

TOWN OF BASSENDEAN

MINUTES

AUDIT AND GOVERNANCE COMMITTEE

HELD BY ELECTRONIC MEANS IN ACCORDANCE WITH REGULATION 12(2) AND
14(D) OF THE LOCAL GOVERNMENT (ADMINISTRATION) REGULATIONS 1996

ON WEDNESDAY 9 MARCH 2022, AT 5.30PM

1.0 DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

The Presiding Member, opened the meeting, welcomed all those in attendance and conducted an Acknowledgement of Country.

2.0 ANNOUNCEMENTS BY THE PRESIDING PERSON WITHOUT DISCUSSION

Nil

3.0 ATTENDANCES, APOLOGIES AND APPLICATIONS FOR LEAVE OF ABSENCE

Present

Members

Cr Hilary MacWilliam, Presiding Member
Cr Renee McLennan, Deputy Presiding Member
Cr Kathryn Hamilton, Mayor
Cr Paul Poliwka
Patrick Eijkenboom
Kim Stewart

Staff/Consultants

Peta Mabbs, Chief Executive Officer
Paul White, Director Corporate Services
Elizabeth Kania, Manager Governance & Strategy
Ron Back, Advisor to the Committee
Jay Teichert, Office of the Auditor General
Amy Holmes, Minute Secretary

4.0 DECLARATIONS OF INTEREST

Nil

5.0 PRESENTATIONS OR DEPUTATIONS

Nil

6.0 CONFIRMATION OF MINUTES

6.1 Audit and Governance Meeting held on 8 December 2021

COMMITTEE/OFFICER RECOMMENDATION – ITEM 6.1

MOVED Cr McLennan, Seconded Patrick Eijkenboom, that the minutes of the Audit and Governance Committee meeting held on 8 December 2021, be confirmed as a true record.

CARRIED UNANIMOUSLY 6/0

7.0 BUSINESS DEFERRED FROM PREVIOUS MEETING

Nil

8.0 REPORTS

Item No. 8.1	Independent Auditor's Report 2020/2021 – Significant Adverse Trends
Property Address (if applicable)	N/A
Landowner/Applicant (if applicable)	N/A
File Ref/ROC	GOVN/CCLMEET/1
Previous Council Reports (if applicable)	N/A
Directorate	Corporate Services
Authority/Discretion <input type="checkbox"/> <input checked="" type="checkbox"/>	
<input type="checkbox"/> Advocacy	When the Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.
<input type="checkbox"/> Executive	The substantial direction setting and oversight role of the Council. e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
<input type="checkbox"/> Legislative	Includes adopting local laws, town planning schemes and policies.
<input checked="" type="checkbox"/> Review	When the Council operates as a review authority on decisions made by Officers for appeal purposes.
<input type="checkbox"/> Quasi-Judicial	When the Council determines an application/matter that directly affects a person's right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of Quasi-Judicial authority include town planning applications, building

	licences, applications for other permits/licences (eg under <i>Health Act, Dog Act</i> or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.
Attachment No. 1	<ul style="list-style-type: none">• OAG Independent Auditor's Report 2020/2021• Draft Report to the Minister for Local Government – Ratios

Purpose

The purpose of this report is to inform Council, through the Audit and Governance Committee, of the action the Town has taken, or intends to take, with respect to matters identified as significant by the Auditor General and the Town's external auditor, RSM Australia, for 2020/2021.

Background

RSM Australia conducted the audit of the Town's Annual Financial Report for 2020/2021 from September to November 2021. The Auditor General reviewed the Annual Financial Report in December 2021. The draft Independent Auditor's Report was tabled at the meeting of the Committee on 8 December 2021 and received by Council on 21 December 2021.

The Auditor General formed the opinion that the annual financial report of the Town:

- (i) *is based on proper accounts and records; and*
- (ii) *fairly represents, in all material respects, the results of the operations of the Town for the year ended 30 June 2020 and its financial position at the end of that period in accordance with the Local Government Act 1995 (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.*

The Auditor General did, however, identify significant adverse trends in the financial position of the Town:

- *The Asset Sustainability Ratio has been below the Department of Local Government, Sport and Cultural Industries (DLGSCI) standard for the last three financial years.*
- *The Operating Surplus Ratio has been below the DLGSCI standard for the last three financial years.*

Proposal

For the Committee to receive the draft report to the Minister for Local Government and recommend to Council that it be provided to the Minister and made available on the Town's website.

Communication and Engagement

Publish the report to the Minister on the Town's website.

Strategic Implications

Priority Area 6: Providing Visionary Leadership and Making Great Decisions

<p>Make brave decisions in line with a risk appetite</p>	<ul style="list-style-type: none"> • Early identification of potential risks / issues/opportunities • Embed opportunity cost considerations 	<p>SHORT TERM</p> <ul style="list-style-type: none"> • Efficient and effective Council meetings • Defensible decision making that is based on the identification of opportunities and benefits as well as negative impacts <p>LONG TERM</p> <ul style="list-style-type: none"> • Examples of being first adopters
--	---	--

Comment

The administration is aware of the continuing adverse movement in these two ratios, the reversal of which requires a whole of Town approach to asset management and long-term financial and operational planning. The Town has conducted a comprehensive review of its asset management plans and is undertaking a holistic review of its long-term financial plan to identify opportunities for capital renewal and replacement in the coming years. The Town will continue to explore further sources of own source revenue and is closely managing operating expenditure.

Asset Sustainability Ratio

The Asset Sustainability Ratio is an approximation of the extent to which assets are being renewed or replaced as the assets reach the end of their useful lives. It is calculated by measuring capital expenditure on renewal or replacement of assets, relative to depreciation expense.

The DLGSCI standard is met if the Asset Sustainability Ratio is 0.90.

The Auditor General, in its Independent Auditor's Report for 2020/2021, reported that the Town's Asset Sustainability Ratio has been below the DLGSCI standard for the past three years:

	Town of Bassendean			DLGSC Standard
	2021	2020	2019	
Asset Sustainability Ratio	0.15	0.15	0.26	0.90

The Asset Sustainability Ratio can be improved by:

- Increasing expenditure on capital renewal and replacement;
- Reviewing fair market value asset measurement; and
- Reviewing depreciation rates.

The Town has continued to prioritise capital expenditure in its Annual Budget for 2021-2022 on upgrades to Town assets and new assets. Consequently, budgeted expenditure for capital asset renewal and replacement is relatively low and the Asset Sustainability Ratio is expected to remain low for 2021/2022.

The Town regularly reviews its fair market value asset measurement as part of the asset revaluation process. In accordance with the Australian Accounting Standards and *Local Government (Financial Management) Regulations 1996*, the fair value of fixed assets must be determined at least every five years. Depreciation rates are reviewed and adjusted, if appropriate, at the end of each reporting period. The Town will complete a revaluation of its Land and Buildings and Infrastructure assets by 30 June 2022, which will ensure the depreciation and asset values are correctly presented.

Operating Surplus Ratio

The Operating Surplus Ratio is a measure of a local government's ability to cover its operational costs and have revenues available for capital funding or other purposes. It is calculated by measuring operating surplus (operating revenue minus operating expenses) relative to own source operating revenue.

Own source operating revenue means revenue from rates, service charges, fees and user charges, reimbursements and recoveries, interest income and profit on disposal of assets.

The DLGSCI standard is met if the Operating Surplus Ratio is 0.01.

The Auditor General, in its Independent Auditor's Report for 2020/2021 reported that the Town's Operating Surplus Ratio has been below the DLGSCI standard for the past three years:

	Town of Bassendean			DLGSC Standard
	2021	2020	2019	
Operating Surplus Ratio	-0.09	-0.15	-0.10	0.01

The Operating Surplus Ratio can be improved by increasing own source revenue and reducing operating expenditure. The ratio was adversely affected in 2020/2021 by stagnant rates revenue and falling interest income, while operational costs kept rising. The Operating Surplus Ratio improved slightly in 2020/2021, mainly due to the stimulus by State Government on residential buildings resulting in a significant increase in fees from building approvals and development applications.

The Town will explore further sources of own source revenue as part of its long-term financial planning and a critical review of its fees and charges structure and will continue to identify opportunities to reduce operating expenditure. It is quite possible, however, that the Operating Surplus Ratio will remain below the standard in the short-to-medium-term, due to cost pressures and limited revenue sources.

Statutory Requirements

The Local Government Act 1995, section 7.12A, relevantly states:

- (3) *A local government must –*
- (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*
 - (b) *give a copy of that report to the Minister within 3 months after the audit report is received by the local government.*
- (4) *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.*

Financial Considerations

Significant funding to meet costs associated with improving both ratios will be required in the 2022/2023 Annual Budget and beyond. With current border restrictions in place, WA has been impacted by significant increase in its cost structures which will need to be considered as part of the 2022/23 Annual Budget deliberations.

Risk Management Implications

There is a risk with continued under-investment in capital asset renewal and replacement programs that asset condition will deteriorate which may result in failure of assets and/or significant future remedial expenditure.

Continued low results for the Operating Surplus Ratio means that the Town is heavily reliant on third-party funding to deliver capital projects, while maintaining service levels to the community.

The Director Corporate Services commented that the Town has continued to fall short with the Operating Surplus Ratio but the Town is working hard to turn this around and is hopeful of improvement over the next couple of years.

Ron Back suggested that COVID 19 issues should be reflected in the report to the Minister as this has affected the Town's position.

Cr Poliwka suggested that Council considers increasing asset renewal expenditure in relation to assets which have been earmarked for long term retention by the Town through its Asset Management Strategy.

Cr Hamilton commented that a review of the Land Asset Strategy could be undertaken more frequently to ascertain if there's any capacity to dispose of unused assets.

Cr Poliwka moved the officer recommendation with the addition of a Point 3.

Committee/Officer Recommendation – Item 8.1

AGC-1/03/22

MOVED Cr Poliwka, Seconded Cr Hamilton, that the Audit and Governance Committee recommends to Council that:

1. Council receives the draft Report to the Minister for Local Government and provides the report, attached to the Audit and Governance Committee Agenda of 9 March 2022, to the Minister; and
2. A copy of the Report to the Minister, attached to the Audit and Governance Committee Agenda of 9 March 2022, be made available on the Town's website.
3. **Council considers increasing asset renewal expenditure in relation to assets which have been earmarked for long term retention by the Town through its Asset Management Strategy.**

CARRIED UNANIMOUSLY 6/0

Item No. 8.2	Town of Bassendean Compliance Audit Return 2021
Property Address (if applicable)	N/A
Landowner/Applicant (if applicable)	N/A
File Ref/ROC	
Previous Council Reports (if applicable)	GOVR/LREGLIA/15
Directorate	Chief Executive
Authority/Discretion <input type="checkbox"/> <input checked="" type="checkbox"/>	
<input type="checkbox"/> Advocacy	When the Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.
<input type="checkbox"/> Executive	The substantial direction setting and oversight role of the Council. e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
<input checked="" type="checkbox"/> Legislative	Includes adopting local laws, town planning schemes and policies.
<input type="checkbox"/> Review	When the Council operates as a review authority on decisions made by Officers for appeal purposes.

<input type="checkbox"/> Quasi-Judicial	When the Council determines an application/matter that directly affects a person's right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of Quasi-Judicial authority include town planning applications, building licences, applications for other permits/licences (eg under <i>Health Act, Dog Act</i> or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.
Attachment No. 2	Town of Bassendean Compliance Audit Return 2021

Purpose

The purpose of this report is for the Audit and Governance Committee to consider the Local Government 2021 Compliance Audit Return (CAR) for the Town of Bassendean for the period 1 January 2021 to 31 December 2021 and recommend that Council adopt the Return.

Background

All Local Governments are required to submit an annual Compliance Audit Return (CAR) to the Department of Local Government, Sport and Cultural Industries by 31 March each year for the previous calendar year. The CAR is used to measure the level of compliance with the *Local Government Act 1995* and associated Regulations.

Proposal

That the Committee consider the Local Government 2021 CAR for the Town of Bassendean for the period 1 January 2021 to 31 December 2021 and recommend its adoption by Council.

Communication and Engagement

The CAR was tabled at the 28 February 2022 Corporate Management Committee meeting for consideration and approval. Relevant staff were requested to complete those questions of the CAR that related to their service areas. All responses were then collated and incorporated into the CAR by the designated officer.

Strategic Implications

Priority Area 6: Providing Visionary Leadership and Making Great Decisions

Reinforce a culture of collaboration, trust and demarcation between Council, administration and the community	<ul style="list-style-type: none"> • Build understanding and support for the vision and Strategic Community Plan • Demonstrate clear connections between the 	SHORT TERM <ul style="list-style-type: none"> • Openness and transparency of decision making • Enhanced staff morale
---	--	--

	<p>Strategic Community Plan, project and business as-usual services and operations</p> <ul style="list-style-type: none"> • Create an organisational culture of performance, innovation and excellence • Develop shared values between Council, administration and the community 	<ul style="list-style-type: none"> • Staff have appropriate strategic direction • Agreement on the link between projects and Strategic Community Plan • General alignment regarding values
Foster an environment of innovation and leadership	<ul style="list-style-type: none"> • Foster an environment of innovation, where people are encouraged to contribute • Foster leadership: harness the talent of individuals • Recognise and reward innovation and leadership 	<p>SHORT TERM</p> <ul style="list-style-type: none"> • Councillors and staff feel empowered to make appropriate decisions • Professional development for staff and councillors • Inductions to professional networks <p>LONG TERM</p> <ul style="list-style-type: none"> • Recognition of excellence by other organisations

Comment

Each Local Government Authority is required to complete a CAR for the period 1 January 2021 to 31 December 2021. The CAR must be submitted to the Director General of the Department by 31 March 2022. The return is one of the tools that allows Council to monitor how the organisation is functioning. It places emphasis on the need to bring to Council's attention issues of noncompliance, or issues where full compliance was not achieved. In addition to explaining or qualifying cases of noncompliance, the return also requires Council to endorse any remedial action taken or proposed to be taken in regard to instances of non-compliance. The document contains over 100 questions in order to assess a local government's compliance with the legislative framework.

Under regulation 14 of the *Local Government (Audit) Regulations 1996*, sub regulation (3A) the audit committee is to review the CAR and report to council the results of that review. The CAR is then to be presented to the Council and adopted by Council and the resolution recorded in the minutes.

The compliance areas include:

TOPIC	NUMBER OF QUESTIONS
Commercial Enterprises by Local Governments	5
Delegation of Power / Duty	13
Disclosure of Interest	25
Disposal of Property	2

Elections	3
Finance	7
Integrated Planning & Reporting	3
Local Government Employees	6
Official Conduct	3
Optional Questions	9
Tenders for Providing Goods and Services	22

In the previous reporting period, the Town had disclosed five areas of non-compliance. In the current reporting period, the Town achieved compliance in all areas.

Statutory Requirements

Local Government (Audit) Regulations 1996

Regulation 14

- (1) A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.
- (2) After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.
- (3A) The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.
- (3) After the audit committee has reported to the council under subregulation (3A), the compliance audit return is to be —
 - (a) presented to the council at a meeting of the council; and
 - (b) adopted by the council; and
 - (c) recorded in the minutes of the meeting at which it is adopted.

15. Certified copy of compliance audit return and other documents to be given to Departmental CEO

- (1) After the compliance audit return has been presented to the council in accordance with regulation 14(3) a certified copy of the return together with —
 - (a) a copy of the relevant section of the minutes referred to in regulation 14(3)(c); and
 - (b) any additional information explaining or qualifying the compliance audit, is to be submitted to the Departmental CEO by 31 March next following the period to which the return relates.
- (2) In this regulation — certified in relation to a compliance audit return means signed by —
 - (a) the mayor or president; and
 - (b) the CEO.

Financial Considerations

Nil.

Risk Management Implications

Failure to adopt the Compliance Audit Return within the statutory timeframes will place the Town in breach of the Act. This could lead to reputational damage both within the community and with the Department.

The Manager Governance and Strategy advised that this this year the Town has complied with all areas of the Return.

Committee/Officer Recommendation – Item 8.2
AGC-2/03/22

MOVED Cr MacWilliam, Seconded Patrick Eijkenboom, that the Committee recommends that Council adopts the Local Government 2021 Compliance Audit Return for the Town of Bassendean for the period 1 January 2021 to 31 December 2021, as attached to this report.

CARRIED UNANIMOUSLY 6/0

Item No. 8.3	Purchasing Policy – Amendment to Sole Supplier Provisions
Property Address (if applicable)	NA
Landowner/Applicant (if applicable)	NA
Ref	GOVN/CCLMEET/1
Directorate	Corporate Services
Authority/Discretion	<input type="checkbox"/> <input checked="" type="checkbox"/>
<input type="checkbox"/> Advocacy	When the Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.
<input checked="" type="checkbox"/> Executive	The substantial direction setting and oversight role of the Council. e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
<input type="checkbox"/> Legislative	Includes adopting local laws, town planning schemes & policies.
<input type="checkbox"/> Review	When the Council operates as a review authority on decisions made by Officers for appeal purposes.
<input type="checkbox"/> Quasi-Judicial	When the Council determines an application/matter that directly affects a person's right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of Quasi-Judicial authority include town planning applications, building licences, applications for other permits/licences (eg under Health Act, Dog Act or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.
<input type="checkbox"/> Information	For the Council/Committee to note.
Attachment No. 3	Draft Amended Purchasing Policy

Purpose

The purpose of this report is to propose amendments to the Sole Supplier provisions of the Town's Purchasing Policy, for review by the Audit & Governance Committee.

Background

Council resolved at the Ordinary Council Meeting in August 2021, to amend the Town's Delegations Register to reduce the delegated authority of the Chief Executive Officer to determine a sole supplier arrangement, from \$250,000 to \$50,000.

The Purchasing Policy was subsequently amended to align with the Delegations Register and Council adopted the amended Purchasing Policy at the Ordinary Council Meeting in September 2021.

Proposal

That the Committee endorse the proposed amendments to the Purchasing Policy and recommend to Council that it adopts the Draft Amended Purchasing Policy.

Communication and Engagement

Nil.

Strategic Implications

Priority Area 6: Providing Visionary Leadership and Making Great Decisions

<p>Reinforce a culture of collaboration, trust and demarcation between Council, administration and the community.</p>	<ul style="list-style-type: none"> • Build understanding and support for the vision and Strategic Community Plan • Demonstrate clear connections between the Strategic Community Plan, project and business as usual services and operations • Create an organisational culture of performance, innovation and excellence • Develop shared values between Council, administration and the community 	<p>SHORT TERM</p> <ul style="list-style-type: none"> • Openness and transparency of decision making • Enhanced staff morale • Staff have appropriate strategic direction • Agreement on the link between projects and Strategic Community Plan • General alignment regarding values
---	---	--

Comment

For the CEO to approve a sole supplier arrangement for between \$5,000 and \$50,000, the current Purchasing Policy requires that:

- The purchasing requirement has been documented in a detailed specification;
- The specification has been extensively market tested and only one potential supplier has been identified as being capable of meeting the specified purchase requirement;
- The market testing process and outcomes of supplier assessments are documented; and
- The sole supplier arrangement is for a maximum period of one year.

The Town has a robust Purchasing Policy and Procurement Framework. One of the objectives of this framework is to balance the management of procurement risk, with the efficient achievement of strategic and operational objectives. The Administration considers that the current requirements of the Purchasing Policy are too restrictive to apply to the lower level of delegated authority to the CEO and may operate to inhibit the operational objectives of Council.

For example, when adopting the annual budget for 2021/22, Council approved a budget of \$5,000 for the Town to subscribe to an external grants service. The proposal was for the external grants service to make provision for a Town of Bassendean branded portal on the website for Council, Administration, businesses, sporting clubs and community groups to access in researching and ultimately applying for grants. Market research conducted by officers established that only one provider is able to satisfy all of the Town's requirements, including the requirement for a Town-branded portal.

The provider has offered the Town a three-year subscription, at a total cost of \$7,500 (\$2,500 per year). The CEO is unable to approve the sole supplier arrangement, as it is for a period greater than one year. The Town is able to secure the subscription for one year, at an additional cost of \$1,500 (\$4,000). The CEO may approve that sole supplier arrangement under the current Purchasing Policy, however the effect of doing so is to incur additional expense to the Town.

It is open for the Administration to prepare a report to Council to seek Council's approval to depart from the Town's Purchasing Policy. However, to do so in circumstances such as those described is inefficient in terms of service delivery and overly burdensome, given all project expenditure is necessarily aligned to Council endorsed projects.

The proposed amendments to the Purchasing Policy remove the requirement for market testing and extend the maximum period for a sole supplier arrangement to three years. The CEO must be satisfied that, because of the unique nature of the goods or services required or for any other reason, it is unlikely there is more than one potential supplier; the requirement first having been documented in a detailed specification for approval by the CEO.

The draft amended Purchasing Policy is considered to more effectively balance procurement risk with efficient achievement of operational objectives, given a low threshold of \$50,000 over a maximum of three years.

Statutory Requirements

Local Government (Functions and General) Regulations 1996

11A. Purchasing policies for local governments

- (1) A local government is to prepare or adopt, and is to implement, a purchasing policy in relation to contracts for other persons to supply

- goods or services where the consideration under the contract is, or is expected to be, \$250,000 or less or worth \$250,000 or less.
- (2) A purchasing policy is to make provision for and in respect of the policy to be followed by the local government for, and in respect of, entering into contracts referred to in subregulation (1).
- (3) A purchasing policy must make provision in respect of —
- (a) the form of quotations acceptable; and
 - (ba) the minimum number of oral quotations and written quotations that must be obtained; and
 - (b) the recording and retention of written information, or documents, in respect of —
 - (i) all quotations received; and
 - (ii) all purchases made.

Financial Considerations

Adoption of the amended Purchasing Policy does not have any financial impact.

Councillors will continue to be notified of any proposed procurement valued at greater than \$20,000 via the CEO Bulletin and procurement activity will continue to be conducted in accordance with approved budgets.

Risk Management Implications

The Purchasing Policy provides a balance between managing procurement risk with efficient achievement of operational objectives.

The Purchasing Policy will be reviewed periodically to ensure it continues to meet Council's risk profile and business objectives.

The Director Corporate Services advised that the administration is looking to relax the requirements for a sole supplier exemption that currently hinder operational efficiency. There will still be a need for a written report to satisfy the CEO that, because of the unique nature of the goods or services required or for any other reason, there is unlikely to be more than one potential supplier. It is recommended the Policy be amended to reflect this.

Cr Hamilton requested that Councillors be advised whenever the new sole supplier exemption is enacted and moved the officer recommendation with the addition of a Point 2.

Committee/Officer Recommendation – Item 8.3 **AGC-3/03/22**

MOVED Cr Hamilton, Seconded Cr McLennan, that

1. The Audit and Governance Committee recommends to Council that it adopts the draft Amended Purchasing Policy, as attached to this report.
2. **The Administration will notify Councillors when the sole supplier exemption is exercised.**

CARRIED BY AN ABSOLUTE MAJORITY 6/0

Item No. 8.4	Risk Management Policy and Framework
Property Address (if applicable)	N/A
Landowner/Applicant (if applicable)	N/A
File Ref/ROC	
Previous Council Reports (if applicable)	
Directorate	Chief Executive
Authority/Discretion <input type="checkbox"/> <input checked="" type="checkbox"/>	
<input type="checkbox"/> Advocacy	When the Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.
<input type="checkbox"/> Executive	The substantial direction setting and oversight role of the Council. e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
<input checked="" type="checkbox"/> Legislative	Includes adopting local laws, town planning schemes and policies.
<input type="checkbox"/> Review	When the Council operates as a review authority on decisions made by Officers for appeal purposes.
<input type="checkbox"/> Quasi-Judicial	When the Council determines an application/matter that directly affects a person's right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of Quasi-Judicial authority include town planning applications, building licences, applications for other permits/licences (eg under <i>Health Act</i> , <i>Dog Act</i> or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.
Attachment No. 4	<ul style="list-style-type: none"> • Current Risk Management Policy • Draft Risk Management Policy
Confidential Att No. 1	Risk Management Framework

Purpose

The purpose of this report is for the Audit and Governance Committee to consider and if satisfied, recommend to Council adoption of the proposed Risk Management Policy and Framework.

Background

In July 2019, Moore Stephens, the Town’s internal auditors, identified in its report on the Town’s compliance with regulation 17 of the *Local Government (Audit) Regulations 1996*, that the Town’s risk management systems required development and improvement. As a consequence, it was recommended that the Town develop a formal risk management framework to support its risk management policy. It was also recommended that the risk management policy be reviewed as a priority.

The commencement of this work has been the review of the Risk Management Policy. The Town adopted a Risk Management Policy in September 2017. The policy was due to be reviewed in May 2020. The current policy was found to be inadequate to meet the Town’s needs to address issues of risk management. Work commenced on the development of a comprehensive risk management framework for the Town in 2020. The policy formed part of this process. This work seeks to embed risk management within the Town’s operational activities through the development of a Risk Management Framework.

The new policy that has been drafted looks to embed risk management within the organisation. The Framework has recently been completed. This document was developed utilizing previous work that the Town had conducted with the assistance of LGIS.

Proposal

That the Committee recommends that Council adopts the Risk Management Policy and Risk Management Framework, as attached to this report.

Communication and Engagement

The proposed policy was presented at the Corporate Management Committee for their consideration and feedback at its meeting dated 28 February 2022. The feedback received was noted and amendments were made.

Strategic Implications

Priority Area 6: Providing Visionary Leadership and Making Great Decisions

<p>Reinforce a culture of collaboration, trust and demarcation between Council, administration and the community</p>	<ul style="list-style-type: none"> • Build understanding and support for the vision and Strategic Community Plan • Demonstrate clear connections between the Strategic Community Plan, project and business as-usual services and operations • Create an organisational culture of performance, innovation and excellence 	<p>SHORT TERM</p> <ul style="list-style-type: none"> • Openness and transparency of decision making • Enhanced staff morale • Staff have appropriate strategic direction • Agreement on the link between projects and Strategic Community Plan • General alignment regarding values
--	--	--

	<ul style="list-style-type: none"> • Develop shared values between Council, administration and the community 	
Foster an environment of innovation and leadership	<ul style="list-style-type: none"> • Foster an environment of innovation, where people are encouraged to contribute • Foster leadership: harness the talent of individuals • Recognise and reward innovation and leadership 	<p>SHORT TERM</p> <ul style="list-style-type: none"> • Councillors and staff feel empowered to make appropriate decisions • Professional development for staff and councillors • Inductions to professional networks <p>LONG TERM</p> <ul style="list-style-type: none"> • Recognition of excellence by other organisations

Comment

The Town is currently looking at the appropriateness and effectiveness of its systems and procedures in relation to risk management to fulfil its obligations under reg. 17 of the *Local Government (Audit) Regulations 1996*. Risk management is important to achieving the Town's objectives through continuous review of its processes and systems. To that end, the Town is required to ensure that it establishes a risk management framework and has a formal process for managing risks. The policy and Framework embed the Town's approach to risk management.

1. Current Risk Management Policy

The current policy was found to be lacking in guidance and in establishing the responsibilities for risk within the organisation in a mature manner. It did not refer to matters such as risk appetite, strategic alignment with the Town's priorities, or risk mitigation. It is deemed appropriate that the current Risk Management Policy be revoked and replaced with the draft policy. The draft policy addresses these matters that were found to be lacking in the current policy and ties in with the Risk Management Framework that has been developed.

2. Risk Management Framework

All Local Governments are required to develop and adopt a Risk Management Framework. This forms part of the statutory planning requirements under the IPR legislation. With the Strategic Community Plan, the Corporate Business Plan, Long-term financial plan, Workforce Plan, and the Asset Management Plan, the Risk Management Framework creates value for the Town and the community, contributing to the demonstrated achievement of the Town's strategic objectives.

The risk management framework establishes the boundaries within which risks are managed and provides the scope of the risk management assessment. The risk management context for the organisation needs to be aligned with the

structure, capacity, strategic direction and business planning objectives of the Town. Before the Town is able to embark on a risk assessment the risk management context needs to be identified and the framework established.

The CEO is required to review the risk management system triennially to ensure its appropriateness and effectiveness.

In accordance with the auditor's recommendation the Town has reviewed its risk management policy as part of a formalised risk management framework establishing the risk management context.

Statutory Requirements

Local Government Act 1995 section 2.7 – Role of Council.

*Local Government (Audit) Regulations 1996
Regulation 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; and
(b) internal control; and
(c) legislative compliance.*
- (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.*
- (3) The CEO is to report to the audit committee the results of that review.*

Financial Considerations

Nil.

Risk Management Implications

Failure to adopt an adequate Risk Management Policy and Framework places the Town at risk of non-compliance with its legislative responsibilities, and with its ability to adequately prepare for and address risks within the organisation and for the local government district. Adoption of the proposed policy and framework will assist efforts to improve the governance arrangement at the Town and meet statutory obligations.

The CEO advised that there will be regular monitoring and reporting through the Manager Governance Strategy to the Corporate Management Committee to the Audit and Governance Committee and then to Council.

Committee/Officer Recommendation – Item 8.4
AGC-4/03/22

MOVED Cr McLennan, Seconded Patrick Eijkenboom, that the Audit and Governance Committee recommends that Council:

1. Repeals the current Risk Management Policy as contained as an attachment to the report.
2. Adopts the draft Risk Management Policy as contained as an attachment to the report; and
3. Adopts the draft Risk Management Framework as contained as an attachment to the report; and
4. Notes the Risk Profile and Reporting Tool as contained as an attachment to the report.

CARRIED UNANIMOUSLY 6/0

Item No. 8.5	Fraud and Corruption Control Framework
Property Address (if applicable)	N/A
Landowner/Applicant (if applicable)	N/A
File Ref/ROC	GOVN/CCLMEET/1
Previous Council Reports (if applicable)	N/A
Directorate	Corporate Services
Authority/Discretion <input type="checkbox"/> <input checked="" type="checkbox"/>	
<input type="checkbox"/> Advocacy	When the Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.
<input type="checkbox"/> Executive	The substantial direction setting and oversight role of the Council. e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
<input checked="" type="checkbox"/> Legislative	Includes adopting local laws, town planning schemes and policies.
<input type="checkbox"/> Review	When the Council operates as a review authority on decisions made by Officers for appeal purposes.
<input type="checkbox"/> Quasi-Judicial	When the Council determines an application/matter that directly affects a person's right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of Quasi-Judicial authority include town planning applications, building licences, applications for other permits/licences (eg under <i>Health Act</i> , <i>Dog Act</i> or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.
Attachment No. 5	Draft Fraud and Corruption Policy
Confidential Att No. 2	Draft Fraud and Corruption Control Plan

Purpose

The purpose of this report is to present a draft Fraud and Corruption Policy and draft Fraud and Corruption Control Plan to the Audit and Governance Committee for review.

Background

Following an audit of accounts payable and purchasing at the Town in 2020, the Town's internal auditor at the time Moore Stephens, recommended that the Town develop a Fraud and Corruption Control Plan to mitigate against both operational and financial fraud risk.

In response, the Town has prepared a draft Fraud and Corruption Policy and draft Fraud and Corruption Control Plan. This Fraud and Corruption Control Framework forms part of the Town's Risk Management Framework, which is the subject of a separate report to this Committee.

Proposal

That the Committee endorses the draft Fraud and Corruption Control Plan and recommends to Council that it adopts the draft Fraud and Corruption Policy.

Communication and Engagement

The draft Fraud and Corruption Policy and Fraud and Corruption Control Plan was developed in consultation with the Manager Governance and Strategy, Manager Finance, Manager Human Resources and Coordinator Procurement. The Town's Corporate Management Committee endorsed the draft policy and plan on 28 February 2022, for presentation to this Committee.

Strategic Implications

Priority Area 6: Providing Visionary Leadership and Making Great Decisions

<p>Make brave decisions in line with a risk appetite</p>	<ul style="list-style-type: none"> • Early identification of potential risks / issues/opportunities • Embed opportunity cost considerations 	<p>SHORT TERM</p> <ul style="list-style-type: none"> • Efficient and effective Council meetings • Defensible decision making that is based on the identification of opportunities and benefits as well as negative impacts <p>LONG TERM</p> <ul style="list-style-type: none"> • Examples of being first adopters
--	---	--

Comment

The draft Fraud and Corruption Control Policy seeks to clearly state the Town's zero tolerance approach to fraud and corruption. The Policy applies to employees, Elected Members and external parties involved in the provision of goods or services to the Town. All employees, Elected Members and external parties dealing with the Town have an obligation to support efforts to reduce the

risk of fraud or corruption by demonstrating behaviors that align to the Town's values, and by acting with integrity and professionalism in undertaking their functions.

The draft Fraud and Corruption Policy and draft Fraud and Corruption Control Plan are core elements of good governance and establish an effective structure to address fraud and corruption risks and to detect and respond to incidences of suspected fraud and corruption in accordance with the best practice principles outlined in Australian Standard AS8001-2021 – 'Fraud and Corruption Control'.

The Fraud and Corruption Control Plan is a comprehensive plan to assist the Town to prevent, detect and respond to incidences of fraud or corruption. It prescribes roles and responsibilities for fraud and corruption control and details the required prevention, detection and response measures.

To fully implement the draft Fraud and Corruption Control Plan, a number of actions are required, including:

- Fraud and Corruption risk assessment;
- Enhanced reporting mechanisms;
- Creation and maintenance of a Fraud and Corruption Incident Register; and
- Revised induction and exit procedures and improved fraud and corruption awareness training.

The Town will undertake regular analysis of incidents reported and carefully consider any required changes to policies, procedures, processes and internal controls. Trends will be reported to the Audit and Governance Committee.

Statutory Requirements

Corruption, Crime and Misconduct Act 2003

The Chief Executive Officer of the Town has a duty to notify the Corruption and Crime Commission in writing of any matter which the CEO suspects on reasonable grounds concerns or may concern serious misconduct (Section 28). Serious misconduct includes fraud and corruption.

An appropriate Fraud and Corruption Control Plan, with effective measures in place to prevent, detect and respond to suspected fraud or corruption is essential to enable the CEO to discharge this duty to notify the CCC.

Financial Considerations

Implementation of some elements of the action plan to give effect to the draft Fraud and Corruption Control Plan may require additional funds and will be the subject of separate budget submissions as and when required. The Town's Purchasing Policy and Procurement Framework will govern any required engagements.

Risk Management Implications

The risks of fraud and corruption are well-known and ever-present. While core fraud and corruption risks tend to remain reasonably constant, methodologies continue to evolve. Studies show that fraud and corruption risk is heightened in times of economic hardship and uncertainty, and it is reasonable to expect an increased level of risk as a result of the COVID pandemic.

PWC reported that 35% of Australian respondents to their 2020 Global Economic Crime and Fraud Survey had experienced a fraud event in the past two years. While the economic cost is skewed toward the private sector, PWC reported that 62% of those organisations lost over \$1.4m to fraud in the previous two years.

A robust fraud and corruption control framework is effective in mitigating fraud and corruption risk. Effective internal controls, informed by a fraud and corruption risk assessment and supported by an anti-fraud and corruption culture and appropriate training is effective in mitigating fraud and corruption risk and in facilitating early detection should incidents occur.

The Director Corporate Services explained that the policy framework is designed around three pillars of Prevention, detection at the earliest possible point and appropriate response. The framework will be reviewed every two years and brought back to Council through this committee. Under the policy and plan all elected members will need to be made aware of the requirements and it will form part of the Council induction process.

Committee/Officer Recommendation – Item 8.5
AGC-5/03/22

MOVED Cr McLennan, Seconded Cr Hamilton, that the Audit and Governance Committee:

1. Endorses the draft Fraud and Corruption Control Plan, attached to this report, and recommends to Council that it endorse the draft Fraud and Corruption Control Plan; and
2. Adopts the draft Fraud and Corruption Policy, attached to this report, and recommends to Council that it adopts the draft Fraud and Corruption Policy.

CARRIED UNANIMOUSLY 6/0

Item No. 8.6	Audit Risk Register
Property Address (if applicable)	N/A
Landowner/Applicant (if applicable)	N/A
File Ref/ROC	GOVN/CCLMEET/1
Previous Council Reports	N/A

(if applicable)	
Directorate	Corporate Services
Authority/Discretion <input type="checkbox"/> <input checked="" type="checkbox"/>	
<input type="checkbox"/> Advocacy	When the Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.
<input type="checkbox"/> Executive	The substantial direction setting and oversight role of the Council. e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
<input type="checkbox"/> Legislative	Includes adopting local laws, town planning schemes and policies.
<input checked="" type="checkbox"/> Review	When the Council operates as a review authority on decisions made by Officers for appeal purposes.
<input type="checkbox"/> Quasi-Judicial	When the Council determines an application/matter that directly affects a person's right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of Quasi-Judicial authority include town planning applications, building licences, applications for other permits/licences (eg under <i>Health Act, Dog Act</i> or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.
Confidential Att No. 3	Audit Risk Register

Purpose

The purpose of this report is to provide the Audit and Governance Committee with the Town's Audit Risk Register, with updated actions since the meeting of the Committee on 8 December 2021.

Background

Creation of an Audit Risk Register was a recommendation arising from the 2019 review of the appropriateness and effectiveness of the Town's systems and procedures in relation to risk management, internal controls and legislative compliance pursuant to Regulation 17 of the *Local Government (Audit) Regulations 1996*.

Proposal

For the Audit and Governance Committee to receive the Audit Risk Register and consider the action taken or proposed to address the identified risks.

Communication and Engagement

Nil.

Strategic Implications

Priority Area 6: Providing Visionary Leadership and Making Great Decisions

<p>Make brave decisions in line with a risk appetite</p>	<ul style="list-style-type: none"> • Early identification of potential risks / issues/opportunities • Embed opportunity cost considerations 	<p>SHORT TERM</p> <ul style="list-style-type: none"> • Efficient and effective Council meetings • Defensible decision making that is based on the identification of opportunities and benefits as well as negative impacts <p>LONG TERM</p> <ul style="list-style-type: none"> • Examples of being first adopters
--	---	--

Comment

The Audit Risk Register presents a summary of the audit risks and recommendations made in recent internal and external audit reports relating to the Town and provides an update on actions taken or proposed to address the identified risks.

The Audit Risk Register has been updated, following feedback from Committee members at the last meeting in December 2021 to:

- Include risks identified during the audit of the Town's Annual Financial Report for 2020/21;
- Include the risk rating, as classified by the relevant auditor;
- Re-order risks according to risk rating; and
- Archive risks that have been addressed by the Administration.

The Audit Risk Register will continue to be updated and provided for each meeting of the Committee.

Statutory Requirements

Local Government (Audit) Regulations 1996, Regulation 16, states:

An audit committee has the following functions —

- (a) to guide and assist the local government in carrying out —
 - (i) its functions under Part 6 of the Act; and
 - (ii) its functions relating to other audits and other matters related to financial management;
- (b) to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;
- (c) to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to —
 - (i) report to the council the results of that review; and
 - (ii) give a copy of the CEO's report to the council;
- (d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —
 - (i) regulation 17(1); and
 - (ii) the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);

- (e) to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;
- (f) to oversee the implementation of any action that the local government —
 - (i) is required to take by section 7.12A(3); and
 - (ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and
 - (ii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and
 - (iv) has accepted should be taken following receipt of a report of a review conducted under the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);
- (g) to perform any other function conferred on the audit committee by these regulations or another written law.

Financial Considerations

Implementation of some audit recommendations may require additional funds and will be the subject of separate budget submissions as and when required. The Town's Purchasing Policy and Procurement Framework will govern any required engagements.

Risk Management Implications

Nil.

The Director Corporate Services advised that the format of the audit risk register has been amended following feedback from this committee.

Committee/Officer Recommendation – Item 8.6 **AGC-6/03/22**

MOVED Cr McLennan, Seconded Cr Poliwka, that the Audit and Governance Committee receives the Audit Risk Register and notes the action taken or proposed to address the identified risks.

CARRIED UNANIMOUSLY 6/0

9.0 MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil

10.0 ANNOUNCEMENTS OF NOTICES OF MOTION FOR THE NEXT MEETING

Nil

11.0 CONFIDENTIAL BUSINESS

Nil

12.0 CLOSURE

For information, the Director Corporate Services advised that the Audit Planning Memorandum for the upcoming financial year will be circulated to committee members once the draft has been received, with the final memorandum tabled at the next scheduled meeting of the Committee.

The next Audit and Governance Committee meeting is to be held on Wednesday 8 June 2022, commencing at 5.30pm.

There being no further business, the Presiding Member closed the meeting at 6.57pm.