



City of Belmont

Attachments

Standing Committee (Audit and Risk) Meeting

Held

24 February 2020

Creating opportunities





Standing Committee (Audit and Risk)

Item 10.1 refers

Attachment 1

2019 Audit - Actuals

City of Belmont Audit Actuals 2019

Legend

OSA	Organisational Self Assessment (Conducted 3 yearly - due 2020)
CAR	Statutory Compliance Audit
BI	Business Improvement Review
E	BMS External Audit - SGS
I	Integrated Management Systems Internal Audit (QM/ENV/OSH) **
F	Financial Auditors **
OAG	Focus Audit - Office of the Auditor General **
**	Variations to 2019 Audit Plan

2019												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Variations to 2019 Audit Plan	BI Document Review											
	BI Document Review											
	CAR	CAR		F	E					F		I
	CAR	CAR			E							I
					E							I
					OAG	OAG						
		CAR	CAR			E						
		CAR	CAR			E						
		CAR	CAR			E						
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							OAG	OAG	OAG	OAG		
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Notes:

1. Due to the recent Organisational Review undertaken, a number of Department and Division titles have been amended with some Departments being combined.
2. In addition to the Audits outlined in the above table a number of Operational Comparisons have been carried out by the City on reports from other agencies.



Standing Committee (Audit and Risk)

Item 11.1 refers

Attachment 2

2019 Compliance Audit Return

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Belmont - Compliance Audit Return 2019

Certified Copy of Return

Please submit a signed copy to the Director General of the Department of Local Government, Sport and Cultural Industries together with a copy of section of relevant minutes.

Commercial Enterprises by Local Governments					
No	Reference	Question	Response	Comments	Respondent
1	s3.59(2)(a)(b)(c) F&G Reg 7,9	Has the local government prepared a business plan for each major trading undertaking in 2019?	N/A	The City did not undertake a major trading undertaking in 2019.	Eleanor Whiteley
2	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2019?	N/A	The City did not undertake a major land transaction during 2019.	Eleanor Whiteley
3	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2019?	N/A	The City did not enter into a land transaction that was preparatory to entry into a major land transaction in 2019.	Eleanor Whiteley
4	s3.59(4)	Has the local government complied with public notice and publishing requirements of each proposal to commence a major trading undertaking or enter into a major land transaction for 2019?	N/A	The City did not commence a major trading undertaking nor enter into a major land transaction in 2019.	Eleanor Whiteley
5	s3.59(5)	Did the Council, during 2019, resolve to proceed with each major land transaction or trading undertaking by absolute majority?	N/A	Council was not required to vote on either a major land transaction or a trading undertaking during 2019.	Eleanor Whiteley

Delegation of Power / Duty

No	Reference	Question	Response	Comments	Respondent
1	s5.16, 5.17, 5.18	Were all delegations to committees resolved by absolute majority?	Yes	Delegated Authority Register resolved by absolute majority, reviewed: OCM 25/06/2019 Item 12.5 #4393177. OCM 27/08/2019 Item 12.9 #4482568 No Delegations to committees.	Eleanor Whiteley
2	s5.16, 5.17, 5.18	Were all delegations to committees in writing?	N/A	No delegations to committees.	Eleanor Whiteley
3	s5.16, 5.17, 5.18	Were all delegations to committees within the limits specified in section 5.17?	N/A	No delegations to committees	Eleanor Whiteley
4	s5.16, 5.17, 5.18	Were all delegations to committees recorded in a register of delegations?	N/A	No delegations to committees.	Eleanor Whiteley



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No	Reference	Question	Response	Comments	Respondent
5	s5.18	Has Council reviewed delegations to its committees in the 2018/2019 financial year?	Yes	Delegated Authority Register resolved by absolute majority, reviewed: OCM 25/06/2019 Item 12.5 #4393177 OCM 27/08/2019 Item 12.9 #4482568.	Eleanor Whiteley
6	s5.42(1),5.43 Admin Reg 18G	Did the powers and duties of the Council delegated to the CEO exclude those as listed in section 5.43 of the Act?	Yes	Delegated Authority Register resolved by absolute majority, reviewed: OCM 25/06/2019 Item 12.5 #4393177 OCM 27/08/2019 Item 12.9 #4482568.	Eleanor Whiteley
7	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO resolved by an absolute majority?	Yes	Delegated Authority Register resolved by absolute majority, reviewed: OCM 25/06/2019 Item 12.5 #4393177 OCM 27/08/2019 Item 12.9 #4482568.	Eleanor Whiteley
8	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO in writing?	Yes	Delegated Authority Register resolved by absolute majority, reviewed: OCM 25/06/2019 Item 12.5 #4393177 OCM 27/08/2019 Item 12.9 #4482568.	Eleanor Whiteley
9	s5.44(2)	Were all delegations by the CEO to any employee in writing?	Yes	ECM Folder 11/005 - refer to physical folder maintained in Compliance Unit.	Eleanor Whiteley
10	s5.45(1)(b)	Were all decisions by the Council to amend or revoke a delegation made by absolute majority?	Yes	OCM 27/08/2019 Item 12.9 #4482568 Due to position title changes.	Eleanor Whiteley
11	s5.46(1)	Has the CEO kept a register of all delegations made under the Act to him and to other employees?	Yes	ECM Folder 11/005 - refer to physical folder maintained in Compliance Unit.	Eleanor Whiteley
12	s5.46(2)	Were all delegations made under Division 4 of Part 5 of the Act reviewed by the delegator at least once during the 2018/2019 financial year?	Yes	Reviewed: OCM 25/06/2019 Item 12.5 #4393177 OCM 27/08/2019 Item 12.9 #4482568. CEO sub delegations reviewed at ELT meeting 10/06/2019 as part of the review process. Amendments due to position title changes	Eleanor Whiteley
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record as required?	Yes	Exercise of Delegation Register maintained in Compliance Area. ECM Folder 11/005.	Eleanor Whiteley



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Disclosure of Interest					
No	Reference	Question	Response	Comments	Respondent
1	s5.67	If a member disclosed an interest, did he/she ensure that they did not remain present to participate in any discussion or decision-making procedure relating to the matter in which the interest was disclosed (not including participation approvals granted under s5.68)?	N/A	No Direct or Indirect Financial Declarations.	Eleanor Whiteley
2	s5.68(2)	Were all decisions made under section 5.68(1), and the extent of participation allowed, recorded in the minutes of Council and Committee meetings?	N/A	No instances occurred.	Eleanor Whiteley
3	s5.73	Were disclosures under section 5.65 or 5.70 recorded in the minutes of the meeting at which the disclosure was made?	Yes	Evidenced by the Minutes for Ordinary Council Meeting held 24/09/2019.	Eleanor Whiteley
4	s5.73	Where the CEO had an interest relating to a gift under section 5.71A(1), was written notice given to the Council?	N/A	No instances occurred.	Eleanor Whiteley
5	s5.73	Where the CEO had an interest relating to a gift in a matter in respect of a report another employee is providing advice on under section 5.71A (3), was the nature of interest disclosed when the advice or report was provided?	N/A	No instances occurred.	Eleanor Whiteley
6	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly elected members within three months of their start day?	N/A	No new elected members.	Eleanor Whiteley
7	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly designated employees within three months of their start day?	Yes	ECM Folder 163/001. Physical register maintained within the Compliance Area and monitored by the Compliance Administrator.	Eleanor Whiteley
8	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all continuing elected members by 31 August 2019?	Yes	CEO Memo sent to elected members. All annual returns received by 31/08/2019. View ECM Folder 163/001. Physical register maintained by Compliance Administrator and held in Compliance area.	Eleanor Whiteley
9	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all designated employees by 31 August 2019?	Yes	CEO memo sent to ELT and Designated employees. All returns received by 31/08/2019 ECM Folder 163/001 Physical Folder register maintained by Compliance Administrator and held in Compliance area.	Eleanor Whiteley



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No	Reference	Question	Response	Comments	Respondent
10	s5.77	On receipt of a primary or annual return, did the CEO, (or the Mayor/ President in the case of the CEO's return) on all occasions, give written acknowledgment of having received the return?	Yes	Procedure in receipting primary/ annual returns are outlined in the following documents WI - Manage Primary (Financial) Returns and WI - Manage Annual (Financial Returns). Acknowledgement of receipt memos are recorded on ECM with each completed return found in ECM Folder 163/001.	Eleanor Whiteley
11	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained the returns lodged under section 5.75 and 5.76?	Yes	ECM Folder 164/001.	Eleanor Whiteley
12	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70 and 5.71, in the form prescribed in Administration Regulation 28?	Yes	Procedure in declaring and recording disclosures made under sections 5.65, 5.70 and 5.71 is outlined in WI - Disclosures of Interest That May Cause Conflict. Physical register is also located in the Compliance area and is maintained by the Compliance Administrator. The current Disclosure of Interests form used by the City is deemed compliant with that prescribed in Administration Regulation 28.	Eleanor Whiteley
13	s5.89A Admin Reg 28A	Did the CEO keep a register of gifts which contained a record of disclosures made under section 5.71A, in the form prescribed in Administration Regulation 28A?	Yes	ECM Folder 164/002	Eleanor Whiteley
14	s5.88 (3)	Has the CEO removed all returns from the register when a person ceased to be a person required to lodge a return under section 5.75 or 5.76?	Yes	Physical Register maintained and located within the Compliance area does not contain returns of employees and Elected Members who have left the City. This process is monitored bi - monthly in the Compliance Calendar and through notification from HR at the end of employment of any employee.	Eleanor Whiteley



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No	Reference	Question	Response	Comments	Respondent
15	s5.88(4)	Have all returns lodged under section 5.75 or 5.76 and removed from the register, been kept for a period of at least five years, after the person who lodged the return ceased to be a council member or designated employee?	Yes	All returns that have been removed from the Register are maintained by the Records Unit in accordance with the General Disposal Authority for Local Government Records. (To be destroyed 7 years after the employee or Elected Member separates from the organisation). Electronic versions are moved to ECM Folder 163/002 Expired Disclosures.	Eleanor Whiteley
16	s5.103 Admin Reg 34C & Rules of Conduct Reg 11	Where an elected member or an employee disclosed an interest in a matter discussed at a Council or committee meeting where there was a reasonable belief that the impartiality of the person having the interest would be adversely affected, was it recorded in the minutes?	Yes	ABF 22.10.19 Item 6.1 ABF 17/9/19 Item 12.4 OCM 24/9/19 Item 12.4 SEM 16/9/19 Item 5.2 IF 3.9.19 Item 6.2 ABF 20/8/2019 Item 13.2 OCM 27/8/19 Item 13.2	Eleanor Whiteley
17	s5.70(2)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to the Council or a Committee, did that person disclose the nature of that interest when giving the advice or report?	N/A	No instances occurred.	Eleanor Whiteley
18	s5.70(3)	Where an employee disclosed an interest under s5.70(2), did that person also disclose the extent of that interest when required to do so by the Council or a Committee?	Yes	Standard inclusion in report templates and in minutes. CEO declared interests pertaining to Performance Reviews: SEM 16/9/19; ABF17/9/19; OCM 24/9/19 & 22/10/19.	Eleanor Whiteley
19	s5.103(3) Admin Reg 34B	Has the CEO kept a register of all notifiable gifts received by Council members and employees?	Yes	The CEO keeps physical copies of gift & hospitality declarations for Council members and employees in the Governance area. The following electronic registers are maintained:-Register of Gifts & Hospitality (ECM Folder 164/002.	Eleanor Whiteley



Disposal of Property

No	Reference	Question	Response	Comments	Respondent
1	s3.58(3)	Was local public notice given prior to disposal for any property not disposed of by public auction or tender (except where excluded by Section 3.58(5))?	N/A	The City did not dispose of any property pursuant to Section 3.58(3) during 2019.	Eleanor Whiteley
2	s3.58(4)	Where the local government disposed of property under section 3.58(3), did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property?	N/A	The City did not dispose of any property pursuant to Section 3.58(3) during 2019.	Eleanor Whiteley

Elections

No	Reference	Question	Response	Comments	Respondent
1	Elect Reg 30G (1) (2)	Did the CEO establish and maintain an electoral gift register and ensure that all 'disclosure of gifts' forms completed by candidates and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the candidates?	Yes	ECM Folder 164/002.	Eleanor Whiteley
2	Elect Reg 30G(3) & (4)	Did the CEO remove any 'disclosure of gifts' forms relating to an unsuccessful candidate or a successful candidate that completed the term of office from the electoral gift register, and retain those forms separately for a period of at least 2 years?	Yes	ECM Folder 164/002 For Register Forms retained under 44/019 retention period 5 years according to records policy.	Eleanor Whiteley

Finance

No	Reference	Question	Response	Comments	Respondent
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act?	Yes	SCM 21/10/2019 Items 9.1 & 11.1, ECM Doc Set ID 4481717	Eleanor Whiteley
2	s7.1B	Where a local government determined to delegate to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority?	N/A	No delegation vested in Committees.	Eleanor Whiteley
3	s7.3(1)	Was the person(s) appointed by the local government under s7.3(1) to be its auditor, a registered company auditor?	N/A	No appointment during 2019 as the City's auditor is now the Office of the Auditor General	Eleanor Whiteley
4	s7.3(1), 7.6(3)	Was the person or persons appointed by the local government to be its auditor, appointed by an absolute majority decision of Council?	N/A	No appointment during 2019 as the auditor is now the Office of the Auditor General.	Eleanor Whiteley



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No	Reference	Question	Response	Comments	Respondent
5	Audit Reg 10	Was the Auditor's report(s) for the financial year(s) ended 30 June received by the local government within 30 days of completion of the audit?	Yes	Audit concluded 31/10/2019, report received 6/11/19, Doc Set ID 4491896.	Eleanor Whiteley
6	s7.9(1)	Was the Auditor's report for the financial year ended 30 June 2019 received by the local government by 31 December 2019?	Yes	Audit concluded 31/10/2019, report received 6/11/19, Doc Set ID 4491896.	Eleanor Whiteley
7	S7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under s7.9 (1) of the Act required action to be taken, did the local government, ensure that appropriate action was undertaken in respect of those matters?	N/A	No matters required action to be taken.	Eleanor Whiteley
8	S7.12A (4)	Where the auditor identified matters as significant in the auditor's report (prepared under s7.9(1) of the Act), did the local government prepare a report stating what action had been taken or it intended to take with respect to each of the matters and give a copy to the Minister within 3 months after receipt of the audit report?	N/A	No matters raised.	Eleanor Whiteley
9	S7.12A (5)	Within 14 days after the local government gave a report to the Minister under s7.12A(4)(b), did the CEO publish a copy of the report on the local government's official website?	N/A		Eleanor Whiteley
10	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives of the audit?	Yes	Doc Set ID 4548991.	Eleanor Whiteley
11	Audit Reg 7	Did the agreement between the local government and its auditor include the scope of the audit?	Yes	Doc Set ID 4548991.	Eleanor Whiteley
12	Audit Reg 7	Did the agreement between the local government and its auditor include a plan for the audit?	Yes	Doc Set ID 4548991.	Eleanor Whiteley
13	Audit Reg 7	Did the agreement between the local government and its auditor include details of the remuneration and expenses to be paid to the auditor?	Yes	Doc Set ID 4308646.	Eleanor Whiteley
14	Audit Reg 7	Did the agreement between the local government and its auditor include the method to be used by the local government to communicate with, and supply information to, the auditor?	Yes	Doc Set ID 4548991.	Eleanor Whiteley

Integrated Planning and Reporting

No	Reference	Question	Response	Comments	Respondent
1	s5.56 Admin Reg 19DA (6)	Has the local government adopted a Corporate Business Plan. If Yes, please provide adoption date of the most recent Plan in Comments?	Yes	Corporate Business Plan 2019-2023 OCM 26/02/2019 Item 12.10 ECM#4356943	Eleanor Whiteley



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No	Reference	Question	Response	Comments	Respondent
2	s5.56 Admin Reg 19DA (4)	Has the local government reviewed the Corporate Business Plan in the 2018-2019 Financial Year. If Yes, please provide date of Council meeting the review was adopted at?	Yes	OCM 26/02/2019 Item 12.10 ECM#4356943	Eleanor Whiteley
3	s5.56 Admin Reg 19C	Has the local government adopted a Strategic Community Plan. If Yes, please provide adoption date of the most recent Plan in Comments?	Yes	15.12.2015 OCM 15/12/2015 Item 12.8 ECM Doc Set ID 2659770 with KPI modification adopted OCM 27/2/2018 Item 12.7 ECM Doc Set ID 3831613 following minor review in 2017.	Eleanor Whiteley
4	s5.56 Admin Reg 19C (4)	Has the local government reviewed the current Strategic Community Plan. If Yes, please provide date of most recent review by Council in Comments. Note: If the current Strategic Community Plan was adopted after 1/1/2016, please respond N/A and provide adoption date in Comments?	Yes	KPI Review OCM 27/2/2018 Item 12.7 ECM Doc Set ID 3831613 following minor review in 2017	Eleanor Whiteley
5	S5.56 Admin Reg 19DA (3)	Has the local government developed an Asset Management Plan(s) that covers all asset classes. If Yes, please provide the date of the most recent Plan adopted by Council in Comments?	Yes	Folder 141/002 Asset Management Plans contains documents Asset Management Plan Roads April 2019 Doc Set ID 4469222. Asset Management Plan – Fleet and Plant Revised 29/05/2019 Doc Set ID4469221. Asset Management Plan Street Infrastructure April 2019 #4469220. Facilities Structure & Equipment Asset Management Plan 2019 #4472218. Asset Management Plan – Paths Sept 2019 #4465846. Drainage Asset Management Plan #4455536. Asset Management Plan Public Open Space and Irrigation 2018-2020 #4448143. Land Asset Management Plan 2018 #3684268. Asset Management Plans have not been formally adopted by Council as there is no policy as to the requirement for Council to endorse	Eleanor Whiteley



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No	Reference	Question	Response	Comments	Respondent
6	S5.56 Admin Reg 19DA (3)	Has the local government developed a Long Term Financial Plan. If Yes, please provide the adoption date of the most recent Plan in Comments?	Yes	Long Term Financial Plan 2020-2029 adopted OCM 26/02/2019. Concise version of the LTFP is adopted as part of the Corporate Business Plan.	Eleanor Whiteley
7	S5.56 Admin Reg 19DA (3)	Has the local government developed a Workforce Plan. If Yes, please provide adoption date of the most recent Plan in comments?	Yes	Approved by the Executive Leadership Team. Review underway.	Eleanor Whiteley

Local Government Employees

No	Reference	Question	Response	Comments	Respondent
1	Admin Reg 18C	Did the local government approve the process to be used for the selection and appointment of the CEO before the position of CEO was advertised?	N/A	No CEO Recruitment.	Eleanor Whiteley
2	s5.36(4) s5.37(3), Admin Reg 18A	Were all vacancies for the position of CEO and other designated senior employees advertised and did the advertising comply with s.5.36(4), 5.37(3) and Admin Reg 18A?	N/A	No recruitment for CEO or Senior Employee	Eleanor Whiteley
3	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position of CEO under section 5.36(4)?	N/A		Eleanor Whiteley
4	Admin Regs 18E	Did the local government ensure checks were carried out to confirm that the information in an application for employment was true (applicable to CEO only)?	N/A		Eleanor Whiteley
5	s5.37(2)	Did the CEO inform Council of each proposal to employ or dismiss a designated senior employee?	N/A		Eleanor Whiteley



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Official Conduct					
No	Reference	Question	Response	Comments	Respondent
1	s5.120	Where the CEO is not the complaints officer, has the local government designated a senior employee, as defined under s5.37, to be its complaints officer?	N/A	CEO is the Complaints Officer.	Eleanor Whiteley
2	s5.121(1)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that result in action under s5.110(6)(b) or (c)?	Yes	Physical Register maintained and located within Governance Unit. ECM Folder 32/019	Eleanor Whiteley
3	s5.121(2)(a)	Does the complaints register maintained by the complaints officer include provision for recording of the name of the council member about whom the complaint is made?	Yes	Physical Register maintained and located within Governance Unit. ECM Folder 32/019	Eleanor Whiteley
4	s5.121(2)(b)	Does the complaints register maintained by the complaints officer include provision for recording the name of the person who makes the complaint?	Yes	Physical Register maintained and located within Governance Unit. ECM Folder 32/019	Eleanor Whiteley
5	s5.121(2)(c)	Does the complaints register maintained by the complaints officer include provision for recording a description of the minor breach that the standards panel finds has occurred?	Yes	Physical Register maintained and located within Governance Unit. ECM Folder 32/019	Eleanor Whiteley
6	s5.121(2)(d)	Does the complaints register maintained by the complaints officer include the provision to record details of the action taken under s5.110(6)(b) or (c)?	Yes	Physical Register maintained and located within Governance Unit. ECM Folder 32/019	Eleanor Whiteley



Optional Questions					
No	Reference	Question	Response	Comments	Respondent
1	Financial Management Reg 5 (2)(c)	Did the CEO review the appropriateness and effectiveness of the local government's financial management systems and procedures in accordance with Local Government (Financial Management) Regulation 5 (2)(c) within the 3 years prior to 31 December 2019? If yes, please provide date of Council resolution in comments?	Yes	SC (AR) February 2019 SC (AR) minutes accepted by Council OCM March 2019.	Eleanor Whiteley
2	Audit Reg 17	Did the CEO review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance in accordance with Local Government (Audit) Regulation 17 within the 3 years prior to 31 December 2019? If yes, please provide date of Council resolution in comments?	Yes	SC (AR) February 2019 SC (AR) minutes accepted by Council OCM March 2019.	Eleanor Whiteley
3	Financial Management Reg 5A.	Did the local government provide AASB 124 related party information in its annual report(s) tabled at an electors meeting(s) during calendar year 2019?	Yes	Annual Electors Meeting 11/12/2019. Doc Set ID 4524097	Eleanor Whiteley
4	S6.4(3)	Did the local government submit to its auditor by 30 September 2019 the balanced accounts and annual financial report for the year ending 30 June 2019?	Yes	Submitted via OAG online portal on 23/09/2019.	Eleanor Whiteley

Tenders for Providing Goods and Services					
No	Reference	Question	Response	Comments	Respondent
1	s3.57 F&G Reg 11	Did the local government invite tenders on all occasions (before entering into contracts for the supply of goods or services) where the consideration under the contract was, or was expected to be, worth more than the consideration stated in Regulation 11(1) of the Local Government (Functions & General) Regulations (Subject to Functions and General Regulation 11(2))?	Yes	See ECM Folder 114/2019.	Eleanor Whiteley
2	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than inviting tenders for a single contract?	Yes		Eleanor Whiteley
3	F&G Reg 14(1) & (3)	Did the local government invite tenders via Statewide public notice?	Yes	ECM#4293260, 444530, 4444449.	Eleanor Whiteley
4	F&G Reg 14 & 15	Did the local government's advertising and tender documentation comply with F&G Regs 14, 15 & 16?	Yes		Eleanor Whiteley



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No	Reference	Question	Response	Comments	Respondent
5	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer, notice of the variation?	Yes	ECM# 4416674, 4418964, 4424922, 4424923, 4465372, 4465383.	Eleanor Whiteley
6	F&G Reg 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of F&G Reg 16?	Yes		Eleanor Whiteley
7	F&G Reg 18(1)	Did the local government reject the tenders that were not submitted at the place, and within the time specified in the invitation to tender?	N/A		Eleanor Whiteley
8	F&G Reg 18 (4)	In relation to the tenders that were not rejected, did the local government assess which tender to accept and which tender was most advantageous to the local government to accept, by means of written evaluation criteria?	Yes	ECM# 4324099, 4446762, 4477735.	Eleanor Whiteley
9	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17 and did the CEO make the tenders register available for public inspection?	Yes	ECM# 4270004. Tender register is available electronically on ECM to allow for access by all staff, including counter staff in the event that a member of the public requests to view the register.	Eleanor Whiteley
10	F&G Reg 19	Did the CEO give each tenderer written notice advising particulars of the successful tender or advising that no tender was accepted?	Yes	Successful Letters ECM#4377031, 4490993, 4548531. Unsuccessful Letters ECM# 4370079, 4377030, 4377029, 4491113, 4491107, 4490233, 4491104, 4491091, 4491081, 4491079, 4491071, 4491070, 4491003, 4490998, 4548530, 4548528, 4548527.	Eleanor Whiteley
11	F&G Reg 21 & 22	Did the local governments advertising and expression of interest documentation comply with the requirements of F&G Regs 21 and 22?	N/A		Eleanor Whiteley
12	F&G Reg 23(1)	Did the local government reject the expressions of interest that were not submitted at the place and within the time specified in the notice?	N/A		Eleanor Whiteley
13	F&G Reg 23(4)	After the local government considered expressions of interest, did the CEO list each person considered capable of satisfactorily supplying goods or services?	N/A		Eleanor Whiteley
14	F&G Reg 24	Did the CEO give each person who submitted an expression of interest, a notice in writing in accordance with Functions & General Regulation 24?	N/A		Eleanor Whiteley



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No	Reference	Question	Response	Comments	Respondent
15	F&G Reg 24AC (1) & (2)	Has the local government established a policy on procurement of goods and services from pre-qualified suppliers in accordance with the regulations?	N/A	City does not establish panels of pre-qualified suppliers.	Eleanor Whiteley
16	F&G Reg 24AD(2)	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice?	N/A	As above.	Eleanor Whiteley
17	F&G Reg 24AD(4) & 24AE	Did the local government's advertising and panel documentation comply with F&G Regs 24AD(4) & 24AE?	N/A		Eleanor Whiteley
18	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of F&G Reg 16 as if the reference in that regulation to a tender were a reference to a panel application?	N/A		Eleanor Whiteley
19	F&G Reg 24AD(6)	If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application, given notice of the variation?	N/A		Eleanor Whiteley
20	F&G Reg 24AH(1)	Did the local government reject the applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time specified in the invitation for applications?	N/A		Eleanor Whiteley
21	F&G Reg 24AH(3)	In relation to the applications that were not rejected, did the local government assess which application (s) to accept and which application(s) were most advantageous to the local government to accept, by means of written evaluation criteria?	N/A		Eleanor Whiteley
22	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers, comply with the requirements of F&G Reg 24AG?	N/A		Eleanor Whiteley
23	F&G Reg 24AI	Did the CEO send each person who submitted an application, written notice advising if the person's application was accepted and they are to be part of a panel of pre-qualified suppliers, or, that the application was not accepted?	N/A		Eleanor Whiteley
24	F&G Reg 24E	Where the local government gave a regional price preference, did the local government comply with the requirements of F&G Reg 24E including the preparation of a regional price preference policy?	N/A		Eleanor Whiteley
25	F&G Reg 24F	Did the local government comply with the requirements of F&G Reg 24F in relation to an adopted regional price preference policy?	N/A		Eleanor Whiteley



Department of
**Local Government, Sport
and Cultural Industries**

No	Reference	Question	Response	Comments	Respondent
26	F&G Reg 11A	Does the local government have a current purchasing policy that comply with F&G Reg 11A(3) in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, \$150,000 or less?	Yes	City of Belmont Policy Manual BEXB7.1 Purchasing.	Eleanor Whiteley
27	F&G Reg 11A	Did the local government comply with it's current purchasing policy in relation to the supply of goods or services where the consideration under the contract is, or is expected to be \$150,000 or less or worth \$150,000 or less?	Yes	Additional internal controls have been implemented to ensure this is the case. These include mandatory fields within electronic requisitions to confirm that the person raising the requisition has considered the form of quotation required and attached relevant evidence.	Eleanor Whiteley

I certify this Compliance Audit return has been adopted by Council at its meeting on _____

Signed Mayor / President, Belmont

Signed CEO, Belmont



Standing Committee (Audit and Risk)

Item 11.1 refers

Attachment 3

**OAG Report 5 Fraud Prevention in
Local Government 15 August 2019**

Creating opportunities



Western Australian Auditor General's Report



Fraud Prevention in Local Government



Report 5: 2019-20
15 August 2019

**Office of the Auditor General
Western Australia**

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(to assist people with hearing and voice impairment)

We can deliver this report in an alternative format for
those with visual impairment.

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The Office of the Auditor General acknowledges the traditional custodians throughout Western Australia and their continuing connection to the land, waters and community. We pay our respects to all members of the Aboriginal communities and their cultures, and to Elders both past and present.

WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

Fraud Prevention in Local Government

Report 5
August 2019



**THE PRESIDENT
LEGISLATIVE COUNCIL**

**THE SPEAKER
LEGISLATIVE ASSEMBLY**

FRAUD PREVENTION IN LOCAL GOVERNMENT

This report has been prepared for submission to Parliament under the provisions of section 25 of the *Auditor General Act 2006*.

This was a narrow scope performance audit, conducted under section 18 of the *Auditor General Act 2006* and in accordance with Australian Auditing and Assurance Standards. Narrow scope performance audits have a tight focus and generally target entity compliance with legislation, public sector policies and accepted good practice.

The audit objective was to assess whether local government entities have taken appropriate steps to prevent fraud.

I wish to acknowledge the cooperation of staff at the local government entities included in this audit.

A handwritten signature in black ink, appearing to read 'C Spencer'.

CAROLINE SPENCER
AUDITOR GENERAL
15 August 2019

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Auditor General's overview

All organisations, public and private, face the risk of fraud. This will remain the case wherever people and scarce resources interact. Fraud, or even the perception of fraud, can have a serious impact on an organisation's reputation and resources. It can stem from inside or outside the organisation and by its nature is deceitful, dishonest, and often hard to detect. Numerous Corruption and Crime Commission investigations highlight the risks organisations face.



However, there are practical steps organisations can take to reduce fraud risks and build their fraud resistance. These include creation of a strong ethical culture that sets the standard of behaviour for all staff, raising staff awareness of the risks, and implementing good practice controls to manage them.

This audit found that many local governments have not assessed their fraud risks, and do not have comprehensive fraud management plans and programs. Most could do more to educate their staff on integrity policies and controls to reinforce anti-fraud messages and consider fraud risks in their daily duties. Local governments also need to make sure they have clear and easy processes for people to report any fraud concerns.

It was pleasing to find that all the local governments we reviewed had some fraud controls in place and the staff my audit team dealt with during the audit were diligent. But, high staff turnover and work load makes implementing good fraud controls even more of a priority.

I would like to acknowledge the willingness of the entire sector to engage with our questionnaire. Nearly 80% of local governments responded, providing valuable information about fraud approaches across the local government sector.

I encourage all entities to use the principles highlighted in Appendix 2 to build on their existing structures and practices, in a way that best suits their needs.

Executive summary

Introduction

Recent high profile investigations into fraud in the public sector by the Corruption and Crime Commission (CCC) in Western Australia (WA) have featured a number of local government entities (entities).

There are 148 entities in WA. In 2017-18, the sector spent more than \$4 billion, employed around 17,000 staff, and administered \$45 billion of assets. Fraud in this sector could result in substantial material and reputational losses, and this level of risk calls for entities to implement strong controls and better practice approaches to reduce the threat of fraud.

This audit reviewed whether entities have taken appropriate steps to prevent fraud, through the following lines of inquiry:

1. Have entities implemented a coordinated approach to manage fraud risks?
2. Do entities have adequate controls for preventing and detecting fraud?
3. Do entities respond appropriately to suspected fraud?

The purpose of this audit was to review the systems that entities had in place. We did not seek to identify any specific instances of fraud.

The audit included a sector wide questionnaire on entity approaches to managing fraud risks (see Appendix 3 for a summary of results). We conducted a more detailed review at the:

- Shire of East Pilbara
- Shire of Katanning
- City of Nedlands
- Shire of Serpentine-Jarrahdale
- City of Vincent.

Our sample focussed on entities that had not been part of recent audits, and included entities of varying size, from both metropolitan and regional areas.

Conclusion

Local government entities can do more to prevent fraud. We found entities do have some controls in place, but would benefit from better understanding their specific fraud risks and taking a coordinated approach to managing them.

Our questionnaire found many entities have not assessed their fraud risks, or created a plan to deal with fraud. The responses highlighted gaps in prevention and detection approaches. Many entities can do more to raise staff awareness of fraud, improve their screening processes, and strengthen protections for informants.

Our detailed review of 5 entities confirmed these results. We found they had core integrity policies in place, but none had assessed all their fraud risks, and implemented a coordinated approach to manage them. All entities could build on their current policies and practices to make workplaces more fraud resistant, and improve their reporting avenues to strengthen their ability to respond to fraud.

Background

Fraud is the act of obtaining a benefit, financial or otherwise, by deception. By its nature it is deceitful and dishonest, and can be very hard to detect particularly if collusion is involved. It is important that public sector entities design and implement strong internal control frameworks to prevent fraud.

Meeting legislated requirements provides entities with some level of fraud control (Appendix 1), particularly around council decision-making processes. Legislation includes requirements for:

- council and advisors to disclose conflicts of interest
- disclosure of financial interests for some staff
- the creation of Codes of Conduct
- handling of gifts
- when tendering is required for procurement activities.

This is the second report that we have tabled on public sector fraud controls. The previous report in 2013 reviewed 9 state government entities against elements taken from the *Australian Standard AS 8001-2008 Fraud and Corruption Control* (the Standard).

The Standard contains better practice guidance for controlling fraud risks. It is informative, flexible, and forms the basis of approaches in state and local government entities across Australia. It recommends entities tailor an approach that suits their needs, based on 4 components:



In developing our expectations for entities, we considered:

- key principles from the Standard
- guidance issued to entities by the Department of Local Government, Sport and Cultural Industries
- reports published by the CCC and the Public Sector Commission (PSC)
- guidance material issued by audit offices in other jurisdictions
- the best practice guide for fraud and corruption control published by the Crime and Corruption Commission in Queensland
- international research.

Recommendations

In line with better practice, all entities should ensure they implement a coordinated approach to manage their fraud risks. Entities should:

1. assess fraud risks across their business
2. develop a Fraud and Corruption Control Plan and review it at least once every 2 years
3. develop and implement a periodic fraud awareness training program for all staff
4. ensure that all conflicts of interest are recorded, assessed and appropriate management plans are in place
5. have policies and procedures in place to verify the identity and integrity of employees and suppliers
6. document clear internal processes and systems to report any potential fraud, that include anonymous reporting
7. collect and analyse information received about potential fraud to identify any trends or emerging issues.

Under section 7.12A of the *Local Government Act 1995*, all audited entities are required to prepare an action plan addressing significant matters relevant to their entity for submission to the Minister for Local Government within 3 months of this report being tabled in Parliament and for publication on the entity's website. This action plan should address the points above, to the extent that they are relevant to their entity, as indicated in this report.

Response from audited local government entities

All 5 audited entities supported the audit findings and accepted our recommendations. Appendix 4 includes the full responses from audited entities.

Audit findings

Entities have not implemented a coordinated approach to manage their fraud risks

We found that entities have not developed a good understanding of their fraud risks, or a clear vision of how they will manage them. As a result, entities cannot be sure they have adequate controls in place. These findings are similar to those of our 2013 audit into State government entity fraud controls, which found a lack of risk assessment and planning¹.

Entities have not assessed their business for fraud risks

None of the entities we reviewed had assessed all their fraud risks. We found strategic risk registers included some consideration of external theft and fraud. But, these were incomplete, focussed on external threats, and did not consider all fraud risks. This supports results from our questionnaire, as 25% of respondents told us they had not completed a fraud risk assessment. Completing an assessment would give entities a view of all their risks, and allow them to evaluate their controls.

Twenty-nine of the 116 entities (25%) that responded to this part of our questionnaire advised that they had not assessed their fraud risks. These entities had a combined expenditure of over \$310 million in 2017-18.

Entities have not planned how to manage fraud risks

We found that most entities have not developed a Fraud and Corruption Control Plan (Plan). These results are similar to those from our 2013 audit of fraud prevention in State government entities². That audit reviewed 9 State government entities and found none had developed a Plan. Plans are important better practice tools that capture an entity's commitment to manage its fraud risks, communicate its approach, and set timeframes and responsibilities.

Of the entities reviewed, only East Pilbara had developed a Plan. While the Shire completed this in 2013, it has not implemented any of the Plan's actions.

All 5 entities had Codes of Conduct (Codes) and East Pilbara, Nedlands and Vincent also have strategic fraud prevention policies. While these contain anti-fraud information, they are not as comprehensive as a Plan as they do not include controls, or assign timeframes or responsibilities for actions. Without a Plan, entities cannot be sure their approach to managing fraud risks is comprehensive.

Responses to the questionnaire show this is an issue across the sector, as more than half (54%) the entities told us they had not created a Plan.

We received documents from 26 of the entities who told us they had a Plan or equivalent. However, we found only 7 of these contained all the key elements of the Standard³. A further 8 contained at least 2 of the elements. Avenues for reporting suspected fraud, key controls to deal with fraud related risks and comprehensive fraud risk assessments were elements that were most commonly absent.

¹ Office of the Auditor General 2013 *Fraud prevention and detection in the Public Sector*. Report 7 – June.

² Ibid.

³ We reviewed the documents for key elements of the Standard including an entity position statement, accountabilities, a fraud risk assessment, outline of key controls, and reporting avenues and protections.

Entities could make themselves more fraud resistant if they strengthen their controls

We found that entities could make their organisations more fraud resistant if they raise staff awareness of risks, improve how they manage conflicts of interests, and better screen employees and suppliers.

Entities need to raise staff awareness of fraud risks

The Standard describes building a strong anti-fraud culture as a key strategy for managing the risk of fraud. Messaging to staff can help entities build and maintain fraud resistant cultures. Entities should commit to a program to raise staff awareness of integrity policies. By tracking participation they can be sure staff are aware of risks, the controls that are in place, and their responsibilities.

We found entities have not established regular programs to raise and maintain staff awareness of fraud risks. None of the entities we reviewed had established a regular training program, or had kept records of staff participation. The questionnaire provided similar results, with 55% of entities advising they did not train staff in fraud risks and controls.

Some of the entities we reviewed have made efforts to raise staff awareness of fraud risks and integrity policies. We found:

- 3 entities had used training, forums, or newsletters to engage staff in managing fraud risks (Figure1)
- 2 entities had tailored the language in their Codes to make them easier for staff to understand. To explain conflicts of interest, Serpentine-Jarrahdale used plain English rather than text from legislation, and Katanning included “real world” examples.

Katanning	Nedlands	Serpentine-Jarrahdale
The Infrastructure Department received refresher training on the Shire's code of conduct in January 2019.	Information about integrity issues have been included in staff newsletters. For example: <ul style="list-style-type: none"> • information on ethical decision making – August 2018 • article on conflicts of interest - September 2018. 	The Shire has conducted a series of staff forums. For example: <ul style="list-style-type: none"> • CEO led a forum on fraud controls - March and April 2017 • 'good governance' forum - September 2018 • forum on misconduct prevention, including a presentation from the PSC - January 2019.

Source: OAG using entity information

Figure 1. Examples of recent efforts to raise fraud awareness

All the entities we reviewed provided employees with key integrity policies at induction. However, none required staff to revisit the policies. The Standard recommends all employees confirm they understand and follow the Code, and other integrity policies, on a yearly basis. Results from our questionnaire suggest this is an issue across the sector, as 89% of entities told us they do not require staff to do this. Recording annual compliance would give entities a level of assurance that staff are regularly engaging with integrity policies and messages.

Not all conflicts of interest are captured

Three of the entities we reviewed did not capture all the conflicts of interest their staff may face. In line with legislation, entities record conflicts of staff and elected members on matters discussed by council. Entities also document financial, proximity and impartiality interests of elected members and senior staff.

However, processes are not in place to capture, assess and manage any other interests staff have that may conflict with their daily duties. Entities cannot be sure they appropriately manage all conflicts of interest (actual, potential or perceived), as they rely on individual business units to handle operational issues with no formal guidance or process. Staff need to be aware that they have a responsibility to declare any interests that could conflict with performing their public duties. Entities then need to capture and manage those declarations.

Vincent and Serpentine-Jarrahdale have recently implemented processes to better capture all conflicts of interest. Both entities have developed registers to capture the conflict, and require a manager or executive to approve the management plan. During the audit, both entities provided staff with guidance on how and when to make a declaration.

More screening of employees and suppliers would help entities reduce risks

The entities we reviewed did not have adequate policies to screen staff or suppliers. Good screening controls would give entities some assurance of the identity, integrity and credentials of employees and suppliers.

None of the entities we reviewed had policies in place to screen staff. These findings are similar to those in our 2019 audit *Verifying Employee Identities and Credentials*⁴.

Despite the lack of policy, 4 entities did retain copies of qualifications and identification. However, none consistently confirmed that qualifications were authentic or checked work histories. One entity did not engage in any police checks or do any checks beyond calling referees. Entities need consistently applied processes to confirm the identity, integrity and academic credentials of potential employees. The Standard also recommends entities screen all new employees and any employee transferring to an executive or high-risk area.

None of the entities we reviewed routinely screened their suppliers. Our questionnaire returned similar results, with less than 30% of respondents conducting media searches, police clearances or verifying directors' details. Purchases over \$150,000 are subject to tender which include some checks, including an ABN confirmation and receiving information on the financial position of the supplier. However, smaller purchases are not subject to this process.

To reduce fraud risks, the Standard recommends that entities verify the credentials of suppliers. Entities that have a large number of suppliers should consider a risk-based approach to screening to ensure appropriate use of resources.

Better reporting avenues would help entities detect and respond to fraud

To be well informed, entities need to have strong systems to receive, capture and act on information about potential fraud. International research has shown that organisations most frequently detect fraud through informants (whistleblowers)⁵.

⁴ Our audit found only 3 of the 8 entities reviewed had policies to verify employee identities and credentials.

⁵ Association of Certified Fraud Examiners 2018 *Report to the nations: global study on occupational fraud and abuse*. p4.

We found that it was not always clear how staff, the public or suppliers should report suspected fraud. The entities we reviewed did not have ways for individuals to make anonymous reports of potential fraud, other than Public Interest Disclosures (PID) through the *Public Interest Disclosure Act 2003* (PID Act). They also did not have a process in place to analyse all information they received about potential fraud. Entities may miss important information if reporting avenues are not clear or if reports are not analysed.

Entities need to better communicate how staff, suppliers and the public can report suspicious behaviour

At the entities we reviewed, Codes direct staff to report concerns of fraud to the CEO, deputy, or HR manager. However, there is no guidance for how a staff member would do this. Staff members may be reluctant to go directly to the executive on such a sensitive topic or when the suspicion relates to senior staff. The Standard highlights the need for formalised reporting systems and that these should include multiple avenues. Similarly, the Crime and Corruption Commission in Queensland has advised that employees will feel more confident in making reports if systems are readily accessible and well publicised⁶.

The PID Act encourages people to report concerns of wrongdoing in the public sector. Individuals can report concerns to authorised officers or to 1 of the authorities listed in the PID Act (such as the Auditor General for concerns including substantial unauthorised use of public resources). Other external reporting avenues include the CCC, PSC or the Western Australia Police Force.

All the entities we reviewed had clear processes around making a PID and had PID officers in place. However, entities should not rely only on PIDs, as this does not capture all potential reports or allegations. Staff may not wish to engage with the PID process or may not have information suitable for an investigation. The PSC reported that local government entities received 13 PIDs in 2017-18⁷.

Our questionnaire showed that many other entities could improve their reporting processes and protections. One third of respondents told us they did not have systems in place to protect staff who reported fraud. Of those that did have protections, 32% told us they relied solely on PIDs. Individuals may be reluctant to report concerns if they do not feel adequately protected.

Entities should include anonymous reporting options to encourage reporting

At the entities we reviewed, internal avenues to report suspected fraud did not include anonymous options. Both the Standard and guidance from other jurisdictions has raised the need for internal reporting to include options for anonymity. Making reports of wrongdoing can be difficult for some people and providing an anonymous option can make it easier.

We note that East Pilbara's Plan directs staff wishing to make an anonymous complaint to external agencies, either the CCC or the PSC. While directing staff to appropriate external reporting options is important, in our view better practice would be for internal reporting to also have anonymous options.

Entities need to better use information they receive about suspected fraud

None of the entities we reviewed have a way to capture, collate and analyse all information about potential fraud. The Standard expects organisations to develop a program and

⁶ Queensland Crime and Corruption Commission 2018 *Fraud and Corruption Control: best practice guide* p49.

⁷ Public Sector Commission 2018 *State of the sector statistical bulletin*: Integrity and Conduct Survey results.

recommends the development of a fraud register. Capturing information in a central location would make it easier for entities to look for trends, identify issues early and act appropriately.

Entities have reported potential fraud to the CCC. The entities we reviewed told us they had reported 4 instances of potential fraud in the past 5 years.

Audit focus and scope

This audit assessed whether local government entities have taken appropriate steps to prevent fraud. We asked the following questions:

1. Have entities implemented a coordinated approach to manage fraud risks?
2. Do entities have adequate controls for preventing and detecting fraud?
3. Do entities respond appropriately to suspected fraud?

During our audit we considered:

- key principles from the Fraud and Corruption Control Standard (AS 8001-2008)
- guidance issued to entities by the Department of Local Government, Sport and Cultural Industries
- guidance material issued by audit offices in other jurisdictions
- reports published by the CCC and the PSC
- the best practice guide for fraud and corruption control published by the Crime and Corruption Commission in Queensland
- international research.

During the audit we:

- provided a questionnaire to all 148 local government entities, requesting information about approaches to managing fraud risks.
 - 118 entities responded to the questionnaire (see Appendix 3)
 - 91 provided copies of their Codes of Conduct
 - 26 provided copies of their Plans. We reviewed the Plans for key elements of the Standard, including an entity position statement, accountabilities, a fraud risk assessment, outline of key controls, and reporting avenues and protections.
- reviewed approaches in more depth at 5 entities. This included interviews with key staff, and reviews of policies, registers and complaints systems. This sample included entities ranging from relatively small to large, from both metropolitan and regional areas.

We did not conduct detailed reviews of procurement, record keeping or systems for verifying employee identities. These areas were the focus of recent performance audits by this Office.

This was a narrow scope performance audit, conducted under section 18 of the *Auditor General Act 2006* and in accordance with Australian Auditing and Assurance Standards. Narrow scope performance audits have a tight focus and generally target entity compliance with legislation, public sector policies and accepted good practice. The approximate cost of undertaking and tabling this audit is \$300,000.

Appendix 1: Summary of legislated responsibilities

Entities are required to meet a number of legislated responsibilities that help control fraud risks. A summary of key elements are listed below. This list is not exhaustive.

Legislation	Fraud related requirements
<i>Local Government Act 1995</i>	<ul style="list-style-type: none"> disqualifies individuals from becoming elected members due to insolvency, criminal convictions, or misapplication of funds councils must believe that a person is suitably qualified for the position of CEO, and CEOs must believe that staff are suitably qualified for their positions all employees must be selected in accordance with the principles of merit and equity mandates a general need for good government and the creation of a Code of Conduct council members, the CEO and designated staff members must disclose financial interests' employees must disclose any interests when they are advising or reporting to council an audit committee must be formed sets out penalties for improper use of information
Local Government (Rules of Conduct) Regulations 2007	<ul style="list-style-type: none"> requires council members to act ethically, be open and accountable forbids council members from influencing employees or using their office for personal advantage council members must declare any interests in matters being discussed at council or audit committee meetings sets out restrictions on gifts and travel contributions to councillors and requirements for records to be kept
Local Government (Financial Management) Regulations 1996	<ul style="list-style-type: none"> CEOs are to establish efficient systems and procedures for collection and custody of money owing to the entity
Local Government (Audit) Regulations 1996	<ul style="list-style-type: none"> describes the function of the audit committee Regulation 17 requires a CEO to review appropriateness and effectiveness of systems and procedures relating to risk management, internal control and legislative compliance. This is then reported to the audit committee
Local Government (Administration) Regulations 1996	<ul style="list-style-type: none"> sets out information on disclosure of financial interests provides detailed information on what value of gifts must be reported and which are prohibited requires a register of gifts to be publicly accessible requires Codes of Conduct to contain information on gifts, travel contributions and disclosing interests

Legislation	Fraud related requirements
Local Government (Functions and General) Regulations 1996	<ul style="list-style-type: none"> • entities must develop a policy for purchases less than, or equal to, \$150,000 • purchases worth more than \$150,000 must be conducted through tender • sets out requirements for pre-qualified suppliers
<i>Public Interest Disclosure Act 2003</i>	<ul style="list-style-type: none"> • entities must <ul style="list-style-type: none"> ○ publish internal procedures for reporting a PID ○ designate at least 1 PID officer to receive reports. They must comply with the Public Sector Commissioner's minimum standards of conduct and integrity

Source: OAG

Appendix 2: Better practice principles

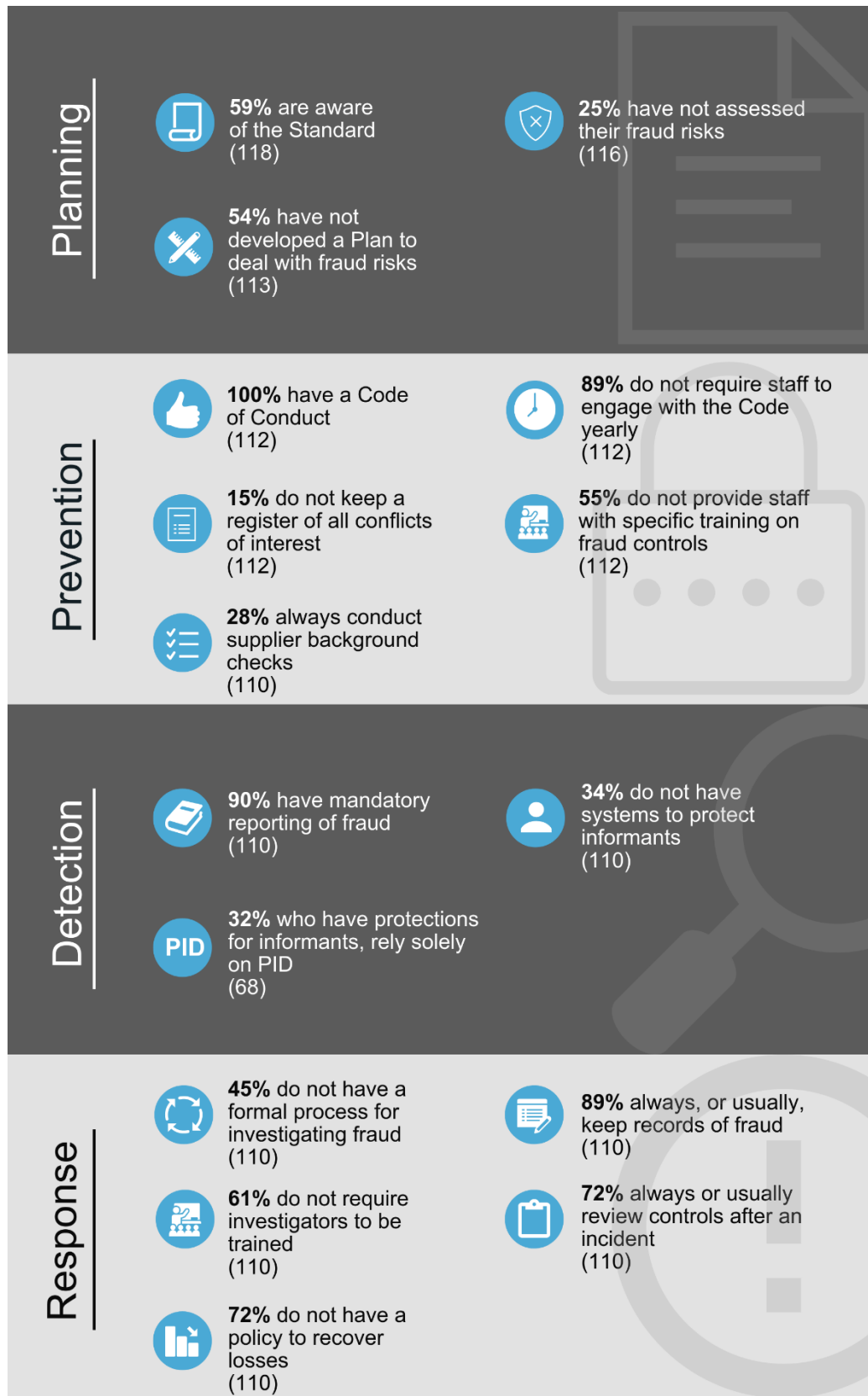
The table below shows key principles on which our audit focused. These principles are not exhaustive. Entities seeking to implement better practice approaches should also consult the Standard, and the guidelines prepared by the Department of Local Government, Sport and Cultural Industries.

Objective	Principle	What we would expect
Planning Develop a coordinated approach to manage fraud risks	Risks are understood	<ul style="list-style-type: none"> Fraud risks across organisation are assessed, documented and controls are in place.
	Approach is documented	<ul style="list-style-type: none"> Fraud and Corruption Control Plan (Plan) is in place and reviewed at least once every 2 years.
	Internal audit considers fraud risks	<ul style="list-style-type: none"> Audit committee engages with internal audit plan to ensure fraud risks are considered.
Prevention Create a fraud resistant organisation	Policy framework is in place	<ul style="list-style-type: none"> Integrity policies (such as Codes of Conduct and conflicts of interest) are appropriate, clearly written and available. Staff regularly engage with integrity policies. For example, signing yearly an understanding of the Code of Conduct. Fraud prevention and awareness training, newsletters and presentations are used to communicate entities ethical standards to staff.
	Internal controls are in place	<ul style="list-style-type: none"> Business processes, especially those assessed as higher risk, have controls that are well documented, updated and understood by all staff. Entities verify identity and credentials of all new employees and employees transferring to areas of higher risk, including: <ul style="list-style-type: none"> verify necessary qualifications review of past work history and referee checks criminal background checks confirm professional memberships are valid. Supplier credentials are checked, particularly for high-risk or high value purchases, including: <ul style="list-style-type: none"> Confirm ABN confirm directors are not bankrupt or disqualified.

Objective	Principle	What we would expect
Detection Entities are ready to detect fraud	Detection systems are in place	<ul style="list-style-type: none"> Entities should implement detection systems, as appropriate to their business needs, to identify potential fraud as soon as possible. Multiple avenues are in place for staff, the public and suppliers to report concerns. Reporting processes are well advertised, and include anonymous options.
Response Entities are ready to respond to potential fraud	All information is considered	<ul style="list-style-type: none"> Entities should implement processes to record, analyse and escalate all incidents. Processes are in place to review internal controls after incidents.

Source: OAG

Appendix 3: Summary of local government fraud questionnaire results



Number of responses to question marked in (*)

Source: OAG

Appendix 4: Full responses from audited entities

Shire of East Pilbara

Specific responses to recommendations

The Shire of East Pilbara agreed with all recommendations. They provided additional comments on recommendations:

2. Agree. But it is noted that the Shire of East Pilbara does have a Fraud and Corruption Plan. Our priority should be to deploy the plan effectively within the organisation and to undertake regular reviews internally
4. Agree. Conflicts of interest are recorded for elected members and key officers who are writing reports and/or attending Council meetings. It is noted that conflicts of interest for staff need to be recorded and this practice needs to be embedded further within the organisation.

Shire of Katanning

Specific responses to recommendations

The Shire of Katanning agreed with all recommendations.

City of Nedlands

The City is encouraged by the audit work of the Office of Auditor General in the local government space and believes that its work to date in providing clarity on governance inconsistencies and interpretation in local government, which is long overdue.

Specific responses to recommendations

The City of Nedlands agreed with all recommendations and advised they will aim to implement a streamlined and coordinated approach towards risk management within the next 18 months. They provided additional comment on recommendations:

1. Agree. In the past, the City has conducted an organisation wide Risk Assessment program which incorporated a fraud risk assessment. However, the City will aim to undertake the first full fraud risk assessment within next 18 months.
2. Agree. The City will aim to develop and implement a control plan within 8 months.
3. Agree. 2019/20 training will be scheduled followed by annual training.
4. Agree. The City agrees that all conflicts of interest are to be recorded and assessed. At present, the implemented process is to record, assess and manage the declared conflict of interest by the Elected Members and staff for any matter to be discussed at Council meetings. Based on this recommendation the City agrees that procedures should be in place for assessing and recording all conflicts of interest; however, is not aware of the nature, content or need for management plans to achieve this. The City will aim to implement an appropriate Procedure within 8 months.
5. Agree. It is noted that the need for and extent of verification, is a matter to be considered within proper risk assessment, as part of policy and procedures scope. At present, there are verification processes in place for both employees and suppliers. However, there is definitely room for the improvement in this area. Accordingly, the City will aim to review and update its HR and suppliers' policies and procedures within 12 months.

6. Agree. The City will aim to implement this within 12 months.
7. Agree. Once the work around the implementation of streamlined and coordinated approach towards fraud risk management is completed, the City will be able to perform the above task on an ongoing basis.

Shire of Serpentine-Jarrahdale

The Shire of Serpentine Jarrahdale welcomes the findings and subsequent recommendations of the 2019 Performance Audit for Fraud Prevention in Local Governments. It considers that the report is a balanced representation of areas and a good platform to work towards enhanced fraud management activities.

Specific responses to recommendations

The Shire of Serpentine-Jarrahdale agreed with all recommendations. They provided additional comment on recommendations:

1. Agree. The Shire will continue the fraud risk activities scheduled in the Internal Audit – Interim Audit Plan 2019. Outcomes of the initial risk / control activities will be transitioned to the updated Risk Framework when complete. Timeframe: April 2020.
2. Agree. The Shire will build a framework for management of fraud with a view to integrate into ongoing awareness and training processes inclusive of periodic review. Timeframe: April 2020
3. Agree. The Shire is in the process of implementing a learning and development management system. Induction and code of conduct are scheduled to be the initial modules to be implemented. The modules will be required on a periodic basis and be supported with audit trails and electronic signatures for tracking attendance. Timeframe: December 2019.
4. Agree. Building upon processes implemented to capture all conflicts of interest, the Shire is in the process of rolling out a consistent conflict of interest awareness process and supporting policy / procedure environment. Once the learning and development management system is implemented the Shire will progress to implement a specific module within the system. Timeframe: April 2020.
5. Agree. Employees - Policies will be reviewed to document a risk based approach to the screening of employees including enhancing the approach to assess qualifications, references and background searches. Suppliers - Policies will be reviewed to document a risk based approach to the screening for suppliers including consideration of legal history and checking of supplier Directors. Timeframe: December 2019.
6. Agree. Whistle-blower processes are scheduled to progress. The scope and approach of the processes will be informed by the recommendations of the report. Timeframe: October 2019.
7. Agree. Whistle-blower processes are scheduled to progress. The scope and approach of the processes will be informed by the recommendation of the report. April 2020.

City of Vincent

The City of Vincent (City) accepts the finding in the report and acknowledges that there are gaps in the City's current management and reporting of potential fraud. The City will table the Summary of Findings to its Audit Committee in August 2019, along with a management plan to address the recommendations identified. The management plan will be monitored by the Audit Committee to ensure all items are adequately completed.

Specific responses to recommendations

The City of Vincent agreed with all recommendations. They provided additional comment on recommendations:

1. Governance will develop and implement a program for the annual review of fraud risks across the business. The proposed implementation date is June 2020. The findings of the annual review will be tabled at Audit Committee, with any items requiring action being included in the Audit Log and monitored by the Audit Committee until completion.
2. Governance will review the City's current Fraud and Corruption Prevention Policy and prepare a control plan which incorporates this policy. The proposed implementation date for the plan is June 2020. The plan will be reported to Audit Committee annually and updated as required.
3. Human Resources with the support of Governance will develop and implement an online fraud awareness training program to be completed by all staff. New staff will be required to complete the training as part of their online induction process and current staff will receive notification to complete the training annually via the induction portal. The proposed implementation date is January 2020.
4. The City currently has a register for Elected Members and senior staff as required by the Local Government Act 1995 and a register to capture and manage any other actual, perceived or potential staff conflicts of interest. Governance, in coordination with Human Resources, will ensure all staff are aware of the conflict of interest disclosure requirements and provide training for new staff as part of the induction process.
5. Human Resources will develop and implement a recruitment and selection policy and procedure (which will include identity and integrity checks) for the City. Human Resources will periodically monitor employees for change of circumstances via a declaration form which WALGA are currently preparing to supply to Local Governments. The proposed implementation date is January 2020. Finance will review and update the City's supplier verification process. The proposed implementation date is December 2019.
6. The City will investigate systems and processes to report any potential fraud, including anonymous reporting. The proposed implementation date is December 2020.
7. The fraud reporting system, as referred to in 6. above, should enable this data to be easily compiled. Governance will periodically review the data.

Auditor General's reports

Report number	2019-20 reports	Date tabled
4	Access to State-Managed Adult Mental Health Services	14 August 2019
3	Delivering Western Australia's Ambulance Services – Follow-up Audit	31 July 2019
2	Opinion on Ministerial Notification	26 July 2019
1	Opinions on Ministerial Notifications	19 July 2019

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Office of the Auditor General for
Western Australia



Standing Committee (Audit and Risk)

Item 11.3 refers

Attachment 4

**OAG Report 28: June 2018-19 Local
Government Building Approvals**

Creating opportunities



Western Australian Auditor General's Report



Local Government Building Approvals



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The Office of the Auditor General acknowledges the traditional custodians throughout Western Australia and their continuing connection to the land, waters and community. We pay our respects to all members of the Aboriginal communities and their cultures, and to Elders both past and present.

WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

Local Government Building Approvals



**THE PRESIDENT
LEGISLATIVE COUNCIL**

**THE SPEAKER
LEGISLATIVE ASSEMBLY**

LOCAL GOVERNMENT BUILDING APPROVALS

This report has been prepared for submission to Parliament under the provisions of section 25 of the *Auditor General Act 2006*.

This was a narrow scope performance audit, conducted under section 18 of the *Auditor General Act 2006* and in accordance with Australian Auditing and Assurance Standards. Narrow scope performance audits have a tight focus and generally target compliance with legislation, public sector policies and accepted good practice.

The audit objective was to determine if local government entities effectively regulate residential building permits.

I wish to acknowledge the cooperation of staff at the local and state government entities included in this audit.

A handwritten signature in black ink, appearing to read 'C Spencer'.

CAROLINE SPENCER
AUDITOR GENERAL
26 June 2019

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Auditor General's overview

In 2016, my office tabled a report on the *Regulation of Builders and Building Surveyors* focussed on the Building Commission's (now the Building and Energy Division within the Department of Mines, Industry Regulation and Safety) regulatory functions. This current audit recognises the important role that local government entities have to control building activities in their areas through approval of building permits, and monitoring and enforcement of compliance with those permits.



I was pleased to find that the local government entities reviewed in the audit were properly assessing permit applications against requirements in the *Building Act 2011* and issuing most building permits within the legislated timeframes. The audit also identified opportunities for local government entities to strengthen their controls to reduce the risks of inappropriate permit approvals, and improve the transparency of their building control activities.

It was however disappointing to find that local government entities undertake limited monitoring and inspections of building works, and that compliance issues were not always resolved quickly. The *Building Act 2011* provides local government entities with compliance and enforcement powers that can assist with ensuring buildings comply with permits and are safe, but that also act as a significant deterrent to anyone contemplating non-compliance. However, we found these powers were little used.

I note that the Building and Energy Division is considering regulatory reforms to address compliance and enforcement shortcomings identified in the 2018 Shergold Weir report *Building Confidence*. A key part of this work is the development of a consultation paper with options for independent inspections at key stages of building works. I will watch with interest how state and local government entities and the building industry collaborate to implement measures to protect the quality and safety of homes in WA.

I encourage all local government entities to use Appendix 2 as a guide to improve their building control functions.

Executive summary

Introduction

The objective of this audit was to determine if local government (LG) entities effectively regulate residential building permits (permits). The specific lines of inquiry were:

- Do LG entities adequately assess permit applications?
- Do LG entities effectively monitor and enforce compliance with permits?

We audited the following 4 LG entities in metropolitan and regional Western Australia (WA) that had issued a large number of permits, and the Building and Energy Division (formerly the Building Commission) within the Department of Mines, Industry Regulation and Safety:

- City of Albany (Albany)
- City of Gosnells (Gosnells)
- City of Joondalup (Joondalup)
- City of Mandurah (Mandurah).

Background

A permit is usually required for construction or renovation of any building. This includes new houses, carports and sheds. The permit process is legislated under the *Building Act 2011* (Act). In 2017-18, all LG entities in WA issued around 18,400 permits for residential buildings. Of these, nearly 13,500 related to new houses with a total value of more than \$3.8 billion.

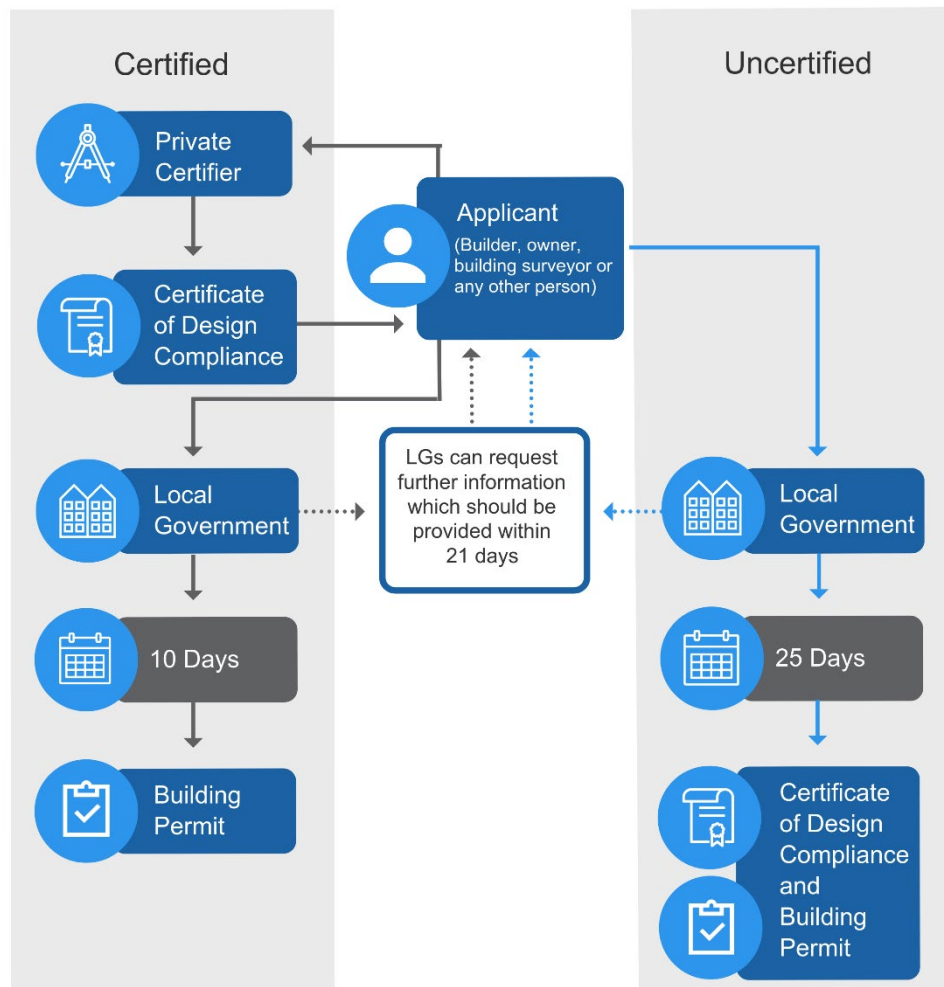
To get a permit, either a certified or an uncertified application must be lodged with the relevant LG entity, along with the fee prescribed in the Building Regulations 2012¹. A permit can be issued when building plans meet the requirements of the Act, the Building Code of Australia (Code)², and planning and other required approvals. LG entities must assess certified applications within 10 business days and uncertified applications within 25 business days, unless the applicant and the LG entity agree in writing to extend the time. Figure 1 summarises the permit process.

If information in the application is missing or incorrect, LG entities can request information informally (via email or phone), or formally based on the Act's requirements. LG entities can only formally request information and 'pause the clock' for up to 21 days, once. Thereafter, LG entities have the remainder of the 10 or 25 days to process the application.

If LG entities do not meet the timeframes or the agreed extended time, they must refund the application fee, but may still process the application. The clock stops when the permit is issued. A permit is valid for 2 years unless otherwise specified or extended.

¹ A certified application costs 0.19% of the estimated value of building works while an uncertified application costs 0.32%. The minimum fee payable is \$97.70

² Sets quality and safety standards for the design and construction of buildings and other structures throughout Australia



Source: OAG

Figure 1: Building permit process under the *Building Act 2011*

LG entities are required under the Act to keep a public register of permits and records of approved plans for owners and relevant parties to inspect.

Construction in all states and territories is a regulated activity. In WA, the Act gives LG entities the power to monitor and inspect building works to ensure compliance with the permit, but does not mandate any particular level of monitoring or inspections. The Act also provides LG entities with the power to issue building orders to remedy or stop building works, and prosecute builders and owners for non-compliance. Failing to comply with a building order carries a penalty of up to \$50,000 for a first offence and up to \$100,000 and 12 months imprisonment for subsequent offences.

The Building and Energy Division (B&E), supports the functions of the Building Commissioner legislated in the Act. B&E administers the Act and provides advice to LG entities and the building industry. It also regulates builders and surveyors through the issue of licences, monitoring compliance with building laws, and complaint processes. B&E can investigate alleged breaches of building laws, take disciplinary action against builders, and refer building non-compliance matters to LG entities. We audited how B&E regulates builders and surveyors in our 2016 *Regulation of Builders and Building Surveyors*³ audit.

³ [Report 12: June 2016: Regulation of Builders and Building Surveyors](#)

Since July 2016, B&E has collected permit information from LG entities such as details of builders, application processing times (including start-pause-stop clock and reasons), permit decisions, and conditions. This information is stored in B&E's Building Permit Database (Permit Database).

Conclusion

All 4 LG entities in our sample adequately assessed applications and issued nearly all permits within legislated timeframes between July 2016 and June 2018. They also improved timeliness of approvals over the last 4 financial years. However, different approaches to when LG entities started, paused and stopped the clock raise concerns about the accuracy and comparability of these processing times. Key controls to promote transparent and accountable decision-making had also either not been implemented or were not effectively managed.

The LG entities monitored and inspected building projects to identify non-compliance but the limited extent of this work meant they do not confidently know if building works in their area comply with requirements of permits. All LG entities we reviewed relied on complaints from the community and others as the primary means of identifying instances of non-compliance. Resolution of these issues was not always timely with some matters taking years to finalise.

Key findings

LG entities adequately assessed permit applications, but could improve their processes

The LG entities assessed permit applications against requirements in the Act. Our review of 100 applications received between July 2016 and June 2018 across the LG entities, found permit processes were followed and decisions recorded in their systems. Permits were issued only when applications contained the required supporting documents and approvals.

However, we identified control weaknesses that could result in applicants receiving preferential treatment, biased decisions and permits that had not been properly authorised. We found:

- none of the LG entities recorded conflicts of interest related to applications. We note staff declare interests annually to comply with the *Local Government Act 1995*, however these did not cover conflicts of interest relating to permits
- at Mandurah, staff could approve and issue permits without being authorised to do so
- Joondalup had 9 different positions, including administration officers and personal assistants, authorised to approve permits.

The LG entities used different processes and interpretations of the Act to receive and assess applications. Builders we spoke with confirmed our observations and told us about the impact of this on their operations. These different practices can limit the consistency and efficiency of approval processes. For example:

- all 4 LG entities provided online application lodgement and tracking facilities, but Joondalup required one-off applicants to apply by e-mail or over the counter
- Gosnells reviewed all certified applications in detail while the other 3 LG entities only checked these applications for completeness. The Act does not require LG entities to check the Certificate of Design Compliance (CDC) or prohibit them from doing so

- Albany paused the clock for informal requests, which is contrary to the Act, and Joondalup stopped the clock after application assessments were complete, but before issuing permits. These practices can provide misleading information on the number of days taken to issue permits. Both LG entities advised they had adopted compliant practices as a result of the audit.

B&E received around \$2.5 million of State funding to deliver an electronic lodgement and assessment system by 2017-18 to standardise the permit approvals processes. However, the system has not been developed. B&E told us that it consulted with large LG entities during the audit and found a lack of support for the system as LG entities had already modified their systems and processes to align with the permit approval requirements of the Act.

Most permits were issued on time

The LG entities issued most permits on time. Between July 2016 and June 2018, about 98% of applications were assessed within the required timeframes. Nearly all had a permit issued. This helps builders and owners to plan building works, and avoid potential losses and delays. We also found the LG entities improved the timeliness of permit approvals in the past 4 financial years.

The LG entities took around 3 times longer to issue permits when they received incomplete and incorrect applications and had to wait for more information from applicants. Most of the LG entities' information requests we reviewed related to:

- missing or inadequate information in the CDC
- home indemnity insurance and other approvals such as owner builder approval, or water services notifications.

Applicants can avoid delays in permit approvals if they submit complete and correct applications.

LG entities provided limited building activity information to B&E, community and industry stakeholders. The limited use of the Permit Database amongst LG entities means comprehensive building data is not collected across the sector. For example, only 8 metropolitan LG entities, including Gosnells, report data online to the Permit Database. A lack of reporting makes it difficult for B&E and other stakeholders to assess performance against legislated permit timeframes and other building control activities.

LG entities do not effectively monitor and enforce compliance with permits

The LG entities monitored and inspected building progress but this work was limited. Albany monitored permit expiry, Gosnells inspected footings, and Joondalup and Mandurah carried out one-off compliance activities on a small sample of building works. None regularly monitor or inspect at other stages of works. This is concerning given B&E's most recent inspection of 337 new houses found that nearly 30% to 50% of key building stages did not satisfactorily comply with building standards. This included non-compliant slab, roof and bushfire area requirements that may lead to future building quality and safety issues.

The LG entities did not always resolve community concerns about building works in a timely manner. Our review of 43 complaints found 6 compliance matters were not resolved in a timely manner across Albany, Joondalup and Mandurah. These 3 LG entities often granted extensions to owners and builders to comply. Albany had 1 matter which took 7 years to resolve.

Recommendations

Under section 7.12A of the *Local Government Act 1995*, the 4 sampled LG entities are required to prepare an action plan addressing significant matters arising from the audit relevant to their entity. This should be submitted to the Minister for Local Government within 3 months of this report being received by the local government, and published on the LG entity's website within 14 days after giving the report to the Minister. This action plan should address the recommendations below that are relevant to their entity.

1. Albany, Gosnells, Joondalup and Mandurah should:
 - a. require written declarations of interest from assessment staff, and ensure appropriate mitigation action is taken for any conflicts
 - b. improve the transparency of their building control activities by providing information about permits, monitoring and enforcement activities, and building related complaints to B&E, community and industry stakeholders
 - c. develop and implement a risk-based approach to monitor and inspect building works
 - d. improve guidance to staff on how to prioritise and manage building related complaints and enforcement activities to resolve community concerns and non-compliance issues in a timely way.
2. Joondalup and Mandurah should limit the authority and delegation to issue permits only to appropriately trained staff who assess and issue permits.
3. Albany and Joondalup should only start, pause and stop the clock in accordance with the requirements of the Act.
4. B&E should consult further with LG entities and stakeholders:
 - a. on ways to assist LG entities to implement consistent practices
 - b. to determine if it will progress or cease development of the centralised e-lodgement and assessment system.

Response: Agreed

Implementation timeframe: by December 2019

Response from audited local government entities

All 4 LG entities supported the audit findings and generally accepted our recommendations.

The LG entities advised they intend to implement audit recommendations in the near future, with some already being addressed.

Appendix 3 includes the full responses from the LG entities.

Response from the Building and Energy Division

The Department of Mines, Industry Regulation and Safety's, Building and Energy Division is comfortable with the findings of the report and supports the recommendations.

Appendix 3 includes the full response from B&E.

Audit focus and scope

The audit objective was to determine if local government (LG) entities effectively regulate residential building permits (permits).

The specific lines of inquiry were:

- Do LG entities adequately assess permit applications?
- Do LG entities effectively monitor and enforce compliance with permits?

The following 4 LG entities were included in the audit:

- City of Albany (Albany)
- City of Gosnells (Gosnells)
- City of Joondalup (Joondalup)
- City of Mandurah (Mandurah).

The audit also included the Building and Energy Division (B&E) within the Department of Mines, Industry Regulation and Safety. We spoke with key staff who deal with coordination, compliance, complaints, the Building Permit Database and policy matters.

The audit focussed on the regulation of permits for new houses and major renovations requiring LG entity approval. We did not review approvals for planning, demolitions and commercial buildings or other building activities like patios, retaining walls and swimming pools. The audit did not assess how builders inspect the quality of their own work.

We audited permit approvals, monitoring and enforcement of compliance with the permits for the 2016-17 and 2017-18 financial years. At each LG entity, we tested 25 permit applications and at least 10 complaints. We also reviewed and assessed:

- policies and procedures for permit approvals, monitoring, complaints and enforcement, and declarations of conflict of interest and gifts
- the timeliness of approving permits against legislated 10 and 25 day timeframes
- monitoring and inspection activities
- enforcement actions
- complaints management.

We also consulted with a range of stakeholders including:

- Master Builders Association
- Housing Industry Association
- WA Local Government Association
- LG Professionals WA
- Building surveyors
- 2 building companies that operate across a number of LG entities in WA.

This performance audit was conducted under section 18 of the *Auditor General Act 2006* and in accordance with Australian Standard on Assurance Engagements ASAE 3500 *Performance Engagements*. We complied with the independence and other relevant ethical requirements related to assurance engagements. Performance audits primarily focus on the effective management of state and local government programs and activities. The approximate cost of undertaking the audit and reporting was \$340,000.

Findings

LG entities adequately assessed permit applications, but can improve their processes

All 4 LG entities ensured applications met the Act's requirements before issuing a permit. However, we identified some weak controls which reduce the transparency and accountability of permit decisions. LG entities also receive and assess applications differently which affect the consistency and efficiency of the approvals process.

LG entities only issued permits when legislative requirements were met

The LG entities had suitable permit systems and processes in place to receive applications and assess them against requirements in the Act (Appendix 1). Their systems and checklists prompted staff to complete step-by-step checks of all applications. We reviewed 100 permit applications across the 4 LG entities and found processes were followed to check that applications:

- were complete and included plans, fees and other supporting documents such as engineering reports and relevant insurances
- met requirements for any specific conditions like owner builder or health approvals
- had an appropriate bushfire attack level assessment for buildings within a bushfire prone area
- contained correct information on the builder, surveyor and the applicant.

This ensured permits were issued only when applications contained the supporting documents and approvals needed under the Act.

Weak controls may lead to inappropriate permit approvals

Conflicts of interest are not recorded and managed transparently

We found none of the LG entities recorded actual, potential or perceived conflicts of interest that arose when assessing permit applications. LG entities told us that staff only declared conflicts of interest verbally, to their supervisor, who then assigned the application to someone else. As a result, we were not able to determine if conflicts of interest were declared and managed appropriately. It is good practice to record conflicts of interest and actions taken to manage them.

Conflicts of interest may arise for assessment staff when they:

- are in relationships, or familiar with builders or owners. This is more likely when staff live in the local government area or have worked at the LG entity for some time
- have had past grievances with an owner, builder or private surveyor.

We note that LG entity staff complete an annual declaration on conflicts to comply with the *Local Government Act 1995*. However, these declarations did not cover conflicts of interest relating to permits.

Conflicts of interest can lead to biased or improper assessments. During the audit, the LG entities acknowledged these risks and said they would consider processes to record assessed conflicts of interest for each application.

Inadequate approval controls increase the risk of unauthorised issue of permits

Joondalup and Mandurah did not have adequate controls over the issue of permits. We found:

- Joondalup had 9 different positions (including administration officers and personal assistants) authorised to approve permits. Joondalup advised it is reviewing these delegations to remove any unnecessary or excessive delegated authority.
- At Mandurah, permit system users could approve and issue permits without delegated authority to do so. Although Mandurah requires its surveyors to sign a monthly declaration stating they completed the applications, this does not fully mitigate the risk of unauthorised permit approvals in the system.

Processes and systems differ across LG entities which leads to inefficiencies

Applications are lodged differently

The process to apply for a permit and pay fees varied across the LG entities we reviewed. For example:

- although all the LG entities allowed applicants to submit and track applications online, Joondalup required one-off applicants to apply by email or over the counter
- the LG entities used different ways to pay application fees. Gosnells charged fees via a monthly account, while Joondalup sent email invoices with credit card or BPAY options.

Builders told us that some LG entities did not accept emailed applications and only accepted in person or posted applications, and had different document requirements and payment methods. They spoke about the inefficiencies, confusion and delays this created in applying for permits, particularly for builders who lodge applications across multiple LG entities.

In July 2015, the State provided around \$2.5 million to B&E to develop a centralised e-lodgement system to provide better access and consistency for lodgement and assessment of applications. The system had not been developed despite an implementation date by 2017-18, due to other priorities. B&E discussed its system proposal with 11 LG entities in February 2019, which together issued about 50% of permits in 2017-18. B&E told us that the LG entities were not supportive of the proposal as they had already modified their own systems and processes.

LG entities assessed certified applications with varying rigour, creating uncertainty for applicants

The LG entities assessed certified applications with varying rigour. Three limited their assessment to a high level review of the completeness of applications, whereas Gosnells sometimes reviewed information, such as the Certificate of Design Compliance (CDC), in more detail when it had concerns about compliance with the Code, or applications contained errors. Builders we spoke with told us about the impact of this on their operations. While we found these different practices reduced the consistency of approval processes across the LG entities it did not impact the timeliness of approvals. Gosnells still assessed most of these applications within the required 10 days. The Act does not require LG entities to check the CDC or prohibit them from doing so.

Two LG entities incorrectly recorded application processing times

Albany and Joondalup incorrectly paused and stopped the clock when assessing applications. These practices can result in misleading information on the number of days taken to issue permits. We found:

- Albany paused the clock for informal requests. This occurred in 4 of the 25 applications we reviewed. Other LG entities only paused the clock for formal requests, which is consistent with the Act. We found that despite this incorrect practice, Albany issued nearly all permits within 10 and 25 days. Albany told us it no longer pauses the clock for informal requests
- 3 LG entities stopped the clock when they issued the permit. In contrast, Joondalup stopped the clock when the surveyor completed the assessment but issued the permit only after a review of the assessment. In the last 2 financial years in Joondalup, this resulted in a time lag of 0 to 80 days for 1,231 certified applications, with only 17 permits issued after 10 days. Joondalup advised they had discontinued this practice since January 2019.

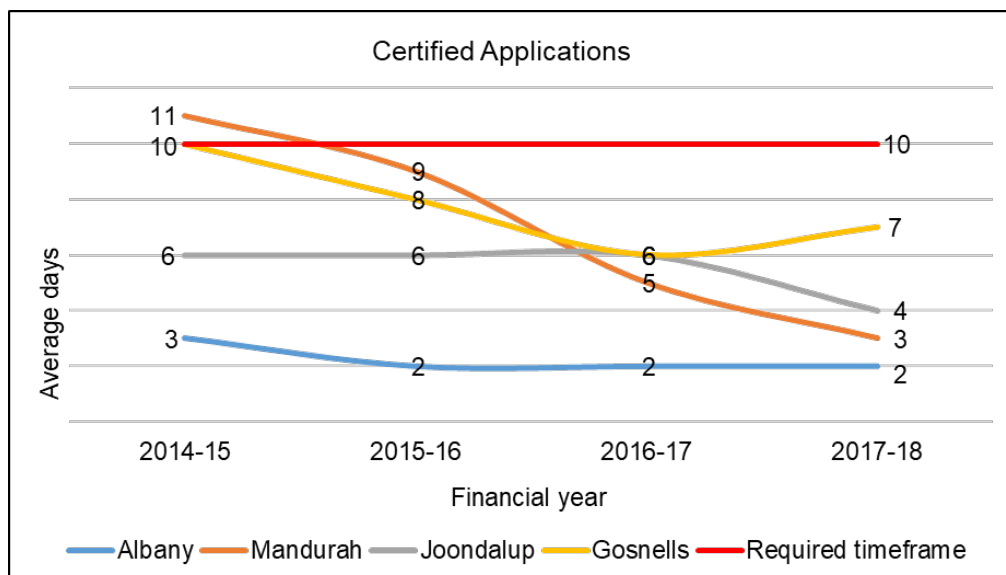
Most permits were issued on time

LG entities issued permits in required timeframes

Between July 2016 and June 2018, the LG entities assessed applications and issued most permits within the required timeframes. We calculated the time taken to issue permits and found:

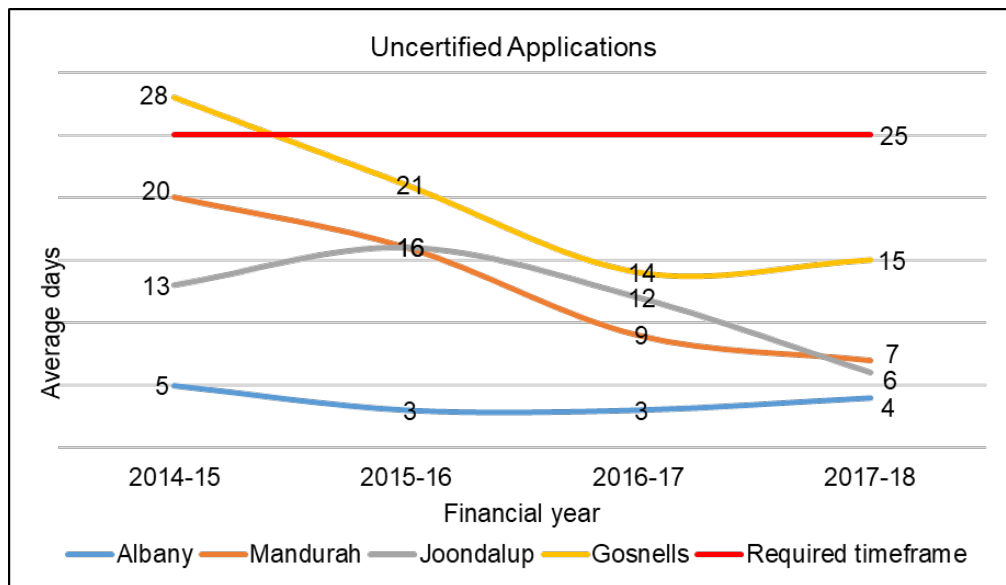
- about 98% of the 3,736 certified applications were assessed within 10 days. Nearly all had a permit issued
- about 98% of the 1,069 uncertified applications were assessed within 25 days. Nearly all had a permit issued.

All LG entities have improved the timeliness of their assessments over the last 4 financial years (Figures 2 and 3). Our review of approved and refused applications showed Albany and Joondalup had relatively consistent assessment times, while Mandurah and Gosnells improved over the last 2-3 years in part due to lower numbers of applications. Between July 2014 and June 2018, the number of applications received by the 4 LG entities declined by 35%.



Source: OAG using data from LG entities

Figure 2: Average time to assess certified applications



Source: OAG using data from LG entities

Figure 3: Average time to assess uncertified applications

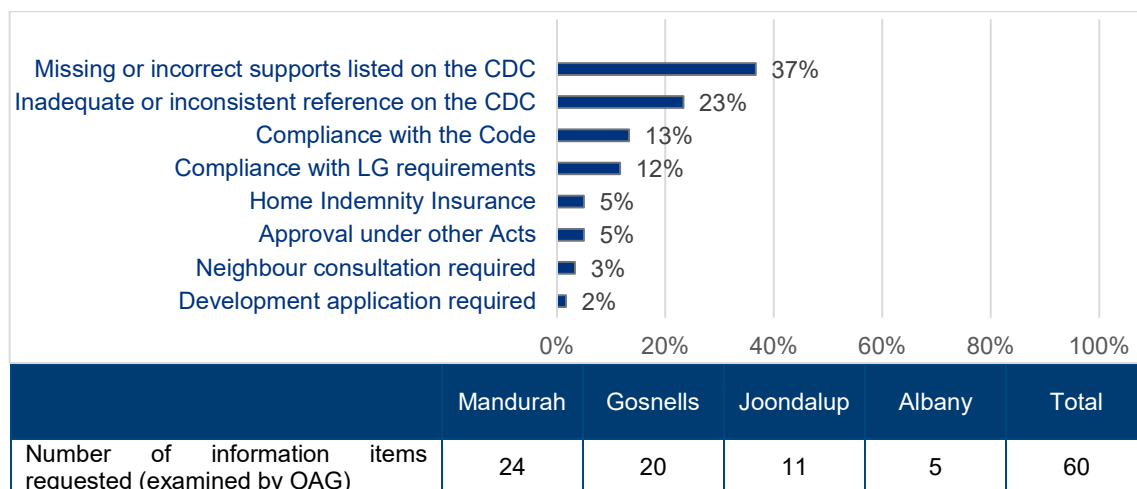
A future rise in building activity could put LG entities who take longer to issue permits at risk of not meeting the timeframes. Delays in issuing permits affect planning of building works and can lead to increased costs for applicants, particularly when they are renting and holding land.

Incomplete and incorrect applications often result in longer approval times

We found the LG entities took about 3 times longer to issue permits when they had to wait for more information from an applicant to assess an application. Around 75% of the information requests we reviewed related to incomplete or incorrect applications. This meant the majority of applicants could have avoided delays in their permit approvals if they had submitted complete and correct applications.

We reviewed 60 information requests for certified applications (Figure 4) and found:

- 60% related to missing or inadequate supporting information in the CDC
- another 15% related to incomplete applications such as mandatory information on home indemnity insurance or approvals required under building or health legislation.



Source: OAG using information from LG entities

Figure 4: Reasons for information requests by the LG entities

In the last 2 financial years the LG entities formally requested more information for around 38% of certified and 47% of uncertified applications. While these requests allowed LG entities to pause the clock for up to 21 days, it did add to the overall elapsed time to process applications.

Some requests for minor administrative errors could be resolved by informal requests (phone or email), which do not pause the clock. For instance, Albany adopted this approach advising us that they found it more efficient and customer-focused. In the last 2 financial years, Albany made fewer formal requests (32%) than the other LG entities (42%).

Reporting of permit information could be improved

All LG entities provided limited permit information to B&E, community and industry stakeholders. B&E's Permit Database aimed to fill this gap by collecting permit information from LG entities in a consistent format and more efficiently, but:

- only 8 metropolitan LG entities including Gosnells report data online to the Permit Database
- another 88 LG entities from regional WA report manually to the Permit Database, however these entities represent only a small proportion of permit approvals.

B&E told us that metropolitan LG entities do not report to the Permit Database because online reporting requires changes to the LG entities' permit systems, and manual reporting was not practical due to the large number of applications they received. A lack of reporting makes it difficult for B&E to assess LG entities' performance against legislated permit timeframes and other building control activities. This also impairs transparency and accountability on this important aspect of regulation by public sector entities.

We also found LG entities could provide more permit information to the community and industry stakeholders. Although all LG entities included the number and value of permits issued in their annual reports, only Mandurah reported the percentage of permits approved within the required timeframes, and none included information on complaints, monitoring or enforcement activities. This meant ratepayers had little information on how LG entities manage and regulate permits.

LG entities do not effectively monitor and enforce compliance with permits

The LG entities carried out limited monitoring, inspections and enforcement to ensure building works complied with permits. They identified most compliance matters through complaints but did not always take timely action to resolve them. The lack of monitoring and appropriate enforcement meant LG entities could not identify and address non-compliant building works or resolve community concerns in an effective and timely way.

Builders must also ensure their work complies with the permit and the Code, and submit a completion certificate to the LG entity within 7 days of finishing building works. Builders are legally responsible for faulty and defective work for up to 6 years after completion.

LG entities carry out limited monitoring and inspections of building work

None of the 4 LG entities had a formal policy or program to monitor and inspect building works, nor did they conduct monitoring or inspections at all key stages of building works. However, we found Albany monitored permit expiry, Gosnells inspected footings, and Joondalup and Mandurah did one-off projects on a small sample of building works (Figure 5). The Act gives LG entities power to monitor and inspect building works to ensure compliance

with permits. However, the Act does not require LG entities to inspect building works at key stages of construction.

The LG entities had not assessed the effectiveness of their existing compliance activities to understand whether they should continue their current work, or allocate resources to other quality and safety risks arising from non-compliance. LG entities advised that resource constraints and their inability to recover costs from current application fees limited the extent of their compliance work. A risk-based monitoring program could help LG entities use their limited resources to target the most serious and likely risks, and thereby provide better assurance that houses are well built and safe to live in.



Gosnells is the only LG entity that requires footings inspections. In the last 2 financial years, they inspected 760 sites.



Albany actively worked with owners and builders to ensure permits were extended before they expired. They use geographic information system data and site visits to assess the status of construction and compliance with permits.



Mandurah did a one-off compliance project on roof tie downs. They inspected 22 sites and found 86% (19/22) of roof tie downs were non-compliant. Mandurah advised the builders about the defects and did some follow-up inspections.



Joondalup's building manager did one-off site visits with surveyors as part of a training exercise. They identified some non-compliance and recorded these as complaints to be followed up by compliance staff.

Source: OAG using information from LG entities

Figure 5: Examples of monitoring by LG entities

Each year B&E inspects a small number of building works at key stages of construction. In the last 2 financial years, B&E inspected 337 new houses (1.2% out of nearly 28,500 approvals) and found nearly 30% to 50% of key stages did not satisfactorily comply with the Code or permit. For example, slab, roof and bushfire readiness issues were areas of identified shortcoming. These findings highlight the need for monitoring and inspections of building work to enhance compliance and provide safeguards to the community so that new houses meet quality and safety standards.

During our audit, B&E told us that it is preparing a consultation paper, which considers independent inspections. This will include options on who could do inspections, at what stages of construction, and the fees or costs. Other states, except for South Australia, require independent inspections at 4 to 6 key stages and most use private building surveyors to carry out these inspections. South Australian building law requires LG entities to inspect a certain percentage of building works every year.

LG entities could improve complaints processes to achieve more timely compliance

While all LG entities properly investigated complaints, they did not always take timely action to resolve community concerns about building works. In our review of 43 complaints about matters including building without a permit, deviation from the approved plans, and dangerous state of a building or structure, we found:

- 6 compliance matters across Albany, Joondalup and Mandurah took between 8 months and 7 years to be resolved. These LG entities often allowed builders and owners extensions to the required compliance time. Albany had 1 matter which commenced in 2011 and was resolved in 2018
- 10 complainants were not advised of the outcome. This sometimes led to follow up complaints for matters that were already being dealt with. Not advising complainants of the outcome is likely to result in a perception of unsatisfactory customer service and ineffective regulation.

Timely and appropriate enforcement action by LG entities deters non-compliance and sends a strong message to builders and owners who do not comply with permits. In the last 2 financial years Gosnells, Joondalup and Mandurah issued 24 building orders, of which 20 were issued by Gosnells. In the same period, the 3 LG entities prosecuted 8 matters. Penalties totalled \$122,000. However, Albany has not issued a building order or prosecuted a matter since the Act was introduced.

LG entities advised that they preferred an informal approach (education and warning letters) to maintain a softer image in the community. They also told us that a lack of resources, staff time and other costs limit their ability to take formal enforcement actions (building orders and prosecution).

Appendix 1 – Building permit application checklist

Information required to accompany certified and uncertified applications

Item	Certified	Uncertified
Certificate of Design Compliance	✓	✗
Copy of each technical certificate used by the building surveyor in the Certificate of Design Compliance (if any)	✓	✗
All prescribed authorities have been obtained ⁴	✓	✓
Heritage notifications	✓	✓
Water services notifications	✓	✓
Consent/court order for encroachments and/or for work affecting other land	✓	✓
2 copies of final plans (working drawings) and specifications	✓	✓
Evidence of payment of the Building and Construction Industry Training Fund Levy	✓	✓
Evidence of home indemnity insurance/s	✓	✓
Building Services Levy	✓	✓
Building Permit fee	✓	✓
Met the requirements of the relevant local government building permit checklist	✓	✓

Source: OAG using information from B&E

⁴ For example, if the building work is defined as 'development' under s.4 of the *Planning and Development Act 2005* each relevant approval under the Act.

Appendix 2 – Better practice principles

The following table shows key principles on which our audit focused. Our listed expectations are not exhaustive and do not cover all of the *Building Act 2011* (Act) and other compliance requirements.

Regulating building approvals		
Stage	Principle	Our expectation (what we expected to see)
Assess application	Receive application	<ul style="list-style-type: none"> • LG entity website provides adequate guidance to permit applicants. • Online system to lodge and pay for permit applicants. • Ability to track all applications online.
	Staff guidance	<ul style="list-style-type: none"> • Policies and procedures which: <ul style="list-style-type: none"> ○ align with current legislation and building codes ○ explain the LG entity's interpretation of key terms of the Act ○ include guidance for staff to effectively manage permit assessments.
	Conflicts of interest	<ul style="list-style-type: none"> • Assess actual, potential or perceived conflicts of interest for each application. • Record whether a conflict of interest exists or not. • Record decisions and actions taken to manage any conflict of interest.
	Further information requests	<ul style="list-style-type: none"> • Where appropriate, use informal requests (phone or email) to resolve minor administrative errors more quickly.
	Quality review	<ul style="list-style-type: none"> • Review of assessment by a senior staff member, preferably a building surveyor.
Issue permit	Record timeframes	<ul style="list-style-type: none"> • Staff start, pause and stop the clock as required by the Act. Particularly: <ul style="list-style-type: none"> ○ pause clock for formal requests only ○ ensure clock is paused only once ○ ensure further information provided by the applicant is correct before re-starting the clock ○ stop the clock when the permit is issued.
	Staff delegations	<ul style="list-style-type: none"> • Delegate relevant staff with the authority to approve and issue permits. • Only delegated staff to have access to the permit system's approval and issue tasks.

Stage	Principle	Our expectation (what we expected to see)
Permit compliance	Monitoring	<ul style="list-style-type: none"> • Policies and procedures explain LG entity's regulatory approach and guidance on how to monitor and inspect building works, for example the nature and extent of possible monitoring and compliance enforcement actions including desktop review and on-site inspections. • Risk-based program for monitoring and inspections. Consider: <ul style="list-style-type: none"> ○ compliance risks during permit assessments (e.g. owner builders may lack building experience) ○ compliance history of the applicant, builder or surveyor ○ results of previous inspections and complaints ○ local risks such as site conditions and types of dwelling ○ other resources like B&E's website to identify builders and surveyors warned, fined or prosecuted for non-compliance.
	Complaints management	<ul style="list-style-type: none"> • Staff guidance on how to assess risks, assign a rating and prioritise complaints. • Timely referral of compliance matters to relevant staff. • Provide feedback to the complainant.
	Enforcement	<ul style="list-style-type: none"> • Policies and procedures on enforcement. • Consider appropriate enforcement method on a case by case basis: <ul style="list-style-type: none"> ○ informal (education, warning letters) ○ formal (building order, prosecution). • Follow up to ensure action is taken to remedy the non-compliance. • Escalate matters to senior staff if previous enforcement action did not achieve compliance.
Reporting	Performance information	<ul style="list-style-type: none"> • Report permit approvals, monitoring and enforcement data to B&E. • Provide key performance information to relevant stakeholders and the community. This could include information on: <ul style="list-style-type: none"> ○ number and value of permit applications received ○ time taken to issue permits ○ monitoring and inspection activities ○ building related complaints ○ number of non-compliance issues identified and resolved ○ number of building orders and prosecutions.

Source: OAG

Appendix 3 – Full responses from audited entities

City of Albany

We appreciate both the OAG's acknowledgement of what we are doing well, as well as identifying some improvement opportunities. We were especially proud of our very short turnaround times in relation to the other audited local governments and intend to continue to provide a high level of service to our community.

In relation to the recommendations made, we provide the following comment that we will include in the Action Plan required under 7.12A of the Local Government Act 1995:

City of Albany's specific responses to recommendations

- 1a. Noted.
- 1b. Subject to privacy considerations, our reporting processes have been modified to comply with these requirements.
- 1c. We will continue to comply with legislative requirements.
- 1d. The City of Albany has a Regulatory Compliance Policy and Guideline to ensure these recommendations are met.
3. The City of Albany agree to this and have implemented processes to immediately comply.

City of Gosnells

The City views the building control function as critical for ensuring community safety. In this regard, the speed of processing applications should not be a key metric. Instead, the City believes the community expect a vigorous assessment of building applications and the City is pleased that the OAG has recognised this while also noting the City complies with statutory timeframes.

The City notes that mandatory inspections of building construction is not required under current legislation. The City is not opposed to mandatory building inspections, but if this outcome is desired, the function should be self-funded to ensure that the wider community is not asked to pay for a function which has a very specific benefit.

The City acknowledges the dialogue with the OAG during the Performance Audit and is pleased that many of the City's comments have been accepted.

City of Joondalup

The City of Joondalup ("the City") supports the Office of the Auditor General (OAG) and its responsibility for carrying out performance audits within local governments. Prior to being included as one of the local governments in this audit, the City has found value in reviewing previous OAG reports to determine if any issues affecting other local governments exist at the City and if improvements to the control environment are necessary.

The City appreciates the opportunity to participate in the Local Government Building Approvals Performance Audit and accepts all the recommendations made by the OAG which will be, or already have been implemented to improve the City's systems for assessing building permit applications and build a more effective monitoring and enforcement regime to improve compliance.

The City is always willing to cooperate with any other government entities, including the Building Commission (now known as Building and Energy within the Department of Mines,

Industry Regulation and Safety) and the building industry, to improve the regulation of building permits and introduce a more consistent approach across the entire local government sector for the benefit of all stakeholders.

City of Joondalup's specific responses to recommendations

- 1a. Written declarations of interest from assessment staff was implemented in April 2019.
- 1b. The City will consider appropriate ways to inform the community and industry on these matters. Permit information is already provided to the Building Commission (Building and Energy). Information on the number, value and type (residential or non-residential) of building permits is already included in the City's Annual Report.
- 1c. As the current fee structure is cost neutral, if this approach is to be progressed there needs to be recognition in the statutory fee structure of the costs that would be incurred in applying this approach.
- 1d. A protocol to provide improved guidance will be developed.
- 2. Agree and implemented. Permits have always been determined by appropriately qualified and trained staff, and this delegation was only to allow for the administrative issuing of permits.

To provide better clarity around the delegation (*Building Act 2011* – Granting Building and Demolition Permit Applications, Building Approval Certificates, Building Certificate Strata, Occupancy Permits) it has been amended to reflect firstly its administrative intent, and secondly by providing a new condition that clarifies the delegation is restricted to administratively granting certificates and permits that have the relevant certifications of building compliance, construction compliance and/or design compliance, as certified and issued by a person meeting the qualification requirements of the Building Services (Registration) Regulations 2011.

Some sub-delegations from the Chief Executive Officer to employees have been removed as they do not form part of the building application approval process.

- 3. Agree and implemented. This practice ceased on 17 January 2019 and the time now being recorded accurately reflects the date a building application is received until the issue of the permit.

City of Mandurah

In acknowledging the findings and recommendations of this report, the City of Mandurah is broadly supportive of the recommendation to initiate building inspections. However, it is important that, despite the presence of localised activity, this is regulator-driven, consistent across all local governments and proposes a fee structure which enables local governments to recoup the cost of inspections.

Building and Energy Division

The Department of Mines, Industry Regulation and Safety's Building and Energy Division is comfortable with the findings of the report and supports the recommendations.

Building and Energy's specific responses to recommendations

1. Building and Energy agrees unconditionally with these recommendations 1. a, b, c and d.
2. Building and Energy agrees with recommendations 2 and 3. We suggest the recommendations should apply generally to all local government permit authorities, not just the four audited.
3. As above.
4. Agree with a, and b by December 2019. Building and Energy has been working with local government permit authorities on ways to implement more consistent practices. The goal is to align practices as a first step which will then pave the way for further streamlining of the permit application and approval processes.

In 2015, the former Building Commission published a "Guide to the building approvals process in Western Australia" to assist local government authorities, consumers and the building industry understand the permit application and approval process as prescribed under the Building Act.

Building and Energy will consult with local government permit authorities on the merits of further publications and other mechanisms to improve consistency in these processes.

Auditor General's Reports

Report number	Reports	Date tabled
27	Opinion on Ministerial Notification	20 June 2019
26	Opinions on Ministerial Notifications	19 June 2019
25	PathWest Laboratory Information System Replacement	19 June 2019
24	Verifying Employee Identity and Credentials	19 June 2019
23	Improving Aboriginal Children's Ear Health	12 June 2019
22	Opinions on Ministerial Notifications	5 June 2019
21	Engaging Consultants to Provide Strategic Advice	5 June 2019
20	Information Systems Audit Report 2019	15 May 2019
19	Audit Results Report – Annual 2018 Financial Audits	15 May 2019
18	Firearm Controls	15 May 2019
17	Records Management in Local Government	9 April 2019
16	Management of Supplier Master Files	7 March 2019
15	Audit Results Report Annual 2017-18 Financial Audits of Local Government Entities	7 March 2019
14	Opinions on Ministerial Notifications	13 February 2019
13	Opinion on Ministerial Notification	23 January 2019
12	Managing Disruptive Behaviour in Public Housing	20 December 2018
11	Opinions on Ministerial Notifications	20 December 2018
10	Opinions on Ministerial Notifications	18 December 2018
9	Treatment Services for People with Methamphetamine Dependence	18 December 2018
8	Opinions on Ministerial Notifications	10 December 2018
7	Audit Results Report – Annual 2017-18 Financial Audits of State Government Entities	8 November 2018
6	Opinion on Ministerial Notification	31 October 2018
5	Local Government Procurement	11 October 2018

Report number	Reports	Date tabled
4	Opinions on Ministerial Notifications	30 August 2018
3	Implementation of the GovNext-ICT Program	30 August 2018
2	Young People Leaving Care	22 August 2018
1	Information Systems Audit Report 2018	21 August 2018

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