



City of Belmont
STANDING COMMITTEE (AUDIT AND RISK)
MINUTES
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24 February 2020

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ATTACHMENTS INDEX

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CONFIDENTIAL ATTACHMENTS INDEX

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Confidential Attachment 2 - Item 10.3 refers

TABLED ATTACHMENTS INDEX

Tabled Attachment 1 – Item 11.1 refers

MINUTES OF THE STANDING COMMITTEE (AUDIT AND RISK) MEETING HELD IN THE RIVERVALE ROOM, CITY OF BELMONT CIVIC CENTRE, 215 WRIGHT STREET, CLOVERDALE ON MONDAY, 24 FEBRUARY 2020 COMMENCING AT 6.30PM.

MINUTES

COMMITTEE MEMBERSHIP

Cr J Davis (Presiding Member)	South Ward
Cr M Bass (Deputy Presiding Member)	East Ward
Cr P Marks, Mayor (Ex Officio)	East Ward
Cr G Sekulla, JP, Deputy Mayor	West Ward
Mr R Back	Independent Member

IN ATTENDANCE

Mr J Christie	Chief Executive Officer
Mr R Garrett	Director Corporate and Governance
Mr J Olynyk, JP	Manager Governance
Mr S Monks	Manager Finance
Mrs M Lymon	Principal Governance and Compliance Advisor
Ms E Whiteley	Compliance Administrator
Mrs H Mark	Governance Officer

OBSERVERS

Cr R Rossi, JP	West Ward
Ms R Venkatraman	Director Office of the Auditor General
Mr R Lau (<i>dep 6.52pm</i>)	Principal Auditor, Office of the Auditor General
Mr K Aslam (<i>dep 6.52pm</i>)	Associate Director, Office of the Auditor General

1. OFFICIAL OPENING

6.30pm **The Presiding Member welcomed all those in attendance and declared the meeting open.**

The Presiding Member read aloud the Acknowledgement of Country.

Before I begin I would like to acknowledge the traditional owners of the land on which we are meeting today, the Noongar Whadjuk people, and pay respect to Elders past, present and future leaders.

2. APOLOGIES AND LEAVE OF ABSENCE

Nil.

1. OFFICIAL OPENING

6.30pm The Presiding Member welcomed all those in attendance and declared the meeting open.

The Presiding Member read aloud the Acknowledgement of Country.

Before I begin I would like to acknowledge the traditional owners of the land on which we are meeting today, the Noongar Whadjuk people, and pay respect to Elders past, present and future leaders.

2. APOLOGIES AND LEAVE OF ABSENCE

Nil.

3. DECLARATIONS OF INTEREST THAT MIGHT CAUSE A CONFLICT

Nil.

3.1 FINANCIAL INTERESTS

Nil.

3.2 DISCLOSURE OF INTEREST THAT MAY AFFECT IMPARTIALITY

Nil.

4. ANNOUNCEMENTS BY THE PRESIDING MEMBER (WITHOUT DISCUSSION)

4.1 ANNOUNCEMENTS

Nil.

4.2 DECLARATIONS BY MEMBERS WHO HAVE NOT GIVEN DUE CONSIDERATION TO ALL MATTERS CONTAINED IN THE BUSINESS PAPERS PRESENTLY BEFORE THE MEETING

Nil.

5. CONFIRMATION OF MINUTES

5.1 STANDING COMMITTEE (AUDIT AND RISK) MEETING HELD 28 OCTOBER 2019 (Circulated under separate cover)

OFFICER RECOMMENDATION

MARKS MOVED, BASS SECONDED

That the Minutes of the Standing Committee (Audit and Risk) Meeting held 28 October 2019 be confirmed as a true and accurate record.

CARRIED 5 VOTES TO 0

6. QUESTIONS BY MEMBERS ON WHICH DUE NOTICE HAS BEEN GIVEN (WITHOUT DISCUSSION)

Nil.

7. NEW BUSINESS OF AN URGENT NATURE APPROVED BY THE PERSON PRESIDING OR BY DISCUSSION

Nil.

8. QUESTION BY MEMBERS WITHOUT NOTICE

Nil

9. BUSINESS ADJOURNED FROM A PREVIOUS MEETING

Nil.

10. INFORMATION ITEMS

10.1 2019 AUDIT – ACTUALS

ATTACHMENT DETAILS

Attachment No	Details
Attachment 1 – Item 10.1 refers	2019 Audit - Actuals

The 2019 Audit – Actuals ([Attachment 1](#)) outlines the actual audits undertaken during 2019.

The variances to the Audit Plan are as follows:

1. A Focus Audit – Information Systems was carried out by the Office of the Auditor General during May and June 2019. This was an additional audit.
2. A Focus Audit – Local Government Waste Management was carried out by the Office of the Auditor General between July and October 2019. This was an additional audit.
3. The Financial Audits were planned for April and September 2019 and were carried out during April and October 2019.
4. The Integrated Management Systems Internal Audit (QM/ENV/OSH) was planned for November 2019 and carried out during December 2019 and January 2020.
5. The 2019 Audit – Actuals outlines the City Departments that were subject to questions contained in the 2019 Compliance Audit Return (CAR).

10.2 INSURANCE AND BUSINESS CONTINUITY REPORT

As per the 16 December 2019 Information Forum, the Strategic Community Plan review, coordinated by the Manager Business Planning and Improvement, is due April 2020. Further review of strategic risk will follow the business planning cycle.

No further risk related updates have been received from LGIS. The Manager Governance will provide an update on LGIS insurance renewals at the next Standing Committee (Audit and Risk) meeting.

A question was asked and responded to as follows:

- The impact of this year's bushfires on insurance premiums is still uncertain. It is anticipated the financial impact will be clearer in time for the July Standing Committee (Audit and Risk) meeting.

10.3 ANNUAL FINANCIAL REPORT AUDIT – PLANNING SUMMARY

ATTACHMENT DETAILS

Attachment No	Details
Confidential Attachment 1 – Item 10.3 refers	Confidential Matter - Office of the Auditor General Entrance Meeting Agenda
Confidential Attachment 2 – Item 10.3 refers	Confidential Matter - Annual Financial Report Audit – Planning Summary

As an entrance meeting to the 2019-2020 Annual Financial Report, the Office of the Auditor General provided an Audit Planning Summary.

Questions were asked and responded to as follows:

- The City's internal audit function is currently being reviewed and it is anticipated that the review will be completed by the end of June.
- The Faulkner Civic Community Centre is a significant item of capital works and will be a major asset once the building is completed. If the building is handed over prior to the end of the financial year, it will be capitalised within the 2019-2020 Financial Statements.

6.52pm **The Manager Finance left the meeting. Mr R Lau and Mr K Aslan left the meeting and did not return.**

11. ITEMS REQUIRING RECOMMENDATION TO COUNCIL

11.1 STATUTORY COMPLIANCE AUDIT RETURN 2019

BUSINESS EXCELLENCE BELMONT

ATTACHMENT DETAILS

<u>Attachment No</u>	<u>Details</u>
Attachment 2 – Item 11.1 refers	2019 Compliance Audit Return
Tabled Attachment 1 - Item 11.1 refers	Compliance Audit Return 2019

Voting Requirement	:	Simple Majority
Subject Index	:	39/005 Statutory Compliance Return
Location/Property Index	:	N/A
Application Index	:	N/A
Disclosure of any Interest	:	Nil
Previous Items	:	26 March 2019 OCM Item 12.6
Applicant	:	N/A
Owner	:	N/A
Responsible Division	:	Corporate and Governance

COUNCIL ROLE

- Advocacy** *When Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.*
- Executive** *The substantial direction setting and oversight role of the Council eg adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.*
- Legislative** *Includes adopting local laws, local planning schemes and policies.*
- Review** *When Council reviews decisions made by Officers.*
- Quasi-Judicial** *When Council determines an application/matter that directly affect a person's right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of quasi-judicial authority include local planning applications, building licences, applications for other permits/licences (eg under Health Act, Dog Act or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.*

PURPOSE OF REPORT

To provide the Committee with the outcomes of the Statutory Compliance Audit Return for the period 1 January 2019 to 31 December 2019 as provided in [Attachment 2](#).

SUMMARY AND KEY ISSUES

It is a requirement of the *Local Government Act 1995* that all local governments carry out an audit of compliance in the prescribed manner and form approved by the Minister.

Item 11.1 Continued

The Department of Local Government, Sport and Cultural Industries provided a set of questions via the Departmental Portal in January 2020. This year the audit questions focussed on key areas of potential non-compliance as in previous years.

The City of Belmont's 2019 compliance score is 100%, continuing the ongoing 100% compliance from previous years.

LOCATION

Not applicable.

CONSULTATION

In completing the 2019 Statutory Compliance Audit Return, internal consultation has occurred with relevant officers of each department.

STRATEGIC COMMUNITY PLAN IMPLICATIONS

In accordance with the Strategic Community Plan Key Result Area: Business Excellence Belmont.

Objective: Maximise organisation effectiveness and reputation as an organisation employer and a community.

Strategy: Ensure that the organisation's capacity and capability meets strategic, customer and operational needs.

Corporate Key Action: The City must remain capable of fulfilling its strategic objectives which are supported by customer needs and operational activities. Capacity for growth to meet future needs is an imperative.

POLICY IMPLICATIONS

There are no policy implications associated with this report.

STATUTORY ENVIRONMENT

Regulation 14 of the *Local Government (Audit) Regulations 1996* requires that a compliance audit for the period 1 January to 31 December is completed each year in a form approved by the Minister. Regulation 14 also requires the Standing Committee (Audit and Risk) to review the Compliance Audit Return and present those results to Council. The Compliance Audit Return is then to be adopted by Council and recorded in the minutes.

Regulation 15 of the *Local Government (Audit) Regulations 1996* requires that after the adoption by Council of the Compliance Audit Return, a certified copy (signed by both the Mayor and Chief Executive Officer) of the return, together with a copy of the minutes of the meeting in which the return was adopted and any additional information is required to be submitted to the Executive Director of the Department of Local Government, Sport and Cultural Industries by 31 March 2020.

Item 11.1 Continued

BACKGROUND

The compliance audit period is 1 January to 31 December 2019 and once the audit is completed the City is required to:

1. Present the Compliance Audit Return to the Standing Committee (Audit and Risk)
2. Present the Compliance Audit Return to Council
3. Seek Council's endorsement of the completed Compliance Audit Return
4. Return the endorsed and certified Compliance Audit Return, along with a copy of the Council Minutes, to the Department of Local Government, Sport and Cultural Industries by no later than 31 March 2020.

In completing the Compliance Audit Return, the Chief Executive Officer and other designated officers have undertaken an audit of the City's activities, practices and procedures applicable to each section and requirement of the return to ensure that an independent, thorough and rigorous process is undertaken.

The audit questions for the 2019 period focussed on key areas of potential non-compliance and were the same as previous years with the exception of election-based questions and areas affected by regulatory change.

The Compliance Audit Return is required to be completed online through the Department of Local Government, Sport and Cultural Industries website. A copy of the completed return is provided as [Attachment 2](#) to this report and is a printout of the City's registered responses.

Once Council has resolved its satisfaction with the contents of the return, it can be jointly certified by the Mayor and Chief Executive Officer and then submitted to the Department of Local Government, Sport and Cultural Industries.

OFFICER COMMENT

The City of Belmont has achieved the following:

Compliance Area	Full Compliance	Non-Compliance
Commercial Enterprises by Local Government	5	0
Delegation of Power/Duty	13	0
Disclosure of Interest	19	0
Disposal of Property	2	0
Elections	2	0
Finance	14	0
Integrated Planning and Reporting	7	0
Local Government Employees	5	0
Official Conduct	6	0
Optional Questions (Pertains to Financial Management & Audit)	4	0
Tenders for Providing Goods and Services	27	0

The 2019 Compliance Score is 100%.

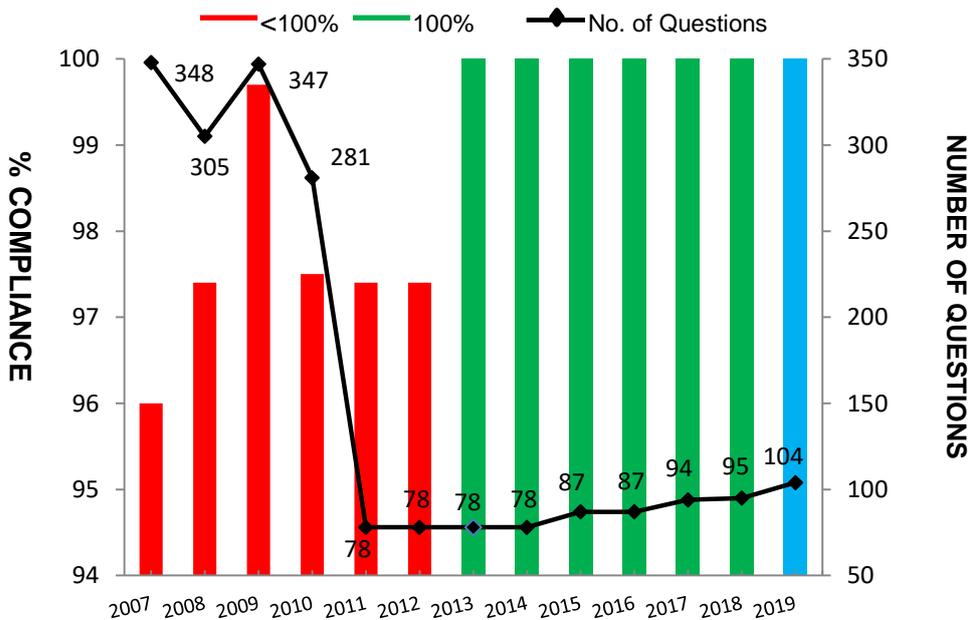
Item 11.1 Continued

The City of Belmont conducted an internal audit to determine responses to questions in the Compliance Audit Return. To further substantiate its responses, the City has opted to provide evidence through citation of items from the City’s Council meetings and documents registered in ECM. Reference is also made to information contained in hard copy, which includes original copies of Elected Member and designated officer Primary and Annual Returns.

When reading the questions shown in the Compliance Audit Return (refer [Attachment 2](#)) it should be noted that they should be read in conjunction with the relevant extract of the *Local Government Act 1995* and / or associated Regulations.

The 2019 Statutory Compliance Audit Return contains a total of 104 questions. This is an increase of 9 questions from the 2018 return. The new questions are in relation to Elections and recent legislative amendments regarding gifts and disclosure provisions. There has also been rewording of previous questions and inclusion of new optional questions relating to the *Local Government (Financial Management) Regulations 1996* and *Local Government (Audit) Regulations 1996*. The area of Integrated Planning and Reporting has in previous years been optional however is now incorporated into the Compliance Audit Return.

Figure 1 – City of Belmont Annual Compliance Audit Return Compliance Rates.



FINANCIAL IMPLICATIONS

There are no financial implications evident at this time.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications associated with this report.

SOCIAL IMPLICATIONS

There are no social implications associated with this report.

Item 11.1 Continued

Committee Notes –

The Compliance Audit Return 2019 presentation included the following:

- Areas of Questioning
- Are We Compliant?
- Levels of Compliance vs No. of Questions 2007 – 2019
- Where to from here?

(Refer [Tabled Attachment 1](#) for further information).

6.55pm The Manager Finance returned to the meeting

OFFICER RECOMMENDATION

SEKULLA MOVED, BASS SECONDED,

That the Standing Committee (Audit and Risk) recommend that Council:

1. Receive and adopt the 2019 Compliance Audit Return, as provided in [Attachment 2](#).
2. Authorise the Mayor and Chief Executive Officer to complete the Joint Certification of the 2019 Compliance Audit Return.
3. Request the Chief Executive Officer to forward the certified 2019 Compliance Audit Return and a copy of the minutes relative to this report to the Department of Local Government, Sport and Cultural Industries by 31 March 2020 in accordance with the requirements of the *Local Government (Audit) Regulations 1996*.

CARRIED 5 VOTES TO 0

**11.2 OPERATIONAL COMPARISON – WESTERN AUSTRALIAN AUDITOR GENERAL’S REPORT –
FRAUD PREVENTION IN LOCAL GOVERNMENT**

BUSINESS EXCELLENCE BELMONT

ATTACHMENT DETAILS

<u>Attachment No</u>	<u>Details</u>
Attachment 3 – Item 11.2 refers	<u>OAG Report 5 Fraud Prevention in Local Government 15 August 2019</u>

Voting Requirement	:	Simple Majority
Subject Index	:	32/001 Operational/Strategic Planning
Location/Property Index	:	N/A
Application Index	:	N/A
Disclosure of any Interest	:	Nil
Previous Items	:	N/A
Applicant	:	N/A
Owner	:	N/A
Responsible Division	:	Corporate and Governance

COUNCIL ROLE

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

PURPOSE OF REPORT

This report presents an assessment of the City of Belmont’s (the City) operations in comparison with findings from the Auditor General’s Report ‘*Fraud Prevention in Local Government*’ (refer [Attachment 3](#)).

SUMMARY AND KEY ISSUES

As a result of recent high profile fraud investigations in the public sector, the Office of the Auditor General (OAG) conducted an audit into whether local government entities have undertaken appropriate action to reduce and prevent fraud through asking whether:

- The local governments had implemented a coordinated approach to manage fraud risks,
- Controls are adequate for preventing and detecting fraud, and
- The entities respond appropriately to suspected fraud.

Item 11.2 Continued

LOCATION

Not applicable.

CONSULTATION

There has been no specific consultation undertaken in respect to this matter.

STRATEGIC COMMUNITY PLAN IMPLICATIONS

In accordance with the Strategic Community Plan Key Result Area:

Business Excellence Belmont

Objective: Achieve excellence in the management and operation of the Local Government.

Strategy: Ensure decision making is supported by effective information and knowledge management.

POLICY IMPLICATIONS

There are no policy implications associated with this report.

STATUTORY ENVIRONMENT

There are a number of legislated responsibilities that help control fraud risks. The OAG provides an overview in its report at Appendix 1.

Below are some of the key relevant sections:

Local Government Act 1995

- s2.19. Qualifications for election to council*
- s2.22. Disqualification because of convictions*
- s2.24. Disqualification because of misapplication of funds or property*
- s5.36. Local government employees*
- s5.40. Principles affecting employment by local governments*
- s5.41. Functions of CEO*
- s5.43. Limits on delegations to CEO*
- s5.50. Payments to employees in addition to contract or award*
- Division 6 — Disclosure of financial interests and gifts*
- s.5.57 – s.5.87B*
- s5.89. Offence to give false or misleading information*
- s5.93. Improper use of information*
- s7.1A. Audit committee*
- Division 4 — Misapplication of funds and property*
- s8.35. Interpretation*
- s8.38. Liability for misapplication of funds or property*

Item 11.2 Continued

Local Government (Rules of Conduct) Regulations 2007

3. *General principles to guide the behaviour of council members*
6. *Use of information*
7. *Securing personal advantage or disadvantaging others*
10. *Relations with local government employees*
11. *Disclosure of interest*

Local Government (Audit) Regulations 1996

16. *Functions of audit committee*
17. *CEO to review certain systems and procedures*

Local Government (Financial Management) Regulations 1996

5. *CEO's duties as to financial management*
11. *Payments, procedures for making etc.*

Local Government (Administration) Regulations 1996

- 18E. *False information in application for CEO position, offence*
- 34B. *Codes of conduct about gifts, content of (Act s. 5.103(3))*
- 34C. *Codes of conduct about disclosing interests affecting impartiality, content of (Act s. 5.103(3))*

Local Government (Functions & General) Regulations 1996

- 11A. *Purchasing policies for local governments*
11. *When tenders have to be publicly invited*

Public Interest Disclosure Act 2003

23. *Principal executive officer of public authority, duties of*

BACKGROUND

To stay abreast of industry best practice, it has been standard protocol for the City to conduct internal audits and comparison reports in response to inquiries or audits that may be relevant to the organisation. These reports are generally issued by the Department of Local Government, Sport and Cultural Industries (DGLSCI), the Corruption and Crime Commission (CCC), Public Sector Commission (PSC) and the Western Australian Auditor General (OAG). The Minister for Local Government has recently commended the City on its proactive response to issues using these comparison reports following the Minister's receipt of the comparison reports into the Shire of Perenjori and City of Melville.

The OAG conducted the audit into fraud prevention within the local government sector following recent Corruption and Crime Commission (CCC) investigations. A whole of sector survey was conducted by the OAG and five local governments were chosen to have their systems and processes in relation to fraud prevention more closely reviewed.

Item 11.2 Continued

The OAG found that more can be done by local governments to prevent fraud through having good controls and an understanding of the specific fraud risks that the local government has. It was found that many had not undertaken an assessment of fraud risks or created a plan to identify and manage the risks. It was also found that there were gaps in processes and that more can be done to increase staff awareness and improve reporting structures.

OFFICER COMMENT

This comparison report represents an assessment of the fraud prevention processes at the City of Belmont (the City) against the findings from the recent audit conducted by the OAG as outlined in its report.

Fraud can appear in many forms in local government through employment, procurement, entitlements and as such responses to fraud are broad and affect different areas of the organisation on different levels.

The methodology used to determine the City's rating against the findings raised was through review of the City's current processes and documentation, sampling of procurement processes and discussions of controls and risk assessments with relevant officers.

In line with the recommendations of the report and the better practice objectives and principles outlined in Appendix 2 of the report, the questions posed for the operational comparison were:

1. Does the City have a coordinated approach to fraud risk management?
2. Does the City have controls in place and review and strengthen those controls regularly?
3. Does the City have appropriate reporting mechanisms in place?

The Officers believe that the responses presented are an accurate indication of the City's current practices.

The City of Belmont responses and assessment scores have been compiled as a result of the internal review and verification, reflecting consideration of the recommendations of the Auditor General's report.

While it is recommended that priority be given to areas scoring below 4, it is considered equally important to consider all matters contained within the report and also address those scoring a 5 to scope for potential opportunities for improvement and prevent complacency.

Score	Assessment Criterion
5	Fully complies with OAG expectations
4	Mostly complies with OAG expectations – good process in place
3	Partially complies with OAG expectations – reasonable process in place
2	Some compliance with OAG expectations – requires review of process
1	Does not comply with OAG expectations

1. Issues arising from the OAG Report

The City's current practices were audited against the matters raised by the OAG as outlined below and in line with Appendix 2 of the OAG report: 'Better Practice Principles'.

Item 11.2 Continued

1.1 Does the City have a coordinated approach to fraud risk management.

This question is designed to compare the City's processes against the Planning Objective and expectations of the OAG in relation to this objective and supporting principles as outlined in Appendix 2 of the OAG report.

The City maintains a Fraud Control Plan (the Plan), which outlines areas of the organisation at risk of fraud. The Plan describes controls in place to mitigate those risks and assist in the prevention and detection of fraud.

The Plan has been in place since 2009 with a review cycle of two years. The Plan was last reviewed in May 2018 and the current review is due for completion in May 2020. This review will reformat the Plan to reflect current processes, Australian Standards, and to enable better reporting on the efficacy of controls. The Plan has assigned responsibilities with some objectives having measureable targets.

The identified risks and controls are reviewed in line with the Plan review timeframes of every two years. Additionally the risks associated with fraud and corruption are reviewed annually as part of the Council policy review process.

The City has in place an active internal audit and review process as part of its quality assurance processes which ensures that regular review and assessment of fraud risks and associated controls are undertaken. All audit and risk related matters are referred to Council via the Standing Committee (Audit & Risk).

The City has a Code of Conduct for Elected Members and Employees which is subject to review pending advice from the Department of Local Government, Sport & Cultural Industries on the model Code of Conduct. Recent changes to the *Local Government Act 1995* require separate Codes of Conduct for the CEO and Elected Members and Employees of the City.

Overall Assessment	4
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1.2 Does the City have controls in place and review and strengthen those controls regularly?

The City has a Code of Conduct which outlines the City's integrity policies and which all employees are signatories to on commencement with the City. Staff are not required to confirm they understand the Code of Conduct on an annual basis. The OAG report recommends that this be considered.

Regular reminders of the requirements regarding conflicts of interest, currency of qualifications and disclosures are communicated to staff through Team Brief. A Fraud Awareness training course was available up until July 2019 through the City's previous e-learning provider and the City is currently in the process of developing new modules with the new provider. It is envisioned that the new modules will be available shortly to align with the new staff Code of Conduct when finalised. Audit questions covering these matters have been included as part of the internal audit undertaken by the City on an annual basis as well as other external audits e.g. financial audit.

Item 11.2 Continued

Employment processes and the verification of qualifications has been the subject of a separate OAG focus audit. A comparison of the City's processes against the findings of that report has been previously submitted to the Standing Committee (Audit and Risk) and Council in 2019. This comparison report demonstrated that the City has appropriate procedures and controls in place.

Disclosures of conflicts of interest are required through legislation, policy and the City's Code of Conduct. Disclosures for Elected Members and the CEO and staff are currently managed through separate processes at the City. A policy and form have been drafted to provide greater clarity and increase transparency for employee disclosures of interest. The policy and form have been considered by the City's Executive Leadership Team and are currently awaiting implementation to align with the new Code of Conduct for employees.

The City has undertaken recent reviews of the procurement system both by internal staff, external consultants and the OAG with the recommendations of those reviews to further address fraud risks currently being carried out with the implementation of the opportunities for improvement being monitored through the Business Improvement Team where required.

Financial and company information of prospective suppliers is checked for ownership, ABN status, Director information and financial viability through the procurement process. The level of assessment is dependent on the value of the project being undertaken and associated risk however ABN and bank account information is always checked and verified by independent officers.

The City's Compliance Management Plan provides for further development of induction and information packages to staff on areas of corruption, misconduct and disclosure awareness.

Overall Assessment	4
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1.3 Does the City have appropriate reporting mechanisms in place?

The City has a mandatory reporting requirement for staff to report possible fraud and corruption and encourages the public and suppliers to also report using the various mechanisms available such as the Corruption and Crime Commission, Public Sector Commission and the City. The City has two Public Interest Disclosure Officers and reporting processes and information are readily available on the website and intranet.

The City also provides anonymous reporting options to staff and the public online, by mail and via telephone through the City's Customer Complaint Management Procedures.

Overall Assessment	4
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Item 11.2 Continued

2 Conclusion

The comparison report findings have found that the City has a number of well established procedures relating to the prevention of fraud. These areas mostly comply with the expectations outlined within the OAG report.

Score	Number Assessed at
5	0
4	3
3	0
2	0
1	0
Total	3

The management of conflicts of interest is being considered at the organisational level to ensure consistency and transparency across the organisation.

The City continues to monitor developments in fraud and corruption using the findings of investigations and reports of public sector agencies nationally to review and if necessary implement improvements to further tighten processes and mitigate the fraud risk. The current review of the Plan will consider the OAG report and recommendations together with the Australian Standards and industry best practice.

FINANCIAL IMPLICATIONS

There are no financial implications evident at this time.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications associated with this report.

SOCIAL IMPLICATIONS

There are no social implications associated with this report.

OFFICER RECOMMENDATION

BASS MOVED, MARKS SECONDED,

That the Standing Committee (Audit and Risk) recommend that Council receive the Western Australian Auditor General's Report 5: Fraud Prevention in Local Government ([Attachment 3](#)).

CARRIED 5 VOTES TO 0

**11.3 OPERATIONAL COMPARISON – WESTERN AUSTRALIAN AUDITOR GENERAL’S REPORT –
LOCAL GOVERNMENT BUILDING APPROVALS**

BUSINESS EXCELLENCE BELMONT

ATTACHMENT DETAILS

<u>Attachment No</u>	<u>Details</u>
Attachment 4 – Item 11.3 refers	<u>OAG Report 28: June 2018-19 Local Government Building Approvals</u>

Voting Requirement	:	Simple Majority
Subject Index	:	32/001 Operational/Strategic Planning
Location/Property Index	:	N/A
Application Index	:	N/A
Disclosure of any Interest	:	Nil
Previous Items	:	SC(AR) 29.10.2019 Item 11.4 OCM 19.11.2019 Item 12.10
Applicant	:	N/A
Owner	:	N/A
Responsible Division	:	Corporate and Governance

COUNCIL ROLE

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

PURPOSE OF REPORT

This report presents an assessment of the City of Belmont’s (the City) operations in comparison with findings from the recent Auditor General’s Report ‘Local Government Building Approvals’ (refer [Attachment 4](#)).

SUMMARY AND KEY ISSUES

The Office of the Auditor General found that although Local Government permit authorities followed processes and only issued permits when applications contained the required documentation, there was evidence of control weaknesses which may result in preferential treatment, bias or permits not being properly authorised.

Item 11.3 Continued

The City has detailed procedures relating to the Building Approvals process. Although, the City allows both electronic and hard copy (either over the counter or via mail) lodgement of building applications, the process used to assess is consistent with all applications being lodged into the City's Pathway system.

LOCATION

Not applicable.

CONSULTATION

There has been no specific consultation undertaken in respect to this matter.

STRATEGIC COMMUNITY PLAN IMPLICATIONS

In accordance with the Strategic Community Plan Key Result Area:

Business Excellence Belmont

Objective: Achieve excellence in the management and operation of the Local Government.

Strategy: Ensure decision making is supported by effective information and knowledge management.

Built Belmont

Objective: Achieve a planned city that is safe and meets the needs of the community.

Strategy: Encourage a wide choice and consistent implementation of development approaches.

POLICY IMPLICATIONS

There are no policy implications associated with this report.

STATUTORY ENVIRONMENT

The key elements of this comparison report are governed by the following legislation:

Building Act 2011

23. *Time for deciding application for building or demolition permit*

- (1) The permit authority to which an uncertified application is made must decide whether or not to grant the building permit —*
 - (a) if there is no requirement under section 18(1), before the expiration of the period —*
 - (i) that is prescribed for the purposes of this subsection for the classification of the building that is the subject of the application; and*

Item 11.3 Continued

Building Regulations 2012

20. Time for deciding application for building or demolition permit (s. 23)

- (1) For the purposes of section 23(1)(a), the period for buildings of all classifications is —
- (a) if the application relates to development as defined in the Planning and Development Act 2005 section 4 and a planning scheme or interim development order that has effect under that Act provides that the development is not to be commenced or carried out without an approval being obtained upon the making of a development application —
 - (i) 25 business days, excluding any day that is after the day on which the development application is made and before the day on which that application is determined; or
 - (ii) such longer period as is agreed in writing between the applicant and the permit authority;
 - and
 - (b) otherwise, 25 business days, or such longer period as is agreed in writing between the applicant and the permit authority.
- (2) For the purposes of section 23(2)(a), the period for buildings of all classifications is 10 business days, or such longer period as is agreed in writing between the applicant and the permit authority.

[Regulation 20 amended: Gazette 15 Jun 2012 p. 2514-15.]

BACKGROUND

To stay abreast of industry best practice, it has been standard protocol for the City to conduct internal audits and comparison reports in response to inquiries or audits that may be relevant to the organisation. The reports have been issued by the Department of Local Government, Sport & Cultural Industries, the Corruption and Crime Commission, Public Sector Commission and the Western Australian Auditor General.

Four Local Governments and the Building and the Department of Mines, Industry Regulation and Safety's Building and Energy Division were recently the subject of a focus audit by the Office of the Auditor General (OAG). The findings from the audit are outlined within the Western Australian Auditor General's Report 28: June 2018-19 – Local Government Building Approvals.

On 28 October 2019 the Standing Committee (Audit and Risk) considered and recommended that the Operational Comparison Report of the Western Australian Auditor General's Report into Building Approvals be received by Council.

Council at its 19 November 2019 Ordinary Council Meeting resolved to defer consideration of the report and refer the item back to the Standing Committee (Audit and Risk) following advice that the original report to the Committee contained incorrect statistical information pertaining to Item 1.2 'Permits Issued on Time'.

The report in October 2019 incorrectly stated that 308 Certified and 211 Uncertified Building Applications had been received by the City with 96% and 90% respectively being determined within the statutory timeframes. The correct number of applications received was 508 in total with 100% determined within the required timeframes.

Item 11.3 Continued

The information has been updated within the report and is now submitted for reconsideration by the Committee's recommendation to Council to receive the Auditor General's Report 'Local Government Building Approvals'.

OFFICER COMMENT

This comparison report represents an assessment of the Building Approvals process at the City of Belmont (the City) against the findings from the recent audit conducted by the OAG as outlined in its report (refer Attachment 4).

The methodology used to determine the City's rating against the findings raised was through completion of an interview with the relevant City officer based on the OAG report. Verification of the information provided was then carried out by Compliance officers in conjunction with the relevant officers. The issuance of building permits is heavily regulated in relation to the processes undertaken and the information that is to be contained within the building application. The City has a number of documented procedures covering the various types of building applications and approvals processes.

The questions posed were in line with the findings of the report focusing on:

1. Does the City have procedures and key controls to promote accountable decision making?
2. Were permits issued on time?
3. Monitoring and enforcement of compliance with permits.

The Officers believe that the responses presented are an accurate indication of the City's current practices.

The City of Belmont responses and assessment scores have been compiled as a result of the internal review and verification, reflecting consideration of the recommendations of the Auditor General's report.

While it is recommended that priority be given to areas scoring below 4, it is considered equally important to consider all matters contained within the report and also address those scoring a 5 to scope for potential opportunities for improvement and prevent complacency.

Score	Assessment Criterion
5	Fully complies with OAG expectations
4	Mostly complies with OAG expectations – good process in place
3	Partially complies with OAG expectations – reasonable process in place
2	Some compliance with OAG expectations – requires review of process
1	Does not comply with OAG expectations

Item 11.3 Continued

1. Issues arising from the OAG Report

The City of Belmont's current practices were audited against the matters raised by the OAG as outlined below.

1.1 Does the City have procedures and key controls to promote accountable decision making?

The City has clearly documented procedures for the issuance of building permits. Only officers with the required qualifications and with the appropriate delegation are designated to issue permits.

It is standard process that if further information is required in relation to an application, a request is formally made in writing to the applicant. The letter advises that the timeframe for processing the application has been stopped pending the receipt of the required information. The request also advises of the statutory timeframe that the information must be received in and the process flowing from that point should the information not be received. Applicants are then contacted during this period to again remind them of the information required and the timeframe.

Conflicts of interest are managed at the Business Unit level at this point in time. The process of the management of conflicts of interest is being reviewed at an organisational level at the time of writing of this report.

The City provides detailed information on the building applications process and associated planning processes on the City's website and fact sheets. The website links directly to the Building and Energy Divisions website for required forms and other key information.

Overall Assessment 4

1.2 Permits issued on Time.

In 2018-2019 there were 508 BA01 Certified and BA02 Uncertified applications determined by the Building section. The breakdown is as follows:

Certified Building Applications (BA01) Received: 300
Determined within the required 10 days: 300 (100%)

Uncertified Building Applications (BA02) Received: 208
Determined within the required 25 days: 208 (100%)

The City at present is looking to improve the level of reporting of permit information to stakeholders and the community and working on reporting methods to implement this improvement.

Overall Assessment 4

1.3 Monitoring and Enforcement of Permit Conditions

At present the City does not have a formalised inspection or monitoring process in place regarding building permits. There is currently no inspection requirement under legislation. Staff actively monitor the Business and Energy Division's website in relation to compliance proceedings undertaken by the regulator.

Item 11.3 Continued

The Business Unit does carry out site inspections when information is received from the public or if in the professional opinion of the Business Unit staff an inspection regime is deemed appropriate for a development. If required, the City carries out enforcement procedures. Officers who carry out the required inspections are suitably qualified in accordance with the regulatory framework.

Current resourcing of the Business Unit does not allow for the implementation of a full scale formal monitoring and inspection programme.

Overall Assessment	3
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2. Conclusion

The comparison report findings have found that the City has a number of well established procedures relating to management of building permits. These areas mostly comply with the expectations outlined within the OAG report.

Score	Number Assessed at
5	0
4	2
3	1
2	0
1	0
Total	3

As mentioned previously the management of conflicts of interest is being looked at the organisational level to ensure consistency and transparency across the organisation.

The City continues to provide over the counter assistance and a variety of means through which applicants are able to lodge building applications.

The City is in the process of adapting the reporting framework to suit the Department of Mines, Industry Regulation and Safety's Building and Energy Division requirements for the online permit database.

The Building and Energy Division has released a Consultation Regulatory Impact Statement regarding reforms to the building approvals process for single residential buildings which includes the introduction of mandatory inspections during construction. This is in line with other States. The City will consider and contribute to the consultation. Any changes to the current process will be from a regulatory perspective and the City may need to undertake a further review at that time.

FINANCIAL IMPLICATIONS

There are no financial implications evident at this time.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications associated with this report.

SOCIAL IMPLICATIONS

There are no social implications associated with this report.

Item 11.3 Continued

OFFICER RECOMMENDATION

MARKS MOVED, SEKULLA SECONDED,

That the Standing Committee (Audit and Risk) recommend that Council receive the Western Australian Auditor General's Report 28: June 2018-19 – Local Government Building Approvals ([Attachment 4](#)).

CARRIED 5 VOTES TO 0

12. NEXT MEETING

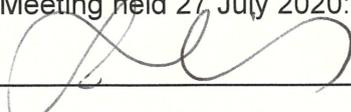
The next meeting of the Standing Committee (Audit and Risk) will be held on Monday 27 July 2020 commencing at 6.30pm.

13. CLOSURE

There being no further business the Presiding Member thanked everyone for their attendance and closed the meeting at 7.02pm.

MINUTES CONFIRMATION CERTIFICATION

The undersigned certifies that these minutes of the Standing Committee (Audit and Risk) Meeting held on 24 February 2020 were confirmed as a true and accurate record at the Standing Committee (Audit and Risk) Meeting held 27 July 2020:

Signed by the Person Presiding:  _____

PRINT name of the Person Presiding: **JENNY DAVIS**
