

# MINUTES.

## Audit, Risk and Governance Committee

6 June 2018

### Committee Members

Here within are the Minutes of the Audit, Risk and Governance Committee Meeting held Wednesday 6 June 2018 in the City of South Perth Council Chamber, Cnr Sandgate Street and South Terrace, South Perth.

*As this Committee does not hold Delegated Powers or Duties in accordance with Section 5.23 of the Local Government Act the meeting was not open to the public.*



GEOFF GLASS  
CHIEF EXECUTIVE OFFICER

8 June 2018

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# Audit, Risk and Governance Committee Meeting - Minutes

## 1. DECLARATION OF OPENING

The Chair opened the meeting at 5.32pm and welcomed everyone in attendance.

## 2. ATTENDANCE

### Elected Members

Sue Doherty	Mayor (Chair)
Councillor Blake D'Souza	Manning Ward
Councillor Ken Manolas	Mill Point Ward (Deputy Chair)

### External Members

Ms Shona Zulsdorf  
Mr Steve Vanstan

### Officers

Mr Geoff Glass	Chief Executive Officer
Mr Colin Cameron	Director Financial and Information Services
Ms Vicki Lummer	Director Development and Planning Services
Mr Phil McQue	Manager Governance and Marketing
Ms Vanessa Loncar	Manager Organisational Planning & Performance
Mr André Brandis	Manager Finance
Ms Christine Lovett	Corporate Support Officer

### Guests

Mr Cameron Palassis	Executive Director – Paxon Group (until 6.27pm – Items 6.1 & 6.2)
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### 2.1 APOLOGIES

Councillor Cheryle Irons	Mill Point Ward
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### 2.2 APPROVED LEAVE OF ABSENCE

Councillor Greg Milner	Moresby Ward
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## 3. DECLARATIONS OF INTEREST

Nil.

## 4. CONFIRMATION OF MINUTES

The Minutes of the Audit, Risk and Governance Committee Meeting held 6 March 2018 were confirmed at the Ordinary Council Meeting of 27 March 2018.

## 5. BUSINESS ARISING FROM PREVIOUS MEETING

Nil.

## 6. REPORTS

Ms Vanessa Loncar, Manager Organisational Planning & Performance, introduced Mr Cameron Palassis, Executive Director of Paxon Group who presented on the following.

### 6.1 DRAFT STRATEGIC INTERNAL AUDIT PLAN

Location:	City of South Perth
Ward:	Not Applicable
Applicant:	Council
File Ref:	D-18-52379
Meeting Date:	6 June 2018
Author(s):	Vanessa Loncar, Manager Organisational Planning & Performance
Reporting Officer(s):	Colin Cameron, Director Corporate Services
Strategic Direction:	Leadership: A visionary and influential local government
Council Strategy:	4.3 Good Governance

#### Summary

This report has been prepared for the Committee to consider a draft 5 Year Strategic Internal Audit Plan. A Strategic Internal Audit Plan guides the priorities of the Internal Audit function, establishing the annual work plans.

#### Officer Recommendation AND COMMITTEE RECOMMENDATION

**Moved:** Councillor Ken Manolas

**Seconded:** Ms Shona Zulzdorf

That the Audit, Risk and Governance Committee recommends to the Council that it adopt the Strategic Internal Audit Plan.

**CARRIED (5/0)**

#### Background

Internal audit should help reduce risk (where appropriate), improve the business, and provide assurance that appropriate governance, risk management and control arrangements are in place and working effectively. A Strategic Internal Audit Plan guides the priorities of the Internal Audit function, establishing the annual work plans.

An Internal Audit function is different from the External (Financial Statements) Audit, being undertaken by the Office of the Auditor General (OAG). The External Audit attests the values contained in the Annual Financial Statements and Notes, to a materiality level, for an external audience (the general public). However, given good systems and processes are required to produce Financial Statements, the OAG will consider the findings, improvements and reporting by the Internal Auditor as part of their analysis when undertaking their External (Financial Statements) Audit.

On 7 August 2017, the Audit, Risk and Governance Committee recommended Paxon Group be appointed to perform the Internal Audit function for the City for the next three years. Prior to this, the City did not have an Internal Audit function and therefore part of the brief was for the successful Audit firm to assist the Committee to develop a 5 Year Strategic Internal Audit Plan.

Paxon Group are in the process of completing, their first round of Internal Audits, which will be presented to the Committee on completion. In undertaking this work, Paxon Group have gained some insight into City operations and have provided the attached draft Strategic Internal Audit Plan for consideration by the Committee.

### **Comment**

The draft Strategic Internal Audit Plan comprises three main components:

- Link between the Strategic Direction, Strategies, Key Risks and Proposed Audits
- Summary of the Strategic Internal Audit Plan
- Details of the Strategic Internal Audit Plan

In developing the plan with Paxon Group, were cognisant of the financial constraints, various project timeframes (i.e. 1System project) as well as the organisational capacity to support the Internal Audit work, then develop and implement the Audit finding/recommendations. In this context, not every suggested Internal Audit has been allocated hours within the first five years.

By way of example, Item 29 - Backup & Disaster Recovery Planning, has not been allocated any hours within this draft (5 year) Strategic Internal Audit Plan. The rationale being that item 30 – Business Continuity Planning will include this element, as well as the 1System project will result in the ERP hosted in the cloud by Amazon Web Services (AWS). AWS are a world leader in cloud services, operating Active, Active, Active (data replicated in 3 locations simultaneously), with data backup and security their responsibly. We anticipate the 1System project - Phase 1 will result in the TechnologyOne solution (Finance, Human Resources, Payroll and part of Asset Management) will be operating in the cloud from 1 July 2019.

In reviewing the draft plan, the Committee may wish to have a greater emphasis placed on certain areas, or wish to alter the year in which an area will have an Internal Audit. In addition, a Strategic Internal Audit Plan may be changed to allow changes in circumstances or priorities. As described above, alterations to a plan should be mindful of financial constraints, various project timeframes and the organisational capacity to support the undertaking of Internal Audits and then develop/implement the Audit recommendations.

Paxon Group will attend the Committee meeting to present the plan and be available for questions. The draft Strategic Internal Audit Plan is provided to the Committee for consideration, to then make a recommendation to Council for adoption.

### **Consultation**

No external consultation has occurred.

## 6.1 Draft Strategic Internal Audit Plan

### Policy and Legislative Implications

The Internal Audit function is considered a business improvement process that will assist in compliance with the Local Government (*Financial Management*) Regulations 5 (CEO's duties as to financial management) and the Local Government (*Audit*) Regulations 17 (CEO to review certain systems and procedures).

### Financial Implications

The Internal Audit function has a budget of \$35,000 for the 2017/18 and was anticipated that a Budget of a similar amount would be adopted each year. The 3 year contract was awarded to Paxon Group was on the basis that the Internal Audits undertaken would cost \$35,000 per annum. In addition to the payments to Paxon Group, there is a significant cost (staff time) in assisting the Auditors during the Audit, then designing/implementing recommendations and regular reporting of the progress against the plan.

### Strategic Implications

This report is aligned to the Council's [Strategic Community Plan 2017-2027](#)

4.3 Good Governance

(a) Empower effective and quality decision-making and governance.

### Attachments

6.1 (a): Draft Strategic Internal Audit Plan

Mr Cameron Palassis, Executive Director of Paxon Group presented on the following.

## 6.2 INTERNAL AUDIT REPORT - RATES

Location:	City of South Perth
Ward:	Not Applicable
Applicant:	Council
File Ref:	D-18-49971
Meeting Date:	6 June 2018
Author(s):	Vanessa Loncar, Manager Organisational Planning & Performance
Reporting Officer(s):	Colin Cameron, Director Corporate Services
Strategic Direction:	Leadership: A visionary and influential local government
Council Strategy:	4.3 Good Governance

### Summary

This report tables the Internal Audit report from Paxon Group relating to Rates. The audit includes strengths, weaknesses, rating, issues, risk ratings, recommendations and management comments. The rating included in the Executive Summary, considering the entire internal audit, is "Satisfactory". It is recommended that the each issue be accepted, added to the Audit log, with commentary on progress of resolution of issues to be reported at each Committee Meeting.

### Officer Recommendation AND COMMITTEE RECOMMENDATION

**Moved:** Mayor Sue Doherty

**Seconded:** Ms Shona Zulsdorf

That the Audit, Risk and Governance Committee recommends to the Council that it:

- 1) note and accept the Rates Internal Audit Report;
- 2) accept all findings are recorded within the Audit Register

**CARRIED (5/0)**

### Background

The City previously did not have an Internal Audit function to undertake compliance and performance Audits, essentially relying on the work undertaken by the External Auditor (Macri Partners) when undertaking their review of the Annual Financial Statements. As previously reported, the External Audit process, the process is essentially to attest the Annual Financial Statements, to a materiality level is now performed by the WA Office of the Auditor General.

At the August 2017 Committee Meeting, the Committee recommended Paxon Group undertake reviews in accordance with the Local Government Act and Regulations, as well as develop a five year Strategic Internal Audit Plan.

This is the first Committee meeting to receive Internal Audit a report from Paxon Group, and it is anticipated that the other Internal Audit Reports, currently being finalised, will be presented to the next Committee meeting.

This confidential Internal Audit Report – Rates, is designed for internal purposes and is provided under a separate cover. The Report includes the strengths, weaknesses, rating, issues, risk ratings, recommendations and management comments.

### **Comment**

The Internal Audit Report – Rates, is presented for the Committee consideration. Included in the Executive Summary, an overall rating is provided, ranging from Excellent (5 star) to Not Satisfactory (1 star). In relation to Rates, Paxon Group have assessed the overall ratings as Satisfactory (3 stars).

The report includes reference to the staff arrangements, particularly as the City has been without the Senior Rates Officer since 21 March 2017, the role being performed by temporary arrangements, only recently being able to commence a permanent recruitment process, which is now complete.

Paxon Group will attend the Committee meeting to present their Report and be available for questions.

Staff recommend all findings be included in the Audit Register. All items included in the Audit Register will be reported at each subsequent Committee Meeting, including information relating to the progress of implementing the Agreed Management Actions, a percentage complete indicator and Officer Comments. As these issues are implemented, a recommendation will be included to close the item. Closed items will no longer be reported in the Audit Register to the Committee, but will be accessible by the Internal and External Auditors to review compliance.

### **Consultation**

No external consultation has occurred.

### **Policy and Legislative Implications**

The Internal Audit function is considered a business improvement process that will assist in compliance with the Local Government (*Financial Management*) Regulations 5 (CEO's duties as to financial management) and the Local Government (*Audit*) Regulations 17 (CEO to review certain systems and procedures).

### **Financial Implications**

The Internal Audit function has a budget of \$35,000 for the 2017/18 and was anticipated that a Budget of a similar amount would be adopted each year. This is the first Internal Audit completed and at the time of submission, the final hours (cost) had not yet been provided. Staff time in assisting Paxon Group to undertake and report the Internal Audit Report has not been estimated.

### **Strategic Implications**

This report is aligned to the Council's [Strategic Community Plan 2017-2027](#)

4.3 Good Governance

(a) Empower effective and quality decision-making and governance.

### **Attachments**

6.2 (a): Internal Audit Report: Rates (*Published Separately*)



### 6.3 REVIEW OF POLICIES

Location:	City of South Perth
Ward:	Not Applicable
Applicant:	City of South Perth
File Ref:	D-18-54866
Meeting Date:	6 June 2018
Author(s):	Christine Lovett, Corporate Support Officer
Reporting Officer(s):	Phil McQue, Manager Governance and Marketing
Strategic Direction:	Leadership: A visionary and influential local government
Council Strategy:	4.3 Good Governance

#### Summary

The City has a statutory obligation under the *Local Government Act 1995* to review its Policies each financial year. The Terms of Reference of the Audit, Risk and Governance Committee include responsibility for reviewing the City's policies.

The annual review of the following City policies held within 'Strategic Direction – Leadership and Community' are now presented for the consideration of the Committee and referral to Council for adoption.

#### Officer Recommendation AND COMMITTEE RECOMMENDATION

**Moved:** Mr Steve Vanstan

**Seconded:** Councillor Ken Manolas

That the Audit, Risk and Governance Committee, having reviewed the Council Policies listed hereunder, recommends to the Council that it:

- a) adopt the following policies, having been reviewed with 'no change' to content:

***Strategic Direction - Leadership***

- P601 Preparation of Long Term Financial Plan & Annual Budget
- P602 Authority to make payments from the Municipal & Trust Funds
- P603 Investment of Surplus Funds
- P604 Use of Debt as a Funding Option
- P606 Continuous Financial Disclosure
- P607 Tenders and Expressions of Interest
- P610 Collier Park Village – Financial Arrangements
- P612 Disposal of Surplus Property
- P688 Asset Management
- P694 Fraud & Corruption Prevention Policy

- b) adopt the following policies, having been reviewed and the content revised as per **Attachment (a)**:

***Strategic Direction - Community***

- P112 Appointment of Community Advisory Groups

***Strategic Direction - Leadership***

- P608 Dividend Policy – Collier Park Golf Course
- P613 Capitalisation Valuation of Fixed Assets

**CARRIED (5/0)**

### Background

In line with contemporary organisational models, the policy framework aligns policies and delegations to the City's Strategic Directions.

During the review process, policies are considered by the custodian department having the relevant technical expertise in relation to the policy content and subsequently by the Executive Management Team (EMT) representing each of the City's Directorates.

The policy review centres on the continuing relevance of the policy and the need to update it in light of any change in the legislative or operating environment. The policy review may identify a need to revise the policy or it may determine that no change is needed. The nature of the change, whether minor or major, is noted in the Comment section below. Minor changes usually consist of minor typographical or grammatical corrections or revisions due to minor legislative amendments. Major change will consist of significant revision to the content of the policy due to changes in the operational environment or because of more substantial legislative change.

### Comment

#### Minor Changes

The Policies listed below are considered to have only minor administrative changes and no change to content needed therefore they are not included as attachments.

#### *Strategic Direction – Leadership*

- P601 Preparation of Long Term Financial Plan & Annual Budget
- P602 Authority to make payments from the Municipal & Trust Funds
- P603 Investment of Surplus Funds
- P604 Use of Debt as a Funding Option
- P606 Continuous Financial Disclosure
- P607 Tenders and Expressions of Interest
- P610 Collier Park Village – Financial Arrangements
- P612 Disposal of Surplus Property
- P688 Asset Management
- P694 Fraud & Corruption Prevention Policy

#### Major Changes

The policies listed below and at **Attachment (a)** are considered to have major changes to content. The content changes have been highlighted in red. A small summary explaining the changes has been provided.

#### *Strategic Direction – Community*

#### **P112 Community Advisory Groups**

This policy has been amended to allow representation from Council when required.

#### *Strategic Direction – Leadership*

#### **P608 Dividend Policy – Collier Park Golf Course**

This policy has been amended to ensure the dividend will be paid out of an operational surplus. The minimum dividend value has been removed.

**P613 Capitalisation Valuation of Fixed Assets**

The useful lives of assets have been amended to align with the audited Financial Statements.

**Policy and Legislative Implications**

The reviewed policies are consistent with the *Local Government Act 1995*, *Local Government (Financial Management) Regulations 1996* and other City documents.

**Financial Implications**

Nil.

**Strategic Implications**

This report is aligned to the Council's [Strategic Community Plan 2017-2027](#)

4.3 Good Governance

(a) Empower effective and quality decision-making and governance.

**Attachments**

6.3 (a): Major Changes

## 6.4 REVIEW OF COUNCIL DELEGATIONS

Location:	City of South Perth
Ward:	Not Applicable
Applicant:	City of South Perth
File Ref:	D-18-54875
Meeting Date:	6 June 2018
Author(s):	Christine Lovett, Corporate Support Officer
Reporting Officer(s):	Phil McQue, Manager Governance and Marketing
Strategic Direction:	Leadership: A visionary and influential local government
Council Strategy:	4.3 Good Governance

### Summary

The City has a statutory obligation under the *Local Government Act 1995* to review its Delegations each financial year. The Terms of Reference of the Audit, Risk and Governance Committee include responsibility for reviewing the City's Council Delegations.

The annual review of the following Council Delegations held within Strategic Direction – Leadership has been completed and a new Council Delegation within Strategic Direction – Community are now presented for the consideration of the Committee and referral to Council for adoption.

### Officer Recommendation AND COMMITTEE RECOMMENDATION

**Moved:** Ms Shona Zulsdorf

**Seconded:** Mr Steve Vanstan

That the Audit, Risk and Governance Committee, having reviewed the City's Council Delegations listed hereunder, recommends to the Council that it:

- a) adopt the following Council Delegations, having been reviewed with 'no change' to content as per **Attachment (a)**:

#### ***Strategic Direction – Leadership***

- DC601 Preparation of Long Term Financial Plan, Annual Budget & Annual Financial Report
- DC602 Authority to Make Payments from the Municipal and Trust Funds
- DC607 Acceptance of Tenders/E-Quotes/Common Use Agreements
- DC607B Non Acceptance of Tenders
- DC616 Write-off Debts
- DC685 Inviting Tenders or Expressions of Interest

- b) adopt the following Council Delegations, having been reviewed and the content revised as per **Attachment (b)**:

#### ***Strategic Direction – Leadership***

- DC603 Investment of Surplus Funds
- DC612 Disposal of Surplus Property

- c) adopt the following new Council Delegation as per **Attachment (c)**:

#### ***Strategic Direction – Community***

- DC102 Community Funding Program

**CARRIED (5/0)**

### Background

Section 5.42 of the *Local Government Act 1995* (the Act) provides that a council may delegate to the Chief Executive Officer the exercise of any of its powers or the discharge of any of its duties under the Act, other than those referred to in section 5.43 of the Act.

The purpose of this review is to consider the operational effectiveness of the current financial delegations held within Strategic Direction Leadership; whether they remain relevant and appropriate and whether legislative amendments or organisational changes necessitate any revisions to the text.

Delegations are reviewed to ensure consistency of format with other City Corporate documents such as Policies and those held within the City's Planning and Reporting Framework. In some instances amendments may be made to correctly describe statutory references or to take account of changes to the relevant legislation which describes the power or duty being delegated.

### Comment

#### Minor

The Council Delegations listed below and at **Attachment (a)** are considered to have only minor administrative changes and no change to content needed.

- DC601 Preparation of Long Term Financial Plan, Annual Budget & Annual Financial Report
- DC602 Authority to Make Payments from the Municipal and Trust Funds
- DC607 Acceptance of Tenders/E-Quotes/Common Use Agreements
- DC607B Non Acceptance of Tenders
- DC616 Write-off Debts
- DC685 Inviting Tenders or Expressions of Interest

#### Major

The Council Delegations listed below and at **Attachment (b)** are considered to have major changes to content. The content changes have been highlighted in red. A small summary explaining the changes has been provided.

#### *Strategic Direction – Leadership*

##### **DC603 Investment of Surplus Funds**

The naming of specific individual banking institutions has been removed and replaced with:

Funds may be invested in any Australian Prudential Regulation Authority regulated and listed, Authorised Deposit-taking institutions (ADIs) being corporations as authorised under the *Banking Act 1959*. ADI's include the following institutions:

- Banks
- Building Societies and
- Credit Unions

The funds may only be invested in those authorised financial instruments which are set out in Policy P603 - Investment of Surplus Funds.

***Strategic Direction – Leadership*****DC612 Disposal of Surplus Property**

This delegation has been modified to comply with *Local Government (Financial Management) Regulations*.

**New**

The below new delegation listed below and at **Attachment (c)** is presented to the Audit Risk and Governance Committee:

***Strategic Direction – Community*****DC102 Community Funding Program**

This delegation has been developed to support Policy P102 Community Funding Program.

**Consultation**

Consultation has occurred with officers of each of the relevant City Departments.

**Policy and Legislative Implications**

Section 5.45(1) (b) of the Act requires that any decision by Council to make, amend or revoke a delegation is to be by an *absolute majority*.

**Financial Implications**

Nil

**Strategic Implications**

This report is aligned to the Council's [Strategic Community Plan 2017-2027](#)

4.3 Good Governance

(a) Empower effective and quality decision-making and governance.

**Attachments**

<b>6.4 (a):</b>	No Change
<b>6.4 (b):</b>	Major Change
<b>6.4 (c):</b>	New

## 6.5 1SYSTEM IMPLEMENTATION

Location:	City of South Perth
Ward:	Not Applicable
Applicant:	Council
File Ref:	D-18-52826
Meeting Date:	6 June 2018
Author(s):	Jeff Jones, Manager Information Systems
Reporting Officer(s):	Colin Cameron, Director Corporate Services
Strategic Direction:	Leadership: A visionary and influential local government
Council Strategy:	4.3 Good Governance

### Summary

This report has been prepared to update the Committee on the 1System project. The City has been able to attract a very experienced and capable team, with a good blend of internal and external recruitment, existing systems and Technology One experience. The project will be officially launched in July 2018, with the first phase expected to be implemented by the middle of 2019.

### Officer Recommendation AND COMMITTEE RECOMMENDATION

**Moved:** Councillor Ken Manolas

**Seconded:** Ms Shona Zulsdorf

That the Audit, Risk and Governance Committee recommends to Council that it note the progress report of the 1System Project.

**CARRIED (5/0)**

## 6.6 PROPOSED PENALTY UNITS AMENDMENT LOCAL LAW 2018

Location:	City of South Perth
Ward:	Not Applicable
Applicant:	Council
File Ref:	D-18-52395
Meeting Date:	6 June 2018
Author(s):	Sharron Kent, Governance Officer
Reporting Officer(s):	Geoff Glass, Chief Executive Officer
Strategic Direction:	Leadership: A visionary and influential local government
Council Strategy:	4.3 Good Governance

### Summary

This report recommends that the City adopt a Penalty Units Amendment Local Law to reflect changes in the City's Parking Local Law (**Attachment (a)**).

### Officer Recommendation AND COMMITTEE RECOMMENDATION

**Moved:** Mr Steve Vanstan

**Seconded:** Ms Shona Zulsdorf

That the Audit, Risk and Governance Committee recommends to the Council that it:

- in accordance with s3.12(3)(a)(b) of the *Local Government Act 1995*, gives state-wide and local public notice stating that:
  - a) it proposes to make a Penalty Units Amendment Local Law 2018, and a summary of its purpose and effect;
  - b) copies of the proposed local law may be inspected at the City offices
  - c) submissions about the proposed local law may be made to the City within a period of not less than six weeks after the statutory public notice is given;
- provide a copy to the Minister for Local Government and Communities, in accordance with s3.12(4) of the *Local Government Act 1995*;
- note that the results of the public submission will be presented to Council for consideration.

*SIMPLE MAJORITY VOTE REQUIRED*

**CARRIED (5/0)**

### Background

In 2003 the City made a Penalty Units Local Law. Its purpose is to provide a monetary value for a modified penalty (ie. an 'on the spot fine') where another local law refers to a penalty unit. By amending the amount listed in the Penalty Units Local Law, all modified penalties in other local laws are automatically amended without their having to be changed one by one.

### Comment

The Penalty Units Local Law provides for an escalated modified penalty where 'special events' occur, and (amongst other things) refers to the City's Parking Local Law. The only special event where this currently applies to is the annual 'Skyworks' fireworks display held on Australia Day.



The Parking Local Law was re-made in 2017. The Schedule to the Penalty Units Local Law refers to the Parking Local Law 2011 and as such should be amended to reflect the updated Parking Local Law.

While s16 of the *Interpretation Act 1984* provides that a reference to a law includes amendments to that law, arguably no amendment is needed. In this case as the whole Parking Local Law was replaced it is considered preferable to amend the Penalty Units Law anyway.

### Consultation

The process to make a local law is set out in s3.12 of the Local Government Act 1995.

In this respect, section 3.12(3) of the *Local Government Act 1995* requires a local government to give State-wide and local public notice stating that it proposes to make a local law, the purpose and effect of which is summarised in the notice for a period of 6 weeks after it first appears.

Feedback from this consultation must be considered by Council before it resolves to make the local law.

### Policy and Legislative Implications

Local laws (and amendments to them) are made using the process set out in section 3.12(3) of the Local Government Act 1995.

The Act requires the person presiding at a Council meeting to give notice of the purpose and effect of the proposed local law by ensuring that the purpose and effect is included in the agenda for the meeting, and that the minutes of the meeting include the purpose and effect of the proposed local law.

The purpose and effect of the proposed City of South Penalty Units Amendment Local Law Local 2018 is:

#### Purpose

The purpose of the Amendment Local Law is to make a correct reference to the City's Parking Local Law 2017.

#### Effect

The effect is that the Penalty Units Local Law refers to the Parking Local Law 2017.

The proposed Amendment Local Law is attached and is self-explanatory – '2011' is simply replaced with '2017' in Schedule 1 of the Penalty Units Local Law 2003.

### Financial Implications

There are some administrative expenses involved in making the proposed Amendment Local Law.

### Strategic Implications

This report is aligned to the Council's [Strategic Community Plan 2017-2027](#)

4.3 Good Governance

(a) Empower effective and quality decision-making and governance.

### Attachments

6.6 (a): Proposed Penalty Units Amendment Local Law 2018

## 6.7 CORPORATE BUSINESS PLAN - QUARTER THREE UPDATE

Location:	City of South Perth
Ward:	Not Applicable
Applicant:	City of South Perth
File Ref:	D-18-52396
Meeting Date:	6 June 2018
Author(s):	Phil McQue, Manager Governance and Marketing
Reporting Officer(s):	Geoff Glass, Chief Executive Officer
Strategic Direction:	Leadership: A visionary and influential local government
Council Strategy:	4.3 Good Governance

### Summary

This report considers the Corporate Business Plan Third Quarter Update.

### Officer Recommendation AND COMMITTEE RECOMMENDATION

**Moved:** Mayor Sue Doherty

**Seconded:** Ms Shona Zulsdorf

That the Audit, Risk and Governance Committee recommends to the Council that it note the Corporate Business Plan Third Quarter Update.

**CARRIED (5/0)**

### Background

The City is required to keep a 4 year Corporate Business Plan, which sets out the projects, initiatives and priorities, ensuring that the Council can deliver on the aspirations and objectives of the ten year Strategic Community Plan.

### Comment

The Third Quarter Update for the period (**Attachment (a)**) for the period January 2018 to March 2018 is provided to the Audit, Risk and Governance Committee for information and noting.

Work will be commencing on formatting the existing Corporate Business Plan to reflect the new directions of the Council's Strategic Community Plan 2017-2027. A new Corporate Business Plan is also being prepared in conjunction with the Long Term Financial Plan, scheduled for completion late 2018.

### Consultation

The Third Quarter Update is prepared in consultation with the City's Executive and Management Team.

### Policy and Legislative Implications

*19DA. Corporate business plans, requirements for (Act s. 5.56)*

- (1) A local government is to ensure that a corporate business plan is made for its district in accordance with this regulation in respect of each financial year after the financial year ending 30 June 2013.*
- (2) A corporate business plan for a district is to cover the period specified in the plan, which is to be at least 4 financial years.*
- (3) A corporate business plan for a district is to —*

- (a) set out, consistently with any relevant priorities set out in the strategic community plan for the district, a local government's priorities for dealing with the objectives and aspirations of the community in the district; and*
  - (b) govern a local government's internal business planning by expressing a local government's priorities by reference to operations that are within the capacity of the local government's resources; and*
  - (c) develop and integrate matters relating to resources, including asset management, workforce planning and long-term financial planning.*
- (4) A local government is to review the current corporate business plan for its district every year.*
- (5) A local government may modify a corporate business plan, including extending the period the plan is made in respect of and modifying the plan if required because of modification of the local government's strategic community plan*

#### **Financial Implications**

All projects and initiatives listed in the Corporate Business Plan Third Quarter Update are fully funded within the 2017/18 Annual Budget.

#### **Strategic Implications**

This report is aligned to the Council's [Strategic Community Plan 2017-2027](#)

4.3 Good Governance

- (a) Empower effective and quality decision-making and governance.

#### **Attachments**

- 6.7 (a): Corporate Business Plan Third Quarter Update

## 6.8 WA AUDITOR GENERAL REPORT - CONTROL OVER CORPORATE CREDIT CARDS

Location:	City of South Perth
Ward:	Not Applicable
Applicant:	Council
File Ref:	D-18-49967
Meeting Date:	6 June 2018
Author(s):	Vanessa Loncar, Manager Organisational Planning & Performance
Reporting Officer(s):	Colin Cameron, Director Corporate Services
Strategic Direction:	Leadership: A visionary and influential local government
Council Strategy:	4.3 Good Governance

### Summary

This report has been prepared for the Committee to consider the recommendations outlined in the WA Auditor General's first focus area audit in the local government sector, "Report on Controls over Corporate Credit Cards", published on 7 May 2018. Although the City was not part of this audit, it is considered good practice to consider the recommendations and how they may be applied at the City of South Perth.

### Officer Recommendation AND COMMITTEE RECOMMENDATION

**Moved:** Ms Shona Zulsdorf

**Seconded:** Mr Steve Vanstan

That the Audit, Risk and Governance Committee recommends to the Council that it note the staff comments in relation to the recommendations contained in WA Auditor General's Report – Controls over Corporate Credit Cards.

**CARRIED (5/0)**

### Background

This report has been prepared for the Committee to consider the recommendations outlined in the WA Auditor General's first focus area audit in the local government sector, "Report on Controls over Corporate Credit Cards" (Report), published on 7 May 2018. Although the City was not part of this audit, it is considered good practice to consider the recommendations and how they may be applied at the City of South Perth.

The Report is the first local government audit reported to Parliament by the Auditor General (AG), under the Local Government Amendment (Auditing) Act 2017. It reflects the results of a focus area audit on controls over Corporate Credit Cards (CCC). These audits have a narrow scope and normally focus on specific areas of financial controls. The OAG audited 8 Local Government Authorities (LGAs), some large in size and some small, some metropolitan and some regional, to give an idea of how LGAs are performing in this area.

Given the diversity among LGAs, the AG's intent was not to compare, but to provide examples of better practice as well as opportunities for improvement. CCC offer significant benefits, may reduce costs and streamline business processes. But like all financial processes and tools, they can be misused if not properly managed.

The AG recognises the challenges that small LGAs experience, with regard to matters such as segregation of duties and suitable arrangements while key staff are on leave. AG described the results of this audit as generally good, noting some areas that could be done better. Overall AG suggested LGAs mostly had satisfactory controls in place.

The AG reported that the LGAs audited accepted the findings and were open to change to address the issues identified. The AG encouraged all LGAs to follow suit – to assess their own management of CCC against the findings and recommendations of this Report and to promptly act where required.

Parliament gave the Auditor General the mandate to audit LGAs to enhance accountability and transparency across the sector. This report has been prepared for the Committee to consider the AG findings and how they might apply to the City of South Perth (CoSP).

#### **Comment**

The Report (page 6) includes a table of the LGAs that took part in the audit. It lists information relating to purchases from 1 January 2017 to 30 September 2017. It includes information by LGA stating the number of credit cards (2 to 90), the number of purchases (108 to 4,391), the number of credit card purchases as a percentage of total purchases (4% to 20%), as well as the value of the credit card purchases (\$17,144 to \$1,213,175).

The CoSP manages the use of credit cards in accordance with Management Practice M614 Corporate Credit Cards (attached). M614 lists the seven staff members (CEO, Directors and 3 Managers) with a card issued. Of the eight LGAs included in the audit, the recently named 'City' of Kalamunda (12 cards issued) may be considered similar, in contrast to the Shire of Cranbrook (2 cards) and City of Rockingham (90 cards).

Traditionally CoSP has taken a conservative approach to credit cards, with two additional cards issued during the last review, increasing the number from 5 to 7. The two new cards were issued to the Manager Finance and the Manager Information Systems to assist with recurring low level transactions, such as monthly cloud software subscriptions (eg bang the table). On the seven CCC, CoSP would spend (on average) a total \$15,000 per month, in comparison to \$5m-\$7m per month for other payment methods.

In terms of the information provided by the Report, the OAG made the following recommendations:

1. Local governments should:
  - a) ensure policies specify requirements for all key credit card processes.
  - b) keep adequate records of all card transactions, including information that describes the nature/purpose of the expenditure and evidence of review and approval.

- c) cancel redundant cards in a timely manner to avoid loss and/or misuse of cards.
- d) regularly monitor outstanding transactions to identify and follow up on long outstanding unacquitted transactions.
- e) ensure senior management periodically reviews credit card use, to confirm compliance with policies and to identify any abnormal trends. The results of these reviews should be documented and retained.

In terms of the **1(a)** the City has a detailed Management Practice (M614 Corporate Credit Cards) that has been reviewed and updated.

In relation to **1(b)**, staff consider the previous practice was inadequately. Following the completion of the 2016/17 Annual Financial Statements, a concerted effort was undertaken to remedy the situation. All monthly credit card statements and receipts for the 2017/18 financial year were collected, processed and reconciled, with evidence of the expenditure incurred and review of approvals. Since the catch-up was finalised, credit cards have been processed monthly, with correct GST calculations, appropriate approval and review. Since January 2018, staff are confident the procedures in place would address this finding.

In relation to **1(c)**, an issue raised during the current Interim Audit (the first part of their External Audit) being undertaken by the OAG, the former Director Finance and Information Systems Credit Card was not cancelled after his departure in March 2018. This was deliberate, as monthly cloud services were relied on and cancelling the credit card would have resulted cancelling those services. The card had been handed in/destroyed on the final day and once the Bank issued the new staff CCC, and the monthly charges were shifted, the old CCC account was closed. The transactions from the old card were reconciled, expenditure incurred and reviewed. In future, when notified of a staff resignation, Finance will review the previous CCC statements for recurring transactions and arrange for transactions to be incurred on another CCC, prior to the conclusion of the employment to ensure cancellation.

In relation to **1(d)**, since January 2018 all credit card statements and processed monthly to ensure there are no outstanding unacquitted transactions.

In relation to **1(e)**, the Manager Finance is reviewing every credit card statement every month, the review is documented and retained.

Given the CoSP has a conservative approach to issuing credit cards (7 in total) and since January 2018, the 2017/18 credit cards statements are processed monthly, with evidence of review, staff are satisfied that CoSP has adequately addressed the recommendations within the first Auditor General's Report.

### **Consultation**

No external consultation has taken place.

### **Policy and Legislative Implications**

Local Government Act 1995, Management Practice M614 Corporate Credit Cards. Business improvement will assist in compliance with the Local Government (Financial Management) Regulations 5 (CEO's duties as to financial management)

**6.8 WA Auditor General Report - Control over Corporate Credit Cards**

and the Local Government (Audit) Regulations 17 (CEO to review certain systems and procedures).

**Financial Implications**

Nil.

**Strategic Implications**

This report is aligned to the Council's [Strategic Community Plan 2017-2027](#)

4.3 Good Governance

(a) Empower effective and quality decision-making and governance.

**Attachments**

**6.8 (a):** WA Auditor General's Report - Controls over Corporate Credit Cards

**6.8 (b):** Management Practice M614 - Corporate Credit Cards

**7. OTHER RELATED BUSINESS**

Nil.

**8. CLOSURE**

The Chair thanked everyone for their attendance and closed the meeting at 7.18pm.



**RECORD OF VOTING**

**6.1 Draft Strategic Internal Audit Plan**

For: Mayor Sue Doherty, Councillor Blake D’Souza; Councillor Ken Manolas; Ms Shona Zulsdorf; Mr Steve Vanstan

**6.2 Internal Audit Report - Rates**

For: Mayor Sue Doherty, Councillor Blake D’Souza; Councillor Ken Manolas; Ms Shona Zulsdorf; Mr Steve Vanstan

**6.3 Review of Policies**

For: Mayor Sue Doherty, Councillor Blake D’Souza; Councillor Ken Manolas; Ms Shona Zulsdorf; Mr Steve Vanstan

**6.4 Review of Council Delegations**

For: Mayor Sue Doherty, Councillor Blake D’Souza; Councillor Ken Manolas; Ms Shona Zulsdorf; Mr Steve Vanstan

**6.5 1System Implementation**

For: Mayor Sue Doherty, Councillor Blake D’Souza; Councillor Ken Manolas; Ms Shona Zulsdorf; Mr Steve Vanstan

**6.6 Proposed Penalty Units Amendment Local Law 2018**

For: Mayor Sue Doherty, Councillor Blake D’Souza; Councillor Ken Manolas; Ms Shona Zulsdorf; Mr Steve Vanstan

**6.7 Corporate Business Plan - Quarter Three Update**

For: Mayor Sue Doherty, Councillor Blake D’Souza; Councillor Ken Manolas; Ms Shona Zulsdorf; Mr Steve Vanstan

**6.8 WA Auditor General Report - Control over Corporate Credit Cards**

For: Mayor Sue Doherty, Councillor Blake D’Souza; Councillor Ken Manolas; Ms Shona Zulsdorf; Mr Steve Vanstan

These Minutes were confirmed at the Ordinary Council Meeting held on 26 June 2018.

Signed: \_\_\_\_\_  
Presiding Member at the meeting at which the Minutes were confirmed