MINUTES
Audit Committee Meeting
Held on Tuesday 17 March 2020 at 3pm
City of Rockingham Committee Room
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1. **Declaration of Opening**

The Chairperson declared the Audit Committee Meeting open at **2:57pm**, welcomed all present, and delivered the Acknowledgement of Country.

2. **Record of Attendance/Apologies/Approved Leave of Absence**

   2.1 **Councillors**
   - Cr Barry Sammels (Mayor)
   - Cr Deb Hamblin (Deputy Mayor)
   - Cr Lorna Buchan
   - Cr Matthew Whitfield

   2.2 **Executive**
   - Mr Michael Parker (Chief Executive Officer)
   - Mr Peter Doherty (Director Legal Services and General Counsel)
   - Mr John Pearson (Director Corporate Services)
   - Mr Peter Varris (Manager Governance and Councillor Support)
   - Mr Rafał Kolodynski (Manager Internal Audit)
   - Mrs Nav Chetty (Internal Auditor Assistant)

   2.3 **In Attendance:** Nil

   2.4 **Apologies:** Nil

   2.5 **Approved Leave of Absence:** Nil

3. **Terms of Reference**

   To oversee the risk management, internal control, legislative compliance and external audit processes of the City, including receipt of the Auditor's Statements and Management Reports.

4. **Confirmation of Minutes of the Previous Meeting**

   Moved Cr Whitfield, seconded Cr Hamblin:

   That Committee **CONFIRMS** the Minutes of the Audit Committee Meeting held on 12 November 2019, as a true and accurate record.

   Committee Voting – 4/0

5. **Matters Arising from the Previous Minutes**

   Nil

6. **Declarations of Members and Officers Interests**

   3:00pm The Chairperson asked if there were any interests to declare.

   There were none.

7. **Petitions/Deputations/Presentations/Submissions**

   Nil
8. Agenda Items

Audit Committee

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<th>Reference No &amp; Subject:</th>
<th>AC-001/20 The City of Rockingham Internal Control Audit Results</th>
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Purpose of Report

The purpose of this report is to provide information on the following two aspects:

1. To outline the methodology and scope of the testing carried out by the Internal Audit team to complete controls testing for the 2018/19 financial year.

2. Provide overview of the findings and actions that were implemented during that review.

Background

The Local Government (Audit) Regulations 1996 r.17 states that a review is to be conducted every three financial years. The review is to test the appropriateness and effectiveness of a local government’s systems and procedures in relation to:

(a) Risk management;
(b) Internal control; and
(c) Legislative compliance.
In addition to the above regulation, the Local Government (Financial Management) Regulations 1996 r. 5(2)(c) states that the CEO has duties in respect to financial management to perform reviews of the appropriateness and effectiveness of the financial management systems and procedures not less than once in every 3 financial years.

Because the City has taken on the commitment of providing a best practice internal audit function, this testing occurs every year.

In regards to regulation 5(2)(c) requirements, the purpose of this report is to provide information on:

1. The methodology and scope of the testing carried out by the Internal Audit team to complete controls tested for the 2018/19 financial year, and;
2. Provide an overview of the findings identified and the actions that were proposed during that review.

This report has been conducted in accordance with the Local Government (Financial Management) Regulations 1996 r. 6.

A local government is to ensure that an employee to whom is delegated responsibility for the day to day accounting or financial management operations of a local government is not also delegated the responsibility for —

(a) conducting an internal audit; or
(b) reviewing the discharge of duties by that employee,

or for managing, directing or supervising a person who carries out a function referred to in paragraph (a) or (b).

### Details

Internal controls in the context of auditing are typically defined as processes that are designed to assure the achievement of the organisation’s objectives in:

(a) Operational effectiveness and efficiency;
(b) Reliable financial reporting, and;
(c) Compliance with laws, regulations, legislative compliance and policies.

Internal audit provides an independent, methodical approach to test if the City’s processes are operating effectively, efficiently and as intended.

As the City has a myriad of mechanisms that govern the way in which it operates, key controls have been identified and scoped to test for the 2018/19 financial year.

The scope has been broken down into 12 main processes. Each main process has multiple key controls to test. The purpose is to give a City wide overview of how well these controls have been designed and how well they are operating.

### The City of Rockingham Internal Controls Framework for the financial year 2018/19

<table>
<thead>
<tr>
<th>Main Processes</th>
<th>Key Controls in Scope 2018/19</th>
<th>As a percentage</th>
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<tbody>
<tr>
<td>1 Community Development</td>
<td>5</td>
<td>3%</td>
</tr>
<tr>
<td>2 Corporate Services</td>
<td>9</td>
<td>5%</td>
</tr>
<tr>
<td>3 Engineering &amp; Parks</td>
<td>2</td>
<td>1%</td>
</tr>
<tr>
<td>4 Finance</td>
<td>17</td>
<td>9%</td>
</tr>
<tr>
<td>5 Fixed Assets</td>
<td>6</td>
<td>3%</td>
</tr>
<tr>
<td>6 Human Resources</td>
<td>24</td>
<td>12%</td>
</tr>
<tr>
<td>7 Inventory</td>
<td>15</td>
<td>8%</td>
</tr>
<tr>
<td>9 Legislative / Regulatory</td>
<td>12</td>
<td>6%</td>
</tr>
<tr>
<td>10 Planning &amp; Development</td>
<td>32</td>
<td>16%</td>
</tr>
<tr>
<td>11 Purchases &amp; Payables</td>
<td>38</td>
<td>19%</td>
</tr>
<tr>
<td>12 Revenues &amp; Receivables</td>
<td>37</td>
<td>18%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>197</strong></td>
<td><strong>100%</strong></td>
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</table>
In Summary, 197 controls have been tested of which 14 (7%) were self-assessed. The paragraph “Controls Self-Assessment Testing 2018/2019” explains the self-assessment process.

**Control Effectiveness 2018/2019**

The below graph shows a representation of the distribution of controls tested that require improvement.

Controls that have been in effect for the full financial year can be tested in accordance with the City’s statistical audit methodology. When the controls are sampled using this methodology the testing should provide a reasonably accurate representation of the population.
Control Self-Assessment Testing 2018/2019

For the 2018/19 Financial Year, Internal Audit conducted 14 Control Self-Assessments for the City.

What is control self-assessment?

It is an approach where attestations are made by the Director and senior staff who are responsible for a specific control that requires testing. The attestation is a confirmation that the control in question has worked as intended over the financial year being tested.

Benefits to the City

Using Control Self-Assessment has benefits to the City as it allows previously assessed strong controls to be assessed by their own department. This fosters an improved awareness of controls and accountabilities within the department as the responsible officers will need to confirm that the control is still operating as intended. It also reduces the impact and disruption to the department by substituting substantive testing with an attestation.

Limitations

This approach has certain limitations. Control self-assessment can only be done once every 2 years for any given control. This is because it only provides a certain level of assurance as to whether the controls are working as intended. For this year, we will be conducting Control Self-Assessment on certain controls. For the next year, these controls will be formally tested by Internal Audit.

What is the process?

The process for control self-assessment consists of identifying the controls that were assessed as working well in the past. The selected controls will then be assessed on the following criteria:

1. Has the control being assessed changed during the tested financial year?
2. Were any new controls introduced for the process during the tested financial year?
3. Was there a change of any key employees involved in the assessed process?

In addition to these questions the Director is asked if they would still like Internal Audit to test the control. If the relevant Director is comfortable with the control, they sign the assessment document and the control is automatically assessed as working as intended within the current testing cycle.

Below are the results of the City’s Self Controls Assessment for the 2018/2019 Financial Year. As can be seen, all controls were assessed and being effective.
Implications to Consider

a. Consultation with the Community
   Not Applicable

b. Consultation with Government Agencies
   Not Applicable

c. Strategic
   Community Plan
   This item addresses the Community’s Vision for the future and specifically the following Aspiration and Strategic Objective(s) contained in the Community Plan 2019-2029:
   
   **Aspiration 4:**  Deliver Quality Leadership and Business Expertise
   
   **Strategic Objective:** Effective governance - Apply systems of governance which empower the Council to make considered and informed decisions within a transparent, accountable, ethical and compliant environment.

d. Policy
   Not Applicable

e. Financial
   Not Applicable

f. Legal and Statutory

   **Local Government (Audit) Regulations 1996**
   
   17. CEO to review certain systems and procedures
   
   (1) The CEO is to review the appropriateness and effectiveness of a local government’s system and procedures in relation to -
   
   (a) risk management; and
   
   (b) internal control; and
   
   (c) legislative compliance.
   
   (2) The review may relate to any or all of the matters referred to in sub regulation (1) (a), (b) and (c), but each of those matters is to be the subject of a review not less than once every 3 financial years.
   
   (3) The CEO is to report to the audit committee the results of that review.

   **Local Government (Financial Management) Regulations 1996**
   
   5. CEO’s duties as to financial management
   
   (2) The CEO is to –
   
   (c) 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 3 financial years) and report to the local government the results of those reviews.

g. Risk

   All Council decisions are subject to risk assessment according to the City’s Risk Framework.

   Implications and comment will only be provided for the following assessed risks.

   - **Customer Service / Project management / Environment:** High and Extreme Risks
   - **Finance / Personal Health and Safety:** Medium, High and Extreme Risks

   Nil
Comments

The City of Rockingham Internal Controls Framework is planned and scoped out for every financial year and it is expected that the scope of controls reviewed will change slightly to reflect changes in the operating environment at the City.

The overall performance of the City’s controls has been managed very well. The controls in place were found to be appropriate and working as intended. Some exceptions were noted but considered no more significant than Medium/Low risk exposure for the identified processes. The CEO and the Executive Audit Committee are satisfied that the controls within the City are working as intended.

Voting Requirements

Simple Majority

Officer Recommendation

That Council ACKNOWLEDGES the outcome of the review in accordance with regulation 17 of the Local Government (Audit) Regulations 1996, regulation 5 (2) (c) of the Local Government (Financial Management Regulations) 1996 and the Internal Controls tested for the 2018/19 financial year.

Committee Recommendation

Moved Cr Hamblin, seconded Cr Buchan:

That Council ACKNOWLEDGES the outcome of the review in accordance with regulation 17 of the Local Government (Audit) Regulations 1996, regulation 5 (2) (c) of the Local Government (Financial Management Regulations) 1996 and the Internal Controls tested for the 2018/19 financial year.

Committee Voting (Carried) – 4/0

The Committee’s Reason for Varying the Officer’s Recommendation

Not Applicable

Implications of the Changes to the Officer’s Recommendation

Not Applicable
Audit Committee Minutes  
Tuesday 17 March 2020

Reference No & Subject: AC-002/20
Summary of Completed Internal Audits for the 2018/2019 Financial Year

File No: CPM/109
Proponent/s: Mr Rafal Kolodynski, Manager Internal Audit
Author: Mr Rafal Kolodynski, Manager Internal Audit
Other Contributors: Mr Rafal Kolodynski, Manager Internal Audit
Date of Committee Meeting: Tuesday 17 March 2020
Previously before Council: Tuesday 17 March 2020
Disclosure of Interest: Executive
Nature of Council’s Role in this Matter: Executive
Site:  
Lot Area:  
Attachments: Confidential Attachment B
Maps/Diagrams:  

Purpose of Report
The purpose of this report is to communicate the completed internal audits for the financial year 2018/19.

Background
The completed audits for the financial year 2018/19 have been designed to provide feedback to management on the effectiveness of specific operations at the City. The scope of the completed audits were designed to ensure that appropriate processes are followed, that legal obligations are satisfied and controls are designed to prevent and detect error, fraud and misappropriation.

Four audits were conducted during the 2018/19 financial year. As a result of the audits a total of 40 recommendations were endorsed by the Executive Audit Committee. Out of the 40 recommendations raised, 26 recommendations have been actioned. The other 14 recommendations are currently being implemented.

Details
Risk Management
Overview
The Risk Management Audit objectives were to:

   r.17. CEO to review certain systems and procedures
(1) The CEO is to review the appropriateness and effectiveness of a local government’s systems and procedures in relation to —
   (a) Risk management

2. Ensure City wide compliance with the Executive Policy – Risk Management specifically outlines that;
   a) The Internal Auditor shall review the effectiveness of the City’s Risk Management Framework annually and submit the findings of the review and associated recommendations to the Executive Audit Committee.

3. The audit reviewed risks documented in the;
   a. Team Plans;
   b. Council Bulletins;
   c. Project Register;
   d. Events Register;
   e. Strategy Community Plan;
   f. Project Management Endorsement Form, and;
   g. Council reports.

Summary of Findings
The audit identified that some identified risks in the examined documents were not effectively translated into the risk register

In some instances some City run events were “provided” by contractors, risk assessments were conducted by the contractors however these risks where not reassessed using the City’s methodologies

Status of Actions:
Out of the 11 recommendations raised, 10 recommendations have been actioned. The other 1 recommendation is currently being implemented.

Cash Handling
Overview
The Cash handling Audit consisted of four main objectives:

1. A review of all available Cash Handling Policies and Procedures was conducted with focus on compliance with;
   a) City of Rockingham Policy Framework
   b) Best practice cash handling guidelines
   c) Operational requirements and ability to comply with procedures

2. A walk-through was conducted and observations were made in relation to cash handling at the audited sites, noting operational needs and requirements.

3. A cash count was conducted at all City cash handling sites, with focus on ensuring that floats were controlled and maintained in a secure manner and that any cash generated was recorded, stored and banked appropriately.

4. Discussions were held with site staff that who handled cash to obtain an understanding of operational requirements and their compliance with the relevant policies and procedures.

Summary of Findings
The Audit tested the strength of the relevant policies and procedures. The testing identified that the Cash handling policies did not cover some cash handling principles. Some physical security issues were identified during the Audit where by cash was not stored securely in line with City policies.
Status of Actions:
Out of the 16 recommendations raised, 11 recommendations have been actioned. The other 5 recommendations are currently being implemented.

Aqua Jetty Site Audit
Overview
The Aqua Jetty Site Audit consisted of six main objectives:

1. Cash and Sales
   Cash counts and sales reviews were conducted to ascertain the effectiveness of the controls in place at the Aqua Jetty in relation to cash sales.

2. Payroll
   A review between timesheets, rosters, attendance sheets and the final Aqua Jetty payroll file was conducted.

3. Accounts Receivable
   Testing was performed to ensure that invoices were raised appropriately, supported with documentation and in line with the approved Fees and Charges schedule as approved by Council.

4. Purchases
   Purchasing processes were tested to ensure compliance with the Purchasing Policy.

5. Inventory and Merchandise
   Stock takes were reviewed and the inventory management processes was examined to obtain assurance that stock was managed appropriately.

6. Fixed Assets
   A walkthrough was conducted to identify attractive and portable assets and to obtain comfort that those types of items are effectively controlled and secured.

Summary of Findings
The majority of the processes that were examined were found to be effective, appropriate and fit for purpose. However, some weaknesses were identified around:

a. Invoicing users for lane hire
b. Inventory management
c. Payroll

Status of Actions:
Out of the 6 recommendations raised, 5 recommendations have been actioned. The other 1 recommendation is currently being implemented.

Contract Management – Engineering and Parks Services
Overview
The Contract Management – Engineering and Parks Services Audit objectives were to:

1. Review if due diligence is continued in relation to contractors obligations for the life of the contract, such as:
   a. Licences
   b. Approvals
   c. Insurance
   d. Other contractual requirements

2. Review any variations been made to the selected contract. If variation exist, have they been raised in accordance with the Executive Policy – Contract Management

3. Provide assurance that contract scopes are adhered to and not deviated from unless appropriately authorised.
a. Ensure that all scopes form the basis of services and jobs that are provided to the City.

b. Examine if ‘Scope Creep’ has occurred during the contract.

c. Ensure that officers that are responsible for the management of the contract aware of The Scope of Works / Specifications.

d. Does billing confirm adherence to the scope within the contract? Review invoice charges from contractors are in accordance with the contractual schedule of rates.

4. Identify if the selected contracts have had any performance issues and provide assurance if the Contract Manager has dealt with those issues appropriately.

**Summary of Findings**

The Audit identified two key areas for improvement:

1. Strengthening current policies and procedures to ensure that goods and services are receipted accurately and that appropriate oversite exists to ensure payments are made in line with executed contracts.

2. That formal reviews occur to ensure that contractors are meeting their obligations under the relevant agreement.

**Status of Actions:**

All 7 recommendations are currently being implemented.

**Implications to Consider**

a. **Consultation with the Community**
   
   Not Applicable

b. **Consultation with Government Agencies**
   
   Not Applicable

c. **Strategic**
   
   **Community Plan**
   
   This item addresses the Community's Vision for the future and specifically the following Aspiration and Strategic Objective(s) contained in the Community Plan 2019-2029:

   **Aspiration 4:** Deliver Quality Leadership and Business Expertise

   **Strategic Objective:** Effective governance - Apply systems of governance which empower the Council to make considered and informed decisions within a transparent, accountable, ethical and compliant environment.

d. **Policy**
   
   Not Applicable

e. **Financial**
   
   Not Applicable

f. **Legal and Statutory**
   
   **Local Government (Audit) Regulations 1996**
   
   17. CEO to review certain systems and procedures
   
   (1) The CEO is to review the appropriateness and effectiveness of a local government's system and procedures in relation to -

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   (b) internal control; and

   (c) legislative compliance.
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The CEO is to report to the audit committee the results of that review.

Local Government (Financial Management) Regulations 1996

5. CEO’s duties as to financial management

(2) The CEO is to –

(c) 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 3 financial years) and report to the local government the results of those reviews.

g. Risk

All Council decisions are subject to risk assessment according to the City’s Risk Framework.

Implications and comment will only be provided for the following assessed risks.

- Customer Service / Project management / Environment : High and Extreme Risks
- Finance / Personal Health and Safety : Medium, High and Extreme Risks

Nil

Comments

For the 2018/2019 financial year, the completed audits have:

(1) Not identified any ongoing significant risks exposing the City
(2) Not identified any fraud or misappropriation

Progress of endorsed Internal Audit Response Plans has been monitored and tracked. At this stage response plans have been actioned satisfactorily by the responsible Directors

Voting Requirements

Simple Majority

Officer Recommendation

That Council ACKNOWLEDGES the outcomes of the standalone internal audits in accordance with regulation 17 of the Local Government (Audit) Regulations 1996, regulation 5 (2) (c) of the Local Government (Financial Management Regulations) 1996 and the Internal Controls tested for the 2018/19 financial year.

Committee Recommendation

Moved Cr Buchan, seconded Cr Whitfield:

That Council ACKNOWLEDGES the outcomes of the standalone internal audits in accordance with regulation 17 of the Local Government (Audit) Regulations 1996, regulation 5 (2) (c) of the Local Government (Financial Management Regulations) 1996 and the Internal Controls tested for the 2018/19 financial year.

Committee Voting (Carried) – 4/0

The Committee’s Reason for Varying the Officer’s Recommendation

Not Applicable

Implications of the Changes to the Officer’s Recommendation

Not Applicable
# Audit Committee

## Reference No & Subject:

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<tr>
<th>AC-003/20 Compliance Audit Return 2019 January to 31 December 2019</th>
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<td>CPM/190</td>
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<tr>
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## Purpose of Report

For Council to adopt the Local Government Compliance Audit Return for the period 1 January 2019 to 31 December 2019.

## Background

Under the Local Government Act 1995 the Minister for Local Government introduced the Local Government Statutory Compliance Return to be completed annually.

The purpose of the return is to show that Council has met its statutory obligations under the various provisions of the Local Government Act 1995 and other relevant Acts and Regulations.

The Local Government (Audit) Regulations 1996 was amended in December 2011 in order for the Compliance Audit Return to go through the Audit Committee before its final adoption by Council at a Council Meeting.

## Details

The completed Compliance Audit Return is to be included in the Council agenda and each Councillor must be given the opportunity to review the Compliance Audit return and make comment. Any matters of concern by Councillors relating to the Return need to be recorded in the Minutes of the Council Meeting.

After the Compliance Audit Return has been presented to the Council a certified copy of the return, along with the relevant section of the minutes and any additional information explaining or qualifying the compliance audit is to be submitted to the Executive Director of the Department of Local Government by 31 March 2019.
Implications to Consider

a. Consultation with the Community
   Not Applicable

b. Consultation with Government Agencies
   Not Applicable

c. Strategic
   Community Plan
   This item addresses the Community’s Vision for the future and specifically the following Aspiration and Strategic Objective(s) contained in the Community Plan 2015-2025:
   
   **Aspiration 4:** Deliver Quality Leadership and Business Expertise
   **Strategic Objective:** Effective governance - Apply systems of governance which empower the Council to make considered and informed decisions within a transparent, accountable, ethical and compliant environment.

d. Policy
   Not Applicable

e. Financial
   Nil

f. Legal and Statutory
   As per Regulation 14 of the Local Government (Audit) Regulations 1996 (the regulations) the Compliance Audit Return is prepared in the form approved by the Minister, is then reviewed by the City’s Audit Committee and then presented to Council for adoption and recorded in the minutes of the meeting at which it is adopted.

   As per Regulation 15 the Compliance Audit Return is adopted to Council, a certified copy and relevant sections of the minutes and other relevant documents need to be provided to the Executive Director by 31 March 2019.

g. Risk
   All Council decisions are subject to risk assessment according to the City’s Risk Framework.

   Implications and comment will only be provided for the following assessed risks.
   
   **Customer Service / Project management / Environment : High and Extreme Risks**
   **Finance / Personal Health and Safety : Medium, High and Extreme Risks**

   Nil

Comments

The completion of the Compliance Audit Return is a statutory requirement, however it is also an excellent assessment tool for testing the City’s internal procedures and practices. The Compliance Audit Return for 2019 has been completed by all relevant staff. The specific areas addressed by the Compliance Audit Return are:

- Commercial Enterprises by Local Governments
- Delegation of Power/Duty
- Disclosure of Interest
- Disposal of Property
- Finance
- Integrated Planning and Reporting
- Local Government Employees
• Official Conduct
• Tenders for Providing Goods and Services

In completing the Compliance Audit Return the responsible staff for the process have checked the relevant supporting documentation against the legislative or regulatory requirements.

There was a minor non-compliance where some Primary and Annual Returns were not received within statutory timeframes.

These related to the following circumstances –

• Some current employees with new delegations received in September 2019 and some officers who had undertaken acting roles (with delegation) had not completed Primary Returns. They have now all been received. One of the Primary Returns was overlooked due to the employee changing from a temporary casual position to permanent.
• A small number of Annual Returns that were late was due to officers being on leave. These have now been received with the exception of one officer being on maternity leave.

Process changes have been introduced to minimise the risk of non-compliance occurring again.

A copy of the Compliance Audit Return is attached for Council adoption.

**Voting Requirements**

Simple Majority

**Officer Recommendation**

That Council *ADOPTS* the Compliance Audit Return for the period 1 January 2019 to 31 December 2019.

**Committee Recommendation**

Moved Cr Hamblin, seconded Cr Whitfield:

That Council *ADOPTS* the Compliance Audit Return for the period 1 January 2019 to 31 December 2019.

Committee Voting (Carried) – 4/0

**The Committee’s Reason for Varying the Officer’s Recommendation**

Not Applicable

**Implications of the Changes to the Officer’s Recommendation**

Not Applicable
## Audit Committee

### Reference No & Subject:

- **File No:** CPM/109
- **Proponent/s:**
- **Author:** Mr John Pearson, Director Corporate Services
- **Other Contributors:**
- **Date of Committee Meeting:** 17 March 2020
- **Previously before Council:**
- **Disclosure of Interest:**
- **Nature of Council’s Role in this Matter:** Executive

### Purpose of Report

To endorse the report addressing the significant matter raised in the Focus Audit - Local Government Management of Contract Renewals or Extensions and Variations.

### Background

On 12 February 2020 the City received a management letter related to the Focus Audit – Local Government Management of Contract Renewals or Extensions and Variations. One significant matter was determined by the Office of the Auditor General (OAG).

The audit was performed by the OAG in July 2019.

The significant matter is regarding variations to contracts not being performed in accordance with the Executive Policy – Contract Management.

### Details

The City's Executive Policy – Contract Management requires variations to be approved as follows:

1. Any variations for the ‘benefit of the principle’ should be approved by the Divisional Director, regardless of dollar value change.

2. Other variations above $20,000 or 15% of total contract considerations should be approved by the Divisional Directors.
The audit concluded that there were 6 instances out of 7 contacts sampled which were not approved in accordance with policy requirements. It was further noted that 2 of the 6 variations were not supported by detailed descriptions of the nature of the variation with associated cost, time and implications as required by associated procedures.

**Implications to Consider**

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<thead>
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<tbody>
<tr>
<td>a.</td>
<td><strong>Consultation with the Community</strong></td>
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<td>It is a requirement to publish a copy of the report addressing the significant matters raised in the management letter on the City’s website following its submission to the Minister (note Legal and Statutory implications).</td>
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<tr>
<td>b.</td>
<td><strong>Consultation with Government Agencies</strong></td>
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<td></td>
<td>The City is to prepare a report addressing any matters identified as significant by the auditor and state what action the local government has taken or intends to take with respect to each of those matters and give a copy of that report to the Minister within 3 months after the audit report is received by the local government.</td>
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<td>c.</td>
<td><strong>Strategic</strong></td>
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<td><strong>Community Plan</strong></td>
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<td>This item addresses the Community’s Vision for the future and specifically the following Aspiration and Strategic Objective(s) contained in the Strategic Community Plan 2019-2029:</td>
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<tr>
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<td><strong>Aspiration 4:</strong> Deliver Quality Leadership and Business Expertise</td>
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<td><strong>Strategic Objective:</strong> Effective governance: Apply systems of governance which empower the Council to make considered and informed decisions within a transparent, accountable, Ethical and compliant environment.</td>
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<td>d.</td>
<td><strong>Policy</strong></td>
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<td>Nil</td>
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<td>e.</td>
<td><strong>Financial</strong></td>
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<td>Nil</td>
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<td>f.</td>
<td><strong>Legal and Statutory</strong></td>
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<td>Section 7.12A (4) of the Local Government Act 1995 requires a local government to;</td>
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<td>(a) Prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and</td>
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<td>(b) Give a copy of that report to the Minister within 3 months after the audit report is received by the local government.</td>
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<td>Section 7.12A (5) requires that within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government’s official website.</td>
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<td>g.</td>
<td><strong>Risk</strong></td>
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<td>All Council decisions are subject to risk assessment according to the City’s Risk Framework.</td>
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<td>Implications and comment will only be provided for the following assessed risks.</td>
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<td>Customer Service / Project management / Environment: High and Extreme Risks</td>
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<td>Finance / Personal Health and Safety: Medium, High and Extreme Risks</td>
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<td>Nil</td>
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**Comments**

The following significant matter was raised by the OAG:

*Rating: Significant

Implication*
• **Contract variations have not been properly approved in accordance with established delegated authorities.** Non-compliance with the approval limits set out in the Executive Policy - Contract Management increases the risk that inappropriate variations may be approved. There is also the possibility that a lower level of scrutiny than mandated may be applied to the evaluations of proposals for contract variations.

• **In the absence of detailed variation proposals, there is a risk that inappropriate variations may be approved due to insufficient information provided to the approvers.**

**Recommendation**

All contract variations should be approved by Officers within their delegated authorisation limits. Further contract variations should be supported by detailed proposals, to ensure that they are approved based on adequate analysis of their cost, time and scope implications”.

The issue of variations occurring to contracts in breach of policy is unacceptable and the significant finding on this matter from the OAG is appropriate.

Explanations were sought from the relevant Directors and their responses included:

• Lack of understanding of policy requirements.

• Innocent mistakes and will learn from the experience of making the mistake.

• A cumbersome process which does not match operational business need.

In response to the significant matter:

1. All Executives have been advised by the Chief Executive Officer of their responsibilities and the requirements that the approved policy must be followed.

2. All Contract Managers, through their Director, were offered further contract management training to better understand contract management policy and procedure requirements.

3. An extra template was made easily available to assist Contract Managers with documenting and seeking appropriate approvals for contract variations.

4. All relevant policies and associated procedures are being reviewed to determine if any changes are required to improve contract management variation performance.

A review of instances were correct approval procedure was not performed as policy requires demonstrated that all variations were made in accordance with the relevant contract requirements (i.e. schedule of rates were charged correctly). This significant matter relates to the process of approval not following the requirements of policy.

### Voting Requirements

Simple Majority

### Officer Recommendation

That Council **ENDORSES** the following report addressing the significant matter raised in the 2019 Focus Audit – Local Government Management of Contract Renewals or Extensions and Variations.


The following significant matter was raised:

“**Rating: Significant**

**Implication**

• **Contract variations have not been properly approved in accordance with established delegated authorities.** Non-compliance with the approval limits set out in the Executive Policy - Contract Management increases the risk that inappropriate variations may be approved. There is also the possibility that a lower level of scrutiny than mandated may be applied to the evaluations of proposals for contract variations.

• **In the absence of detailed variation proposals, there is a risk that inappropriate variations may be approved due to insufficient information provided to the approvers.**

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1 Typographical error corrected.
Recommendation

All contact variations should be approved by Officers within their delegated authorisation limits. Further contract variations should be supported by detailed proposals, to ensure that they are approved based on adequate analysis of their cost, time and scope implications”.

In response to the significant matter the following actions were taken:

1. All Executives have been advised by the Chief Executive Officer of their responsibilities and the requirements that the approved policy must be followed.
2. All Contract Managers, through their Director, were offered further contract management training to better understand contract management policy and procedure requirements.
3. An extra template was made easily available to assist Contract Managers with documenting and seeking appropriate approvals for contract variations.
4. All relevant policies and associated procedures are being reviewed to determine if any changes are required to improve contract management variation performance.

Committee Recommendation

Moved Cr Whitfield, seconded Cr Buchan:

That Council ENDORSES the following report addressing the significant matter raised in the 2019 Focus Audit – Local Government Management of Contract Renewals or Extensions and Variations.


The following significant matter was raised:

*Rating: Significant

Implication

- Contract variations have not been properly approved in accordance with established delegated authorities. Non-compliance with the approval limits set out in the Executive Policy - Contract Management increases the risk that inappropriate variations may be approved. There is also the possibility that a lower level of scrutiny than mandated may be applied to the evaluations of proposals for contract variations.
- In the absence of detailed variation proposals, there is a risk that inappropriate variations may be approved due to insufficient information provided to the approvers.

Recommendation

All contact variations should be approved by Officers within their delegated authorisation limits. Further contract variations should be supported by detailed proposals, to ensure that they are approved based on adequate analysis of their cost, time and scope implications”.

In response to the significant matter the following actions were taken:

1. All Executives have been advised by the Chief Executive Officer of their responsibilities and the requirements that the approved policy must be followed.
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3. An extra template was made easily available to assist Contract Managers with documenting and seeking appropriate approvals for contract variations.
4. All relevant policies and associated procedures are being reviewed to determine if any changes are required to improve contract management variation performance.

Committee Voting (Carried) – 4/0

The Committee’s Reason for Varying the Officer’s Recommendation

Not Applicable

Implications of the Changes to the Officer’s Recommendation

Not Applicable
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<thead>
<tr>
<th></th>
<th>Other Business</th>
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<td>Nil</td>
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<tr>
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<th>Date and Time of Next Meeting</th>
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<td>The next Audit Committee Meeting will be held on a date to be advised.</td>
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<td>There being no further business, the Chairperson thanked those persons present for attending the Audit Committee meeting, and declared the meeting closed at 3:26pm.</td>
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