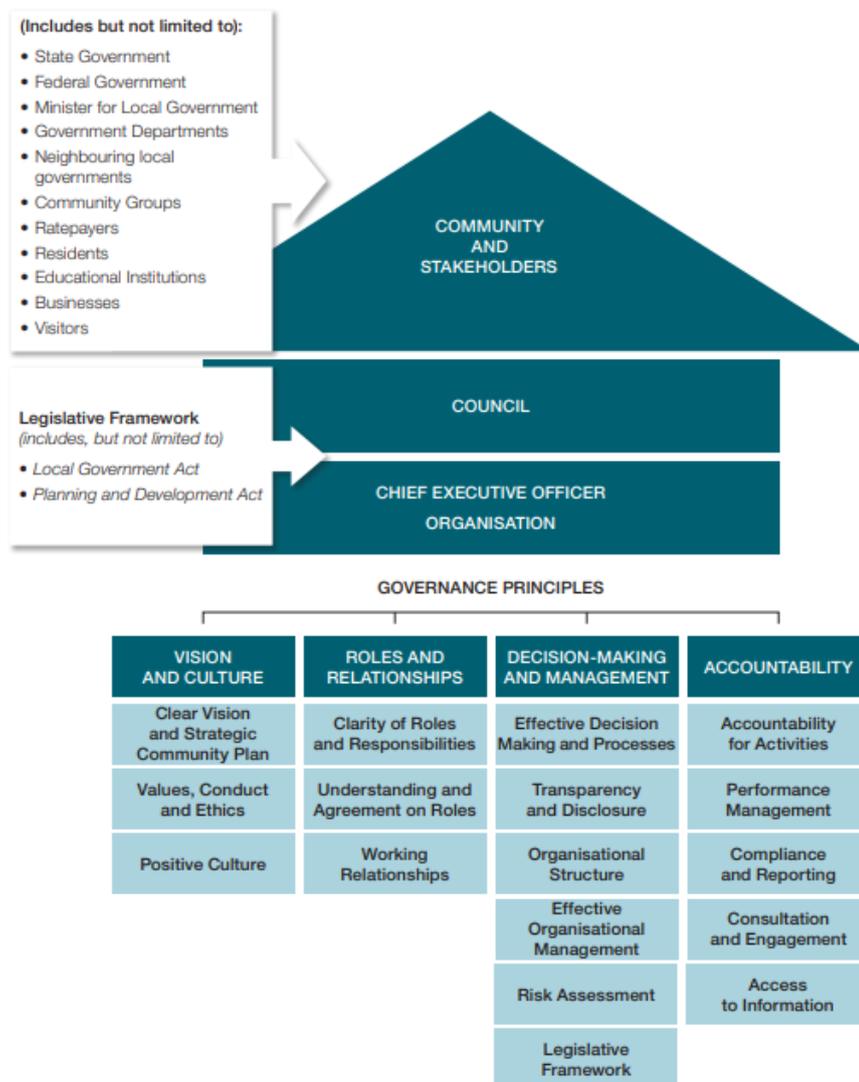
City of Joondalup  
Internal Audit Report  
May 2023

**8.3 LEGISLATIVE COMPLIANCE**

<b>Overall Outcome</b>	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.
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The City is subject to compliance requirements associated with a variety of legislation pertaining to numerous aspects of its day-to-day functions and operations.

The City’s Governance Framework sets out (among other things) the Decision-Making and Management, and Accountability principles. The Legislative Framework for the City includes (but is not limited to) the *Local Government Act 1995* (the Act).





Within Compliance and Reporting, the Governance Framework – Section 10.3.1 Compliance Audit specifies that “it is a requirement of the Act that the City conducts an annual audit of its compliance with statutory requirements and responsibilities placed on it under the Act.

The Compliance Audit Return is submitted to the Department of Local Government Sport and Cultural Industries’ each year after its adoption by Council. The Compliance Audit Return provides prompts in relation to the local government’s statutory obligations in several areas, such as local laws, tenders, meeting processes, disclosure of financial interests and financial management. It provides a useful tool for the City to ensure compliance with the Act.

In addition to this requirement the City has established a few internal compliance mechanisms to ensure its practices and procedures meet its obligations in relation to good corporate governance”.

The Local Government (Audit) Regulations 1996 specifies that for the period 1 January to 31 December in each year, the City is required to carry out a compliance audit against the requirements of the compliance audit return (as determined each year by the Department of Local Government, Sport and Cultural Industries) relating to sections of the Local Government Act 1995 and associated Regulations. The City’s Compliance Audit Return 2021 was adopted at a Meeting of Council on 15 March 2022 indicating compliance with all applicable legislative requirements, except for two relating to Disclosure of Interest being:

No	Question	Comments
5	Was an annual return in the prescribed form lodged by all relevant persons by 31 August 2021?	One employee failed to lodge an annual return by 31 August 2021. The employee was on extended personal leave since 31 August 2020 and during this their position was made redundant. The employee ceased employment with the City on 22 July 2021
22	Did the local government prepare and adopt, by absolute majority, a code of conduct to be observed by council members, committee members and candidates within 3 months of the prescribed model code of conduct coming into operation (3 February 2021)?	The draft Code of Conduct for council members, committee members and candidates was provided to elected members at Strategy Sessions on 2 March 2021 and 6 April 2021 for feedback; and adopted by Council on 18 May 2021 (CJ071-05/21 refers).

These two areas of non-compliance have been reported within the Annual Report 2021-2022.

Outside of the compliance audit, the City is also required to demonstrate compliance with other sections of the Act, as well as other applicable legislation - such as *Emergency Management Act 2005*, *Bush Fires Act 1954*, *Freedom of Information Act 1992*, *Planning and Development Act 2005*, *Dangerous Goods Safety Act 2004*, *Disability Services Act 1993*, *Equal Opportunity Act 1984*, *Fines, Penalties and Infringement Notices Enforcement Act 1994*, *State Records Act 2000*, *Dog Act 1976*, *Caravan Parks and Camping Grounds Act 1995*, *Health Act 1911*, *Food Act 2008*, *Environmental Protection Act 1986*, and *Building Act 2011*.

The mechanism developed by the City to monitor compliance with the respective legislation is the Annual Corporate Compliance Calendar. The Annual Corporate Compliance Calendar is in Microsoft Excel format with individual columns specifying the following:

- Month
- Date
- Activity Description
- Legislative Provision
- Section
- Schedule



City of Joondalup  
Internal Audit Report  
May 2023

- Directorate
- Business Unit
- Status
- Comments. If Action not completed, report on plan to rectify non-compliance
- Evidence (HPRM Reference).

Review of the Calendar (which is titled 2019), noted that many of the scheduled activities did not have their status indicated as Complete, In Progress or Not Started, nor had any Comments been provided as to its status. Also, where Comments have been included, the dates specified are within the 2019-2020 year, indicating that the Calendar has not been used since 2020.

The City's Governance Framework - Section 10.3.2 Audit and Risk Committee (Committee) specifies that "the Act requires Council to establish an Audit Committee to oversee and advise the Council on matters of internal or external audit, risk management, financial reporting and legislative compliance functions of the City." During 2021-2022 the Committee conducted four meetings (9 August 2021, 1 November 2021, 15 December 2021 and 1 March 2022) which encompassed discussion on items including the 2020-2021 Annual Financial Report, the 2021 Compliance Audit Return, as well as the Internal Audit Plan, internal audit reports and upcoming/completed OAG (external) audits/reports.

The updated Committee Charter presented at the Committee meeting on 1 March 2022 (and subsequently adopted by Council in September 2022) details the terms of reference for the Committee which includes the relationship that it has with the Council, CEO, and the internal auditor. The Governance Framework - Section 10.3.4 Internal Audit specifies that "the City has developed an internal audit program that focuses on areas of risk including financial and nonfinancial systems and compliance with legislation, regulations, policies and best practice". A Three Year Internal Audit Plan 2021-22 to 2023-24 has been developed and presented to the Committee.

The City's Code of Conduct for Council Members, Committee Members and Candidates sets out the principles and standards for behaviour, with the City also developing a Complaint Investigation Policy and Complaint Resolution and Investigation Protocol (including a register of complaints) for the management of complaints involving council members, committee members and candidates.

<b>Finding 4</b>	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.
<b>Risk Rating</b>	Minor
<b>Recommendation 4</b>	Audit recommends that the City actively uses the Annual Corporate Compliance Calendar to ensure that compliance with the legislative requirements that relate to the City's various day-to-day functions and operations are met in a timely manner.



City of Joondalup  
Internal Audit Report  
May 2023

**Appendix 1 - Controls addressing causes of risk within the Strategic Risk Report which have not yet been identified.**

<b>Strategic Risk Area</b>	<b>Risk Causes – failures in or due to:</b>
<b>Decisions</b>	Council decisions not implemented in a timely manner or not actioned correctly (Internal) Delegated authority decisions (External)
<b>Expectations</b>	Consulting adequately or correctly with the community (Int) Effective delivery of the Corporate Business Plan (Int)
<b>Environment</b>	Community group management and support (Int) Management of assets to withstand increasing extreme events such as flooding, fire, storms (roads, drains, etc) (Int) Promoting natural energy (Int)
<b>Reputation</b>	Delivering on promises / published outcomes (Int) Effective management of Media (Int) Effective stakeholder management / collaboration / engagement to identify needs and trends (Int) External investigation outcomes (Int) Misappropriation of funds (Int) Openly acknowledging mistakes (Int) Scandal (Int) Supporting at risk populations and elderly residents (Int) Misinformation spread through social media (Ext)
<b>IT</b>	Managing appropriate system and software usage (Int)
<b>Workforce</b>	Attracting younger (millennials and Gen Z) workforce (Int) Internal culture of leadership (Council and Executive Teams) (Int) Maintaining staff commitment, engagement and knowledge (Int)
<b>Health/Safety</b>	Effective workforce planning and management (Int) Reporting work, health and safety changes (Int)
<b>Assets</b>	Planning of infrastructure assets: road, laneways and pathways (Int) Protecting or enhancing heritage spaces or assets (Int) Resource availability / obtaining funding opportunities (Int) Sporting / recreation / cultural facility planning and management (Int) Delegated authority decisions (Ext)
<b>Financial</b>	Adaptability to absorb increased service delivery supply costs (Int) Alternative community support models utilising partnering or grant funding (Int) Alternative income stream development (Int) Asset disposal/sales (Int)



City of Joondalup  
Internal Audit Report  
May 2023

	Delivering value for money for the community (Int) Ensuring financial capacity, without overextending, relating to major projects including cost increases (Int) Financial data analysis (Int) Investment fund management (Int) Rate collection and management (Int) Sporting and recreation leasing and hiring schemes (Int) Understanding ageing population impact (Int)
<b>Waste</b>	Partnering with external providers e.g., Mindarie Regional Council (Int) Service continuity (Int) Mindarie Regional Council and Tamala Park facility end of asset Life (Ext)
<b>Legislation</b>	Stakeholder management (Int) Changes in state priorities and political agendas (Int)



City of Joondalup  
Internal Audit Report  
May 2023

**Appendix 2 – Monitoring and Control Activities**

<b>Risk Area</b>	<b>Recommended Monitoring Activities</b>
<b>1. Annual Budget</b>	a) Monthly actuals are compared to budget and significant variances fully investigated and explained.
<b>2. Financial reporting</b>	a) Through the presentation of the Monthly Statement of Financial Activity (SFA) to council actual results are compared to budget each month; management reviews, investigates and explains significant variances.
<b>3. Grants</b>	a) Management regularly reviews all grant income and monitors compliance with both the terms of grants and council's grant policy (including claiming funds on a timely basis).
	b) Through the SFA grant revenue is compared to budget; management reviews, investigates and explains significant variances.
<b>4. Receipting</b>	a) Income is compared to budget regularly in the SFA; management reviews, investigates and explains significant variances.
	b) Statements of accounts receivable are sent to customers enabling review.
<b>5. Rates</b>	a) Management reviews rates ageing profile on a monthly basis and investigates any outstanding items.
	b) Actual rate revenue is compared to budget; management reviews, investigates and explains significant variances.
	c) Annual valuation update is balanced prior to the generation of rates; this is reconciled to the rate record and reviewed.
	d) Interim valuation updates are balanced prior to the generation of the interim rates; this is reconciled to the rate record and reviewed.
<b>6. Receivables</b>	a) Receivables and revenue are compared to budget monthly; management reviews, investigates and explains significant variances.
	b) Management reviews provision for doubtful debts on a regular basis.
	c) Management reviews debtors ageing profile on a monthly basis and investigates any outstanding items.
	d) Trade receivables age reconciliation to the general ledger is reviewed at least monthly.
<b>7. Bank accounts and banking</b>	a) Management reviews journal transactions to the bank account.
	b) Management reviews bank reconciliations monthly to confirm large outstanding items are adequately explained and subsequently resolved.
<b>8. Investments</b>	a) Review the council investment performance regularly.



	<p>b) Actual investment income compared to budget on a regular basis; management reviews, investigates and explains significant variances.</p> <p>c) Investments register maintained in accordance with regulations and investment policy.</p> <p>d) Reconciliation of investment register to general ledger routinely prepared and reviewed.</p>
<b>9. Payroll</b>	<p>a) Management reviews employee costs against budget on a monthly basis and investigates any outstanding items.</p> <p>b) Each departmental manager performs a regular review of reports detailing all employees listed on payroll master file; all unusual items are investigated.</p> <p>c) Salary and hourly payroll reports (including compensation and withholding information) are reviewed and approved by management before payments are approved.</p> <p>d) The payroll deduction table data is periodically reviewed by management for accuracy and ongoing pertinence.</p> <p>e) Management reviews a selection of salary sacrifice calculations for accuracy and compliance with statutory requirements; identified errors are promptly corrected.</p> <p>f) Each pay run is reviewed prior to authorisation for payment for consistency with prior pay runs and for abnormal items such as overtime.</p>
<b>10. Purchasing, procurement, and payments</b>	<p>a) Actual expenditure is compared to budget monthly; management reviews, investigates and explains significant variances.</p> <p>b) A list of all payments is prepared and presented monthly to the council; management reviews, investigates and explains any unusual or large payments.</p> <p>c) Management reviews supporting documentation before approving payments.</p>
<b>11. Trade payables</b>	<p>a) Management reviews trade payables ageing profile on a monthly basis and investigates any outstanding items.</p> <p>b) Trade payables age reconciliation to the general ledger is reviewed at least monthly.</p>
<b>12. Fixed Assets</b>	<p>a) Management compare actual fixed asset balance to budget; management reviews, investigates and explains significant variances.</p> <p>b) Activity recorded in fixed asset register is reviewed by management, including comparison to the capital budget.</p> <p>c) Management regularly reviews valuation of fixed assets (i.e., methodology and useful lives of assets) to ensure that assets' valuation is appropriate and in accordance with Australian Accounting Standards.</p> <p>d) Management reviews depreciation rates and methodology (at least annually) to ensure that rates and remaining useful lives are reasonable.</p>



City of Joondalup  
Internal Audit Report  
May 2023

	e) Fixed asset register to the general ledger reconciliation is prepared and reviewed routinely.
<b>13. Borrowings</b>	a) Borrowings actual and interest charges are compared to budget monthly; management reviews, investigates and explains significant variances.
<b>14. Journals</b>	a) All journals are independently reviewed (including check to ensure correct account allocation) and contain sufficient support information.
<b>15. General IT Risks</b>	a) Regular IT audits performed focusing on data accuracy, retention, recovery and security. Results of these IT Audits reviewed by management and action plan promptly implemented.

<b>Risk Area</b>	<b>Key Control Activities</b>
<b>1. Financial Report Preparation</b>	a) Employees responsible for financial report preparation are competent and adequately trained.
	b) All journal entries require supporting documentation. Any non-routine entries require documented approval prior to being posted.
	c) Accounting software used contains application controls that prevent or detect an error from occurring.
<b>2. Payroll</b>	a) Payroll staffs are competent for their assigned tasks, adequately trained and supervised.
	b) Persons processing payroll are independent of other payroll functions, such as hiring/firing of staff, timekeeping and EFT payment.
	c) Approval in writing is obtained before adding new employees to payroll.
	d) Signed and dated approval of each employee's pay rate is documented on employee file.
	e) Timesheets and totals of hours worked are approved before being processed for payment
	f) Procedures exist to ensure terminated employees are immediately removed from payroll.
	g) Payroll register is reconciled to the general ledger and reviewed by a senior officer independent of payroll.
	h) Costs by sub program, are compared to budget.
<b>3. Revenue</b>	a) Rates/debtors officers are competent for their assigned tasks, adequately trained and supervised.
	b) Monthly statements are issued to trade debtors.
	c) Rates are raised in line with the approved budgeted rate in the dollar.
	d) The rate record is updated and reconciled monthly to the Valuer Generals Office (VGO) records.
	e) Documented procedures are in place to ensure the VGO is informed of any building works approved.
	f) The rates ledger is reconciled to the General Ledger.
	g) The approved schedule of Fees and Charges is used for invoice preparation. Exceptions require documentation and approval.
	h) Automatic or manual checks are performed on serial continuity of invoice documents.



City of Joondalup  
Internal Audit Report  
May 2023

	i) Credit note approvals are independent of accounts receivable.
<b>4. Receivables/ Receipting</b>	a) Staff handling cash receipts and managing receivables are competent for their assigned tasks, adequately trained and supervised.
	b) Bank reconciliation is prepared monthly (with statements from bank) and management approval documented.
	c) Customers are informed (signs, etc.) that they should obtain receipts.
	d) Pre-numbered cash receipts are issued for every cash sale. Serial continuity is reviewed periodically and checked against cash deposits data.
	e) Staff required to take their leave entitlements annually.
	f) When opening mail, cheques are stamped "for deposit only" with the local government bank account number. Cheques received are listed, totalled and reviewed before deposit.
	g) All receipts cash/cheques are deposited on a regular and timely basis.
	h) Reconciliation of daily deposit total to receivable posting and cash sales is prepared and reviewed.
	i) A reconciliation of aged receivables to control accounts is prepared monthly and management approval documented.
	j) Procedures exist to ensure receipts are recorded in the correct period.
	k) Significant overdue customer accounts are investigated by management and actions taken documented.
<b>5. Purchases, payables, Payments</b>	a) Personnel responsible for the purchasing, shipping, receiving and payable functions are competent, adequately trained and supervised.
	b) Management reviews outstanding cheques on period-end bank reconciliation.
	c) Pre-numbered cheques are used EFT's are allocated a sequential number for each creditor payment and details for every number is documented. Spoiled cheques are clearly marked "VOID" and cancelled.
	d) The purchasing policy clearly defines who can issue purchase requisitions/orders and to what dollar limit.
	e) Access to purchasing, receiving, accounts payable, and inventory records is restricted to authorised personnel.
	f) Spending limits are set by budget or individual levels of authority. These limits are monitored by the system or manually.
	g) A list of preferred suppliers is maintained and used where possible.
	h) Controls exist to ensure corporate buying cards/credit cards are only issued to authorised staff and personal purchases are not allowed.
	i) Pre-numbered purchase orders and receiving reports are used and exceptions are approved and documented.

ATTACHMENT 8.1.1



City of Joondalup  
Internal Audit Report  
May 2023

j)	Period-end procedures exist to detect and account for unprocessed goods/service receipts.
k)	Personnel receiving goods do not perform any accounting functions.
l)	An aged accounts payable listing is reconciled to general ledger each month and exceptions investigated by management.
m)	Aged report of open orders is reviewed each month and old/unusual items are investigated.
n)	Unit prices on invoices received are checked against price lists, quotes or approved purchase orders. Invoices are checked for correct calculations, discounts, taxes and freight before payment.
o)	System has checks to prevent duplicate payments on same order.
p)	A list of accounts for payments is prepared in line with the legislation and authorised by council or a person with delegated authority before cheques are signed or EFT is authorised.
q)	Signing officers examine supporting documentation to payments and document approval
r)	All cheques must be made out to authorised vendors and cannot be made out to "cash".
s)	A reconciliation of the accounts payable sub ledger to the general journal is prepared monthly and approved by management.
t)	Suppliers' statements are reconciled to accounts payable monthly and reviewed by management.
u)	Procedures exist to ensure payments are recorded in the correct period.
v)	Procedures exist to ensure all bank accounts and signatories are authorised by council.
w)	The accounting policy for when goods should be capitalised is documented and clearly understood by accounting personnel.
x)	Management regularly compares actual purchases (costs and expenses) to budgeted purchases and investigates and documents variances.
y)	Management follows up creditor queries on a timely basis.
z)	Management addresses the reasons for debit balance creditor accounts on a timely basis.



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**City of Joondalup**

## **Regulation 5 (2)(c) Financial Management Review**

**May 2023**



City of Joondalup  
Internal Audit Report  
May 2023

## TABLE OF CONTENTS

1.	EXECUTIVE SUMMARY.....	3
	INTRODUCTION .....	3
	AUDIT OBJECTIVE: .....	3
	SCOPE OF WORKS.....	4
2.	OVERALL AUDIT OUTCOMES AGAINST AUDIT SCOPE OF WORKS.....	5
	OVERALL RISK RATING.....	5
3.	SUMMARY OF FINDINGS.....	6
4.	RECOMMENDATIONS.....	6
5.	BUSINESS IMPROVEMENTS.....	6
6.	OVERALL COMMENTS.....	8
	STANTONS INTERNATIONAL - AUDIT MANAGEMENT COMMENTS.....	8
7.	RISK RATING AND DEFINITIONS.....	9
	RISK RATINGS AND INTERPRETATIONS .....	9
	DISCLAIMER, BASIS OF AUDIT AND LIMITATIONS .....	9
8.	DETAILED AUDIT ASSESSMENT .....	10



## 1. EXECUTIVE SUMMARY

### Introduction

The City of Joondalup (the City) is a local government area with City status in Perth, Western Australia. The City covers an area of 96 square kilometres from Kinross in the north, to Warwick in the south and is bounded by Beach Road to the south, Wanneroo Road and Lake Joondalup to the east, Tamala Park to the north and the Indian Ocean to the west. Its central business district is in the suburb Joondalup (30 kilometres from the Perth CBD), and it includes the town centres of Hillarys and Warwick.

The City is one of the larger local governments in Western Australia based on a population of around 160,000 people. Popular beaches with excellent facilities are located at Marmion, Sorrento, Hillarys, Pinnaroo Point, Whitfords, Mullaloo, Ocean Reef, Iluka, and Burns Beach. Beachside leisure activities include boating, water skiing, snorkelling, fishing, windsurfing, animal exercise and dual use paths ideal for walking and cycling. The City provides a wide range of community services and some of the best leisure and sporting facilities available, catering for junior and senior sporting and recreational pursuits.

The City's natural assets include the Yellagonga wetlands, and the City works closely with the Department of Biodiversity, Conservation and Attractions, the City of Wanneroo, and a variety of community groups to manage the natural assets of the region. The City continues to work closely with regional stakeholders to develop cultural, educational, and economic initiatives.

### Audit Objective:

This audit is classified as an assurance audit with a focus on controls. We used a combination of walkthroughs and sampling to test controls.

Stantons focussed on the following areas to assess the appropriateness and effectiveness of the financial management systems and procedures:

- Revenue, Receipting and Accounts Receivable
- Accounts Payable (transaction and master file)
- Maintenance and security of financial records
- Payroll
- Stock control and costing records
- Asset Management
- IT General Controls
- Banking
- Credit Cards
- Budgeting and reporting.

Our audit also considered the following:

Regulation 5(2)(c) requires the CEO to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government not less than once in every three financial years and report to the local government the results of those reviews.

The report should summarise the financial management systems reviewed, findings of the review, management's responses and recommendations on the following financial systems and procedures of the City as required by Regulation 5(1):



City of Joondalup  
Internal Audit Report  
May 2023

- Proper collection of all money owing to the local government
- Safe custody and security of all money collected or held by the local government
- Proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process)
- Proper accounting for municipal or trust — revenue received or receivable, expenses paid or payable and assets and liabilities
- Proper authorisation for the incurring of liabilities and the making of payments
- Maintenance of payroll, stock control and costing records
- Assistance in the preparation of budgets, budget reviews, accounts and reports required by the *Local Government Act 1995* (LGA) or these Regulations.

### **Scope of works**

The audit period (agreed within the Internal Audit Plan) was 1 July 2021 to 30 June 2022. The onsite commencement of the audit was delayed by the City from November 2022 until January 2023.



City of Joondalup  
Internal Audit Report  
May 2023

## 2. OVERALL AUDIT OUTCOMES AGAINST AUDIT SCOPE OF WORKS

### Overall Risk Rating

Scope Report Reference	Audit Scope	Outcomes	Risk Rating
8.1	Revenue, Receipting and Accounts Receivable	Mostly Achieved	Minor
8.2	Accounts Payable	Achieved	N/A
8.3	Maintenance and security of financial records	Achieved	N/A
8.4	Payroll	Achieved	N/A
8.5	Stock control and costing records	Mostly Achieved	Minor
8.6	Asset Management	Partly Achieved	Moderate
8.7	IT General Controls	Mostly Achieved	Minor
8.8	Banking	Mostly Achieved	Minor
8.9	Credit Cards	Mostly Achieved	Minor
8.10	Budgeting and Reporting	Mostly Achieved	Minor



City of Joondalup  
Internal Audit Report  
May 2023

### 3. SUMMARY OF FINDINGS

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.
2. The Financial Services officer were identified as responsible for controlling the stocktake within the Warehouse, rather than the Internal Auditor as specified within the Protocol.
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, etc.
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.
5. The City has indicated that it performs an asset stocktake every five (5) 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*”.
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.
7. The Unpresented Cheque list contains cheques that are more than 18 months old and may be considered stale.
8. The function of various sections on the *Purchasing Card Request / Petty Cash Reimbursement* appears to be unclear to users.
9. The 2022-2023 Annual Budget - Note 9 – Fees and Charges Revenue is reflected by Type rather than by Program.
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.

### 4. RECOMMENDATIONS

1. Audit recommends that the City review and update documented procedures for revenue and receipting to ensure that they reflect current practices.
2. Audit recommends that as the Financial Services officers are responsible for entering the count quantities and posting the variance adjustments, then the control of the stocktake should be managed by another independent officer(s).
3. Audit recommends that the City considers developing an Asset Management Policy/Protocol for both infrastructure and non-infrastructure assets incorporating areas such as Asset Acquisition, Transfer, Valuation, Location, Depreciation, Stocktake, Minor Works, Disposal, Write-off, etc.
4. Audit recommends that the City complete an Asset Acquisition and Asset Retirement Form before acquiring/disposing of assets to enhance control over the asset management function.
5. Audit recommends that the City undertakes a stocktake on assets at least every three (3) years as indicated by the WA Local Government Accounting Manual.
6. Audit recommends that the City continue to progress with actioning the outstanding findings from the OAG’s Information Systems Audit.
7. Audit recommends that the City cancel the stale cheques and contact the payee(s) for an alternative payment method.



City of Joondalup  
Internal Audit Report  
May 2023

8. Audit recommends that the City considers redesigning the existing Form or setting up two separate forms (1) for Purchasing Card Request and (2) for Petty Cash Reimbursement.
9. Audit recommends that the City ensures that the 2023-2024 Annual Budget reflected the Fees and Charges Revenue by Program.
10. Audit recommends that the City ensures that the 2022-2023 Annual Financial Report is submitted to the Department within 30 days of receiving the auditor's report.

#### **5. BUSINESS IMPROVEMENTS**

1. There were no business improvements raised.



City of Joondalup  
Internal Audit Report  
May 2023

## 6. OVERALL COMMENTS

### City of Joondalup (the City) - Management Comments

Management comments are provided against the individual recommendations in the following pages. The City notes that the review of financial management systems and procedures is not necessarily identified in the *Local Government Act 1995* or the *Local Government (Financial Management) Regulations 1996* as an assurance requirement.

The City also notes that a review of the effectiveness of financial management systems and procedures typically considers the most current data available to ascertain whether appropriate systems, controls and processes exist and/or are working as intended.

The review undertaken appears to have considered only data between 1 July 2021 and 30 June 2022. The City requests clarification that this is adequate to form an opinion on whether systems and processes are operating effectively currently.

### Stantons - Audit Management Comments

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 as policies and processes dated post 30 June 2022.



City of Joondalup  
Internal Audit Report  
May 2023

**7. RISK RATING AND DEFINITIONS**

**Risk Ratings and Interpretations**

Risks Ratings	Rating Interpretation	Suggested timing of implementing recommendations
<b>Critical</b>	The finding poses a severe risk to the City if not appropriately and timely addressed.	Commence remedial action immediately
<b>Major</b>	The finding poses significant risk to the City if not appropriately and timely addressed.	Commence remedial action within 3 months
<b>Moderate</b>	The finding poses less significant risk to the City if not appropriately and timely addressed.	Commence remedial action within 6 months
<b>Minor</b>	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

**DISCLAIMER, BASIS OF AUDIT AND LIMITATIONS**

**DISCLAIMER**

*This report is prepared for the City’s internal use and may be shared with its auditors and professional advisors for internal use. Copying and distribution of this report to other parties should not be done without prior approval and consent from Stantons.*

**BASIS OF AUDIT**

*We have conducted our audit in accordance with the applicable Performance Standards of the International Standards for the Professional Practice of Internal Auditing. The content of this report therefore represents the independent view by Stantons purely based on the information provided by the City members of staff during audit fieldwork. Changes to the contents of the report without Stanton’s involvement will render all contents less “independent” and unrepresentative of Stanton’s position with regards to the contents contained therein.*

**INHERENT LIMITATIONS**

*Because of the inherent limitations of any internal control structure, it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected.*

*An Audit is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed are on a sample basis.*

*Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.*

*Liability limited by a scheme approved under Professional Standards Legislation.*

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**Report Release**

Released by (Name): James Cottrill  
Title: Principal, Internal Audit, IT Audit & Risk Consulting

Signature:   
Date: 05 May 2023



## 8. DETAILED AUDIT ASSESSMENT

### 8.1 REVENUE, RECEIPTING AND ACCOUNTS RECEIVABLE

<b>Overall Outcome</b>	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.
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Through inquiry with relevant staff members, and review of documentation, Audit gained an understanding of the City's revenue, receipting, and accounts receivable systems and processes, noting the design and implementation of the processes operating within the City.

The City's predominant sources of revenue arise from Rates, Fees and Charges, and Grants. Revenue for the City is received via a variety of methods before being recorded within TechOne – Financials (also known as Finance One) including:

- Cash
- Cheque
- EFTPOS
- Agency - Australia Post
- BPay
- SecurePay.

In relation to receipting within the organisation, the City has various documented procedures such as:

- Cash Handling – Large Amounts (last reviewed 20 June 2018)
- CSO (Leisure Centres) Refunding a Point of Sale Transaction (last reviewed June 2018)
- Credit Card or Debit Card – Refund (in progress – last edited 31 December 2021)
- Cash – Refund (awaiting approval – last edited 11 January 2023)
- End of Shift Procedure – Joondalup and Whitfords CSC (Last Reviewed 9 August 2018)
- Beginning of Shift Procedure – Joondalup and Whitfords CSC (Last Reviewed 9 August 2018)

The City has identified that some aspects of these procedures (such as no Customer Service being offered at Whitfords, float amount changed to \$400, CTi for cash/cheque deposits and cash exchange rather than Prosegur and our balancing and tracking of the float and daily banking is now all maintained electronically) have changed and are due for review and update.

Although the City has various policies and procedures that cover certain aspects relating to revenue, receipting and accounts receivable (some of which are due for review/update), the City does not have a document that details the City's overarching approach (including internal controls) for the administration of the revenue, receipting and accounts receivable functions – such as revenue systems used, revenue types generated (who, where, how), revenue collection methods, revenue/receipt reporting, invoice raising and debtor follow-up/write-off processes – refer to the Regulation 17 Review Report pertaining to Internal Controls.

A daily Cash Receipt Summary process is undertaken to receipt or journal the revenue into TechOne - Financials from the various sources. Review of daily takings during June 2022, indicated that the City receives minimal cash receipts.

Recognition of revenue by the City is depended upon the category of fees and charges:



City of Joondalup  
Internal Audit Report  
May 2023

- Refuse charges – when rates notice is issued.
- Membership fees, Learn to swim program, User entry fees, Off street parking fees, On street parking fees, and Multi storey car parking fees – when fees are paid.
- Parking and other infringements – when payment is received.
- Pool inspections – when rates notice is issued.
- Other inspections – when the fees are paid.
- Development application fees – when the fees are paid.
- Facilities hire – when the fees are paid.
- Property rental – Upon issue of the invoice.

Payment notices (with the exception of property rental) are mostly generated by the respective business unit outside of the accounts receivable and are only reflected as revenue upon receipt.

The City has a Venue Hire Fees and Charges Policy (last amended August 2022) and a detailed process for Outstanding Hire Fees – Monthly Invoices (last amended 2 November 2020). The public can book a facility, park, or venue, as well as “Make a payment online” using Visa or Mastercard via the City’s website. The business unit manages the bookings and outstanding payments based upon the process for outstanding hire fees.

Audit reviewed the online payment process (SecurePay) for functionality and as part of a sample of fees and charges during 2021-2022 to confirm that TechOne – Financials transaction records reflect revenue banked within the Municipal Account.

Rates are administered through the TechOne - Property and Ratings Module which incorporate rate types of improved or vacant for ex gratia, residential, commercial, industrial, and rural properties based on GRV (Gross Rental Value), or UV (Unimproved Value) calculated as a general rate or minimum payment. The City has a Payment of Rates and Charges Policy (last amended May 2021), Rates Hardship Policy (created May 2021) and various documented procedures for rates including:

- Rates Modelling
- Revaluation Process
- Change of Ownership (In Progress – last edited 11 May 2020)
- Raising Rates for the New Financial Year (In Progress – last edited 24 June 2020)
- Interim Rates (In Progress – last edited 8 February 2020)
- Annual Rates Printing Process
- End of Month Process (In Progress – last edited 8 February 2020)
- Running Final Notices
- Debt Collection – Rating Services.

Audit review of a sample of rates notices generated during 2021-2022 across the various rate types confirmed that the amount and description correspond with the rates approved within the Budget 2021/22.

Per the revenue recognition methodology used by the City, the account receivable records maintained within TechOne primarily relate to rates, property rentals and some other sundry debtors. The Aged Debtors Trial Balance Report is generated monthly and reviewed (with comments on follow-up actions taken for long outstanding amounts). As at 30 June 2022, the balance of debtors greater than 90 days is minimal, indicating that City’s debtor management is functioning effectively.



City of Joondalup  
Internal Audit Report  
May 2023

<b>Finding 1</b>	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.
<b>Risk Rating</b>	Minor
<b>Recommendation 1</b>	Audit recommends that the City review and update documented procedures for revenue and receipting to ensure that they reflect current practices.

**Management Comment – Recommendation 1**

Processes and procedures are being reviewed in preparation for the ERP 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.



## 8.2 ACCOUNTS PAYABLE

<b>Overall Outcomes</b>	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.
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Through inquiry with relevant staff members and review of documentation, Audit gained an understanding of the City's step-by-step purchasing, payments and creditors systems and procedures, noting the design and implementation of the processes operating within the City.

During the audit, the City provided documents in various formats that were primarily related to purchasing, which only provided some insight into the accounts payable function.

Microsoft Word based procedures containing screenshots from TechOne:

- Creation of New Suppliers
- How to Add and Edit a Document on the Intranet 'Shared Documents'
- How to Delete a Requisition that is stuck in the Purchasing Workflow
- How to Reject a Purchase Order
- How to Release a Purchase Order.

ProMapp based procedures:

- Changes to Creditors Details (last edited 10 November 2022 with Published status).

Documented Protocols:

- Purchasing of Goods and Services (last reviewed July 2020)
- Quotations for Providing Goods and Service (last reviewed July 2020)
- Tenders for Procurement of Goods and Services (last reviewed July 2020)
- Travel, Accommodation and Vehicle Hire (last reviewed September 2014)
- Purchasing Goods and Services under Prequalified Supplier Panels (last updated July 2019).

A request for a list of all ProMapp procedures for the City noted that additional procedures relating to the accounts payable function exist within the Financial Services Business Unit but currently have a status as Unpublished (and were not provided during the audit) including:

- Accounts Payable – Creating an EFT Run
- Accounts Payable – Raising a Cheque Run
- Accounts Payable Trial Balance
- Processing Invoices (No Purchase Order)
- Processing Invoices (With Purchase Order).

Review of the documentation noted that although the City does have certain processes documented (some Published and others Unpublished), it does not have an overarching document that details the City's overall approach (including internal controls) for the administration of the accounts payable function – such as an accounting manual that provides the complete picture of how all the components fit together – refer to the Regulation 17 Review Report pertaining to Internal Controls.

Audit reviewed the City's Purchasing of Goods and Services Protocol (last reviewed July 2020) noting that officers can approve requisitions up to their authorised or delegated limit and confirmed that they cannot authorise payment of invoices related to purchase orders they themselves have previously approved providing segregation of duties. The City primarily utilises the TechOne for purchasing through the use of requisitions and purchase orders, with



payments conducted and approved within the system. Other methods of expenditure approved within the Purchasing Protocol include petty cash (minor goods to the value of \$100), credit cards/trade cards, cheques (e.g., staff reimbursements) or advance payments (where supplier does not accept purchase order).

The Quotations for Provision of Goods and Services Protocol, specifies that quotations are required for all goods or services ranging from \$5,000 to \$250,000 (excl. GST) as follows:

Expenditure Level	Quotation Requirements
Up to \$5,000	No quotations required
\$5,001 to \$10,000	Minimum of Two (2) Verbal Quotations
\$5,001 to \$10,000 Summer Season Events Only	One (1) Verbal/Written Quotations
\$10,001 to \$50,000	Minimum of Two (2) Written Quotations
\$50,001 to \$250,000	Minimum of Three Written Quotations

Per the City's Purchasing of Goods and Services Protocol, Audit noted that Authorised/Delegated Officers are responsible for ensuring expenditure is incurred under the approved budget, goods and services are sourced from approved or contracted suppliers and prices sought are in line with agreed or contract prices.

The City's Register of Delegation of Authority - Section 1.19 Payments from Municipal Fund – Incurring Liabilities and Making Payments specifies the subdelegates that have delegated authority under the following categories:

Category	Limit (excl GST)	Officer
A	Unlimited	Director Corporate Services
B	Up to \$2 million	Manager City Project Director Infrastructure Services Director Governance and Strategy Director Planning & Community Development
C	Up to \$250,000	Manager Financial Services Manager Operation Services Manager Asset Management Manager Information Technology etc.
D	Up to \$100,000	Manager Audit and Risk Services Coordinator Building Capital Works Coordinator Building Maintenance Coordinator Fleet Management etc.
E	Up to \$25,000	Manager Strategic & Organisational Development Manager Governance Manager Human Resources Manager Planning Services Manager Regulatory Services etc.
F	Up to \$5,000	Executive Assistant to the Mayor Senior Financial Accountant Senior Management Accountant Coordinator Rating Services etc.



City of Joondalup  
Internal Audit Report  
May 2023

Audit review of a sample of payments verified that tax invoices were received and well maintained by the City, payment details were matched with invoice descriptions, GST amounts were correctly accounted, and payments were authorised. The City's Standard Payment Terms as detailed within their New Supplier Information Form are 30 Days Net (30 days from the end of the month in which the goods or services were provided, although, we noted one payment for \$143,959.09 (GST incl) to Cleanaway was paid on 15 February 2022 which was 2.5 months (75 days) after the waste services had been provided to the City in November 2021. We understand that there was a dispute in relation to insufficient/unsatisfactory data being provided to the City to substantiate some of the charges, however, despite there being no evidence or explanation provided within the payment documentation for the delay beyond the City's own 30 day standard payment terms, we were advised that any delays in payment are highlighted in the City's standard exception reports.

Purchases over \$250,000 are subject to the Tenders for Procurement of Goods and Services Protocol which details the requirements for request for tender documentation, tender advertising and open period, tender evaluation, etc. Audit review of a sample of contracts (Australian Airconditioning Services, BE Projects (WA) PTY LTD, and Cleanaway) existing during 2021-2022 noted that the City had assessed the respective tenders and the Council had approved the awarding of the contract to the recommended supplier - with contract transactions included within the sample of payments being verified.

Review of the Ordinary Meeting of Council minutes identified that a listing of payments from the Municipal and/or Trust Account relating to the period two months prior is submitted for noting by the Council in accordance with Regulation 13(3) of the Local Government (Financial Management) Regulations 1996.

Utilisation within Finance One is segregated between officers that update supplier information (as part of the purchasing function) and officers that process payments (through the accounts payable function). Audit review noted that nineteen (19) officers have the access to the Accounts Payable Officer Workplace ("JF1.APOFFICER") in which five (5) perform the Accounts Payable payment functions, comprising one (1) certifying officer, three (3) expenditure services officers, and one (1) casual financial officer. Likewise, there are eleven (11) officers have the access to the Supply Chain Workplace ("JF1.SYS.ADMIN" or "\$IN.SYS.ADMIN"), four (4) of which have the access to add/edit supplier information, comprising three (3) purchasing officers and one (1) contract support officer. The other users have access to the workplace by virtue of their roles in Finance, IT and/or system administration.

Payments to a supplier are initiated via a payment run process in TechOne - Financials and cannot be progressed to either an EFT or cheque without approval within the system by an authoriser - usually the Senior Financial Accountant. This process also identifies the originator of a payment run, to ascertain that a payment run has been initiated by an Accounts Payable team member. The payrun is normally undertaken twice per month (mid and end of month) with the EFT (bank) file automatically uploaded from Finance One into Westpac online banking where it is authorized by two delegated officers.

Within Finance One, there is an audit trail identifying users that have made changes to supplier details (Masterfile) and supplier bank account changes reports are separately run every two weeks prior to the fortnightly payment by the Financial Services Admin Officer and reviewed by the Manager Financial Services Review of changes to supplier details within Finance One Masterfile during April 2022 confirmed that the process to amend and verify supplier bank accounts details has been undertaken.



City of Joondalup  
Internal Audit Report  
May 2023

The FBT and GST administration and compliance processes and systems have been separately reviewed (previously by Stantons) in 2020. Review of the accounts payable process noted that:

- FBT transactions with an underlying FBT event are identified and reflected within the FBT workbook. This 'catch all' approach ensures the City reports all FBT events and include the resulting FBT balances in their annual FBT return. Separate tabs are set-up in the FBT Workbook for each identified FBT category. Review of the FBT Workbook for 1 April 2021 to 31 March 2022 noted that it appears to incorporate the respective FBT related activities occurring at the City during the year.
- GST is charged and recorded against debtor invoices and claimed and recorded against creditor invoices within the system. Thus, GST balances used to populate the quarterly BAS (Business Activity Statement) return is driven by the system. As part of our accounts payable testing, Audit agreed the GST (if applicable) on the sample invoices selected to the City's GST ledger (100006173).

Aside from the observations reflected above, no further items were noted.



### 8.3 MAINTENANCE AND SECURITY OF FINANCIAL RECORDS

<b>Overall Outcome</b>	The City has adequate processes in place for the maintenance and security of financial records.
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The City of Joondalup has a Records Management Policy which applies to all City elected members, staff and contractors and relates to any hard-copy, digital or online record that meets one or more of the following criteria:

- It conveys information essential or relevant in decision-making processes.
- It conveys information upon which others will, or may, use to make decisions affecting the City's operations, rights, and obligations under legislation.
- It commits the City to certain courses of action, the commitment of resources or provision of services.
- It conveys information about matters of public safety or public interest or involves information upon which contractual undertakings are entered into.
- The information is likely to be needed for future use or is of historical value.

In addition, the City has a Recordkeeping Responsibilities Protocol which relates to all employees, contractors and elected members covering areas such as:

- use of files
- storing of information
- use of information.

Most the City's financial records are electronic and are stored within Content Manager (CM) - an integrated Electronic Document and Record Management System (EDRMS) which can manage the City's corporate information. CM supports the City in complying with legislative record keeping requirements to control electronic documents and records, as well as enabling staff to access and retrieve vital information at their desktop.

Officers are required to store all documents and records generated electronically to the appropriate file reference (container), via the corporate templates, generic store, Microsoft Outlook, and TechOne via workflow events. Electronic access to records enables staff in different locations to access a document simultaneously, whereas traditional hardcopy files take time to move around the organisation and are frequently hard to locate or are lost / misplaced.

Access to corporate records by City staff and contractors will be in accordance with designated access and security classifications, as determined by the Records Services Coordinator (in conjunction with the IT Security Protocols). The information is effectively managed including the following factors:

- Providing immediate access to current information
- Retention and disposal of information is managed
- The security access controls to information is strengthened
- Audit trails are provided
- The integrity and security of the information is maintained.

Training in recordkeeping practices and the use of the City's document and records management systems is available to all newcomers upon commencement and ongoing training is available upon request to the Records Services Coordinator. Elected Members are made aware of their recordkeeping responsibilities as part of the Elected Member Induction Program.



City of Joondalup  
Internal Audit Report  
May 2023

Discussion with the Manager Financial Services relating to any concerns over security of financial records indicated that financial staff have access to different information dependent upon user requirements (such as need and level) to maintain security over more confidential data/records. Any hard-copy financial records are managed by Records Management based upon *State Records Act 2000* requirements and retention periods.

Review of access to data used for funds transfers via online banking noted the following:

- Creditor Payments – bank file uploaded directly from TechOne to Westpac Online banking – no user intervention (or access to the bank file) - with two delegated officers as authorisers are required to initiate payment in the bank
- Payroll Payments – Aurion generated EFT (bank) file uploaded by Payroll Officers into Westpac Online Banking usually early morning on payday and Finance receive notification that file is ready for authorisation (two delegated officers are required to initiate payment in the bank) mid-morning on the payday
- Investments to financial institutions outside of Westpac have bank details setup within Westpac (based upon investment strategy) and any alterations to recipient financial institution banking details require two delegated officers to authorise.

Discussion with the HR Data and Systems Analyst indicated that they were aware (including the issue being raised by previous auditors) of the ability for the Aurion generated EFT (bank) file to be potentially altered by various users that have access to the Payroll/EFTDisk network folder within the current environment. It was indicated, however, that any alteration to the total amount would be identifiable during Payroll checks before uploading into Westpac online banking, or changes to individual amounts would result in employees notifying Payroll that the deposit into their bank account did not correspond with their payslip.

Observation 3/2019 (from the previous Regulation 5 review) noted that “the capability for the City to generate a user security access matrix is not enabled within FinanceOne. Without that capacity, the City is limited in its ability to ensure that users are only granted access rights necessary to perform their authorised duties”. The Manager Information Technology has indicated that the concept of a user security access matrix does not exist within TechOne, and the City is implementing a new FMIS in the near future. In the interim, the list of user roles and their access is reviewed annually.

Apart from the observations made, no issues were noted.



#### 8.4 PAYROLL

<b>Overall Outcome</b>	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.
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Through inquiry with relevant staff members and review of documentation, Audit gained an understanding of the City's step-by-step payroll systems and procedures, noting the design and implementation of the processes operating within the City.

The City does not, however, have documented overarching policies/protocols (detailing internal controls) in place for the payroll function – refer to the Regulation 17 Review Report pertaining to Internal Controls.

Employees of the City are employed (during 2021-2022) under the following Agreements:

- City of Joondalup Building Maintenance Agreement 2019
- City of Joondalup Inside Workforce Enterprise Agreement 2018 - varied 2020
- City of Joondalup Outside Workforce Enterprise Agreement 2018
- City of Joondalup Leisure Centres Casual Workforce Enterprise Agreement 2016 - effective until 20/11/22.

Aurion is the human resources and payroll system. Officers that are responsible for maintaining employee and payroll data comprise the following:

- Payroll & HR System Administrator
- Data & Systems Analyst
- Senior Payroll Officer
- Payroll Officer
- Manager Human Resources
- Business Systems Analyst.

Audit reviewed the City's employee listings dated 19/01/2023. For the previous financial year, we noted that there was a total of 333 new employees during the period 01/07/2021 to 30/06/2022. Audit conducted testing on a sample of four new employees to determine whether the City has adequate controls over adding new employees which verified that employee details were correctly entered into payroll system (including commencement date, employment type, working hours, position, level, pay rate, etc.) and contracts were signed by employees and maintained by the City. The City's Onboarding System demonstrates new employees' onboarding process details, including contract, the City's vision and values, Code of Conduct, Fair Work Statement, etc.

Audit testing on a sample of nine existing employees identified that overtime and allowances were approved, base salary was in accordance with the respective agreement, taxation and superannuation calculation was accounted for correctly, and all the employees' placement history, rate history, and pay records were stored safely in the system. During the review it was noted that records of hours worked were not maintained by full-time employees. Discussion with the Data & Systems Analyst identified that all the City's employees are required to keep a timesheet effective from 01/01/2023, as WA Local Governments transitioned from the Federal Industrial Relations Systems to the State Industrial Relations System, which requires employees to keep a timesheet.

During the period from 01/07/2021 to 30/06/2022 it was noted that there were 413 terminated employees, due to retirement, resignation, etc. Audit testing of a sample of four terminated



City of Joondalup  
Internal Audit Report  
May 2023

employees verified that these employees were recognised as terminated in the system with an agreed termination date and only paid until the termination date.

Audit reviewed the City's payroll report for the periods ending 17/09/2021, 04/01/2022, and 13/05/2022, noting that the City performs a payroll payrun every fortnight based upon a standard Pay Run Process, Pay Run Checklist, as well as a Post Pay Run Finance Process. Fortnightly Pay Reports are generated with the Disbursement Summary Report approved by the Human Resources Manager before uploading into Westpac online banking and authorised by two officers from Financial Services. The fortnightly Payroll Costing Reports are forwarded to the Business Units for approval and/or to provide notification back to payroll of any observed issues or errors. Review of a sample of employees from the payruns to identify the procedure for recording leave, noted that their leave was processed via the Aurion Self Service, whereby the leave application was created by employee and approved by their supervisor.

The 2019 Review of Financial Management Systems and Procedures finding relating to a potential risk of unauthorised payments (due to unrestricted access or unencrypted data) prior to uploading of the EFT file into the online banking has been addressed above in 8.3 Maintenance and Security of Financial Records.

No further issues were noted.



## 8.5 STOCK CONTROL AND COSTING RECORDS

<b>Overall Outcome</b>	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.
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Through inquiry with relevant staff members and review of documentation, Audit gained an understanding of the City's stock control (inventory) systems and procedures, noting the design and implementation of the processes operating within the City.

The City's Warehouse utilises the TechOne inventory system for the management of stock items regularly utilised within the City (such as irrigation supplies, PPE, and cleaning items). Inventory purchases are undertaken via requisition/purchase order through the FinanceOne purchasing workflow and the inventory issues are via hardcopy Stores Issue Dockets (signed by supervisor) that are processed manually within the inventory system to reduce stock levels for items issued.

Documented procedures relating to the Warehouse function are as follows:

- Adding New Items to the Warehouse
- Issue clothing from WOC stores
- Return stock to stores
- Take items out of stores (WOC).

There are two officers that work within the Warehouse which have a "good gauge" of the levels and do daily walkthroughs of important/fast moving items to ensure stock numbers are sufficient.

There is an Annual Inventory Stocktake Protocol that details the responsibilities of the various employees including:

- Stores Controller – applies pre-stocktake cut-off process and provides guidance to the count team,
- Count Team Members – performs the stocktake per stipulated count procedures under supervision of the Internal Auditor
- Financial Accounting officers – ensures inventory transactions are posted prior to stocktake, generates count sheets from Finance One, enters count quantities and posts variances
- Internal Auditor – allocates count sheets, oversees the count, reviews variance report and initiates any recounts, signs stocktake report.

The annual stocktake for 2021-2022 was undertaken on 20 June 2022 with minimal stock variances noted within the Stocktake Analysis Report. Through discussion, it was identified that the Finance Officers (rather than the Internal Auditor) control the stocktake process within the Warehouse.

<b>Finding 2</b>	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.
<b>Risk Rating</b>	Minor
<b>Recommendation 2</b>	Audit recommends that as the Financial Services officers are responsible for entering the count quantities and posting the variance adjustments, then the control of the stocktake



City of Joondalup  
Internal Audit Report  
May 2023

	should be managed by another officer independent of the stores function.
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**Management Comment – Recommendation 2**

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.



## 8.6 ASSET MANAGEMENT

<b>Overall Outcome</b>	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.
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The City has an overarching Asset Management Policy that details the City's approach to asset management to include:

- a) Defining technical and community levels of service and monitoring their performance to ensure continued relevance.
- b) Forecasting and managing impacts on demand, including demographic changes and
- c) advancements in technology.
- d) Ongoing testing of the long-term affordability and practicality of defined levels of service, and the manner in which they will be sustainably financed.
- e) Implementing a structured framework for the planning and delivery of asset management practice across the organisation that considers stakeholder inputs.
- f) Maintaining accurate and reliable asset data to effectively inform decision-making.
- g) Ensuring that defined technical and community levels of service for each infrastructure asset are compiled and made available to Elected Members.

Review of this document and discussion with the Finance Team and the Infrastructure Asset Management Team, indicates that a more detailed Asset Management Manual has not been developed to provide additional guidance to the City on its internal asset management practices. The City's Asset Stocktake Protocol provides some information on the asset stocktake approach and the Annual Financial Report provides aspects of the City's asset accounting treatment within Note 10 – Fixed Assets (including information on revaluation, depreciation, and assets class). The City has a Five Year Capital Works Program, annual budget for asset acquisitions and profit/loss on asset disposal, as well as an Asset Addition and Asset Retirement Form, however, this does not detail the day-to-day processes necessary for asset management relating to acquisition, capitalisation threshold, asset register, asset transfer/disposal/write-off, etc.

The Department of Local Government, Sport and Cultural Industries (DLGSCI) - Introduction to Local Government Accounting - 4.5 Policies, Procedures and Delegations indicates that a policy on Asset Management is one of the financial policies that a local government may consider. To provide some guidance to local governments on asset management, DLGSCI has available an Accounting Guideline – Non-Current Physical Assets, as well as the Western Australian Local Government Accounting Manual – Section 9 – Asset Accounting.

The City's asset register comprises two separate asset registers, being the "Combined (CAR) Register" and the "FIN Register" which are maintained in TechOne by the Infrastructure Asset Management and Finance Business Units respectively. The "CAR Register" for infrastructure assets, provides details for five (5) assets classes, comprising buildings, drainage, lighting, parks, and transport, while the "FIN Register" for financial assets contains the remaining asset types under ten (10) categories including artifacts and art, computers, fleet and plant, furniture, and office, etc.

Audit review of the "CAR Register" provided in Microsoft Excel format, noted that a large proportion of assets had been separated into individual components resulting in the initial entry reflecting an ongoing Useful Life, however, a zero (\$0) Current Asset Cost, Current Depreciation, and Written-down Value.



To determine the accuracy of the "FIN Register", a small sample of assets were sighted and verified as matching the description of the respective assets contained within the register. Within the Register, Audit noted that Asset # 1011041 – Transit Custom Van has an indicated Useful Life of 13 years (after commissioning on 02/07/2018), however, is shown with a Current Assets Cost, Current Depreciation and Written-down Value of zero (\$0). It was advised that this is a duplicate entry which was reversed within the system, although it was not reflected as being disposed/cancelled until August 2022.

Audit reviewed a sample of four asset additions and four asset disposals (on the basis of the City's Asset Addition and Asset Retirement forms) noted that the acquired assets have been registered in the "FIN Register", and the disposed assets have been removed from the "FIN Register", however, it appears that no asset addition forms were completed (or authorised) for Asset #1011184 – Ford Ranger 1HNF304 and Asset #1011197 – Mitsubishi Canter 1HPR183, and no asset retirement forms were completed (or authorised) for Asset #1010827 – 1EWI283 Hyundai and Asset # 1010986 – Isuzu D-Max 1GKD537.

Review of the 2021-2022 Vehicle/Plant Replacement Program listing noted that we were unable to locate the two disposals for Plant Number F95448 (Isuzu D-Max) or F95395 (Hyundai iLoad). The addition of the F95507 (Ford Ranger) indicates that it is the replacement of the old asset F95448 (which is not listed), however, we do note that F95502 (Mitsubishi Canter) was a replacement for F95331 which is in the list as a Truck. Either way, we believe that an Asset Addition Form and Asset Retirement Form is necessary – as the forms state "This form is to be used when a new asset is acquired or commissioned" or "This form is to be used when following decommissioning/disposal of an asset". The forms confirm authority for the addition/disposal to occur and provides vital information that is to be included in the Register that may not be automatically known by the officer updating the Register or other aspects of TechOne.

Review of the Asset Stocktake Protocol indicates that the document remains in "Draft" and was last updated in January 2020. The Protocol specifies that the stocktake of assets in the FIN Register are done on regular basis to correspond with periodic revaluations of those classes of assets, and the stocktakes of land, buildings and infrastructure assets are conducted at the time of periodic revaluation or at condition assessment by an independent professional valuer or an internal expert. Discussion with the Finance Team indicated that the FIN Register Stocktake is performed every five (5) years, however, the WA Local Government Accounting Manual Section 9 *Asset Accounting*, under sub-section 9.1.6. *Asset Inspection and Control*, it suggests that "an effective way to ensure the liability of an asset register is to conduct regular (at least every three years) stock takes and physically assessing what assets are still controlled by the local government".

Review of the City's insurance policy with LGIS verified that the City had in place insurance covering property and motor fleet.

<b>Finding 3</b>	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, etc.
<b>Risk Rating</b>	Moderate



<b>Recommendation 3</b>	Audit recommends that the City considers developing an Asset Management Protocol for both infrastructure and non-infrastructure assets incorporating areas such as Asset Acquisition, Transfer, Valuation, Location, Depreciation, Stocktake, Minor Works, Disposal, Write-off, etc.
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#### Management Comment – Recommendation 3

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

<b>Finding 4</b>	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.
<b>Risk Rating</b>	Minor
<b>Recommendation 4</b>	Audit recommends that the City complete an Asset Acquisition and Asset Retirement Form before acquiring/disposing of assets to provide an enhanced audit trail.

#### Management Comment – Recommendation 4

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.

<b>Finding 5</b>	The City has indicated that it performs an asset stocktake every five (5) years, however, the WA Local Government Accounting Manual Section 9.1.6 – Asset Inspection and Control, indicates that stocktakes should be conducted “ <i>at least every three years</i> ”.
<b>Risk Rating</b>	Moderate
<b>Recommendation 5</b>	Audit recommends that the City undertakes a stocktake on assets at least every three (3) years as indicated by the WA Local Government Accounting Manual.



City of Joondalup  
Internal Audit Report  
May 2023

#### **Management Comment – Recommendation 5**

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.



## 8.7 IT GENERAL CONTROLS

<b>Overall Outcome</b>	The City has in place IT general controls, although some additional actions are required to resolve the outstanding OAG findings.
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Audit obtained and reviewed security policies of the City of Joondalup. The IT security protocol provides guidance on various cyber-security topics to safeguard both the City and individuals from the misuse of the City's systems. The policy covers the following:

- Employee Responsibilities
- Non-compliance with the Security Protocol
- Granting / Revoking User Access
- Restrictions on Software Installations
- System Audit Logging and Monitoring
- Connection of Unauthorised Devices
- Wireless Access
- Account reviewing / monitoring
- Protection from Malware
- USB Devices and File Sharing Services.

Audit reviewed the remaining security documents – these policies specify how services and procedures are used, and maintain rules to ensure compliance:

- IT Remote Access Protocol
- Multi-Factor Authentication
- Online Services Usage Protocol
- Password Protocol.

Review of the Password Protocol noted that it details how to maintain and protect the availability, reliability, confidentiality, integrity and security of all networked systems and related data from risk or inappropriate use. The document provides guidelines on User Accounts and Passwords, Password Resets with the rules for passwords being:

- Minimum length of 8 characters
- There must be at least 1 capital letter
- There must be at least 1 non-alphanumeric character
- There must be at least 1 numeric character.

Audit reviewed the Information Technology Business Unit Plan 2022-2023. The Plan identifies priorities and key projects along with Actions and Programs for the business unit during 2022-2023 and into the future. The document identifies Corporate and Business Unit Performance Indicators, Risk Management/Register, Resources and Budget Requirements. All sections provide information and relevant data for tracking.

Audit reviewed the Business Continuity Plan, which identifies the objectives of the planning the process is to provide a cost-effective means of:

- Preventing or minimizing the impact of disruptive risk events
- Ensuring Business Units can respond to unavoidable disruptions and emergencies.
- Ensuring a plan for returning to normal business operations following a disruption.

The business impact assessment for the Information Technology component of the Plan is indicated to have been undertaken in October 2021.

Audit reviewed the IT Asset Management Plan and Replacement Protocol which was developed to provide IT with a process for the recording and management, as well as define



replacement schedules for different types of IT assets. Audit was advised that personal computers and servers are disposed of externally through specialist disposal/recycling services - which provide appropriate documentary evidence of the removal of data and physical hardware destruction. Minor equipment such as phones and tablets are disposed of through an ethical e-waste service. The replacement schedule for the devices are as follows:

- Mobile phones – Replaced on failure
- Tablets – Three years or failure
- Notebook PC – Three years
- Desktop PC – Four years
- Major Equipment (Servers, Switches etc.) – Four years or contract expiry
- MFC Printers – Five Years
- Other equipment – Replace on failure.

Audit reviewed the Data Backup Protocol noting that for on premise systems, data backup operates on a three-tiered approach:

1. Real time replication
2. On-site virtual tape
3. Off-site cloud storage.

The (frequency and method of) backups are referred to as the Grandfather-Father-Son (GFS) rotation and is performed on a daily, weekly, and monthly basis.

Audit reviewed the IT Incident Response and Disaster Recovery Plan which is built around utilising physical redundancy and technology resilience to:

1. Protect corporate data from loss or corruption
2. Minimize loss or damage to computer equipment
3. Maintain the provision of IT services for as long as practical.

The plan is separated into two sections; Technological measures: Redundancy and Resilience and Disaster Recovery Plan: Incident Response Scenarios.

Audit reviewed the Incident Management Plan which was developed to provide the framework for the IT incident management process and to educate users about their responsibilities. The document describes security incidents and weaknesses, lists incidents and weaknesses to report and describes the reporting procedure and the approach to manage the incidents.

Audit were informed the intrusion detection is a multi-layer setup with real time monitoring – the Checkpoint firewalls monitor for intrusions from the internet, Darktrace monitors internal network traffic, and Crowdstrike monitors all PCs and Servers, with Crowdstrike Falcon Complete providing 24/7 external security monitoring.

Audit reviewed the New User Request Form which is filled out for access to be given. The form includes data fields for user information (name, position, start date etc.), additional access information and approval details. Audit was to undertake an assessment of the new user process but were informed the User exit process is managed by HR and is separate from the IT department. Audit were informed the level of access given to a user depends on the role of the user. Roles are assigned to users upon request or when the user is initially entered into the system.

Audit obtained a list of systems and applications used by the City - which is sorted with the title, business owner, business admin, system support and technical support. Audit received the COJ Domain Visibility, which has a list of all registered websites under the COJ Domain.



The list is sorted into Jurisdiction (WA government), Organisation, Host, and Issues. In total there is 46 registered websites under the COJ Domain.

Audit received and reviewed the COJ campus design which is a map of the infrastructure in place at COJ. The file has the current setup and the proposed setup diagram. It shows the internet and WAN connected to the port through a Firewall. The port is then connected to the server farm through a 10GB connection and to four different switches through 1GB connection line. Audit reviewed various COJ network diagrams noting that there are two admin gateways (with personal firewalls), one for COJ and one for WOC. Both gateways then connect to various WAP and LAN's and have their own servers. The COJ WAN connects to various libraries, community centres and parks (CCTV). Audit received the list of servers which is sorted by:

- server name
- IP address
- End of life
- OS
- Patching regime
- Environment
- Notes
- Status
- BC level of importance.

Review of the City's server listing noted that there are 80 servers recorded, 78 are identified as active and two as obsolete - which have been removed from service but are retained in the listing for historical/reference reasons.

Review of the Risk Register for the Information Technology Business Unit noted nine (9) perceived risks have been identified to have an impact upon the business unit for which at least one Control or Treatment has been documented. At the time of the audit, it was indicated that the majority of the Control or Treatment documented were overdue for review, however, consultation with the Manager Information Technology indicated that each control or treatment has now been signed off as complete.

The Office of the Auditor General undertook an Information Systems Audit for the period 1 June 2021 to 30 June 2022. Extracts from this audit report were provided by the City identifying the findings impacting upon Information Technology. Review of the findings in consultation with the Manager Information Technology noted the status as follows:

1. Cyber Security Incident Management – Due for completion 31 January 2023 - **Outstanding** as IT is still determining what form the testing regime will take.
3. Network Device Management - Due for completion 31 March 2023
4. Contracted Employee Management - Due for completion August 2023
7. System Security – Actioned
8. Unsupported Systems - Due for completion 2025
9. Network Segregation - Due for completion 31 March 2023
10. Data Loss Prevention - Due for completion 31 December 2022 – Setup and Ready
11. Database Security - Due for completion 2025
12. Remote Access Management - Due for completion 1 July 2023
13. Network Access Management - Due for completion 31 December 2022 – Actioned
14. Network Logging and Monitoring - Due for completion 31 December 2022 – Actioned
15. Management of Technical Vulnerabilities - Due for completion 31 January 2023 – Actioned
17. Endpoint Protection - Due for completion 31 January 2023 – Actioned
18. IT Strategic Plan - Due for completion TBA in 2023



City of Joondalup  
Internal Audit Report  
May 2023

19. Policies and Frameworks for Information Systems - Due for completion 30 June 2023  
 21. Finance Application – User Access Management - Due for completion 31 March 2023  
 24. Change Management - Due for completion 31 March 2023.

<b>Finding 6</b>	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.
<b>Risk Rating</b>	Minor
<b>Recommendation 6</b>	Audit recommends that the City continue to progress with actioning the outstanding findings from the OAG's Information Systems Audit.

#### **Management Comment – Recommendation 6**

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.



## 8.8 BANKING

<b>Overall Outcome</b>	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.
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The City's revenue and expenditure relating to day-to-day operations are undertaken through the Municipal Account. Withdrawals from the Municipal Account primarily occur through EFT and Cheque through the accounts payable process via online banking. Deposits into the Municipal Account primarily occur through the collection of revenue via the following methods:

- Cash
- Cheque
- EFTPOS
- Agency - Australia Post
- BPay
- SecurePay.

A daily Cash Receipt Summary process is undertaken to receipt or journal the revenue into TechOne from the various sources and is allocated against the respective business unit. Review of daily takings during June 2022, indicated that the City receives minimal cash receipts which are collected from the respective venues belonging to the City by an external security firm (Prosegur) for banking.

A monthly bank reconciliation between the Finance One general ledger account (6111) and the Westpac bank statement is performed in a Microsoft Excel format per the Bank Reconciliation Procedure (last edited 6 July 2022). It has been indicated that the reconciliation is undertaken via Microsoft Excel as the TechOne Financials and TechOne Property and Rating are unable to interface for the bank reconciliation function. Review of the bank reconciliation for June 2022 confirmed that the amounts reflected within the reconciliation worksheet agree back to supporting documents and/or schedules.

Audit noted from the Outstanding Cheque List that there were 62 Cheques (totalling \$10,984.27) with dates prior to 1 January 2020 which would indicate that they may be considered stale by the bank (as they are greater than 18 months old).

There is evidence of segregation of duties with the bank reconciliation prepared by the Finance Officer Administration and Control and approved by the Manager Financial Services.

<b>Finding 7</b>	The Unpresented Cheque list contains cheques that are more than 18 months old and may be considered stale.
<b>Risk Rating</b>	Minor
<b>Recommendation 7</b>	Audit recommends that the City cancel the stale cheques and contact the payee(s) for an alternative payment method.

### Management Comment – Recommendation 7

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*



City of Joondalup  
Internal Audit Report  
May 2023

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 un-presented 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, etc 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.



City of Joondalup  
Internal Audit Report  
May 2023

**8.9 CREDIT CARDS**

<b>Overall Outcome</b>	The City has adequate processes for the administration of credit cards (including the <i>Use of Corporate Credit Cards Protocol</i> ), although minor issues were noted with regards to credit card records, form, and statement.
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The City has documented a *Use of Corporate Credit Cards Protocol* to manage credit card purchases by authorised City employees. Per the *Use of Corporate Credit Cards Protocol*, Audit noted that credit cards can only be used for the purchasing of goods and services for the City’s purposes and within the financial limits. Only the cardholders are able to use the credit cards. There are only four (4) credit cards are in use in the City as follows:

Position	Function	Limit	Reviewing and Approving Officer
CEO	CEO	\$10,000	Director Corporate Services
Manager Financial Services	Corporate Travel	\$12,000	Director Corporate Services
Purchasing Officer 1	Purchasing	\$20,000	Manager Financial Services
Civic Function Officer	Civic	\$5,000	Manager Communications and Stakeholder Relations

Purchasing through the credit card, requires each Business Unit Officer to complete the *Purchasing Card Request / Petty Cash Reimbursement* which must be approved by an authorised officer. All the payments must be attached with any relevant receipts or invoices.

Audit review of a sample of credit card transactions verified that all the purchases made were within credit card limit, expenses incurred are for the City’s business purposes, cards statements have been reviewed and approved, statements were acquitted in a timely manner, and the purchase was not for an asset.

In addition, review of the August/September Credit Card Statement for Civic (which includes transaction “27/08/2021 – Civic - \$379.50”) noted that both the Cardholder and Manager/Supervisor signed/dated the declaration on the Statement on 20/09/2021, however, the last purchase transaction appearing on the statement was made on 22/09/2021 and the Card Statement was received on 05/10/2021. We have been advised that this was an error by both parties in reflecting their date of signature.

Review of completed *Purchasing Card Request / Petty Cash Reimbursement Form* noted that various sections within the form seem to be unclear to some officers when used for credit card purchases. There is a section “Purchasing Card Request” and a section “Claimant Details – Petty Cash”. Within section the Claimant Details – Petty Cash, there is reference to the “Name of person making petty cash claim or *purchasing card request*” which is completed in some instances and not in others.

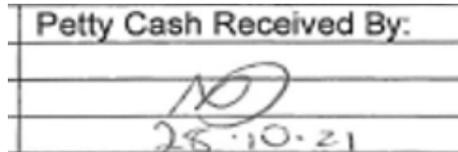
PETTY CASH REIMBURSEMENT / PURCHASING CARD REQUEST	
PURCHASING CARD REQUEST	
Reason for Purchasing Card Use	Inox cleaner for Interlace
CLAIMANT DETAILS - PETTY CASH	
Name of person making petty cash claim or purchasing card request	A Edwards on behalf of Julia Robinson-White (Curator)
Signature	<i>A Edwards</i>
Date	3/12/2021

PURCHASING CARD REQUEST	
Reason for Purchasing Card Use	RENEWAL OF NEW INTERNATIONALIST MAG FOR REF
CLAIMANT DETAILS - PETTY CASH	
Name of person making petty cash claim or purchasing card request	
Signature	
Date	



City of Joondalup  
Internal Audit Report  
May 2023

In addition, there was one instances where, for a Purchasing Card Request, the “Petty Cash Received By” section of the form was signed (transaction “28/10/2021 – Purchasing - \$108.00”) confusing the fact as to whether it is a purchase card transaction or petty cash transaction.



<b>Finding 8</b>	The function of various sections on the <i>Purchasing Card Request / Petty Cash Reimbursement</i> appears to be unclear to users.
<b>Risk Rating</b>	Minor
<b>Recommendation 8</b>	Audit recommends that the City considers redesigning the existing Form or setting up two separate forms (1) for Purchasing Card Request and (2) for Petty Cash Reimbursement.

**Management Comment – Recommendation 8**

The City is already in the process of splitting this into two separate forms.

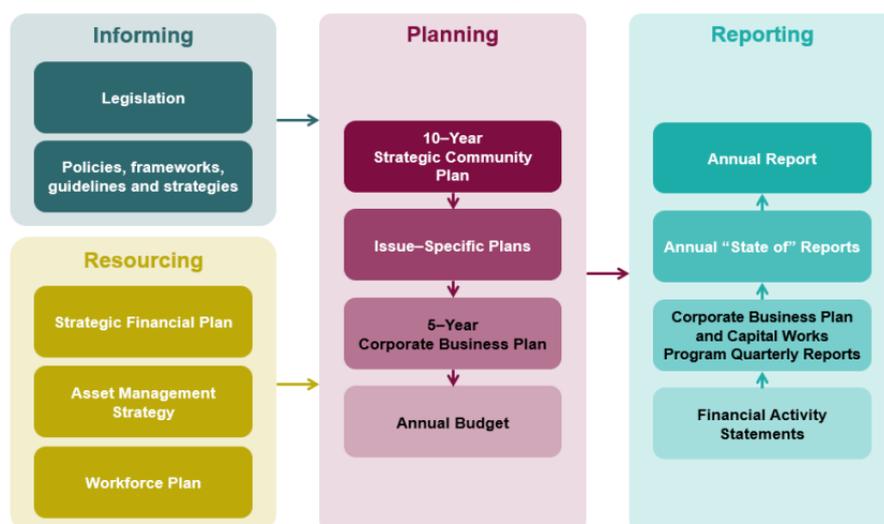
Management notes that the Council has recently adopted a *Corporate Credit Cards Policy* which governs the related protocol and processes pertaining to the issue and use of corporate credit cards.



## 8.10 BUDGETING AND REPORTING

<b>Overall Outcome</b>	The City maintains effective budgeting and reporting practices, despite minor issues noted with regards to not meeting some legislative requirements.
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The budgeting and reporting requirements for the City are stipulated by the *Local Government Act 1995* (the Act) and Local Government (Financial Management) Regulations 1996 (Regulation). The City's planning methodology (which includes the legislative budgeting and reporting requirements) is outlined within the integrated planning framework below:



The Act specifies:

- Part 5 - an annual report is to be prepared for each financial year and details the key components to be contained within the annual report such as Mayor's report, CE's report, overview of City's plan for future, financial report, payments to employees, auditor's report and entries made to the register of complaints (as well as timing for submission of the annual report to the auditor, the acceptance of the audit report, the acceptance of the annual report by an absolute majority of Council and publication of the annual report on the City's website)
- Part 6 - an annual budget of its municipal fund is to be prepared for the following financial year details the key components to be contained within the budget (as well as timing for annual budget to be adopted by an absolute majority of Council).

The Regulations specifies in Part 3 (Reg 22. - 27.) the form and content of the annual budget, including:

- an income statement
- a cashflow statement
- a rate setting statement (and other rates information)
- service charges proposed to be imposed
- fees and charges proposed to be imposed
- any discount or other incentive proposed to be granted for early payment, the proposed waiver or grant of a concession or the proposed writing off, of any amount of money
- interest charged for late payment of a rate or services charge
- etc.



City of Joondalup  
Internal Audit Report  
May 2023

The budget is also required to be reviewed by 31 March and adopted by Council by an absolute majority.

Part 4 (Reg 34.) specifies that a financial activity statement is required each month detailing:

- annual budget estimates
- budget estimates to the end of the month
- actual amounts of expenditure, revenue, and income to the end of the month
- material variances between comparable amounts
- net current assets at the end of the month
- explanation of composition of net current assets and each material variance (deemed to be the higher of either \$50,000 or 5% of the appropriate base).

The statement of financial activity is to be presented at an ordinary meeting of Council within 2 months after the end of the month.

Part 4 (Reg 36.) specifies that an annual financial statement report is to include:

- Rate setting statement
- Trust fund information
- Reserve accounts information
- Rates information
- Service charges information
- Fees and charges information
- Discounts for early payment information
- Interest charges information
- Fees to council members information
- Trading undertakings information
- Major land transactions information
- Borrowings information
- Invested money information.

The annual financial report is to be signed by the City's CEO and submitted to the Departmental CEO within 30 days of the receipt by the City's CEO of the Auditors report.

Review of the Annual Report for 2020-2021 (as the 2021-2022 Annual Report was not available for review at the time of the audit) noted that the City had complied with the requirements contained within the Act and Regulations except for:

- the 2020-2021 Annual Financial Report is to be submitted to the Departmental CEO within 30 days of the receipt by the City's CEO of the auditor's report (which was dated 14 December 2021), however, it is indicated that the report was submitted to the Department on 2 March 2022 – 78 days after the Audit Report.

Review of the 2020-2021 Annual Report (Page 111) under Complaints Register indicated that there were no entries made in the Register of Complaints under Section 5.121 of the Act during the 2020/21 financial year. Review of the City's Register of Minor Breach Findings indicated that their complaints were raised against the Mayor for allegedly treating fellow Council members in an unprofessional manner during an Ordinary Council Meeting of 17 November 2020, however, these are under appeal and will not be reported within the Annual Report unless the complaints have been upheld following the appeals process.

The 2022-2023 Annual Budget is to include an estimate of the total revenue from fees or charges from each program, however, Note 9 – Fees and Charges Revenue is itemised by Type. Amendment on 17 June 2022 requires local governments to present operating



expenses and revenue in 'nature or type' format in their annual budget, monthly statement of financial activity and annual financial report, from 1 July 2022, however, it is uncertain whether it also applies to the Notes. Under the *Local Government Grants Act 1978*, the Local Government Grants Commission will continue to require financial information to be provided by 'program'. Therefore, local governments should record relevant transactions by 'program' and 'nature or type' in their financial systems.

Review of the Ordinary Meeting of Council minutes noted that the Financial Activity Statement was submitted and noted by Council within 2 months, except for November 2021 which was submitted in February 2022 due to there being no January 2022 meeting.

Reporting Period	Council Meeting
July 21	September 21
August 21	October 21
September 21	November 21
October 21	December 21
November 21	February 22
December 21	February 22
January 22	March 22
February 22	April 22
March 22	May 22
April 22	June 22
May 22	July 22
June 22	August 22

In addition to the above requirements contained within the Act and Regulations, the City also produces other budgeting and reporting documentation throughout the year.

The Financial Review Taskforce (which meets on a monthly basis) has the role (among other things) to review the financial performance of the City through examining organisational income and expenditure to identify and propose expenditure savings and efficiencies and the efficient and effective use of income opportunities, as well as providing appropriate recommendations to the Strategic Financial Review Committee and Council on the economic allocation of assets held, realisation of best value for money and financial strategies for the future. Reports presented and discussed at the Taskforce meetings include:

- Non Compliance Report – which highlight purchase orders dated after the corresponding invoice(s)
- Employee Costs (excl Capital/Works) by Business Unit
- Materials & Contracts Costs (excl Capital/Works) by Business Unit
- Net Cash Operating Position by Business Unit and Account Category
- Infrastructure Services Capital Works Program.

To monitor ongoing organisation performance at a business unit level, each business unit prepares a Monthly Report that is to be uploaded to the Intranet by the 10th of every month which encompass items such as:

- Highlights for the month
- Challenges encountered
- Reports due
- Involvement in other initiatives
- Issues or focus for next month
- Benefits management



City of Joondalup  
Internal Audit Report  
May 2023

- Progress report – Projects and key activities (incorporating Actions, Milestones, Target Qtr.), Services
- Key Performance Indicators pertaining to respective BU
- Risk Assessment.

To enable financial information to be readily available throughout the organisation at any point in time, TechOne has a variety of reports that can be generated by various users throughout the City including:

- Budget Reports
- Capital Expenditure Reports
- Monthly Expenditure Reports.

For 2023-24, it is proposed that Business Unit Plans will be presented to the Executive Leadership Team in late January/early February 2023 in conjunction with the Business Unit Budgets. As a result, the Planning and Reporting Schedule for 2023-24 has been compiled covering timing for:

- Annual Budget
- Business Unit Plans
- Corporate Business Plan
- Business Unit Monthly Reports
- Corporate Business Plan Quarterly Reports
- Annual Report.

To facilitate the compilation of the Business Unit Plans, a new Template has been drafted for use in 2023-24.

<b>Finding 9</b>	The 2022-2023 Annual Budget - Note 9 – Fees and Charges Revenue is reflected by Type rather than by Program.
<b>Risk Rating</b>	Minor
<b>Recommendation 9</b>	Audit recommends that the City ensures that the 2023-2024 Annual Budget reflected the Fees and Charges Revenue by Program unless the amendment is assessed to also encompass the Notes.

### Management Comment – Recommendation 9

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.

<b>Finding 10</b>	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.
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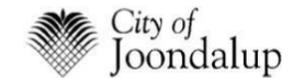


City of Joondalup  
Internal Audit Report  
May 2023

<b>Risk Rating</b>	Minor
<b>Recommendation 10</b>	Audit recommends that the City ensures that the 2022-2023 Annual Financial Report is submitted to the Department within 30 days of receiving the auditor's report.

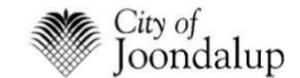
#### **Management Comment – Recommendation 10**

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.



**THREE YEAR INTERNAL AUDIT PLAN**

PROPOSED ACTIVITY   PRIORITY ORDER FOR 2023/24	REASON FOR INCLUSION	2023/24	2024/25	2025/26	LAST REVIEWED	REPORTED TO COMMITTEE
<b>PRIORITY 1</b>						
1. Respond to referrals from external oversight agencies	Legislative	√	√	√	2022/23	March 2023
2. Employee use of fleet vehicles	Targeted	√	x	x	In progress	August 2023
3. Access to information and use of fleet vehicles	Targeted	√	x	x	In progress	To be scheduled
4. Payments made after employee termination	Fraud and corruption control	√	√	√	In progress	August 2023
5. Payments made to invalid suppliers	Fraud and corruption control	√	x	√	In progress	To be scheduled
6. Non purchase order payments	Fraud and corruption control	√	√	√	2019/20	To be scheduled
7. Recruitment (internally advertised positions)	Fraud and corruption control	√	x	x	In Progress	To be scheduled
8. Attempts to bypass quotation and tender thresholds	Fraud and corruption control	√	√	√	2019/20	To be scheduled
9. Variances between purchasing requisition amount, approved purchase order, payment made	Fraud and corruption control	√	x	√	2019/20	To be scheduled
10. Monitoring of employees' and elected members' gift registers including cross referencing of invitations received	Fraud and corruption control	√	x	√	2021/22	March 2019
11. Business unit operational risk registers	Assessed as extreme or high risk, or with inadequate controls; or controls not assessed	√	x	√	-	-
<b>PRIORITY 2</b>						
1. Coordinate the completion of the Integrity and Conduct Annual Collection and ensure its submission to the Public Sector Commission by the stipulated deadline	Legislative	√	√	√	2022/23	August 2023
2. Coordinate the completion of the annual Compliance Audit Return and ensure its submission to the Department of Local Government, Sport and Cultural Industries by March each year	Legislative	√	√	√	2022/23	March 2023
3. OAG Audit (General Information Systems) – follow up on implementation of recommendations	Legislative	√	√	√	2022/23	March 2023
4. Graffiti Removal Contract Performance Bonus	Contractual	√	√	√	2022/23	x
5. Recruitment (casual appointments)	Fraud and corruption control	√	x	x	NEW	-
6. Debt collection (responsibility) for long service leave liabilities	Targeted	√	x	x	NEW	-
7. Inappropriate relationships (employee to employee)	Fraud and corruption control	√	√	√	2021/22	March 2021
8. Inappropriate relationships (employee to supplier)	Fraud and corruption control	√	√	√	2021/22	March 2022
9. Inappropriate relationships (supplier to supplier)	Fraud and corruption control	√	√	√	2021/22	March 2021
10. Changes to bank details	Fraud and corruption control	√	√	√	2022/23	November 2022
11. Potential false invoices	Fraud and corruption control	√	√	√	2022/23	November 2022
12. Payments made to ghost employees	Fraud and corruption control	√	√	√	2022/23	November 2022
<b>PRIORITY 3</b>						
1. Attempts to bypass quotation and tender thresholds (using sole suppliers)	Fraud and corruption control	√	x	√	2019/20	March 2021
2. Span of control per supervisor	Fraud and corruption control	√	x	x	NEW	-
3. Due diligence of new business partners, contractors, suppliers, consultants and outsourced service providers	Fraud and corruption control	√	√	√	NEW	-
4. Employees acting in positions over 12 months (claim for permanent position)	Targeted	√	x	x	NEW	-
5. Leave calculations (public holidays)	Targeted	√	x	x	NEW	-
6. As per agreed scope	COVID-19 Audit Activity	√	x	x	2022/23	November 2022



## THREE YEAR INTERNAL AUDIT PLAN

PROPOSED ACTIVITY	REASON FOR INCLUSION	2023/24	2024/25	2025/26	LAST REVIEWED	REPORTED TO COMMITTEE
<b>PRIORITY FOR 2024/25 and 2025/26</b>						
1. Tender specifications and assessment criteria	Fraud and corruption control	x	√	x	2022/23	August 2023
2. Chief Executive Officer's three yearly review of the appropriateness and effectiveness of the City's systems in regard to risk management, internal control and legislative compliance	Legislative	x	x	√	2022/23	August 2023
3. Chief Executive Officer's three yearly review of the appropriateness and effectiveness of the City's financial management systems and procedures	Legislative	x	x	√	2022/23	August 2023
<b>COMPLETED (NON-REOCCURRING)</b>						
1. Use of surveillance devices	Targeted	x	x	x	2018/19	x
2. Youth Services Incident (Central Park)	Targeted	x	x	x	2018/19	x
3. Timely payment of suppliers	Office of the Auditor General Report	x	x	x	2019/20	August 2019
4. OAG Audit (Building Approvals) – follow up on implementation of recommendations	Legislative	x	x	x	2019/20	x
5. Bypassing of controls – invoice numbers within TechOne (finance system)	Fraud and corruption control	x	x	x	2020/21	March 2021
6. Compliance of the Information Protection Agreement between the City and VicRoads	Contractual	x	x	x	2021/22	x
7. Traffic management and overtime (external referral)	Allegation	x	x	x	2021/22	March 2022
8. Failed retaining wall	Targeted	x	x	x	2021/22	x
9. Use of Zoom and Microsoft Teams for meetings (cyber security)	COVID-19 Audit Activity	x	x	x	2022/23	November 2022
10. Review of unique / specialised provider (parking ticket machines)	Targeted	x	x	x	2022/23	November 2022
11. Payments to casuals and part time employees (February 2021 WA lockdown)	COVID-19 Audit Activity	x	x	x	2022/23	November 2022
12. Drug and alcohol testing of employees (process only; not results)	Allegation	x	x	x	2022/23	November 2022
13. Human Resources Misconduct Investigation Procedures	Targeted	x	x	x	2022/23	November 2022



# Fraud, Corruption and Misconduct Control Council Policy

## Responsible directorate: Office of the Chief Executive Officer

**Objective:** To communicate the City's zero-tolerance approach and response actions to fraudulent, corrupt and/or misconduct behaviours within the performance of its functions and interactions with contractors and suppliers, the community and all other stakeholders of the City.

### 1. Application:

This policy applies to all City of Joondalup public officers.

### 2. Definitions:

**"corruption"** means dishonest activity in which a person associated with an organisation (eg director, executive, manager, employee or contractor) acts contrary to the interests of the organisation and abuses their position of trust in order to achieve personal advantage or advantage for another person or organisation. This activity can also involve corrupt conduct by the organisation, or a person purporting to act on behalf and in the interests of the organisation, in order to secure some form of improper advantage for the organisation, either directly or indirectly. (as per the Australian Standard AS8001:2021 Fraud and Corruption Control).

**"fraud"** means dishonest activity causing actual or potential gain or loss to any person or organisation, including theft of monies or other property by persons internal and/or external to the organisation, and/or where deception is used at the time, immediately before or immediately following the activity. This activity includes the deliberate falsification, concealment, destruction or use of falsified documentation used or intended for use for a normal business purpose, or the improper use of information or position for personal financial benefit. Property in this context also includes intellectual property or other intangibles, such as information. (as per the Australian Standard AS8001:2021 Fraud and Corruption Control).

**"minor misconduct"** has the same meaning as that ascribed under Sections 3 and 4 of the *Corruption, Crime and Misconduct Act 2003*.

**"public officer"** means a member, officer or employee of an authority, board, corporation, commission, local government, council of a local government, council or committee or similar body established under a written law. (as per the *Criminal Code Act Compilation Act 1913*).

“**serious misconduct**” has the same meaning as that ascribed under Section 3 and 4 of the *Corruption, Crime and Misconduct Act 2003*.

### 3. **Statement:**

Elected Members, committee members, local government election candidates and employees must act in compliance with the City’s Codes of Conduct. The Codes set out the principles and standards of behaviour that Elected Members, committee members and employees must observe when performing their functions and during their interactions with each other, the community and all stakeholders of the City.

In addition, the City’s business partners, contractors, suppliers, consultants and outsourced service providers must act in compliance with the City’s Statement of Business Ethics. The statement provides guidance on the values and ethical standards the City upholds when conducting business, and the conduct and standards the City expects from external parties in return, particularly to act ethically, fairly and legally and provide goods and services in compliance with contract and purchasing requirements.

### 4. **Details:**

#### 4.1. **Integrity Framework:**

The City’s *Integrity Framework* guides the organisation in providing the highest level of integrity for its community, and brings together the instruments, processes and structures within the organisation that foster integrity and help prevent corruption and misconduct from taking place. The Framework includes areas with responsibilities for defining, supporting, controlling and enforcing integrity across the organisation.

The Framework also outlines responses to integrity breaches, and the oversight provided by the Chief Executive Officer, Council and the Audit and Risk Committee.

#### 4.2. **Zero-tolerance approach:**

The City has a zero-tolerance approach to fraudulent, corrupt and/or misconduct behaviours:

- a. All allegations, notifications and disclosures received, or any evidence obtained, that relates to potential fraudulent, corrupt and/or misconduct behaviours, will be systematically assessed to determine its veracity.
- b. Where there are reasonable grounds to suspect serious or minor misconduct, a matter will be investigated, with the appropriate external oversight agency to be notified, and the appropriate disciplinary and recovery actions will be taken.

#### 4.3. **Reporting improper conduct:**

##### 4.3.1. **Chief Executive Officer:**

The City’s Chief Executive Officer, as the principal officer of a notifying authority, is responsible for:

- notifying the Corruption and Crime Commission in writing of any matter that, on reasonable grounds, concerns or may concern serious misconduct, as per Section 28 of the *Corruption, Crime and Misconduct Act 2003*; or

- notifying the Public Sector Commission in writing of any matter that, on reasonable grounds, concerns or may concern minor misconduct as per Section 45H of the *Corruption, Crime and Misconduct Act 2003*.

Where misconduct also involves a breach of the *Criminal Code Act Compilation Act 1913*, the Western Australian Police Force will be notified in writing by the Chief Executive Officer.

#### **4.3.2. Public officers and other persons:**

City of Joondalup public officers or any other persons may:

- report to the Corruption and Crime Commission or the Public Sector Commission any matter which that person suspects, on reasonable grounds, concerns or may concern serious or minor misconduct (as per the *Corruption, Crime and Misconduct Act 2003*); and/or
- report to one of the City's Public Interest Disclosure Officers (Manager Audit, Risk and Executive Services, or Integrity Officer) any matter which that person suspects relates to corrupt or other improper conduct, including mismanagement of public resources (as per the *Public Interest Disclosure Act 2003*).

#### **4.3.3. Audit and Risk Committee:**

Reports will be provided to the City of Joondalup Audit and Risk Committee on the trends, number of incidences and findings of any fraudulent, corrupt and/or misconduct behaviour, in accordance with the Committee's terms of reference, namely: *(f) enquiring with the Internal Auditor or the Administration about processes to detect and prevent fraud or corruption and to their awareness of any suspected, alleged or actual fraud or corruption and the City's response to it (subject to confidentiality considerations)*.

#### **4.4. Disciplinary actions or sanctions:**

Fraudulent, corrupt and/or misconduct behaviours will result in disciplinary actions or sanctions from the City of Joondalup administration or a State or Federal Government agency, such as the Corruption and Crime Commission, Public Sector Commission, Department of Local Government, Sport and Cultural Industries, Local Government Standards Panel or State or Federal Police.

##### **4.4.1. Employees:**

Disciplinary actions or sanctions for employees may include the following:

- Behavioural expectations
- Formal written warning
- Termination of employment with notice or payment in lieu of notice
- Summary dismissal

**4.4.2. Elected Members and committee members:**

Disciplinary actions or sanctions for Elected Members and committee members may include the following:

- A public censure
- Public apology
- Participation in training
- An order to make a payment to the relevant local government to cover the costs of dealing with the complaint

**4.4.3. External contractors and service providers:**

Disciplinary actions or sanctions for those involved in providing goods or services to the City, such as business partners, contractors, suppliers, consultants and outsourced service providers, may include the following:

- Termination of contracts and loss of future work with the City
- Exclusion from quotation and tendering processes
- Referral to the relevant external oversight agencies, such as the Corruption and Crime Commission and/or the Public Sector Commission
- Referral for criminal investigation

**4.5. Recovery action:**

The City will seek to recover any costs or losses it may have suffered through fraudulent, corrupt and/or misconduct behaviours. This may include, and is not limited to, the District Court of Western Australia or State Administrative Tribunal.

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**Creation date:** December 2016 (CJ227-12/16)

**Formerly:**

**Amendments:**

**Last reviewed:**

- Related documentation:**
- *Code of Conduct for Elected Members, committee members and local government election candidates*
  - *Code of Conduct for Employees*
  - *Complaint Investigation Council Policy*
  - *Integrity Framework*
  - *Risk Management Framework*

- *Statement of Business Ethics*
- *AS 8001:2021 — Fraud and Corruption Control*
- *Corruption, Crime and Misconduct Act 2003*
- *Criminal Code Act Compilation Act 1913*
- *Local Government Act 1995*
- *Public Interest Disclosure Act 2003*

**File reference:** 106335



# Fraud, Corruption and Misconduct Control Council Policy

## Responsible directorate: Office of the CEO

**Objective:** To communicate the City's zero-tolerance approach and response actions to fraudulent, corrupt **and/or misconduct behaviours** conduct within the performance of its functions and interactions with contractors and suppliers, the community and all other stakeholders of the City.

### 1. Application:

This policy applies to **all City of Joondalup public officers**.

- Elected Members;
- Committee Members;
- ~~all workers whether by way of appointment, secondment, contract, agency staff, temporary arrangement or volunteering;~~
- ~~any external party involved in providing goods or services to the City such as contractors, consultants and outsourced service providers.~~

### 2. Definitions:

**"fraud"** means dishonest activity causing actual or potential **gain or** loss to any person or **organisation** including theft of monies or other property by persons **internal and/or** external to the **organisation** and/or where deception is used at the time, immediately before or immediately following the activity. This **also activity** includes the deliberate falsification, concealment, destruction or use of falsified documentation used or intended for use for a normal business purpose or the improper use of information or position for personal financial benefit. **Property in this context also includes intellectual property or other intangibles such as information.** (*Australian Standard AS8001:2021 Fraud and Corruption Control*).

The theft of property belonging to an entity by a person or persons internal to the entity but where deception is not used is also considered 'fraud'.

**“corruption”** means dishonest activity in which a person associated with an organisation (e.g. director, executive, manager, employee or contractor) acts contrary to the interests of the organisation and abuses their position of trust in order to achieve personal advantage or advantage for another person or organisation. This activity can also involve corrupt conduct by the organisation, or a person purporting to act on behalf and in the interests of the organisation, in order to secure some form of improper advantage for the organisation either directly or indirectly. (*Australian Standard AS8001:2021 Fraud and Corruption Control*).

**“minor misconduct”** has the same meaning as that ascribed under Sections 3 and 4 of the *Corruption, Crime and Misconduct Act 2003*.

**“serious misconduct”** has the same meaning as that ascribed under Section 3 and 4 of the *Corruption, Crime and Misconduct Act 2003*.

**“serious misconduct”** occurs when:

- (a) a public officer corruptly acts or corruptly fails to act in the performance of the functions of the public officer's office or employment; or
- (b) a public officer corruptly takes advantage of the public officer's office or employment as a public officer to obtain a benefit for himself or herself or for another person or to cause a detriment to any person; or
- (c) a public officer whilst acting or purporting to act in his or her official capacity, commits an offence punishable by two or more years' imprisonment. (*Corruption, Crime and Misconduct Act 2003*)

**“minor misconduct”** occurs if a public officer engages in conduct that:

- (a) adversely affects the honest or impartial performance of the functions of a public authority or public officer, whether or not the public officer was acting in their public officer capacity at the time of engaging in the conduct; or
  - (b) involves the performance of functions in a manner that is not honest or impartial; or
  - (c) involves a breach of the trust placed in the public officer; or
  - (d) involves the misuse of information or material that is in connection with their functions as a public officer, whether the misuse is for the benefit of the public officer or the benefit or detriment of another person;
- and
- (e) constitutes, or could constitute, a disciplinary offence providing reasonable grounds for termination of a person's office or employment. (*Corruption, Crime and Misconduct Act 2003*).

**“public interest information”** means information that tends to show, in relation to its public function, a public authority, a public officer, or a public sector contractor is, has been, or proposes to be, involved in:

- (a) improper conduct; or
- (b) an act or omission that constitutes an offence under a written law; or

- (c) ~~substantial unauthorised or irregular use of, or substantial mismanagement of, public resources; or~~
- (d) ~~an act done or omission that involves a substantial and specific risk of:~~
- ~~(i) injury to public health; or~~
  - ~~(ii) prejudice to public safety; or~~
  - ~~(iii) harm to the environment;~~
- ~~or~~
- (e) ~~a matter of administration that can be investigated under section 14 of the *Parliamentary Commissioner Act 1971*. (*Public Interest Disclosure Act 2003*).~~

**“public officer”** means a member, officer or employee of an authority, board, corporation, commission, local government, **council of a local government**, council or committee or similar body established **under a written law. (*Criminal Code Act Compilation Act 1913*).** (~~*Corruption, Crime and Misconduct Act 2003*~~)

**“public authority”** includes an authority, board, corporation, commission, council, committee, local government, regional local government, or similar body established under a written law. (~~*Corruption, Crime and Misconduct Act 2003*~~).

### 3. Statement:

The City expects its Elected members, committee members, **local government election candidates** and employees to **must** act in compliance with the **City’s Codes** of Conduct. **The Codes set out the principles and standards of behaviour that Elected Members, committee members and employees must observe when performing their functions and during their interactions with each other, the community and all stakeholders of the City.** ~~and behave ethically and honestly when performing their functions and during their interactions with each other, the community and all stakeholders of the City.~~

In addition, the City business partners, contractors, suppliers, consultants and outsourced service providers must act in compliance with the City’s Statement of Business Ethics. The Statement provides guidance on the values and ethical standards the City upholds when conducting business, and the conduct and standards the City expects from external parties in return, particularly to act ethically, fairly and legally and provide goods and services in compliance with contract and purchasing requirements.

### 4. Details:

#### 4.1. ~~Fraud Control~~ **Integrity Framework:**

The City’s *Integrity Framework* guides the organisation in providing the highest level of integrity for its community, and brings together the instruments, processes and structures within the organisation that foster integrity and help prevent corruption and misconduct from taking place. The Framework includes areas with responsibilities for defining, supporting, controlling and enforcing integrity across the organisation.

The Framework also outlines responses to integrity breaches, and the oversight provided by the Chief Executive Officer, Council and the Audit and Risk Committee.

#### **4.1.1 Organisational structure:**

The City's organisational structure provides clearly defined responsibilities and appropriate segregation of duties and controls within systems, particularly financial and procurement, that inhibits opportunities for fraud to occur. The zero-tolerance tone is set by the Chief Executive Officer and the Executive Leadership Team. The structure also includes an independent internal audit function and a proactive Audit Committee who receives reports from the Chief Executive Officer on the appropriateness and effectiveness of internal control legislative compliance.

#### **4.1.2 Policies and procedures:**

A Code of Conduct is prepared and adopted by Council as required by section 5.103 of the *Local Government Act 1995*. The code sets out the principles and standards of behaviour Elected Members, Committee Members and employees must observe when performing their duties and is intended to promote accountable and ethical decision making. The Code provides for the reporting of breaches or suspected breaches of the Code.

The Risk Management Policy and the Risk Management Framework outline the City's commitment and approach to managing risks and all employees within the City are encouraged to develop an understanding and awareness of risk and contribute to the risk management process. The Purchasing Policy and the associated Purchasing Protocols commit the City to developing and maintaining purchasing systems and practices that ensure goods are obtained in an equitable and transparent manner that complies with applicable legislation.

#### **4.1.3 Prevention and detection:**

Systems and processes, including Purchasing Protocols, are designed in such a way to help prevent fraud occurring and to detect it if it does occur. This includes adequate segregation of duties, financial and compliance reports and appropriate reporting lines and management oversight. The Purchasing Protocols are subject to regular review and will be updated whenever appropriate.

The Annual Internal Audit Plan includes audit review of high risk areas to ensure controls are adequate and are working as intended. Audit reviews are carried out independently by the City's Internal Auditor who reports the results of the audits directly to the Chief Executive Officer. Whenever necessary, independent external auditing companies may be engaged by the City to carry out audits.

#### **4.1.4 Response strategies:**

All incidents of fraud, or suspected incidents of fraud, will be thoroughly investigated whenever necessary the appropriate reporting and notification lines followed, including to external investigative and/or oversight agencies.

#### **4.2. Zero-tolerance approach:**

The City has a zero-tolerance approach to fraudulent, corrupt and/or misconduct behaviours:

- a. All allegations, notifications and disclosures received, or any evidence obtained, that relates to potential fraudulent, corrupt and/or misconduct behaviours, will be systematically assessed to determine its veracity.

- b. Where there are reasonable grounds to suspect serious or minor misconduct, a matter will be investigated, with the appropriate external oversight agency to be notified, and the appropriate disciplinary and recovery actions will be taken.

#### **4.3. Reporting improper conduct ~~Chief Executive Officer's duty to notify:~~**

##### **4.3.1. Chief Executive Officer:**

The City's Chief Executive Officer, as the principal officer of a notifying authority, is responsible for:

- notifying the Corruption and Crime Commission in writing of any matter that, on reasonable grounds, concerns or may concern serious misconduct, as per Section 28 of the *Corruption, Crime and Misconduct Act 2003*; or
- notifying the Public Sector Commission in writing of any matter that, on reasonable grounds, concerns or may concern minor misconduct as per Section 45H of the *Corruption, Crime and Misconduct Act 2003*.

Where misconduct also involves a breach of the *Criminal Code Act Compilation Act 1913*, the Western Australian Police Force will be notified in writing by the Chief Executive Officer.

~~As principal officer of a notifying authority the City's Chief Executive Officer is required by the *Corruption, Crime and Misconduct Act 2003* to notify the Corruption and Crime Commission or the Public Sector Commission in writing of any matter that they suspect, on reasonable grounds, concerns either serious or minor misconduct by a public officer.~~

##### **4.3.2. Public officers and other persons:**

City of Joondalup public officers or any other persons may:

- report to the Corruption and Crime Commission or the Public Sector Commission any matter which that person suspects, on reasonable grounds, concerns or may concern serious or minor misconduct (as per the *Corruption, Crime and Misconduct Act 2003*); and
- report to one of the City's Public Interest Disclosure Officers (Manager Audit, Risk and Executive Services, or Integrity Officer) any matter which that person suspects relates to corrupt or other improper conduct, including mismanagement of public resources (as per the *Public Interest Disclosure Act 2003*).

##### **4.3.3. Audit and Risk Committee:**

Reports will be provided to the City of Joondalup Audit and Risk Committee on the trends, number of incidences and findings of any fraudulent, corrupt and/or misconduct behaviour, in accordance with the Committee's terms of reference, namely: *(f) enquiring with the Internal Auditor or the Administration about processes to detect and prevent fraud or corruption and to their awareness of any suspected, alleged or actual fraud or corruption and the City's response to it (subject to confidentiality considerations).*

**Reporting Serious or Minor Misconduct:**

~~A public officer or any other person may report to the Corruption and Crime Commission or the Public Sector Commission any matter which that person suspects on reasonable grounds concerns or may concern serious or minor misconduct that:~~

- ~~(a) has or may have occurred; or~~
- ~~(b) is or may be occurring; or~~
- ~~(c) is or may be about to occur; or~~
- ~~(d) is likely to occur.~~

**Public interest disclosure:**

~~Any person may make an appropriate disclosure of public interest information to a proper authority (includes local government). The legislation which governs such disclosures is the *Public Interest Disclosure Act 2003*.~~

~~A disclosure can be made by anyone and may be made anonymously. If disclosures are made in accordance with the Act, the person making them is protected from reprisal. This means that the person enjoys immunity from civil or criminal liability and is protected from any disciplinary action or dismissal.~~

~~The Act requires local governments to appoint a person, known as the Public Interest Disclosure Officer (PID Officer), to whom disclosures may properly be made. The PID Officer should be consulted when considering whether to make a disclosure.~~

~~Information on public interest disclosures and City PID Officer are maintained on the City's public website.~~

**4.4. Disciplinary actions or sanctions:**

Fraudulent, corrupt and/or misconduct behaviours will result in disciplinary actions or sanctions from the City of Joondalup administration or a State or Federal Government agency, such as the Corruption and Crime Commission, Public Sector Commission, Department of Local Government, Sport and Cultural Industries, Local Government Standards Panel or State or Federal Police.

**4.4.1. Employees:**

Disciplinary actions or sanctions for employees may include the following:

- Behavioural expectations
- Formal written warning
- Termination of employment with notice or payment in lieu of notice
- Summary dismissal

#### 4.4.2. Elected Members and committee members:

Disciplinary actions or sanctions for Elected Members and committee members may include the following:

- A public censure
- Public apology
- Participation in training
- An order to make a payment to the relevant local government to cover the costs of dealing with the complaint

#### 4.4.3. External contractors and service providers:

Disciplinary actions or sanctions for those involved in providing goods or services to the City, such as business partners, contractors, suppliers, consultants and outsourced service providers, may include the following:

- Termination of contracts and loss of future work with the City
- Exclusion from quotation and tendering processes
- Referral to the relevant external oversight agencies, such as the Corruption and Crime Commission and/or the Public Sector Commission
- Referral for criminal investigation

~~On all occasions the City will seek to recover any losses it may have suffered through fraudulent, corrupt and/or misconduct behaviours, and those responsible will be appropriately disciplined, which for an employee may include termination of employment.~~

#### 4.5. Recovery action:

The City will seek to recover any costs or losses it may have suffered through fraudulent, corrupt and/or misconduct behaviours. This may include, and is not limited to, the District Court of Western Australia or State Administrative Tribunal.

~~On all occasions the City will seek to recover any losses it may have suffered through fraudulent, which for an employee may include termination of employment.~~

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<b>Creation date:</b>	December 2016 (CJ227-12/16)
<b>Formerly:</b>	
<b>Amendments:</b>	CJXXX-05/23
<b>Last reviewed:</b>	May 2023 (CJXXX-05/23)
<b>Related documentation:</b>	<ul style="list-style-type: none"><li>• <i>City of Joondalup Codes of Conduct</i></li><li>• <i>City of Joondalup Complaint Investigation Policy</i></li><li>• <i>City of Joondalup Statement of Business Ethics</i></li><li>• <i>City of Joondalup Integrity Framework</i></li><li>• <i>City of Joondalup Risk Management Framework</i></li><li>• <i>AS 8001:2021 Fraud and Corruption Control</i></li><li>• <i>Local Government Act 1995</i></li><li>• <i>Criminal Code Act Compilation Act 1913</i></li><li>• <i>Corruption, Crime and Misconduct Act 2003</i></li><li>• <i>Public Interest Disclosure Act 2003</i></li></ul>
<b>File reference:</b>	106335



# Integrity Framework 2022

[joondalup.wa.gov.au](http://joondalup.wa.gov.au)



# Contents

Section	Page
<b>1. Introduction</b>	<b>3</b>
<b>2. Integrity model</b>	<b>4</b>
2.1 Defining integrity	4
2.1 Integrity Model for the City of Joondalip	4
<b>3. Plan and act to improve integrity</b>	<b>6</b>
3.1 Roles and responsibilities	6
3.2 Legislation and regulations	11
3.3 Risk analysis and planning for integrity	11
3.4 Internal controls, audit and governance	11
3.5 Fraud and corruption detection systems	13
<b>4. Model and embody a culture of integrity</b>	<b>14</b>
4.1 Values and standards	14
4.2 Leadership and management attitude	14
<b>5. Learn and develop integrity knowledge and skills</b>	<b>16</b>
5.1 Integrity education and capacity	16
<b>6. Be accountable for integrity</b>	<b>17</b>
6.1 Response to integrity breaches	17
6.2 Self-analysis and review	17
<b>7. Oversight</b>	<b>18</b>
<b>8. Relevant City of Joondalup Documents</b>	<b>19</b>

## Acknowledgement

The City of Joondalup acknowledges that its *Integrity Framework* is based upon the Public Sector Commission's Integrity Framework resources and thanks the Public Sector Commission for its guidance in development of this document.



# 1. Introduction

The City of Joondalup delivers a wide variety of services, programs and facilities for its community and there is a rightful expectation that these are delivered and managed in an efficient and effective way. As custodians of public funds and personal information, the City must establish and maintain the trust of its community in the use of those funds and information, to deliver an overall benefit for the entire community.

This trust is established and maintained by ensuring those that work in the City of Joondalup (being elected members, employees, contractors, suppliers and volunteers) operate with integrity and behave in an ethical, transparent and accountable way. Integrity is a cornerstone of good governance and organisations that act with integrity, incidences and impacts of misconduct, fraud and corruption are not only minimised, but organisational benefits can be achieved such as improved productivity and efficiency; positive working relationships; and effective collaboration and engagement.

The City's *Integrity Framework* is aligned to the City's *Strategic Community Plan 2032* (and specifically its key result area of Leadership) and aims to guide the organisation in providing the highest level of integrity for its community, and brings together the instruments, processes and structures within the organisation that foster integrity and help prevent corruption and misconduct from taking place. It also takes into account factors and conditions for implementation that influence within, and outside of, the City's operations.

The City of Joondalup commits to ensuring all elected members, employees, contractors, suppliers and volunteers understand and operate within the *Integrity Framework* and that the elements contained within are continuously enhanced and reviewed so that integrity forms part of the City's day-to-day business, decision-making and operations.

**James Pearson**  
Chief Executive Officer



# 2. Integrity Model

## 2.1 Defining Integrity

The Organisation for Economic Co-operation and Development (OECD) in its *2020 Public Integrity Handbook* defines public integrity as the “consistent alignment of, and adherence to, shared ethical values, principles and norms for upholding and prioritising the public interest over private interests in the public sector”.

Integrity is important in ensuring the WA Government (including local government) is trusted and accountable for its actions. It is achieved by:

- Serving the public interest.
- Using powers responsibly, for the purpose and in the manner for which they were intended.
- Acting with honesty and transparency, making reasoned decisions without bias by following fair and objective processes.
- Preventing and addressing improper conduct, disclosing facts without hiding or distorting them.
- Not allowing decisions or actions to be influenced by personal or private interests.

The City’s primary values help define the minimum standards of conduct and integrity to be observed by the City of Joondalup elected members, employees, contractors and suppliers and are expressed in the following legislated Codes of Conduct general principles:

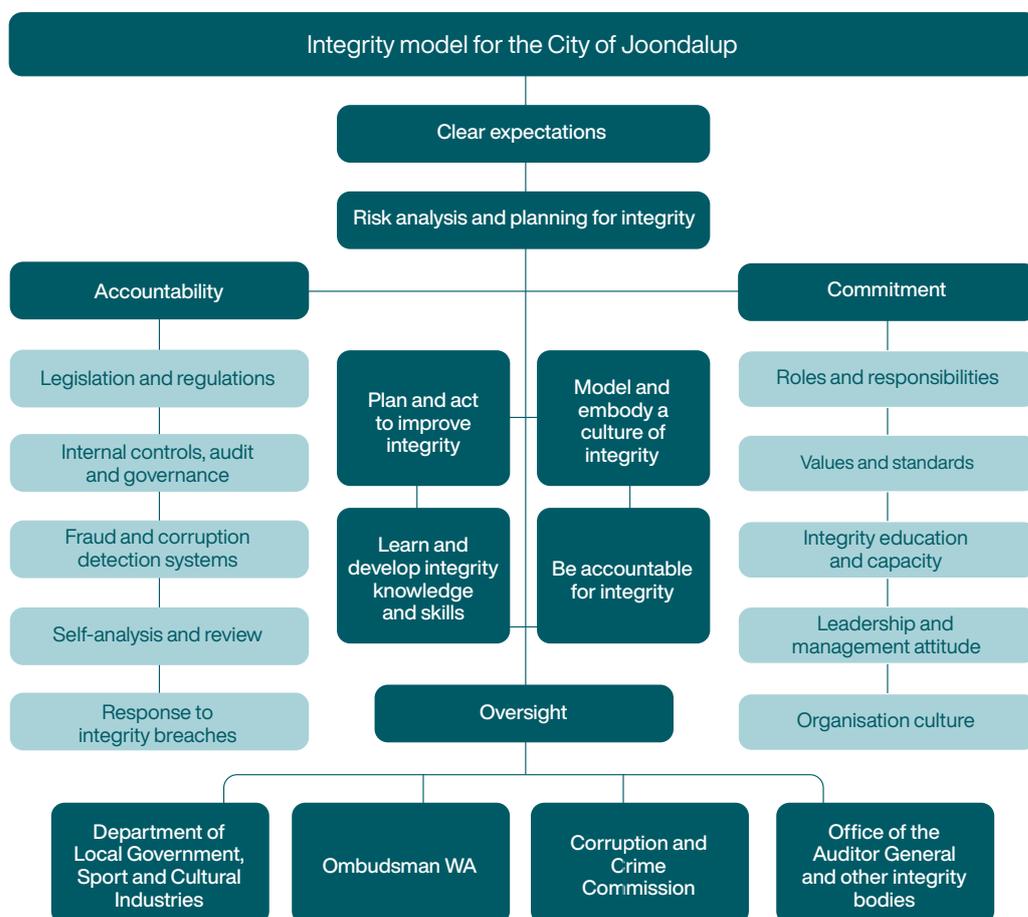
**Personal integrity:** We act with reasonable care and diligence and make decisions that are honest, fair, impartial and timely, and consider all relevant information.

**Relationships with others:** We treat people with respect, courtesy and sensitivity and recognise their interests, rights, safety and welfare.

**Accountability:** We use the resources of the City in a responsible and accountable manner that ensures the efficient, effective and appropriate use of human, natural, financial and physical resources, property and information.

## 2.2 Integrity Model for the City of Joondalup

The *Integrity Model for the City of Joondalup* provides an integrated representation of the City’s Integrity Framework. Overall, City integrity is reliant on the two key ideologies of *Commitment and Accountability* that must be exercised continually by all components of the organisation.



## ATTACHMENT 8.5.3

City of Joondalup Integrity Framework 5

With regard oversight agencies and their particular role relevant to local government:

**The Department of Local Government, Sport and Cultural Industries** aims to help to improve the capacity of local governments to respond to community demands and expectations, and improve levels of accountability and legislative compliance.

**Ombudsman WA** is an impartial and independent agency that receives, investigates and resolves complaints about State Government agencies, local governments and universities, and undertakes major investigations with all the powers of a standing Royal Commission.

**Corruption and Crime Commission** assesses, investigates and exposes serious misconduct in the

Western Australian public sector; as well as encouraging public sector agencies to implement practices that minimise their risk of serious misconduct.

**Public Sector Commission** works to promote and maintain integrity, conduct and ethics in the Western Australian public sector; as well as assessing minor misconduct.

**Office of the Auditor General** supports accountability and continuous improvement in the public sector through an informed Parliament and community. Its mission is to serve the public interest through independent auditing and reporting on State and local government finances and performance.



## 3. Plan and Act to Improve Integrity

The ability to plan and act to improve integrity is the foundation of the City of Joondalup's *Integrity Framework*. It is where the City identifies, develops and implements the organisation's approach to managing integrity based on identified risks.

### 3.1 Roles and Responsibilities

The City's *Integrity Framework* includes areas with responsibilities for defining, supporting, controlling and enforcing integrity across the organisation. These include core areas, such as the Council and Committees or individuals responsible for implementing integrity policies, as well as complementary areas, whose primary purpose

is not to directly support the City's *Integrity Framework*, but without whom the framework could not operate.

Assigning clear responsibilities within the City's operations is necessary to ensure co-operation and to avoid overlaps and prevent fragmentation. Responsibilities include developing, implementing, monitoring and evaluating integrity standards and tools, and are carried out by not only those areas within the organisation but outside the organisation.

The following table details the various bodies or positions within the City of Joondalup that are key components of the City's integrity system:

Body or position	Integrity Role
<b>Council</b>	<ul style="list-style-type: none"> <li>• Operates in accordance with the Local Government Act 1995 and relevant legislation, including in relation to integrity and governance.</li> <li>• Sets integrity expectations and embodies these through the City's: <ul style="list-style-type: none"> <li>o Values.</li> <li>o Code of Conduct for Council Members, Committee Members and Candidates.</li> <li>o Risk Management Framework.</li> <li>o Governance Framework.</li> </ul> </li> <li>• Approves policy documents as they relate to integrity matters.</li> <li>• Sets and endorses delegations for specific functions to the Chief Executive Officer and relevant officers.</li> <li>• Endorses the City's Annual Compliance Audit Return.</li> <li>• Endorses the Terms of Reference of the Audit and Risk Committee.</li> </ul>
<b>Audit and Risk Committee</b>	<ul style="list-style-type: none"> <li>• Acts in accordance with its Terms of Reference and Audit and Risk Committee Charter.</li> <li>• Monitors the effectiveness of the City's Risk Management Framework including integrity risks.</li> <li>• Receives reports on strategic integrity matters.</li> <li>• Assesses the adequacy of the internal audit plan and the three-year audit plan.</li> <li>• Considers reports by the Office of Auditor General including but not limited to the annual external audit.</li> <li>• Reports to Council on integrity risks, audit activities and integrity controls.</li> </ul>
<b>Elected Members</b>	<ul style="list-style-type: none"> <li>• Adhere to and demonstrate the highest level of commitment and conduct for integrity.</li> <li>• Model a culture of integrity through the active demonstration of the City's values and by communicating the importance of meeting integrity standards.</li> <li>• Participate in the Council's decision-making processes in an impartial and unbiased manner.</li> <li>• Manage, declare and record gifts and conflicts of interest.</li> </ul>

## ATTACHMENT 8.5.3

City of Joondalup Integrity Framework 7

Body or position	Integrity Role
<b>Chief Executive Officer</b>	<ul style="list-style-type: none"> <li>• Operates in accordance with the Local Government Act 1995 and relevant legislation, including in relation to integrity and governance.</li> <li>• Adheres to and demonstrates the highest level of commitment and conduct for integrity.</li> <li>• Responsible for the agenda, implementation and enforcement of integrity policies for the City.</li> <li>• Drives a culture of integrity through the active demonstration of the City's values and by communicating the importance of meeting integrity standards.</li> <li>• Participate in the City's decision-making processes in an impartial and unbiased manner.</li> <li>• Provides leadership in the prevention, detection and response to misconduct.</li> <li>• Reports misconduct activities or suspected activities to external oversight bodies.</li> <li>• Promotes effective risk management and governance across the organisation.</li> <li>• Manages, declares and records gifts and conflicts of interest.</li> </ul>
<b>Executive Management Team (Directors and Managers)</b>	<ul style="list-style-type: none"> <li>• Operate in accordance with the Local Government Act 1995 and relevant legislation, including in relation to integrity and governance.</li> <li>• Adhere to and demonstrate the highest level of commitment and conduct for integrity.</li> <li>• Drive a culture of integrity through the active demonstration of the City's values and by communicating the importance of meeting integrity standards.</li> <li>• Participate in the City's decision-making processes in an impartial and unbiased manner.</li> <li>• Ensure optimal, and fit for purpose, operational performance to deliver the products, services and programs that benefit the community.</li> <li>• Implement and oversee integrity policies and practices and promote ethical behaviour.</li> <li>• Manage and control integrity risks including recording actions and controls in developed risk registers.</li> <li>• Provide advice and support to staff on integrity matters.</li> <li>• Manage, declare and record gifts and conflicts of interest.</li> <li>• Manage and control integrity risks related to conflicts of interest related to the business of the Directorate/ Business Unit.</li> </ul>
<b>Manager Governance</b>	<ul style="list-style-type: none"> <li>• Monitors and evaluates the effectiveness of the City's Integrity Framework, including biennial review.</li> <li>• Implements core integrity instruments, processes and systems around governance, codes of conduct; delegations of authority, accountability and ethical decision-making.</li> <li>• Ensures compliance with legislative provisions, policies and procedures related to governance practices.</li> <li>• Delivers ethical training and awareness.</li> <li>• Maintains public registers.</li> <li>• Maintains the Delegations of Authority Manual.</li> <li>• Manages, declares and records gifts and conflicts of interest.</li> </ul>

Body or position	Integrity Role
<b>Manager Audit, Risk and Executive Services</b>	<p><b>Risk management</b></p> <ul style="list-style-type: none"> <li>• Establishes and maintains the City's Strategic Risk Profile with input from the Council and Executive Management Team.</li> <li>• Coordinates detailed strategic and operational risk reports for the Audit and Risk Committee as required.</li> <li>• Establishes an internal control system and risk management framework to reduce organisational vulnerability to fraud and corruption.</li> <li>• Implements core integrity instruments, processes and systems around gift declarations, risk, fraud and misconduct control.</li> <li>• Oversees the City's public interest disclosure framework and other external misconduct reporting mechanisms.</li> <li>• Maintains the City's Fraud, Corruption and Misconduct Control Policy.</li> <li>• Maintains the City's Business Continuity Plan and Policy.</li> <li>• Delivers risk management training and awareness.</li> <li>• Manages, declares and records gifts and conflicts of interest.</li> </ul> <p><b>Internal audit</b></p> <ul style="list-style-type: none"> <li>• Establishes an independent and objective internal audit function to provide assurance on the City's systems of internal control, compliance and risk management including providing recommendations to improve mitigating actions and controls.</li> </ul>
<b>Manager Human Resources</b>	<ul style="list-style-type: none"> <li>• Prepares, publishes and implements complementary integrity instruments, processes and systems around human resource practices including recruitment and selection; performance review; workforce management; induction and training; complaints and grievances.</li> <li>• Ensures employee induction covers integrity expectations.</li> <li>• Ensures compliance with legislative provisions, policies and procedures related to human resources practices including breach of discipline.</li> <li>• Oversees organisational employee surveys.</li> <li>• Oversees the development of corporate training budgets dependant on organisational requirements.</li> <li>• Manages, declares and records gifts and conflicts of interest.</li> </ul>
<b>Manager Financial Services</b>	<ul style="list-style-type: none"> <li>• Prepares, publishes and implements complementary integrity instruments, processes and systems around purchasing and procurement; tendering and contracts; and utilisation of the City's finances.</li> <li>• Ensures compliance with legislative provisions, policies and procedures related to financial management and reporting, procurement, and financial audits.</li> <li>• Ensures due diligence when engaging contractors and suppliers to deal with integrity matters to ensure they have the necessary qualifications, skills and/or experience (eg through reference and qualification checks).</li> <li>• Maintains the City's Statement of Business Ethics.</li> <li>• Manages, declares and records gifts and conflicts of interest.</li> </ul>

## ATTACHMENT 8.5.3

City of Joondalup Integrity Framework 9

Body or position	Integrity Role
<b>Manager Strategic and Organisational Development</b>	<ul style="list-style-type: none"> <li>• Maintains internal and external policy frameworks.</li> <li>• Ensures accountability, compliance with relevant legislation and the contractual obligations applicable to each non-recurrent grant.</li> <li>• Ensures policies and procedures are reviewed and updated in accordance with the policy register and relevant legislative changes.</li> <li>• Manages, declares and records gifts and conflicts of interest.</li> </ul>
<b>Manager Information Technology</b>	<ul style="list-style-type: none"> <li>• Prepares, publishes and implements complementary integrity instruments, processes and systems around ICT use and security.</li> <li>• Manages appropriate security testing of ICT systems and develops responses to identified security risks.</li> <li>• Ensures employees are appropriately educated in ICT use and security practices.</li> <li>• Manages, declares and records gifts and conflicts of interest.</li> </ul>
<b>Manager Asset Management</b>	<ul style="list-style-type: none"> <li>• Prepares, publishes and implements complementary integrity instruments, processes and systems around asset management; and disposal of assets.</li> <li>• Manages, declares and records gifts and conflicts of interest.</li> </ul>
<b>Manager Communications and Stakeholder Relations</b>	<ul style="list-style-type: none"> <li>• Schedules specific integrity messages as directed from the Chief Executive Officer and Executive Management Team.</li> <li>• Ensures corporate messages are consistent with the Council and Chief Executive Officer's approach to integrity and stated expectations.</li> <li>• Coordinates effective complaint handling systems, and liaison with the Ombudsman WA as required.</li> <li>• Assists the Manager Governance and Manager Audit, Risk and Executive Services maintain the internet and intranet regarding integrity information and resources.</li> <li>• Manages, declares and records gifts and conflicts of interest.</li> </ul>
<b>Internal Auditor</b>	<ul style="list-style-type: none"> <li>• Operates in accordance with the Local Government Act 1995 and relevant legislation, including in relation to integrity and governance.</li> <li>• Plans and conduct audits that address integrity risks.</li> <li>• Reports integrity risks to the Chief Executive Officer and the Audit and Risk Committee.</li> <li>• Participates in the City's decision-making processes in an impartial and unbiased manner.</li> <li>• Manages, declares and records gifts and conflicts of interest.</li> </ul>
<b>Integrity Officer</b>	<ul style="list-style-type: none"> <li>• Operates in accordance with the Local Government Act 1995 and relevant legislation, including in relation to integrity and governance.</li> <li>• Provides an independent and objective internal investigation function relating to public interest disclosures, fraud and corruption, and other relevant complaints.</li> <li>• Participates in the City's decision-making processes in an impartial and unbiased manner.</li> <li>• Manages, declares and records gifts and conflicts of interest.</li> </ul>

Body or position	Integrity Role
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Operate in accordance with the Local Government Act 1995 and relevant legislation, including in relation to integrity and governance.</li> <li>• Adhere to and demonstrate the highest level of commitment and conduct for integrity.</li> <li>• Reflect the City's values and integrity standards.</li> <li>• Participate in the City's decision-making processes in an impartial and unbiased manner.</li> <li>• Comply with core and complementary instruments, policies, processes and systems developed for organisational integrity.</li> <li>• Apply appropriate practices for risk management, internal controls, and fraud and corruption prevention.</li> <li>• Report misconduct, corruption or fraud through established reporting mechanisms.</li> <li>• Participate in training and development opportunities to enhance integrity knowledge and capacity.</li> <li>• Manage, declare and record gifts and conflicts of interest.</li> </ul>
<b>Contractors and Suppliers</b>	<ul style="list-style-type: none"> <li>• Adhere to the City's Statement of Business Ethics.</li> <li>• Adhere to relevant legislative obligations as detailed in contracts of engagement.</li> <li>• Comply with core and complementary instruments, policies, processes and systems developed for organisational (and contractor) integrity.</li> <li>• Manage, declare and record conflicts of interest.</li> </ul>
<b>Volunteers</b>	<ul style="list-style-type: none"> <li>• Adhere to the City's Statement of Business Ethics.</li> <li>• Adhere to relevant legislative obligations as detailed in contracts of engagement.</li> <li>• Comply with core and complementary instruments, policies, processes and systems developed for organisational (and volunteer) integrity.</li> <li>• Manage, declare and record conflicts of interest.</li> </ul>

## ATTACHMENT 8.5.3

### 3.2 Legislation and Regulations

The *Local Government Act 1995* is the key legislative instrument which provides the City of Joondalup the power to make policies, plans and strategies, and local laws, which are generally used to establish and maintain the quality of life and amenity in keeping with community expectations.

The City's legislative, policy and planning instruments are available on the City's website.

The City is also responsible for administering a number of State and Commonwealth Acts and regulations. Some of the more significant pieces of legislation are included within the City's *Record Keeping Plan 2020* available on the City's website.

The City also has obligations under State legislation to report matters related to integrity including, but not limited to:

- Corruption, Crime and Misconduct Act 2003.
- Financial Management Act 2006.
- State Records Act 2000.

### 3.3 Risk Analysis and Planning for Integrity

#### Risk Management Policy

The City's *Risk Management Policy* describes the commitment to understanding and managing the City's risk environment, fostering a positive risk culture and taking measures to ensure risks are contained to acceptable levels in accordance to its remit and responsibilities.

The policy and framework are aligned with the Australian Standard/International Organisation for Standardisation (AS/NZS ISO) 31000:2018 Risk Management – Guidelines.

#### Risk Management Framework

The City's *Risk Management Framework* supports and expands on the *Risk Management Policy* and aims to uphold the City's Primary Values of being transparent, accountable, honest, ethical, respectful, sustainable and professional. The Framework provides the guidance to integrate risk management into activities and functions performed by the City.

#### Risk Management Guidelines

The City's internal *Risk Management Guidelines* provide detailed application guidance for the Framework. This includes procedures, practices, responsibilities and activities (including their sequence and timing).

### 3.4 Internal Controls, Audit and Governance

The City undertakes activities and implements internal controls to minimise its integrity risks including the following:

#### Governance Framework

The City's *Governance Framework* has been adopted to help define the City's process by which decisions are taken and implemented, the process by which the City goes about achieving its goals and producing its outputs and the process by which the organisation is directed, controlled and held to account.

#### Policies, Protocols, Procedures and Processes

To ensure policies, protocols, procedures and processes are current, the City's policies, procedures and processes assign responsible Directorates and review dates.

The City's *Policy Register* is available on the City's website. Business critical processes and procedures are documented in the internal process documentation system Promapp.

#### Supervision

Directors and Managers are expected to ensure employees adhere to governance policy frameworks, complete mandatory training and demonstrate behaviours required by the *Code of Conduct for Employees*.

#### Financial Management Controls

The following Financial Management Controls are in place:

- Financial Management Information Systems including automated controls to ensure adequate segregation of duties/responsibilities with regard endorsed delegations related to procurement and authorisation of payments.
- Monthly reconciliation and exception reporting.
- Grant acquittals process.
- Financial management guidelines, protocols and processes.
- Appointment of external auditor to undertake reviews of financial management systems and procedures.

### Human Resource Management Controls

The following Human Resource Management Controls are in place;

- Employment screening including for certain positions a requirement to provide a national police clearance certificate and/or working with children checks before employment is offered.
- New employees being required to complete a comprehensive induction process which includes information on integrity and the requirement to notify the City in the event they are charged with a serious criminal offence or an offence involving fraud or dishonesty.
- Employees who hold positions categorised as 'Positions of Trust' being required to produce a national police clearance certificate and/or working with children checks from time to time.
- Undertaking secondary employment being required to be approved.
- Probing for moral judgement capacities at interview by asking questions around ethical predicaments.
- Reference checks of applicants and a level of questioning based on the skills, knowledge and experience required for the position.
- Qualification checks and presentation of original documentation.

The City's annual performance review process is also a mechanism for employees and supervisors to reinforce integrity standards; raise any integrity issues; or identify any training and development needs.

### Information Management Controls

The following Information Management Controls are in place:

- The City's *Record Keeping Plan* details the management of State records to meet obligations under the State Records Act 2000.
- The *Code of Conduct for Council Members, Committee Members and Candidates* and *Code of Conduct for Employees* contain provisions related to the use of information.
- Access to corporate records by employees and contractors being in accordance with designated access and security classifications as determined by the Records Services Coordinator and the City's *Records Management Policy*.
- Access to the City's records by the general public being in accordance with the *Freedom of Information Act 1992*, or other written laws.

- Access to the City's records by elected members and committee members being via the Chief Executive Officer in accordance with Section 5.92 of the *Local Government Act 1995*.
- The *Online Services Usage Protocols* (for elected members and employees) provides guidance on the acceptable business use and personal use when using the City's online services. It provides guidance on logon accounts, password and email etiquette.
- Liaises with the Ombudsman WA in relation to effective complaint handling, investigations and record keeping.

### Risk Management

The City takes integrity risk management seriously and it is embedded into its overall approach to risk described at Part 3.3 *Risk Analysis and Planning for Integrity*.

### Audit

The internal audit functions are maintained in line with the Local Government Act 1995, Local Government (Audit) Regulations 1996 and Local Government (Financial Management) Regulations 1996. These functions are described in the City's Audit and Risk Committee Charter.

The internal audit function helps maintain and improve organisational effectiveness by providing risk-based and independent assurance advice to the Chief Executive Officer and Audit and Risk Committee.

The internal audit function also assists the Chief Executive Officer achieve business objectives by systematically collecting and reporting information through the Audit and Risk Committee. This includes risk exposure and management, internal controls, compliance, resource and program management, and organisation performance against statutory obligations and best practice principles.

The internal audit function also ensures the appointment of external auditors to undertake reviews of risk management, internal control and legislative compliance.

A risk-based internal audit plan is prepared annually by the internal audit function. The plan sets audit topics and identifies resources required for the year in alignment with the City's objectives and key risks. It is presented to the Audit and Risk Committee. The Chief Executive Officer may vary the plan and change priorities.

The Committee provides advice to the Council on the effectiveness of the risk management and governance frameworks, and external accountability obligations.

The Committee has an independent member appointed by the Council.

## ATTACHMENT 8.5.3

City of Joondalup Integrity Framework 13

### 3.5 Fraud and corruption detection systems

The City's *Fraud, Corruption and Misconduct Control Policy* objective is to communicate the City's zero tolerance approach and response actions to fraudulent and corrupt conduct within the performance of its functions and interactions with contractors and suppliers, the community and all other stakeholders of the City.

The Policy establishes the City's approach to preventing, detecting and responding to reports of suspected fraud, corruption and misconduct. The City acknowledges that the audit function, staff, supplier and contractor reporting of suspected fraud and corruption, set out in the Statement of Business Ethics, contributes to detection activities.

Financial management detection systems include:

- Monthly data and exception issues analysis/reporting.
- Monthly reconciliations and review of exception reports.

- Fortnightly payroll certification reports and monthly payroll data integrity checking.
- Internal audit reviews.
- Annual statutory external audit by the office of the Auditor General and reporting in the City's Annual Report.
- Annual budget process and mid-year review to critically review and examine forward budget projections.
- Annual review of the Strategic Financial Management Plan.

Governance detection systems includes:

- Regular review of conflicts of interest and gifts and hospitality declarations.
- Regular review of registers to ensure compliance with legislative/policy requirements.

Fraud and misconduct detection systems include:

- Live data analysis using accounts payable, contracts and payroll data.



## 4. Model and Embody a Culture of Integrity

### 4.1 Values and Culture

An effective integrity framework holds an organisation to a more robust standard of ethics and morals. Organisational integrity needs to be based on the concept of self-governance in accordance with a set of guiding principles and ethics. To build an ethical organisation, where all parts of it behave with integrity, a strong set of values must be enshrined in day-to-day activities and operations.

The City's *10 Year Strategic Community Plan (Joondalup 2032)* articulates the City's vision as being 'A *global City: bold creative and prosperous*'. In alignment with this vision the City believes the following primary values should be inherent within any well-functioning and community-driven organisation:

- **Transparent** – We facilitate appropriate levels of scrutiny by recording our decisions and making them accessible.
- **Accountable** – We accept responsibility for our actions and decisions that are within our control.
- **Honest** – We earn and sustain public trust by being honest and open in all our actions and always acting in the public interest.
- **Ethical** – We demonstrate moral behaviour that is free from corruption.
- **Respectful** – We treat people fairly and objectively and without discrimination.
- **Sustainable** – We manage our natural resources and public assets adaptively, ensuring equitable outcomes for future generations.
- **Professional** – We demonstrate strong skills and good judgment and behaviour in delivering our services.

Integrity is supported when elected members, employees, contractors, suppliers and volunteers model the City's values. These values shape the City's culture and are the fundamental beliefs the City considers to be important; are relatively stable over time; and define expected elected member, employee, contractor and volunteer attitudes and behaviour. Ethical conduct and day to day decision-making is built on the City's primary values.

A positive culture promotes openness and honesty, makes accountability and responsibility clear and encourages debate on important issues. It is also more likely that the organisation will retain high caliber employees who want to work and participate in the activities of the City.

The City fosters and cultivates a culture of integrity through:

- Encouraging an open culture where ethical dilemmas, public integrity concerns, and errors can be discussed freely, and, where appropriate, with employee representatives, and where leadership is responsive and committed to providing timely advice and resolving relevant issues.

- Providing clear rules and procedures for reporting suspected breaches of conduct standards, and ensure, in accordance with fundamental principles of procedural fairness, protection against all types of unjustified treatments as a result of reporting misconduct and integrity violations, in good faith and on reasonable grounds.
- Providing alternative channels for reporting suspected breaches of conduct standards, including when appropriate the possibility of confidentially reporting to a body with the mandate and capacity to conduct an independent investigation.
- Communicating the City's Codes of Conduct (at pre-employment and during employment) and Public Interest Disclosures processes.
- Undertaking Employee Opinion Surveys and Climate Surveys to determine perceptions of observance to values and standards of integrity; and establishment of Employee Opinion Survey Working Groups to examine opportunities to enhance understanding of values in decision-making.
- Publishing registers on the City's website for public inspection in accordance with the *Local Government Act 1995*. These include, but are not limited to the Gifts Register, Minor Breaches Register, Complaints Register, Declarations of Interest Register and Electoral Gifts Register.

### 4.2 Leadership and Management Attitude

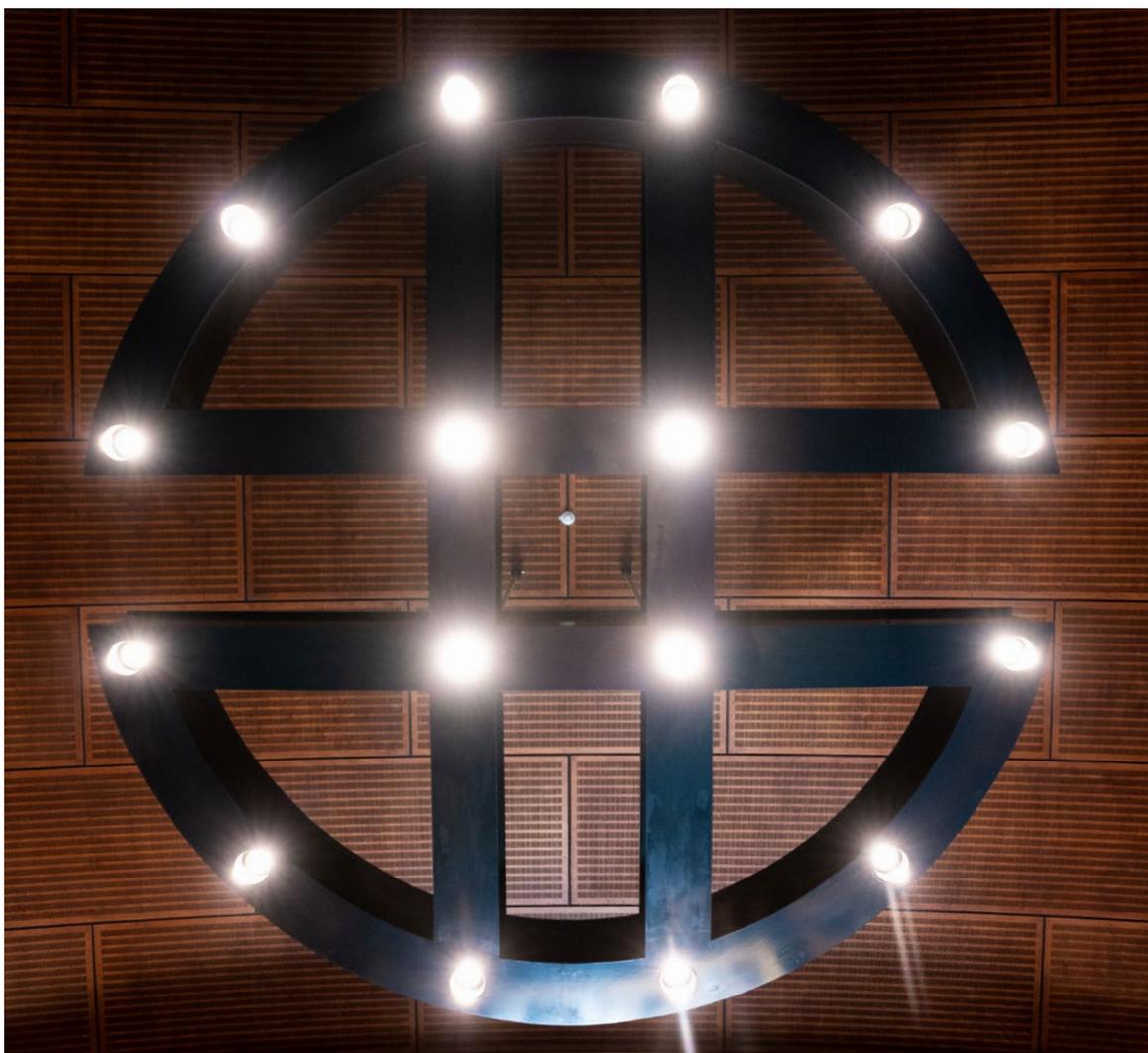
From the perspective of integrity, there is a continuing need to give life to the City's primary values and standards of behaviour; to create an environment that supports ethically sound behaviour and decision-making; and to instil a sense of shared integrity responsibility and accountability among elected members and employees. Ineffective oversight by formal and informal leaders, especially when coupled with weaknesses in other internal integrity systems and controls, presents real integrity risks for any public authority.

A "do it right" climate must be created and continually reinforced and communicated from the highest level of the organisation, being elected members and the City's Executive Management Team (the Chief Executive Officer, Directors and Business Unit Managers). In turn, all other leaders in the City (formal and informal) must also demonstrate and reflect the highest standards of integrity for other employees to follow.

Effective leadership and supervision can have a significant impact on the performance and integrity of teams and help to detect and prevent misconduct at the City.

## ATTACHMENT 8.5.3

City of Joondalup Integrity Framework 15



Leaders must proactively promote integrity and supervise by:

- Visible demonstration and active promotion of the primary values of the organisation.
- Knowing and understanding the management and monitoring tools available to them including performance management and substandard performance processes, and disciplinary and reporting processes.
- Being consistent and clear about expectations, how they align with values and policies, and not shying away from difficult conversations about performance and integrity.
- Trusting their team but still fulfilling their obligations by monitoring work performance and integrity requirements and following up on any concerns.
- Taking consistent, appropriate and proportionate action to deal with issues.
- Creating safe places where staff can challenge the status quo by speaking up (also refer to the City's Public Interest Disclosure Officers; Workmates Program; and Employee Assistance Program).

Matters related to integrity should be continually promoted and discussed at regular meetings between leaders and employees so that ethical standards of behaviour can not only be reinforced, but also for integrity issues or concerns to be highlighted so that clarification or any further educational instruments or processes can be investigated and implemented.

The City's intent is that through reinforcement of positive leadership attitudes and expectations toward high levels of conduct and integrity, a normalised professional business culture will be maintained and enhanced. Employee Opinion Surveys and Climate Surveys will assist leaders in understanding employee perceptions of observance to values and standards of integrity as a measure of success.

## 5. Learn and Develop Integrity Knowledge and Skills

### 5.1 Integrity Education and Capacity

An organisation may have the best processes and practices in place to foster a culture of integrity, but it must continue to educate and communicate those standards and practices through understanding and capacity building.

The provision of sufficient information, training, guidance and timely advice for elected members and employees to apply public integrity standards is done through:

- Providing elected members, employees, contractors, suppliers and volunteers with clear and up-to-date information about the organisation's policies, protocols and administrative procedures relevant to maintaining high standards of public integrity.
- Requiring all new employees to be provided with an induction package that includes the *Code of Conduct for Employees* and requires them to confirm they have read and understood the Code.
- Offering induction and on-the-job integrity training to elected members and employees in order to raise awareness and develop essential skills for the analysis of ethical dilemmas, and to make public integrity standards applicable and meaningful in their own personal contexts.
- Providing easily accessible formal and informal guidance and consultation mechanisms to help elected members, employees, contractors, suppliers and volunteers apply public integrity standards in their daily work as well as to manage conflict-of-interest situations.
- Development and training completed by elected members and employees are recorded in the learning management system.
- Development of short guides related to ethical and integrity matters.
- The employee performance management process reinforces the need to comply with the *Code of Conduct for Employees* and declare any conflicts of interest.
- Elected members, employees, contractors, suppliers and volunteers are provided with avenues to seek advice about integrity obligations including policies and procedures from those with relevant expertise.
- Employee access to the City's 'Workmates Program' and Public Interest Disclosures Officers.
- Referencing and engaging with the Public Sector Commission through its integrity insights materials.



## 6. Be Accountable for Integrity

### 6.1 Response to Integrity Breaches

As an overarching principle, the City does not tolerate corrupt or other improper conduct, including mismanagement of public resources, in the exercise of the public functions of the City, by its elected members, employees, contractors, suppliers or volunteers. In view of this it actively promotes and supports disclosures being made by elected members, employees and members of the public, as to corrupt or other improper conduct that is happening or may happen.

The City will take all reasonable steps to provide protection to elected members, employees, contractors, suppliers and volunteers who make disclosures from any detrimental action in reprisal for the making of a disclosure or misconduct report and also does not tolerate any of its elected members or employees engaging in acts of victimisation or reprisal against those who make a disclosure.

The *City's Code of Conduct for Council Members, Committee Members and Candidates* and *Code of Conduct for Employees* contain principles and minimum requirements to ensure compliance with relevant legislation and standards. In addressing matters, the City may take investigative and disciplinary action in line with relevant City policies and protocols.

Where complaints against elected members, committee members or candidates are upheld they will be included in the City's Complaints Registers, available on the City's website. Complaints (upheld) and reporting to external oversight bodies will also be reported on in the City's Annual Report.

For certain types of conduct, the Chief Executive Officer has a statutory obligation to notify the Public Sector Commission and Department of Local Government, Sport and Cultural Industries (minor misconduct), Corruption and Crime Commission (serious misconduct) and Western Australia Police (criminal conduct).

Where relevant, any reports and discipline processes are used as opportunities to improve practices and strengthen controls.

### 6.2 Self-assessment and Review

The City will self-assess and review the framework on a biennial basis examining ways to continuously improve it by:

- Making judgements informed by data and evidence about what is currently working and what is not.
- Identifying gaps between the current and desired future state.
- Deciding the best way to address any gaps and get to the desired future state based on operating context, risks and resourcing.
- Development of an *Integrity Action Plan*.

The Chief Executive Officer will be responsible for coordinating the review.

The City also uses available tools (eg Integrity Snapshot Tool, Integrity and Conduct Annual Collection, Integrity in Financial Management Self-Assessment Checklist, Compliance Program, Local Government and Public Sector Inquiry Reports and the like) to assess what is currently in place and the maturity of its approach to integrity.



## 7. Oversight

The Chief Executive Officer, with the support of the Executive Management Team, is responsible for oversight of the Integrity Framework.

The following processes are in place to provide the Council and Chief Executive Officer with assurance that the approach to practicing, managing and accounting for integrity is sound, and the framework is working as intended:

### Chief Executive Officer

- Integrity matters to be a standing Executive agenda item.
- Role and responsibilities as the City's Complaints Officer undertaken.
- Regular reporting from business areas to the Chief Executive and/or Executive Leadership Team includes:
  - o Financial performance and any requests for changes to the approved budget parameters.
  - o Regular review of the conflicts of interest, secondary employment, and gifts and benefits register.
  - o Regular reporting on the staff development and training plan as it relates to integrity matters.
  - o Progress reporting from internal audit provided to ensure audit corrective actions are implemented.
  - o Progress reporting on risk management matters as they relate to integrity.
  - o Regular Employee Opinion Surveys and Climate Surveys incorporating integrity feedback mechanisms.

### Council/Audit and Risk Committee

- Quarterly reporting on the use of Chief Executive Officer's credit card.
- Annual Compliance Audit Return.
- Regular reporting on internal audit coverage and annual work plan
- Regular reporting on the Office of the Auditor General's work program.
- Regular reporting on identifying and management of misconduct and integrity matters affecting the City or local government sector.
- Policy documents as they relate to integrity matters.
- Monitors the effectiveness of the City's *Risk Management Framework* including integrity risks.
- Sets and endorses delegations for specific functions to the Chief Executive Officer and relevant officers.
- Three yearly reviews of the appropriateness and effectiveness of the City's systems and procedures in relation to risk management, internal controls and legislative compliance and report to the Council the results of those reviews.
- Three yearly reviews of the appropriateness and effectiveness of the City's financial management systems and procedures of the City and report to the Council the results of those reviews.



## ATTACHMENT 8.5.3

City of Joondalup Integrity Framework 19

## 8. Relevant City of Joondalup Documents

The following key City of Joondalup documents are relevant to the Integrity Framework:

- [Strategic Community Plan 2032](#)
- [Governance Framework](#)
- [Code of Conduct for Council Members, Committee Members and Candidates](#)
- [Code of Conduct for Employees](#)
- Risk Management Framework
- [Audit and Risk Committee Terms of Reference and Charter](#)
- [Public Registers](#)
- [Risk Management Policy](#)
- [Fraud Corruption and Misconduct Control Policy](#)
- [Elections Caretaker Policy](#)
- [Attendance at Events Policy](#)
- [Customer Service Charter](#)
- [Public Interests Disclosure Framework](#)
- [Statement of Business Ethics](#)





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*This document is available in alternative formats upon request.*

# Benefits Realisation Framework

## Contents

1. Introduction
2. Purpose of a Benefits Realisation Framework
3. Scope
4. Benefits Realisation Framework
5. Strategic Alignment
6. Definitions
7. Benefits Realisation Principles
8. Benefits Realisation Categorisation
9. Benefits Realisation Process

## **1. Introduction**

The City of Joondalup has had a strong background in continuous improvement having developed and enhanced systems and processes over many years. There is a strong culture of improvement within our employees with many being trained in how to review and improve what we do.

The City has developed a Continuous Improvement Plan to establish a more visible and coordinated approach to business and process improvements and to drive continuous improvement activities which will provide the internal capacity to deliver the vision of Joondalup 2032.

## **2. Purpose of a Benefits Realisation Framework**

A key action of the Continuous Improvement Plan is to review the City's existing approach to benefits realisation, develop a Benefits Realisation Framework and implement a process for capturing and reporting on the value of benefits to the organisation.

A Benefits Realisation Framework will enable the City to demonstrate the benefits of improvement activities including financial benefits, efficiencies in time and process, increased effectiveness representing value for money, improvements in quality, reduced environmental impact, reduced risk, greater compliance, and improved governance. Reports on the effectiveness of improvement initiatives will include, where possible, the quantifiable and tangible results of improvements. The reports will also document the non-quantifiable, intangible results of improvements which contribute to enhanced organisational performance and culture.

## **3. Scope**

The draft Benefits Realisation Framework is intended to capture benefits arising from ***internal business and process improvement projects and initiatives*** undertaken as part of the City's continuous improvement activities to enhance performance.

The Framework is not intended to measure benefits from external projects such as Capital Works Program construction projects or infrastructure upgrades. This may be considered in the future but is not included at this stage.

## **4. Benefits Realisation Framework**

The Framework outlines the following key components of the benefits realisation process:

- Identification of benefits
- Categorisation of benefits
- Measuring benefits
- Reporting of benefits

The intended result of implementing the City's Benefits Realisation Framework is the consistent and comprehensive reporting of the measurable tangible and intangible benefits arising from internal improvement projects/initiatives undertaken by City staff.

## **5. Strategic Alignment – Strategic Community Plan, the Australian Business Excellence Framework and ISO 9001:2015**

**Strategic Community Plan** - The Strategic Community Plan 2022-2032 sets out the community's vision for the future and their service expectations across all goals.

Goal 5 Leadership articulates our commitment to becoming a best practice organisation with strong leadership, efficient processes and systems and a highly effective workforce.

**OUR GOAL**

We have a diverse elected body that represents, promotes and reflects the composition of our community. Our Council and workforce are accountable and transparent and make balanced decisions based on sound, professional advice. Quality services are delivered by our highly skilled and effective workforce.

**YOUR OUTCOMES**

5-1 Capable and effective  
You have an informed and capable Council backed by a highly skilled workforce.

**Australian Business Excellence Framework** - The City uses the Australian Business Excellence Framework to provide a systematic process to drive continuous improvement and to provide a basis for assessing its performance and identify improvements. Development of the City's Benefit Realisation Framework is in line with best practice of measuring and reporting progress as outlined in the Australian Business Excellence Framework

**Category 6: Process management, improvement and innovation** outlines the need to encourage innovation and improvement to processes and improve the quality of outputs, and to establish measures for monitoring performance and effectiveness.

**Category 7: Results and Sustainable Performance** notes that an excellent organisation establishes reports on progress to show how well it is performing and as the basis for ongoing review and performance.

**ISO 9001:2015 Quality Management System** – The implementation of ISO 9001:2015 in the Infrastructure Services Directorate demonstrates the City's commitment to continuous improvement and customer service to achieve quality objectives. The fundamental principles include a process approach and constantly reviewing and refining processes to identify and implement improvements where required.

**6. Definitions**

A **benefit** is an advantage which delivers value from an internal City project or improvement initiative.

**Output** refers to the actions or items resulting from an improvement project or initiative.

**Benefits Realisation** refers to the process for identifying, defining, classifying, measuring, and reporting benefits.

**Tangible** benefits are those that can be measured in financial terms. E.g., cost savings, increased productivity.

**Intangible** benefits cannot be quantified in terms of financial gain but may be able to be qualified. E.g., increased staff satisfaction.

**7. Benefits Realisation Principles**

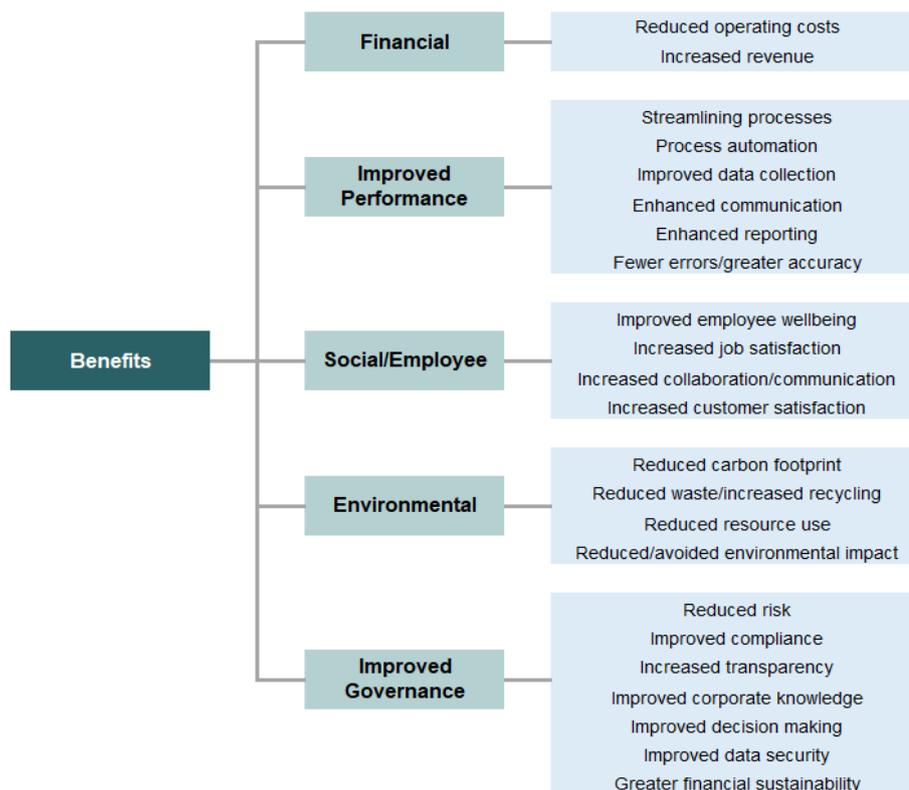
- **Benefits are derived from a project/improvement initiative output.**  
For example, Waste Services transitioning from paper to electronic tipping vouchers. Output = electronic vouchers. Benefits = reduced cost, increased efficiency, reduced waste.
- **Benefits must be aligned to the City's strategic goals.**

- **Not all benefits resulting from a project or improvement initiative are tangible and/or measurable, however both tangible and intangible benefits should be considered.**  
Although intangible benefits may sometimes be more challenging to identify and quantify, they can provide significant value to an organisation.
- **The number of benefits identified and reported should be manageable/not time consuming.**  
While a range of potential benefits may be identified, the City should prioritise those that will have the greatest impact and only measure and report on a select few, i.e. make sure the most important benefits have the most focus.
- **Establishing baseline data allows for project/initiative benefits to be measured and reported.**
- **Benefits should drive improvement project/improvement initiative decision making and prioritisation of projects/improvement initiatives.**
- **Benefits may be realised in the short, medium, or long term.**

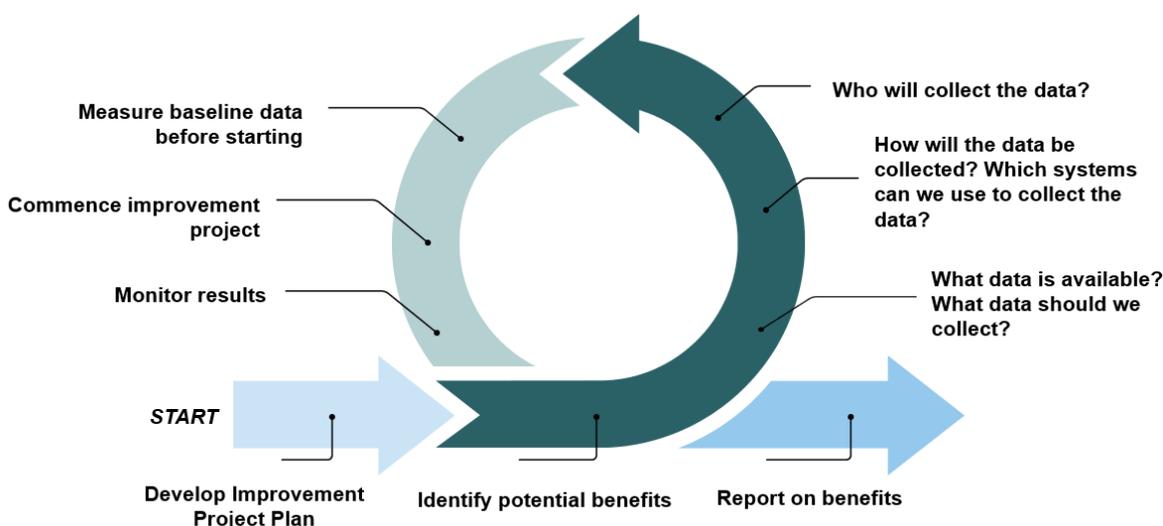
**8. Benefits Realisation Categorisation**

Establishing benefit categories contributes to the standardisation of benefits realisation practices across the organisation and assists with reporting.

The benefits typically arising from internal improvement projects and initiatives fall within the following 5 categories:



**9. Benefits Realisation Process**



A more detailed version of the process outlined above will be documented and made available to staff within the City’s process mapping tool, Process Manager (TBD). Staff will be guided through each phase of benefits realisation, increasing the consistency and rigour with which Business Units report on the benefits arising from improvement projects and initiatives.

The Project Management Framework templates will also be adapted to include tools to better capture and realise benefits.

**Collection of Data**

The Organisational Development team will be available to staff to assist with the Benefits Realisation Process, particularly the identification and capture of data through advice or the development of reports. As part of the process, there is potential to include formulas to assist with calculating benefits such as cost savings or reduction in staff time to complete a process.

It is important baseline data is captured prior to commencing an improvement project/initiative wherever possible to allow for its impact to be quantified.

**Business Unit Reporting**

Business Units will report on benefits using an online form located on the City’s intranet (location TBD) and available to all staff. Once submitted, the form will auto populate a SharePoint list, storing information about the City’s improvement benefits centrally.

**Reports to Elected Members**

Twice yearly, the information on the SharePoint list will be summarised in a report to the Audit and Risk Committee, providing an overview of the internal improvement projects/initiatives undertaken by staff, the benefits arising (tangible/financial and non-tangible/non-financial), links to City strategic plans and, where possible, a measurement of the advantage and value achieved by each benefit.

**BI-ANNUAL FIGURES FOR CONTRACT EXTENSIONS  
1 JANUARY 2023 TO 30 JUNE 2023**

RFT NO.	TITLE	CONTRACTOR	CONTRACT TERM & EXTENSION OPTIONS	COUNCIL APPROVED			INITIAL PERIOD		FIRST EXTENSION		SECOND EXTENSION		CUMULATIVE CONTRACT COST	EXTENSIONS APPROVED BY THE CEO DURING THE PERIOD
				From	To	Total Cost	Expiry Date	Cost	From / To	Cost / Estimate	From / To	Cost / Estimate		
008/20	Supply, Installation, Repair non-chemical iron removal filtration units	Elliotts Irrigation Pty Ltd	3 years plus 2 x 1 year options to extend	20-May-20	19-May-23	\$513,576	19-May-23	\$513,576	20 May 2023 to 19 May 2024	\$150,000	20 May 2024 to 19 May 2025	TBC	\$663,576	First extension
032/17	Domestic Rubbish and Recycling Collection Services	VEOLIA Recycling & Recovery Pty Ltd (formerly Suez Recycling & Recovery Pty Ltd)	5 years plus 2 x 1 year options to extend	1-Jul-18	30-Jun-23	\$27,500,000	30-Jun-23	\$27,500,000	1 Jul 2023 to 30 Jun 2024	\$2,542,796	1 Jul 2024 to 30 Jun 2025	TBC	\$30,042,796	First extension
020/22	Bulk Green Waste Collection and Processing	Incredible Bulk	1 year plus 1 x 1 year option to extend	1-Jul-22	30-Jun-23	\$1,110,287	30-Jun-23	\$1,110,287	1 Jul 23 to 30 Jun 2024	\$385,710	NA	NA	\$1,495,997	First extension (one extension only)
018/22	Provision of non-chemical application for the control of weeds to nominated locations	Greensteam Australia Pty Ltd	1 year plus 2 x 1 year options to extend	1-Jul-22	30-Jun-23	\$450,000	30-Jun-23	\$450,000	1 Jul 23 to 30 Jun 2024	\$509,850	1 Jul 24 to 30 Jun 2025	TBC	\$959,850	First extension
009/20	Provide Landscape and irrigation maintenance services at the 'New' Burns Beach Estate, Burns Beach	Total Eden Pty Ltd	3 years plus 2 x 2-year option to extend	7-Jul-20	6-Jul-23	\$359,310	6-Jul-23	\$359,310	7 Jul 23 to 7 July 2025	\$122,149	7 Jul 25 to 7 July 2027	\$122,149	\$603,609	First extension
011/20	Provision of Landscape and Irrigation Maintenance Services Harbour Rise Estate Hillarys	Greenworx Commercial Maintenance Pty Ltd	3 years plus plus 1 2-year option to extend	3-Aug-20	2-Aug-23	\$340,419	2-Aug-23	\$340,419	3 Aug 23 to 2 Aug 25	\$118,425	NA	NA	\$458,844	First extension (one extension only)
009/19	Processing of Commingled Recyclables	Cleanaway Pty Ltd	3 years plus 2 1-year options to extend	1-Dec-19	30-Nov-22	\$3,266,085	30-Nov-22	\$3,266,085	1 Dec 22 to 30 Nov 23	\$768,450	1 Dec 23 to 30 Nov 24	TBC	\$4,034,535	Second extension
008/21	Provision of planting, maintenance and truck watering services for the City of Joondalup Leafy City Program	Baroness Holdings Pty Ltd T/as Tree Planting and Watering	2 years and 3 months plus 1 1-year option to extend	1-May-21	31-Jul-23	\$547,752	31-Jul-23	\$547,752	1 Aug 23 to 31 Jul 24	\$185,447	NA	NA	\$733,199	First extension (one extension only)