

# Audit & Risk Committee Meeting

Minutes for Monday 19 June 2017

**UNCONFIRMED**



**shire of  
kalamunda**

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## MINUTES

### 1.0 OFFICIAL OPENING

The Presiding Member opened the meeting at 7.06pm and welcomed Councillors and Staff.

### 2.0 ATTENDANCE, APOLOGIES AND LEAVE OF ABSENCE PREVIOUSLY APPROVED

#### 2.1 Attendance

##### Councillors

Sara Lohmeyer	North West Ward
Dylan O'Connor	(Presiding Member) North West Ward
Sue Bilich	North Ward
Tracy Destree	North Ward
Michael Fernie	South East Ward
John Giardina	South East Ward
Geoff Stallard	South East Ward
Allan Morton	South West Ward
Brooke O'Donnell	South West Ward
Noreen Townsend	South West Ward

##### Members of Staff

Rhonda Hardy	Chief Executive Officer
Dennis Blair	Director Asset Services
Gary Ticehurst	Director Corporate & Community Services
Darrell Forrest	Manager Governance, Strategy & Legal Services
Simon Di Rosso	General Counsel & Executive Advisor, Governance & Legal
Rajesh Malde	Manager Financial Services
Donna McPherson	Executive Research Officer to Chief Executive Officer
Nicole O'Neill	Public Relations Coordinator
Carrie Parsons	Manager Customer & Public Relations
Sara Slavin	Council Support Officer

**Members of the Public** 2

**Members of the Press** Nil.

#### 2.2 Apologies

##### Councillors

Andrew Waddell JP (Shire President) North West Ward

##### Members of Staff

Natalie Martin Goode Director Development Services

2.3 **Leave of Absence Previously Approved** Nil.

### **3.0 PUBLIC QUESTION TIME**

A period of not less than 15 minutes is provided to allow questions from the gallery on matters relating to the functions of this Committee. For the purposes of Minuting, these questions and answers are summarised.

3.1 Nil.

### **4.0 PETITIONS/DEPUTATIONS**

4.1 Nil.

### **5.0 CONFIRMATION OF THE MINUTES OF PREVIOUS MEETING**

5.1 That the Minutes of the Audit & Risk Committee Meeting held on 20 March 2017, as published and circulated, are confirmed as a true and accurate record of the proceedings.

Moved: **Cr Sara Lohmeyer**

Seconded: **Cr Brooke O'Donnell**

Vote: **CARRIED UNANIMOUSLY (10/0)**

### **6.0 ANNOUNCEMENTS BY THE PRESIDING MEMBER WITHOUT DISCUSSION**

6.1 Nil.

### **7.0 MATTERS FOR WHICH MEETING MAY BE CLOSED**

7.1 Nil.

### **8.0 DISCLOSURE OF INTERESTS**

#### **8.1 Disclosure of Financial and Proximity Interests**

- a. Members must disclose the nature of their interest in matters to be discussed at the meeting. (Section 5.65 of the *Local Government Act 1995*.)
- b. Employees must disclose the nature of their interest in reports or advice when giving the report or advice to the meeting. (Section 5.70 of the *Local Government Act 1995*.)

8.1.1 Nil.

#### **8.2 Disclosure of Interest Affecting Impartiality**

- a. Members and staff must disclose their interest in matters to be discussed at the meeting in respect of which the member or employee had given or will give advice.

8.2.1 Nil.

**9.0 REPORTS TO COUNCIL**

Please Note: declaration of financial/conflict of interests to be recorded prior to dealing with each item.

**Declaration of financial / conflict of interests to be recorded prior to dealing with each item.**

**03. Financial Management Review 2017**

Previous Items	
Responsible Officer	Director Corporate & Community Services
Service Area	Internal Audit
File Reference	
Applicant	Nil
Owner	Nil
Attachment 1	Financial Management Review to June 2017
Attachment 2	Internal Audit Risk Register
Attachment 3	Internal Audit Plan

**EXECUTIVE SUMMARY**

1. The purpose of this report is to provide Council with the findings and recommendations arising out of the Financial Management Review on the appropriateness and effectiveness of the financial management systems and procedures required at least once every four financial years under *Local Government (Financial Management) Regulation 5(2)(c)*.
2. As part of the Internal Audit program the Shire conducts regular reviews of the appropriateness and effectiveness of financial systems and procedures. The details of the Financial Management Review are reported each quarter to Council and four yearly to the Department of Local Government and Communities.
3. The details of the Financial Management Review will form the report provided to the Department of Local Government and Communities (Attachment 1).
4. The Financial Management Review did not identify any significant issues regarding the Shire's Financial Management Systems or procedures.

**BACKGROUND**

5. The Financial Management Systems of the Shire were reviewed and tested and a report of the findings and recommendations has been prepared for the Audit and Risk Committee on the appropriateness and effectiveness of the internal control environment.
6. Details of the findings of the Financial Management Review have been presented to management and Table A outlines the details of the audit recommendations together with the management response relating to the March – June 2017 quarter.
7. The findings of previously conducted Financial Management Reviews is outlined in Table B.
8. To ensure the timely actioning and resolution of audit recommendations, agreed actions are captured and reported in the Audit Risk Register.

## DETAILS

9. During the April – June 2017 period, the following Financial Management Reviews were conducted:
- Petty Cash and Cash Floats**  
Reviewed the effectiveness of the internal controls for safeguarding and control of petty cash and cash floats.
10. **Assets - Fixed Assets**  
Reviewed the effectiveness of the internal controls for the acquisition, recording and disposal of fixed assets.
11. **Liabilities - Employee Provisions**  
Reviewed the effectiveness of controls and procedures for recording of employee provisions.
12. **Bank Reconciliations**  
Reviewed bank reconciliation working papers for the period ending 28 February 2017.
13. **Investments**  
Reviewed the effectiveness of controls for the investment of Shire funds.
14. **Mail Remittances and Cash Receipts**  
Reviewed the effectiveness of controls for mail remittances and cash receipts at the administrative office.
15. **Budget Reviews 2016/2017**  
Established whether the Shire complied with the statutory requirement of undertaking a budget review between 1 January and 31 March.
16. **Long Term Financial Plan**  
Reviewed the Long Term Financial Plan for legislative compliance.

## STATUTORY AND LEGAL CONSIDERATIONS

17. *Local Government Act 1995*  
*Local Government (Financial Management) Regulations 1996*  
*Local Government (Functions and General) Regulations 1996*  
*State Records Act 2000*  
*Fringe Benefits Tax Assessment Act 1986*

## POLICY CONSIDERATIONS

18. The review required existing policies to be updated. These included the Purchasing Council Policy and Procedures, and Provision and Management of Light Vehicles Council Policy and Procedures.

## **COMMUNITY ENGAGEMENT REQUIREMENTS**

### **Internal Referrals**

19. The findings of the Financial Management Review were discussed with the relevant business unit with recommendations and management responses recorded in the Internal Audit Risk Register (Attachment 2).

### **External Referrals**

20. Nil.

## **FINANCIAL CONSIDERATIONS**

21. The implementations of the recommendations will reduce exposure to financial risk and reduce the risk of financial loss to the Shire, and ensure the Shire is compliant with legislative requirements.

## **STRATEGIC COMMUNITY PLAN**

### **Strategic Planning Alignment**

22. *Kalamunda Advancing: Strategic Community Plan to 2023*

OBJECTIVE 6.3 To lead, motivate and advance the Shire of Kalamunda.

Strategy 6.3.3 Regularly review the organisations structure and procedures in response to changing circumstances.

Strategy 6.8.4 Provide effective financial services to support the Shire's operations and to meet sustainable planning, reporting and accountability requirements.

### **Social Implications**

23. Nil.

### **Economic Implications**

24. Nil.

### **Environmental Implications**

25. Nil.



## RISK MANAGEMENT CONSIDERATIONS

26.

<b>Risk:</b> Petty cash and cash floats are adequately safeguarded and transactions are valid.		
<b>Likelihood</b>	<b>Consequence</b>	<b>Rating</b>
Possible	Insignificant	Low
<b>Action / Strategy</b>		
Cash held in secure location, reimbursed regularly and reviewed.		
<b>Risk:</b> Fixed assets not being sustained long term.		
<b>Likelihood</b>	<b>Consequence</b>	<b>Rating</b>
Possible	Moderate	Medium
<b>Action / Strategy</b>		
Asset management plan being brought up to date to sustain assets long term.		
<b>Risk:</b> Employee provisions not being accurately recorded and controlled.		
<b>Likelihood</b>	<b>Consequence</b>	<b>Rating</b>
Possible	Insignificant	Low
<b>Action / Strategy</b>		
Employee provisions regularly reviewed by person independent from data entry.		
<b>Risk:</b> Bank Reconciliations not being performed regularly and independently reviewed.		
<b>Likelihood</b>	<b>Consequence</b>	<b>Rating</b>
Possible	Insignificant	Low
<b>Action / Strategy</b>		
Bank reconciliations are undertaken monthly and independently reviewed.		
<b>Risk:</b> Poor investment decisions and potential loss of capital and income.		
<b>Likelihood</b>	<b>Consequence</b>	<b>Rating</b>
Unlikely	Moderate	Low
<b>Action / Strategy</b>		
Power to invest is in accordance with policy and to meet cash flow requirements and regularly reviewed.		
<b>Risk:</b> Mail remittances not recorded and banked promptly.		
<b>Likelihood</b>	<b>Consequence</b>	<b>Rating</b>
Unlikely	Moderate	Low
<b>Action / Strategy</b>		
All mail remittances recorded by records and processes promptly by front counter staff and banked promptly.		
<b>Risk:</b> Statutory budget reviews not being undertaken between January and March		
<b>Likelihood</b>	<b>Consequence</b>	<b>Rating</b>
Possible	Moderate	Low
<b>Action / Strategy</b>		
Shire undertook a statutory budget review in January 2017.		

<b>Risk:</b> Long Term Financial Plan not reviewed and updated in accordance with legislative requirements.		
<b>Likelihood</b>	<b>Consequence</b>	<b>Rating</b>
Unlikely	Moderate	Low
<b>Action / Strategy</b>		
Long Term Financial Plan reviewed and updated each year with the annual budget in accordance with legislative requirements.		

**OFFICER COMMENT**

- 27. The Financial Management Review was conducted in accordance with the Internal Audit Plan (Attachment 3) to examine the appropriateness and effectiveness of the financial management systems and procedures of the Shire on behalf of the CEO as required by *Regulation 5 (2)(c) of the Local Government (Financial Management) Regulations 1996*. The review is required to be undertaken once every four financial years with the last review completed in August 2014.
- 28. The Financial Management Review did not identify any significant issues regarding the Shire’s Financial Management Systems and procedures. There were some areas identified that will enhance the Shire’s control environment and improve operational efficiency.

*Queries were clarified for Cr Tracy Destree and Cr Dylan O’Connor. Cr Tracy Destree specifically asked for the Risk Matrix to be included in future reports, this was agreed to by the Director Corporate & Community Services.*

**Voting Requirements: Simple Majority**

**COMMITTEE RECOMMENDATION TO COUNCIL (A&R 03/2017)**

That Council:

- 1. Receives and notes the findings and recommendations contained in the Internal Auditors Financial Management Review for the period July 2014 to June 2017 (Attachment 1).

Moved: **Cr Geoff Stallard**

Seconded: **Cr Sara Lohmeyer**

Vote: **CARRIED UNANIMOUSLY (10/0)**

**Attachment 1 – Financial Management Review 2017**

Financial Management Review 2017

[Click HERE to go directly to the document](#)

**Attachment 2 – Financial Management Review 2017**

Internal Audit Risk Register

[Click HERE to go directly to the document](#)

**Attachment 3 – Financial Management Review 2017**

Internal Audit Plan

[Click HERE to go directly to the document](#)

**Declaration of financial / conflict of interests to be recorded prior to dealing with each item.**

**04. Adoption of Policy – Related Party Disclosures**

Previous Items	N/A
Responsible Officer	Director Corporate & Community Services
Service Area	Finance
File Reference	
Applicant	N/A
Owner	N/A
Attachment 1	Council Policy – Related Party Disclosures (RPT) Policy and relevant templates
Attachment 2	Related Party Disclosures Management Procedure

**EXECUTIVE SUMMARY**

1. The *Local Government (Financial Management) Regulations 1996 section 5A* requires that the annual budget, annual financial report and other financial reports of a local government must comply with the Australian Accounting Standards.
2. This report seeks Council to adopt the Related Party Disclosures (RPT) Policy and Templates (Attachment 1) in line with the first time adoption of Australian Accounting Standards Board (AASB) 124 – Related Party Disclosures.
3. This report seeks Council to note the Related Party Disclosures Management Procedure (Attachment 2).

**BACKGROUND**

4. From 1 July 2016, the AASB has determined that AASB 124 Related Party Disclosures will apply to government entities, including local governments.
5. Council is required to disclose Related Party Relationships and Key Management Personnel (KMP) compensation in its Annual Financial Statements.
6. For the purposes of this policy, KMP represents all persons having authority and responsibility for planning, directing and controlling the activities of Council.

Specifically, key management personnel of Council are:

- a) Shire President;
  - b) Councillors;
  - c) The Chief Executive Officer;
  - d) The Directors of each department; and
  - e) Senior Manager's with delegated authority.
7. The purpose of this policy is to define the parameters for Related Party Relationships and the level of disclosure and reporting required for the Shire to achieve compliance with the Australian Accounting Standard AASB 124 - Related Party Disclosures.

## DETAILS

8. From 1 July 2016, the Australian Accounting Standards Board has determined that AASB 124 Related Party Disclosures will apply to government entities, including local governments.

9. A Related Party Transaction is defined as a transfer of resources, services or obligations between the Shire and a related party, regardless of whether a price is charged.

Examples of related party transactions are:

- (a) purchases or sales of goods;
- (b) purchases or sales of property and other assets;
- (c) rendering or receiving of services;
- (d) rendering or receiving of goods;
- (e) leases;
- (f) transfers under licence agreements;
- (g) transfers under finance arrangements (example, loans);
- (h) provision of guarantees (given or received);
- (i) commitments to do something if an event occurs or does not occur in the future;
- (j) settlement of liabilities on behalf of Council or by the Shire on behalf of that related party.

10. The objective of the policy is to disclose the existence of certain related party relationships and related party transactions concerning key management personnel, their close family members and entities controlled or jointly controlled by any of them, and information about the transactions who have significant influence over the Shire's operations, necessary for users to understand the potential effects on the financial statements are properly identified, recorded in Shires' systems, and disclosed in Shires' general purpose financial statements in compliance with the AASB 124.

11. AASB 124 provides that Council must disclose all material and significant Related Party Transactions in its Annual Financial Statements by aggregate or general description and include the following detail:

- the nature of the related party relationship; and
- relevant information about the transactions including:
  - the amount of the transaction;
  - the amount of outstanding balances, including commitments, and
  - their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in the settlement; and
  - details of any guarantee given or received;
  - provision for doubtful debts related to the amount of outstanding balances; and
  - the expense recognised during the period in respect of bad or doubtful debts due from related parties.

All transactions involving Related Parties will be captured and reviewed to determine materiality or otherwise.

Ordinary Citizen Transactions (OCT's) are not required to be disclosed in the financial statements

Generally, OCT's are amounts receivable from and payable to KMP or their related parties which:

- occur within normal employee, customer or supplier relationships and at arm's length; and
- are not material or significant.

Disclosures that Related Party Transactions were made on terms equivalent to an arm's length transaction can only be made if such terms can be substantiated.

## **STATUTORY AND LEGAL CONSIDERATIONS**

12. *Local Government (Financial Management) Regulations 1996* requires the Shire to prepare its general purpose financial statements in compliance with the relevant Australian Accounting Standards applicable for the reporting period.

The information provided will ensure anonymity and will not disclose private information. It does not replace requirements of the Annual Return.

## **POLICY CONSIDERATIONS**

13. The development and adoption of appropriate Policies aligned to the strategic objectives of Council and the current operational environment of the Shire, will assist the Council in its governance role.

## **COMMUNITY ENGAGEMENT REQUIREMENTS**

### **Internal Referrals**

14. The Policy and Management Procedure has been developed with input from Financial Services, Internal Audit and Governance, Strategy and Legal Services Business Units.

### **External Referrals**

15. The Shire has requested guidelines from the Department of Local Government and Communities and the external auditors, Grant Thornton. At this point neither entity has provided any advice or guidance.

## **FINANCIAL CONSIDERATIONS**

16. It is not expected that this policy will result in any additional expenditure or specific budgetary requirements.

## STRATEGIC COMMUNITY PLAN

### Strategic Planning Alignment

17. *Kalamunda Advancing: Strategic Community Plan to 2023*

OBJECTIVE 6.3: To lead, motivate and advance the Shire of Kalamunda.

Strategy 6.3.3 Regularly review the organisation's structure, policies and procedures in response to changing circumstances.

## SUSTAINABILITY

### Social Implications

18. Nil.

### Economic Implications

19. Nil.

### Environmental Implications

20. Nil.

## RISK MANAGEMENT CONSIDERATIONS

21.	<b>Risk:</b> Non-Compliance with the relevant Australian Accounting Standards will resulting a possible regulatory breach.						
	<table border="1"><thead><tr><th>Likelihood</th><th>Consequence</th><th>Rating</th></tr></thead><tbody><tr><td>Unlikely</td><td>Moderate</td><td>Low</td></tr></tbody></table>	Likelihood	Consequence	Rating	Unlikely	Moderate	Low
Likelihood	Consequence	Rating					
Unlikely	Moderate	Low					
	<b>Action / Strategy</b>						
	Ensure that all relevant Standards are followed when presenting the Annual Financial Report.						

## OFFICER COMMENT

22. It is necessary for the Shire to commence the actual data collection for disclosure purposes in the Annual Financial Report for Financial Year ending 30 June 2017. After consulting the external and internal resources the Policy is designed to meet the prescribed disclosure requirements under AASB 124.

<b>Voting Requirements: Simple Majority</b>
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**COMMITTEE RECOMMENDATION TO COUNCIL (A&R 04/2017)**

That Council:

1. Adopts the Related Party Disclosures Policy and relevant templates (Attachment 1).
2. Notes the Related Party Disclosures Management Procedure (Attachment 2).

Moved: **Cr Geoff Stallard**

Seconded: **Cr Michael Fernie**

Vote: **CARRIED UNANIMOUSLY (10/0)**



**Attachment 1 – Adoption of Policy – Related Party Disclosures**

Council Policy – Related Party Disclosures (RPT) Policy and relevant templates

[Click HERE to go directly to the document](#)

**Attachment 2 – Adoption of Policy – Related Party Disclosures**

Related Party Disclosures Management Procedure

[Click HERE to go directly to the document](#)

**Declaration of financial / conflict of interests to be recorded prior to dealing with each item.**

**05. Sundry Debtor Write-Off 2016/17**

Previous Items	
Responsible Officer	Director Corporate & Community Services
Service Area	Finance
File Reference	
Applicant	N/A
Owner	N/A

**EXECUTIVE SUMMARY**

1. To consider the write off of sundry debts for the period 2016/17 totalling \$21,504.60, identified as uncollectable.
2. The sundry debts consist of:
  - High Wycombe Markets, \$3,022.88; and
  - 1 Union Rd, Carmel for \$18,481.72.

**BACKGROUND**

3. The Shire has a documented Policy and Management Procedure in regards to debt collection. All requirements of the Policy and Management Procedure have been adhered to in an attempt to collect the debt.
4. Under Council Delegation LGA 7, the Chief Executive Officer (CEO) is delegated to exercise the power or discharge the duties of the Council to write off the debts where the relevant debt does not exceed \$1,000. Debts exceeding \$1,000 and considered un-economical to pursue are recommended to Council for a write off.

**DETAILS**

5. Between April and August 2016, High Wycombe Markets run by Ms Heidi Hunt, incurred hall hire and health licence fees amounting to \$3,022.88 and remain un-collected.

The Shire's current practice is to invoice for hall hire on a quarterly basis in arrears, which meant that the hall hire from April to June 2016 totalling \$1,210 was only raised in June 2016. The amount was not paid and while discussions were taking place in July 2016, before terminating further commitments, a further hall hire charge was incurred for the month of July 2016 and one week in August 2016, along with health licence fee for trading in thoroughfares. These additional charges totalled \$1,812.88.

The Shire engaged Dunn and Bradstreet to initiate debt collection however Ms Hunt could not be located at the address the Shire had on record. A skip trace was initiated and the results have shown that Ms Hunt now resides overseas and is unlikely to return in the near future.

6. An amount of \$18,481.72 has accumulated over a number of years as Rates and Service Charges on 1 Union Rd, Carmel. The resident holds a lease with the State Government who owns the property.

The lease was originally with the resident's grandparents and has been inherited down the line to the next of kin. The current resident is the last of the kin to which the lease is held with.

The resident has moved to an aged care facility and suffers from mental disorders relating to old age. The Public Trustees have been appointed to look after his financial affairs.

The Shire lodged a caveat on the property in 2006 and has been in contact with the Public Trustees over a number of years. The most recent communication on 21 March 2017 has confirmed that there are no other assets available to the Shire to action upon. The pension received by the resident is only small and covers the cost of the aged care facility usage. As the property is leased, the Shire would have no recourse to the State Government.

The Shire has sought legal advice from Milton Graham Lawyers (MGL) who have confirmed the same.

## **STATUTORY AND LEGAL CONSIDERATIONS**

7. As these debtors are related to monies owed to the Shire, the provision of *Section 6.12(1)(c)* of the *Local Government Act 1995* is applicable.

## **POLICY CONSIDERATIONS**

8. Debt Collection Policy S-FIN02

*"The Shire of Kalamunda is committed to ensuring that it manages its cash flows in a manner that provides financial sustainability for the organisation."*

## **COMMUNITY ENGAGEMENT REQUIREMENTS**

### **Internal Referrals**

9. Discussions have been held with Ward Councillors, Health Services and Manager Governance, Strategy & Legal Services.

### **External Referrals**

10. This matter has been discussed with Dunn and Bradstreet, MGL and the Public Trustee.

## **FINANCIAL CONSIDERATIONS**

11. Should the Council resolve to write off the two said debts, totalling \$21,504.60, the 2016/17 budget allocation for 'doubtful and bad debts' will be exceeded by an amount of \$19,024.60.

Whilst this is unfortunate, the outcome must be considered against the alternative cost that will be incurred by the Council, should it instead decide to continue pursuit of the debts. Accordingly, the background to the debts must be taken into account in terms of the likelihood of success in recovering the debt and compared to the cost of the same.

In the case of the High Wycombe Markets, the debtor has now left the country, which would mean that any legal process filed, would need to be served upon her overseas, which would require international coordination and the cost for this would immediately exceed the debt. Even if service was affected, enforcement of any judgment against the debtor would need to be dealt with in a court outside of the Australian jurisdiction, which, whilst possible, is certainly not practicable from a cost perspective. Further, this debtor does not have any property within the country that may be seized to pay any judgment debt.

In the case of the debt in respect of 1 Union Rd, Carmel, again, it is understood that this debtor has no tangible property that may be seized in order to recover any judgment debt, should the Shire be successful in an application to the Court for payment. It is also noted that as the debt amount is greater than the minor case claim jurisdiction of the Magistrate's Court (the minor case jurisdictional limit is \$10,000), if the debtor files an intention to defend, the Shire would need to prepare pleadings and proceed with what can be a lengthy court process in order to achieve a judgment. On the basis that this debtor has no means to pay any judgment, nor any property that the Shire may seize to recover the judgment debt and costs, this again is not practicable from a risk perspective.

## **STRATEGIC COMMUNITY PLAN**

### **Strategic Planning Alignment**

12. *Kalamunda Advancing: Strategic Community Plan to 2023*

OBJECTIVE 6.8: To ensure financial sustainability through the implementation of effective financial management, systems and plans.

Strategy 6.8.4 Provide effective financial services to support the Shire's operations and to meet sustainable planning, reporting and accountability requirements.

## **SUSTAINABILITY**

### **Social Implications**

13. Nil.

### **Economic Implications**

14. Nil.

**Environmental Implications**

15. Nil.

**RISK MANAGEMENT CONSIDERATIONS**

16.	<b>Risk:</b> Debts owing could become larger if not managed and closely monitored.		
	<b>Likelihood</b>	<b>Consequence</b>	<b>Rating</b>
	Possible	Moderate	Medium
	<b>Action / Strategy</b>		
	Closely monitor outstanding debts and follow up using both internal and external resources. Discontinue providing further services until debt is paid in full.		

**OFFICER COMMENT**

17. The debt incurred by the High Wycombe Markets will be difficult to collect as the owner of the business has left Australia. A review has been put in motion on the Shire’s billing practice as there is a risk of further defaults in the current environment. Before any changes are brought in, regular hirers will be advised well in advance so that they can manage their cash flow accordingly.

18. The debt incurred by the resident of 1 Union Rd, Carmel is unique as the Shire would normally rely on disposing off the property to collect the outstanding amounts, in this case it is not an available recourse.

The best course of action would be to commence negotiations with Department of Lands who are responsible for managing all Crown land properties to extinguish the lease after determining that the resident is incapable of returning to the property.

It is acknowledged that being Crown land the property is non-rateable unless it is transferred by sale.

<b>Voting Requirements: Simple Majority</b>
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**COMMITTEE RECOMMENDATION TO COUNCIL (A&R 05/2017)**

That Council:

- Authorises the write off of debts totalling \$21,504.60 consisting of:
  - High Wycombe Markets, \$3,022.88; and
  - 1 Union Rd, Carmel for \$18,481.72.

Moved: **Cr Noreen Townsend**

Seconded: **Cr Sara Lohmeyer**

Vote: **CARRIED UNANIMOUSLY (10/0)**

**Declaration of financial / conflict of interests to be recorded prior to dealing with each item.**

**06. Completion of Probity Audit – Procurement**

Previous Items	OCM 82/2017
Responsible Officer	Director Corporate & Community Services
Service Area	Internal Audit
File Reference	
Applicant	Nil
Owner	Nil
Attachment 1	Notice of Motion – Independent Audit Tender and Procurement Process

**EXECUTIVE SUMMARY**

1. A Notice of Motion was adopted at the May 2017 Ordinary Council Meeting (OCM 82/2017) to conduct an Independent Audit into the Shire's Tender and Procurement Process with an Audit Report to be presented to the Audit and Risk Management Committee no later than 30 June 2017.
2. The Shire developed a scope of works to engage the services of a suitably experienced and qualified consultant to undertake the Probity Audit. The scope of works was sent to six consultants on 24 May 2017 where they were advised that the work concluding with a final report was required by 16 June 2017. All consultants expressed concerns regarding their ability to meet the required timeframes due to the short period of notice.
3. This report seeks Council to endorse a revised timeline for the completion of the probity audit of the Shire's tender and procurement process.

**BACKGROUND**

4. The Notice of Motion to undertake an independent audit of the tender and procurement process over a three year period (2014 – 2017) was actioned by Shire officers on 24 May 2017.
5. Requests were issued to six consultants with one consultant declining to provide a submission due to the tight timeframes and the second consultant failing to lodge their submission by the required date.
6. All consultants expressed concerns regarding their ability to meet the required timeframes. This was due to the short notice and that all consultants identified a range of 90 to 110 hours of field work to undertake the request.

**DETAILS**

7. The Shire had an allocated budget within the Finance business unit of \$13,000 for the work, however the submissions received all significantly exceeded the budget allocation.
8. This item is now being re-presented to Council for endorsement of additional budget and a revised timetable for reporting back to the Audit and Risk Committee.

9. Giving regard to the field work and deadlines for the meeting agenda, the following timetable is proposed for the completion of the work:

- Consultant commences field work 10 July 2017
- Field work completed 28 July 2017
- Draft report issued for management comment 31 July 2017
- Finalise management comment 4 August 2017
- Final report released 8 August 2017
- Report to Corporate and Community (C&C) Services Committee 10 August 2017

10. The above proposed timeline is in anticipation that the consultant/auditor will be available to perform the field work in the established timeline. Any delays will result in deferral of the report to the C&C Committee.

### **STATUTORY AND LEGAL CONSIDERATIONS**

11. Nil.

### **POLICY CONSIDERATIONS**

12. Nil.

### **COMMUNITY ENGAGEMENT REQUIREMENTS**

#### **Internal Referrals**

13. The Terms of Reference for the Probity Audit were developed from the Notice of Motion raised at the May Ordinary Council Meeting.

14. Finance and Internal Audit were asked to provide input into the scope of works, timelines and resourcing.

#### **External Referrals**

15. Quotations were sought from six professional firms.

### **FINANCIAL CONSIDERATIONS**

16. The completion of the Probity Audit will require approval of additional budget of \$30,000 within the Finance business unit.

## STRATEGIC COMMUNITY PLAN

### Strategic Planning Alignment

17. *Kalamunda Advancing: Strategic Community Plan to 2023*

OBJECTIVE 6.8: To ensure financial sustainability through the implementation of effective financial management, systems and plans.

Strategy 6.8.4 Provide effective financial services to support the Shire's operations and to meet sustainable planning, reporting and accountability requirements.

## SUSTAINABILITY

### Social Implications

18. Nil.

### Economic Implications

19. Ensuring that Tender and Procurement Processes deliver value for money will ensure that the Shire resources are managed sustainability and that tender and procurement processes delivery sound community outcomes.

### Environmental Implications

20. Nil.

## RISK MANAGEMENT CONSIDERATIONS

21.

<b>Risk:</b> Consultant fails to meet timeframe.		
<b>Likelihood</b>	<b>Consequence</b>	<b>Rating</b>
Unlikely	Moderate	Low
<b>Action / Strategy</b>		
Agreed timeframes and scope of works.		

## OFFICER COMMENT

22. The Independent Audit of the Shire's Tender and Procurement process will enable the Shire to assess and improve its processes.
23. The revised timeline and request for additional budget will ensure that the Shire is able to undertake the review and report back to Council detailing the review findings.



*Debate took place before the vote was put. Queries were clarified for Cr Tracy Destree.*

<b>Voting Requirements: Simple Majority</b>
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**COMMITTEE RECOMMENDATION TO COUNCIL (A&R 06/2017)**

That Council:

1. Notes that an allocation of \$30,000 for the Probity Audit will be sought in the 2017/18 Budget.
2. Notes the timelines reported in point 9 above are dependent upon the Consultants availability.

Moved: **Cr Sara Lohmeyer**

Seconded: **Cr Geoff Stallard**

Vote:

<b>For</b>	<b>Against</b>
<b>Cr Michael Fernie Cr John Giardina Cr Geoff Stallard Cr Allan Morton Cr Brooke O'Donnell Cr Sara Lohmeyer Cr Dylan O'Connor Cr Tracy Destree</b>	<b>Cr Noreen Townsend Cr Sue Bilich</b>
<b>CARRIED (8/2)</b>	

## **Attachment 1 – Completion of Probity Audit – Procurement**

### Notice of Motion – Independent Audit Tender and Procurement Process

#### 11.2 **Independent Audit – Tender and Procurement Process**

<b>Voting Requirements: Simple Majority</b>
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RESOLVED OCM 82/2017

That Council:

1. Request that the Chief Executive Officer to commission an external, independent audit of the Shire of Kalamunda's tender and procurement process and its effectiveness in delivering optimal services to the Shire for all tenders over the past three years (2014-2017).
2. Approve the Audit scope of work to be:
  - (a) Assess the Shire's tender evaluation criteria assessment process against relevant standards and current local government sector practices;
  - (b) Review and verify decisions to exclude tender applications;
  - (c) Assess the number and range of variations approved and the extent to which any variations go beyond the scope of work, the level of officers providing approval and the impact to the approved budget;
  - (d) Identify where the level of accountability within the Shire is assigned for the delivery of the contract, approval of any variations and numbers and details of contracts that have not met the initial scope of works and budget.

Moved: **Cr Tracy Destree**

Seconded: **Cr Sara Lohmeyer**

Vote: **CARRIED UNANIMOUSLY (9/0)**

#### **Rationale:**

There is has been a sustained level of complaints regarding the Shire's tender processes and decisions from the community. Further, the level of detail being presented to Council has not met its expectation for informed decision making.

It is important the Shire can demonstrate it is working within local government benchmark standards and the Council is approving expenditure that is appropriate and fiscally responsible. There is limited information being provided to Council on the level expenditure related to variations or the quality of work completed.

A detailed review of past decisions and assessment of current evaluation criteria and processes is appropriate to ensure Council has confidence that its decisions are meeting community expectations.

### **Staff Comment**

The motion is strongly supported by the administration. Following Council approval of the motion, the scope of works will be sent to external auditors as a matter of urgency. The administration will request the engagement be completed by the end of the first week of June 2017 to enable the report to be brought to the Audit and Risk Management Committee meeting in June. The budget for the Independent Audit of the Tender and Procurement Process will be funded from within the Finance Business Unit.

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

10.1 Nil.

## **11.0 QUESTIONS BY MEMBERS WITHOUT NOTICE**

11.1 (Cr Tracy Destree) – Audit Plan

Q1. Can I please have clarification of the number of audits that have been completed, in the March quarter there are 18 scheduled that have not been completed and for the June quarter there is another 20. Will they be completed in time, have they started or are we actually 38 behind schedule given it's not quite the end of the quarter yet?

A1. The Director Corporate & Community Took this question on Notice.

Q2. Can this information please be provided before the Ordinary Council Meeting?

A2. The Director Corporate & Community Services advised the information would be available by the Ordinary Council Meeting.

## **12.0 QUESTIONS BY MEMBERS OF WHICH DUE NOTICE HAS BEEN GIVEN**

12.1 Nil.

## **13.0 URGENT BUSINESS APPROVED BY THE PRESIDING MEMBER OR BY DECISION**

13.1 Nil.

## **14.0 TABLED DOCUMENTS**

14.1 Nil.

**15.0 MEETING CLOSED TO THE PUBLIC**

15.1 Nil.

**16.0 CLOSURE**

16.1 There being no further business the Presiding Member declared the meeting closed at 7:24pm.

I confirm these Minutes to be a true and accurate record of the proceedings of this Council.

Signed: \_\_\_\_\_  
Presiding Member

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2017