

# CITY OF ARMADALE

## AGENDA

OF CITY AUDIT COMMITTEE TO BE HELD IN THE COMMITTEE ROOM,  
ADMINISTRATION CENTRE, 7 ORCHARD AVENUE, ARMADALE ON THURSDAY,  
1 OCTOBER 2020 AT 7.00PM.

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*A meal will be served at 6:15 p.m.*

**PRESENT:**

**APOLOGIES:**

**OBSERVERS:**

**IN ATTENDANCE:**

**PUBLIC QUESTION TIME**

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**Note:**

Meetings of the City Audit Committee are closed to the public on the basis that matters to be dealt with by Committee will generally be of a sensitive and confidential nature which, if disclosed could reasonably be expected to impair the effectiveness of the audit process – Council resolution CS18/2001 refers.

*“For details of Councillor Membership on this Committee, please refer to the City’s website – [www.armadale.wa.gov.au/your council/councillors](http://www.armadale.wa.gov.au/your_council/councillors).”*

**DEPUTATION**

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Nil

**DECLARATION OF MEMBERS' INTERESTS**

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**CONFIRMATION OF MINUTES**

**RECOMMEND**

**Minutes of the City Audit Committee Meeting held on 5 August 2020 be confirmed.**

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## CITY AUDIT COMMITTEE

1 OCTOBER 2020

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***1.1 - INDEPENDENT REVIEW OF FINANCIAL MANAGEMENT SYSTEMS AND PROCEDURES***

WARD : ALL  
FILE No. : M/553/20  
DATE : 2 September 2020  
REF : FB  
RESPONSIBLE MANAGER : Executive Director  
Corporate Services

**In Brief:**

- This Report presents an independent review and assessment of the appropriateness and effectiveness of the City's financial management systems and procedures;
- The Report recommends that Council:
  1. Receive the independent Consultant's report, and
  2. Note the Consultant's comments for improvements and support Management responses to those comments.

**Tabled Items**

Nil

**Decision Type**

- Legislative** The decision relates to general local government legislative functions such as adopting/changing local laws, town planning schemes, rates exemptions, City policies and delegations etc
- Executive** The decision relates to the direction setting and oversight role of Council.
- Quasi-judicial** The decision directly affects a person's rights or interests and requires Councillors at the time of making the decision to adhere to the principles of natural justice.

**Officer Interest Declaration**

Nil

**Strategic Implications**

4. Leadership
- 4.1 Visionary Civic Leadership and Sound Governance
- 4.1.2 Make decisions that are sound, transparent and strategic.

**Legislation Implications**

*Local Government (Financial Management) Regulations 1996*

Division 5 CEO's duties as to financial management

Section (2) The CEO is to —

- (c) undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 4 financial years) and report to the local government the results of those reviews.

### **Council Policy/Local Law Implications**

ADM 19 – Procurement of goods & services  
ENG 13 – Asset Management Vision  
FIN 4 – Investments  
FIN 5 – Corporate Credit Cards

### **Budget/Financial Implications**

The budgeted cost of the Consultant’s Financial Management Review and Assessment is \$20,500 (ex GST)

### **Consultation**

Independent Consultant – Moore (*previously known as Moore Stephens Pty Ltd*)

### **BACKGROUND**

The CEO is to ‘undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews’.

To facilitate this review process, the City sought proposals from suppliers on WALGA’s list of *preferred suppliers*, i.e. Grant Thornton Australia Ltd, Moore and William Buck Consulting (WA) Pty Ltd, all of whom have considerable experience, knowledge and skills in the local government accounting and auditing sector.

Moore was then engaged on 29 April 2020.

### **DETAILS OF PROPOSAL**

Presented as a confidential Attachment is the Consultant’s Financial Management Review Report to the CEO.

The Report contains (4) major parts, namely:

1. Executive Summary
2. Matters Noted
3. Appendix A – Review Procedures
4. Appendix B – Ratio Table

The Report examined (23) financial management systems and procedures for the period 1 July 2019 to 29 February 2020, namely:

1. *Receipts and Receivables*
2. *Fees and Charges*
3. *Plans for the Future*
4. *Borrowings*
5. *Inventory*
6. *Budget*
7. *Minutes and Meetings*
8. *Delegations*
9. *Audit Committee*
10. *Insurance*
11. *Records Management*
12. *Registers*

13. *General Journals*
14. *IT Controls*
15. *Purchases, Payments and Payables*
16. *Payroll*
17. *Rates*
18. *Bank Reconciliations*
19. *Trust Funds*
20. *Financial Reports*
21. *Cost and Administration Allocations*
22. *Credit Card Procedures*
23. *Fixed Assets*

The Report concluded that *“based on the work described in this Report (which is not an audit) nothing has come to our attention to indicate the City of Armadale has not established and maintained in all material respects, appropriate and effective financial management systems and procedures.”*

All (23) financial management systems and procedures examined in detail were found to be appropriate, effective and properly maintained.

The Consultant’s Report offers comment for improvement on nine (9) aspects and those comments, together with a rating assessment (i.e. minor, moderate, significant) and a Management Response, are presented for Council’s information/review in the following section of this Report. The majority of the improvement comments attract a ‘moderate’ rating assessment meaning *“issue represents a weakness which may become more serious if not addressed – requires management action within a reasonable period of time”*.

## **COMMENT**

The Consultant’s comments for improvement together with their rating assessment (ie. minor, moderate, significant) and a Management Response, are as follows (NB: for reasons of security and safety, several of the following comments from the Consultant and the Management responses have been abridged to that shown in the confidential Report):

- 1 Raise purchase orders prior to the commitment with the supplier that is complete and delivered in a timely manner
- 2 Obtain the number and type of quotes required by the City’s purchasing policy
- 3 Ensure that all monthly payroll reconciliations are completed and authorised by the appropriate officers
- 4 Ensure that all monthly bank reconciliations are completed and authorised by the appropriate officers
- 5 Assess appropriateness of Trust account transactions being processed through the Municipal bank account
- 6 Ensure that funds are expended from approved budgets and appropriate explanation provided for budget variations to Council
- 7 Ensure that Cost and Administration overheads are timely and appropriately allocated
- 8 Ensure that all monthly credit card reconciliations are completed and authorised by the appropriate officers
- 9 Ensure that all monthly fixed asset reconciliations are completed and authorised by the appropriate officers

In summary, the recommendations included:

- 1 Create timely purchase orders where purchases that are set out as part of a contract or agreed payment schedule, after the Contracts are signed but before the works/services are delivered.
- 2 All authorising officers should be reminded of the requirement to follow the City's purchasing policy with regards to obtaining the correct number and type of quotes.
- 3 Reconciliations between the payroll module and the corresponding ledger control accounts should be completed and independently reviewed and documented on a monthly basis.
- 4 To ensure the City's transactions are completely and correctly posted into the general ledger, any identified variances should be rectified as a matter of priority
- 5 The City should implement procedures to help ensure trust items are correctly identified and categorised accordingly
- 6 Reported material variances should give an adequate level of detail so Management and Council can complete proper reporting and analysis of City operations.
- 7 Ensure the financial records accurately reflect allocated works and service costs to enable timely management information.
- 8 To ensure credit cards are used in accordance with the City's Credit Card Policy, monthly credit card reconciliations should be signed by the cardholder.
- 9 To help ensure the City's assets are depreciated at rates that are consistent with their patterns of consumption and usage, management should review the estimated residual values and useful lives of assets on an annual basis.

## CONCLUSION

The Consultant's Financial Management Review Report/Assessment is a good outcome providing Council and the community with confidence that the City's financial management systems and procedures are not only appropriate and effective, but are being properly maintained.

## RECOMMEND

**That Council:**

- 1. receives the Consultant's Financial Management Review Report presented as a confidential attachment; and**
- 2. notes the Consultant's comments for improvement and supports Management's responses to those comments.**
- 3. requires the agreed Management actions to be reported in the 'Audit Follow Up' reports to the Audit Committee, noting progress and completion.**

## ATTACHMENTS

1. City of Armadale - FMR Report Final - *This matter is considered to be confidential under Section 5.23(2) (e iii) of the Local Government Act, as it deals with the matter, if disclosed, would reveal information about the business, professional, commercial or financial affairs of a person*

## **2.1 - INTERNAL AUDIT PLAN REVIEW**

WARD : ALL  
FILE No. : M/567/20  
DATE : 4 September 2020  
REF : FW  
RESPONSIBLE : Executive Director  
MANAGER : Corporate Services

### **In Brief:**

- Due to the City's response requirements to the COVID-19 emergency, the Internal Audit program was suspended from March 2020 to September 2020. Six (6) internal audits are proposed in the 2020-21 Internal Audit Plan, one of which has already been completed

Recommend that Council:

- Endorse the 2020-21 Internal Audit Plan on the focus areas outlined below:
  - Financial Management Systems Review (completed)
  - Record Management (70hrs)
  - Workforce working from home (80hrs)
  - Management of Contractors and Volunteers (75hrs)
  - Procurement (75hrs)
  - Community Consultation (120hrs)
- Extend the contract with Crowe for the delivery of internal audit services from 28 February 2021 to 30 June 2021

### **Tabled Items**

Nil

### **Decision Type**

- Legislative** The decision relates to general local government legislative functions such as adopting/changing local laws, town planning schemes, rates exemptions, City policies and delegations etc.
- Executive** The decision relates to the direction setting and oversight role of Council.
- Quasi-judicial** The decision directly affects a person's rights or interests and requires Councillors at the time of making the decision to adhere to the principles of natural justice.

### **Officer Interest Declaration**

Nil

### **Strategic Implications**

- 4.1 Visionary Civic leadership and sound Governance
- 4.2 An innovative and progressive organisation

**Legal Implications**

Nil

**Council Policy/Local Law Implications**

Nil

**Budget/Financial Implications**

The costs of the Internal Audit Plan are included in the 2020/21 budget which provides \$65,000 for internal audit services.

**Consultation**

1. Crowe – City’s Internal Auditor
2. Executive Leadership Team

**BACKGROUND**

In March 2020, Council adopted the Internal Audit Plan for 2020. Following the declaration by the State Government of a State of Emergency and a Public Health Emergency in response to the COVID-19 Pandemic, the City was focused on ensuring the continuity of delivery of essential services and prioritised implementation of response and recovery actions. Consequently the internal audit program, identified as a non-essential service in a COVID-19 environment, was suspended.

The City has an existing contract with Crowe for the delivery of up to 5 internal audits per year with approximately 200 to 300 hours required to fulfil this requirement. The contract is due to expire on 28 February 2021.

**DETAILS OF PROPOSAL**

As the City has moved from the response to the recovery phase of the COVID-19 pandemic, the re-commencement of the Internal Audit program has been contemplated with reference to new and emerging risks as a result of the pandemic.

A revised program is proposed, based on the City’s Pandemic Risk Register, advice from the City’s Internal Auditor Crowe and advice from the Office of the Auditor General (OAG) contained in the publication “[COVID-19 Financial and Governance Matters Better Practice Guidance April 2020](#)”.

The OAG report specifically looks at:

- Assets – Risk of misappropriation, unauthorised purchases or disposals
- Cash – Risk of misappropriation
- Expenditure – Risk of unauthorised or invalid payments, incorrect or invalid suppliers, and increased risk of fraudulent payments

The City’s Internal Audit Program endorsed by Council in March this year spanned the 2020 calendar year and included the following Internal Audits.

Internal Audit Plan 2020 - Update			
Audit Focus Area	Timeframe	Conducted By	Status
2019 Compliance Audit Return Verification	February	Crowe separate contract	Complete
Workplace Health and Safety	February	LGIS	Complete
Financial Management Systems and Procedures	Apr - Jun	Moore Stephens	Complete
General Computer Controls	TBA	OAG IS Team	In progress
Management Contractors and Volunteers	May - Jun	Crowe	Not commenced
Annual Follow up	Jun - Jul	Request for Quote	Not commenced
Procurement	Aug - Sep	Crowe	Not commenced
Cyber Security Social Engineering	Sept - Oct	Request for Quote	Not commenced
Delegation of Authority	Oct - Nov	Crowe	Not commenced

Due to the suspension of the Internal Audit Program as a result of the COVID-19 emergency, it is proposed to change the timeframe of the Internal Audit Program to align with the financial year, and change the audit focus areas to meet the requirements of the changes to the City’s risk environment.

The proposed Internal Audit Plan for 2020-21 includes the following audits:

**1. Financial Management Regulations 5(2)(c) Review (FMR)**

Section 5 (2) (c) of the *Local Government Act Financial Management Regulations 1996* requires the CEO to “undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (not less than once in every 3 financial years) and report to the local government the results of those reviews.”

This audit was completed in August 2020, and is the subject of a report is included in this agenda.

**2. Procurement**

Procurement is an area of risk for the City that requires close and continual monitoring and review as part of the control measures. As such, it is subject to internal audit every year. This year’s focus area will be Property Services.

**3. Records Management**

This audit will be completed by Crowe and has been chosen due to the changes in the control environment as a result of remote working arrangements. The audit will be specifically be looking at the record keeping practices and procedures, which ensure adequate evidence of decisions made or actions taken using appropriate delegations and authorisations.

**4. Community Consultation**

This audit has been included as a result of Council’s request to review the systems and procedures used to undertake both statutory and non-statutory community consultation. The focus of this audit will be in the Community and Technical Services Directorates. An industry specialist will be recruited to undertake this role

**5. Workforce working from home**

This audit will assess the effectiveness of the City’s processes in place to plan, implement and monitor the work health and safety of employees working from home.

## **6. Management of Contractors and Volunteers**

Following the results of the LGIS Workplace Health and Safety internal audit, a further internal audit is proposed to review the strength of controls to ensure the safety of contractors and volunteers as well as other probity and other compliance obligations.

Further details on the above internal audits are included in the attached Internal Audit Plan 2020-21

In addition to the Internal Audits proposed in this report, a number of additional audits are underway or proposed through the interim audit and as a result of the Office of Auditor General's (OAG) Performance Audit program. These Audits include:

### **(i) Managing Unauthorised Discharge of Minor Pollutants**

This is a performance audit undertaken by the OAG earlier in 2020. The City of Armadale was selected to be participants in this audit. The report has not yet been released by the OAG, but will be presented to the Audit Committee when finalised.

### **(ii) General Computer Controls**

This audit will be completed by the OAG Information Systems Team and is currently in progress, with the field work due to be completed by mid-September. It is an adjunct to the Interim Audit, with an ICT focus.

### **(iii) Cyber Security – OAG Performance Audit**

The City has recently received advice of being selected by the OAG for a performance audit on the City's Cyber Security controls. The date of the audit has not yet been advised.

## **ANALYSIS**

City staff and Crowe have assessed the altered risk environment as a result of COVID-19 and recommend that the proposed audits address the areas representing the highest risk and greatest need for review and assurance.

The internal audits included on the original Internal Audit Plan 2020 adopted in March which are not on the revised Internal Audit Plan 2020-21 include:

- Delegation of authority (deferred)
- Cyber Security – Social Engineering (deferred)
- Annual follow up (deferred to second half 2021)

As a result of the changed risk environment due to COVID, these audits were viewed as a lower priority than the risks included in the proposed 2020-21 Internal Audit Plan.

In addition, the delegation of authority internal audit was planned to be undertaken following the completion of an internal review and update of the City's processes and procedures in this area. Due to COVID, this review has not been completed within the originally proposed timeframe and hence it is recommended to postpone this review until the 2021/22 financial year.

The Cyber Security – Social Engineering audit has been deferred to next year, as the City will be subject to an Office of the Auditor General Performance Audit on this topic within the next few months.

The Annual Follow Up audit involves the Internal Auditor observing the implementation of audit actions and confirming the respective audit action is complete, independent of the responsible officer. This audit supports the Audit Status reports, essentially to close off the completed actions. The audit is deferred due to budget and contract limitations, but can progress in the first half of the 2021 calendar year if the Audit Committee and Council wish to allocate funds.

The total hours required by Crowe to complete the internal audits listed above is 300 hours which is the upper limit of the current contract and fits within the 2020/21 budget for internal audit. The budget also provides for one additional large audit (hours requirement of 120-140 hours). Given the hours within the Crowe contract would have been exhausted with the four abovementioned audits, quotes will be sought for this large audit.

### **OPTIONS**

It is within the Audit Committee's discretion to alter the focus of the internal audits conducted by Crowe or other specialists.

The audits proposed to be undertaken by Crowe are:

1. Procurement – Property Services
2. Record Management
3. Management of Contractors and Volunteers
4. Workforce working from home

The audits proposed to be undertaken by other specialists are:

1. Community Consultation (large audit)

Crowe have provided suggestions for other possible areas of internal audit focus. These include:

1. Cashflow forecasts – adequacy and accuracy of cash flow projections in the COVID-19 environment
2. Scenario planning – Procedures to respond to a case of COVID-19
3. Business continuity or COVID-19 response plan – Does the City have one and how effective is it?
4. Privacy – Data and information security
5. Technology – how has working from home changed internal controls and is it working effectively for customers?
6. Supply chain and third parties – Strength of business continuity of suppliers
7. Customers – Financial vulnerability of customers
8. Workforce – Ensuring effective and efficient performance during a crisis
9. Mental Health – management of staff mental health and community wellbeing

Business Continuity is also considered to be a 'large' audit. Given the COVID-19 pandemic this is considered an area of risk and hence is proposed to be included early in the 2021/22 Internal Audit Plan.

If the Council requires additional audits to be undertaken., or wishes to replace one of the proposed Audits, funds are available either in the COVID-19 recovery reserve or the Business Recovery account for this purpose.

Due to the City's response requirements to the COVID-19 emergency, the Internal Audit program was suspended from March 2020 to September 2020. As a result, the contract with Crowe for the delivery of the Internal Audit program has not been able to be completed in accordance with the contract timeframes. The contract expires on 28 February with the original intentions being that this would be following the completion of the 2020 Internal Audit Program. It is therefore recommended that the contract with Crowe be extended until 30 June 2021, to enable the completion of the full final year of the contract. Following this, a tender process will be undertaken to seek Internal Audit services.

## **CONCLUSION**

The objective of the annual Internal Audit Plan is to provide an outline of the areas that the City considers a priority for review, using risk as the basis for identification. Six (6) internal audits are proposed in the 2020-21 Internal Audit Plan, one of which has already been completed. The responsibility for conducting the audits is distributed between the existing provider, Crowe and a provider yet to be determined through a procurement process. To enable the final full year of the Crowe contract to be completed, it is recommended to extend the contract end date from 28 February 2021 to 30 June 2021.

## **RECOMMEND**

### **That Council:**

- 1. Endorse the 2020-21 Internal Audit Plan on the focus areas outlined below:**
  - i) Financial Management Systems Review (completed)**
  - ii) Record Management (70hrs)**
  - iii) Workforce working from home (80hrs)**
  - iv) Management of Contractors and Volunteers (75hrs)**
  - v) Procurement (75hrs)**
  - vi) Community Consultation (120hrs and subject to separate quote)**
- 2. Extend the contract with Crowe for the delivery of internal audit services from 28 February 2021 to 30 June 2021 to undertake audits (i) to (iv) above, noting that this is a result of the COVID-19 Pandemic and does not alter the number of audits and hours payable under the contract.**

## **ATTACHMENTS**

1. INTERNAL AUDIT PLAN 2020-21 - *This matter is considered to be confidential under Section 5.23(2) (e iii) of the Local Government Act, as it deals with the matter, if disclosed, would reveal information about the business, professional, commercial or financial affairs of a person*

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## **2.2 - STRATEGIC RISK ASSESSMENT**

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WARD : ALL  
FILE No. : M/569/20  
DATE : 4 September 2020  
REF : FW  
RESPONSIBLE : Executive Director  
MANAGER : Corporate Services

### **In Brief:**

- Five strategic risks, including four relating to the natural environment and one relating to reputation have been assessed. It is the intention of management to present a number of assessed strategic risks at each City Audit Committee meeting until all thirty two risks have been assessed.
- Recommend that Council Note the assessment of strategic risks 1, 26, 27, 28 and 29

### **Tabled Items**

Nil

### **Decision Type**

- Legislative** The decision relates to general local government legislative functions such as adopting/changing local laws, town planning schemes, rates exemptions, City policies and delegations etc
- Executive** The decision relates to the direction setting and oversight role of Council.
- Quasi-judicial** The decision directly affects a person's rights or interests and requires Councillors at the time of making the decision to adhere to the principles of natural justice.

### **Officer Interest Declaration**

Nil

### **Strategic Implications**

- 4.1 Visionary Civic leadership and sound Governance  
4.1.2 Make decisions that are sound, transparent and strategic

### **Legal Implications**

Local Government (Audit) Regulations 1996 – Regulation 17

### **Council Policy/Local Law Implications**

ADM 25 – Risk Management Policy  
City of Armadale Risk Management Framework

### **Budget/Financial Implications**

The assessment of strategic risks is being completed in house

### **Consultation**

Executive Leadership Team  
Manager Environmental Services

### **BACKGROUND**

The City's Risk Management Policy and Framework were adopted by Council in August 2019. Subsequent to this, the identification of strategic risks was facilitated through a workshop with the Executive.

At the October 2019 meeting, the City Audit Committee were advised that the assessment of strategic risks would be divided into two parts, firstly identification and subsequently analysis and evaluation. At this same meeting a list of strategic risks identified by the Executive was submitted to seek feedback on the list prior to the commencement of the analysis and evaluation processes.

Since this meeting a number of strategic risks have been added to the Strategic Risk Register either at the request of Council or the Executive. These include the following:

1. Breakdown in CEO/Council relationships
2. Changes in State Government Waste and Landfill policies
3. Enterprise Resource Planning implementation failure
4. Bushfire
5. Infectious disease outbreak
6. Climate change impacts on the natural environment

In addition, as reported to the City Audit Committee in August 2020, the City has also developed a Pandemic Risk Register, which enables the COVID19 Response Team to closely monitor the risks heightened by the COVID19 pandemic.

### **DETAILS OF PROPOSAL**

The Executive Leadership Team are progressively working through the list of identified strategic risks and are following a process which aligns with the international standard for risk management ISO31000:2018 and involves:

1. Ensuring the description of the risk, including the causes and impacts is comprehensive and appropriate
2. Determining the inherent risk rating by considering the consequence and likelihood prior to the consideration of mitigating controls.
3. Determining the controls that the City has in place to mitigate each risk, including an assessment of the control effectiveness and assignment of control owners.
4. After taking into consideration the strength of the controls in place, determining the residual risk rating and comparing this to the City's risk appetite to determine the accuracy of the assessment and the requirement for further treatment.
5. Identification of treatments required to further mitigate the risk and/or opportunities for improvement.

At the request of the City Audit Committee in August, the risks relating to the natural environment have been prioritised and assessed first. In addition a reputational risk is also included. As such, the attached Strategic Risk Register includes the assessment of the five (5) strategic risks.

The City's Strategic Risk Register includes 32 risks and it is the intention of management to present a number of strategic risks to each City Audit Committee. The risks with a high residual risk rating have not been accepted by the Executive and further treatments have been proposed to increase the strength of the controls and further mitigate the risk. In addition, risks with a residual high risk rating will require biannual reporting to the City Audit Committee. All of the treatments listed for these risks are able to be implemented using existing resources or have been provided for in the 2020/21 budget, such as the recruitment of the Emergency Services Coordinator.

Although the risks with a residual risk rating of low or medium have been accepted by the Executive, further opportunities for improvement have been identified which can be accommodated within existing resources and budgets.

Once all strategic risks have been assessed a cycle of review and reporting will be designed and implemented.

## **CONCLUSION**

Five strategic risks, including four relating to the natural environment and one relating to reputation have been assessed. It is the intention of management to present a number of assessed strategic risks at each City Audit Committee meeting until all thirty two risks have been assessed. No additional resources or budget provisions are required to manage the risks which have been assessed.

## **RECOMMEND**

**That Council note the assessment of strategic risks 1, 26, 27, 28 and 29.**

## **ATTACHMENTS**

1. Strategic Risk Register CAC - 011020 - *This matter is considered to be confidential under Section 5.23(2) (e iii) of the Local Government Act, as it deals with the matter, if disclosed, would reveal information about the business, professional, commercial or financial affairs of a person*

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### **2.3 - PUBLIC SECTOR COMMISSION INTEGRITY AND CONDUCT SURVEY 2020**

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WARD : ALL  
FILE No. : M/570/20  
DATE : 4 September 2020  
REF : FW  
RESPONSIBLE : Executive Director  
MANAGER : Corporate Services

#### **In Brief:**

- The Public Sector Commission (PSC) Integrity and Conduct 2019/20 survey results provide the City Audit Committee with an insight into the City's systems and procedures for preventing, detecting and responding to minor misconduct. This includes a summary of the number and type of conduct investigated during the year (excluding serious misconduct).
- Recommend that Council notes the PSC Integrity and Conduct Survey 2019/20

#### **Tabled Items**

Nil

#### **Decision Type**

- Legislative**                      The decision relates to general local government legislative functions such as adopting/changing local laws, town planning schemes, rates exemptions, City policies and delegations etc
- Executive**                              The decision relates to the direction setting and oversight role of Council.
- Quasi-judicial**                      The decision directly affects a person's rights or interests and requires Councillors at the time of making the decision to adhere to the principles of natural justice.

#### **Officer Interest Declaration**

Nil

#### **Strategic Implications**

4.1 Visionary civic leadership and sound governance

#### **Legal Implications**

Section 23 of the [Public Interest Disclosure Act 2003](#) (PID Act)

- (1) *The principal executive officer of a public authority must —*
- (f) *provide information annually to the Commissioner on —*
- (i) *the number of public interest disclosures received by a responsible officer of the authority over the report period; and*
  - (ii) *the results of any investigations conducted as a result of the disclosures and the action, if any, taken as a result of each investigation; and*
  - (iii) *such other matters as are prescribed.*

*Corruption Crime and Misconduct Act 2003*

*45D. Allegations of minor misconduct*

*(1) Subject to section 45G, the Public Sector Commissioner —*

*(a) is to receive allegations of minor misconduct by way of —*

*(i) reports under section 45E(1); and*

*(ii) matters notified under section 45H(2);*

*and*

*(b) may initiate allegations of minor misconduct by way of propositions under section 45F(1).*

**Council Policy/Local Law Implications**

ADM23 Misconduct, Fraud and Corruption Policy and Management Practice

**Budget/Financial Implications**

Nil

**Consultation**

Governance and Administration Services

Human Resource Services

Executive Leadership Team

**BACKGROUND**

Every financial year the City is required to complete the Public Sector Commission's (PSC) Integrity and Conduct Survey by 31 July. The information collected informs the development of the PSC's report to Parliament each year on the "State of the Western Australian Government Sector Workforce" and covers aspects such as:

- Code of conduct and integrity training
- Reporting conduct
- Notifying misconduct under the Corruption, Crime and Misconduct Act 2003
- Discipline processes
- Public Interest Disclosure (PID)

In accordance with the *Corruption, Crime and Misconduct Act 2003*, only minor misconduct is subject to reporting to the PSC and as such the survey only contains information relevant to the PSC reporting requirements. Serious misconduct is reportable to the Corruption and Crime Commission.

The City maintains a register of complaints received regarding misconduct and the subsequent investigations undertaken. This is used to inform the statistical data requirements of the survey. In addition, the City maintains a public interest disclosure register. A unique register number is assigned to each disclosure and records key information about the disclosure, any resulting investigation and the outcome. This register (paper and/or electronic) is kept strictly confidential and maintained in a secure location.

**DETAILS OF PROPOSAL**

**PSC Integrity and Conduct Survey Responses**

Attached is the City's completed PSC Integrity and Conduct Survey for 2019/20. The survey questions the City's policies, procedures and practices in relation to:

- Encouraging an ethical culture for staff, contractors and suppliers
- Reporting of unethical behavior that breaches the City's code of conduct
- Management of suspected minor misconduct under section 4 of the *Corruption, Crime and Misconduct Act 2003*
- Disciplinary processes undertaken including the number and type of conduct investigated
- Public Interest Disclosures (PID)

The responses to the survey are presented for the attention of the Audit Committee and Council in accordance with the Council's Misconduct, Fraud and Corruption Policy. This is an opportunity for the Audit Committee and Council to seek further information and satisfy itself of the City's controls and response around misconduct, fraud and corruption risks.

#### Implementation of Misconduct, Fraud and Corruption Policy and Management Practice

In March 2019, Council endorsed the Misconduct, Fraud and Corruption Policy and Management Practice (ADM23). This policy reinforces the City's commitment to an ethical culture, free of misconduct, fraud and corruption.

The Management Practice outlines the City's system and procedures in terms of the prevention, detection and response to fraud and corruption. The review of the policy and management practice was due earlier in 2020, however this has been delayed due to the COVID-19 emergency response requirements. Notwithstanding, progress has been made in completing a number of documents referenced in the Management Practice at the time of endorsement as 'under development'.

The Risk Management Policy and Framework was endorsed by Council in August 2019. The Public Interest Disclosure Guidelines, Disciplinary Procedures and Investigating Complaints Procedures have been completed and are awaiting Executive review and endorsement.

#### Integrity Strategy for WA Public Authorities

The PSC has recently released a new Integrity Strategy for WA Public Authorities. All public authorities, including Local Governments are expected to commit to implementing this strategy. Whilst there are no additional compliance obligations arising from this strategy, it is viewed as an opportunity to demonstrate an organisation's commitment to promoting integrity and preventing misconduct and corruption. The four key areas of improvement promoted in the strategy are:

1. Plan and act to improve integrity
2. Model and embody a culture of integrity
3. Learn and develop integrity knowledge and skills
4. Be accountable for integrity

Each area includes actions for the PSC, public authorities and individuals to undertake.

The planned review of the City's Misconduct, Fraud and Corruption Policy and Management Practice will take into consideration the recommendations of the PSC Integrity Strategy. City Officers are attending an information workshop on the strategy and further details on the City's approach will be provided in subsequent reports to the Audit Committee. Information on the PSC Integrity Strategy can be found using this [link](#):

## **CONCLUSION**

The PSC Integrity and Conduct 2019/20 survey results provide the City Audit Committee with an insight into the City's systems and procedures for preventing, detecting and responding to minor misconduct. This includes a summary of the number and type of conduct investigated during the year (excluding serious misconduct). To enable continual improvement in this area, a planned review of the City's Misconduct, Fraud and Corruption Policy and Management Practice will take into consideration the recommendations of the PSC newly released Integrity Strategy.

## **RECOMMEND**

**That Council note the Public Sector Commission Integrity and Conduct Survey results for 2019/20.**

## **ATTACHMENTS**

1. PSC Integrity and Conduct Survey 2019-2020 - *This matter is considered to be confidential under Section 5.23(2) (a) of the Local Government Act, as it deals with the matter affects an employee of Council*

***COUNCILLORS' ITEMS***

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Nil

**MEETING DECLARED CLOSED AT \_\_\_\_\_**