

Please note: These minutes are yet to be confirmed as a true record of proceedings

CITY OF BUSSELTON

MINUTES FOR THE AUDIT COMMITTEE MEETING HELD ON 5 AUGUST 2019

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MINUTES

MINUTES OF AUDIT COMMITTEE HELD IN THE COMMITTEE ROOM, ADMINISTRATION BUILDING, SOUTHERN DRIVE, BUSSELTON, ON 5 AUGUST 2019 AT 2.00PM.

1. DECLARATION OF OPENING AND ANNOUNCEMENT OF VISITORS

The Presiding Member opened the meeting at 2.02pm.

2. ATTENDANCE

Presiding Member:

Cr Paul Carter

Members:

Cr Grant Henley

Cr Kelly Hick

Officers:

Mr Mike Archer, Chief Executive Officer

Mr Tony Nottle, Director, Finance and Corporate Services

Ms Sarah Pierson, Manager, Governance and Corporate Services

Apologies:

Nil

3. PUBLIC QUESTION TIME

Nil

4. DISCLOSURE OF INTERESTS

Nil

5. CONFIRMATION OF MINUTES

5.1 Minutes of the Audit Committee Meeting held 14 March 2019

COMMITTEE DECISION

AU1908/033 Moved Councillor G Henley, seconded Councillor K Hick

That the Minutes of the Audit Committee Meeting held 14 March 2019 be confirmed as a true and correct record.

CARRIED 3/0

2.06pm

Mr Mike Archer, Chief Executive Officer, entered the meeting at this time.

6. REPORTS

6.1 GOVERNANCE SYSTEMS REVIEW

SUBJECT INDEX:	Governance
STRATEGIC CONTEXT:	Key Goal Area: 6. LEADERSHIP Visionary, collaborative, accountable Objective: 6.1 Governance systems, process and practices are responsible, ethical and transparent.
BUSINESS UNIT:	Corporate Services
ACTIVITY UNIT:	Governance Services
REPORTING OFFICER:	Manager Governance and Corporate Services - Sarah Pierson
AUTHORISING OFFICER:	Director Finance and Corporate Services - Tony Nottle
VOTING REQUIREMENT:	Simple Majority
ATTACHMENTS:	Attachment A List of Recommendations Attachment B Recommendations Status Sheet Attachment C Statement of Business Ethics - Recommendation to CEO Attachment D Extract Industries Local Law - Recommendation to CEO

PRÉCIS

This report presents an update on the progress of the implementation of the recommendations identified in the Governance Systems Review (GSR) undertaken in August 2017 by Mr John Woodhouse LLB B.Juris. The implementation of 50% of the GSR recommendations is a CEO Key Performance Indicator for the 2018/2019 period; this update report provides a report as at the end of July 2019, with the CEO performance review to be undertaken in August 2019.

The GSR recommended improvements in the areas of:

- Council;
- Policies and procedures;
- Procurement and tendering;
- Supporting local business;
- Contracts;
- Misconduct prevention;
- Codes of conduct;
- Gifts;
- Local laws; and
- Internal reporting.

A total of 66 recommendation were made across these nine areas.

In October 2018, the completion of 50% of the recommendations was set as a CEO Key Performance Indicator for 2018/2019. A report on the progress of their implementation was provided to the Audit Committee in March 2019. This report provides a further update as at the end of July 2019 and seeks endorsement of the actions achieved / proposed to date.

STATUTORY ENVIRONMENT

The GSR reviewed the City's performance against various governance requirements of the *Local Government Act 1995* and associated regulations. Comparisons to 'best practice' local governments (generally larger metropolitan Band 1 Councils) were also made. Since that time the *Local Government Amendment Bill 2019* (Amendment Bill) has been introduced to parliament and was

assented to on 5 July 2019. This has impacted on some of the recommendations related to codes of conduct, gifts and misconduct prevention, as detailed under Officer Comment.

RELEVANT PLANS AND POLICIES

As a result of the recommendations of the GSR, the City developed a Policy Framework. This framework has guided our subsequent policy and practice review. This framework is also being further reviewed as part of a continuous improvement approach.

FINANCIAL IMPLICATIONS

There are no financial implications directly associated with the officer recommendation. However, the recommendations of the GSR has and will continue to require resourcing, with significant staff time being dedicated to progressing the recommendations.

LONG-TERM FINANCIAL PLAN IMPLICATIONS

There are no long term financial plan implications associated with the officer recommendation.

STRATEGIC COMMUNITY OBJECTIVES

The officer recommendation primarily aligns with the following Key Goal Area and Community Objective of the City of Busselton's Strategic Community Plan 2017:

- Key Goal Area 6 – LEADERSHIP: Visionary, collaborative, accountable
- 6.1 Governance systems, processes and practices are responsible, ethical and transparent.

RISK ASSESSMENT

The primary purpose of this report is to provide an update with respect to the progress of the recommendations of the GSR; as such there are no applicable or identified risks associated with the officer recommendation. It should be noted that, due to competing priorities, it will take an estimated additional twelve months to fully consider and implement all of the recommendations of the GSR. The consequences of this are minor considering the City's governance practices were assessed as being sound overall.

CONSULTATION

Existing and ongoing consultation both externally and internally will continue to be undertaken as required in relation to the GSR recommendations.

OFFICER COMMENT

The GSR resulted in a total of 66 recommendations, spread across nine areas. It is important to note however that 4 of the policy and procedure recommendations (to review all Council policies, delete inappropriate Council policies, review all OPPs and review 3 protocols) require the review of approximately 155 separate documents.

Progress to date (of the 66 recommendations) is outlined in Table 1 below and further detailed under each subheading. A summary showing the status of each recommendation is also provided at Attachment B.

Measure	Percentage
Recommendations completed	50%
Recommendations partially completed or commenced	9.1%
Recommendations not yet commenced	34.8%
Recommendations proposed for non-adoption	6.1%
TOTAL IMPLEMENTED (completed / not adopted)	56.1%

Council

A total of ten recommendations were made in relation to the Council. In general, these recommendations addressed the ease of access to documents, guidelines, Acts and Regulations, and local laws for Councillors. All ten recommendations were accepted by the CEO and implementation was completed by December 2018.

Policies and procedures

A total of six recommendations were made in relation to Policies and Procedures. The recommendations included the development of a new organisational policy framework and a thorough review of all Council policies, OPP's and protocols, of which there are approximately 155.

A new policy framework is in place setting out the purpose of a Council policy as opposed to operational practice documents, and 45% of the total number of documents have been reviewed. 55% of Council policies have been reviewed. Through use of the new policy framework and the review process to date, several additional areas of improvement have been identified. The policy framework is currently being re-evaluated, with the aim of providing improved clarity and education to staff in relation to policy development and improving the overall review process, particularly in relation to consultation. This will result in improved policy outcomes, but is expected to extend the overall timeframe for achievement of all six recommendations out by approximately twelve months.

Procurement and tendering

The GSR made seven recommendations in relation to procurement and tendering policies, including the amalgamation of several separate policies into one, the development of a new OPP, review and revision of the City's Regional Price Preference policy and the management and availability of evaluation and pricing information for tenders.

Four of the seven recommendations are now complete with a revised Purchasing Policy, Regional Price Preference Policy and a new Procurement Selection Criteria SMP. The recommendation to delegate to the CEO the authority to make a Purchasing Policy has not, as previously reported, been actioned with the policy retained as a Council Policy. The two remaining recommendations are progressing; relating to the award of tenders and the incorporation of currently confidential evaluation assessments and submitted prices into the Council report. A pro-forma report template is being developed for the award of tenders with the proposal being to include the summarised evaluation assessment and the successful tenderers price only.

Supporting local business

A recommendation to review the City's current approach to supporting local business through policy was implemented by July 2018, along-side the review of Council policies and the implementation of the new Procurement Selection Criteria SMP. A local benefit criteria with a fixed weighting of 5 percent was included in this selection criteria SMP. In addition, the Finance Committee is now being provided with quarterly reports in relation to the supplier of origin. Suppliers have been split into 3 separate categories, Busselton, South West and other.

Contracts

The GSR made nine recommendations in the area of contracts, covering off issues in relation to variations, appointment of superintendents, management and document control. In addressing these recommendations, officers have developed a suite of standard contracts. Officers have also considered the appointment of a panel of superintendents but, as previously reported, have determined not to proceed with this given the limited number of projects that would require such an appointment. Officers have however developed an operational practice to guide officers as to when a superintendent might be appointed and the process for this. The remaining six recommendations, relating to the implementation of practices and procedures, are pending a wider review of current processes and systems.

Misconduct prevention

Eleven recommendations were made in relation to the City's misconduct prevention systems and processes. As previously reported officers have completed three of the recommendations, provision for the appointment of an internal auditor within the City's workforce plan (currently scheduled for 2022/2023), a review of the credit card policy and testing of the City's key financial controls. A number of the other recommendations align more closely with a review of the codes of conduct and therefore will be considered and implemented under that area. The development of a misconduct prevention strategy document will be considered post the review of the codes of conduct, however, as an interim measure a misconduct prevention policy is proposed, pending recommendation of the Policy and Legislation Committee.

Codes of conduct

In total, five recommendations were made to improve the City's codes of conduct. A review of the current codes has commenced but has stalled as a result of the Amendment Bill, which sets out new and quite specific requirements in relation to the incorporation of a Model Code for elected members and candidates. Under the new provisions there will be limited flexibility to deviate from the Model Code, which is still being developed; hence progression of this action is on hold. Similarly the Code of Conduct for employees will be required to contain prescribed matters, the final form of which is unclear at this stage.

In relation to the recommendation to develop of a Statement of Business Ethics for contractors, the City already outlines requirements for suppliers to act with integrity in its procurement processes; for example it is an express term of the City's formal request for quotation and tender process that the intending supplier undertakes that they have not canvassed or communicated with any officer in connection with providing their quote / tender. For this reason, and as further outlined in the attached memo to the CEO (Attachment C), it is recommended that a Statement of Business Ethics not be developed.

Gifts

The GSR made six recommendations relating to gifts to employees. Of those, two are completed, the development and provision of guidance information on the City's intranet and establishment of a regular review of the gift register by the CEO and Senior Management Group. The remaining recommendations are pending, with the Amendment Bill enacting significant changes to in relation to the disclosure and treatment of gifts. Officers will progress implementation of those changes over the next three months via review of the codes of conduct and subsequent induction / training of staff and elected members.

Local laws

A total of nine recommendations were made for improvements to the City's local laws. Six were in relation to the review of the City's Standing Orders Local Law. These have been completed. A further recommendation was to consider the need for an Extractive Industries Local Law. Officers have considered this and, further to a briefing held with Council, and as per the attached memo to the CEO (Attachment D), officers do not consider that an extractive industries local law would

usefully add controls which are not available under the planning scheme regime. Hence it is proposed that this recommendation is complete.

Officers are continuing to consider progression of a new local law under the Bush Fires Act 1954 and expect to have completed this assessment by the end of October 2019. The final recommendation, to develop a new Council policy for the Property Local Law, is unlikely to be completed until the bulk of the current Council policies are reviewed.

Internal reporting

The GSR made two recommendations in relation to internal reporting – to document the CEO's expectation of Directors and the Directors' expectations for Managers within the organisation. In effect these recommendations require the formalisation of a more structured internal performance reporting system / methodology. Consideration is being given as to what sort of system / methodology might suit the City's needs, although this has had a reduced focus in light of other work priorities.

Other

While there were no recommendations in relation to delegations or employee culture, there is and has been a large amount of work undertaken in these two areas, with both identified internally as areas where improvement was required.

In relation to delegations, a number of gaps have been identified as compared to best practice and in response a number of delegations from Council to the CEO have been reviewed. Additionally delegations from the CEO to officers have also been reviewed and updated. A new delegations register which combines both levels of delegations has been developed and will be implemented post the statutory review of delegations in August 2019. Processes in relation to issuing of delegations have also been reviewed.

With respect to employee culture, the CEO, in 2018, determined that there was a need to better understand the current levels of engagement amongst staff and what impacts the organisational culture has on engagement and ultimately performance. Work has been underway in relation to this since mid-2018 and is progressing well.

CONCLUSION

This report presents an update on the progress of the implementation of the recommendations identified in the GSR. With a current total implementation percentage of 56.1% and a number of additional items significantly progressed, progress to date is considered to be satisfactory. A further twelve months will be required to complete implementation of all of the recommendations, noting that a number are pending finalisation of the amendments to the *Local Government Act 1995*.

OPTIONS

The Committee / Council could request that additional information is provided.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

Not applicable given the nature of this report and the recommendation.

COMMITTEE DECISION AND OFFICER RECOMMENDATION

AU1908/034 Moved Councillor G Henley, seconded Councillor K Hick

That the Council:

- 1. notes the progress of the implementation of the Governance Systems Review recommendations; and**
- 2. acknowledges that 56% of recommendations have been implemented or addressed.**

CARRIED 3/0

6.2 CITY OF BUSSELTON ANNUAL FINANCIAL REPORT - INTERIM AUDIT RESULTS FOR THE YEAR ENDING 30 JUNE 2019

SUBJECT INDEX:	Annual Financial Report
STRATEGIC CONTEXT:	Key Goal Area: 6. LEADERSHIP Visionary, collaborative, accountable Objective: 6.1 Governance systems, process and practices are responsible, ethical and transparent.
BUSINESS UNIT:	Governance Services
ACTIVITY UNIT:	Governance Services
REPORTING OFFICER:	Governance Coordinator - Emma Heys
AUTHORISING OFFICER:	Director Finance and Corporate Services - Tony Nottle
VOTING REQUIREMENT:	Simple Majority
ATTACHMENTS:	Attachment A Interim Audit Management Letter

PRÉCIS

The City has received the Interim Audit results for the Annual Financial Report (Attachment A), for the year ending 30 June 2019 from the Office of the Auditor General.

The purpose of this report is to inform Council of the findings and recommendations made by the Auditor in the evaluation of the City's internal control environment, key business processes and risks that are relevant to the audit of the annual financial report and Managements response to those recommendations.

BACKGROUND

Pursuant to Section 7.9 of the *Local Government Act* (the Act), an Auditor is required to examine the accounts and annual financial report submitted for audit and by the 31 December of the following year, prepare a report and forward a copy of that report to:

- (a) The Mayor or President;
- (b) The CEO of the local government; and
- (c) The Minister

In accordance with Regulation 10 (4) of the Local Government (Audit) Regulations, where it is considered appropriate to do so, the Auditor may prepare a Management Report to accompany the Auditor's report, which is also to be forwarded to the persons specified in Section 7.9 of the Act.

The Office of Auditor General conducted an Interim Audit at the City offices on 13th May – 15th May 2019 and provided an Interim Audit Management Letter dated 24 June 2019, detailing their findings on the effectiveness of the City's internal controls, key business processes and risks, relevant to select areas of audit of the annual financial report.

The detailed findings of each area of audit are described in the Officer Comment section of this report.

STATUTORY ENVIRONMENT

Matters relating to the Interim Audit Results for the Annual Financial Report, for the year ending 30 June 2019 are detailed within:

- The *Local Government Act 1995*;
- The *Local Government (Financial Management) Regulations 1996*; and
- The *Local Government (Audit) Regulations 1996*.

RELEVANT PLANS AND POLICIES

A number of plans and policies are relevant to the areas of audit and the resultant findings detailed within the Interim Audit Management Letter received from the Office of the Auditor General.

FINANCIAL IMPLICATIONS

There are no financial implications associated with the officer recommendation.

LONG-TERM FINANCIAL PLAN IMPLICATIONS

There are no long term financial plan implications associated with the officer recommendation.

STRATEGIC COMMUNITY OBJECTIVES

The officer recommendation primarily aligns with the following Key Goal Area and Community Objective of the City of Busselton's Strategic Community Plan 2017:

Key Goal Area 6 – LEADERSHIP: Visionary, collaborative, accountable
6.1 Governance systems, processes and practices are responsible, ethical and transparent.

RISK ASSESSMENT

The Interim Audit is a risk control mechanism and the ratings and recommendations made in the Interim Audit Management Letter seek to mitigate the risks identified in the select audit areas, and as such, there are no identified risks associated with the officer recommendation.

CONSULTATION

No external consultation was considered necessary in relation to this matter.

OFFICER COMMENT

The Interim Audit Management Letter makes recommendations on the following audit areas:

- (a) General Journals;
- (b) Monthly Reconciliations;
- (c) Review of Council Minutes;
- (d) Receipting Procedures – Art Geo;
- (e) Council Policies; and
- (f) Lodgement of Annual Returns.

Ratings in the management letter are based on the Auditor's assessment of risks in relation to the consequential outcome if action is not taken. The rating key is as follows:

- (a) Significant – those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly;
- (b) Moderate – those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable; and
- (c) Minor – those findings that are not of primary concern but still warrant action being taken.

General Journals

The Auditors given rating was Significant for this audit area and the recommendation was for all general journals to be signed as evidence of review and approval and for general journals to be retained in one register.

The recommendation is required to be completed by 31 July 2019.

In response to this finding, the development of a Staff Management Practice has been finalised.

Monthly Reconciliations

The Auditors given rating was Moderate for this audit area and the recommendation was for all key accounts to be reconciled on a regular basis.

The recommendation is required to be completed by 31 August 2019.

In response to this finding, the development of a Staff Management Practice is being finalised and the creation of new reconciliation files is being undertaken.

Review of Council Minutes

A rating of Moderate was given for this audit area. The Auditor's recommendation to adopt a standard work practice of presenting minutes at the following Council meeting has already been implemented by staff.

The recommendation was required to be completed by 30 June 2019.

Receipting Procedures – Art Geo

The Auditors given rating was Moderate and a recommendation to ensure proper signing and review by two employees has now been included in the procedure for Art Geo's daily banking reconciliations.

The recommendation was required to be completed by 30 June 2019.

Council Policies

A rating of Minor was given for this audit area.

The Auditor's finding was in reference to Sundry Debtors-Debt Recovery and Motor Vehicle policies not being reviewed in accordance with the scheduled review dates. Further, a recommendation was made in reference to the development of an outstanding debt collection policy, and more broadly, the review of policies and procedures in accordance with "stated dates, including updating references to applicable legislation and standards as changes arise".

The recommendation for the development of a new Council policy in respect to the collection of outstanding rates will be implemented through the Policy and Legislation Committee.

A scheduled program to review policy documents (meaning both Council and administrative level documents) is currently being developed.

Lodgement of Annual Returns

The Auditors given rating was Minor. No further action is required to satisfy the recommendation that all annual returns for designated employees are to be lodged by 31 August each year, as a robust procedure has been implemented by staff to achieve this. The incidence reported by the Auditor was despite this procedure being implemented and was ultimately outside of the City's control.

The recommendation was required to be completed by 30 June 2019.

CONCLUSION

The City has received the Interim Audit Management Letter, detailing the findings of six audit areas and providing recommendations for each. Council are required to consider the findings, recommendations and the management responses of each of those audit areas. The Interim Audit Management Letter is provided at Attachment A for further information.

OPTIONS

The Council may request further information and action regarding each audit area.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

All actions resulting from the recommendations made in the Interim Audit Management Letter are either finalised or in the process of being completed by 30 September 2019.

OFFICER RECOMMENDATION

Council are required to consider the findings, recommendations and the Management responses of each of the six audit areas detailed within the Interim Audit Management Letter included at Attachment A.

COMMITTEE DECISION AND AMENDED OFFICER RECOMMENDATION

AU1908/035 Moved Councillor K Hick, seconded Councillor G Henley

That the Committee acknowledge and receive the Interim Audit Management Letter and management responses as contained in Attachment A.

CARRIED 3/0

Reason: Amended by officers to clarify that the recommendation is for the Committee to acknowledge and receive.

2.34pm Mr Mike Archer, Chief Executive Officer, left the meeting at this time.

7. GENERAL DISCUSSION ITEMS

Nil

7. NEXT MEETING DATE

TBA

8. CLOSURE

The meeting closed at 3.03pm.

THESE MINUTES CONSISTING OF PAGES 1 TO 13 WERE CONFIRMED AS A TRUE AND CORRECT RECORD ON _____.

DATE: _____ PRESIDING MEMBER: _____