

MINUTES

AUDIT AND RISK COMMITTEE

23 FEBRUARY 2015

APPROVED FOR RELEASE



GARY STEVENSON PSM
CHIEF EXECUTIVE OFFICER



CITY *of* PERTH

MINUTES

AUDIT AND RISK COMMITTEE

23 FEBRUARY 2015

THESE MINUTES ARE HEREBY CERTIFIED AS
CONFIRMED

PRESIDING MEMBER'S
SIGNATURE

J. E. Davidson

DATE: *25/5/15.*

AUDIT AND RISK COMMITTEE

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Minutes of the meeting of the City of Perth **Audit and Risk Committee** held in Committee Room 1, Ninth Floor, Council House, 27 St Georges Terrace, Perth on **Monday, 23 February 2015.**

MEMBERS IN ATTENDANCE

Cr Davidson - Presiding Member
Cr Butler
Mr Linden - Independent Member

OFFICERS

Mr Stevenson - Chief Executive Officer
Mr Mianich - Director Corporate Services
Mr Ridgwell - Manager Governance
Mr Berry - Manager Finance
Mr Cheldi - Internal Auditor
Ms Mendoza - Assistant Internal Auditor
Ms Thrush - Risk Management Coordinator
Ms Honmon - Governance Administration Officer

AR1/15 DECLARATION OF OPENING

The Presiding Member declared the meeting open at 4.30pm.

AR2/15 APOLOGIES AND MEMBERS ON LEAVE OF ABSENCE

Cr Harley (Apology)

AR3/15 QUESTION TIME FOR THE PUBLIC

Nil

AR4/15 CONFIRMATION OF MINUTES

Moved by Cr Butler, seconded by Mr Linden

That the minutes of the meetings of the Audit and Risk Committee held on 22 October 2014 and 11 November 2014 be confirmed as a true and correct record.

The motion was put and carried

The votes were recorded as follows:

For: Crs Davidson, Butler and Mr Linden

Against: Nil

AR5/15 CORRESPONDENCE

The Chief Executive Officer advised that confidential correspondence had been received from the Corruption and Crime Commission (CCC) (TRIM 26634/15) in relation to the 2013 External Audit of City of Perth Procurement Practices.

AR6/15 DISCLOSURE OF MEMBERS' INTERESTS

Nil

AR7/15 MATTERS FOR WHICH THE MEETING MAY BE CLOSED

The Chief Executive Officer / Presiding Member advised that in accordance with Section 5.23(2) of the *Local Government Act 1995*, the meeting will be required to be closed to the public prior to discussion of the following:

Item No.	Item Title	Reason
Confidential Item 4 (AR11/15) and Schedule 4	City of Perth Internal Audit 2014/15 – Purchasing Review	s. 5.23(2)(a)
Confidential Item 5 (AR12/15) and Schedule 5	City of Perth Internal Audit – Outstanding Recommendations February 2015	s. 5.23(2)(a)

Confidential reports and schedules are distributed to Members under separate cover.

AR8/15 FRAUD AND MISCONDUCT RISK ASSESSMENT

BACKGROUND:

FILE REFERENCE: P1029155 TRIM 296618/14
REPORTING OFFICER: Kirsten Thrush, Risk Management Coordinator
RESPONSIBLE DIRECTOR: Robert Mianich, Director Corporate Services
DATE: 9 January 2015
MAP / SCHEDULE: Schedule 1 – Fraud and Misconduct Risk Register

LEGISLATION / STRATEGIC PLAN / POLICY:

Legislation *Local Government Act 1995*
Regulation 17 of the Local Government (Audit) Regulations 1996

Integrated Planning and Reporting Framework Implications **Corporate Business Plan**
Council Four Year Priorities: Capable and responsive organisation
S18 Strengthen the capacity of the organisation

Policy

Policy No and Name: 19.1 – Enterprise Risk Management

DETAILS:

In January 2013 RSM Bird Cameron undertook a procurement audit at the City of Perth. One of the recommendations arising from the audit was that a fraud and misconduct risk assessment should be completed.

By completing a Fraud and Misconduct Risk Assessment for the organisation, risks are able to be identified at a corporate level and then the controls and actions required to minimise the risk can occur at a business unit level.

It also has the added benefit that it raises the awareness within the organisation meaning that staff will be more vigilant.

This report outlines the process followed in carrying out this assessment and includes a schedule of the assessed risks, existing treatments and proposed future actions.

Process:

1. A review was completed of all existing unit and strategic risk registers to extract the risks relating to fraud and misconduct.

2. A review was completed of a sample of other Local Government registers to compare the risks the City of Perth has identified and to identify where there may be gaps where the organisation has risks that are not currently on registers.
3. The RMS Bird Cameron Procurement Audit was also reviewed to identify where there may be gaps in the existing risk registers.
4. The new risks identified above were assessed for likelihood and consequence and existing controls and any proposed treatments identified. All risks are included on the Fraud and Misconduct Risk Register in Schedule 1.

The general themes of the risks identified include:

- Fraud within the procurement process.
- Theft or fraudulent use of Council cash or property.
- Misuse of client information.
- Payroll fraud.
- Inappropriate issuing or withdrawal of approvals and infringements.
- Deliberate unauthorised sharing of Council information.

All of the existing controls have been listed, as well as any necessary treatments and when these treatments are required to be completed.

One of the highest risks identified during the RMS Bird Cameron report was a lack of segregation in the purchase order process, which has been addressed at an organisation wide level. All Managers will be placing relevant actions into their business plans.

FINANCIAL IMPLICATIONS:

There are no financial implications related to this report.

COMMENTS

The completed Fraud and Misconduct Risk Register provides a good snapshot of where risks lie. It details the existing controls as well as proposed treatments. The proposed treatments will be put into individual business plans to be actioned. The completed Fraud and Misconduct Risk Register will be provided to the Internal Auditor and used as a basis for identifying potential audits on fraud and misconduct risk areas. Fraud and misconduct risks will also be monitored and reviewed annually in line with the Enterprise Risk Management Framework.

Moved by Mr Linden, seconded by Cr Butler

That the Audit and Risk Committee receives the report titled "Fraud and Misconduct Risk Assessment".

The motion was put and carried

The votes were recorded as follows:

For: Crs Davidson, Butler and Mr Linden

Against: Nil

Meeting Note: The Audit and Risk Committee agreed that it was prudent that rates notices be included in the general theme of 'misuse of client information' in Officers' future investigations regarding fraud and misconduct.

AR9/15 2014 COMPLIANCE AUDIT RETURN

BACKGROUND:

FILE REFERENCE: P1013788-5
REPORTING OFFICER: Niloha Mendoza, Assistant Internal Auditor
RESPONSIBLE DIRECTOR: Robert Mianich, Director Corporate Services
DATE: 9 February 2015
MAP / SCHEDULE: Schedule 2 – Completed 2014 Compliance Audit Return

Western Australian local governments are required to complete a Compliance Audit Return (CAR) annually to the Department of Local Government and Communities (DLGC) in accordance with the requirements of the *Local Government (Audit) Regulations 1996*.

The return is a checklist of a local government's compliance with the requirements of the *Local Government Act 1995* and its Regulations as approved by the Minister. The 2014 CAR content is unchanged from 2013 and focuses on areas considered high risk. It examines whether the City has complied with each action listed on the return under the following activities:

- Commercial Enterprises by Local Governments (5 audit questions);
- Delegation of Power / Duty (13 audit questions);
- Disclosures of Interest (16 audit questions);
- Disposal of Property (2 audit questions);
- Elections (Gift Register) (1 audit question);
- Finance (15 audit questions);

- Local Government Employees (5 audit questions);
- Official Conduct (6 audit questions); and
- Tenders for providing Goods and Services (15 audit questions).

This Compliance Audit covers the period 1 January to 31 December 2014. The completed 2014 CAR is required to be:

- Presented for review by the Audit and Risk Committee before being presented for consideration and endorsement by Council;
- Subsequently certified by the Lord Mayor and the Chief Executive Officer; and
- Returned to the DLGC with a copy of the relevant Council minutes by 31 March 2015.

LEGISLATION / STRATEGIC PLAN / POLICY:

Legislation Section 7.13(1)(i) of *the Local Government Act 1995*
Regulations 13, 14, 15 and 16 of the *Local Government (Audit) Regulations 1996*.

Integrated Planning and Reporting Framework Implications **Corporate Business Plan**
Council Four Year Priorities: Capable and Responsive Organisation
S18 Strengthen the capacity of the organisation.
A capable, flexible and sustainable organisation with a strong and effective governance system to provide leadership as a capital city and deliver efficient and effective community centred services.

Policy
Policy No and Name: 19.1- Enterprise Risk Management

DETAILS:

The Compliance Audit has been undertaken as an internal audit, sourcing evidence of compliance through the City's record keeping systems and where required, through additional information held within respective Units. Each activity has been examined either wholly or by sample, dependent on the volume of activity and known risk factors.

This approach has been employed over the past five Compliance Audits and has been successful in achieving a more rigorous assessment of the City's compliance whilst facilitating identification of opportunities for improvement. It is important to note that where a sample of activity has been examined the Audit results are based only on that sample.

Whilst the annual Compliance Audit is compulsory, the City benefits through the examination of compliance capacity through:

- gaining assurance that operations are reviewed, enhanced and compliant,
- staff increasing their knowledge and understanding of legislative frameworks and compliance obligations; and,
- demonstrating to the community that the City is working to deliver good governance.

This is the first instance whereby the annual Compliance Audit has been completed by Internal Audit. Previously this audit has been undertaken by the Governance Unit (formerly known as Corporate Support Unit). It was considered that due to the Governance Unit managing a number of activities being assessed on the CAR it would be more appropriate if the Compliance Audit was carried out by Internal Audit in order to provide additional independence and objectivity.

The completed 2014 Compliance Audit Return is provided as Schedule 2.

A summary of areas reviewed as part of the 2014 CAR is provided below:

Commercial Enterprises by Local Governments

There were no non-compliances identified during the audit period.

Delegation of Power / Duty

There were no non-compliances identified during the audit period.

Disclosures of Interest

Question 5: Section 5.75(1) of the *Local Government Act 1995*
Regulation 22 Form 2 of the *Local Government*
(Administration) Regulations 1996

Was a primary return lodged by all newly designated employees within three months of their start day?

Audit Findings

One designated employee lodged the primary return 45 days after the due date (TRIM 8700/13). Audit evidenced that on 22 September 2014 the City notified the Corruption and Crime Commission and the DLGC regarding the issue, acknowledging that the compliance failure was not attributable to the employee and that it was an internal process failure regarding internal transfers within the City of Perth.

Corrective Action

During September 2014 a process was put in place to identify internal transfers of designated employees using the Business Objects software.

Question 6: Section 5.76(1) of the *Local Government Act 1995*
Regulation 23 Form 3 of the *Local Government*
(Administration) Regulations 1996

Was an annual return lodged by all continuing Elected Members by 31 August 2014?

Audit Findings

All continuing Elected Members lodged an annual return by 31 August 2014 as per the Primary and Annual Return Register (TRIM 8700/13 and Record File No. P1026318). However, the audit evidenced that two continuing elected members did not disclose the corporation address in which they have an interest or held any position nor a description of its principal business on their annual returns.

Additionally, one continuing Elected Member did not disclose on the annual return the name and address of the settlor and the trustee of a trust in which a beneficial interest was held.

Corrective Action

The relevant Elected Members will be contacted to inform them of the requirements for future annual returns.

A system of compliance checking at time of receipt of returns will be introduced.

Question 7: Section 5.76(1) of the *Local Government Act 1995*
Regulation 23 Form 3 of the *Local Government*
(Administration) Regulations 1996

Was an annual return lodged by all designated employees by 31 August 2014?

Audit Findings

All designated employees lodged an annual return by 31 August 2014 as per Primary and Annual Return Register (TRIM 8700/13 and Record File No. P1023968). However, Audit evidenced that:

- Two designated employees did not disclose the address in regards to Real Property located in an adjoining district in which they have an interest (one resides in the Town of Cambridge and the other resides in the Town of Victoria Park), nor the nature of the interest on their annual returns;
- One designated employee signed and lodged the 2013 Annual Return as 2014 Annual Return and it also shows that the return period was from 01/07/2011 to 30/06/2012;
- One designated employee failed to disclose income sources on the primary return.

Corrective Action

The relevant two designated employees to be notified of disclosure requirements related to real property in an adjoining district.

The above designated employee failing to disclose income sources on primary return to be advised of this requirement.

Shortcomings in completion of annual return by designated employee in the second bullet point above to be reviewed and addressed by the relevant Director.

A system of compliance checking at time of receipt of returns will be introduced.

Question 10: Section 5.88(1)(2) of the *Local Government Act 1995*
Regulation 28 of the *Local Government (Administration)
Regulations 1996*

Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70 and 5.71, in the form prescribed in Administration Regulation 28?

Audit Findings

A register of financial interests was kept during the audit period. However, the date of the disclosures is not clear in some instances.

Corrective Action

The register will be reviewed and updated to provide greater clarity regarding date of disclosures.

Disposal of Property

There were no non-compliances identified during the audit period.

Elections

There were no non-compliances identified during the audit period.

Finance

There were no non-compliances identified during the audit period.

Local Government Employees

Question 2: Section 5.36(4) and section 5.37(3) of the *Local Government Act 1995*
Regulation 18A of the *Local Government (Administration)
Regulations 1996*

Were all vacancies for the position of CEO and other designated senior employees advertised and did the advertising comply with s.5.36(4), 5.37(3) and Admin Reg 18A?

Audit Findings

The position of Manager Finance was not advertised in a newspaper circulating generally throughout the State. However, the position was advertised on the City of Perth and Seek websites.

Corrective Action

Relevant staff to be advised of requirements in regards to advertising for CEO and other designated senior employee positions.

Official Conduct

There were no non-compliances identified during the audit period.

Tenders for Providing Goods and Services

Question 1: Section 3.57 of the *Local Government Act 1995*
Regulation 11 of the *Local Government (Functions and General) Regulations 1996*

Did the local government invite tenders on all occasions (before entering into contracts for the supply of goods or services) where the consideration under the contract was, or was expected to be, worth more than consideration stated in Regulation 11(1) of the Local Government (Functions and General) Regulations (Subject to Functions and General Regulation 11(2)).

Audit Findings

The Audit identified five occasions where the City has breached the \$100,000 tender threshold during 2014 as highlighted by Contracts and Asset Management Services (CAMS) on the memorandums accompanying the monthly Contract Expenditure Reports. Relevant suppliers are as follows:

<u>A/C No.</u>	<u>Company</u>	<u>Description of Goods/Services</u>	<u>Units</u>
04974	Milford Holdings t/as ARCS	Consultancy Services for the Refurbishment of 2a Plain Street, East Perth. March 2014 CAMS memorandum highlights expenditure with this supplier at \$120,254.36.	PPM
73890	Robot Welding Systems	Individual purchase orders for the provision of gully grates. May 2014 CAMS memorandum highlights expenditure for the period from 01/07/11 to 31/05/14 at	WKS

\$103,323.04.

01919	Office Milk Supplies	Individual invoices for the supply of milk & other products to various City of Perth locations. June 2014 CAMS memorandum highlights expenditure for the period 01/07/11 to 30/06/14 at \$144,420.70.	Various
40440	Health on the Move	Service agreements for health services, training and health risk assessments. June 2014 CAMS memorandum highlights expenditure for the period 01/07/12 to 30/06/14 at \$120,138.85.	HR
17750	Chamber of Commerce & Industry of WA Inc.	Specialised ongoing consultancy services to assist with action plan resulting from the gap analysis between the current Occupational Safety and Health (OSH) management systems and the Work Health and Safety Bill 2014. Individual invoices for OSH Consultancy Services. September 2014 CAMS memorandum highlights expenditure for the period 01/07/12 to 30/09/14 at \$101,672.61.	HR

Corrective Action

The City has implemented a monthly management expenditure report to assist in monitoring supplier spend which is either approaching or has surpassed the tender threshold. The report is presented to the Executive Leadership Group and Managers on a monthly basis for review and action to reduce compliance breaches.

Five (5) instances of non-compliance in 2014 is an improvement from thirteen (13) identified in the 2013 CAR. However, greater scrutiny of potential tenders by respective Units is expected in 2015.

FINANCIAL IMPLICATIONS:

There are no financial implications related to this report.

COMMENTS:

The table below shows a comparative summary of the City's levels of compliance evidenced through the 2013 and 2014 CARs:

Areas of Compliance set out in the annual CAR	Non-compliances Reported		Comparison / Comments
	2013	2014	
Commercial Enterprises by Local Governments	Nil	Nil	Nil
Delegation of Power / Duty	1	Nil	Improved compliance in 2014.
Areas of Compliance set out in the annual CAR	Non-compliances Reported		Comparison / Comments
Disclosure of Interest	3	1	<p>Improved compliance in 2014.</p> <p>One non-compliance in 2014 refers to lodgement of a primary return after due date which also occurred (one instance) in 2013.</p> <p>In the 2014 CAR all other items in this section were reported as “yes” or “n/a”, however, in a number of cases incomplete or inaccurate information was noted on primary / annual returns lodged by continuing elected members and designated employees (refer questions 6 and 7 above in Disclosure of Interest section). In addition it was observed that the date of the disclosures is not clear on the financial interests register in some instances (refer question 10 above in Disclosure of Interest Section).</p>
Disposal of Property	1	Nil	Improved compliance in 2014.
Elections	Nil	Nil	Nil
Finance	Nil	Nil	Nil
Local Government Employees	Nil	1	One non-compliance in 2014 re: failing to advertise the position of designated senior employee (Manager Financial Services) in a newspaper circulating generally throughout the State.
Official Conduct	Nil	Nil	Nil
Tenders for Providing Goods and Services	3	1	One same non-compliance re: breaching tender threshold. For 2014 this was found to have occurred on 5 occasions compared to 13 instances in 2013. Monitoring of expenditure on goods/services against tender threshold has improved.

Results of the 2014 Compliance Audit show that the City has achieved a higher level of compliance than 2013.

Moved by Cr Butler, seconded by Mr Linden

That Council:

- 1. notes the audit outcomes and corrective actions detailed in the report titled "2014 Compliance Audit Return" for implementation by the Chief Executive Officer;***
- 2. approves the completed 2014 Compliance Audit Return, as detailed in Schedule 2, for certification by the Lord Mayor and the Chief Executive Officer in accordance with Regulation 15(2) of the Local Government (Audit) Regulations 1996.***

The motion was put and carried

The votes were recorded as follows:

For: Crs Davidson, Butler and Mr Linden

Against: Nil

4.42pm The Manager Governance departed the meeting.

4.46pm The Manager Governance returned to the meeting.

AR10/15 CITY OF PERTH INTERNAL AUDIT CHARTER

BACKGROUND:

FILE REFERENCE:	P102969-8
REPORTING OFFICER:	Niloha Mendoza, Assistant Internal Auditor
RESPONSIBLE DIRECTOR:	Robert Mianich, Director Corporate Services
DATE:	9 February 2015
MAP / SCHEDULE:	Schedule 3 – City of Perth Internal Audit Charter

An Internal Audit Charter has been developed by the Assistant Internal Auditor in consultation with the Internal Auditor. The charter is submitted for Council approval.

LEGISLATION / STRATEGIC PLAN / POLICY:

Legislation Regulation 16 and 17 of the *Local Government (Audit) Amendment Regulations 2013*

Integrated Planning and Reporting Framework Implications **Corporate Business Plan**
Council Four Year Priorities: Capable and responsive organisation.
S18 Strengthen the capacity of the organisation.
A capable, flexible and sustainable organisation with a strong and effective governance system to provide leadership as a capital city and deliver efficient and effective community centred services.

Organisational Development Plan:

G7 Audit – Establish new Internal Audit Policy and programs

Policy

Policy No and Name: 19.1 – Enterprise Risk Management

DETAILS:

The Internal Audit Charter will provide a framework for the conduct of the internal audit function within the City of Perth and supports the purpose, authority, independence and responsibility of Internal Audit.

A written charter is required by the International Standards for the Professional Practice of Internal Auditing (*Standards*) as issued by the Institute of Internal Auditors (IIA), the worldwide professional body.

Attribute Standard 1000 states:

“The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the Standards, and approved by the Board.”

The “Model Internal Audit Activity Charter” as published by the IIA was used as a basis for developing the City’s Internal Audit Charter. This model was also followed by the cities of Stirling and Melville in developing their respective internal audit charters.

Development of an Internal Audit Charter addresses the remaining outstanding audit action within the City’s Organisational Development Plan: *“Establish new Internal Audit Policy and Programs”*.

FINANCIAL IMPLICATIONS:

There are no financial implications related to this report.

COMMENTS:

In summary, the City of Perth Internal Audit Charter will:

- Support the purpose, independence, authority and responsibility of Internal Audit activities.
- Help consolidate and strengthen the Internal Audit status within the City of Perth.
- Provide a broad framework for performing and promoting a range of value-added internal auditing services.
- Establish professional standards and guidelines for the conduct of Internal Audit services.
- Foster better industry practices and principles.

Moved by Mr Linden, seconded by Cr Butler

That Council approves the City of Perth Internal Audit Charter as detailed in Schedule 3.¹

The motion was put and carried

The votes were recorded as follows:

For: Crs Davidson, Butler and Mr Linden

Against: Nil

MOTION TO CLOSE THE MEETING

Moved by Cr Butler, seconded by Mr Linden

That the Audit and Risk Committee resolves to close the meeting to the public to consider Confidential Items AR11/15 and AR12/15 in accordance with Section 5.23(2) of the Local Government Act 1995.

The motion was put and carried

The votes were recorded as follows:

For: Crs Davidson, Butler and Mr Linden

Against: Nil

¹ Schedule 3 includes proposed amendments agreed to by the Audit and Risk Committee at its meeting held on 23 February 2015.

4.48pm The meeting was closed to the public with no members of the public in attendance.

**AR11/15 CONFIDENTIAL – CITY OF PERTH INTERNAL AUDIT
2014/15 – PURCHASING REVIEW**

BACKGROUND:

FILE REFERENCE: P102969-8
REPORTING OFFICER: Mario Cheldi, Internal Auditor
RESPONSIBLE DIRECTOR: Robert Mianich, Director Corporate Services
DATE: 10 February 2015
MAP / SCHEDULE: Confidential Schedule 4 – City of Perth Purchasing
Review

Confidential Item AR11/15 and Confidential Schedule 4 is bound in Confidential Committee Minute Book Volume 1 2015

In accordance with Section 5.23 (2)(a) of the *Local Government Act 1995*, this confidential item was distributed to the Elected Members under separate cover.

OFFICER RECOMMENDATION

That Council approves the review of key controls and practices within the purchasing function as part of the Internal Audit Plan 2014/15 as detailed in Confidential Schedule 4.

The Audit and Risk Committee agreed to amend the Officer Recommendation by adding a new part 2 as follows:

That Council:

1. approves the review of key controls and practices within the purchasing function as part of the Internal Audit Plan 2014/15 as detailed in Confidential Schedule 4;
2. requests the Chief Executive Officer investigate and prepare a report regarding the key controls and practices related to purchase requisitions for the consideration of the Audit and Risk Committee at a future meeting.

Moved by Mr Linden, seconded by Cr Butler

That Council:

- 1. approves the review of key controls and practices within the purchasing function as part of the Internal Audit Plan 2014/15 as detailed in Confidential Schedule 4,²***
- 2. requests the Chief Executive Officer investigate and prepare a report regarding the key controls and practices related to purchase requisitions for the consideration of the Audit and Risk Committee at a future meeting.***

The motion was put and carried

The votes were recorded as follows:

For: Crs Davidson, Butler and Mr Linden

Against: Nil

Meeting Note: The Audit and Risk Committee agreed that a six month review of the effectiveness of key controls and practices related to purchase requisitions will be undertaken and reported back to Audit and Risk Committee.

**AR12/15 CONFIDENTIAL – CITY OF PERTH INTERNAL AUDIT –
OUTSTANDING RECOMMENDATIONS – FEBRUARY
2015**

BACKGROUND:

FILE REFERENCE: P1029698
REPORTING OFFICER: Mario Cheldi, Internal Auditor
RESPONSIBLE DIRECTOR: Robert Mianich, Director Corporate Services
DATE: 10 February 2015
MAP / SCHEDULE: Confidential Schedule 5 – Outstanding Recommendations
– February 2015

Confidential Item AR12/15 and Confidential Schedule 5 is bound in Confidential Committee Minute Book Volume 1 2015

² Confidential Schedule 4 includes proposed amendments agreed to by the Audit and Risk Committee at its meeting held on 23 February 2015.

In accordance with Section 5.23 (2)(a) of the *Local Government Act 1995*, this confidential item was distributed to the Elected Members under separate cover.

Moved by Cr Butler, seconded by Mr Linden

That the Audit and Risk Committee receives the report titled "Outstanding internal audit recommendations as at February 2015" and as detailed in Confidential Schedule 5.

The motion was put and carried

The votes were recorded as follows:

For: Crs Davidson, Butler and Mr Linden

Against: Nil

MOTION TO RE-OPEN THE MEETING

Moved by Cr Butler, seconded by Mr Linden

That the Audit and Risk Committee resolves to re-open the meeting to the public.

The motion was put and carried

The votes were recorded as follows:

For: Crs Davidson, Butler and Mr Linden

Against: Nil

5.05pm The meeting was re-opened to the public with no members of the public returning the meeting.

AR13/15 MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil

AR14/15 GENERAL BUSINESS

Responses to General Business from a Previous Meeting

Nil

New General Business

Nil

AR15/15 ITEMS FOR CONSIDERATION AT A FUTURE MEETING

Outstanding Items:

Nil

AR16/15 CLOSE OF MEETING

There being no further business the Presiding Member declared the meeting closed at 5.06pm.

**SCHEDULES
FOR THE MINUTES OF THE
AUDIT AND RISK
COMMITTEE MEETING
HELD ON
23 FEBRUARY 2015**

Ref No.	Directorate	Unit	Risk context		Operational or strategic	Date identified	The risk: what can happen and what effect will it have	risk identification causes	Risk Owner	Risk Evaluation						Actions							
			Team	Location / Project / Event						Risk Category	Existing controls	Corporate reference documents	Consequences with controls	Likelihood with controls	Residual risk rating	Accept risk yes/no	Priority for further treatment	Risk Treatment	Responsible person	Cost	Due date	Recurrence	Status of Treatment
1	All	All	All	Council House - General	Ethical	Operational	29/07/2014	Employees providing preferential treatment to suppliers Influencing tender process with bias or favouritism for personal gain Procurement manager selective in who quotes are obtained from Failure to disclose conflicts of interest Receipt of gifts / tickets / entry to hospitality events that may then influence an officer Misuse of position to grant favours Lack of culture to flag suspicions Corrupt behaviour by staff member Accepting bribes in return for preferential treatment	Manager Governance	Council policy, Code of Conduct	POLICY 10.1 Code of Conduct	moderate	Unlikely	Medium	yes		Annual review of the controls and risk assessment	Manager Governance	Nil	Mar-15	Yearly	Not yet started	Administrative
2	All	All	All	Council House - General	Ethical	Operational	29/07/2014	Breach of contract procurement process Corrupt behaviour by staff member Lack of competitive quotes (sole sourcing) staff failing to comply with corporate procedures Splitting of invoices in order to be under authorisation limits over reliance on exemption certificates signed by director Wish to fast track the process to get projects delivered Perceived minimal consequence for breaches of non compliance	Manager CAMs	Council Policy Policy a procedures delegated authority reporting on contracts/tenders vigilance of the Procurement Officer and Contract Management Staff in make sure the Purchasing Policy is adhered to monthly reporting on contract expenditure CAMs unit to review tender process	Policy 9.7 Purchasing Policy	moderate	moderate	Medium	no	7	Revision of the Policy 9.7	Manager Finance	Nil	Dec-14	Nil	Not yet started	Administrative
																	Concentrated training program for all staff who have responsibilities in the procurement area	Manager Finance	Nil	Jun-15	Yearly	Not yet started	Administrative
																	Monitoring of contract expenditure	Manager CAMs	Nil	Nov-14	Monthly	In progress	Administrative
																	Annual review of the controls and risk assessment	Manager CAMs and Manager Finance	Nil	Mar-15	Yearly	Not yet started	Administrative
3	All	All	All	Council House - General	Ethical	Operational	29/07/2014	Fraudulent raising and payment of purchase orders Collusion Lack of segregation of roles, one person can raise an order, receipt it and approve for payment if within their delegation Failure to carry out required checks when setting up a new supplier	Manager Finance	Segregation of roles, multiple signoffs required Tender/quote process, finance review of purchase orders	Policy 9.7 Purchasing Policy	moderate	rare	Low	Yes	Annual review of the controls and risk assessment	Manager Finance	Nil	Mar-15	Yearly	Not yet started	Administrative	
4	All	All	All	Council House - General	Ethical	Operational	29/07/2014	Misuse of corporate credit cards Claiming of unauthorised expenditure Lack of understanding of spending policy	Manager Finance	Only limited credit cards within the organisation, most are debit cards. Set limits on cards		moderate	rare	Low	no	13	Finance working on credit card procedures	Manager Finance	Nil	Jul-15	Yearly	Not yet started	Administrative
																	Annual review of the controls and risk assessment	Manager Finance	Nil	Mar-15	Yearly	Not yet started	Administrative
5	All	All	All	Council House - General	Ethical	Operational	29/07/2014	False reimbursement of expenses Inappropriate claiming of expenses Uncertainty from staff and elected members regarding appropriate procedures and what can be claimed	Manager Finance	Sign off by management. work procedure in place for elected member reimbursements - currently under review review by management		minor	Unlikely	Low	Yes	Annual review of the controls and risk assessment	Manager Finance	Nil	Mar-15	Yearly	Not yet started	Administrative	
6	All	All	All	Council House - General	Ethical	Operational	29/07/2014	Falsification of timesheets Lack of checking of medical certificates Changes to days off aren't always recorded False or under reporting of leave Statutory declarations can be signed by co-workers as government employees	Manager Finance	Supervisor/manager review of timesheets, Code of Conduct	POLICY 10.1 Code of Conduct	moderate	moderate	Medium	Yes	Annual review of the controls and risk assessment	Manager Finance	Nil	Mar-15	Yearly	Not yet started	Administrative	
7	Corporate services	Financial Services	Payroll Services	Council House - General	Ethical	Operational	21/08/2014	Phantom employees on payroll Inadequate review of payroll statements by supervisors and managers	Manager Finance	Supervisor/manager sign a fortnightly pay list. Periodic internal audit checks. HR procedures		major	rare	Medium	Yes	Annual review of the controls and risk assessment	Manager Finance	Nil	Mar-15	Yearly	Not yet started	Administrative	
8	All	All	All	Council House - General	Ethical	Operational	29/07/2014	Theft or fraudulent use of Council cash including: Theft from cash registers Theft of petty cash Unsupervised access to cash Lack of thorough checking of receipts and claim forms allowing fraudulent expense claims Lack of adherence to Council procedures Lack of monitoring and reporting of data Dishonesty by staff Lack of staff awareness and understanding of procedures	Manager Finance	Adherence to Council Policy , , staff training , security control measures in place , reconciliation of income , CCTV cameras , segregation of duties , security patrols		minor	Unlikely	Low	Yes	Annual review of the controls and risk assessment	Manager Finance	Nil	Mar-15	Yearly	Not yet started	Administrative	
9	City Infrastructure and Enterprises	City of Perth Parking	All City of Perth Parking Teams	Council House - General	Ethical	Operational	29/07/2014	Theft from parking equipment and parking facilities (including cash registers in car parks) Unsupervised access to cash Lack of thorough checking of receipts and claim forms Lack of adherence to Council procedures Lack of monitoring and reporting of data Dishonesty by staff Lack of staff awareness and understanding of procedures	Manager CPP	Adherence to Council Policy , adherence to CPP Procedures , staff training , security control measures in place , reconciliation of income , CCTV cameras , segregation of duties , security patrols		minor	Unlikely	Low	Yes	Annual review of the controls and risk assessment	Manager CPP	Nil	Mar-15	Yearly	Not yet started	Administrative	
10	All	All	All	Council House - General	Ethical	Operational	29/07/2014	Theft or fraudulent use of Council property Fuel theft Unsecured property Dishonesty by staff Lack of staff awareness and understanding of procedures	CEO	Adherence to Council Policy , staff training , security control measures in place , CCTV cameras , security patrols		minor	Unlikely	Low	Yes	Annual review of the controls and risk assessment	All Managers	Nil	Mar-15	Yearly	Not yet started	Administrative	
11	All	All	All	Council House - General	Ethical	Operational	29/07/2014	Misuse of client information, including misuse of vehicle registration information, credit card information and CCTV footage. Council employee steals client data held by the Council and uses it for personal benefit (e.g. identification fraud) Adequate security settings not applied to documents or systems Inappropriate access to and/ or use of confidential/ secure information.	Manager IS	Officers must sign a confidentiality contract before commencing employment. Employees must have authorised access to use corporate systems. There is a formal process for CCTV footage to be released. The code of conduct must be issued to all new employees. All CCTV footage is now recorded. Spot checks to be carried out. PCI Data Security Standards. CPP have EMV compliance for credit card details	Code of Conduct. Local Government Act.	major	rare	Medium	Yes	Annual review of the controls and risk assessment	Manager IS	Nil	Mar-15	Yearly	Not yet started	Administrative	

Ref No.	Directorate	Unit	Risk context			Operational or strategic	Date identified	The risk: what can happen and what effect will it have	risk identification causes	Risk Owner	Risk Evaluation						Actions							
			Team	Location / Project / Event	Risk Category						Existing controls	Corporate reference documents	Consequences with controls	Likelihood with controls	Residual risk rating	Accept risk yes/no	Priority for further treatment	Risk Treatment	Responsible person	Cost	Due date	Recurrence	Status of Treatment	Hierarchy of control Eliminate Isolate Engineering Administrative PPE Other
12	All	All	All	Roads	Ethical	Operational	29/07/2014	Misuse of motor vehicles	Personal use where not allowed for Use of Council fuel cards for personal vehicles	Manager CAMs	Fuel usage monitored by CAMs, speedo reading needs to be input at time of purchase, log books in cars, fuel cards have make of vehicle and rego on them, reconciliation of fuel at depot		moderate	rare	Low	Yes		Annual review of the controls and risk assessment	Manager CAMs	Nil	Mar-15	Yearly	Not yet started	Administrative
13	All	All	All	Council House - General	Ethical	Operational	29/07/2014	False or manipulated qualifications, resume or references of employees	Adequate checks not performed including background checks, qualifications checks and police checks	Manager Human Resources	Recruitment process includes referee checks, qualification checks and in some cases police checks		moderate	rare	Low	Yes		Annual review of the controls and risk assessment	Manager Human Resources	Nil	Mar-15	Yearly	Not yet started	Administrative
14	Corporate services	Financial Services	Procurement & Funds Management	Council House - General	Ethical	Operational	21/08/2014	Misappropriation of investment funds	Insufficient internal controls in place to check investment transactions	Manager Finance	Independent advisor maintains paperwork		major	rare	Medium	Yes		Annual review of the controls and risk assessment	Manager Finance	Nil	Mar-15	Yearly	Not yet started	Administrative
15	All	All	All	Council House - General	Ethical	Operational	25/08/2014	fraud during grant distribution process leading to financial loss	The City allocates more than \$5m per year to grants and sponsorship and external parties and these parties may benefit from lack of clear and consistent procedures and scrutiny of applications and acquittals. lack of skills to assess applications, lack of clear procedure, lack of sufficient policy to ensure competitive pricing are provided in relation to costs incurred by grant applicants, insufficient cost breakdown to audit the City's contribution to broader capital works by external parties which can mean the city could be defrauded, so lack to proper acquittal reporting. Receipt of gifts / tickets / entry to hospitality events that may then influence an officer	CEO	Agenda Settlement, sign off at director or CEO level of grant approval and acquittal		Minor	Unlikely	Low	no	12	standardisation for all grants and sponsorship of policy requirements, procedures, and acquittal reporting and auditing.	Manager Sustainable City Development, Manager Economic Development, Manager Marketing, Communication and Events, Manager Community Services	Nil	Jun-15	Nil	not yet started	Administrative
16	City Services Directorate	Compliance Services	Infringement Support	Council House - General	Ethical	Operational	21/03/2014	Inappropriate withdrawal of infringements.	Insufficient internal control of procedures. Receipt of inducements that may then influence an officer	Manager Compliance	Delegated authority to waive fees. Appropriate procedures are in place to ensure exemptions are signed off by the Manager CLS and infringement issuing errors are signed off by Team Leader infringements.	Code of Conduct. Local Government Act, Parking Local Law.	Moderate	Unlikely	Medium	Yes		Annual review of the controls and risk assessment	Manager Compliance	Nil	Mar-15	Yearly	Not yet started	Administrative
17	All	All	All	Council House - General	Ethical	Operational	14/08/2013	Deliberate, unauthorised sharing of city information leading to breach of confidentiality, conflicts of interest, reputation issues	Staff and external parties misusing data lack of awareness by staff around confidentiality of city information Lack of clarification of what is able to be shared	Manager Governance	Code of conduct confidentiality agreements consultants information access authority forms employment contracts local government act	POLICY 10.1 Code of Conduct	major	unlikely	Medium	yes		Annual review of the controls and risk assessment	Manager Governance	Nil	Mar-15	Yearly	Not yet started	Administrative
18	All	All	All	Council House - General	Ethical	Operational	29/07/2014	Lack of reporting of complaints relating to fraud and misconduct	Staff unaware of procedures	Manager Governance	Public interest disclosures process in place.		moderate	moderate	Medium	no	7	Greater educational awareness campaign on the Public Interests disclosure process and identified Officers	Manager Governance	Nil	Dec-14	Nil	Ongoing	Administrative
20	All	All	All	Council House - General	Ethical	Operational	2/12/2014	Misuse of entitlements to CoP parking permits	Staff using permits for non CoP use Permits issued to staff not entitled to them	Manager Compliance	Audit of permit approvals		Minor	Unlikely	Low	yes		Annual review of the controls and risk assessment	Manager Compliance	Nil	Mar-15	Yearly	Not yet started	Administrative

SCHEDULE 2

Department of Local Government and Communities - Compliance Audit Return



Government of Western Australia
Department of Local Government and Communities

Perth - Compliance Audit Return 2014

Commercial Enterprises by Local Governments					
No	Reference	Question	Response	Comments	Respondent
1	s3.59(2)(a)(b)(c) F&G Reg 7,9	Has the local government prepared a business plan for each major trading undertaking in 2014.	N/A	No major trading undertakings in 2014.	Gary Stevenson
2	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2014.	Yes	File No. P1022162-2 (TRIM 316317/14 ISPT Pty Ltd, regarding Forrest Chase walkaways improvements and ongoing management arrangements).	Gary Stevenson
3	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2014.	N/A	No preparatory land transaction to entry into a major land transaction in 2014.	Gary Stevenson
4	s3.59(4)	Has the local government given Statewide public notice of each proposal to commence a major trading undertaking or enter into a major land transaction for 2014.	Yes	The City advertised in the West Australian newspaper, the Council House and Perth City Library public notice boards.	Gary Stevenson
5	s3.59(5)	Did the Council, during 2014, resolve to proceed with each major land transaction or trading undertaking by absolute majority.	Yes	Ordinary Council Meeting (OCM) 07/10/2014, Item 432/14 (TRIM 298221/14).	Gary Stevenson

Delegation of Power / Duty					
No	Reference	Question	Response	Comments	Respondent
1	s5.16, 5.17, 5.18	Were all delegations to committees resolved by absolute majority.	Yes	Referenced in annual review OCM 24/06/14, Item 270/14, Schedule 16 (TRIM 232331/14).	Gary Stevenson
2	s5.16, 5.17, 5.18	Were all delegations to committees in writing.	Yes	Referenced in 2014/15 Delegated Authority Register (TRIM 77896/13), Committee Terms of Reference (TRIM 11119/14) and included in each agenda.	Gary Stevenson
3	s5.16, 5.17, 5.18	Were all delegations to committees within the limits specified in section 5.17.	Yes	Referenced in 2014/15 Delegated Authority Register (TRIM 77896/13).	Gary Stevenson
4	s5.16, 5.17, 5.18	Were all delegations to committees recorded in a register of delegations.	Yes	2014/15 Delegated Authority Register (TRIM 77896/13).	Gary Stevenson
5	s5.18	Has Council reviewed delegations to its committees in the 2013/2014 financial year.	Yes	OCM 24/06/14, Item 270/14, Schedule 16 (TRIM 232331/14).	Gary Stevenson
6	s5.42(1),5.43 Admin Reg 18G	Did the powers and duties of the Council delegated to the CEO exclude those as listed in section 5.43 of the Act.	Yes	Referenced in 2014/15 Delegated Authority Register (TRIM 77896/13) and OCM 24/06/2014 Item 270/14, Schedule 16 (TRIM 232331/14).	Gary Stevenson
7	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO resolved by an absolute majority.	Yes	OCM 24/06/14, Item 270/14, Schedule 16 (TRIM 232331/14).	Gary Stevenson
8	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO in writing.	Yes	As per 2014/15 Delegated Authority Register (TRIM 77896/13).	Gary Stevenson
9	s5.44(2)	Were all delegations by the CEO to any employee in writing.	Yes	As per File No. P1023849	Gary Stevenson
10	s5.45(1)(b)	Were all decisions by the Council to amend or revoke a delegation made by absolute majority.	Yes	As per annual review OCM 24/06/14 Part 1 and amendments sighted in OCM 01/04/14, OCM 22/04/14 (TRIM 121167/14, 131224/14).	Gary Stevenson
11	s5.46(1)	Has the CEO kept a register of all delegations made under the Act to him and to other employees.	Yes	Referenced in 2014/15 Delegated Authority Register (TRIM 77896/13).	Gary Stevenson
12	s5.46(2)	Were all delegations made under Division 4 of Part 5 of the Act reviewed by the delegator at least once during the 2013/2014 financial year.	Yes	As per annual review OCM 24/06/14, Item 270/14, Schedule 16 (TRIM 232331/14).	Gary Stevenson
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record as required.	Yes	Based on audit sample testing. However, unable to confirm that a written record was kept on all occasions.	Gary Stevenson

Disclosure of Interest					
No	Reference	Question	Response	Comments	Respondent
1	s5.67	If a member disclosed an interest, did he/she ensure that they did not remain present to participate in any discussion or decision-making procedure relating to the matter in which the interest was disclosed (not including participation approvals granted under s5.68).	Yes	Referenced in the Financial and Non-financial Interest Disclosures Register (TRIM 4585/11).	Gary Stevenson
2	s5.68(2)	Were all decisions made under section 5.68(1), and the extent of participation allowed, recorded in the minutes of Council and Committee meetings.	Yes	Referenced in the Financial and Non-financial Interest Disclosures Register (TRIM 4585/11).	Gary Stevenson
3	s5.73	Were disclosures under section 5.65 or 5.70 recorded in the minutes of the meeting at which the disclosure was made.	Yes	Referenced in the Financial and Non-financial Interest Disclosures Register (TRIM 4585/11) and various Council and Committee meetings.	Gary Stevenson
4	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly elected members within three months of their start day.	N/A	No newly elected members appointed in 2014.	Gary Stevenson
5	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly designated employees within three months of their start day.	No	One designated employee lodged their primary return 45 days after the due date (as per Register 8700/13).	Gary Stevenson
6	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all continuing elected members by 31 August 2014.	Yes	As per Primary and Annual Return Register (TRIM 8700/13 and File No. P1026318).	Gary Stevenson
7	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all designated employees by 31 August 2014.	Yes	As per Primary and Annual Return Register 8700/13 and File No. P1023968.	Gary Stevenson
8	s5.77	On receipt of a primary or annual return, did the CEO, (or the Mayor/ President in the case of the CEO's return) on all occasions, give written acknowledgment of having received the return.	Yes	As per Primary and Annual Return Register 8700/13 (Files No. P1026318, P1023968-4 and P1023968-5).	Gary Stevenson
9	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained the returns lodged under section 5.75 and 5.76	Yes	As per Primary and Annual Return Register 8700/13 (File No. P1023968-3).	Gary Stevenson
10	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70 and 5.71, in the form prescribed in Administration Regulation 28.	Yes	As per 2014 Financial Interest Disclosures Register TRIM 4585/11 (File No. P1023968-2).	Gary Stevenson
11	s5.88 (3)	Has the CEO removed all returns from the register when a person ceased to be a person required to lodge a return under section 5.75 or 5.76.	Yes	As per Primary and Annual Return Register 8700/13 (File No. P1023968-3).	Gary Stevenson
12	s5.88(4)	Have all returns lodged under section 5.75 or 5.76 and removed from the register, been kept for a period of at least five years, after the person who lodged the return ceased to be a council member or designated employee.	Yes	As per Primary and Annual Return Register 8700/13 (File No. P1023968-3).	Gary Stevenson
13	s5.103 Admin Reg 34C & Rules of Conduct Reg 11	Where an elected member or an employee disclosed an interest in a matter discussed at a Council or committee meeting where there was a reasonable belief that the impartiality of the person having the interest would be adversely affected, was it recorded in the minutes.	Yes	Various Council and Committee meetings.	Gary Stevenson
14	s5.70(2)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to the Council or a Committee, did that person disclose the nature of that interest when giving the advice or report.	Yes	As per 2014 Financial Interest Disclosures Register TRIM 4585/11 (File No. P1023968-2).	Gary Stevenson
15	s5.70(3)	Where an employee disclosed an interest under s5.70(2), did that person also disclose the extent of that interest when required to do so by the Council or a Committee.	Yes	As per 2014 Financial Interest Disclosures Register TRIM 4585/11 (File No. P1023968-2).	Gary Stevenson

16	s5.103(3) Admin Reg 34B	Has the CEO kept a register of all notifiable gifts received by Council members and employees.	Yes	Gift Register, File No. P1025504-1. Only once the gift has been notified.	Gary Stevenson
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Disposal of Property

No	Reference	Question	Response	Comments	Respondent
1	s3.58(3)	Was local public notice given prior to disposal for any property not disposed of by public auction or tender (except where excluded by Section 3.58(5)).	Yes	The City of Perth has consistently placed public notices in The West Australian newspaper, as well as on the Council House and City of Perth Library public notice boards.	Gary Stevenson
2	s3.58(4)	Where the local government disposed of property under section 3.58(3), did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property.	Yes	Some examples are TRIM 247068/14, 234424/14.	Gary Stevenson

Elections

No	Reference	Question	Response	Comments	Respondent
1	Elect Reg 30G (1)	Did the CEO establish and maintain an electoral gift register and ensure that all 'disclosure of gifts' forms completed by candidates and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the candidates.	Yes	As per Electoral Gift Register, File No. P1026969 and Electoral Gift Register - Removed, File No. P1026970	Gary Stevenson

Finance

No	Reference	Question	Response	Comments	Respondent
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act.	Yes	As per SpCM 22/10/2013 (TRIM 129770/13).	Gary Stevenson
2	s7.1B	Where a local government determined to delegate to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority.	N/A	No change to the Audit and Risk Committee delegation 1.1.3 (Authority to meet with the City's Auditor at least once a year) in 2014. OCM 24/06/14, Item No. 270/14, Schedule 16 (TRIM 232331/14).	Gary Stevenson
3	s7.3	Was the person(s) appointed by the local government to be its auditor, a registered company auditor.	Yes	Grant Thornton Audit Pty Ltd ACN 130 913 594, ABN 41 127 556 389.	Gary Stevenson
4	s7.3	Was the person(s) appointed by the local government to be its auditor, an approved auditor.	N/A		Gary Stevenson
5	s7.3, 7.6(3)	Was the person or persons appointed by the local government to be its auditor, appointed by an absolute majority decision of Council.	Yes	Referenced in OCM 03/08/10, Item No. 403/10 (TRIM 72297/10).	Gary Stevenson
6	Audit Reg 10	Was the Auditor's report for the financial year ended 30 June 2014 received by the local government within 30 days of completion of the audit.	Yes	The Audit Report was completed on 05/11/14. The City of Perth received the Auditor's report through its Audit & Risk Cttee on 11/11/14, Item 1 (TRIM 315569/14) and by the Council on 18/11/14, Item 510/14 (TRIM 325242/14).	Gary Stevenson
7	s7.9(1)	Was the Auditor's report for 2013/2014 received by the local government by 31 December 2014.	Yes	Audit and Risk Committee – Special 11/11/14 (TRIM 315569/14). Ordinary Council Meeting (OCM) 18/11/14, Item 510/14 (TRIM 325242/14).	Gary Stevenson
8	S7.12A(3), (4)	Where the local government determined that matters raised in the auditor's report prepared under s7.9(1) of the Act required action to be taken by the local government, was that action undertaken.	N/A	No issues were raised in the auditor's report for the 2013/14 financial year. OCM 18/11/14, Item 510/14, TRIM 325242/14.	Gary Stevenson
9	S7.12A(3), (4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9(1) of the Act) required action to be taken by the local government, was a report prepared on any actions undertaken.	N/A	No issues were raised in the auditor's report for the 2013/14 financial year.	Gary Stevenson

10	S7.12A(3), (4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9(1) of the Act) required action to be taken by the local government, was a copy of the report forwarded to the Minister by the end of the financial year or 6 months after the last report prepared under s7.9 was received by the local government whichever was the latest in time.	N/A	No issues were raised in the auditor's report for the 2013/14 financial year.	Gary Stevenson
11	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives of the audit.	Yes	As per Contract - Tender No. 136 09/10 Specification 5.6, this has to be provided prior to the commencement of the audit for each subsequent audit by the auditors. Audit objective was sighted in the Audit Planning Memorandum dated 10/04/2014 under the heading "Responsibility" (Audit and Risk Cttee Minutes 21/05/2014 Schedule 1, TRIM 144832/14) and Engagement Letter dated 09/05/2014 (Not sighted in TRIM).	Gary Stevenson
12	Audit Reg 7	Did the agreement between the local government and its auditor include the scope of the audit.	Yes	Scope was included in the above mentioned Audit Planning Memorandum and Engagement Letter.	Gary Stevenson
13	Audit Reg 7	Did the agreement between the local government and its auditor include a plan for the audit.	Yes	A plan for the audit was included in the above mentioned Audit Planning Memorandum and Engagement Letter.	Gary Stevenson
14	Audit Reg 7	Did the agreement between the local government and its auditor include details of the remuneration and expenses to be paid to the auditor.	Yes	As per Contract - Tender No. 136 09/10 and the Audit Planning Memorandum.	Gary Stevenson
15	Audit Reg 7	Did the agreement between the local government and its auditor include the method to be used by the local government to communicate with, and supply information to, the auditor.	Yes	This is included in the Engagement Letter dated 09/05/2014 under the headings "Responsibilities of Council", "Privacy" and "Other".	Gary Stevenson

Local Government Employees

No	Reference	Question	Response	Comments	Respondent
1	Admin Reg 18C	Did the local government approve the process to be used for the selection and appointment of the CEO before the position of CEO was advertised.	N/A	CEO recruitment did not occur during the Audit period – 1 January to 31 December 2014.	Gary Stevenson
2	s5.36(4) s5.37(3), Admin Reg 18A	Were all vacancies for the position of CEO and other designated senior employees advertised and did the advertising comply with s.5.36(4), 5.37(3) and Admin Reg 18A.	No	The position of Manager Finance (designated senior employee) was not advertised in a newspaper circulating generally throughout the State.	Gary Stevenson
3	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position of CEO under section 5.36(4).	N/A	CEO was not recruited in 2014.	Gary Stevenson
4	Admin Regs 18E	Did the local government ensure checks were carried out to confirm that the information in an application for employment was true (applicable to CEO only).	N/A	CEO was not recruited in 2014.	Gary Stevenson
5	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss a designated senior employee.	N/A	Whilst proactive advertising of a designated senior employee position (Manager Financial services) occurred in late November 2014, the proposal to employ or dismiss a designated senior employee by the CEO will not occur until 2015.	Gary Stevenson

Official Conduct

No	Reference	Question	Response	Comments	Respondent
1	s5.120	Where the CEO is not the complaints officer, has the local government designated a senior employee, as defined under s5.37, to be its complaints officer.	N/A	The CEO is the Complaints Officer (TRIM 7064/13)	Gary Stevenson

2	s5.121(1)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that result in action under s5.110(6)(b) or (c).	N/A	No complaints of minor and/or serious breaches during 2014.	Gary Stevenson
3	s5.121(2)(a)	Does the complaints register maintained by the complaints officer include provision for recording of the name of the council member about whom the complaint is made.	N/A	No complaints of minor and/or serious breaches during 2014.	Gary Stevenson
4	s5.121(2)(b)	Does the complaints register maintained by the complaints officer include provision for recording the name of the person who makes the complaint.	N/A	No complaints of minor and/or serious breaches during 2014.	Gary Stevenson
5	s5.121(2)(c)	Does the complaints register maintained by the complaints officer include provision for recording a description of the minor breach that the standards panel finds has occurred.	N/A	No complaints of minor and/or serious breaches during 2014.	Gary Stevenson
6	s5.121(2)(d)	Does the complaints register maintained by the complaints officer include the provision to record details of the action taken under s5.110(6)(b)(c).	N/A	No complaints of minor and/or serious breaches during 2014.	Gary Stevenson

Tenders for Providing Goods and Services

No	Reference	Question	Response	Comments	Respondent
1	s3.57 F&G Reg 11	Did the local government invite tenders on all occasions (before entering into contracts for the supply of goods or services) where the consideration under the contract was, or was expected to be, worth more than the consideration stated in Regulation 11(1) of the Local Government (Functions & General) Regulations (Subject to Functions and General Regulation 11(2)).	No	Audit identified 5 occasions where the procurement values exceeded the tender threshold. Evidence sighted in the Contracts Expenditure Reports.	Gary Stevenson
2	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than inviting tenders for a single contract.	Yes	As per monthly Contract Expenditure Reports.	Gary Stevenson
3	F&G Reg 14(1)	Did the local government invite tenders via Statewide public notice.	Yes	As per Tenders Register Book, the City has advertised tenders in the West Australian newspaper. Likewise, the tenders have been displayed on the Council House and Perth City Library public notice boards.	Gary Stevenson
4	F&G Reg 14, 15 & 16	Did the local government's advertising and tender documentation comply with F&G Regs 14, 15 & 16.	Yes	As per Tenders Register Book and tender file samples.	Gary Stevenson
5	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer, notice of the variation.	Yes	Based on audit sample testing.	Gary Stevenson
6	F&G Reg 18(1)	Did the local government reject the tenders that were not submitted at the place, and within the time specified in the invitation to tender.	N/A	No late tender submissions recorded in the Tenders Register Book.	Gary Stevenson
7	F&G Reg 18 (4)	In relation to the tenders that were not rejected, did the local government assess which tender to accept and which tender was most advantageous to the local government to accept, by means of written evaluation criteria.	Yes	Evidence sighted in sample tender files No.: 003-14/15, 009-14/15, 11-14/15, 094-13/14, 090-13/14, 048-14/15, 020-14/15.	Gary Stevenson
8	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17.	Yes	As per Tenders Register Book.	Gary Stevenson
9	F&G Reg 19	Was each tenderer sent written notice advising particulars of the successful tender or advising that no tender was accepted.	Yes	Evidence sighted in sample tender files: 012-14/15, 094-13/14, 090-13/14, 048-14/15, 020-14/15.	Gary Stevenson

10	F&G Reg 21 & 22	Did the local governments's advertising and expression of interest documentation comply with the requirements of F&G Regs 21 and 22.	Yes	Only one EOI sighted in 2014 (EOI No. 018-14/15), in regards to Lease and Management of the Perth Concert Hall.	Gary Stevenson
11	F&G Reg 23(1)	Did the local government reject the expressions of interest that were not submitted at the place and within the time specified in the notice.	N/A	Two submissions received by closing date and time (EOI No. 018-14/15).	Gary Stevenson
12	F&G Reg 23(4)	After the local government considered expressions of interest, did the CEO list each person considered capable of satisfactorily supplying goods or services.	N/A	No submissions accepted for EOI No. 018-14/15 due to not meeting requirements. Evidence sighted in OCM 16/09/14, Item 390/14, Part 1 (TRIM 289486/14).	Gary Stevenson
13	F&G Reg 24	Was each person who submitted an expression of interest, given a notice in writing in accordance with Functions & General Regulation 24.	Yes	EOI 018-14/15. Letter advising that the Council resolved not accepting any submission (TRIM 288814/14).	Gary Stevenson
14	F&G Reg 24E	Where the local government gave a regional price preference in relation to a tender process, did the local government comply with the requirements of F&G Reg 24E in relation to the preparation of a regional price preference policy (only if a policy had not been previously adopted by Council).	N/A	No Regional price preference given in 2014.	Gary Stevenson
15	F&G Reg 11A	Does the local government have a current 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, \$100,000 or less.	Yes	Corporate Policy No.: 9.7 Purchasing Policy.	Gary Stevenson



CITY of PERTH

INTERNAL AUDIT CHARTER

1. Mission and Scope of Work

- 1.1. The mission of Internal Audit is to provide independent, objective assurance and consulting services designed to add value and improve the City of Perth's operations. It helps the City of Perth accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
- 1.2. The scope of work of Internal Audit is to determine whether the City of Perth's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:
 - Risks are appropriately identified and managed.
 - Interaction with the various governance groups occurs as needed.
 - Significant financial, managerial, and operating information is accurate, reliable, and timely.
 - Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
 - Resources are acquired economically, used efficiently, and adequately protected.
 - Programs, plans, and objectives are achieved.
 - Quality and continuous improvement are fostered in the City of Perth's control process.
 - Significant legislative or regulatory issues impacting the City of Perth are recognised and addressed properly.
- 1.3. Opportunities for improving management control and accountability may be identified during audits. They will be communicated to the appropriate level of management.

2. Accountability

- 2.1. The Internal Auditor, in the discharge of his/her duties, shall be accountable to management and the Audit and Risk Committee to:
 - Provide an assessment on the adequacy and effectiveness of the City of Perth's processes for controlling its activities and managing its risks in the areas under the mission and scope of work.

- Report significant issues related to the processes for controlling the activities of the City of Perth, including potential improvements to those processes, and monitor and report on agreed action to implement improvements.
- Provide information periodically on the status and results of the annual audit plan and the sufficiency of internal audit resources.
- Coordinate with and provide oversight of other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, external audit).

3. Independence

- 3.1. To provide for the independence of Internal Audit, its staff and contractors report to the Internal Auditor, who reports administratively to the Director Corporate Services and functionally to the Council through the Audit and Risk Committee in a manner outlined in the above section on Accountability.
- 3.2. Internal audit reports and issues of significance are also reported directly to the Chief Executive Officer (CEO).

4. Responsibility

- 4.1. The Internal Auditor has responsibility to:
 - Develop a flexible annual audit plan using appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the Audit and Risk Committee for review and approval by Council.
 - Implement the annual audit plan, as approved, including, and as appropriate, any special tasks or projects requested by the CEO and/or the Audit and Risk Committee.
 - Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter.
 - Establish a quality assurance program by which the Internal Auditor assures the operation of internal auditing activities.
 - Perform consulting services, beyond Internal Auditing's assurance services, to assist management in meeting its objectives. Examples may include facilitation, process design, training, and advisory services.
 - Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.
 - Issue periodic reports to the Audit and Risk Committee and management summarizing results of audit activities.
 - Keep the Audit and Risk Committee informed of emerging trends and successful practices in internal auditing.

- Assist in the investigation of significant suspected fraudulent activities within the City of Perth and notify management and the Audit and Risk Committee of the results.
- Identify instances of misconduct to the CEO to enable reporting to the Corruption and Crime Commission.
- Consider the scope of work of the external auditors, as appropriate, for the purpose of providing optimal audit coverage to the City of Perth at a reasonable overall cost.

5. Authority

5.1. Internal Audit staff and contractors of Internal Audit are authorised to:

- Have unrestricted access to all functions, records, property, and personnel (unless prohibited by legislation).
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in business units of the City of Perth where they perform audits, as well as other specialized services from within or outside the City of Perth.

5.2. Internal Audit staff and contractors of Internal Audit are not authorised to:

- Perform any operational duties for the City of Perth.
- Initiate or approve accounting transactions external to the Internal Audit cost centre.
- Direct the activities of any City of Perth employee not employed by Internal Audit, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist Internal Audit staff.

6. Standards of Audit Practice

Internal Audit will meet or exceed the *International Standards for the Professional Practice of Internal Auditing* of The Institute of Internal Auditors.

Audit and Risk Committee
Confidential Schedule 4
(Minute AR11/15 refers)

Distributed to Elected Members under separate cover

Bound in Consolidated Committee
Confidential Minute Book
Volume 1 2015

Audit and Risk Committee
Confidential Schedule 5
(Minute AR12/15 refers)

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