

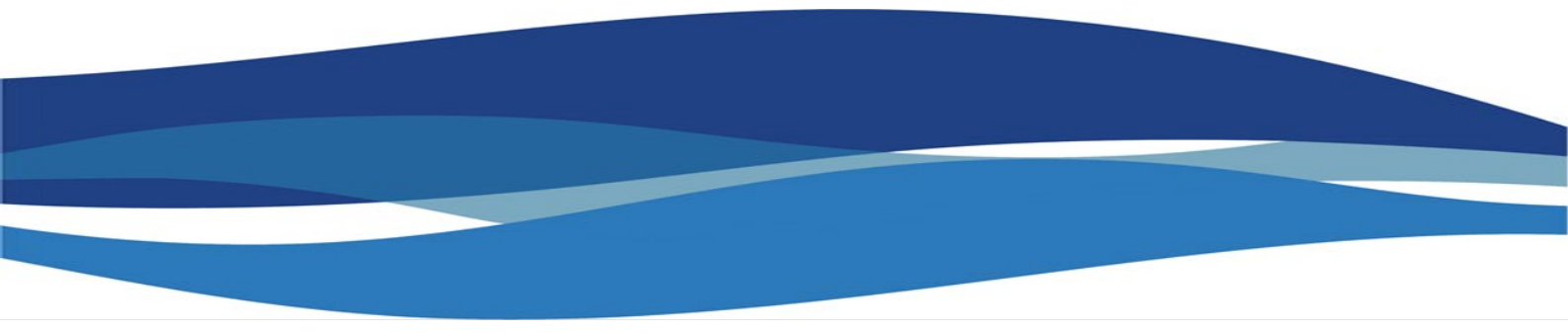


TOWN OF
MOSMAN PARK

AUDIT COMMITTEE

Minutes

Tuesday 16 February 2021



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1. DECLARATION OF OPENING

The Presiding Member declared the meeting open at 4:00pm.

2. RECORD OF ATTENDANCE / APOLOGIES

Elected Members:

Mayor	B. Pollock
Councillor	Z. Johnson
Councillor	A. Baird

Officers:

Chief Executive Officer	C. Bywater
Manager Finance	E. Bebb
Senior Governance Officer	K. Jones

Visitors:

Acting Senior Director OAG	Subha Gunalan
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Leave of Absence:

Apologies:

Councillor	P. Shaw
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3. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

3.1 MINUTES OF THE AUDIT COMMITTEE MEETING HELD 16 FEBRUARY 2021

COMMITTEE RECOMMENDATION

AUD-001-2021

Moved: COUNCILLOR A BAIRD

Seconded: COUNCILLOR Z JOHNSON

It is recommended that the Minutes of the Audit Committee held on 16 February 2021, and presented to the Ordinary Council Meeting be confirmed as a true and accurate record.

CARRIED 3/0

4. DEPUTATIONS

5. DECLARATION OF INTEREST

6. COMMITTEE REPORTS

6.1 AUDIT LOG

File No.: FIN3

Responsible Executive/ Manager: EMMA BEBB
MANAGER FINANCE

Author: EMMA BEBB
MANAGER FINANCE

Author Disclosure of Interest: NIL

Attachments: 1. AUDIT LOG - ITEMS OUTSTANDING AS AT 16
FEBRUARY 2021 – NCR32652

Authority/Discretion

- Advocacy When Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.
- Executive The substantial direction setting and oversight role of the Council. e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
- Legislative Includes adopting local laws, town planning schemes and policies. It is also when Council reviews decisions made by Officers.
- Quasi-Judicial When Council determines an application/matter that directly affects a person’s right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of Quasi-Judicial authority include town planning applications, building licences, applications for other permits/licences (e.g. under *Public Health Act 2016*, *Dog Act 1976* or local laws) and other decisions that may be appealable to the State Administrative Tribunal.
- Information Purposes Includes items provided to Council for information purposes

COMMITTEE RESOLUTION

AUD-002-2021

Moved: COUNCILLOR A BAIRD
Seconded: COUNCILLOR Z JOHNSON

That the Audit Committee commends that Council notes the progress made in the Audit Log dated 16 February 2021 (**Attachment 1**).

CARRIED 3/0

VOTING REQUIREMENTS

Simple majority.

PREVIOUSLY BEFORE COUNCIL

N/A

PURPOSE OF REPORT

To advise Council of the progress taken in relation to findings by the Office of the Auditor General.

EXECUTIVE SUMMARY

For Council to note the Town's progress taken in relation to the external Audit Log.

BACKGROUND

The last Audit Log was provided to the Audit Committee in November 2020. The Town is addressing findings as per **Attachment 1**.

The Town's 2019/20 Interim Audit was conducted by the Office of the Auditor General (OAG) during May 2020. The recommendations from the Management Letter were added to the Audit Log for action or consideration. The Final Audit was conducted by the OAG in October 2020. The recommendations from the final Management Letter have been added to the Audit Log for action or consideration.

DETAILS

Strategic Plan Alignment

The Town ensures it complies with Local Government Financial Regulations and the requirements of the *Local Government Act 1995* through integrating the Town's key strategies, plans, resources and reporting.

Statutory Implications

On 28 October 2017, the *Local Government Amendment (Auditing) Act 2017* (the Act) was proclaimed, giving the Auditor General the mandate to audit Western Australia's 139 local governments and nine regional councils.

The Act allowed the Auditor General to conduct performance audits of local government entities from 28 October 2017. The Auditor General will take on responsibility for the annual financial audits of local government entities and by 2020/21 all local government entities will be audited by the Auditor General.

Section 7.2 of the *Local Government Act 1995* states:

The accounts and annual financial report of a local government for each financial year are required to be audited by an auditor appointed by the local government.

Section 7.12A of the *Local Government Act 1995* states:

(4) A local government must —

- (a) prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and*
- (b) give a copy of that report to the Minister within 3 months after the audit report is received by the local government.*

The *Local Government (Audit) Regulations 1996* Section 9 states:

- (2) An auditor must carry out an audit in accordance with the Australian Auditing Standards made or formulated and amended from time to time by the Auditing and Assurance Standards Board established by the Australian Securities and Investments Commission Act 2001 (Commonwealth) section 227A.*

- (3) An auditor must carry out the work necessary to form an opinion whether the annual financial report —*
 - (a) is based on proper accounts and records; and*
 - (b) fairly represents the results of the operations of the local government for the financial year and the financial position of the local government at 30 June in accordance with —*
 - (i) the Act; and*
 - (ii) the Australian Accounting Standards (to the extent that they are not inconsistent with the Act).*

Policy Implications

Nil.

Financial Implications

Nil.

Community Engagement

N/A

COMMENT

Reference is made to the attached Audit Log dated 16 February 2021. There is one historical finding still outstanding on the Audit Log (IT disaster recovery). The finding raised, auditor's recommendation and management response columns have previously been reported to Council. The table has been updated to include actions taken, percentage of completion and target dates. The current items are from the 2020/21 interim and final audit findings. As issues are completed they will be removed from future Audit Log reports.

6.2 2019/20 FINANCIAL STATEMENTS AND AUDITOR'S REPORT

File No.:	FIN5
Responsible Executive/ Manager:	EMMA BEBB MANAGER FINANCE
Author:	EMMA BEBB MANAGER FINANCE
Author Disclosure of Interest:	NIL
Attachments provided under separate cover:	1. 2019/20 FINANCIAL STATEMENTS – ICR134064 2. 2019/20 OAG AUDIT REPORT – ICR134064 3. 2019/20 FINAL MANAGEMENT LETTER – ICR134064

Authority/Discretion

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- Legislative Includes adopting local laws, town planning schemes and policies. It is also when Council reviews decisions made by Officers.
- Quasi-Judicial When Council determines an application/matter that directly affects a person's right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of Quasi-Judicial authority include town planning applications, building licences, applications for other permits/licences (e.g. under *Public Health Act 2016*, *Dog Act 1976* or local laws) and other decisions that may be appealable to the State Administrative Tribunal.
- Information Purposes Includes items provided to Council for information purposes

COMMITTEE RESOLUTION

AUD-003-2021

Moved: COUNCILLOR A BAIRD
Seconded: COUNCILLOR Z JOHNSON

That the Audit Committee commends to Council that it adopts the 2019/20 Financial Statements (**Attachment 1**) and Auditor's Report (**Attachment 2**).

CARRIED 3/0

VOTING REQUIREMENTS

Absolute majority.

PREVIOUSLY BEFORE COUNCIL

N/A

PURPOSE OF REPORT

The purpose of this report is for Council to adopt the 2019/20 Financial Statements and Auditor's Report.

EXECUTIVE SUMMARY

This report presents the Annual Financial Statements for the year ending 30 June 2020, the Independent Auditor's Report, and Auditor's Management Letter for review by the Audit Committee.

BACKGROUND

The Town's financial statements for the year ended 30 June 2020 have been prepared (**Attachment 1**) and the Audit of those financial statements have now completed by the Office of the Auditor General (OAG).

The Town's 2019/20 Interim Audit was conducted by the OAG in May 2020 and the Final Audit was conducted by the OAG in October 2020.

DETAILS

Strategic Plan Alignment

The Town ensures it complies with Local Government Financial Regulations and the requirements of the *Local Government Act 1995* through integrating the Town's key strategies, plans, resources and reporting.

Statutory Implications

On 28 October 2017, the *Local Government Amendment (Auditing) Act 2017* (the Act) was proclaimed, giving the Auditor General the mandate to audit Western Australia's 139 local governments and nine regional councils.

The *Local Government Act 1995* Section 7.2 states:

The accounts and annual financial report of a local government for each financial year are required to be audited by an auditor appointed by the local government.

The *Local Government Act 1995* Section 7.12A states:

- (4) A local government must —
- (a) prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and
 - (b) give a copy of that report to the Minister within 3 months after the audit report is received by the local government.

The *Local Government (Audit) Regulations 1996* Section 9 states:

- (2) An auditor must carry out an audit in accordance with the Australian Auditing Standards made or formulated and amended from time to time by the Auditing and Assurance Standards Board established by the Australian Securities and Investments Commission Act 2001 (Commonwealth) section 227A.
- (3) An auditor must carry out the work necessary to form an opinion whether the annual financial report —
- (a) is based on proper accounts and records; and
 - (b) fairly represents the results of the operations of the local government for the financial year and the financial position of the local government at 30 June in accordance with —
 - (i) the Act; and
 - (ii) the Australian Accounting Standards (to the extent that they are not inconsistent with the Act).

Policy Implications

Nil.

Financial Implications

The actions required from the 2019/20 Management Letter (**Attachment 3**) will be added to the audit log. Financial implications may occur as a result of these actions.

Community Engagement

The 2019/20 Financial Statements (**Attachment 1**) will be included in the 2019/20 Annual Report.

The 2019/20 Annual Report will be endorsed at the Annual General Meeting of Electors.

COMMENT

Independent Auditor's Report

As detailed with the Report, the auditor considered the annual financial report of the Town has been based on proper accounts and records, and fairly represents in all material respects, the results of the operations of the Town for the year ended 30 June 2020, and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, and Australian Accounting Standards.

Management Letter

The OAG have provided a final Management Letter for the period to 30 June 2020 (**Attachment 3**) which details matters that arose during the course of the audit that they wish to bring to the attention of Council. The final Management Letter identified two moderate findings that require attention. Management comments to rectify these findings are also included in this final Management Letter.

6.3 OFFICE OF THE AUDITOR GENERAL REPORTS

File No.:	FIN3
Responsible Executive/ Manager:	EMMA BEBB MANAGER FINANCE
Author:	EMMA BEBB MANAGER FINANCE
Author Disclosure of Interest:	NIL
Attachments:	1. OAG REPORT: TRANSPARENCY REPORT: MAJOR PROJECTS 2. OAG REPORT: AUDIT RESULTS REPORT – ANNUAL 2019-20 FINANCIAL AUDITS OF STATE GOVERNMENT ENTITIES 3. OAG REPORT: WESTERN AUSTRALIAN REGISTRY SYSTEM – APPLICATION CONTROLS AUDIT 4. OAG REPORT: REGULATING MINOR POLLUTANTS 5. OAG REPORT: COVID-19 STATUS OF WA PUBLIC TESTING SYSTEMS 6. OAG REPORT: COVID-19 RELIEF FUND (ICOM66)

Authority/Discretion

<input type="checkbox"/> Advocacy	When Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.
<input type="checkbox"/> Executive	The substantial direction setting and oversight role of the Council. e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
<input type="checkbox"/> Legislative	Includes adopting local laws, town planning schemes and policies. It is also when Council reviews decisions made by Officers.
<input type="checkbox"/> Quasi-Judicial	When Council determines an application/matter that directly affects a person’s right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of Quasi-Judicial authority include town planning applications, building licences, applications for other permits/licences (e.g. under <i>Public Health Act 2016</i> , <i>Dog Act 1976</i> or local laws) and other decisions that may be appealable to the State Administrative Tribunal.
<input checked="" type="checkbox"/> Information Purposes	Includes items provided to Council for information purposes

COMMITTEE RESOLUTION

AUD-004-2021

Moved: COUNCILLOR Z JOHNSON

Seconded: COUNCILLOR A BAIRD

That the Audit Committee commends to Council that it notes the Office of the Auditor General's reports and Audits conducted since November 2020.

CARRIED 3/0

VOTING REQUIREMENTS

Simple majority.

PREVIOUSLY BEFORE COUNCIL

N/A

PURPOSE OF REPORT

The purpose of this report is for Council to consider the Office of the Auditor General (OAG) reports conducted since November 2020.

EXECUTIVE SUMMARY

The OAG conduct performance audits which focus on the management and operation of public sector programs and activities. This report updates the Audit Committee and Council on the six OAG report recommendations, covering compliance and/or operational topics.

BACKGROUND

The *Local Government Amendment (Auditing) Act 2017* made legislative changes to the *Local Government Act 1995* to provide for the auditing of local governments by the Auditor General.

DETAILS

Strategic Plan Alignment

The Town ensures it complies with Local Government Financial Regulations and the requirements of the *Local Government Act 1995* through integrating the Town's key strategies, plans, resources and reporting.

Statutory Implications

Nil.

Policy Implications

The Town may be required to review any policy implications that arise from the six OAG reports.

Financial Implications

The Town may be required to review any financial implications that arise from the six OAG reports.

Community Engagement

Nil.

COMMENT

Since November 2020, the OAG has published its findings on a number of areas relevant to local government and the Town.

1) TRANSPARENCY REPORT: MAJOR PROJECTS (Attachment 1).

The report focuses on providing transparency to both Parliament and the public around the cost and time performance of 15 major State Government projects (>\$10m).

The report recommended that the Department of Treasury, Department of Finance, and Infrastructure WA should work together to improve transparency through regular reporting to Parliament and the public on the cost, time and status of major projects.

ACTION FOR THE TOWN – None.

2) AUDIT RESULTS REPORT – ANNUAL 2019/20 FINANCIAL AUDITS OF STATE GOVERNMENT ENTITIES (Attachment 2).

The report focuses on the findings primarily from the annual financial audits of State Government entities with a 30 June reporting date.

The OAG issued 143 audit opinions for State Government entities by 4 November 2020, and 85 certification opinions.

The OAG issued qualified audit opinions to seven entities for reasons of inaccuracies or deficiencies in their financial statements or KPIs or due to control weaknesses, an increase from three in the prior year. The entities were:

- Department of Communities
- Department of Local Government, Sport and Cultural Industries
- Department of Primary Industries and Regional Development
- Health Support Services
- Housing Authority
- Office of the Parliamentary Inspector of the Corruption and Crime Commission
- WA Greyhound Racing Association.

The report recommended:

1. All entities should ensure they maintain the integrity of their financial control environment by:

- a. Periodically reviewing and updating all financial, asset, human resources, governance, information systems and other management policies and procedures and communicating these to relevant staff.
 - b. Conducting ongoing reviews and improvement of internal control systems in response to regular risk assessments.
 - c. Regularly monitoring compliance with relevant legislation.
 - d. Promptly addressing control weaknesses brought to their attention by OAG audits.
2. Entities should periodically review their KPIs to ensure that:
 - a. They are calculated from reliable and complete data.
 - b. They remain relevant, appropriate and fairly represent performance against realistic targets.
 - c. The KPI instructions are periodically updated and approved so that KPIs are consistently reported and comparable.
 3. The Office of Digital Government should use the information about the strengths and weaknesses identified during the pandemic, in relation to working from home and other remote system access arrangements, as part of their ongoing support and guidance to entities.
 4. Entities and Treasury should continue to facilitate timely tabling of Statements of Corporate Intent to ensure compliance with legislation.
 5. Treasury should continue to provide guidance to assist entities with the adoption of new accounting standards. Entities should continue to make timely preparations for implementation of these new standards.

ACTION FOR THE TOWN – To review the OAG Audit Results Report (2019/20) for informational purposes.

3) WESTERN AUSTRALIAN REGISTRY SYSTEM – APPLICATION CONTROLS AUDIT (Attachment 3).

The report summarises the results of a follow up controls audit conducted by the OAG on the Western Australian Registry System, used by the Registry of Births, Deaths and Marriages (a division of the WA Department of Justice).

The report recommended that the Department of Justice should:

1. Continue to strengthen its controls for systems that store sensitive information.
2. Continue to improve its framework to log and monitor key events in the system.
3. Continue to enhance the change of name process to minimise the risk of misuse.
4. Regularly review the effectiveness of key controls to protect information in the system.
5. Develop, regularly review and test the information technology disaster recovery plan.
6. Review and enhance the vulnerability management process.

ACTION FOR THE TOWN – To review the OAG Audit controls and assess its impact on the Town.

4) REGULATING MINOR POLLUTANTS (Attachment 4).

This audit assessed if the Department of Water and Environmental Regulation (DWER) and local government entities (LG entities) effectively regulate the unauthorised discharge of minor pollutants by businesses that do not require a licence (operators). The OAG also audited the City of Wanneroo and the City of Armadale as they have varying degrees of interaction with DWER in the regulation of minor pollutants.

The report recommended that local government entities should analyse their available data to evaluate if their current regulatory approach adequately addresses risk within their areas.

ACTION FOR THE TOWN – To review the current regulatory approach in relation to unauthorised discharge of minor pollutants, and assess whether it adequately addresses the associated risk.

5) COVID-19 STATUS OF WA PUBLIC TESTING SYSTEMS (Attachment 5).

This report focuses on the OAG's findings on whether WA Health is effectively prepared to provide pathology testing during the COVID-19 pandemic.

The report recommended that:

1. East Metropolitan Health Service should:
 - a. Ensure systems are in place to appropriately monitor collection of COVID-19 samples from collection teams.
 - b. Monitor the timeliness of test result notifications to patients through its texting systems.
2. PathWest should:
 - a. Put steps in place to provide sufficient space to efficiently register samples in the event of a surge.
 - b. Review workflows for processing regional samples and where possible reduce transport times.

ACTION FOR THE TOWN – None

6) COVID-19 RELIEF FUND (Attachment 6).

The report focuses on whether the Lotteries Commission (Lotterywest) and the Department of Local Government, Sports and Cultural Industries, implemented effective governance and assessment arrangements for Phase 1 of the COVID-19 Relief Fund.

The report recommended that to strengthen its approach to managing future rounds of the Fund and other grants, Lotterywest should:

1. Improve its conflict of interest processes to:
 - a. Provide consistent and up to date information to those involved in grant decision making.
 - b. Manage all conflicts in line with approved mitigation strategies.

2. Enhance recordkeeping practices by appropriately documenting key decisions and making them available for review.
3. Review the effectiveness of Phase 1 performance reporting timeframes and processes.

ACTION FOR THE TOWN - To review the COVID-19 Relief Fund Report for informational purposes.

6.4 CEO'S REVIEW OF RISK MANAGEMENT, INTERNAL CONTROL AND LEGISLATIVE COMPLIANCE

File No.: NAM32580
Responsible Executive/ Manager: CARISSA BYWATER
CHIEF EXECUTIVE OFFICER
Author: KATE JONES
SENIOR GOVERNANCE OFFICER
Author Disclosure of Interest: NIL.
Attachments provided under separate cover: NIL.

Authority/Discretion

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COMMITTEE RESOLUTION

AUD-005-2021

Moved: COUNCILLOR Z JOHNSON
Seconded: COUNCILLOR A BAIRD

That the Audit Committee commends to Council pursuant to Regulation 17 of the Local Government (Audit) Regulations 1996, to receive the CEO's 2021 report on the review of the appropriateness and effectiveness of the Town's systems and procedures relating to risk management, internal control and legislative compliance.

CARRIED 3/0

VOTING REQUIREMENTS

Simple majority.

PREVIOUSLY BEFORE COUNCIL

On 13 March 2018, the CEO's Regulation 17 report on the review on the appropriateness and effectiveness of the organisation's risk management, internal control and legislative compliance systems and procedures, was received by the Audit Committee by virtue of the following resolution:

AUD-003-2018

Moved: COUNCILLOR Z JOHNSON

Seconded: COUNCILLOR P SHAW

That the Audit Committee receives the CEO's review of risk management, internal control and legislative compliance and notes the further actions to be undertaken.

CARRIED 4/0

Subsequently, on 27 March 2018, Council resolved:

OCM-029-2018

Moved: COUNCILLOR A BAIRD

Seconded: COUNCILLOR J LEDGERWOOD

That the Council receives the CEO's review of risk management, internal control and legislative compliance and notes the further actions to be undertaken.

CARRIED 7/0

PURPOSE OF REPORT

The purpose of this report is to present to the Audit Committee the results of the CEO's triennial review in 2021 of the appropriateness and effectiveness of the organisation's risk management, internal control and legislative compliance systems and procedures. Various actions arising from the review are also presented.

EXECUTIVE SUMMARY

Regulation 17 of the Local Government (Audit) Regulations 1996 (**Audit Regs**) requires that every three years, the CEO is to present to the Audit Committee the results of a review of the appropriateness and effectiveness of the organisation's risk management, internal control and legislative compliance systems and procedures.

Consistent with this requirement, a review in 2021 has been completed. This report presents the results, and actions arising from the review, to the Audit Committee.

BACKGROUND

The most recent review conducted in compliance of Regulation 17 of the Audit Regulations was reported to the Audit Committee on 13 March 2018.

Council subsequently resolved at its 27 March 2018 Ordinary Council Meeting to receive the review (OCM-029-2018).

DETAILS

Strategic Plan Alignment

Regular reviews of the appropriateness and effectiveness of the organisation's risk management, internal controls and legislative compliance systems and procedures are vital. It not only ensures compliance but demonstrates to the community transparently that Council governs as sustainable and positive leaders.

Statutory Implications

Local Government (Audit) Regulations 1996

Regulation 17 CEO to review certain systems and procedures

(1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —

- (a) risk management; and*
- (b) internal control; and*
- (c) legislative compliance.*

(2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.

(3) The CEO is to report to the audit committee the results of that review.

Policy Implications

Nil.

Financial Implications

A review of the Town's risk management function during 2021 may result in the recommendation for a dedicated risk resource. This will have financial implications.

Community Engagement

Nil.

COMMENT

The [Department of Local Government Sport and Culture Operational Guideline 09 \(DLGSC Guideline 9\)](#) provides guidance on what matters are relevant to reviewing the appropriateness and effectiveness of a local government's risk management, internal controls and legislative compliance systems and procedures. I have followed this guideline for my review. My results are reported for risk management at (1) and internal controls at (2). Commentary is grouped according to areas for review suggested in DLGSC Guideline 9.

In 2021, an independent consultant was engaged to conduct an audit of the Town's legislative compliance for the purposes of completing the 2020 Compliance Audit Return. The commentary at (3) below refers to the results.

1. Risk Management

Effective risk management systems and material operating risks to the local government are appropriately considered.

The Town's [Risk Management Policy \(RM Policy\)](#) is a statement of the Town's overall intentions and direction related to risk management. The current policy was last reviewed in 2018 (OCM-091-2018). It is scheduled for its next review in March 2022.

The RM Policy provides the Town's strategic risks are to be monitored and managed in accordance with the guidance provided by AS/NZS ISO 31000:2009. This Standard is one of the Standards in the ISO AS 31000 suite. ISO AS 31000 provides principles, a framework and a process for managing risk. It can be used by any organisation regardless of its size, activity or sector.

The Town's RM Policy is rarely referenced in practice. This is primarily because it does not provide enough detail about an umbrella framework to enable the consistent and consolidated management of all of the Town's risk management obligations. I consider improvements to this could be achieved by extending the detail in the RM Policy to cover the elements of a best practice risk management framework guided by ISO 31000. Importantly, including a summary of roles and responsibilities for risk management at all levels throughout the Town would meet the Town's accountability value.

Embedding risk management into culture takes time and resources. It involves developing a solid framework, supported by appropriate and comprehensive systems, processes and procedures. Having these enables effective identification, assessment, monitoring and reporting of risks. This is a work of continuous improvement for the Town.

Also the subject of continuous improvement is the level of training required to bring staff along to a point where work is done using a risk-based approach. In saying that, the current level of application of risk-based principles to work varies throughout the organisation. Some teams are more skilled than others in identifying and managing tasks taking a risk-based approach. The challenge is to develop and deliver a training program whereby this approach is applied across the organisation and becomes front-of-mind when delivering services.

I consider the following actions will assist in transitioning towards a risk-aware culture:

Action	KPI	By when?
1. Bring forward the review of the Risk Management Policy from 2022 to 2021.	Council adopts a reviewed Risk Management Policy	November 2021
2. Lift staff levels of understanding of how to manage risks effectively	Develop and commence delivering training program	Q1, 2022

Reviewing whether the local government has a current and effective business continuity plan (including disaster recovery) which is tested from time to time.

I am confident the Town has an effective business continuity plan. COVID-19 has tested the plan extensively and it has proven to be more than adequate.

The COVID-19 lockdowns have been very well managed due to the cooperation and contributions of all staff across the organisation. Emergency management is competently managed by the Town's Local Recovery Coordinator who has, in particular, led the team in negotiating the challenges of the pandemic lockdowns. Transitions to working from home, particularly in the February 2021 lockdown, have been seamless with little to no interruption to service delivery. I am particularly pleased with the ongoing, effective communication with the community the Town maintains during emergencies such as these and generally. Engagement with our community has been an area of great improvement in recent times.

Members of staff regularly attend the regional Local Emergency Management Committee meetings. This enables the Town to effectively be involved in planning for, and responding to, emergencies at a regional level.

Assessing the internal processes for determining and managing material operating risks in accordance with the local government's identified tolerance for risk in various areas.

I am pleased with the recent progress that has been made in developing operational risk registers. These go into much more detail to identify the operational risks arising from risks identified on the Strategic Risk Register. The operational risk registers can be used to effectively track risk management and mitigation of risks at a more cellular level.

I anticipate the work to develop operational risk registers will continue throughout 2021 and beyond.

Obtaining regular risk reports, which identify key risks, the status and the effectiveness of risk management systems, to ensure that identified risks are monitored and new risks are identified, mitigated and reported.

An update to risk ratings identified on the Town’s Strategic Risk Register is reported regularly to the Audit Committee. The process followed to review the risk and provide updates is, at the moment, arbitrary. Improvements to the current process could be achieved by pro-mapping a more systematic approach involving broader collaboration across the organisation. Embedding such an approach would improve the level of detail provided in reports to the Audit Committee/Council. It would also assist in extending the scope of consideration of new or emerging risks.

I consider the level of current reporting on strategic risk management to be adequate, but there is room for improvement. During 2021, a review of the Strategic Risk Register will be undertaken to re-assess the Town’s strategic risks in this era of the pandemic, increased compliance obligations, changes to the *Local Government Act 1995*, and Office of Auditor General (OAG) oversight. The review will encompass clarification of the reporting process through pro-mapp.

The pandemic has tested the Town’s risk management systems insomuch as they relate not only to managing pandemic risks but also the ripple effect to other strategic risks. It has highlighted the need for greater focus on this area of operations.

In coming months, I will consider the need for a dedicated risk resource to manage and improve the Town’s risk systems. I anticipate a report will be presented to Council as part of the 2021/22 Budget process.

Action	KPI	By when?
1. Review Strategic Risk Register to ensure the scope of risks, assessment and mitigation is adequate and comprehensive	Review Strategic Risk Register	October 2021
2. Pro-mapp an effective strategic risk management reporting process	Complete pro-mapping	July 2021
3. Consider the need to engage a dedicated risk management resource	Report resource implications (if any) to Audit Committee/Council	April/May 2021

Assessing the adequacy of local government processes to manage insurable risks and ensure the adequacy of insurance cover, and if applicable, the level of self-insurance.

The Town holds the following current insurance policies with Local Government Insurance Services (LGIS): Public Liability, Casual Hirers Liability, Commercial Crime and Cyber Protection, Management Liability, Pollution Legal Liability, Property, Motor Fleet, WorkCare, Corporate

Travel, Personal Accident, Employee Income Protection, and Marine Cargo. Coverage levels are consistent with other LGA’s in the Perth metropolitan area.

The Town reviews the list of insured assets each year. A revaluation of these assets is done every five years in accordance with the Local Government (Financial Management) Regulations 1996 (FM Regulations) and the insurance register is updated accordingly.

In 2019, the Town engaged a consultant to perform an Insurable Risk Gap analysis; recommendations of this review were included in the 2020/21 insurance renewal. Once the risk register review is completed another analysis should be performed to ensure alignment.

2. Internal Controls

Reviewing the effectiveness of the local government’s internal control system with management and the internal and external auditors.

The OAG conducted the interim and final audits of the Town’s finances during 2020. The OAG audit revealed two findings which were both rated as moderate (“Those findings that are of sufficient concern to warrant action being taken by the entity as soon as practicable”).

**TOWN OF MOSMAN PARK
 PERIOD OF AUDIT: 1 JULY 2019 TO 30 JUNE 2020
 FINDINGS IDENTIFIED DURING THE FINAL AUDIT**

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
Findings Identified in the current year			
1. No annual review of minimum written down values (residual values), useful lives and impairment of property, plant and equipment		✓	
2. Use of Remote Desktop Protocol and Personal Devices on the Town's Network		✓	

I have ensured that appropriate steps have been taken to remedy these findings. Finding 1 will be resolved in 2020/21 and adjusted depreciation will be reported in the mid year budget review. A process will also be implemented to ensure an annual review is documented. Finding 2 is currently being reviewed by the Town’s ICT Advisor with a multi factor authentication review in progress.

The OAG audit also reported two matters of non-compliance as per the following excerpt from the audit opinion.

Report on Other Legal and Regulatory Requirements

In accordance with the Local Government (Audit) Regulations 1996 I report that:

- (i) The following material matters indicates non-compliance with Part 6 of the *Local Government Act 1995*, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law were identified during the course of my audit:
 - a. Several reconciliations for property, plant and equipment, trade payables and bank accounts were either missing or had no evidence of an independent review or were not signed by the preparer nor the reviewer. Further, there was no evidence of borrowing account reconciliations being performed.
 - b. More employees than necessary at the Town of Mosman Park had full access to the revenue, expenditure, property, plant and equipment, and payroll systems. Also, there was no evidence of independent review of amendments made to systems/records. This increased the risk of unauthorised changes to key information, although our audit sampling did not identify any.

I have ensured that appropriate steps have been taken to remedy these instances of non-compliance. Non-compliance finding (i)a. has been remedied and further segregation of duties have been implemented to ensure the independent review of reconciliations and the monthly review process has been strengthened and a monthly borrowing reconciliation has been implemented. Finding (i)b. has been remedied, a full review was completed and any inaccurate accesses were identified and corrected. Further, a quarterly review of the access lists has been implemented.

The OAG audit extended to consideration of internal controls related to the preparation of the financial statements only. It did not extend to expressing an opinion on the effectiveness of internal control generally.

Assessing whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk.

The Town has engaged Structural Consulting Engineers to provide a structural check of the Leighton Battery tunnels. This check is done annually to not only satisfy the Town's duty of care to volunteers and members of the public, but it was also a requirement of LGIS. The results of this review will be provided to Council and may require additional works to ensure the tunnels are fit for public access.

An extensive review of the Town's ICT risks is underway with good progress made to ensure our systems are secure. To support this, training to raise staff awareness for scams/phishing will be scheduled in 2021. Network security is tested from time to time through 'Penetration testing'.

Assessing the local government's procurement framework with a focus on the probity and transparency of policies and procedures/processes and whether these are being applied.

The 2019 Compliance Audit Return reported in excess of 20 instances of non-compliance by officers with the Town's Procurement Policy.

I considered this an important area for the Finance team to focus on during 2020. Consequently, significant improvements have been made to internal controls. The Procurement Policy was also extensively reviewed and approved by Council.

While the 2020 Compliance Audit Return will report non-compliance again, the number of instances has dropped significantly from in excess of 20 to two. I am satisfied with this result; however, recognise and will direct efforts towards achieving 100% compliance for the 2021 Compliance Audit Return.

Significant efforts in 2020 focussed on developing and delivering staff training to ensure staff were clear about their procurement responsibilities. Also, to set the expectation that adherence to the Procurement Policy is paramount.

The need for further measures to achieve 100% compliance will be developed and implemented during 2021, taking into account recommendations from the compliance audit for the reporting period 1 January 2020 to 31 December 2020, carried out by an external consultant. (A report on the 2020 compliance audit is at Item 6.5 of the Audit Committee agenda).

Action	KPI	By when?
1. Develop and implement measures to achieve 100% compliance with the Town's Procurement Policy.	Achieve 100% compliance	January 2022

Should the need arise, meeting periodically with key management, internal and external auditors, and compliance staff, to understand and discuss any changes in the local government's control environment.

I meet regularly with key members of staff and, where necessary external consultants and the Town's external auditors, to discuss matters that may affect the Town's internal control environment. Where it is required, I authorise appropriate resources be applied, or steps be taken, to ensure the control environment is comprehensive, effective and efficient.

Ascertaining whether fraud and misconduct risks have been identified, analysed, evaluated, have an appropriate treatment plan which has been implemented, communicated, monitored and there is regular reporting and ongoing management of fraud and misconduct risks.

I am satisfied fraud and misconduct risks are being effectively managed and that current internal controls are adequate.

During 2020, a resource was dedicated to the task of identifying, assessing and providing mitigation strategies for a wide range of operational fraud risks. In addition, Council adopted a Fraud and Corruption Control Plan. The plan details the Town's commitment to controlling risks of fraud, corruption and misconduct; identifies roles and responsibilities; provides guidance about investigations and a fraud reporting checklist.

The plan and operational fraud risk register will be referenced in pro-mapped processes (to be developed). Guidance in these processes will set out steps that will clarify how to effectively monitor and report how fraud risks are being managed.

Action	KPI	By when?
1. Develop pro-mapp process to guide regular monitoring and reporting of fraud risks	Fraud risk monitoring and reporting processes pro-mapped	October 2021

Effective and transparent internal control environment

DLGSC Guideline 9 provides that an effective and transparent internal control environment is built around key areas. The table below lists these, together with my comments about the Town’s performance in these areas and my view as to adequacy:

Key areas	Comments	Adequate/ Continuous Improvement Underway
Integrity and ethics	- A “PSC Snapshot” audit of the Town’s integrity and ethics framework is currently underway	CIU
	- New legislation introducing separate new Codes of Conduct for elected members and employees were gazetted in February 2021. We have 3 months to implement them.	CIU
Policies, plans and delegated authority	During 2020:	A
	- Council adopted an improved Delegations Register based on the WALGA template. - A comprehensive review of policies was carried out. 22 policies were reviewed and two new policies created. - Council received and approved Asset Management Plans to safeguard assets. - Following extensive community consultation late in 2020, a new SCP will be presented to Council in June, 2021. This will require re-consideration of the current IPRF and review of re-alignment of plans within the current framework to ensure they adequately plan the way forward to achieve community aspirations.	A CIU
Levels of responsibilities and authorities	During 2020, a new one-director organisational structure was introduced. The structure is currently under review.	CIU
Audit practices	- The OAG has responsibility for conducting all external audits.	A
	- A detailed internal audit of procurement will be conducted during 2021 as per the recommendation of the consultant who	CIU

	assessed the Town’s performance relative to the CAR.	
IT access and security	During 2020, an IT Code of Practice was developed and IT security systems were reviewed and updated. Access to records has been restricted to teams, eg. if Planning need access to a Corporate Services’ (CS) record, prior authorisation from CS must be obtained.	A
Management operating style	I have introduced a flat structure which has been successful in achieving a significant improvement in breaking down silos and a more collaborative approach towards achieving effective and efficient operations.	A
HR management and practices	I have focused heavily on providing support and training to transform the culture at the Town to qualify it as an Employer of Choice. HR policies continue to be reviewed and developed to support this transformation. Changes to WHS legislation have increased the level of responsibility employers and employees have to maintain a safe workplace. WHS risks are currently being re-assessed.	CIU CIU
Reporting	- I am satisfied with the Town’s financial reporting. The Town has appropriately qualified professionals in the Finance Team led by the Manager who is CPA qualified and has extensive experience in accounting. - Implementation of Attain software during 2021 will significantly improve reporting of exercises of delegated authority, collection of primary and annual returns and gift disclosures.	CIU

A summary of the actions arising from the above follows:

Action	KPI	By when?
1. Complete integrity and ethics “PSC Snapshot Audit”	Audit completed	October 2021
2. Implement separate codes of conduct for elected members and employees	Separate codes of conduct implemented	May 2021
3. Review plans in the IPRF	Complete review of CBP and other plans with the IPRF	CBP – July 2021 Other plans –

		progressively throughout 2021/22
4. Review organisational structure	Implement changes to organisational structure	March 2021
5. Review HR policies to assist in the Town becoming an "Employer of Choice"	All HR policies reviewed	December 2021
6. Identify and assess WHS risks in light of changes to legislation in 2020.	Complete risk assessment and mitigation strategy	May 2021

3. Legislative Compliance

An external consultant was engaged to conduct the 2020 Compliance Audit Return exercise. The consultant's report notes the following in respect of Regulation 17 reviews:

"Regulation 17 of the Local Government (Audit) Regulations 1996 requires the CEO to review certain systems and procedures once every three financial years. The Town of Mosman Park completed a Regulation 17 review in 2018. Another review will be required in the next 12 months.

The process undertaken by the Town of Mosman Park for the 2019 Compliance Audit Return was in-depth and detected a number of issues in respect of legislative compliance. The annual financial audit conducted by the Auditor General in 2019 provided additional feedback on key areas of risk and legislative compliance. These were reported to the Town's Audit Committee in accordance with legislation.

The collective impact of these improvements will be of assistance when the Town commences its next Regulation 17 review."

In respect of the issues referred to in the consultant's comments, I have reviewed the 2019 Compliance Audit Return and can report the following in respect of the non-compliance identified in the 2019 audit:

- Attain software is in the process of being implemented to improve record-keeping and maintenance of annual and primary return and gift registers. A compliance calendar is included with the software to track and send reminders regarding statutory and other compliance deadlines.
- During 2020, WALGA delivered declaration of interest training to all staff. I am advised that staff awareness of their obligations has increased.
- I note that three (3) instances of non-compliance to be reported in respect of the 2020 Compliance Audit Return concern the Town's registers: two involving the inability to publish the Electoral Gift Register and Complaints Register on the Town's website; and one involving the inability to remove disclosure of interest declarations relating to ceased employees. Steps will be taken to remedy these instances of non-compliance.
- Council has endorsed various asset management plans during 2020 that will ensure effective management of assets that are the subject of those plans. The Workforce Plan

strategy is on-hold and will be finalised as part of the major review of the 2021 Integrated Planning Framework strategies (starting with the 2021 SCP which will be presented to Council for adoption in June 2021).

- While non-compliance with the Procurement Policy will be reported again in 2020, the improvements that have been put in place since 2019, have reduced the instances from in excess of 20 to two. The Town will strive to achieve 100% compliance. To assist in achieving this the CAR consultant’s recommendations for further education of key employees and a targeted audit of procurement activities in a given timeframe will be implemented in 2021.
- The Town’s Customer Service Charter is under review. Aligned with this will be a review of the complaints framework – both for employees and Councillors. The introduction of the Local Government (Model Code of Conduct) Regulations 2021 in February 2021 will be taken into account as part of the review.
- Public Interest Disclosure requirements were reviewed during 2020 to bring the Town into compliance.
- I note that as part of its audit in 2020, the OAG examined various compliance requirements. No adverse findings were reported.

Action	KPI	By when?
1. Electoral Gift and Complaints Registers to be published on the website; Primary and Annual returns from ex-employees or those who are no longer “designated employees” to be removed from the current register	Registers published; Relevant primary and annual returns moved from current register and place in separate file.	February 2021
2. Fully implement Attain software	Successful implementation and roll out to relevant staff	March 2021
3. Implement Workforce Plan	Plan implemented	December 2021
4. Deliver procurement training to key employees	Training delivered	April 2021
5. Conduct audit of procurement activities	Audit completed and results provided	August 2021
6. Review complaints framework	Review completed	August 2021

4. Conclusion

Much work has been done since the previous Regulation 17 report in 2018 to ensure the Town’s risk management, internal controls and legislative compliance systems and procedures remain appropriate and effective. I have concluded from my review in 2021 that I am satisfied as to the appropriateness and effectiveness of the systems and procedures that are currently in place.

In saying that, there is always room for improvement. This report identifies actions to ensure that systems and procedures are being continuously improved. A consolidated table of these actions follows.

My staff and I will continue to work closely with the Audit Committee and Council to ensure the status of the appropriateness and effectiveness of the Town’s internal systems is regularly maintained and reported. Updates on progress the actions consolidated in the table at (5) below will be regularly presented to the Audit Committee.

5. Consolidated Table of Actions

Action	KPI	By when?
1. Bring forward the review of the Risk Management Policy from 2022 to 2021.	Council adopts a reviewed Risk Management Policy	November 2021
2. Lift staff levels of understanding of how to manage risks effectively	Develop and commence delivering training program	Q1, 2022
3. Review Strategic Risk Register to ensure the scope of risks, assessment and mitigation is adequate and comprehensive	Review Strategic Risk Register	October 2021
4. Pro-mapp an effective strategic risk management reporting process	Complete pro-mapping	July 2021
5. Consider the need to engage a dedicated risk management resource	Report resource implications (if any) to Audit Committee/Council	April/May 2021
6. Develop and implement measures to achieve 100% compliance with the Town’s Procurement Policy.	Achieve 100% compliance	January 2022
7. Develop pro-mapp process to guide regular monitoring and reporting of fraud risks	Fraud risk monitoring and reporting processes pro-mapped	October 2021
8. Complete integrity and ethics “PSC Snapshot Audit”	Audit completed	October 2021
9. Implement separate codes of conduct for elected members and employees	Separate codes of conduct implemented	May 2021
10. Review plans in the IPRF	Complete review of CBP and other plans with the IPRF	CBP – May 2021 Other plans – progressively throughout 2021/22
11. Review organisational structure	Implement changes to organisational structure	March 2021

12. Review HR policies to assist in the Town becoming an “Employer of Choice”	Review all HR policies	December 2021
13. Identify and assess WHS risks in light of changes to legislation in 2020.	Complete risk assessment and mitigation strategy	May 2021
14. Electoral Gift and Complaints Registers to be published on the website; primary and annual returns from ex-employees or those who are no longer “designated employees” to be removed from the current register	Registers published; Relevant primary and annual returns moved from current register and place in separate file.	February 2021
15. Fully implement Attain software	Successful implementation and roll out to relevant staff	March 2021
16. Implement Workforce Plan	Plan implemented	December 2021
17. Deliver procurement training to key employees	Training delivered	May 2021
18. Conduct audit of procurement activities	Audit completed and results provided	August 2021
19. Review complaints framework	Review completed	August 2021

6.5 2020 COMPLIANCE AUDIT RETURN

File No.:	ADMIN4E
Responsible Executive/ Manager:	CARISSA BYWATER CHIEF EXECUTIVE OFFICER
Author:	KATE JONES SENIOR GOVERNANCE OFFICER
Author Disclosure of Interest:	NIL
Attachments provided under separate cover:	1. CONSULTANT’S REPORT - 2020 CAR ASSESSMENT AND RISK SUMMARY - <i>CONFIDENTIAL</i> 2. SUMMARY OF THE CONSULTANT’S 2020 ASSESSMENT AND RISK REPORT 3. COMPLIANCE AUDIT RETURN AS COMPLETED BY THE CONSULTANT

Authority/Discretion

- Advocacy When Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.
- Executive The substantial direction setting and oversight role of the Council. e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
- Legislative Includes adopting local laws, town planning schemes and policies. It is also when Council reviews decisions made by Officers.
- Quasi-Judicial When Council determines an application/matter that directly affects a person’s right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of Quasi-Judicial authority include town planning applications, building permits, applications for other permits/licences (e.g. under *Public Health Act 2016, Dog Act 1976* or local laws) and other decisions that may be appealable to the State Administrative Tribunal.
- Information Purposes Includes items provided to Council for information purposes

COMMITTEE RESOLUTION

AUD-006-2021

Moved: COUNCILLOR A BAIRD
Seconded: COUNCILLOR Z JOHNSON

That the Audit Committee commends that Council reviews the consultant reports at **Attachments 1 and 2** and the Compliance Audit Return as completed by the consultant at

Attachment 3 and, subject to the outcome of reviewing these, recommends to Council at the Ordinary Council Meeting on 22 February 2021:

That Council:

1. Adopts the 2020 Compliance Audit Return as provided in **Attachment 3**.
2. Subject to (1) above, authorises the Chief Executive Officer to submit by 31 March 2021, to the Departmental CEO of the Department of Local Government, Sport and Cultural Industries, the Compliance Audit Return, certified by the Mayor and Chief Executive Officer, together with a copy of the minutes relevant to this report, in compliance with Regulation 15 of the Local Government (Audit) Regulations 1996.

CARRIED 3/0

VOTING REQUIREMENTS

Simple majority.

PREVIOUSLY BEFORE COUNCIL

Results of the 2019 compliance audit were presented to the Audit Committee on 10 March 2020. The committee resolved:

AUD-003-2020

That the Audit Committee reviews the 2019 CAR and subject to the outcome of the review, recommends to Council at the Ordinary Council Meeting on 24 March 2020:

That Council:

1. *ADOPTS the 2019 Compliance Audit Return as provided in **Attachment 1**.*
2. *Subject to (1) above, AUTHORISES the Chief Executive Officer to submit by 31 March 2020, to the Departmental CEO of the Department of Local Government, Sport and Cultural Industries, the Compliance Audit Return, certified by the Mayor and Chief Executive Officer, together with a copy of the minutes relevant to this report, in compliance with Regulation 15 of the Local Government (Audit) Regulations 1996.*

Council subsequently considered the Audit Committee recommendation at its 24 March 2020, and resolved:

OCM-028-2020

That Council:

1. *ADOPTS the 2019 Compliance Audit Return as provided in Attachment 1, subject to the comment at question 27 in the Tenders for Providing Goods and Services section of the*

Compliance Audit Return, being amended to read: "In 24 cases, three quotes were not sought for purchases between \$2,000 and \$150,000".

2. Subject to (1) above, AUTHORIZES the Chief Executive Officer to submit by 31 March 2020, to the Departmental CEO of the Department of Local Government, Sport and Cultural Industries, the Compliance Audit Return, certified by the Mayor and Chief Executive Officer, together with a copy of the minutes relevant to this report, in compliance with Regulation 15 of the Local Government (Audit) Regulations 1996.

PURPOSE OF REPORT

The purpose of this report is twofold. To provide the Audit Committee/Council with information that:

- Reports on the outcome of the compliance audit that has been carried out for the period 1 January 2020 to 31 December 2020.
- Updates the Audit Committee/Council on the current state of legislative compliance in respect of questions in the 2021 Compliance Audit Return (**CAR**).

EXECUTIVE SUMMARY

Nil.

BACKGROUND

Regulation 14 of the Local Government (Audit) Regulations 1996, provides for compliance audits by local government.

Local governments are to carry out an annual compliance audit covering the period 1 January to 31 December for the previous year. Information gathered during the audit populates the annual Compliance Audit Return (CAR). The Audit Committee is to review the CAR and submit a report to Council on the results. Once Council has considered the CAR, a certified copy is to be sent to the Department of Local Government, Sport and Cultural Industries.

DETAILS

Strategic Plan Alignment

Completing the 2020 CAR is effective governance as it provides a snapshot of the Town's legislative compliance in respect of the questions on the CAR. This contributes to meeting community aspirations identified in strategies around Leadership and Governance in the Strategic Community Plan.

Statutory Implications

Local Government (Audit) Regulations 1996

14 Compliance audits by local governments

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

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

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

Policy Implications

Nil.

Financial Implications

The cost to engage an external consultant to carry out the 2020 compliance audit, prepare the CAR and provide a report for management was \$3250 (excl GST). The cost is to be allocated to Account 10412010.211 – Audit Expenses

Community Engagement

Nil.

COMMENT

The compliance audit for the reporting period 1 January 2020 to 31 December 2020 has been completed by an external consultant, in compliance with Regulation 14(1)(a) of the Local Government (Audit) Regulations 1996.

Running in parallel has been the triennial CEO’s review of the appropriateness and effectiveness of the Town’s risk management, internal controls and legislative compliance, as required by Regulation 17 of the Local Government (Audit) Regulations 1996 (**CEO’s Reg 17 Review**)¹.

Given that the two exercises were running in parallel, it was considered prudent to engage a consultant to conduct the 2020 compliance audit. This enabled an independent assessment to be made of legislative compliance in areas covered by the CAR questions. The results have assisted the CEO with the CEO’s Reg 17 Review. Another advantage of this approach has been that actions recommended by the CAR consultant have been picked up and recorded in one place – the Consolidated Table of Actions included in the report to the Audit Committee on the results of the CEO’s Reg 17 Review. Progress on these actions will be reported regularly throughout 2021, and beyond if necessary, to the Audit Committee.

Compliance Audit Review Results

An external consultant was engaged to conduct the 2020 compliance audit. The consultant met with key staff in January 2021, to gather information and assess the responses. The outcome of the consultant’s assessment is in detail in the confidential 2020 CAR Assessment and Risk Summary Report at **Attachment 1**. A summary of this report is at **Attachment 2**. **Attachment 3** is the CAR as completed by the consultant based on the results of the compliance audit.

Important points to note from the results of the consultant’s review are:

- The Town has achieved a 95% compliance rating for the period 1 January 2020 to 31 December 2020.
- The review established four areas of non-compliance for the 2020 reporting period. These, together with instances of non-compliance in 2019, for comparative purposes, are detailed in Table 1 below.
- The consultant’s report provides an assessment of the risks associated with each instance of non-compliance and rates them as either: no action required; insignificant; minor; moderate or major.

Table 1 – Non-compliance responses

Areas of Compliance 2019/20 CAR	Non- compliances reported		Comments
	2019	2020	
Commercial Enterprises by Local Governments	Nil	Nil	

¹ The CEO’s Reg 17 Review has been completed. Results of the review are reported at Item 6.4 of the Audit Committee Agenda dated 16 February 2020.

Delegation of Power / Duty	Nil	Nil	
Disclosure of Interest	2	1	Perusal of the register shows that not all returns were removed per s. 5.88 of the Act.
Disposal of Property	Nil	Nil	
Elections	Nil	1	Electoral gifts register not on the local government's website
Finance	Nil	Nil	
Integrated Planning and Reporting	Nil	Nil	
Local Government Employees	Nil	Nil	
Official Conduct	Nil	1	Register is not on the local government's website
Tenders for Providing Goods and Services	1	2	Two purchases were reported that were not in accordance with the Town's purchasing policy

Management responses

(a) Section 3: Disclosure of interest (21 questions on the CAR)

(Non-compliant response reported for question 9): When a person ceased to be a person required to lodge a return under sections 5.75 and 5.76, did the CEO remove from the register all returns relating to that person?

Non-compliance in relation to Question 9 related to a number of Primary and Annual Returns completed by ex-employees or those who were no longer classified as "designated employees". These returns had not been removed from the publicly available register of financial interests.

The consultant's assessment of the risk of this non-compliance rated it as **minor**.

Management Response: The Town is currently finalising a transition from manually recording the receipt of Primary and Annual Returns to an electronic system using Attain software. It is anticipated this will significantly improve the Town's ability to ensure compliance in the management of these statutory returns.

In the meantime, these returns will be removed manually from the public register and placed in an alternative file.

This action is recorded as Action 14 on the Consolidated Table of Actions in the CEO's Reg 17 Review report being presented to the Audit Committee in February 2021².

(b) Section 5: Elections (3 questions on the CAR)

(Non-compliant response reported for question 3): Did the CEO publish an up-to-date version of the electoral gift register on the local government's official website in accordance with Elect Reg 30G(6)?

The consultant noted that the Town's Electoral Gift Register was current and maintained; however, non-compliance in relation to Question 3 related to the fact that it had not been uploaded to the Town's website as required.

The consultant's assessment of the risk of this non-compliance rated it as **minor**.

This action is recorded as Action 14 on the Consolidated Table of Actions in the CEO's Reg 17 Review report being presented to the Audit Committee in February 2021³.

Management Response: This oversight has now been rectified and the Electoral Gift Register will be uploaded to the Town's website.

(c) Section 9: Official conduct (4 questions)

(Non-compliant response reported for question 4): Has the CEO published an up-to-date version of the register of the complaints on the local government's official website?

The consultant noted that the Town's Register of Complaints (in relation to minor breaches) was empty. The non-compliance was that the register was not on the Town's website.

The consultant's assessment of the risk of this non-compliance rated it as **minor**.

Management Response: This is an oversight. The Complaints Register will be published on the Town's website. This action is recorded as Action 14 on the Consolidated Table of Actions in the CEO's Reg 17 Review report being presented to the Audit Committee in February 2021⁴.

In addition, the Local Government (Model Code of Conduct) Regulations 2021 (**Model Code Regs**) became operational on 2 February 2021. The provisions of the Model Code Regs will require a review of the Town's complaints framework. This will ensure the Town's compliance with new requirements introduced by the Model Code Regs.

(d) Section 10: Tenders for providing goods and services (24 questions on the CAR)

² See footnote (1)

³ See footnote (1)

⁴ See footnote (1)

(Non-compliant response reported for question 2): Did the local government comply with its current purchasing policy in relation to the supply of goods or services where the consideration under the contract was, or was expected to be, \$250,000 or less or worth \$250,000 or less?

The audit revealed that there were two procurements that were made during the reporting period without adherence to the Town's Procurement Policy.

The consultant's assessment of the risk of this non-compliance rated it as **moderate**.

Management Response: It is noted that the instances of procurement non-compliance reduced from 24 reported in 2019 to two for 2020. It is further noted that the consultant's view is that the Town's Procurement Policy (as recently reviewed in 2020) is appropriate in content and reflects current practice in the sector.

Procurement non-compliance must be taken seriously. To continue with efforts to achieve 100% compliance, the Town will develop and implement all recommendations made by the consultant during 2021. This is recorded as Action 6 on the Consolidated Table of Actions in the CEO's Reg 17 Review report being presented to the Audit Committee in February 2021⁵.

Conclusion

An external consultant has reviewed the Town's legislative compliance with questions on the CAR for the reporting period 1 January 2020 to 31 December 2020. Four instances of non-compliance have been reported and risks of each rated.

The consultant's report at **Attachment 1** makes recommendations for remedying these areas of non-compliance. Each recommendation has been taken up in the CEO's Reg 17 Review report. The report is to be considered at the February 2021 Audit Committee meeting on 16 February 2021. Accountability for achieving the actions will be maintained by regularly reporting progress to the Audit Committee throughout 2021 and beyond, if necessary.

⁵ See footnote (1)

6.6 LOCAL GOVERNMENT EMERGENCY MANAGEMENT UPDATE

File No.: NAM32704

Responsible Executive/ Manager: CARISSA BYWATER
CHIEF EXECUTIVE OFFICER

Author: KATE JONES
SENIOR GOVERNANCE OFFICER

Author Disclosure of Interest: NIL

Attachments provided under separate cover: 1. REPORT ENTITLED “EMERGENCY MANAGEMENT FRAMEWORK RELEVANT TO LOCAL GOVERNMENT IN WESTERN AUSTRALIA”

Authority/Discretion

- Advocacy When Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.
- Executive The substantial direction setting and oversight role of the Council. e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
- Legislative Includes adopting local laws, town planning schemes and policies. It is also when Council reviews decisions made by Officers.
- Quasi-Judicial When Council determines an application/matter that directly affects a person’s right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of Quasi-Judicial authority include town planning applications, building permits, applications for other permits/licences (e.g. under *Public Health Act 2016*, *Dog Act 1976* or local laws) and other decisions that may be appealable to the State Administrative Tribunal.
- Information Purposes Includes items provided to Council for information purposes

COMMITTEE RESOLUTION

AUD-007-2021

Moved: COUNCILLOR A BAIRD
Seconded: COUNCILLOR Z JOHNSON

That the Audit Committee commends that Council notes the content of the report outlining local government emergency management responsibilities, obligations and actions detailed in the

report entitled “Emergency Management Framework Relevant to Local Government” at **Attachment 1**.

CARRIED 3/0

VOTING REQUIREMENTS

Simple majority.

PREVIOUSLY BEFORE COUNCIL

This is the first report of this nature to be presented to the Audit Committee.

PURPOSE OF REPORT

The purpose of this report is to familiarise the Audit Committee with the responsibilities and obligations local government has under the *Emergency Management Act 2005* (EM Act) and associated emergency management legislation and policies.

EXECUTIVE SUMMARY

Local government has a raft of responsibilities and obligations under legislation and policies that must be applied to manage emergencies. The COVID-19 pandemic has brought into sharp focus the importance and need for a solid emergency management framework to rely on to respond and recover effectively from emergencies. A brief overview of this framework is presented in the background section of this report.

Attachment 1 to this report is a report that has been authored by the Executive Officer of the Western Central Local Emergency Management Committee (WC-LEMC) entitled “Emergency Management Framework Relevant to Local Government in Western Australia”. Various Town of Mosman Park-specific information has been inserted. The report details specific responsibilities under emergency management legislation and policy and actions the Town has taken, to comply with these.

BACKGROUND

Under Part 3 ss.34-39 of the EM Act, local government is responsible for:

- Forming and Supporting the Local Emergency Management Committee;
- Preparing and maintaining the Local Emergency Management Arrangements; and
- Managing recovery of the community, including appointment of Local Recovery Coordinator (**LRC**).

While local government is required to ensure the development of Local Emergency Management Arrangements (**LEMA**), this responsibility, as far as the Town of Mosman Park is concerned, is

effectively discharged through the Western Central Local Emergency Management Committee (**WC-LEMC**).

The WC-LEMC was established in May 2005 to enable a collaborative regional approach towards emergency management planning of activities and emergency arrangements. Members of the WC-LEMC are: the Towns of Cambridge, Claremont, Cottesloe and Mosman Park; the City of Nedlands; the Shire of Peppermint Grove; and the Cities of Subiaco and Vincent.

Respective local governments do not therefore have a direct role in the development of the LEMA, albeit the EM Act and associated policies require approval by local government Councils. In practice, this is achieved through the Town's representation on the WC-LEMC.

Direct response to a local emergency is the responsibility of the relevant Hazard Management Agency (**HMA**); the organisation which, because of its legislative responsibility or specialised knowledge, expertise and resources has the capacity to combat the condition creating the emergency. For example, the HMA for fire is the Department of Fire and Emergency Services. The arrangements contemplate local government providing resources to support and assist a HMA, but only if requested, and then subject to availability. The only circumstance in which local government becomes the HMA is for fires outside Gazetted Fire Districts, predominantly in outer metropolitan areas and in rural Western Australia.

DETAILS

Strategic Plan Alignment

Effective emergency management meets the objective, in part, in the Town's Strategic Community Plan to respond to emerging challenges presented by the coronavirus pandemic and climate change. Ensuring the Town is compliant with its emergency management legislative responsibilities demonstrates good Leadership and Governance.

Statutory Implications

Please refer to the report at **Attachment 1** for a detailed overview of the emergency management statutory framework relevant to local government in Western Australia.

Policy Implications

Please refer to the report at **Attachment 1** for a detailed overview of the provisions of the State Emergency Management Policy that are relevant to local government in Western Australia.

Financial Implications

Nil.

Community Engagement

Nil.

COMMENT

The role of local government in emergency management has been brought into sharp focus as a result of the COVID-19 ongoing pandemic. It is timely then for a report which outlines to the Audit Committee what responsibilities and obligations local government has in the management of emergencies. The Executive Officer of the WC-LEMC has authored such a report at **Attachment 1**. Town of Mosman Park-specific information has been inserted where appropriate. The report includes the various actions that have been undertaken to date by the Town, or otherwise, to meet its emergency management compliance responsibilities.

It is recommended the Audit Committee note the content of the report entitled “Emergency Management Framework Relevant to Local Government in Western Australia” at **Attachment 1**.

**7 NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY ELECTED MEMBERS/
OFFICERS BY DECISION OF MEETING**

Nil.

8. MEETING CLOSURE

The Presiding Member declared the meeting closed at 4:42pm.