



City of Cockburn
Audit & Strategic Finance Committee
Agenda Paper

For Thursday, 21 March 2019

CITY OF COCKBURN

SUMMARY OF AGENDA TO BE PRESENTED TO THE AUDIT & STRATEGIC FINANCE COMMITTEE MEETING TO BE HELD ON THURSDAY, 21 MARCH 2019 AT 6:00 PM

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CITY OF COCKBURN

AGENDA TO BE PRESENTED TO THE AUDIT & STRATEGIC FINANCE COMMITTEE TO BE HELD ON THURSDAY, 21 MARCH 2019 AT 6:00 PM

- 1. DECLARATION OF MEETING**
- 2. APPOINTMENT OF PRESIDING MEMBER (IF REQUIRED)**
- 3. DISCLAIMER (TO BE READ ALOUD BY PRESIDING MEMBER)**

Members of the public, who attend Council Meetings, should not act immediately on anything they hear at the Meetings, without first seeking clarification of Council's position. Persons are advised to wait for written advice from the Council prior to taking action on any matter that they may have before Council.

- 4. ACKNOWLEDGEMENT OF RECEIPT OF WRITTEN
DECLARATIONS OF FINANCIAL INTERESTS AND CONFLICT
OF INTEREST (BY PRESIDING MEMBER)**
- 5. APOLOGIES & LEAVE OF ABSENCE**
- 6. PUBLIC QUESTION TIME**
- 7. CONFIRMATION OF MINUTES**

- 7.1 MINUTES OF THE AUDIT & STRATEGIC FINANCE COMMITTEE
MEETING - 15/11/2018**

| |
|-----------------------|
| RECOMMENDATION |
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| That Committee confirms the Minutes of the Audit & Strategic Finance Committee Meeting held on Thursday, 15 November 2018 as a true and accurate record. |
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8. DEPUTATIONS

**9. BUSINESS LEFT OVER FROM PREVIOUS MEETING (IF
ADJOURNED)**

Nil

**10. DECLARATION BY MEMBERS WHO HAVE NOT GIVEN DUE
CONSIDERATION TO MATTERS CONTAINED IN THE
BUSINESS PAPER PRESENTED BEFORE THE MEETING**

11. COUNCIL MATTERS

11.1 LOCAL GOVERNMENT ACT COMPLIANCE AUDIT RETURN 2018

Author(s) J Ngoroyemoto

Attachments 1. Compliance Audit Return 2018 [↓](#)

RECOMMENDATION

That Council adopt the Local Government Compliance Audit Return for the period 1 January 2018 to 31 December 2018, as attached to the Agenda.

Background

Since 2000, completion of the Local Government Compliance Audit Return has been mandatory for all local governments in this State in accordance with Regulations 14 and 15 of the Local Government (Audit) Regulations 1996.

Submission

N/A

Report

The Annual Compliance Audit Return is to be presented to, and reviewed by, a meeting of the Audit and Strategic Finance Committee in accordance with Regulation 14(3A) of the Local Government (Audit) Regulations 1996 and the result of that review be reported to a meeting of Council for adoption.

Following adoption by Council, a certified copy of the Return, signed by the Mayor and Chief Executive Officer, along with a copy of the relevant section of the Council Minutes, is submitted to the Director General, Department of Local Government, Sports and Cultural Industries in accordance with Regulations 14 and 15 of the Local Government (Audit) Regulations 1996, by 31 March. The Return indicates a conformity rating of 100% for the year.

Strategic Plans/Policy Implications

Leading & Listening

Deliver sustainable governance through transparent and robust policy and processes.

Budget/Financial Implications

N/A

Legal Implications

Regulations 14 and 15 of the Local Government (Audit) Regulations 1996 refer.

Community Consultation

N/A

Risk Management Implications

Failure to adopt the recommendation will result in non-compliance with meeting the deadlines for the Compliance Audit Return statutory reporting requirements to the Department of Local Government, Sports and Cultural Industries by 31 March 2019.

Advice to Proponent(s)/Submitters

N/A

Implications of Section 3.18(3) *Local Government Act, 1995*

Nil

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



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

Cockburn - Compliance Audit Return 2018

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 2018. | N/A | No Major Tradings from a land perspective were undertaken | Daniel Arndt |
| 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 2018. | N/A | No Major Tradings from a land perspective were undertaken | Daniel Arndt |
| 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 2018. | N/A | No Major Tradings from a land perspective were undertaken | Daniel Arndt |
| 4 | s3.59(4) | Has the local government given Statewide public notice of each proposal to commence a major trading undertaking or enter into a major land transaction for 2018. | N/A | No Major Tradings from a land perspective were undertaken | Daniel Arndt |
| 5 | s3.59(5) | Did the Council, during 2018, resolve to proceed with each major land transaction or trading undertaking by absolute majority. | N/A | No Major Tradings from a land perspective were undertaken | Daniel Arndt |

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



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

| 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 | | Don Green |
| 2 | s5.16, 5.17, 5.18 | Were all delegations to committees in writing. | Yes | | Don Green |
| 3 | s5.16, 5.17, 5.18 | Were all delegations to committees within the limits specified in section 5.17. | Yes | | Don Green |
| 4 | s5.16, 5.17, 5.18 | Were all delegations to committees recorded in a register of delegations. | Yes | | Don Green |
| 5 | s5.18 | Has Council reviewed delegations to its committees in the 2017/2018 financial year. | Yes | | Don Green |
| 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 | | Don Green |
| 7 | s5.42(1)(2) Admin Reg 18G | Were all delegations to the CEO resolved by an absolute majority. | Yes | | Don Green |
| 8 | s5.42(1)(2) Admin Reg 18G | Were all delegations to the CEO in writing. | Yes | | Don Green |
| 9 | s5.44(2) | Were all delegations by the CEO to any employee in writing. | Yes | | Don Green |
| 10 | s5.45(1)(b) | Were all decisions by the Council to amend or revoke a delegation made by absolute majority. | Yes | | Don Green |
| 11 | s5.46(1) | Has the CEO kept a register of all delegations made under the Act to him and to other employees. | Yes | | Don Green |
| 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 2017/2018 financial year. | Yes | | Don Green |
| 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 | | Don Green |
| 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). | Yes | | Don Green |
| 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 | | Don Green |

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Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



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

| No | Reference | Question | Response | Comments | Respondent |
|----|--|---|----------|----------|------------|
| 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 | | Don Green |
| 4 | 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. | Yes | | Don Green |
| 5 | 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 | | Don Green |
| 6 | s5.76(1) Admin Reg 23 Form 3 | Was an annual return lodged by all continuing elected members by 31 August 2018. | Yes | | Don Green |
| 7 | s5.76(1) Admin Reg 23 Form 3 | Was an annual return lodged by all designated employees by 31 August 2018. | Yes | | Don Green |
| 8 | 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 | | Don Green |
| 9 | 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 | | Don Green |
| 10 | 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 | | Don Green |
| 11 | 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 | | Don Green |
| 12 | 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 | | Don Green |
| 13 | 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 | | Don Green |
| 14 | 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 | | Don Green |

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Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



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

| No | Reference | Question | Response | Comments | Respondent |
|----|-------------------------|---|----------|----------|------------|
| 15 | 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. | N/A | | Don Green |
| 16 | s5.103(3) Admin Reg 34B | Has the CEO kept a register of all notifiable gifts received by Council members and employees. | Yes | | Don Green |

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)). | Yes | | Daniel Arndt |
| 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. | Yes | | Daniel Arndt |

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 | Ordinary Council Meeting dated 10 December 2015 | Stuart Downing |
| 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. | Yes | | Stuart Downing |
| 3 | s7.3 | Was the person(s) appointed by the local government to be its auditor, a registered company auditor. | Yes | By statute of the WA Parliament | Stuart Downing |
| 4 | s7.3, 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 | Auditor General of WA appointed by Local Government Act | Stuart Downing |
| 5 | Audit Reg 10 | Was the Auditor's report for the financial year ended 30 June 2018 received by the local government within 30 days of completion of the audit. | Yes | The Audit report was signed 27 November 2018 Received by Ordinary Council Meeting on 13 December 2018 | Stuart Downing |
| 6 | s7.9(1) | Was the Auditor's report for the financial year ended 30 June 2018 received by the local government by 31 December 2018. | Yes | Received by Ordinary Council Meeting on 13 December 2018 | Stuart Downing |

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Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



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

| No | Reference | Question | Response | Comments | Respondent |
|----|--------------|--|----------|--|----------------|
| 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 by the local government, was that action undertaken. | N/A | There were no items in the OAG's report under s7.9(1) | Stuart Downing |
| 8 | S7.12A (4) | 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 by the local government, was a report prepared on any actions undertaken. | N/A | There were no items in the OAG's report under s7.9(1) | Stuart Downing |
| 9 | S7.12A (4) | 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 by the local government, was a copy of the report forwarded to the Minister by the end of the financial year or 6 months after the last report prepared under s7.9 was received by the local government whichever was the latest in time. | N/A | There were no items in the OAG's report under s7.9(1) | Stuart Downing |
| 10 | Audit Reg 7 | Did the agreement between the local government and its auditor include the objectives of the audit. | Yes | The objectives were presented to the Audit and Strategic Finance Committee dated 15 November 2018 | Stuart Downing |
| 11 | Audit Reg 7 | Did the agreement between the local government and its auditor include the scope of the audit. | Yes | The objectives were presented to the Audit and Strategic Finance Committee dated 15 November 2018 | Stuart Downing |
| 12 | Audit Reg 7 | Did the agreement between the local government and its auditor include a plan for the audit. | Yes | The objectives were presented to the Audit and Strategic Finance Committee dated 15 November 2018 | Stuart Downing |
| 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 | The objectives were presented to the Audit and Strategic Finance Committee dated 15 November 2018 | Stuart Downing |
| 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 | The objectives were presented to the Audit and Strategic Finance Committee dated 15 November 2018 | Stuart Downing |
| 15 | Audit Reg 17 | Has the CEO reviewed the appropriateness and effectiveness of the local government's systems and procedures in accordance with regulation 17 of the Local Government (Audit) Regulations 1996. | Yes | The objectives were presented to the Audit and Strategic Finance Committee dated 15 November 2018, then adopted by the Council on 13 December 2018 | Stuart Downing |
| 16 | Audit Reg 17 | If the CEO has not undertaken a review in accordance with regulation 17 of the Local Government (Audit) Regulations 1996, is a review proposed and when. | N/A | | Stuart Downing |

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Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



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

| 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. This question is optional, answer N/A if you choose not to respond. | Yes | 9 June 2016 | Margot Tobin |
| 2 | s5.56 Admin Reg 19DA (6) | Has the local government adopted a modification to the most recent Corporate Business Plan. If Yes, please provide adoption date in Comments. This question is optional, answer N/A if you choose not to respond. | Yes | 14 June 2018 | Margot Tobin |
| 3 | s5.56 Admin Reg 19C (7) | Has the local government adopted a Strategic Community Plan. If Yes, please provide adoption date of the most recent Plan in Comments. This question is optional, answer N/A if you choose not to respond. | Yes | 9 June 2016 | Margot Tobin |
| 4 | s5.56 Admin Reg 19C (7) | Has the local government adopted a modification to the most recent Strategic Community Plan. If Yes, please provide adoption date in Comments. This question is optional, answer N/A if you choose not to respond. | N/A | | Margot Tobin |
| 5 | S5.56 | Has the local government adopted an Asset Management Plan. If Yes, in Comments please provide date of the most recent Plan, plus if adopted or endorsed by Council the date of adoption or endorsement. This question is optional, answer N/A if you choose not to respond. | Yes | An Asset Management Strategy was adopted by Council on 8 February 2018. Asset Management Plans were initially adopted by Council with subsequent reviews approved by Executive | Margot Tobin |
| 6 | S5.56 | Has the local government adopted a Long Term Financial Plan. If Yes, in Comments please provide date of the most recent Plan, plus if adopted or endorsed by Council the date of adoption or endorsement. This question is optional, answer N/A if you choose not to respond. | Yes | 9 June 2016 | Margot Tobin |
| 7 | S5.56 | Has the local government adopted a Workforce Plan. If Yes, in Comments please provide date of the most recent Plan plus if adopted or endorsed by Council the date of adoption or endorsement. This question is optional, answer N/A if you choose not to respond. | Yes | 9 June 2016 | Margot Tobin |

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



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

| 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 | There was no appointment of CEO in 2018 | Cliff McKinley |
| 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 | There was no appointment of CEO in 2018 | Cliff McKinley |
| 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 | There was no appointment of CEO in 2018 | Cliff McKinley |
| 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 | There was no appointment of CEO in 2018 | Cliff McKinley |
| 5 | s5.37(2) | Did the CEO inform council of each proposal to employ or dismiss a designated senior employee. | N/A | No designated employees were dismissed in 2018 | Cliff McKinley |

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



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

| 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 | Don Green |
| 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 | | Don Green |
| 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 | | Don Green |
| 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 | | Don Green |
| 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 | | Don Green |
| 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 | | Don Green |

| 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 | | Antonio Natale |
| 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 | | Antonio Natale |
| 3 | F&G Reg 14(1) & (3) | Did the local government invite tenders via Statewide public notice. | Yes | | Antonio Natale |
| 4 | F&G Reg 14 & 15 | Did the local government's advertising and tender documentation comply with F&G Regs 14, 15 & 16. | Yes | | Antonio Natale |

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Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



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

| 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 | | Antonio Natale |
| 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 | | Antonio Natale |
| 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. | Yes | | Antonio Natale |
| 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 | | Antonio Natale |
| 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. | Yes | | Antonio Natale |
| 10 | F&G Reg 19 | Was each tenderer sent written notice advising particulars of the successful tender or advising that no tender was accepted. | Yes | | Antonio Natale |
| 11 | F&G Reg 21 & 22 | Did the local governments's advertising and expression of interest documentation comply with the requirements of F&G Regs 21 and 22. | N/A | No expressions of interest were invited by the City. | Antonio Natale |
| 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 | No expressions of interest were invited by the City. | Antonio Natale |
| 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 | No expressions of interest were invited by the City. | Antonio Natale |
| 14 | F&G Reg 24 | Was each person who submitted an expression of interest, given a notice in writing in accordance with Functions & General Regulation 24. | Yes | | Antonio Natale |
| 15 | F&G Reg 24AD(2) | Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice. | Yes | | Antonio Natale |
| 16 | F&G Reg 24AD(4) & 24AE | Did the local government's advertising and panel documentation comply with F&G Regs 24AD(4) & 24AE. | Yes | | Antonio Natale |

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



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

| No | Reference | Question | Response | Comments | Respondent |
|----|-----------------|---|----------|--|----------------|
| 17 | 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. | Yes | | Antonio Natale |
| 18 | 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, notice of the variation. | Yes | | Antonio Natale |
| 19 | 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. | Yes | | Antonio Natale |
| 20 | 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. | Yes | | Antonio Natale |
| 21 | 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. | Yes | | Antonio Natale |
| 22 | F&G Reg 24AI | Did the local government 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. | Yes | | Antonio Natale |
| 23 | F&G Reg 24E | Where the local government gave a regional price preference in relation to a tender process, did the local government comply with the requirements of F&G Reg 24E in relation to the preparation of a regional price preference policy (only if a policy had not been previously adopted by Council). | N/A | No regional price preference available or accepted within the City Policy. | Antonio Natale |
| 24 | 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 | No regional price preference available or accepted within the City Policy. | Antonio Natale |
| 25 | F&G Reg 11A | Does the local government have a current purchasing policy 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 | | Antonio Natale |

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Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



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

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

Signed Mayor / President, Cockburn

Signed CEO, Cockburn

11.2 RISK INFORMATION REPORT

Author(s) J Ngoroyemoto

Attachments 1. High Risks Update Report [↓](#)

RECOMMENDATION

That the Committee receives the Risk Information Update report for noting by Council

Background

The City's Risk Program is committed to a culture of risk management to ensure that sound risk management practices and procedures are fully integrated into its strategic and operational processes and day to day business practices. The City is progressing in implementing the Risk Program and this report provides an update on the key milestones achieved over the past 4 months, since the last information report was submitted to the Audit Committee.

The purpose of this report is to provide an overview of the current and planned risk management activities by the City of Cockburn, incorporating the updated Status of the City's Business Continuity Management Program.

Submission

N/A

Report

This Risk Report covers the months of December 2018 to March 2019 and outlines the risk and business continuity management activities undertaken during these months.

RISK MANAGEMENT PROGRAM

Update on High and Extreme Risks

As at 1 March 2019, 25 Strategic Risks and 252 Operational risks currently sit on the City's Risk Registers.

| <u>Risk</u> | <u>No of Risks</u> |
|-------------|--------------------|
| Extreme | Nil |
| High | 3 |
| Substantial | 18 |

| <u>Risk</u> | <u>No of Risks</u> |
|-------------|--------------------|
| Moderate | 146 |
| Low | 120 |

These risks are monitored and reviewed in priority of the risk rating level as per the City of Cockburn risk treatment levels.

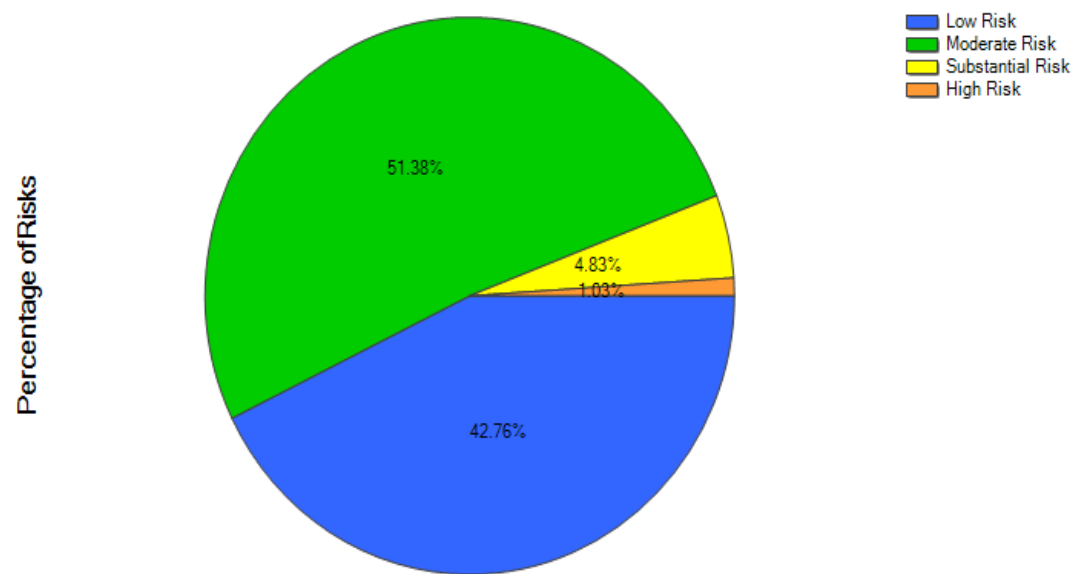
Identified High Risks

- Operational Risk – Community Services Major Projects;
- Strategic Risk – Project Management; and
- Strategic Risk – Water Availability.

Updates on all of the identified High risks are attached to the report.

Interim Risk Profile

All of the City's risk information is continuously reviewed by the risk owners in the Risk Management & Safety System (RMSS). The distribution of risk ratings for both strategic and operational risks throughout the organisation is shown in the following risk matrix and chart. The chart demonstrates the overall image of the City's risk categorised into Low, Moderate, Substantial, High and Extreme risks. The City is proactively managing its risks with no Extreme risks identified and only 1.03% rated High. The distribution of the risk ratings is likely to change as the City transitions through the risk maturity levels and continues to review all operational and strategic risks. The strategic risk register will be reviewed in the next quarter and presented at the July 2019 Audit and Strategic Finance Committee Meeting.

Figure 1: Distribution of risk ratings as at 1 March 2019.**Figure 2:** Risk Matrix - This matrix maps out the distribution of risks within the City's Risk Matrix.



Residual Risk Matrix

| | | Likelihood | | | | |
|-------------|------------------------|------------|---------------|---------------|-------------|---------------------|
| | | 1 Rare | 2 Unlikely | 3 Possible | 4 Likely | 5 Almost Certain |
| Consequence | Insignificant 1 - 1 | 7 Risk(s) | 10 Risk(s) | 1 Risk(s) | L | M |
| | Minor 2 - 2 | 6 Risk(s) | 72 Risk(s) | 15 Risk(s) | 10 Risk(s) | S |
| | Major 3 - 3 | 23 Risk(s) | 63 Risk(s) | 20 Risk(s) | 3 Risk(s) | 1 Risk(s) |
| | Critical 4 - 4 | 5 Risk(s) | 30 Risk(s) | 8 Risk(s) | 1 Risk(s) | E |
| | Catastrophic 5 - 5 | 10 Risk(s) | 3 Risk(s) | 1 Risk(s) | E | E |

| | | |
|---|-------------|--|
| E | Extreme | Significant impact making it unlikely for the organisation to achieve its objectives. Capability of the organisation Risk Treatment: Eliminated. Requires treatment to eliminate risk. Formal assessment and action plan prepared. |
| H | High | Significant impact making it difficult for organisation to achieve objectives. Will diminish capability of organisation. Risk Treatment: mitigate. Risk requires treatment to mitigate impact. Formal assessment and action plan prepared. |
| S | Substantial | Will Impact on the ability of organisation to achieve objectives or will diminish capability. Risk Treatment: Accepted with detailed review and assessment. Action Plan prepared. |
| M | Moderate | May Impact on the ability of organisation to achieve objectives or may diminish capability. Risk Treatment: Accepted with review. |
| L | Low | Little or no impact on the achievement of objectives or capability. Risk Treatment: Accepted without detailed review. |

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THE CITY'S BUSINESS CONTINUITY MANAGEMENT PROGRAM

Risk west was engaged by the City of Cockburn to assist in the development and implementation of location-based Business Continuity Plans (BCPs) in accordance with the following program.

Tranche 1

- Facilitate Business Impact Analysis with key managers – **completed**
- Conduct follow-up workshops / interviews with Business / Service units located in the Administration Building and Cockburn ARC to identify recovery strategies and resource requirements for recovery - **completed**
- Prepare BCP documentation for the Administration Building and Cockburn ARC – **completed**
- Submit initial draft of the BCPs for review and sign-off by Executive– **completed**

Tranche 2

- Conduct follow-up workshops / interviews with Business / Services Units located in the Operations Centre and Henderson Waste Facility to identify recovery strategies and resource requirements for recovery – **completed**
- Prepare BCP documentation for the Operations Centre and Henderson Waste Facility – **completed**
- Submit initial draft of the BCPs for review and sign-off by Executive – **completed**

Tranche 3

- Conduct training and exercises to validate the completeness and accuracy of the plans – **currently in progress**

Insights and moving forward:

As the City continues to implement and embed risk management through its Risk Program, it will continue to focus on the following key areas and current initiatives:

- I. **Risk Management Framework and Policy Review**
To address recommendations of the 'Road Map' from the risk maturity assessment review report.
- II. **Strategic Risks Review**
Strategic risk workshops with the key deliverable of a strategic risk register for the City, to identify high level key strategic risks associated with City of Cockburn's external environment, stakeholders, strategic direction and systemic organisational issues.
- III. **Fraud & Misconduct Control Plan**
Develop the Fraud & Misconduct Control Plan to address areas of high vulnerability to fraud and corrupt activity. This will support the Fraud, Misconduct Control & Resilience Framework and Policy.

Strategic Plans/Policy ImplicationsLeading & Listening

Deliver sustainable governance through transparent and robust policy and processes.

Budget/Financial Implications

Nil

Legal Implications

N/A

Community Consultation

N/A

Risk Management Implications

Failure to adopt the recommendations will result in the inability to support an integrated and effective approach to risk management and lack of guidance on the arrangements for designing, implementing, monitoring and continually improving risk management process.

Advice to Proponent(s)/Submitters

N/A

Implications of Section 3.18(3) *Local Government Act, 1995*

Nil

HIGH RISKS QUARTERLY REPORT (DECEMBER 2018 – MARCH 2019)

Risk Owner: Director Governance and Community Services**Risk Name:** Community Services Major Projects

| Risk ID | Risk Description | Causes | Control Effectiveness | Risk Rating |
|---------|---|---|-----------------------|-------------|
| | Failure to coordinate Community Services major projects on behalf of the City of Cockburn | Lack of due diligence Lack of detailed project scope Lack of resourcing Poor contractors performance Variations of expenditure Inaccurate project cost estimate | | |
| | | | Adequate | High |
| | Risk Impacts | Existing Controls | | |
| | Delays in projects Financial Loss | Contract independent specialist consultant Project control group & project working group Committees & Council reference group Consulting teams/meetings Financial monitoring, extensive project program, monthly progress reports Risk management Plans. | | |

Update:

The Project Management System – known as Portfolio Project Management rollout reached another stage in March 2019 with the first rollout. The Business Process Owners (BPO) signed off the User Acceptance Testing (UAT) as of 12 February 2019. The UAT phase was after the hands-on training and walkthrough of the system with the BPOs and the Pilot User Group, who then proceeded to use the system and perform testing. The PPM is now in the Go Live targeted phase1, launched on 8 March 2019.

HIGH RISKS QUARTERLY REPORT (DECEMBER 2018 – MARCH 2019)

Risk Owner: Director Finance & Corporate / Executive Manager Strategy & Civic Support**Risk Name:** Project Management

| Risk ID | Risk Description | Causes | Control Effectiveness | Risk Rating |
|---------|---|---|-----------------------|-------------|
| | Fail to consistently apply project management methodology and implementation to City projects | Resistance to cultural change Inconsistent and duplication of processes Lack of skills training Inconsistent project management frameworks Selecting the wrong project management software solution for the City Fundamental lack of governance from an IS perspective | | |
| | | | Adequate | High |
| | Risk Impacts | Existing Controls | | |
| | Capital works carry over Silo approach to projects Budget impacts Parachuted project | Project management tools Staff training Cross functional meetings Long term financial plan | | |

Update: The Project Management System – known as Portfolio Project Management rollout reached another stage in March 2019 with the first rollout. The Business Process Owners (BPO) signed off the User Acceptance Testing (UAT) as of 12 February 2019. The UAT phase was after the hands-on training and walkthrough of the system with the BPOs and the Pilot User Group, who then proceeded to use the system and perform testing. The PPM is now in the Go Live targeted phase1, launched on 8 March.

HIGH RISKS QUARTERLY REPORT (DECEMBER 2018 – MARCH 2019)

Risk Owner: Director Engineering and Works**Risk Name:** Water Availability

| Risk ID | Risk Description | Causes | Control Effectiveness | Risk Rating |
|---------|--|---|-----------------------|-------------|
| | Reducing water availability to irrigate City and maintain service delivery and amenity | Drying climate Lower allocation of groundwater, by Department of water | | |
| | | | Adequate | High |
| | Risk Impacts | Existing Controls | | |
| | Poor appearance of street scapes and parks | Water management plan Adapt landscaping plans Water recharge options Community education | | |

Update: Water operating strategies are being implemented accordingly and the annual list of commitments met;

- Open space and streetscape landscape designs incorporate irrigation designs to minimise water use;
- Renewal of irrigation systems to meet a uniformity coefficient of >80% (measure of water uniformity);
- Continued roll out of the central control irrigation system to ensure an integrated water management system;
- Investigating software architecture that manages water allocations levels for each open space and streetscape area;
- Department of Water and Environmental Regulations issued a discussion paper in August 2018 on the potential cost recovery for allocating water licences and permits; this would have a significant financial impact on the City if it is implemented. No response has been issued by the Department as of 5 March 2019

12. PLANNING & DEVELOPMENT DIVISION ISSUES

Nil

13. FINANCE & CORPORATE SERVICES DIVISION ISSUES

13.1 OFFICE OF AUDITOR GENERAL LOCAL GOVERNMENT FOCUS AUDIT: CONTROLS OVER CORPORATE CREDIT CARDS

| | |
|--------------------|--|
| Author(s) | N Mauricio |
| Attachments | <ol style="list-style-type: none"> 1. WA Auditor General's Report - Control over Corporate Credit Cards ↓ 2. Administrative Policy - Corporate Credit Cards (NEW) ↓ 3. Corporate Credit Cards - PSFCS24 - Position Statement (TO BE DELETED) ↓ 4. Corporate Credit Cards Delegated Authority LGAFCS8 (TO BE DELETED) ↓ |

RECOMMENDATION

That Council:

1. receive the City's review and response to the findings and recommendations contained within the Auditor General's local government audit report into "Controls over Corporate Credit Cards", as detailed in this agenda report; and
2. refer the new "Corporate Credit Cards" Administrative Policy replacing Position Statement PSFCS24 "Corporate Credit Cards" and the associated Delegated Authority LGAFCS8 to the next DAPPS meeting, as attached to the agenda.

Background

Mayor Logan Howlett initiated the following notice of motion to the July 2018 meeting of the Audit & Strategic Finance Committee:

That a review of the City's Position Statement PSFCS24 - "Corporate Credit Cards" - and associated Delegated Authority LGAFCS8 be undertaken and a report provided to the November 2018 meeting of the Audit & Strategic Finance Committee.

The reason for the motion was to address recommendations contained in the Auditor General's Report 7 to Parliament dated 9 May, 2018 – 'Controls over Corporate Credit Cards' as they related to local governments.

The report was unable to be presented to the November meeting due to various issues and delays by the Office of the Auditor General (OAG) in completing the audit of the City's 2017-2018 Annual Financial Statements.

Submission

N/A

Report

The first program of audit activity conducted by the OAG into local government was a 'focus audit' on corporate credit cards. Focus audits have a narrow scope and aim to assess how well controls and business practices are being performed for a specific function. The OAG aim to provide insight into what is good practice and identify opportunities for improvement, including for those local governments not audited.

This audit assessed whether the eight local governments chosen (comprising of large and small, regional and metropolitan councils) had effective controls over the use of corporate credit cards and if there was adequate independent review of credit card use (including that of CEOs).

In the report to Parliament, the Auditor General acknowledged that corporate credit cards offer significant benefits to local governments through reduced costs and streamlined business processes. However, that they are potentially subject to misuse if not properly managed.

The audit concluded that the sample local governments all had satisfactory controls in place, although each had shortcomings in their policies and practices of varying significance. Overall, the policies and administrative systems in place for managing corporate credit cards were appropriate and it is worth noting that the OAG did not find any inappropriate use of credit cards within the sample local governments. However, the OAG did find that most local governments had opportunities for improvement around timelines, adequacy of documentation, the independence of reviews and the sharing of cards.

Another finding by the OAG was the inconsistent reporting to Council of credit card usage, although this was being regularly reviewed by management. Half of the local governments reported the total payment made for the outstanding card balance, whilst the others reported individual purchases made on credit card. In the City's case, it reports the total payment as management sees no value in presenting hundreds of individual transactions to Council each month. However, there is scope to provide more summarised information in the monthly payment list to Council in future.

It was also highlighted by the OAG in the report to Parliament that some local governments had recently completed internal audits on their use of corporate credit cards. Effectively, the City's monitoring and compliance checking by the Finance department is a form of internal audit and review. The City's auditors always look at the credit card practices and activities as part of their annual interim audit and have

found no need to include findings or recommendations in their management letter to Council in the last three years.

The audit report contained five recommendations to local government and these have been individually reviewed and addressed against the City's current policy and procedures:

OAG Recommendation 1:

Ensure policies specify requirements for all key credit card processes

City of Cockburn review:

Position Statement PSFCS24 - "Corporate Credit Cards" and the associated guidelines contain specific and detailed requirements for both cardholders and Finance staff to follow. New cardholders are required to sign an agreement outlining cardholder duties and responsibilities (in accordance with PSFCS24) as part of the on boarding process before the card is issued to them.

The City's existing guidelines are consistent with and expand on Local Government Operational Guideline No. 11 "Use of Corporate Credit Cards" issued by the Department of Local Government. Whilst these were last updated in 2006, the guidance remains relevant in view of the OAG's findings. One important aspect highlighted by the OAG was having appropriate controls over the issuing of credit cards. The departmental guideline recommends that the CEO should approve the issue of credit cards to employees, but in the City's case this had also been sub-delegated to the Director, Finance & Corporate Services and Manager, Financial Services (under Delegated Authority LGAFCS8). The City's guidelines also outline appropriate card limits for individuals based on their position and operational needs. These existing controls have proven effective for the City over time, but could be strengthened by also adding the applicant's line Director's approval to the process.

The OAG also identified the importance of having clearly defined timelines for acquitting and approving credit card transactions to ensure timely processing and the early identification of unauthorised transactions. The City's guidelines require cardholders to acquit their monthly transactions and have them approved by their manager within 1 month of statement issue. This meets the OAG's reasonable timeframe expectation (on a monthly basis).

Under the City's current Policies Review project, Position Statement PSFCS24 - "Corporate Credit Cards" was identified to change into an Administrative Policy, since corporate credits cards only apply to staff and this function falls under the CEO's responsibility. An administrative policy has now been prepared and is attached to this agenda item. This policy now requires the issue of new credit cards to be approved by the applicant's line Director, removing the need for a separate Council Delegated Authority for what is an administrative process. The City's

existing credit card guidelines will be retained as internal procedures supporting the new administrative policy. Under the City's new Policy Framework, procedures supporting Council policy require Director approval for any changes.

Action:

A new administrative policy on corporate credit cards has been developed based on Position Statement PSFCS24, which reflects current practice and is aligned with the OAG's findings and recommendations. This will be referred to the next DAPPS meeting for Council adoption, together with the deletion of the old Position Statement PSFCS24 and associated Delegated Authority LGAFCS8.

OAG Recommendation 2:

Keep adequate records of all card transactions, including information that describes the nature/purpose of the expenditure and evidence of review and approval

City of Cockburn review:

The City has recently implemented a paperless credit card acquittal system process within the Technology One ERP. This enables the electronic storage of all transaction receipts/ invoices, the timestamping and recording of transaction authorisations by cardholders and "next manager up" approvals. The system requires Finance department staff to perform compliance checking reviews in order to complete the process. All processing and approval steps are completely work-flowed within the system, ensuring a complete end to end and transparent system. Auditor feedback to date suggests this system currently represents good practice within local government.

Action:

Finance department to ensure cardholders enter sufficient descriptions explaining the nature of the expenditure and to develop summary reporting for senior management to review.

OAG Recommendation 3 - cancel redundant cards in a timely manner to avoid loss and/or misuse of cards

City of Cockburn review:

The City has effective termination checklist procedures, which ensure terminating cardholders return their corporate credit cards to Finance for cancellation. Credit card accounts are then cancelled promptly (within 3 business days of being returned) through the online banking system of the card provider (CBA). There is an improvement opportunity to review and assess card usage to identify dormant and unneeded cards.

Action:

Finance department to complete an annual review of all cards to

identify level of usage in the preceding 12 months (every December). Cards not showing any or minimal usage will be followed up with senior management for cancellation.

OAG Recommendation 4 - regularly monitor outstanding transactions to identify and follow up on long outstanding un-acquitted transactions

City of Cockburn review:

The functionality of the City's credit card system makes it relatively easy to identify and follow up on outstanding transactions. The Finance department prepares a monthly credit card non-compliance report for management and uses this to bring cardholders back into compliance. If cardholders ignore or fail to resolve the non-compliance issue, the credit card limit is reduced to zero until the issue is resolved. Repeated non-compliant behaviour may result in temporary suspension/ or permanent cancellation of credit cards after consulting senior management. Since this new reporting regime, very rarely has there been a need to report non-compliance to senior management, demonstrating the overall effectiveness of the system.

Action:

Commence sharing the non-compliance report with senior managers of those staff listed on the report. Currently, it is only reviewed by the Manager Financial Services.

OAG Recommendation 5 - ensure senior management periodically reviews credit card use, to confirm compliance with policies and to identify any abnormal trends. The results of these reviews should be documented and retained.

City of Cockburn review:

As mentioned under Recommendation 4, the City now produces a non-compliance report for the Manager, Financial Services to review. More serious non-compliance is alerted to the Director, Finance & Corporate Services to determine any remedial action needed. The independent review and approval of all credit transactions by the cardholder's manager also provides the opportunity for review of use and this is documented by the system.

Action:

Expand the non-compliance report to not only show the status of outstanding card transactions, but also to include any instances of insufficient supporting documentation or inappropriate use of credit cards. Also provide more summarised information and statistics in the monthly payment list to Council.

Overall, this review of the City's credit card policies and procedures against the OAG audit shows a high level of operational efficiency and

governance. The City has a credit card facility of \$250,000 (maximum) comprising of 72 credit cards and a total limit usage of \$239,000. Credit card spending averaged a total \$75,000 each month over the past year, with these statistics demonstrating the City taking great advantage of the reduced costs and streamlined business processes offered by this payment channel.

However, there is always room for improvement and the outcomes of this review will be shared with the City's auditors for 2018-19 (once appointed by the OAG). This will allow sufficient scrutiny and ensure the actions identified are carried out.

Strategic Plans/Policy Implications

Economic, Social & Environmental Responsibility

Create opportunities for community, business and industry to establish and thrive.

Leading & Listening

Deliver sustainable governance through transparent and robust policy and processes.

Budget/Financial Implications

Approximately \$900,000 is spent via credit cards annually with sufficient controls in place to ensure this is on budgeted expenditure. All expenditure is appropriately authorised in accordance with the City's delegated financial authorities (DFA).

Legal Implications

N/A

Community Consultation

N/A

Risk Management Implications

Audit activities are an important mitigation measure in addressing risk. It is important that any audit findings and recommendations are considered and addressed.

Advice to Proponent(s)/Submitters

N/A

Implications of Section 3.18(3) *Local Government Act, 1995*

Nil

Western Australian Auditor General's Report



Controls Over Corporate Credit Cards



Report 7: May 2018

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WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

Controls Over Corporate Credit Cards

Report 7
May 2018



**THE PRESIDENT
LEGISLATIVE COUNCIL**

**THE SPEAKER
LEGISLATIVE ASSEMBLY**

CONTROLS OVER CORPORATE CREDIT CARDS

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

The report summarises the results of my first focus area audit in the local government sector.

The audit assessed whether 8 local governments have effective controls over the use of corporate credit cards. We found that they generally had satisfactory controls, but we did note various shortcomings and have made related recommendations for improvement.

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

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

COLIN MURPHY
AUDITOR GENERAL
9 May 2018

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| | |
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Auditor General's overview

I am pleased to present my first local government audit report to Parliament, under the *Local Government Amendment (Auditing) Act 2017*.

This report reflects the results of a focus area audit on Controls Over Corporate Credit Cards. These audits have a narrow scope and normally focus on specific areas of financial controls. We audited 8 local governments, some big in size and some small, some metropolitan based and some regional, to give an idea of how local governments are performing in this area.



Given the huge diversity among local governments, the intent of these audits is not to compare, but to provide examples of better practice as well as opportunities for improvement.

Corporate credit cards offer significant benefits to entities. They can reduce costs and streamline business processes associated with authorising, tracking, purchasing, payment and reconciling purchases. But like all financial processes and tools, they can be misused if not properly managed.

I recognise the challenges that small local governments in particular experience with regard to matters such as segregation of duties and suitable arrangements while key staff are on leave. In saying that, the results of this audit are generally good. While we noted some areas that could be done better, the local governments mostly had satisfactory controls in place.

Importantly, the local governments were accepting of our findings and were open to change to address the issues we identified. And I encourage all local governments to follow suit – to assess their own management of corporate credit cards against the findings and recommendations of this report and to promptly act where required.

Parliament gave the Auditor General the mandate to audit local government to enhance accountability and transparency across the sector. For this to be a success we need to continue on the path we started with this audit. That is working together to recognise good practice as well as identify areas where things can and should be done better – in the public interest.

Controls over corporate credit cards

Background

Corporate credit cards are an important part of modern purchasing systems, offering significant benefits such as reduced costs and streamlined business processes. They are used for local government purchases including computing and other equipment, general consumables, hospitality and travel. While local governments generally use credit cards for a small proportion of their payments, it is important they are effectively managed to reduce the risk of improper or unauthorised use.

Local government employees and chief executive officers (CEOs) use corporate credit cards. However, the elected members that make up a local government Council cannot use these cards as the *Local Government Act 1995* (LG Act) does not allow them to incur debts. Instead, local governments pay allowances or reimburse expenses to an elected member.

The LG Act and associated regulations require:

- the Council to oversee allocation of the local government's finances and resources and to determine policies
- the CEO to ensure that proper accounts and records are kept in accordance with regulations
- local governments to develop procedures for the payment of accounts to ensure that there is effective security for, and properly authorised use of credit cards.

In conducting our audit, we considered the above requirements, *Local Government Operational Guidelines Number 11 – September 2006 Use of Corporate Credit Cards* and other accepted better practice guidance.

Conclusion

Local governments in our sample generally had satisfactory controls in place to manage the use of credit cards. We noted shortcomings however, of varying significance, in the policies and practices at most local governments we audited. We did not find any inappropriate use of credit cards.

Recommendations

1. Local governments should:
 - a. ensure policies specify requirements for all key credit card processes
 - b. keep adequate records of all card transactions, including information that describes the nature/purpose of the expenditure and evidence of review and approval
 - c. cancel redundant cards in a timely manner to avoid loss and/or misuse of cards
 - d. regularly monitor outstanding transactions to identify and follow up on long outstanding un-acquitted transactions
 - e. ensure senior management periodically reviews credit card use, to confirm compliance with policies and to identify any abnormal trends. The results of these reviews should be documented and retained.

What we did

The focus of this audit was to determine if the local governments in our sample have effective controls over the use of corporate credit cards. We also assessed if there was adequate independent review of the credit card use of CEOs.

We assessed the policies and practices at 8 local governments, over the period 1 January 2017 to 30 September 2017, using the following lines of inquiry:

1. Do local governments have appropriate policies and administrative systems in place for corporate credit cards?
2. Are suitable controls in place to monitor and manage the issue and use of cards and the timely approval of card transactions?
3. Do management periodically review their use of corporate credit cards and act on any identified shortcomings?

We conducted this audit under sections 18 of the *Auditor General Act 2006* and 7.12AJ of the *Local Government Act 1995* and in accordance with Australian Auditing and Assurance Standards.

Local governments included in our audit

Focus area audits assess local governments against common business practices to identify good practices, and control weaknesses and exposures so that local governments, including those not audited, can compare their own performance.

When deciding which local governments to include in this audit we aimed for a mix of different size local governments from diverse locations with varying budgets, resourcing and purchasing requirements. This allowed us to identify potential issues, better practice examples and improvement opportunities that are likely to be applicable across the broader local government sector.

We included the following local governments in this audit:

| Local government | Number of credit cards | Number of credit card purchases made | Number of credit card purchases as a % of all purchases made | Value of credit card purchases | Value of credit card purchases as a % of all purchases made |
|----------------------|------------------------|--------------------------------------|--|--------------------------------|---|
| City of Kalamunda | 12 | 959 | 14% | \$159,585 | 0.34% |
| City of Rockingham | 90 | 4,391 | 20% | \$1,213,175 | 0.89% |
| City of Wanneroo | 54 | 3,199 | 4% | \$417,185 | 0.28% |
| Shire of Carnarvon | 4 | 108 | 4% | \$17,144 | 0.17% |
| Shire of Cranbrook | 2 | 293 | 16% | \$45,688 | 1.06% |
| Shire of Dandaragan | 4 | 143 | 4% | \$41,249 | 0.43% |
| Shire of Denmark | 4 | 122 | 6% | \$22,799 | 0.34% |
| Town of Port Hedland | 8 | 553 | 12% | \$176,929 | 0.47% |

Table 1: Key expenditure statistics from 1 January 2017 to 30 September 2017

What did we find?

Overall policies and administrative systems for managing corporate credit cards were appropriate

Good policies and procedures provide essential guidance for staff to manage credit cards in accordance with management's expectations. They should cover matters such as controls over issuing and cancelling cards as well as approving and acquitting purchases.

We found that appropriate policies and administrative systems were generally in place for use of credit cards, however:

- at the Shire of Denmark and the City of Wanneroo we found that policies did not specify the timelines for acquitting and approving monthly credit card statements. Setting timelines is important as they help ensure timely acquittal and approvals, and also early identification of any unauthorised transactions
- at the City of Wanneroo, we found 2 instances where cardholders had not completed cardholder agreements. Cardholder agreements outline cardholder duties and responsibilities.

Suitable controls were generally in place for managing credit card use, however most local governments had opportunities for improvement

Strong controls assist in the early identification of erroneous, inappropriate or unauthorised transactions. It is good practice for transactions to be matched to invoices and vetted by the cardholder before being independently approved by the cardholder's supervisor. These steps should be completed within a reasonable timeframe on a monthly basis.

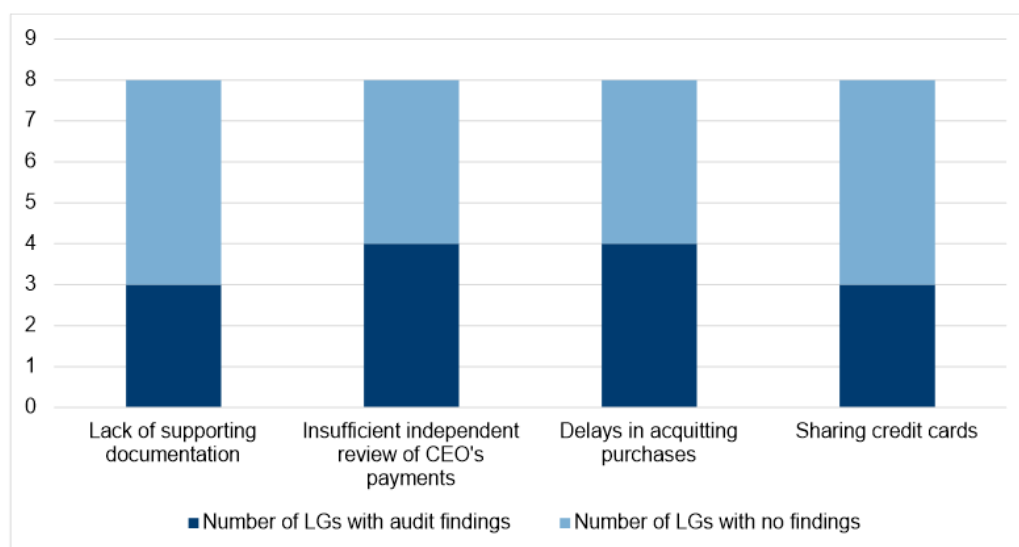


Figure 1: Audit findings by number of local governments (LGs)

We identified control weaknesses of varying significance at all local governments, except the Shire of Carnarvon:

- The City of Rockingham did not always have appropriate independent approval of credit card transactions. For 54% of cardholders, the coding and review of their transactions was performed by subordinates, and the cardholders thereafter approved their own transactions.

- CEO credit card transactions were approved by a subordinate, or were self-approved at 4 local governments. This process could be improved to increase transparency, without introducing additional approval processes, by periodically reporting the CEO's transactions to the Council, and clearly identifying them for noting.
- To ensure the person using the credit card is identifiable and accountable, staff should not share credit cards. We found sharing of cards at 3 local governments:
 - At the City of Kalamunda, we found that cardholders permitted staff within their departments to use their card. The monthly statement was then signed off by the cardholder and a subordinate. We were unable to determine who made the purchases and could not substantiate if approvals were independent. Staff at the City of Wanneroo and Shire of Dandaragan also shared cards but they were able to demonstrate independent approval and monitoring of these purchases.

We recognise the challenges of small local governments in this regard, however they should consider other arrangements to avoid sharing of cards.

- We found delays in cancelling cards when staff resigned, at the Shire of Denmark and the City of Wanneroo. The maximum delays were 4 months and 11 months respectively. If cards are not cancelled promptly, they may be used by other non-authorised staff.
- The City of Rockingham did not have adequate documentation for 20% of the transactions we audited. The Shire of Cranbrook and Shire of Denmark lacked adequate documents for a small number of transactions. This makes it difficult for management or auditors to determine the appropriateness of purchases.
- We found 4 local governments were not always acquitting their credit card transactions in a timely manner or in line with their own policy. The delays ranged from 7 business days later than required by the policy, to over 4 months. Timely acquittals help identify any erroneous or inappropriate payments.

While local governments were reviewing credit card usage, there was inconsistent reporting to Council

We found that all the local governments were reviewing the use of credit cards in some way, on a regular basis. We were pleased to note that the City of Rockingham and the Shire of Carnarvon recently audited their credit cards. Internal audits provide management with important insight into credit card usage and associated effectiveness of controls.

Reporting to Council on credit card expenditure was inconsistent as:

- half the local governments reported payment of the outstanding credit card balance
- the others reported individual purchases made on the credit card.

The latter approach clearly provides more transparent oversight of this expenditure as regular detailed review of all payments can help identify unusual card use. Councils interpreted Regulation 13 of the Local Government (Financial Management) Regulations 1996 inconsistently. This regulation requires local governments to present the details of all payments, including corporate credit card payments to Council on a monthly basis.

Response from local governments

Local governments in our sample generally accepted the recommendations and confirmed that, where relevant, they have amended policies and administrative systems or will improve practices for managing credit cards.

The City of Wanneroo agreed that in future credit cards will be cancelled when staff leave. The City advised that in the instances identified during our audit, although the cards had not been promptly cancelled with the bank, they had been promptly destroyed when the staff members resigned and that no transactions had been made using those cards.

Auditor General's Reports

| Report number | 2018 reports | Date tabled |
|---------------|--|------------------|
| 6 | Audit Results Report – Annual 2017 Financial Audits and Management of Contract Extensions and Variations | 8 May 2018 |
| 5 | Confiscation of the Proceeds of Crime | 3 May 2018 |
| 4 | Opinions on Ministerial Notifications | 11 April 2018 |
| 3 | Opinion on Ministerial Notification | 21 March 2018 |
| 2 | Agency Gift Registers | 15 March 2018 |
| 1 | Opinions on Ministerial Notifications | 22 February 2018 |



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| | |
|--|-------------------------------|
| Title | Corporate Credit Cards |
| Policy Number (Governance Purpose) | |



Policy Type

Administrative Policy

Policy Purpose

To ensure that operational risks and administrative costs associated with the use of corporate credit cards are effectively managed. This includes establishing effective controls for their use and assigning responsibilities for approved cardholders.

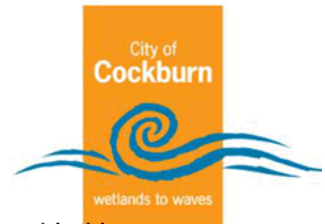
Policy Statement

The use of corporate credit cards complements the City's procurement processes and provides a more streamlined and efficient method for making certain types of payment. Regulation 11(1)(a) of the Local Government Financial Management Regulations 1996 require a local government to develop procedures for the authorisation and payment of accounts, including for the effective security and authorised use of credit cards. The following rules and principles will apply to the issue and use of corporate credit cards by the City's officers:

1. The Chief Executive Officer, Directors, Senior Managers and any other staff approved by the relevant Director or Chief Executive Officer, may be issued with a corporate credit card. Individual credit limits will be determined based on the demonstrated business need and will form part of the approval process.
2. The City's Corporate Credit Cards are to be used strictly for work related purchases and under no circumstances are they to be used for personal or private purposes.
3. Cash withdrawals are strictly prohibited and all cards issued under the City's facility shall have this feature disabled.
4. A system register of all credit cards (both active and inactive) is to be maintained by Accounting Services. This shall include the name and position of the cardholder, card number, expiry date and credit limit. The system should also maintain history of all credit card transactions for reporting, audit and record keeping purposes.
5. The acquittal of credit card transactions needs to be completed within a reasonable timeframe, being no longer than one month after statement issue.
6. Transactions need to be adequately described (nature/purpose of expenditure) and supported by evidential documentation (receipts/tax invoices)
7. Transaction acquittals must be reviewed and approved by the actual cardholder with a second, independent approval provided by their line manager. Where the

[1]

| | |
|--|-------------------------------|
| Title | Corporate Credit Cards |
| Policy Number (Governance Purpose) | |



- cardholder is a Director or the CEO, the second approval is to be provided by another Director or CEO.
8. Finance department staff shall perform a compliance review on approved credit card transactions, ensuring compliance with this policy and appropriate GST treatment of transactions.
 9. In-person transactions with corporate credit cards must only be made by the cardholder and they are not to share their PIN code under any circumstances.
 10. Cardholders must give their express permission and approval for the transaction before their corporate credit card is used by other staff for online or telephone transactions. Cardholders will be held accountable for these transactions and must ensure adequate information is obtained for acquittal purposes.
 11. Cardholders must report the loss, theft or unauthorised use of their corporate credit card to the issuing financial institution immediately and the Finance department when practicable. Any disputed transactions must be followed in a timely manner in order to ensure full cost recovery for the City.
 12. Cardholders (or their line manager) must return the corporate credit card to the Finance department as soon as practicable, where they have resigned their employment with the City or otherwise where they have been instructed to.
 13. Cardholders must comply with the requirements of Corporate Credit Card operational guidelines developed by the City and before being issued with a card, shall agree in writing to abide by cardholder duties and responsibilities consistent with this policy.
 14. The cardholder will be held personally liable for any unauthorised and non-compliant use and the City reserves the right to seek reimbursement of such monies from the cardholder.

| | |
|---|---|
| Strategic Link: | Local Government (Financial Management) Regulations |
| Category | Financial Management |
| Lead Business Unit: | Financial Services |
| Public Consultation: (Yes or No) | No |
| Adoption Date: (Governance Purpose Only) | |
| Next Review Due: (Governance Purpose Only) | |
| ECM Doc Set ID: (Governance Purpose Only) | |

[2]

| | |
|--|-------------------------------|
| Title | Corporate Credit Cards |
| Policy Number (Governance Purpose) | |



| | | |
|-----|------------------------|---------|
| POS | CORPORATE CREDIT CARDS | PSFCS24 |
|-----|------------------------|---------|

| | |
|---------------------------------|--|
| POSITION STATEMENT CODE: | PSFCS24 |
| DIRECTORATE: | Finance & Corporate Services |
| BUSINESS UNIT: | Financial Services |
| SERVICE UNIT: | Accounting Services |
| RESPONSIBLE OFFICER: | Director, Finance & Corporate Services |
| FILE NO.: | 182/002 |
| DATE FIRST ADOPTED: | 17 September 2002 |
| DATE LAST REVIEWED: | 8 December 2016 |
| ATTACHMENTS: | Yes |
| VERSION NO. | 6 |

| Dates of Amendments / Reviews: | | |
|--------------------------------|--|------------------------------------|
| DAPPS Meeting: | 31 January 2013 27 November 2014 2 June 2015 | 27 August 2015 24 November 2016 |
| OCM: | 9 April 2009 14 February 2013 11 December 2014 | 2 June 2015 10 September 2015 |

BACKGROUND:

The use of corporate credit cards complements the City's procurement processes and provides a more streamlined and efficient method for making certain types of payment. Regulation 11(1)(a) of the Local Government Financial Management Regulations 1996 require a local government to develop procedures for the authorisation and payment of accounts, including for the effective security and authorised use of credit cards.

PURPOSE:

This position statement and the supporting guidelines serve to ensure that operational risks and administrative costs associated with the use of corporate credit cards are effectively managed. This includes establishing effective controls for their use and setting responsibilities for approved cardholders.

POSITION:

- (1) The Chief Executive Officer, Directors, SBG Managers and any other staff approved by the relevant Director or Chief Executive Officer, will be issued with a corporate credit card in accordance with the credit limits determined from time to time by Council as set out in the supporting guidelines.

| POS | CORPORATE CREDIT CARDS | PSFCS24 |
|-----|------------------------|---------|
|-----|------------------------|---------|

- (2) The City's Corporate Credit Cards are to be used only for work related purchases and under no circumstances whatsoever are they to be used for personal or private purposes.
- (3) Cash withdrawals are strictly prohibited and all cards issued under the City's facility shall have this feature disabled.
- (4) A register of all current credit cards is to be maintained by Accounting Services. This shall include the name and position of the cardholder, card number, expiry date and credit limit.
- (5) The acquittal of expenditure incurred on credit cards need to be reviewed and approved by the cardholder's line manager. Where the cardholder is a Director or the CEO, the review is to be performed by another Director or CEO.
- (6) Cards are to be used strictly in accordance with the requirements of the Corporate Credit Card Guidelines as appended. [\(Appendix I\)](#).

to be deleted

Corporate Credit Cards – Guidelines



CORPORATE CREDIT CARDS GUIDELINES

to be deleted

8 December 2015

[3]

Corporate Credit Cards – Guidelines

INTRODUCTION

The City has established a corporate credit card facility for the purpose of streamlining certain types of purchases and payments. This fosters improved administrative efficiency and more effective cash management. Some of the outcomes targeted include:

- Reducing paperwork for both the City and its suppliers.
- Improving productivity across the various departments.
- Reduce requirements for petty cash and reduce cash handling risks.
- Ability to take advantage of special offers and discounts available for immediate payment.
- Enabling online internet purchases and payment from anywhere in the world.

However, it is not intended that the card facility be used as a substitute for the current system of ordering goods and services by requisition through Procurement Services.

1. GOODS AND SERVICES FOR WHICH THE CORPORATE CREDIT CARDS CAN BE USED

Cards can be used to procure goods and services up to the value of financial limits approved with these guidelines.

Transaction types which Card may be used for:

- (a) Conference, seminar and training event registration fees;
- (b) Costs related to flights, accommodation and attendance at approved conferences, seminars and training events;
- (c) Subscriptions, memberships and publications payable by credit card;
- (d) Entertainment expenses (must note number of staff entertained on documentation for FBT purposes) CEO/Directors/SBG Managers only;
- (e) Other business purchases of less than \$1,000 in value for items over \$1,000 will need an official order raised).

Transaction types allowable on cards will be restricted on an individual basis in accordance with these guidelines and to suit cardholder needs (eg. Entertainment expenses, flights, car rentals etc).

2. ISSUE OF CORPORATE CREDIT CARDS

Accounting Services is responsible for arranging the issue of Corporate Credit Cards after approval is received from the relevant Director or CEO (as appropriate). All approved requests for cards must be forwarded to the Manager, Financial Services.

3. RESPONSIBILITIES

3.1 Accounting Services

Accounting Services are responsible for the following activities in relation to corporate credit cards:

- (a) arrange the issue of the Corporate/Business Card.
- (b) administer a system for cardholders to acquit their card purchases.
- (c) act as the liaison between the City and the financial institution.
- (d) ensure cardholder is advised of their responsibilities and that guidelines are issued to them.
- (e) ensure each cardholder signs a copy of the "Acknowledgement of Terms and Conditions of Use – Corporate Credit Card" form.

3.2 Cardholders

Following are the responsibilities of the individual cardholders:

- (a) Ensure monthly credit card acquittals are processed within 5 working days of the statements being uploaded into the financial system and forward the relevant paperwork to Accounting Services, after it has been reviewed and signed off by their Line Manager.
- (b) Adherence to the policies and procedures in relation to the card and ensure financial limits are not breached.
- (c) Cardholders must ensure that transaction acquittals include:
 - 1. A full and proper description of the goods purchased on the tax invoice (ie. Descriptions like "goods" are not acceptable).
 - 2. Allocate appropriate budget account details, relative to the nature of expenditure.
- (d) Cardholders must immediately return the card to Accounting Services if:
 - 1. They resign or their employment is terminated for whatever reason;
 - 2. They are instructed to relinquish the card.
- (e) If the cardholder disagrees with any transaction on the billing statement, the cardholder must advise Accounting Services in writing, as soon as possible once aware of the issue. The Manager Financial Services is to be informed on any disputes.
- (f) Cardholders will be required to sign for receiving the Card and acknowledge the conditions of use of the card.

- (g) If the cardholder loses a tax invoice or receipt, they should make reasonable attempts to obtain a copy from the supplier. Failing this, a memo signed by the cardholders Manager will need to be provided explaining the loss of the document and the details of the transaction.
- (h) To comply with banking laws, the cardholder must ensure the corporate credit card is not used by any other officer unless it is for an online or telephone transaction and the cardholder's permission has been pre-obtained (i.e. not able to be used by non-cardholders for in person transactions).
- (i) The cardholder must immediately report loss or theft of the corporate credit card to the issuing financial institution and Accounting Services.
- (j) The City, if it deems necessary, will hold the cardholder personally liable for any unauthorised and non-compliant use by the cardholder and may seek reimbursement of such monies from the cardholder.

4. CARDHOLDER CLASSIFICATIONS

| Position | Monthly Credit Limit \$ |
|---|----------------------------|
| Chief Executive Officer | 15,000 |
| Directors | 10,000 |
| Strategic Procurement Manager | 8,000* |
| Strategic Business Group Managers | 4,000* |
| Other Staff (as determined by SBC Manager & Director) | 2,000* |

* The Director, Finance and Corporate Services may approve certain staff to be given an increased limit of up to \$10,000 where the business requirement is satisfactorily demonstrated.

| | | |
|----|------------------------|--------|
| DA | CORPORATE CREDIT CARDS | LGAFC8 |
|----|------------------------|--------|

| | |
|----------------------------------|--|
| DELEGATED AUTHORITY CODE: | LGAFC8 |
| DIRECTORATE: | Finance & Corporate Services |
| BUSINESS UNIT: | Financial Services |
| SERVICE UNIT: | Accounting Services |
| RESPONSIBLE OFFICER: | Director, Finance & Corporate Services |
| FILE NO.: | 086/003 |
| DATE FIRST ADOPTED: | 1997 |
| DATE LAST REVIEWED: | 14 June 2018 |
| ATTACHMENTS: | N/A |
| VERSION NO. | 8 |

| Dates of Amendments / Reviews: | | |
|--------------------------------|--------------|--------------|
| DAPPS Meeting: | 24 May 2012 | 26 May 2016 |
| | 23 May 2013 | 18 May 2017 |
| | 22 May 2014 | 24 May 2018 |
| | 2 June 2015 | |
| OCM: | 9 June 2011 | 11 June 2015 |
| | 14 June 2012 | 9 June 2016 |
| | 13 June 2013 | 8 June 2017 |
| | 12 June 2014 | |

FUNCTION DELEGATED:

The authority to approve the issue of Corporate Credit Cards to appropriate Council Officers and to set individual value limits and transaction type restrictions in accordance with Council Position Statement PSFCS24.

CONDITIONS/GUIDELINES:

- (1) The Director, Finance & Corporate Services or Manager, Financial Services will approve the issue of a Corporate Credit Card to Officers who have Delegated Financial Authority (DFA) to purchase goods and services.
- (2) Officers who have been given authority to use a Council Credit Card acknowledge that they must comply with the General Instructions which are attached to the Position Statement PSAFCS24.
- (3) All transactions utilising this delegation are to be recorded in the system register for Credit Cards issued and the Recording of Delegated Decisions Register by the officer responsible for initiating the action taken, or by another officer under the direction of the initiating officer.

AUTONOMY OF DISCRETION:

As provided in Council Position Statement PSFCS24.

[1]

| | | |
|----|------------------------|---------|
| DA | CORPORATE CREDIT CARDS | LGAFCS8 |
|----|------------------------|---------|

LEGISLATIVE REQUIREMENTS/COUNCIL POLICY:

Local Government Act 1995, Section 6.10(d)

Local Government Act (Financial Management) Regulations 11(1)(a) refers.

Position Statement PSFCS24 "Corporate Credit Cards" refers.

DELEGATE:

Chief Executive Officer

Note: The Chief Executive Officer will sub-delegate this authority to:-

SUB-DELEGATE/S:

Director, Finance & Corporate Services

Manager, Financial Services

to be deleted

14. ENGINEERING & WORKS DIVISION ISSUES

Nil

15. COMMUNITY SERVICES DIVISION ISSUES

Nil

16. EXECUTIVE DIVISION ISSUES

16.1 FRAUD, MISCONDUCT CONTROL & RESILIENCE FRAMEWORK

Author(s) J Ngoroyemoto
Attachments 1. Fraud, Misconduct Control and Resilience Framework [↓](#)

RECOMMENDATION

That Council

- (1) adopts the proposed Fraud, Misconduct Control and Resilience Framework, as attached to the Agenda

Background

The Fraud and Misconduct Control and Resilience Policy was presented at the November 2018 DAPPS Committee meeting, and subsequently adopted at the December 2018 Ordinary Council Meeting. A commitment was made to review the Fraud, Misconduct Control and Resilience Framework, and to be presented at a future Audit and Strategic Finance meeting.

The review has been completed, and the Fraud, Misconduct Control and Resilience Framework is submitted for consideration, as shown in the attachment to the report.

Submission

N/A

Report

All public sector entities need to deal with the threat of fraud. This can be difficult as fraud is deceitful and can be hard to detect. Australian Standard 8001-2008: Fraud and Corruption Control sets out a best practice framework for State and local government entities when developing their approaches to this issue.

The City is committed to a strong culture and sound governance that will safeguard public funds and property. The City considers fraud, corruption and misconduct to be serious matters to which the City adopts a zero tolerance approach.

The Fraud, Misconduct Control and Resilience Framework will provide an environment for implementation to:

- minimise opportunities for fraud, misconduct, bribery and corruption (whether committed by internal or external parties);
- protect public monies, property, information and organisational / individual rights; and
- maintain the effectiveness of the City's operations.

Implementation of this Framework will ensure that the City's workforce acts legally, ethically and in the public interest. This Framework is based upon five best-practice fraud and misconduct control and resilience resources:-

- Standards Australia – AS 8001-2008 Fraud and Corruption Control (the Australian Standard);
- Western Australian Corruption and Crime Commission – Misconduct Resistance Guidelines (CCC Guidelines);
- Western Australian Corruption and Crime Commission and Public Sector Commission (Joint) – Notification of Misconduct in Western Australia Guidelines (Notification Guidelines);
- The Australian Minister for Home Affairs and Minister for Justice – Commonwealth Fraud Control Guidelines (Commonwealth Guidelines); and
- Australian National Audit Office – Fraud Control in Australian Government Entities Better Practice Guide (ANAO Better Practice Guide).

The framework is supported by the City's organisational values and culture, governance and risk management frameworks, which work together to prevent, detect and respond to potential or actual fraudulent and corrupt conduct. A detailed Fraud Control Plan will also be developed by the Risk Review Group to provide assurance on areas of high vulnerability to fraudulent and corrupt activities.

Strategic Plans/Policy Implications

Leading & Listening

Deliver sustainable governance through transparent and robust policy and processes.

Budget/Financial Implications

Fraud and Misconduct training will be covered in the Human Resources training budget

Legal Implications

N/A

Community Consultation

N/A

Risk Management Implications

The City of Cockburn is exposed to high risks of fraud and corruption because of the large volume of goods and services it procures, often from local suppliers and because of the high degree of devolved decision making vested in local governments.

For this reason, the City is responsible for preventing, detecting and reporting fraud in order to protect revenue, expenditure and property. It is imperative that the City identify and monitor fraud risk and implement rigour and controls around its identified risk through an active fraud and corruption framework. By explicitly defining actions that constitute fraud, this will ensure that all employees and third parties are aware of what is and is not acceptable.

Adoption of the recommendation will ensure a cost effective way of demonstrating the City's commitment to combating fraud and corruption wherever it is found. The development of an anti - fraud culture is a crucial part of the City's position against fraud.

Advice to Proponent(s)/Submitters

N/A

Implications of Section 3.18(3) *Local Government Act, 1995*

Nil



FRAUD, MISCONDUCT CONTROL AND RESILIENCE FRAMEWORK

Document Control

| Document Record | | | |
|---|---|-----------------------------------|-------------------|
| Document title | Fraud, Misconduct Control and Resilience Framework | | |
| ECM document name | City of Cockburn – Fraud, Misconduct Control and Resilience Framework | | |
| ECM document set ID | TBA | | |
| ECMSubject Code | TBA | | |
| Review and approval | | | |
| Maintained by | Governance & Risk Advisor | | |
| Version number | 2 | Version date | September 2018 |
| Reviewed by | Risk Review Group | Date reviewed | October 2018 |
| | Executive Team | | March 2019 |
| Approved by | Chief Executive Officer | Date approved | 13 March 2019 |
| | Audit & Strategic Finance Committee | | March 2019 |
| | Council | | April 2019 |
| Frequency of review | Every Three Years | Next review date | April 2022 |
| NOTE: The City of Cockburn will review this framework every three years, but will also make incremental changes, modifications, and adjustments as conditions warrant. This framework document goes through continuous ongoing changes based on the fraud maturity level of the City of Cockburn. | | | |
| Record of changes / issues | | | |
| Version | Date | Comments / reasons for change | Made by |
| 1 | October 2018 | Roles & responsibilities ammended | Risk Review Group |
| Distribution | | | |
| Name | Position | | |
| Executive and Management Team | Directors & Senior Managers | | |
| Elected Members | Audit & Strategic Finance Committee Members | | |

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STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

This framework sets out the standards for accountability that I expect of all Employees of the City of Cockburn (City). It aims to minimise opportunities for fraudulent and/or corrupt activities in line with the City's zero tolerance policy to fraud, corruption, bribery and misconduct.

A proactive approach enables the City to manage fraud and misconduct risk at an acceptable level considering the environment in which the local government sector operates is becoming increasingly complex.

The complexities inherent in our work increase opportunities for fraud, corruption, bribery and misconduct because of the:-

- ever changing environment in which we operate
- growing convergence of the public and private sectors, and
- increase in cooperative and or strategic partnerships.

All City employees must demonstrate a commitment to preventing and detecting fraud, misconduct, bribery and corruption. Effective governance arrangements, ethical leadership and decision making, accountability and performance improvement underpin our controls.

This framework will help us to prevent, detect and respond to misconduct and fraudulent / corrupt behaviour. This will ensure our stakeholders and the community can be confident in the integrity and good governance of the City and the quality of our services to the community.

Stephen Cain
Chief Executive Officer

Date_____

1. INTRODUCTION

1.1 Purpose

The City Risk Management Policy documents the commitment and objectives regarding managing uncertainty that may impact the City's strategies, goals and objectives.

The purpose of this Fraud, Misconduct Control and Resilience Framework is to:

- minimise opportunities for fraud, misconduct, bribery and corruption (whether committed by internal or external parties);
- protect public monies, property, information and organisational or individual rights; and
- maintain the effectiveness of the City's operations.

Implementation of this Framework will ensure that the City's workforce acts legally, ethically and in the public interest. This Framework is based upon five best-practice fraud, misconduct control and resilience resources:-

- Western Australian Corruption and Crime Commission – Misconduct Resistance Guidelines (CCC Guidelines);
- Western Australian Corruption and Crime Commission and Public Sector Commission (Joint) – Notification of Misconduct in Western Australia Guidelines (Notification Guidelines);
- The Australian Minister for Home Affairs and Minister for Justice – Commonwealth Fraud Control Guidelines (Commonwealth Guidelines);
- Australian National Audit Office – Fraud Control in Australian Government Entities Better Practice Guide (ANAO Better Practice Guide); and
- Standards Australia – AS 8001-2008 Fraud and Corruption Control (the Australian Standard)

1.2 Risk Management Approach

This Framework includes proactive measures designed to enhance system integrity (prevention measures) and reactive responses (reporting, detecting and investigative activities) that aligns with the City's Enterprise Risk Management Framework.

1.3 Structure

The Framework consists of a suite of tools and resources including the City's:

- Fraud and Misconduct Control and Resilience Policy (Policy).
- Fraud and Misconduct Risk Assessment (Risk Assessment).
- Reporting Serious and Minor Misconduct Management Procedure (Reporting Procedure).
- Conducting Investigations into Allegations of Serious Misconduct (Management Procedure).
- Public Interest Disclosure Procedure
- Code of Conduct, Statement of Business Ethics and Training Modules.

In addition, the City will develop a Fraud, Misconduct Control and Resilience intranet webpage, which will complement the Framework and make available all the City's fraud, misconduct control and resilience resources. This Framework should be read in conjunction with the City's:

- Corporate Governance Framework; and
- Enterprise Risk Management Framework.

1.4 Goals and Objectives

Through the Policy, the Framework aims to clearly articulate:

- the City's commitment to a zero-tolerance attitude towards fraud and misconduct;
- the City's approach to building resilience to, and control of, fraud and misconduct;
- the embedding of a strong and proactive fraud and misconduct control ethos within the City;
- the City's roles and responsibilities for building resilience to, and the control of, fraud and misconduct;
- strategies implemented within the City to prevent, detect and respond to fraud and misconduct;
- a summary of:
 - the fraud risks (internal and external) associated with the City's functions
 - the controls in place to minimise the opportunity for fraud, misconduct and corruption
 - their implementation details; and
- protocols for the reporting of suspected fraud or misconduct within and against the City.

13 March 2019

2. WHAT IS FRAUD AND MISCONDUCT

Fraud and misconduct can take many forms. Fraud and misconduct by public officials may fall within the category of 'misconduct' in accordance with the Corruption, Crime and Misconduct Act 2003 (CCM Act). In addition, many forms of fraud and corruption are offences under the Criminal Code Compilation Act 1913 (Criminal Code). These include false claims, stealing and misappropriation of property, false pretence, forgery and receipt or solicitation of secret commissions. The following definitions of "fraud", "corruption" and "misconduct" are used throughout this Framework.

2.1 Fraud

Fraud is dishonest activity causing actual or potential financial loss to any person or entity including theft of moneys or other property by employees or persons external to the entity and where deception is used at the time, immediately before or immediately following the activity. This also includes the deliberate falsification, concealment, destruction or use of falsified documentation used or intended for use for a normal purpose or the improper use of information or position for personal financial benefit.

Any deliberate deceitful conduct or omission designed to gain an advantage to which a person or entity is not entitled. It is the intentional use of false representations or deception to avoid an obligation, gain unjust advantage or, in the context of public administration, commonly referred to as 'rotting the system'.

2.2 Corruption

Corruption is dishonest activity in which an employee, or contractor, of an entity acts contrary to the interests of the entity and abuses his/her position of trust in order to achieve some personal gain or advantage for him or herself or for another person or entity.

Corruption may also constitute any behaviour that may involve fraud, theft, the misuse of position or authority or other acts which are unacceptable to an organisation, its clients or the general community. It may also include other elements such as breaches of trust and confidentiality.

13 March 2019

2.3 Misconduct

Section 4 of the CCM Act defines misconduct.

Notwithstanding the specific definition of misconduct set out in the CCM Act, misconduct generally occurs when a public officer abuses their authority for personal gain, causes detriment to another person, or acts contrary to the public interest. Misconduct also constitutes inappropriate or improper conduct by a public officer that reflects seriously and adversely on the public service.

The CCM Act characterises misconduct to either be serious or minor misconduct with serious misconduct dealt with by the Corruption and Crime Commission (CCC) and minor misconduct dealt with by the Public Sector Commission (PSC).

2.4 Minor Misconduct

Section 4(d) of the CCM Act defines minor misconduct for public officers other than WA Police officers.

Minor misconduct is misconduct that is significant enough that it could possibly lead to termination of a public officer's employment if proved. Minor misconduct occurs when a public officer engages in conduct that:

- adversely affects the honest or impartial performance of the functions of a public authority or public officer, whether or not the public officer was acting in their public officer capacity at the time of engaging in the conduct;
- involves the performance of functions in a manner that is not honest or impartial;
- involves a breach of the trust placed in the public officer; or
- involves the misuse of information or material that is in connection with their functions as a public officer, whether the misuse is for the benefit of the public officer or the benefit or detriment of another person; and
- constitutes, or could constitute, a disciplinary offence providing reasonable grounds for termination of a person's office or employment.

Where the Principal Officer (in the case of the City, the CEO) has a reasonable suspicion that an instance of minor misconduct has occurred, the Principal Officer must report to the PSC as soon as practicable

2.5. Serious Misconduct

Serious misconduct refers only to corrupt or criminal conduct as described in sections 4(a), (b) and (c) of the CCM Act.

Serious misconduct is misconduct that involves corrupt intent and/or criminal conduct and occurs when a public officer:

- acts corruptly or corruptly fails to act in the course of their duties; or
- corruptly takes advantage of their position for the benefit or detriment of any person; or
- commits an offence which carries a penalty of two or more years imprisonment.

2.6 Corrupt Conduct

Corrupt conduct is demonstrated by a deliberate intent or an improper purpose and motivation and may involve conduct such as:

- undertaking, soliciting or accepting the provision of something of value (a bribe) for the purpose of influencing the action or decision of an official in the discharge of their public or legal duties;
- deliberate failure to perform the functions of office properly;
- the exercise of a power or duty for an improper purpose;
- involves a breach of the trust placed in the person as a public officer, either knowingly or recklessly;
- involves a misuse of official information or material; or
- performance of functions or the exercise of powers for the purpose of providing a benefit either to the person or another person or causing a detriment to another person.

Anyone who tries to corrupt a public sector officer can also be guilty of corrupt conduct if the matter involves a criminal offence.

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2.7 Corrupt Conduct

Set out in the table below are common examples of fraud, misconduct and corruption:

| Internal | External | Collusion |
|--|---|---|
| <p>Corporate card misuse, such as payment for personal expenses including fictitious names on the payroll system.</p> <p>Delayed terminations.</p> <p>Abuse of position and power, including accepting or offering bribes or gifts.</p> <p>Nepotism.</p> <p>Submitting false travel claims.</p> <p>Consistently recording incorrect hours of work on timesheets.</p> <p>Unauthorised use of City vehicles.</p> <p>Theft or unauthorised use of public funds or physical resources, such as office supplies and stationery.</p> | <p>Customers deliberately claiming benefits for which they are ineligible.</p> <p>External providers making claims for services that were not provided.</p> <p>The provision of false or misleading information</p> <p>Failure to provide information when obliged to do so.</p> <p>Inappropriate influence over grants and funding applications.</p> <p>Manipulation of a procurement process.</p> | <p>Inappropriate involvement with suppliers, including unlawful or unauthorised release of information.</p> <p>Knowingly making or using forged or falsified documentation.</p> <p>Failing to declare and appropriately manage conflicts of interest.</p> |

3. POLICY STATEMENT

The City has adopted the Fraud and Misconduct Control and Resilience Policy.

The Policy states that the City is committed to excellence in service performance and in meeting its statutory obligations. This includes maintaining a strong culture and sound governance that provides not only for the protection of public funds and property but also promotes the prevention of fraud and misconduct. The City adopts a zero-tolerance attitude towards fraud, misconduct and corruption.

The City provides all employees with education and training in ethics and fraud awareness to ensure that all employees understand their responsibilities and obligations.

The City's organisational values and culture, governance and risk management frameworks and controls all work together to prevent, detect and respond to potential or actual fraudulent and corrupt conduct.

The City will deal appropriately with all allegations and suspected instances of fraud, misconduct, bribery and corruption. All employees are obliged to report suspected fraudulent and/or corrupt activities to their Team Leader and immediate Supervisor who will escalate accordingly.

The City will notify, report and refer any instances of misconduct (whether minor or serious) to the PSC and CCC and/or the Western Australia Police, as appropriate, for investigation and possible prosecution.

4. FRAUD AND MISCONDUCT CONTROL STRATEGIES

The City's Fraud and Corruption Control strategies are based on the Australian National Audit Office (ANAO) conditions that are essential for a sound fraud, corruption and misconduct control environment and the Ten Principle model for fraud and misconduct control.

4.1 ANAO Conditions

The ANAO's three conditions for a sound control environment are:

- Ethical leadership and culture – strong ethical values and high standards of ethical behaviour;
- Legislation and governance – legislation and policies that promote accountability, are transparent and incorporate robust governance structures; and
- Control strategies – actions to prevent, detect and respond to fraud, misconduct and corruption, which are reviewed and continuously improved.

4.2 Ten Principle Model

The Ten Principle Model is an integrated control model that comprises ten key principles and is consistent with Australian and overseas best practice. The principles are interrelated, with each one playing an important role.

The ten Principles are set out below:

- Principle 1 – City Wide Policy.
- Principle 2 – Risk Assessment.
- Principle 3 – Internal Controls.
- Principle 4 – Internal Reporting.
- Principle 5 – External Reporting.
- Principle 6 – Public Interest Disclosure.
- Principle 7 – Investigations.
- Principle 8 – Code of Conduct.
- Principle 9 – Employee Training and Awareness.
- Principle 10 – Customer and Community Awareness.

The City's approach to fraud, misconduct and corruption control also aligns with the Australian Standard.

4.3 Fraud, Misconduct and Corruption Control Model

The City's Fraud, Misconduct and Corruption Control Model (Figure 1) demonstrates the way in which the City integrates the ANAO's Conditions and the Ten Principles with its fraud, misconduct and corruption control prevention, detection and response strategies.



Figure 1: Fraud, Misconduct and Corruption Control Model

4.4 ANAO Conditions in Practice

4.4.1 ETHICAL LEADERSHIP AND CULTURE

Executive and Senior Managers must lead by example and behave in a way consistent with the City's Code of Conduct and the City's five corporate values of:

- Customer Service - we are committed to giving the best possible customer service
- Accountability - we are honest and accountable for our actions and decisions
- Excellence - we strive for excellence
- Safety - safety is an integral part of all that we do
- Sustainability - we consider the natural, financial and social implication of our decisions

The Code of Conduct and the City's corporate values provide all employees with ethics, principles, values and standards of conduct to guide behaviour in the workplace. They are important fraud, misconduct and corruption resistance tools to promote ethical behaviour and, in conjunction with this Framework and the best practice principles outlined in the City's Enterprise Risk Management Framework, support the effective and efficient management of fraud, misconduct and corruption risks across the City.

4.4.2 LEADERSHIP AND GOVERNANCE

This Framework is underpinned by legislation, Australian Standards and best practice guidelines, including:

- Local Government Act 1995 and relevant Regulations .
- Corruption and Crime Commission Act 2003.
- Corruption, Crime and Misconduct Act 2003.
- Criminal Code Compilation Act 1913.
- Public Interest Disclosure Act 2003.
- State Records Act 2000.
- CCC Guidelines.
- Notification Guidelines.
- Commonwealth Guidelines.
- ANAO Better Practice Guide.
- the Australian Standard.

4.4.3 ANAO CONTROL STRATEGIES

The ANAO's control strategies are referenced in conjunction with the Ten Principles for fraud, misconduct and corruption control in section 4 "Control Strategies".

Appendix 1 includes a full list of the applicable legislation and other instruments, while the City's Policy and Procedure Register sets out all procedure specific legislation and governance instruments.

The City's rigorous governance structure ensures legislative requirements are addressed effectively, transparently and with accountability.

Strategic

- Council sets the strategic direction and policy position for the City after consideration of advice from the CEO and Executive Team.
- Audit and Strategic Finance Committee provides Council with independent audit and risk management advice.
- The Executive Team sets and reviews each Directorate's strategic direction, priorities and performance objectives.
- Governance Business Unit reports to CEO and notifies the Executive Team, CEO and Audit and Strategic Finance Committee of fraud, misconduct and corruption matters to be escalated.

Corporate and Operational

- The CEO is responsible for the corporate, operational and administrative arm of the City.
- Corporate and operational management structures provide for clear lines of reporting, accountability and responsibility to support appropriate, open and transparent decision making.

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As illustrated in *Figure 2*, consistent with the Enterprise Risk Management Framework, the City's governance structures support fraud, misconduct and corruption control at the strategic, corporate and operational levels.

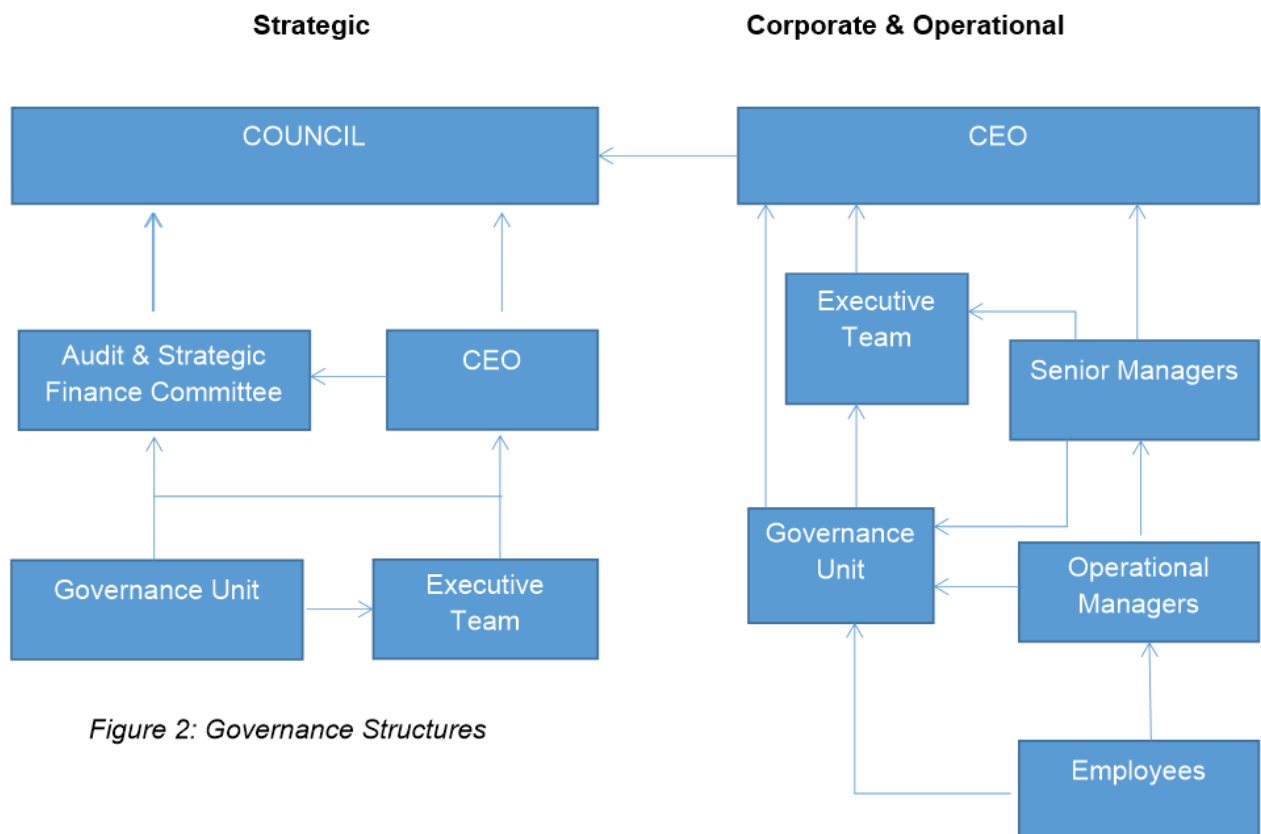


Figure 2: Governance Structures

4.5 Roles and Responsibilities

While fraud, misconduct and corruption control is the responsibility of every employee, the table below details specific roles and responsibilities:

| Role | Responsibility |
|---------------------------------------|--|
| Audit and Strategic Finance Committee | <p>Oversight of risk management, including fraud, misconduct and corruption control.</p> <p>Review governance processes to ensure all matters relating to alleged fraud, misconduct and corruption or unethical conduct are dealt with appropriately.</p> <p>Review the City's Enterprise Risk Management Framework for identifying, monitoring and managing business risk, including risks associated with fraud, misconduct and corruption.</p> <p>Review the Strategic Internal Audit Plan annually to ensure it covers fraud, misconduct and corruption risks.</p> |
| Chief Executive Officer | <p>Legislated responsibility to exercise authority on behalf of the City.</p> <p>Overall accountability for prevention and detection of fraud and corruption within the City.</p> <p>Ensure integrity and accountability in the performance of the City's functions.</p> <p>Manage the City's operations and resources ensuring service delivery is effective and efficient.</p> <p>Promote continual evaluation and improvement of the City's management practices.</p> <p>As Principal Officer, report suspected corrupt conduct, criminal and other matters to the appropriate external agency i.e.:</p> <ul style="list-style-type: none"> • Crime and Corruption Commission • Public Sector Commission • Western Australian Police Service • Western Australian Ombudsman |

| Role | Responsibility |
|------------------------------|--|
| Directors and SeniorManagers | <p>Encourage and maintain a culture and working environment that fosters personal responsibility, integrity and accountability.</p> <p>Display ethical leadership and high personal standards of behaviour consistent with the Code of Conduct.</p> <p>Contribute to effective risk management strategies in accordance with the City's enterprise risk management framework and ensure risk management practices are adhered to throughout their area of control.</p> <p>Develop and maintain best practice for the prevention and detection of fraud, misconduct and corruption and ensuring due consideration is given to confidentiality, natural justice and procedural fairness pertaining to any reported incidents.</p> <p>Ensure all employees are made aware of and attend appropriate education, training and awareness sessions to allow for a skilled and knowledgeable workforce, including public sector ethics education, training and awareness, internal controls and financial or procurement training.</p> <p>Ensure effective employee communication about the process for identifying and reporting on potential fraudulent and corrupt activities and misconduct.</p> <p>Ensure where a public interest disclosure is made, the procedure for making and managing a public interest disclosure is adhered to.</p> <p>Follow the mandatory internal or external reporting requirements for reporting suspected corrupt conduct, including fraud, misconduct or corruption.</p> |
| Governance Unit | <p>Oversee the development, implementation and continued management of the fraud, misconduct and corruption control plan with the support of the Risk Review Group, and other service units.</p> <p>Provide accurate and timely advice to the CEO, Executive Team and Audit and Strategic Finance Committee on fraud, misconduct and corruption matters.</p> <p>Promote the implementation of effective risk management practices, in relation to fraud, misconduct and corruption.</p> <p>Ensure training and awareness programs are comprehensive and designed to assist employees, contractors and stakeholders to identify, prevent and detect fraud, misconduct and corruption, including methods of reporting.</p> <p>Implement, maintain and review the Framework.</p> <p>Ensure the Framework undergoes a triennial review, or more frequently as required.</p> <p>Coordinate, monitor and review the fraud, misconduct and corruption risk assessment process.</p> <p>Manage and coordinate all public interest disclosures made to the City and ensure adequate support and certain protections are afforded to the discloser in accordance with Public Interest Disclosure Act 2003.</p> <p>Provide advice and direction to employees on the correct protocol for reporting matters to external agencies.</p> |

| Role | Responsibility |
|----------------------------|--|
| Manager Financial Services | Systematically review the operation and effectiveness of all financial internal control systems to assure they adequately prevent, deter and detect major frauds |
| | Record and collate fraud, misconduct and corruption incident reports. |
| | Coordinate and/or conduct investigations into allegations of fraud, serious misconduct and corruption. |
| | Ensure accounts payable systems have effective preventative and/or compensating controls that adequately mitigate the risk of fraudulent purchases and/or payments |
| | Maintain accurate and up-to-date asset registers that are regularly reviewed to mitigate the misuse and/or misappropriation of assets |
| | Provide independent appraisals, examination and evaluation of the City's activities and assist management with the detection of suspected fraud and corrupt activities. |
| | Undertake scheduled audits, which include examining established controls, to determine if these are robust enough to reduce the risks of fraud, misconduct and corruption, including the identification of work practices that may lead to fraudulent and corrupt activities and misconduct. |
| | Undertake targeted audit activities to specifically identify any indication that fraud, misconduct or corrupt behaviour may have occurred and be alert to opportunities that could allow fraudulent activities. |
| Manager Human Resources | Report in writing any suspected activities of fraudulent or corrupt practices identified during an internal audit function to the CEO and possible investigation or referral to the appropriate external agency. |
| | As directed by the CEO, coordinate and/or conduct investigations into allegations of minor misconduct by an employee. |
| | Coordinate the City's corporate training calendar, including mandatory training for all employees in respect of fraud and misconduct awareness. |
| | Establish effective pre-employment screening processes that provide sufficient assurance over the integrity, identity and credentials of all council staff |

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| Role | Responsibility |
|---------------|--|
| All Employees | <p>Contribute to the development of improved systems, policies and procedures to enhance the City's resistance to fraud and corruption including:</p> <ul style="list-style-type: none"> • safeguarding assets and other resources under their control; • having a clear understanding of their obligations regarding any losses, deficiencies and / or shortages that may be identified while at work; and • ensuring all personal claims are accurate with no deliberate omissions and recording accurate hours of work on timesheets. <p>-----</p> <p>Actively seek education and training to learn and maintain knowledge and skills required to undertake their duties.</p> <p>Gain an understanding of the policies, procedures and guidelines that relate to their role and work within the requirements of these</p> <p>-----</p> <p>Follow the requirements for internal reporting of suspected fraud, misconduct and corruption.</p> <p>-----</p> <p>Understand responsibilities associated with performing their official duties and commit to acting ethically and with integrity in accordance with the City's Code of Conduct and other relevant policies and procedures.</p> <p>-----</p> <p>Report all suspected or actual incidents of fraud, misconduct and corruption that they may be aware of to an appropriate officer being:</p> <ul style="list-style-type: none"> • Manager/Supervisor • Manager Human Resources • Governance & Risk Advisor • Director • CEO |

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4.6 Fraud, Misconduct Control and Resilience Strategies

The Ten Principle model of fraud, misconduct and corruption control, which the City has adopted as the basis of its fraud, misconduct and corruption control and resilience strategy, falls into three key categories of control:

- **Prevent** – as the first line of defence, to reduce the risk of fraud, misconduct and corruption occurring;
- **Detect** – discover and investigate fraud, misconduct and corruption when it occurs; and
- **Respond** – take corrective action and remedy the harm caused by fraudulent and corrupt behaviour.

The strategy sets out the actions to be undertaken in respect of reporting, processing, resolving and responding to when:

- a person suspects fraud, misconduct or corruption is occurring within the City; and/or
- the suspected fraud and corruption constitutes misconduct on the part of an employee.

The Principles are categorised below, followed by a discussion of each Principle, and its alignment with the ANAO Conditions for best practice fraud, misconduct and corruption control.

Table 1: Key Fraud, Misconduct and Corruption Control Strategies

| Key Control Principle | Categories | | | Purpose | |
|-------------------------------------|------------|------|-------|--|--------------------------|
| | Prev. | Det. | Resp. | | |
| 1. City-wide policy | √ | | | Demonstrate the City's resolve to combat fraud and corruption | Communicate Intent |
| 2. Code of Conduct | √ | | | Set out expectations and standards of ethical behaviour within the City | |
| 3. Employee education and awareness | √ | | √ | Ensure a well-informed workforce with the capacity to recognise and respond to the risks of fraud, misconduct and corruption | |
| 4. Client/community awareness | √ | | | Maintain public trust and forestall potentially unacceptable practices from external parties | |
| 5. Risk assessment | √ | | √ | Provide a comprehensive understanding of the City's internal and external vulnerabilities | Limit Opportunities |
| 6. Internal controls | √ | √ | √ | Mechanisms to eliminate or minimise risks | |
| 7. Internal reporting | | √ | √ | Mechanism for employees to report potential fraudulent or corrupt activities and other alleged wrongdoing | Reinforce Zero Tolerance |
| 8. Public Interest Disclosures | | √ | | Responsibility for managing all allegations of wrongdoing received under <i>Public Interest Disclosure Act 2003</i> | |
| 9. Investigations | | √ | √ | Ensure allegations of fraud, misconduct and corruption are actioned appropriately and investigated competently | |
| 10. External reporting | | | √ | Mechanism for the CEO to report any suspected misconduct, fraudulent or corrupt activity to the appropriate external agency | |

5. TEN PRINCIPLES IN PRACTICE

5.1 Principle 1 – City Wide Policy

ANAO condition: Ethical leadership and culture

The City is committed to excellence in fulfilling public expectations of service performance and in meeting its statutory obligations. The Framework provides overarching direction and sets out the policies and procedures designed to achieve this, provides guidance to employees and forms the foundation for fraud, misconduct and corruption prevention. A list of related instruments is found at *Appendix 1*.

5.2 Principle 2 – Risk Assessment

ANAO condition: Legislation and governance, control strategies

Fraud, misconduct and corruption risk assessment is an integral part of the City's overall risk management framework and provides the City with an understanding of its fraud, misconduct and corruption vulnerabilities and possible strategies to eliminate or minimize those risks.

5.2.1 RISK ASSESSMENT RESPONSIBILITY

The CEO is the accountable officer in accordance with the Local Government Act and Regulations and has ultimate legislative responsibility and accountability for establishing and maintaining suitable systems of internal control and risk management. Council, through the Audit and Strategic Finance Committee, provides oversight of strategic risks. The Executive Management Team provides oversight of corporate risks. Individual Directors and Managers provide oversight of operational risks. All employees are required to comply with the City's Enterprise Risk Management policy and apply risk management processes within their business and service units.

5.2.2 FRAUD, MISCONDUCT AND CORRUPTION RISK ASSESSMENT

Fraud and corruption risk assessments are carried out in accordance with the City's Enterprise Risk Management Framework.

The City's enterprise risk management procedure and process, risk assessment criteria, guidelines and tools to support the completion of the fraud, misconduct and corruption risk assessments are located on the City's Intranet.

Fraud, misconduct and corruption risk assessments are to be conducted for each Directorate on their specific functions/processes at least biennially. Potential fraud, misconduct and corruption risks are identified as risks to the City's functions/processes and as such are classified under the Enterprise Risk Management Framework as operational risks and recorded accordingly in the City's risk register.

Key risks and associated control activities were identified through a City-wide fraud, misconduct and corruption risk assessment in December 2017. The fraud, misconduct and corruption risk assessment will be undertaken at least triennially.

Fraud, misconduct and corruption risk identification and the development and assessment of related control activities form part of the City's continual process of risk review, which also considers changing circumstances and operating environments, both internal and external to the City.

5.2.3 RISK AREAS FOR FRAUD AND CORRUPTION

The City has identified a number of functions / processes considered to be areas of high vulnerability to fraudulent and corrupt activity. As a minimum, fraud, misconduct and corruption risks are to be identified and assessed for the following areas:

- Accounts payable and receivable
- Payroll
- Asset management
- Procurement
- Regulatory
- Timesheets
- Contract management
- Corporate credit cards
- Information management
- Recruitment
- Purchasing (including corporate credit cards and other purchasing cards)
- Funds and grants management
- Sponsorship/Donations
- Leasing

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Also as a minimum, the following specific matters should be considered:

- enforcement of existing financial management standards, policies and practices governing contracts and the supply of goods and services;
- proper recording of assets and provisions for known or expected losses;
- the collection, storage, management, handling and dissemination of information;
- segregation of functions, especially in regulatory, financial and cash handling areas, work activities which have little supervision or are open to collusion or manipulation and / or dual reporting structures;
- work practices associated with compliance and enforcement activities ;
- work practices and ethical standards for accredited agents and certifiers;
- formal or structured reviews of accounting and administrative control, effectiveness of measures for reporting suspected fraud, misconduct and corruption and other forms of corrupt conduct;
- compliance of employee training with requirements;
- workplace grievance practices and their relationship with other OH&S issues; and
- measures to ensure quick and decisive action on all suspected fraud, misconduct and corruption situations.

In addition to the assessment of risk, suitable operational practices to detect fraudulent or corrupt activity are to be implemented including:

- establishing effective accounting and management controls;
- routine and random auditing of decisions and operational records identifying variations from normal accounting procedures or work practices;
- recognising deviations or exceptions in outcomes from expectations; and
- monitoring key indicators (red flags) of potential fraud, misconduct and/or corruption.

Responsible employees will develop fraud, misconduct and corruption resistant work practices and subsidiary control plans as necessary. The City's Enterprise Risk Management Framework should be used to ensure consistency across the risk evaluation process.

5.3 Principle 3 – Internal Controls

ANAO condition: Legislation and governance, control strategies

Controls are used to manage risks identified through the risk assessment process. The City's internal control system consists of structures, policies, procedures, processes, information systems and other tangible and intangible activities that record and manage risks.

The City's internal control structure ensures that accountable employees establish and implement a cost-effective internal control structure, including:

- a strong emphasis on accountability and best practice management of City resources;
- an organisational structure and delegations which support the objectives and operations of the City;
- employment of qualified and competent officers;
- training and performance assessment of officers;
- efficient, effective and economic operations of the internal audit function;
- compliance with all financial legislative requirements;
- appropriate separation of duties; and
- preserving the integrity, accuracy and reliability of the City's Information Communication and Technology (ICT) systems

It also aligns with best practice requirements that internal control procedures should include:

- transparent operations, such as well-defined and publicised service standards, performance indicators and targets, referring to the City's Annual Report, Corporate Business Plan and Strategic Community Plan;
- easily accessible information;
- client opportunity to provide feedback;
- transparent decision-making to highlight potential nepotism, favouritism or conflict of interest;
- agency appropriate procedures through identification of fraud and corruption risks and matching control measures; and
- separation of functions through physical access controls, division of duties or different security access levels for information.

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The City's internal control procedures include basic checks and balances which are undertaken to ensure:

- completeness, relevance and accuracy;
- timeliness of the City's accounting and other transactions and records;
- safeguarding of assets; and
- compliance with any prescribed statutory requirements.

The City's internal controls specifically address identified fraud risk and are regularly reviewed, with internal policies and procedures documented and promoted to relevant employees. They also include all the elements of internal control identified in the Australian Standard.

All employees must be continually alert to early warning signs of fraud, misconduct, corruption or corrupt conduct. Common red flags for possible fraud, misconduct or corruption include:

- overly familiar relationships between employees, proponents, suppliers and / or contractors;
- disregard of internal controls;
- Employees demonstrating a reluctance to take leave, particularly where they have cash control or debt collection responsibilities;
- Employees remaining later at work than other employees, or accessing work premises unnecessarily after other employees have left;
- unreconciled accounting records, including corporate card transactions and / or poor follow- up of outstanding accounts; and
- lack of supporting documentation for purchases.

The integration of internal controls into management practices requires the inclusion of accountability in annual and long term planning, position descriptions and performance reviews of executive management, managers and supervisors, reflecting their responsibility for identifying system deficiencies that facilitate fraud, misconduct and corruption.

Investigations into cases of fraud, misconduct and corruption show strong links between the incidence of fraud and corruption and poor internal control systems. As a result, the assessment of internal control effectiveness is a crucial step in the fraud, misconduct and corruption risk assessment process.

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The City's internal auditor (outsourced) supports the City's efforts to establish and maintain systems integrity through an established audit program. The audit program includes periodic risk based assessments of the City's business units using best practice methodologies to assess levels of compliance with existing internal controls.

5.4 Principle 4 – Internal Reporting

ANAO condition: Legislation and governance, control strategies

Reporting suspected wrongdoing is vital to the City's integrity and that it has been shown that employees provide the most compelling source in detecting fraud and corruption. The Code of Conduct requires all employees to report suspicious actions or potential wrongdoing. Anyone, including customers, contractors or members of the public can also make a complaint about fraud, misconduct and corruption, anonymously if they wish. Matters relating to corrupt conduct will be referred for investigation as a priority.

Complaints may be lodged by telephone, hard copy correspondence, or through the City's Electronic Form available on the City's website.

The following City procedures explain how to report suspected wrongdoing, including fraud misconduct and corruption:

- Compliments, Feedback and Complaints Policy and Management Procedure;
- Reporting Serious and Minor Misconduct Management Procedure;
- Conducting Investigations into Allegations of Serious Misconduct Management Procedure;
- Public Interest Disclosure Policy; and
- Public Interest Disclosure Management Procedure

5.4.1 CHARACTERISTICS OF INTERNAL REPORTING

The City's internal reporting system provides for:

- receiving information about identified risks and suggestions for system improvements ;
- receiving information about suspected acts of fraud, misconduct and/or corruption
- maintaining, as far as possible, the confidentiality of the parties involved;

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- conveying information to the relevant employee (supervisor or manager);
- ensuring appropriate assessment and investigation;
- ensuring compliance with additional external reporting requirements; and
- providing feedback to the discloser, demonstrating that the information was taken seriously and acted upon.

5.4.2 INTERNAL REPORTING ARRANGEMENTS

The City's internal reporting system considers the organisation's size, structure, function and geographic reach. Reporting to immediate supervisors or managers is encouraged, with supervisory employee responsible for reporting to more senior management.

The City has a dedicated Service Unit responsible for accepting and investigating reports of alleged fraud, serious misconduct and corruption, being the Governance Unit. The Governance and Risk Advisor has an unrestricted line of access to the CEO, enabling the CEO to fulfil the legislative reporting responsibility to external bodies.

5.4.3 FRAUD AND CORRUPTION REPORTING GUIDELINES

- Employees should report suspected wrongdoing to their immediate supervisor or manager, in the first instance.
- Should an employee be reluctant to report any concerns immediately or feel appropriate action has not been taken by the supervisor or manager who received the complaint, alternative reporting options include reporting to:-
 - A more senior manager.
 - Governance and Risk Advisor.
 - CEO.
 - The City's reporting fraud, misconduct and corruption Electronic Form available on the City's website (which can be done anonymously).
 - Directly to the PSC.
 - Directly to the CCC.
- Supervisors and managers are required to report information regarding suspected fraud, misconduct and/or corruption incidents immediately to the Governance Unit.
- A climate of trust and accountability should be developed so employees are aware that all efforts will be made to maintain confidentiality and appropriate action will be taken.
- Identifying a senior and qualified employee to receive

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reports (such as the Governance & Risk Advisor) who will provide for objectivity (or at least the perception of objectivity).

5.4.4 FRAUD, MISCONDUCT AND CORRUPTION REPORTING MANAGEMENT PROCESS

The City will maintain a complaints management process, managed by the Governance Unit, which captures, reports, analyses and escalates all detected fraud, misconduct and corruption incidents. This complaints management process is different and distinct from the City's Customer Complaints Management system.

The process also provides a fraud, misconduct and corruption register and Case Status Reports – Fraud, Misconduct and Corruption (Case Status Reports) - which will be reported to the Executive (and on an annual basis to the Audit and Strategic Finance Committee) for ongoing monitoring and analysis. Serious cases of fraud and misconduct will be immediately reported to the Audit & Strategic Finance Committee members. Data may also be used to provide the City with information for other reporting purposes and facilitate continuous improvement of its fraud, misconduct and corruption resistance capacity.

As set out in the Australian Standard, the Case Status Reports include the following information regarding each incident reported:

- Date and time of report.
- Date and time that incident was detected.
- How the incident came to the attention of management.
- The nature of the incident.
- Value of loss.
- Action taken following discovery of the incident.

5.5 Principle 5 – External Reporting

ANAO conditions: Governance, legislation, control strategies

The Western Australian public sector integrity framework includes independent statutory bodies which promote accountability, integrity and good governance, being:

- Public Sector Commission (PSC)

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- Crime and Corruption Commission (CCC)

Their integrity-building activities are supplemented by the law enforcement role of the Western Australia Police Service.

The integrity agencies offer a range of external reporting channels and advice, depending on the nature and scope of the alleged misconduct. In addition, the City has an external reporting responsibility to the PSC for minor misconduct and the CCC for serious misconduct in accordance with the CCM Act.

The Governance & Risk Advisor should be contacted prior to matters being reported to an external agency, for advice on correct reporting protocols.

5.6 Principle 6 – Public Disclosure

ANAO conditions: Legislation and governance, control strategies

The Public Interest Disclosure Act 2003 facilitates the disclosure of public interest information, enabling anyone to make disclosures about improper or unlawful conduct within the State Public Sector, local government and public universities without fear of reprisal. The Public Interest Disclosure Act 2003 also provides protection for those who are the subject of a disclosure.

A public interest disclosure (PID) is a disclosure of information of public interest, involving wrongdoing within the public sector, made to a proper authority. In accordance with the Public Interest Disclosure Act 2003 (PID Act), a proper authority is defined as a public sector entity or a member of the Legislative Assembly. The City strongly supports the principles embodied in the PID Act, which provide for certain protection from reprisal for persons making a PID, with the intent of the PID Act to ensure that persons making a complaint of wrongdoing can do so without fear of retribution.

From the perspective of fraud, misconduct and corruption control, a public service officer may make a PID if they report information about another employee that may relate to:-

- unlawful, corrupt, negligent or improper conduct that could amount to corrupt conduct;
- maladministration that adversely affects anyone's interests in a substantial and specific way; and/or

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- negligent or improper management by a public officer public sector entity or a government contractor resulting, or likely to result, in a substantial waste of public funds.

The City is committed to promoting the public interest by facilitating disclosures of wrongdoing and ensuring that PIDs are managed thoroughly, impartially, in a timely manner and in accordance with the PID Act.

The management of a PIDs includes initial evaluation, including a risk assessment and the determination of appropriate action, which may include investigation. If an investigation is conducted the discloser will be kept informed of its progress and outcome and will be provided with protection from reprisal action.

In accordance with the requirements of the PID Act, the City has a stand-alone PID internal management procedure which covers:

- the context in which a PID is appropriate;
- how, when and where to make a disclosure;
- who can make a disclosure;
- to whom a disclosure may be made;
- assessment and investigation of disclosure allegations;
- available support and protection mechanisms;
- the investigation process;
- PID-related roles and responsibilities; and
- Confidentiality.

The City also has a program to actively encourage an ethical work climate and an atmosphere of transparency and responsible reporting, which includes compulsory Code of Conduct and internal controls training, employees trained to receive and manage PIDs and to offer support and protection for disclosers.

As with all internal reporting of suspected wrongdoing, the City:

- exercises due process and natural justice in managing PIDs;
- makes all attempts to preserve confidentiality;
- provides appropriate protection to the person who made the PID;
- maintains all necessary records securely; and reports appropriately.

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5.7 Principle 7 – Investigations

ANAO conditions: Legislation and governance, control strategies

All reports, information, complaints and notifications concerning alleged employee misconduct are referred to either the Human Resources Unit or Governance Unit.

If there is a reasonable suspicion or possibility that an incident constitutes minor misconduct or serious misconduct (corrupt conduct), the CEO, as Principal Officer, is required in accordance with the CCM Act, to report the matter to the PSC or CCC respectively.

As both fraud and corruption generally fall within the definition of misconduct, the majority of fraud and corruption matters automatically need to be reported. The PSC or CCC respectively may choose to investigate the matter itself, refer it back to the City, or work with the City to investigate the matter.

Any allegation involving criminal offences against the City, by employees or external parties, needs to be referred to the Police. In the event the Police do not lay criminal charges, but the information requires further enquiry because the allegation raises a reasonable suspicion of employee misconduct which, if proven, would be likely to result in formal disciplinary action, an investigation will be commenced.

Investigations may involve matters of suspected fraud, misconduct, corruption, misappropriation, maladministration, theft and other matters where the conduct of an employee, if substantiated, could amount to corrupt conduct and may result in disciplinary action, including dismissal.

5.7.1 CITY'S FRAUD MISCONDUCT AND CORRUPTION PRACTICES

The City's own fraud, misconduct and corruption investigative practices are aligned and comply with the WA Ombudsman Guidelines.

Specialist training may be provided to City investigators, to ensure the integrity and professionalism of their investigative work. Fraud, misconduct and corruption investigations are conducted by experienced, senior personnel who are independent of the service unit in which the alleged misconduct, fraudulent or corrupt conduct occurred.

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Investigations and any resultant disciplinary proceedings are always legislatively compliant and conducted in an atmosphere of transparency, with the overall guiding principles being independence and objectivity.

Information arising from, or relevant to, investigations is not disseminated to any person not required by their position description to receive the information and considering the seriousness of fraud, misconduct and corruption allegations, investigations are overseen by the Governance Unit.

In planning and undertaking fraud, misconduct and corruption investigations, the City follows the steps outlined by the WA Ombudsman:

- Assess the complaint
- Determine the scope and nature of investigation
- Determine the responsibilities and powers of the investigator
- Develop the investigation framework
- Gather evidence
- Apply the appropriate standard of proof
- Record and store information appropriately
- Prepare the investigation report
- Close and conclude the investigation

All investigations are conducted in accordance with the rules of procedural fairness.

5.7.2 EDUCATION AND AWARENESS

Employees must co-operate with an investigation being conducted in connection with the administration, management and operation of the City to ensure the best possible outcomes.

5.7.3 POLICIES AND PROCEDURES

In addition to the City's Fraud and Misconduct Control Policy Statement, the City has a Conducting Investigations into Allegations of Serious Misconduct Management Procedure, which discusses employees legislative obligations, misconduct and corrupt conduct, the investigation process, the balance of probabilities, procedural fairness and natural justice, interviews and what each party can expect from the other during an investigation.

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When the City deems an investigation into alleged misconduct or corrupt conduct, including fraud or corruption, is necessary:

- all employees are obliged to respect the rights of all involved and maintain confidentiality pending a full investigation into an alleged wrongdoing;
- managers and supervisors must ensure due process and encourage confidentiality;
- any person disclosing alleged wrongdoing must be advised of the outcome of the investigation as soon as practicable;
- the outcome may be subject of review by the PSC or CCC respectively; and
- the allegation and outcome may be reported to the Police.

Outcomes of investigations where complaints of alleged fraud, misconduct and / or corruption have been substantiated may be published, when appropriate to do so and where confidential records can be maintained.

5.8 Principle 8 – Code of Conduct

ANAO conditions: Legislation and governance, ethical leadership and culture

The City's Code of Conduct provides guidance on the standards of conduct expected of all employees and others associated in any significant way with the City. They include ethics, principles and values and advice and guidance for employees in making ethical decisions, especially in circumstances where the 'correct' or 'best' course of action may not be clear.

The Code of Conduct is based upon four ethical principles:

- Integrity and impartiality
- Promoting the public good
- Commitment to the system of government
- Accountability and transparency

The Code of Conduct is underpinned by the City's Corporate Values:

- Customer Service - we are committed to giving the best possible customer service
- Accountability - we are honest and accountable for our actions and decisions
- Excellence - we strive for excellence

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- Safety - safety is an integral part of all that we do
- Sustainability - we consider the natural, financial and social implication of our decisions

As a tool which outlines the City's ethical framework, it is outside the scope of the Code of Conduct to cover all ethical situations which may arise. To assist in the resolution of complex issues, including those relating to fraud, misconduct or corruption, Employees should seek the advice of their supervisors, managers or senior management when appropriate.

The value of the Code of Conduct as a deterrent to misconduct depends substantially on the perception that the provisions are enforced swiftly and equitably. Accordingly, prompt and impartial action is taken by the City in the event that a reasonable suspicion exists of fraud, misconduct, corruption or corrupt conduct.

The Code of Conduct reflects the corporate and business ethos of the City. As such, the City-wide implementation will promote integrity, encourage ethical behaviour and strengthen the City's resistance to fraud, misconduct and corruption.

The Human Resources Unit will review the Code of Conduct biennially, or more frequently if required. On an ongoing basis, the Director of Governance & Community Services will also review the need to develop any other related policies and procedures, ethical awareness training or employee development materials.

5.9 Principle 9 – Employee Education and Awareness

ANAO conditions: Governance, ethical leadership and culture

The City provides appropriate education and training for all employees.

5.9.1 MANDATORY TRAINING

As part of the City's corporate training, it will be mandatory for all employees to undertake ethics education and training. Such training will be undertaken on an on-going basis and at regular intervals during employment with the City.

The ethics education and training module includes:

- ethical decision-making training and awareness, including Code of Conduct;
- internal controls training; and
- fraud, misconduct and corruption (including Public Interest

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Disclosure) training and awareness.

Such training will be available to all employees through a variety of delivery modes including:

- face-to-face training;
- on-line fraud awareness and ethical decision making training; and
- ethics-related resources published on City's intranet.

5.9.2 CITY EDUCATION AND AWARENESS STRATEGIES

The City implements a variety of education and awareness strategies to foster an ethical organisational culture and strengthen the City's resistance to fraud, misconduct and corruption:

- displaying notices about the Code of Conduct and the expectation of ethical behaviour, throughout the workplace;
- making a copy of the Code of Conduct available to all new employees;
- demonstrating executive management commitment to fraud, misconduct and corruption control, with senior executives leading by example and participating in training sessions ;
- dissemination of advice about fraud awareness strategies and internal controls;
- this Framework and the Fraud and Misconduct Control and Resilience Policy made accessible to all employees
- dissemination of Public Interest Disclosure (PID) Policy and advice about the City's support and approach to PIDs;
- function-specific training about fraud and corruption control to employees working in high-risk areas;
- online Internal Controls training;
- the inclusion of fraud, misconduct and corruption control KPIs in the City's financial sustainability benchmarks;
- embedding fraud, misconduct and corruption control in the City's Enterprise Risk Management program; and
- reinforcement of the City's zero tolerance attitude to fraud, misconduct and corruption demonstrated by prompt response to incidents.

Consideration of future training programs will include but not be limited to the provision of guidelines on the identification of misconduct risk and the 'red flag' indicators of potential fraud, misconduct and corruption. Such training will also include information about accountability and ethical standards, as well as offering case studies and scenarios for ethical decision making.

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5.10 Principle 10 – Client and Community Awareness

ANAO conditions: Legislation and governance, ethical leadership and culture

This Framework and other relevant policies and procedures are published on the City's internet site to make them accessible for all community members and residents.

The City's external communication will emphasise the integrity of the City and its commitment to the highest standard of probity in all its dealings. The City's Statement of Business Ethics promotes this and is available on the City's internet site. In doing so, the City will give the community confidence in its dealings with the City and ensure that external providers, such as contractors, suppliers, third party providers and funding recipients are aware of the City's zero tolerance policy. This message will be augmented by the ethical actions of employees at all times.

The City promotes its position in respect of fraud and misconduct control and resilience by:

- publishing this Framework and procedure on the City's internet and intranet;
- ensuring a documented process for reporting potential fraudulent, misconduct and/or corrupt activities;
- incorporating probity compliance declarations and provisions into the City's standard contracts;
- providing a fraud, misconduct and corruption reporting Electronic Form on the City's website; and
- developing and delivering associated training to all employees.

The City's zero tolerance to fraud, misconduct and corruption should be highlighted, and measures taken to ensure the City's fraud, misconduct and corruption prevention goals are reported in the City's Annual Report.

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6. MONITORING, REVIEW AND CONTINUOUS IMPROVEMENT

The processes that support continuous improvement of the Framework include:

- reviewing the Framework triennially (or following a significant change within the City) including:
 - control strategies to ensure appropriate balance between prevention and detection; and
 - control appropriateness and effectiveness of design and operation,
- updating the fraud, misconduct and corruption risk assessment to ensure fraud misconduct and corruption risks are captured and managed; and
- review of individual fraud, misconduct and corruption cases to identify the cause, areas of control weakness, where possible measure the loss or cost of fraud, and identify lessons learned.

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APPENDIX 1 – LEGISLATION AND OTHER INSTRUMENTS

Legislation

- Local Government Act 1995
- Local Government Regulations
- Corruption and Crime Commission Act 2003
- Corruption, Crime and Misconduct Act 2003
- Criminal Code Act Compilation Act 1913
- Public Interest Disclosure Act 2003
- State Records Act 2000

Substantive policy and related procedures

- Employee Code of Conduct
- Elected Members Code of Conduct
- Fraud & Misconduct Control and Resilience Policy
- Compliments, feedback & Complaints Policy
- Compliments, feedback & Complaints Procedure
- Conflict of Interest Management Procedure
- Secondary Employment Management Procedure
- Gifts and Benefits Procedure
- Public Interest Disclosure Procedure
- Reporting Serious and Minor Misconduct Management Procedure
- Conducting Investigations Management Procedure
- Rules of Conduct Complaint Handling Management Procedure

Standards, guidance and best practice

- Australian Standard AS/NZS ISO 31000:2009 Risk management – Principles and guidelines
- Australian Standard AS 8001-2008 Fraud and Corruption Control
- Australian Auditing Standard ASA 240 – The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report
- Australian National Audit Office – Fraud Control in Australian Government Entities – Better Practice Guide (March 2011)
- Notification of Misconduct in Western Australia
- a joint information resource prepared by the Public Sector Commission and the Corruption and Crime Commission on misconduct as defined by the Corruption, Crime and Misconduct Act 2003 – 1 July 2015
- Western Australian Auditor General's Report: Fraud Prevention and Detection in the Public Sector – Report 7 – 30 June 2013

APPENDIX 2 – DEFINITIONS

Capitalised terms referred to in this Framework are defined in the table below:

| Term | Definition |
|----------------------------|---|
| Administration | The operational arm of the City which includes the Employees and is headed by the CEO. |
| ANAO | Australian National Audit Office. |
| ANAO Better Practice Guide | Australian National Audit Office – Fraud Control in Australia Government Entities Better Practice Guide. |
| Australian Standard | AS 8001-2008 – Fraud and Corruption Control. |
| Bribe | The offering, giving, receiving, or soliciting of something of value for the purpose of influencing the action of an official in the discharge of his or her public or legal duties. |
| CCC | Corruption and Crime Commission. |
| CCC Guidelines | Corruption and Crime Commission – Misconduct Resistance Guidelines. |
| CCM Act | Corruption, Crime and Misconduct Act 2003. |
| CEO | Chief Executive Officer. |
| City | The City of Cockburn, including the Council and the Administration. |
| Code of Conduct | Principles, values, standards and rules of behaviour that guide the decisions, procedures and systems of the City of Cockburn. |
| Commonwealth Guidelines | The Australian Minister for Home Affairs and Minister for Justice – Commonwealth Fraud Control Guidelines. |
| Corruption | Dishonest activity in which a director, executive, manager, employee, or contractor of an entity acts contrary to the interests of the entity and abuses his/her position of trust in order to achieve some personal gain or advantage for him or herself or for another person or entity. The concept of “corruption” [within this standard] can also involve corrupt conduct by the entity, or a person purporting to act on behalf of and in the interests of the entity, in order to secure some form of improper advantage for the entity either directly or indirectly (Source: AS8001:2008). |
| Council | The body constituting of all Elected Members sitting formally as a Council under the Local Government Act. |
| Criminal Code | Criminal Code Compilation Act 1913. |
| Director | The senior position in the Administration directly responsible to the CEO and who classified as a “senior employee” in accordance with the Local Government Act. |
| Employee | Means a person employed by a local government in accordance with section 5.36 of the Local Government Act including the CEO, Directors, Managers, officers, casual and contract employees. |

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| Term | Definition |
|--|---|
| Executive Management Team | Means the CEO, the Directors and Executive Manager Strategy and Civic Support. |
| Framework | Means this Fraud, Misconduct Control and Resilience Framework. |
| Fraud | <p>Dishonest activity causing actual or potential financial loss to any person or entity including theft of moneys or other property by employees or persons external to the entity and where deception is used at the time, immediately before or immediately following the activity. This also includes the deliberate falsification, concealment, destruction or use of falsified documentation used or intended for use for a normal purpose or the improper use of information or position for personal financial benefit.</p> <p>The theft of property belonging to an entity by a person or persons internal to the entity but where deception is not used is also considered 'fraud' [for the purposes of this standard] (Source: AS8001:2008).</p> |
| Fraud, misconduct and corruption risk assessment | Means the application of risk management principles and techniques in the assessment of the risk of fraud and corruption within the City of Cockburn. |
| Investigation | Means a search for evidence connecting or tending to connect a person with conduct that infringes the criminal law or the policies and standards set by the City of Cockburn. |
| Local Government Act | Means the Local Government Act 1995. |
| Misconduct | Misconduct occurs when a public officer abuses their authority for personal gain, causes detriment to another person, or acts contrary to the public interest (Source: Corruption and Crime Commission). |
| Notification Guidelines | Corruption and Crime Commission and Public Sector Commission (Joint) Notification of Misconduct in Western Australia Guidelines. |
| PID | Means a public interest disclosure as defined in the PID Act. |
| PID Act | Public Interest Disclosure Act 2003. |
| Policy | The City's Fraud and Misconduct Control and Resilience Policy. |
| PSC | Public Sector Commission. |
| Reporting Procedure | The City's Reporting Serious and Minor Misconduct Management Procedure. |
| Risk | Means the chance of something happening that will have an impact upon objectives. In consideration of fraud and misconduct risk, this will generally be a negative impact. |
| Risk Assessment | The City's Fraud and Misconduct risk assessment. |
| Risk Management | Means provides the necessary foundations and organisational arrangements for managing risk across the City of Cockburn. The Framework outlines a standardised, consistent approach to risk management in accordance with current industry standards, whilst providing a best practice methodology that meets the City's Risk Management Policy requirements. |

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17. MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil

**18. NOTICES OF MOTION GIVEN AT THE MEETING FOR
CONSIDERATION AT NEXT MEETING**

**19. NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY
MEMBERS OR OFFICERS**

**20. MATTERS TO BE NOTED FOR INVESTIGATION, WITHOUT
DEBATE**

Nil

21. CONFIDENTIAL BUSINESS

Nil

22. CLOSURE OF MEETING