



City of Cockburn
Audit & Strategic Finance Committee
Agenda Paper

For Thursday, 19 November 2020

CITY OF COCKBURN

SUMMARY OF AGENDA TO BE PRESENTED TO THE AUDIT & STRATEGIC FINANCE COMMITTEE MEETING TO BE HELD ON THURSDAY, 19 NOVEMBER 2020 AT 6.00 PM

	Page
1. DECLARATION OF MEETING	4
2. APPOINTMENT OF PRESIDING MEMBER (IF REQUIRED).....	4
3. DISCLAIMER (TO BE READ ALOUD BY PRESIDING MEMBER)	4
4. ACKNOWLEDGEMENT OF RECEIPT OF WRITTEN DECLARATIONS OF FINANCIAL INTERESTS AND CONFLICT OF INTEREST (BY PRESIDING MEMBER)	4
5. APOLOGIES & LEAVE OF ABSENCE	4
6. PUBLIC QUESTION TIME	4
7. CONFIRMATION OF MINUTES	4
7.1 MINUTES OF THE AUDIT & STRATEGIC FINANCE COMMITTEE MEETING - 16/7/2020	4
8. DEPUTATIONS	5
9. BUSINESS LEFT OVER FROM PREVIOUS MEETING (IF ADJOURNED).....	5
10. DECLARATION BY MEMBERS WHO HAVE NOT GIVEN DUE CONSIDERATION TO MATTERS CONTAINED IN THE BUSINESS PAPER PRESENTED BEFORE THE MEETING	5
11. COUNCIL MATTERS	6
11.1 APPOINTMENT OF AN INDEPENDENT EXTERNAL AUDIT AND STRATEGIC FINANCE COMMITTEE MEMBER	6
11.2 LEGAL PROCEEDINGS BETWEEN COUNCIL AND OTHER PARTIES	8
12. PLANNING & DEVELOPMENT DIVISION ISSUES.....	11
13. FINANCE & CORPORATE SERVICES DIVISION ISSUES.....	12
13.1 ANNUAL BAD DEBTS REVIEW AND WRITE-OFFS FOR 2019-2020	12
13.2 REVIEW OF MONETARY AND NON-MONETARY INVESTMENTS FOR 2019-2020.....	15
13.3 REPORT ON OFFICE OF AUDITOR GENERAL PERFORMANCE AUDIT LOCAL GOVERNMENT BUILDING APPROVALS AND THE CITY OF COCKBURN'S RESPONSE	19
13.4 REPORT ON OFFICE OF AUDITOR GENERAL PERFORMANCE AUDIT - FRAUD PREVENTION IN LOCAL GOVERNMENT AND CITY OF COCKBURN'S RESPONSE	56

13.5	REPORT ON OFFICE OF AUDITOR GENERAL PERFORMANCE AUDIT - WASTE MANAGEMENT - SERVICE DELIVERY AND THE CITY OF COCKBURN'S RESPONSE	140
13.6	REPORT ON OFFICE OF AUDITOR GENERAL PERFORMANCE AUDIT - REGULATION OF CONSUMER FOOD SAFETY BY LOCAL GOVERNMENT AND THE CITY OF COCKBURN'S RESPONSE.....	200
13.7	REPORT ON OFFICE OF AUDITOR GENERAL PERFORMANCE AUDIT - INFORMATION SYSTEMS AUDIT REPORT 2020 - LOCAL GOVERNMENT ENTITIES AND THE CITY OF COCKBURN'S RESPONSE	221
13.8	REPORT OF OFFICE OF AUDITOR GENERAL PERFORMANCE AUDIT ON LOCAL GOVERNMENT CONTRACT EXTENSIONS AND VARIATIONS AND THE RESPONSE FROM THE CITY OF COCKBURN.....	258
14.	ENGINEERING & WORKS DIVISION ISSUES	281
15.	COMMUNITY SERVICES DIVISION ISSUES.....	282
15.1	CHIEF EXECUTIVE OFFICER'S TRIENNIAL REVIEW FOR RISK MANAGEMENT, INTERNAL CONTROL AND LEGISLATIVE COMPLIANCE.....	282
16.	EXECUTIVE DIVISION ISSUES.....	301
17.	MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN	301
18.	NOTICES OF MOTION GIVEN AT THE MEETING FOR CONSIDERATION AT NEXT MEETING	301
19.	NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY MEMBERS OR OFFICERS.....	301
20.	MATTERS TO BE NOTED FOR INVESTIGATION, WITHOUT DEBATE	301
21.	CONFIDENTIAL BUSINESS	301
22.	CLOSURE OF MEETING	301

CITY OF COCKBURN

AGENDA TO BE PRESENTED TO THE AUDIT & STRATEGIC FINANCE COMMITTEE TO BE HELD THURSDAY, 19 NOVEMBER 2020 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

Cr C Terblanche - Leave of Absence

6. PUBLIC QUESTION TIME

7. CONFIRMATION OF MINUTES

**7.1 MINUTES OF THE AUDIT & STRATEGIC FINANCE COMMITTEE
MEETING - 16/7/2020**

RECOMMENDATION

That Committee confirms the Minutes of the Audit & Strategic Finance Committee Meeting held on Thursday, 16 July 2020 as a true and accurate record.

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 APPOINTMENT OF AN INDEPENDENT EXTERNAL AUDIT AND STRATEGIC FINANCE COMMITTEE MEMBER

Author(s) D Green

Attachments 1. Resume - Glyn Geen (**CONFIDENTIAL**)

RECOMMENDATION

That Council appoint Glyn Geen as the Independent External Member of the Audit and Strategic Finance Committee for a period of two (2) years, expiring in December 2022.

TO BE CARRIED BY AN ABSOLUTE MAJORITY OF COUNCIL

Background

In 2018, the Audit and Strategic Finance Committee (ASFC) resolved that it would be prudent to include an Independent Member on the Committee. Subsequently, a process of advertising and selection resulted in an External Member being endorsed by Council in 2019.

That process involved the Presiding Member of the Committee, the Mayor, and the CEO perusing the applications received and agreeing on a preferred candidate to be recommended for appointment by Council. At that stage, it was resolved by Council that the appointment be for a period of one (1) year, with a review of the effectiveness of the role to be undertaken following that time.

At the June 2020 Ordinary Council Meeting, it was resolved that the position was considered to be a useful addition to the City's oversight of its audit functions and that the vacancy should be advertised. This occurred and a total of 30 applications were received by the closing date for the advertising period in September 2020.

Submission

N/A

Report

At the closure of the advertising period for the position of an Independent External Member of the ASFC, an internal assessment was conducted of the 30 applications received, and a shorter list of eight (8) candidates was provided to the Presiding Member, the Mayor and the Acting CEO for independent perusal, in accordance with the previously agreed process.

Each of the assessors was unanimous in the choice of two (2) applicants, and a majority favoured one other. Four (4) other applicants were each favoured by a minority (1) of the assessors.

On that basis, it was determined that a panel be convened to interview each of the assessed top three (3) applicants for suitability to the role, and to select a candidate to be recommended to Council for formal appointment to the Committee. From this process, Glyn Geen emerged as the most favoured candidate by the panel, and is now submitted for Council endorsement.

Glyn Geen impressed as an experienced and highly qualified person, in being able to understand and oversee the City's auditing functions and requirements. His knowledge of the role, and demonstrated previous capabilities of Board and Committee processes was impressive, and he appears to have the necessary personal qualities to contribute in a collegiate manner at a formal committee level. Glyn Geen's resume is testament to his suitability for the appointment (refer Attachment 1).

Strategic Plans/Policy Implications

Listening and Leading

A community focused, sustainable, accountable and progressive organisation.

- Ensure good governance through transparent and accountable, planning, processes, reporting, policy and decision making.
- Deliver value for money through sustainable financial management, planning and asset management.

Budget/Financial Implications

Reimbursement fees for the External Member are provided for in the City's Municipal budget.

Legal Implications

Section 71A(2) of the *Local Government Act 1995* refers

Community Consultation

The position was broadly advertised through the usual City of Cockburn recruitment mediums.

Risk Management Implications

There is a "Low" level of assessed "Compliance" risk associated with this item.

Advice to Proponents/Submitters

Candidates not included on the short listed interview list have been advised that their application has not been successful on this occasion.

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

Nil

11.2 LEGAL PROCEEDINGS BETWEEN COUNCIL AND OTHER PARTIES

Author(s) J Fiori

Attachments 1. Legal Register 1 July 2019 to 30 June 2020 Financial Year (Costs Equal to and Greater than \$2,000) **(CONFIDENTIAL)**

RECOMMENDATION

That Council receive the report on legal proceedings commenced or responded to by the City during the 2019-2020 financial year as noted in the Confidential Attachment.

Background

At its meeting held on 13 December 2018, Council adopted the *Legal and Expert Advice and Proceedings between the City and Other Parties Policy* (Policy) and associated Delegated Authority, to clarify the methodology by which legal or other expert advice is provided to Elected Members, to enable them to perform their civic function.

As a result, the 'Legal Advice Register', provided annually to the Audit and Strategic Finance Committee, is now limited to the notification of those issues which are in relation to, or a result of a Council resolution, or where the amount related to administrative advice is of such an amount to warrant Council's attention, which is capped at \$2,000 or above.

Submission

N/A

Report

Clause 1 *Application* of the Policy states:

'This Policy applies in relation to legal and other expert advice sought by Council, and legal proceedings commenced or responded to by the City of Cockburn, or any person acting in their capacity as a representative of the City of Cockburn and for whom the City of Cockburn is vicariously liable.'

Clause 3 *Commencing Legal Proceedings* of the Policy states:

'(7) The Chief Executive Officer shall establish and maintain a procedure which enables those matters which are subject to the terms of this section to be centrally recorded and updated.'

'(8) A record of the procedure mentioned in (7) above shall be presented to the Audit and Strategic Finance Committee at least annually, or as often as considered appropriate by the CEO, or as requested by the Audit and Strategic Finance Committee.'

A Summary of the Legal Proceedings commenced or responded to by the City during the 2019-2020 financial year, as a result of a Council resolution, or of a significant amount that warrants Council's attention, has been circulated under separate confidential cover.

Strategic Plans/Policy Implications

Listening and Leading

A community focused, sustainable, accountable and progressive organisation.

- Ensure good governance through transparent and accountable, planning, processes, reporting, policy and decision making.

Budget/Financial Implications

The table below highlights the legal fees expensed during 2019-2020 with commensurate, where relevant, reimbursements, fines and penalties arising from the incurring of the legal expenditure. The table lists the legal services cost incurred for legal advice \geq \$2,000, per subject matter.

Costs \geq \$2,000 incurred for legal services during 2019–2020 financial year	
Legal Firms' Fees	Actual Paid
Jackson McDonald	\$616,197.86
Kott Gunning	\$22,650.85
McLeod Solicitors and Barristers	\$145,284.56
Total legal firms fees	\$784,133.27
Fines and penalties income	(\$175,306.45)
Net legal fees (after fines and penalties)	\$608,826.82

The above includes industrial relations issues, unauthorised developments, untidy properties, litter, environmental health, and dog licence infringements.

Legal Implications

Part 9 Division 2 of the *Local Government Act 1995* refers.

Community Consultation

N/A

Risk Management Implications

There are no risks associated with this recommendation, however failure to present this report to Council annually presents a “Low” level of “Compliance” risk in accordance with Council adopted Policy 'Legal and Expert Advice and Proceedings Between the City and Other Parties'.

Advice to Proponents/Submissioners

N/A

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

Nil

12. PLANNING & DEVELOPMENT DIVISION ISSUES

Nil

13. FINANCE & CORPORATE SERVICES DIVISION ISSUES

13.1 ANNUAL BAD DEBTS REVIEW AND WRITE-OFFS FOR 2019-2020

Author(s) N Mauricio
Attachments N/A

RECOMMENDATION

That Council receive the report on bad debts written off under delegation.

Background

Section 6.12 (1)(c) of the *Local Government Act 1995* allows local governments to write off any amount of money owing to it (other than rates and service charges). This action is necessary where delinquent debts become uncollectible.

The City's administrative policy for debtor management states that bad debt write offs should only be contemplated when all avenues for recovery have been exhausted, or that it is unviable to keep pursuing the debt.

At the September 2020 Ordinary Council Meeting, Council increased the Delegated Authority for writing off bad debts (other than for rates and service charges), up to an individual debt value of \$5,000. This delegation has been given to the Director Finance and Corporate Services.

Submission

N/A

Report

Whilst the City has a very good track record in managing and collecting its outstanding debts, there will always be some debts that become uncollectible for various and unavoidable reasons.

The City's debtor profile comprises commercial debtors (mainly landfill trade debtors), regulatory debtors (applications, licences, infringements) and community debtors (hall and reserve hire and provision of community related services).

Bad debts are usually attributable to failed businesses, untraceable debtors or insolvent community groups. Some outstanding debts are not worth pursuing due to their relative low value against high costs for legal recovery.

The City's revenue team conduct regular reviews of overdue debts and identify those required to be written off, being those where all recovery efforts have been exhausted. A write off recommendation is then sought from the initiating Business Unit Manager, before being submitted for write-off either under delegation or by Council.

For 2019-20, there were no debts greater than \$5,000 identified for write off by Council. The following summary of debts written off under delegation is provided in accordance with the requirements of Council's "Debt Write Off, Concession or Waiver" Delegated Authority:

Debt Category	No. of debts	Amount written-of \$ (ex gst)	Amount to be written-off \$ (inc gst)
Community (hall/reserve hire, services)	4	972.08	\$1,069.29
Commercial property lease/rent	2	2,023.91	2,226.30
Regulatory related (licences, health prosecutions, planning matters)	1	3,939.00	3,939.00
Small Balance Write Offs	19	49.71	49.71
Sundry Debts Sub-Total	26	6,984.70	7,284.30
Infringements – FER recommended	10	2,543.60	2,543.60
Infringements – unregistered/interstate vehicles	14	1,400.00	1,400.00
Infringement/Legal Write-Offs Sub-Total	24	3,943.60	3,943.60
Debt write off under delegation Total	50	10,928.30	11,227.90

It is worth noting that there were no debts proposed for write off at the Henderson Waste Recovery Park in 2019/20. This business operation represents the biggest risk area for the City's debt collection, with nearly \$4 million invoiced on standard credit terms to commercial customers. This result somewhat provides evidence that current credit control practices are operating effectively for the City.

The City's largest revenue and debt source, property rates and service charges, are secured against the property. Accordingly it is extremely rare for the City to recommend a related debt write off for property rates and service charges to Council. The City does write off small balances within rates accounts that are mostly related to interest charges and are very immaterial.

Strategic Plans/Policy Implications

Listening and Leading

A community focused, sustainable, accountable and progressive organisation.

- Ensure good governance through transparent and accountable, planning, processes, reporting, policy and decision making.

Budget/Financial Implications

Bad debts written off totalling \$10,928.30 (ex GST) were offset against their associated revenue sources, given the City does not maintain a doubtful debts provision due to the immateriality of past debt write-offs.

Legal Implications

Uncollectable sundry debts require Council authorisation in order to be written off under the provisions of the *Local Government Act 1995* Section 6.12 (1)(c), unless Council has delegated this power. Council has approved a Delegated Authority for writing off bad debts up to \$5,000, other than for rates and service charges.

Community Consultation

N/A

Risk Management Implications

It is considered good financial and risk management to regularly assess overdue debts in order to determine likelihood of collection. Those debts assessed as uncollectible should be written off to improve the accuracy of the receivables value recorded in the balance sheet (as is expected by financial audit). This also helps to ensure debt collection efforts and resources are better focused towards genuinely collectible debts.

Advice to Proponents/Submitters

N/A

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

Nil

13.2 REVIEW OF MONETARY AND NON-MONETARY INVESTMENTS FOR 2019-2020

Author(s) S Downing

Attachments N/A

RECOMMENDATION

That Council receive the information.

Background

Policy 'Investments of Funds' Clause 5.2 requires:

An Annual Report on the performance of the investment portfolio will be submitted to Council outlining the performance of the portfolio for the financial year."

Submission

N/A

Report

As per the Policy Investment of Funds, the following report is divided into two parts. The first part is a report on cash investments held by the City and the second part is for non-cash investments.

Cash Investments

The City earned the following interest income during 2019-2020 (LY2018-2019):

- Municipal/Reserve Funds (MFR) \$3.994m (\$4.991m);
- Rates – Administration Interest \$0.511m (\$0.462m);
- Rates – Penalty Interest \$0.212m (\$0.246m);
- Deferred Pension Rates \$0.023m (\$0.024m);
- ESL Interest \$0.037m (\$0.035m); and
- Total Interest Income \$4.727m (\$5.760m).

Interest income from the surplus cash in the Municipal Fund and Reserves (MFR) totalled \$3.994m (\$4.991m). The interest rates earned by the MFR over the twelve months varied from 2.53% (2.71%) in July 2019 to 1.52% (2.64%) in June 2020.

The interest income earned from the other four sources, Rates – Penalty Interest, Rates – Administration Interest, Deferred Pension Rates and ESL Interest, was not earned on the management of surplus cash but on outstanding debts due to the Council.

The *Local Government Act 1995* provides the heads of power for a Council to impose interest on outstanding rates. Rates – Administration Interest and ESL Interest are charged at 3.5%, whilst Rates – Penalty

Interest is charged at 7%. The *Local Government Act 1995* has a maximum interest rate of 11%. The Council has always elected to impose a lower interest rate.

Please note that Rates – Administration Interest and Rates – Penalty Interest will not be charged in 2020-2021 as a result of Council's response to COVID-19.

The rate for Deferred Pension Rates for 2019-2020 was 1.06% (2.26%). All surplus funds are invested in accordance with the *Local Government Act 1995*, associated regulations and Council's Investment Policy. All cash investments/term deposits were and are compliant with Council's Investment Policy.

The surplus funds are invested in term deposits with APRA regulated financial institutions, apart from two investments. The amendment to the regulations requiring Council's only invest in term deposits with a maturity less than twelve months was gazetted with an over-rider allowing existing investments with a maturity greater than twelve months and in non-term deposits to go to maturity (grandfathering).

The last remaining grandfathered investment is the reverse mortgage backed security, Emerald. The original investment was \$3m in three \$1m tranches. The City is currently receiving interest at the rates of 0.54%, 0.84% and 1.05% on the respective tranches.

Additional 'step-up' interest is also accruing on these three tranches at 0.9%, 1.5% and 1.9% respectively, which will be paid to the City upon maturity. The current balance of 'step-up' interest owing to the City is \$404,676.

The outstanding balance for the Emerald investment is \$2.516m.

Non-Cash Investments

The City has substantial freehold land on its balance sheet. As at the 30 June 2020 that total was \$82.97m (LY \$82.95m). The makeup of the land comprises sums, reserves, land available for sale, freehold parks and land which Council buildings and facilities occupy.

The Council's Land Management Strategy 2017 had identified a range of land assets that are surplus to requirement, or land that could be made saleable with investment from Council. The concept is to monetise freehold land (where possible) so as to re-invest in income producing property to receive a stream of rental income. The Land Management Strategy provides for a reconciliation of the freehold land and that which is surplus to requirements.

Rental Income

The rental income earned for 2019-2020 on commercial properties and lands including Cockburn Health and Community Centre, GP Super Clinic, Port Coogee Marina Pens and Office, Youth Centre (office and

commercial), commercial areas of Cockburn ARC totalled \$4.81m (LY \$4.87m), excluding GST and Variable outgoings.

The current value of commercial real estate is \$73.06m (as at 30 June 2020 on a written down value for buildings and at valuation for land).

As a result of COVID-19, eighteen tenants have applied for and received rent relief at per the State Government's guidelines. To date rent totalling \$185,354 has been waived and \$123,569 has been deferred and will be recovered over the life of the lease.

The net rental revenue from the Cockburn Health and Community Centre is quarantined within a financial reserve for the purpose of future maintenance requirements for the facility. This is to ensure that there is no future demand for the Municipal Fund to meet capital or operating maintenance costs. The City also quarantines funds received from the Naval Base Shacks to meet the future capital maintenance needs of this unique asset.

Land Sales

The following land sales were settled in 2019-2020:

- 61 Delaronde Drive, Success \$0.65m (August 2019)
- 46 Riverina Parade, Munster \$0.35m (November 2019)
- Lot 1300 (No.10) Goldsmith Road, Spearwood \$0.38m (Sept 19).

Total land settlements (ex-gst) \$1.38mm

Land sold and not settled in 2019-20:

- 1 Semple Court, South Lake \$2.59m (December 2020)
- Lots 9004 and 805 Merevale Gardens, Beeliar \$6m
Due to settle on 31 May 2021 (settlement delayed due to COVID-19). Planning Application to go to JDAP in February 2021
- Lot 1003 Bundegi Grove and 58 Tindal Avenue, Yangebup \$5.23m.

Funds received from the sale of surplus land are placed into the Council's Land Development and Investment Fund Reserve.

Strategic Plans/Policy Implications

Listening and Leading

A community focused, sustainable, accountable and progressive organisation.

- Ensure good governance through transparent and accountable, planning, processes, reporting, policy and decision making.
- Deliver value for money through sustainable financial management, planning and asset management.

Budget/Financial Implications

All items are reported in the financial statements of the City.

Legal Implications

N/A

Community Consultation

N/A

Risk Management Implications

This is an information only report on the investments undertaken by the City on behalf of the Council.

Advice to Proponents/Submitters

The proponents and those who lodged a submission on the proposal have been advised that this matter is to be considered at the 19 November 2020 Audit & Strategic Finance Committee meeting.

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

Nil

**13.3 REPORT ON OFFICE OF AUDITOR GENERAL PERFORMANCE
AUDIT LOCAL GOVERNMENT BUILDING APPROVALS AND THE
CITY OF COCKBURN'S RESPONSE****Author(s)** J West**Attachments**
1. List of OAG Performance Audits 2019 and 2020
[↓](#)
2. Office of Auditor General - Performance Audit -
Local Government Building Approvals [↓](#)**RECOMMENDATION**

That Council receive the Office of Auditor General's Performance Audit Report on Local Government Building Approvals, as attached to the Agenda.

Background

The Office of the Auditor General (OAG) has undertaken 23 audits in the last two years (A full list is at attachment 1) with 7 focused on Performance Audits in Local Government including:

- Records Management in Local Government
- Local Government Building Approvals
- Fraud Prevention in Local Government
- Local Government Contract Extensions and Variations
- Information Systems Audit Report 2020 – Local Government Entities
- Regulation of Consumer Food Safety by Local Government Entities
- Waste Management - Service Delivery

The City of Cockburn has participated in two such Performance Audits to date and presented to the Audit and Strategic Finance Committee -

1. Timely Payment of Suppliers (July 2018)
2. Records Management in Local Government (July, 2019).

To ensure the City adopts best practice in the industry, when any such Performance Audits with a Local Government focus are undertaken by the OAG with other Local Governments, the City independently prepares a report to be submitted to the Committee on performance and any improvement opportunities as a result of the OAG audit findings and recommendations.

Submission

N/A

Report

A copy of the OAG Performance Audit Local Government Building Approvals (see attachment 2) provides a response from the relevant manager on the recommendations contained in the OAG audits detailed below:

OAG Recommendation 1

Albany, Gosnells, Joondalup and Mandurah should:

- a) Require written Declarations of Interest from assessment staff, and ensure appropriate mitigation action is taken for any conflicts.
- b) Improve the transparency of their building control activities by providing information about permits, monitoring and enforcement activities, and building related complaints to the Building and Energy Department of the DMIRS, community and industry stakeholders.
- c) Develop and implement a risk-based approach to monitor and inspect building works.
- d) Improve guidance to staff on how to prioritise and manage building related complaints and enforcement activities to resolve community concerns and non-compliance issues in a timely way.

City of Cockburn Response

- a) The City of Cockburn has its own form and process that must be completed to the satisfaction of management by all employees who may have a conflict of interest.
- b) Information about all determined applications is forwarded each day to the Building and Energy Department of DMIRS. This includes specific City application monitoring data. DMIRS then sends the required data set to Landgate, the Australian Bureau of Statistics and other uses.

Current building legislation does not require checking of building works under construction. DMIRS has however liaised with local governments to determine if provision should be included in the Building Act and Building Regulations for such and how that could be funded.

Permits issued for private swimming pools and barriers are monitored in accordance with legislative requirements. The Building Act also facilitates the recouping of all costs by way of a swimming pool levy. The City has an effective and efficient swimming pool inspection program that runs cost neutral from the City's aspect.

- c) Currently not available other than compliance issues that are drawn to the City's attention via our general assessment processes or by members of the public.
- d) City employees work diligently to meet the requirements of the City of Cockburn Customer Service Charter. The Building Services Department has a good reputation working with a large number of complaints and in particular vexatious complainants. The City has very few complaints in regard to its permit approval processes due to the efficiency and effectiveness of the system and the experienced staff.

OAG Recommendation 2

Joondalup and Mandurah should limit the authority and delegation to issue permits only to appropriately trained staff that assess and issue permits.

City of Cockburn Response

This is not an issue at the City of Cockburn. All staff are trained and have the relevant delegated authority to issue permits.

OAG Recommendation 3

Albany and Joondalup should only start, pause and stop the clock in accordance with the requirements of the Act.

City of Cockburn Response

The City honours the requirements of the start, pause and stop the clock process in accordance with the Building Act. This information is sent to Building and Energy on a daily basis.

OAG Recommendation 4

The Building and Environment Department at DMIRS should consult further with local government entities and stakeholders:

- a) On a way to assist local government entities is to implement consistent practices; and
- b) To determine if it will progress or cease development of the centralised e-lodgement and assessment system.

City of Cockburn Response

The City's Building Services Department has worked hard over many years to establish a very effective, transparent and accurate permit assessment and reporting set of processes with the Building and Environment Department at DMIRS, setting the City of Cockburn at the forefront of current Local Government practices.

Strategic Plans/Policy ImplicationsListening and Leading

A community focused, sustainable, accountable and progressive organisation.

- Ensure good governance through transparent and accountable, planning, processes, reporting, policy and decision making.

Budget/Financial Implications

N/A

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 from the OAG's Performance Audits are considered and addressed.

Advice to Proponents/Submitters

N/A

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

Nil

Date	Topic of Performance Audit	Responsible Entity
24/9/20	Transparency Report: Current Status of WA Health's COVID-19 Response Preparedness	Dept of Health
31/8/20	Managing the impact of plant and animal pests: follow-up	Department of Primary Industries and Regional Development and the Department of Biodiversity, Conservation and Attractions
20/8/20	Waste Management - Service Delivery	Local Government
15/7/20	Working with children checks – managing compliance	Depts of Health/Education/Justice
30/6/20	Regulation of Consumer Food Safety by Local Government Entities	Local Government
25/6/20	Information Systems Audit Report 2020 – Local Government Entities	Local Government
18/6/20	WA' Transition to the NDIS	Depts of Communities/Premier and Cabinet/Treasury
21/5/20	Regulation of asbestos removal	WorkSafe
12/5/20	Audit Results Report – Annual 2019 Financial Audits	UWA, ECU, Curtin & Murdoch plus 5 TAFEs
4/5/20	Local Government Contract Extensions and Variations	Local Government
27/3/20	Control over purchasing cards	State Government Entities
4/12/19	Fee setting by the Department of Primary Industries and Regional Development & WA Police Force	Department of Primary Industries and Regional Development WA Police Force
23/10/19	Working with children checks – follow up	Dept of Communities
9/10/19	An analysis of the Department of Health's date relating to state-managed adult mental health services from 2013 to 2017	Dept of Health
15/8/19	Fraud Prevention in Local Government	Local Government
14/8/19	Access to State-Managed Adult mental health services	Dept of Health
31/7/19	Delivering Western Australia's Ambulance Services – Follow-up audit	Dept of Health/St. Johns Ambulance service
26/6/19	Local Government Building Approvals	Local Government
19/6/19	PathWest Laboratory Information System Replacement Project	PathWest
12/6/19	Improving Aboriginal Children's ear health	Dept of Health
15/5/19	Audit Results Report – Annual 2018 Financial Audits	UWA, ECU, Curtin & Murdoch plus 5 TAFEs
15/5/19	Firearm Controls	WA Police Force
9/4/19	Records Management in Local Government A report on the recommendations of this Performance Audit was provided to the July 2019 A&SF Committee	Local Government

Western Australian Auditor General's Report



Local Government Building Approvals



Report 28: June 2018-19

**Office of the Auditor General
Western Australia**

7th Floor Albert Facey House
469 Wellington Street, Perth

Mail to:

Perth BC, PO Box 8489
PERTH WA 6849

T: 08 6557 7500

F: 08 6557 7600

E: info@audit.wa.gov.au

W: www.audit.wa.gov.au

National Relay Service TTY: 13 36 77
(to assist people with hearing and voice impairment)

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

© 2019 Office of the Auditor General Western Australia. All
rights reserved. This material may be reproduced in whole or
in part provided the source is acknowledged.

ISSN: 2200-1931 (Print)
ISSN: 2200-1921 (Online)

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

WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

Local Government Building Approvals

Report 28
June 2018-19



THE PRESIDENT
LEGISLATIVE COUNCIL

THE SPEAKER
LEGISLATIVE ASSEMBLY

LOCAL GOVERNMENT BUILDING APPROVALS

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

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

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

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

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

CAROLINE SPENCER
AUDITOR GENERAL
26 June 2019

Contents

Auditor General's overview.....	4
Executive summary	5
Introduction	5
Background.....	5
Conclusion	7
Key findings.....	7
Recommendations	9
Response from audited local government entities	10
Response from the Building and Energy Division	10
Audit focus and scope	11
Findings.....	12
LG entities adequately assessed permit applications, but can improve their processes	12
Most permits were issued on time	14
LG entities do not effectively monitor and enforce compliance with permits	16
Appendix 1 – Building permit application checklist	19
Appendix 2 – Better practice principles	20
Appendix 3 – Full responses from audited entities	22

Auditor General's overview

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



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

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

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

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

Executive summary

Introduction

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

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

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

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

Background

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

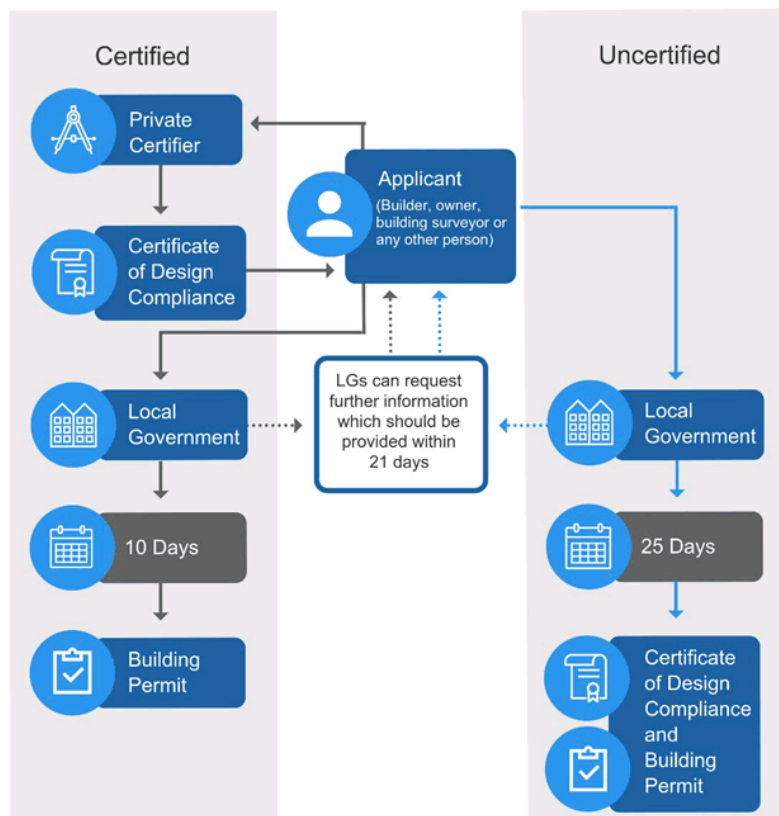
To get a permit, either a certified or an uncertified application must be lodged with the relevant LG entity, along with the fee prescribed in the Building Regulations 2012¹. A permit can be issued when building plans meet the requirements of the Act, the Building Code of Australia (Code)², and planning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

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

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

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

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



Source: OAG

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

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

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

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

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

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

Conclusion

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

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

Key findings

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

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

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

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

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

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

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

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

Most permits were issued on time

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

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

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

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

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

LG entities do not effectively monitor and enforce compliance with permits

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

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

Recommendations

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

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

Response: Agreed

Implementation timeframe: by December 2019

Response from audited local government entities

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

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

Appendix 3 includes the full responses from the LG entities.

Response from the Building and Energy Division

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

Appendix 3 includes the full response from B&E.

Audit focus and scope

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

The specific lines of inquiry were:

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

The following 4 LG entities were included in the audit:

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

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

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

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

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

We also consulted with a range of stakeholders including:

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

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

Findings

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

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

LG entities only issued permits when legislative requirements were met

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

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

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

Weak controls may lead to inappropriate permit approvals

Conflicts of interest are not recorded and managed transparently

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

Conflicts of interest may arise for assessment staff when they:

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

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

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

Inadequate approval controls increase the risk of unauthorised issue of permits

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

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

Processes and systems differ across LG entities which leads to inefficiencies

Applications are lodged differently

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

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

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

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

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

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

Two LG entities incorrectly recorded application processing times

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

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

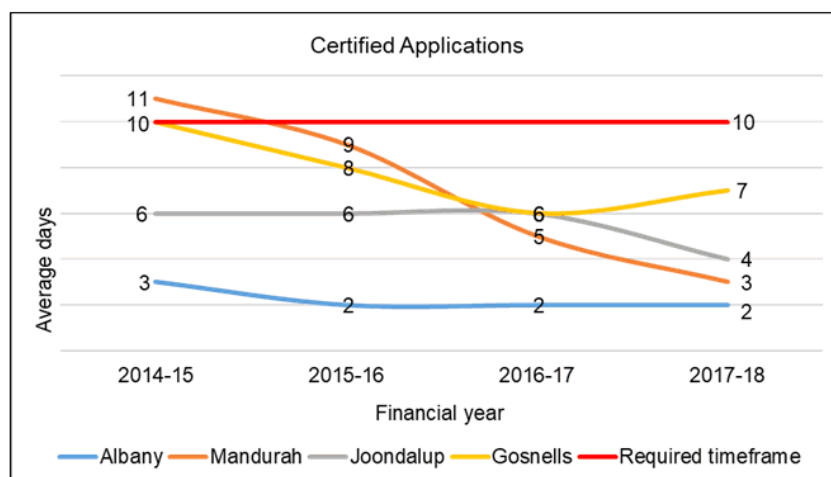
Most permits were issued on time

LG entities issued permits in required timeframes

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

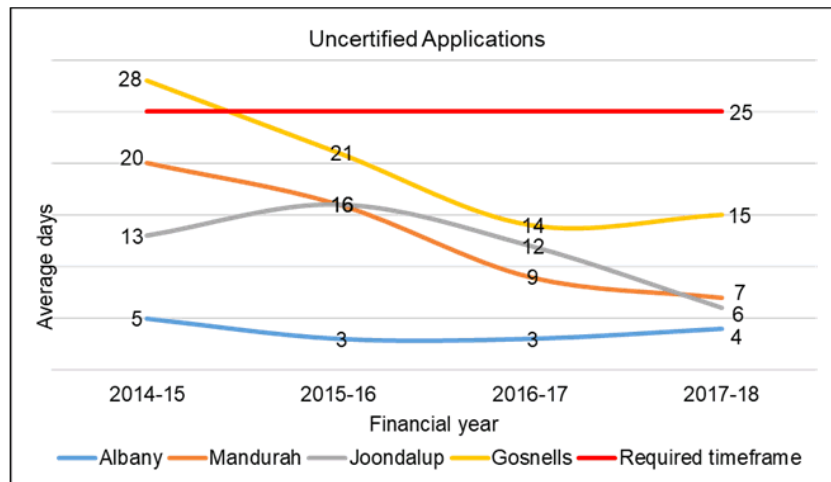
- about 98% of the 3,736 certified applications were assessed within 10 days. Nearly all had a permit issued
- about 98% of the 1,069 uncertified applications were assessed within 25 days. Nearly all had a permit issued.

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



Source: OAG using data from LG entities

Figure 2: Average time to assess certified applications



Source: OAG using data from LG entities

Figure 3: Average time to assess uncertified applications

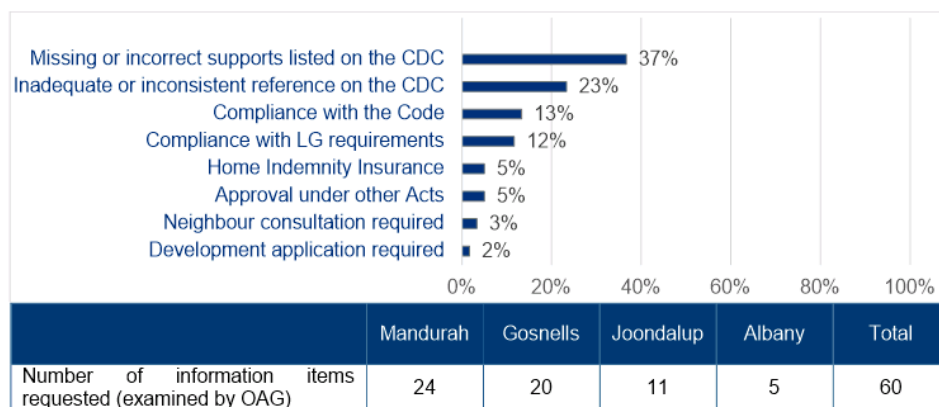
A future rise in building activity could put LG entities who take longer to issue permits at risk of not meeting the timeframes. Delays in issuing permits affect planning of building works and can lead to increased costs for applicants, particularly when they are renting and holding land.

Incomplete and incorrect applications often result in longer approval times

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

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

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



Source: OAG using information from LG entities

Figure 4: Reasons for information requests by the LG entities

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

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

Reporting of permit information could be improved

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

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

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

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

LG entities do not effectively monitor and enforce compliance with permits

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

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

LG entities carry out limited monitoring and inspections of building work

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

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

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



Source: OAG using information from LG entities

Figure 5: Examples of monitoring by LG entities

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

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

LG entities could improve complaints processes to achieve more timely compliance

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

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

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

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

Appendix 1 – Building permit application checklist

Information required to accompany certified and uncertified applications

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

Source: OAG using information from B&E

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

Appendix 2 – Better practice principles

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

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

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

Source: OAG

Appendix 3 – Full responses from audited entities

City of Albany

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

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

City of Albany's specific responses to recommendations

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

City of Gosnells

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

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

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

City of Joondalup

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

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

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

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

City of Joondalup's specific responses to recommendations

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

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

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

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

City of Mandurah

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

Building and Energy Division

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

Building and Energy's specific responses to recommendations

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

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

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

Auditor General's Reports

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

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



Office of the Auditor General
Western Australia

7th Floor Albert Facey House
469 Wellington Street, Perth

Mail to:
Perth BC, PO Box 8489
PERTH WA 6849

T: 08 6557 7500

F: 08 6557 7600

E: info@audit.wa.gov.au

W: www.audit.wa.gov.au



Follow us on Twitter [@OAG_WA](https://twitter.com/OAG_WA)



Download QR Code Scanner app and
scan code to access more information
about our Office

13.4 REPORT ON OFFICE OF AUDITOR GENERAL PERFORMANCE AUDIT - FRAUD PREVENTION IN LOCAL GOVERNMENT AND CITY OF COCKBURN'S RESPONSE

Author(s)	S Downing
Attachments	<ol style="list-style-type: none"> 1. OAG Performance Audit Report - Fraud Prevention in Local Government ↓ 2. Fraud, Misconduct Control and Resilience Framework ↓ 3. Policy – Fraud and Misconduct Control and Resilience ↓

RECOMMENDATION

That Council receive the Office of Auditor General's Performance Audit Report on Fraud Prevention in Local Government, as attached to the Agenda.

Background

The Office of the Auditor General (OAG) has undertaken a series of performance, financial and information system audits into functions or activities undertaken by Local Government in Western Australia. The City of Cockburn has participated in two such audits to date. The first, *Timely Payment of Suppliers* (report to this Committee in July 2018), and the second, *Information Systems Audit Report 2020 – Local Government Entities* (report to this meeting of the Committee).

The aim is that for any such audit undertaken by the OAG, where Local Government is the focus, a report will be submitted to the Audit and Strategic Finance Committee, with comments on the recommendations by relevant City Officers, as to its applicability to the City of Cockburn.

Since assuming responsibility for Local Government Audits in 2018, the OAG has undertaken and tabled in Parliament 14, Audit Reports that are Local Government focused:

- Control over Corporate Credit Cards (May 2018)
- Timely Payment of Suppliers (13 June 2018)
- Local Government Procurement (11 Oct 2018)
- Management of Supplier Master Files (7 Mar 2019)
- Audit Results Report - Annual 2017-18 Financial Audits of Local Government Entities (7 Mar 2019)
- Records Management in Local Government (9 Apr 2019)
- Verifying Employee Identity and Credentials (19 Jun 2019)
- Local Government Building Approvals (26 Jun 2019)
- Fraud Prevention in Local Government (15 Aug 2019)
- Audit Results Report - Annual 2018-19 Financial Audits of Local Government Entities (11 Mar 2020)

- Local Government Contract Extensions and Variations (4 May 2020)
- Information Systems Audit Report 2020 – Local Government Entities (25 June 2020)
- Regulation of Consumer Food Safety by Local Government Entities (30 June 2020)
- Waste Management - Service Delivery (20 Aug 2020)

This represents around 26% of the 53 audits delivered in that period by the OAG, including to State Government agencies.

Submission

N/A

Report

A copy of the OAG Performance Audit Fraud Prevention in Local Government has been attached to the report with a response from the relevant manager on the recommendations contained in the OAG audits detailed below.

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

OAG Recommendation 1

Assess fraud risks across their business

City of Cockburn Response

This recommendation is supported.

An assessment occurs at the business unit level as part of the triennial assessment of risk.

OAG Recommendation 2

Develop a Fraud and Corruption Control Plan and review it at least once every two (2) years

City of Cockburn Response

This recommendation is supported.

The City has implemented a Fraud Prevention, Control and Management Process Plan, supported by the following documentation:

- *City of Cockburn Fraud and Misconduct Control and Resilience Policy,*
- *City of Cockburn Elected Member Code of Conduct,*
- *City of Cockburn Code of Conduct for Staff,*
- *City of Cockburn Information Communication and Technology (ICT) Code of Conduct,*
- *City of Cockburn Fraud and Misconduct Control and Resilience Framework, and*
- *City of Cockburn Public Interest Disclosure information Statement.*

The above are supported by Learning and Development modules which also provide induction and awareness for staff on procurement induction highlights fraud and misconduct.

OAG Recommendation 3

Develop and implement a periodic fraud awareness training program for all staff

City of Cockburn Response

This recommendation is supported.

LGIS are running training programs which the City is participating in.

The above are supported by Learning and Development modules which also provide induction and awareness for staff regarding procurement induction highlights fraud and misconduct.

The Human Resource Department – Staff Development have been tasked with preparing a specific Fraud Awareness Training Program of all officers with approval and spending rights. This training program will be compulsory and will be included in annual staff reviews.

OAG Recommendation 4

Ensure that all conflicts of interest are recorded, assessed and appropriate management plans are in place

City of Cockburn Response

This recommendation is supported.

Training is scheduled to be held in November 2020.

Governance will instigate and maintain relevant registers.

OAG Recommendation 5

Have policies and procedures in place to verify the identity and integrity of employees and suppliers

City of Cockburn Response

The fraud framework (attached) was prepared and updated by Governance as presented to the March 2019 Audit and Strategic Finance Committee Meeting, and subsequently adopted by Council at its Special Council Meeting held on 28 March 2019. The subsequent policy is also attached.

In addition the City undertook a supplier integrity check in 2019 with no issues. A check will be implemented in 2021.

OAG Recommendation 6

Document clear internal processes and systems to report any potential fraud, that includes anonymous reporting

City of Cockburn Response

The recommendation is supported.

The fraud framework (attached) was prepared and updated by Governance as presented to the March 2019 Audit and Strategic Finance Committee Meeting, and subsequently adopted by Council at its Special Council Meeting held 28 March 2019.

OAG Recommendation 7

Collect and analyse information received about potential fraud to identify any trends or emerging issues.

City of Cockburn Response

This recommendation is supported.

Actions and procedures are in place to monitor and review risk associated with credit/purchase card use, the issue of purchase orders and approval processes around invoices, and changes to payment master file details. The City has had success in implementing these control measures.

Strategic Plans/Policy Implications**Listening and Leading**

A community focused, sustainable, accountable and progressive organisation.

- Ensure good governance through transparent and accountable, planning, processes, reporting, policy and decision making.

Budget/Financial Implications

N/A

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 from the OAG's Performance Audits are considered and addressed.

Advice to Proponents/Submitters

N/A

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

Nil

Western Australian Auditor General's Report



Fraud Prevention in Local Government



Report 5: 2019-20
15 August 2019

Office of the Auditor General
Western Australia

Audit team:

Aloha Morrissey
Gareth Govan
Adam Dias

National Relay Service TTY: 13 36 77
(to assist people with hearing and voice impairment)

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

© 2019 Office of the Auditor General Western Australia.
All rights reserved. This material may be reproduced in whole or in part provided the source is acknowledged.

ISSN: 2200-1931 (Print)
ISSN: 2200-1921 (Online)

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

WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

Fraud Prevention in Local Government

Report 5
August 2019



THE PRESIDENT
LEGISLATIVE COUNCIL

THE SPEAKER
LEGISLATIVE ASSEMBLY

FRAUD PREVENTION IN LOCAL GOVERNMENT

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

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

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

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

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

CAROLINE SPENCER
AUDITOR GENERAL
15 August 2019

Contents

Auditor General's overview.....	4
Executive summary	5
Introduction	5
Conclusion	5
Background.....	6
Recommendations	7
Response from audited local government entities	8
Audit findings	9
Entities have not implemented a coordinated approach to manage their fraud risks.....	9
Entities could make themselves more fraud resistant if they strengthen their controls.	10
Better reporting avenues would help entities detect and respond to fraud	11
Audit focus and scope	14
Appendix 1: Summary of legislated responsibilities.....	15
Appendix 2: Better practice principles	17
Appendix 3: Summary of local government fraud questionnaire results	19
Appendix 4: Full responses from audited entities	20

Auditor General's overview

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



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

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

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

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

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

Executive summary

Introduction

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

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

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

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

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

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

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

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

Conclusion

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

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

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

Background

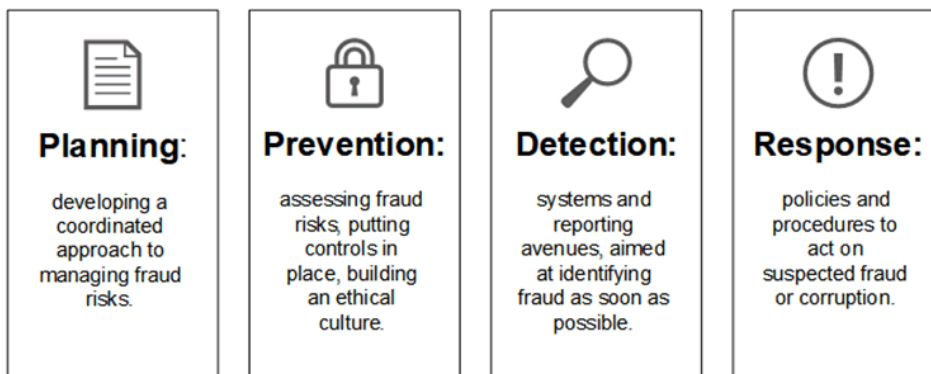
Fraud is the act of obtaining a benefit, financial or otherwise, by deception. By its nature it is deceitful and dishonest, and can be very hard to detect particularly if collusion is involved. It is important that public sector entities design and implement strong internal control frameworks to prevent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

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

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

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

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



In developing our expectations for entities, we considered:

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

6 | Western Australian Auditor General

Recommendations

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

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

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

Response from audited local government entities

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

Audit findings

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

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

Entities have not assessed their business for fraud risks

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

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

Entities have not planned how to manage fraud risks

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

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

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

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

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

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

² Ibid.

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

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

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

Entities need to raise staff awareness of fraud risks

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

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

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

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

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

Source: OAG using entity information

Figure 1. Examples of recent efforts to raise fraud awareness

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

Not all conflicts of interest are captured

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

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

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

More screening of employees and suppliers would help entities reduce risks

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

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

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

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

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

Better reporting avenues would help entities detect and respond to fraud

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

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

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

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

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

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

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

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

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

Entities should include anonymous reporting options to encourage reporting

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

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

Entities need to better use information they receive about suspected fraud

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

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

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

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

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

Audit focus and scope

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

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

During our audit we considered:

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

During the audit we:

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

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

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

Appendix 1: Summary of legislated responsibilities

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

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

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

Source: OAG

Appendix 2: Better practice principles

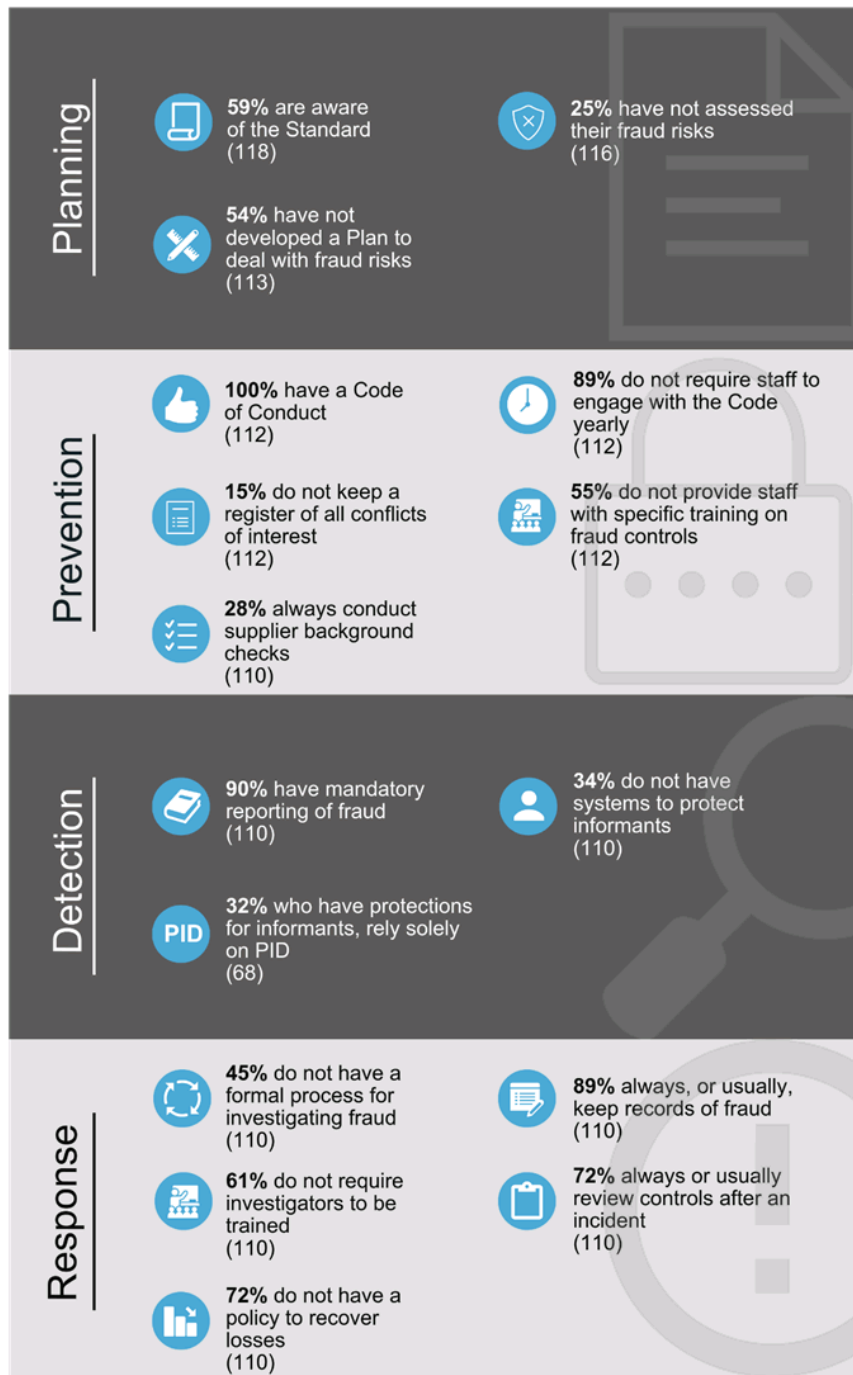
The table below shows key principles on which our audit focused. These principles are not exhaustive. Entities seeking to implement better practice approaches should also consult the Standard, and the guidelines prepared by the Department of Local Government, Sport and Cultural Industries.

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

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

Source: OAG

Appendix 3: Summary of local government fraud questionnaire results



Number of responses to question marked in (*)

Source: OAG

Appendix 4: Full responses from audited entities

Shire of East Pilbara

Specific responses to recommendations

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

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

Shire of Katanning

Specific responses to recommendations

The Shire of Katanning agreed with all recommendations.

City of Nedlands

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

Specific responses to recommendations

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

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

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

Shire of Serpentine-Jarrahdale

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

Specific responses to recommendations

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

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

City of Vincent

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

Specific responses to recommendations

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

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

Auditor General's reports

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



**Office of the Auditor General
Western Australia**

7th Floor Albert Facey House
469 Wellington Street, Perth

Perth BC, PO Box 8489
PERTH WA 6849

T: 08 6557 7500
F: 08 6557 7600
E: info@audit.wa.gov.au
W: www.audit.wa.gov.au





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	

Table of Contents

Statement From The Chief Executive Officer	1
1. Introduction	3
1.1 Purpose	3
1.2 Risk Management Approach.....	3
1.3 Structure	4
1.4 Goals and Objectives.....	4
2. What is fraud and misconduct.....	5
2.1 Fraud	5
2.2 Corruption.....	5
2.3 Misconduct.....	6
2.4 Minor Misconduct.....	6
2.5. Serious Misconduct	7
2.6 Corrupt Conduct	7
2.7 Corrupt Conduct	8
3. Policy statement.....	9
4. Fraud and Misconduct Control Strategies	10
4.1 ANAO Conditions.....	10
4.2 Ten Principle Model	10
4.3 Fraud, Misconduct and Corruption Control Model	11
4.4 ANAO Conditions in Practice	12
4.4.1 Ethical leadership and culture	12
4.4.2 Leadership and Governance.....	12
4.4.3 ANAO control strategies	13
4.5 Roles and Responsibilities.....	15
4.6 Fraud, Misconduct Control and Resilience Strategies	19
5. Ten principles in practice	21
5.1 Principle 1 – City Wide Policy	21
5.2 Principle 2 – Risk Assessment.....	21
5.2.1 Risk assessment responsibility	21
5.2.2 Fraud, misconduct and corruption risk assessment.....	21
5.2.3 Risk areas for fraud and corruption.....	22
5.3 Principle 3 – Internal Controls.....	24

5.4	Principle 4 – Internal Reporting.....	26
5.4.1	Characteristics of internal reporting	26
5.4.2	Internal reporting arrangements.....	27
5.4.3	Fraud and corruption reporting guidelines	27
5.4.4	Fraud, misconduct and corruption reporting management PROCESS	28
5.5	Principle 5 – External Reporting	28
5.6	Principle 6 – Public Disclosure.....	29
5.7	Principle 7 – Investigations	31
5.7.1	City's fraud misconduct and corruption practices.....	31
5.7.2	Education and awareness.....	32
5.7.3	Policies and procedures.....	32
5.8	Principle 8 – Code of Conduct	33
5.9	Principle 9 – Employee Education and Awareness.....	34
5.9.1	Mandatory training	34
5.9.2	City education and awareness strategies	35
5.10	Principle 10 – Client and Community Awareness	36
6.	Monitoring, review and Continuous Improvement	37
	Appendix 1 – Legislation and other Instruments	38
	Appendix 2 – Definitions	39

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 'rorting 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.

13 March 2019

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.

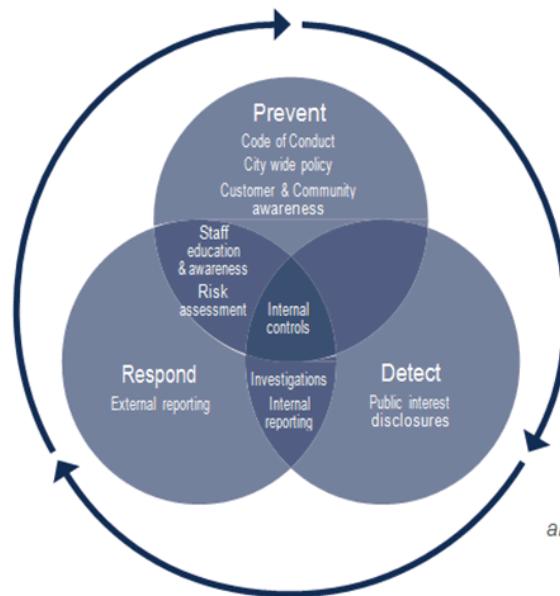


Figure 1: Fraud, Misconduct and Corruption Control Model

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.

13 March 2019

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.

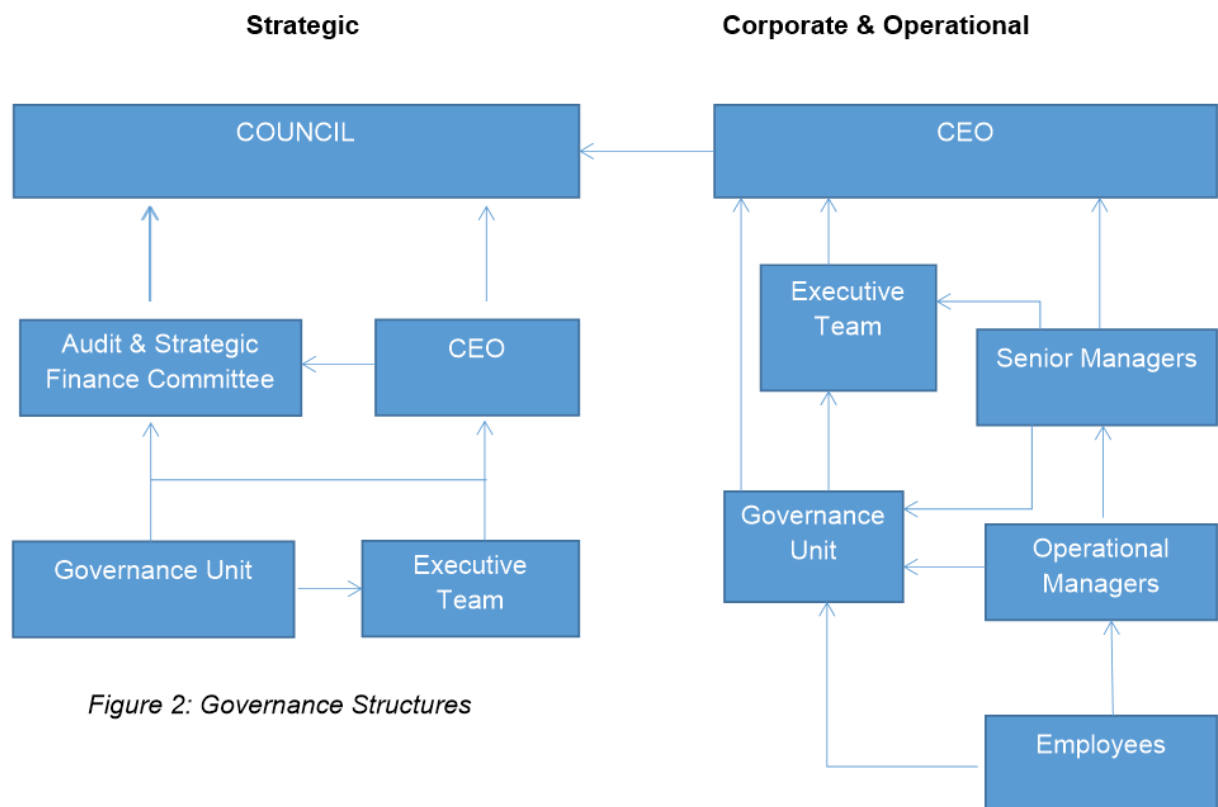


Figure 2: Governance Structures

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

13 March 2019

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

13 March 2019

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

13 March 2019

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.

13 March 2019

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.

13 March 2019

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;

13 March 2019

- 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

13 March 2019

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 a 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)

13 March 2019

- 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

13 March 2019

- 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.

13 March 2019

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.

13 March 2019

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.

13 March 2019

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

13 March 2019

- 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

13 March 2019

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.

13 March 2019

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.

13 March 2019

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.

13 March 2019

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.

13 March 2019

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.

13 March 2019

City of Cockburn

9 Coleville Crescent, Spearwood WA 6193

PO Box 1215, Bibra Lake DC Western Australia 6965

T: 08 9411 3444 F: 08 9411 3333

E: improvements01@cockburn.wa.gov.au
cockburn.gov.wa.au



Title	Fraud & Misconduct Control & Resilience
Policy Number (Governance Purpose)	



Policy Type

Council

Policy Purpose

To articulate the City of Cockburn's (the City) commitment to a zero-tolerance approach to fraud, misconduct, bribery and corruption (Fraud and Misconduct) and to building resilience through the identification and implementation of strategies to prevent, detect and respond to Fraud and Misconduct.

All Employees will need to be aware of this Policy, the Framework and its implications, together with other stakeholders, including contractors and consultants.

Policy Statement

The City adopts a zero tolerance approach to Fraud and Misconduct and will appropriately deal with all allegations and suspected instances of Fraud and Misconduct. This includes notifying, reporting or referring any such instances to the appropriate authority for investigation and possible prosecution. The City will seek to recover any losses incurred after considering all relevant issues.

The management of Fraud and Misconduct is a collective responsibility of all persons engaged or closely associated with the City in any capacity.

The City's 'Statement of Business Ethics' outlines the integrity and ethical standards expected by the City to ensure business relationships between the City (and its Employees), suppliers and/or service providers exhibit the highest standards of integrity when conducting business.

(1) Implementation

1. The City has adopted a Fraud and Misconduct Control and Resilience Framework (the Framework) that is aligned with the Australian Standard AS8001:2008 Fraud and Corruption Control.
2. This Policy along with the Code of Conduct, the City's values and culture and its governance and risk management frameworks all operate in synergy to prevent, detect and respond to potential or actual fraud and misconduct.
3. The Framework establishes the strategies and processes by which the City will determine specific practices, plans and procedures to manage the prevention and detection of fraudulent activities, the related investigation and, where appropriate, referral of incidents to the appropriate authorities.
4. The City provides all Employees with education and training in ethics and fraud awareness to ensure that all Employees understand their responsibilities and obligations.

[1]

Title	Fraud & Misconduct Control & Resilience
Policy Number (Governance Purpose)	



(2) Reporting Serious or Minor Misconduct

A Public Officer or any other person may report to the CCC or the PSC any matter which that person suspects on reasonable grounds concerns or may concern serious or minor misconduct. Information on reporting to the appropriate authority is available on the City's public website.

(3) Public Interest Disclosure (PID)

1. Any person may make an appropriate disclosure of public interest information to a proper authority (which includes a local government). The legislation which governs such disclosures is the PID Act.
2. A disclosure can be made by anyone and may be made anonymously. If disclosures are made in accordance with the PID Act, the person making them is protected from reprisal. This means that the person enjoys immunity from civil or criminal liability and is protected from any disciplinary action or dismissal.
3. The PID Act requires local governments to appoint a PID Officer to whom disclosures may be made. The PID Officer should be consulted when considering whether to make a disclosure. Information on public interest disclosures and the City's PID Officers are maintained on the City's public website.

(4) Disciplinary and Recovery Action

The City will respond to all instances of Fraud and Misconduct in accordance with its disciplinary process which may lead to termination. The City will also seek to recover any losses it may have suffered through Fraud and Misconduct.

(5) Roles and responsibilities

The roles and responsibilities of the Audit and Strategic Finance Committee, CEO, Executive, Managers, Governance Business Unit, Human Resources Business Unit and all Employees in respect of this Policy are articulated in detail in the Framework.

(6) Dispute Resolution

All disputes in respect of this Policy must be referred to the Director of Governance and Community Services in the first instance, and if unresolved, to the CEO.

(7) Relevant Documents

1. Fraud and Misconduct Control and Resilience Framework
2. Risk Management Policy and Framework
3. Code of Conduct (Employees and Elected Members)
4. Reporting Serious and Minor Misconduct Policy and Procedures

[2]

Title	Fraud & Misconduct Control & Resilience
Policy Number (Governance Purpose)	



(8) References

In developing the Policy, reference has been made to relevant guidance and/or legislation as follows:

1. Australian Standard for Fraud and Corruption Control (AS8001:2008)
2. Australian Standard for Organisational Codes of Conduct (AS8002:2003)
3. Australian Standard for Whistleblower Protection (AS8004:2003)
4. Australian National Audit Office – Fraud Control in Australian Government Entities
5. Public Sector Commission: Code of Ethics Principles Conduct Guide and Accountable and Ethical Decision Making Modules
6. Corruption & Crime Commission: Agency Misconduct Management Systems and Misconduct Resistance Framework
7. Public Interest Disclosure Act 2003
8. Corruption Crime and Misconduct Act 2003

Term	Definition
Australian Standard	AS8001-2008 – 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
CEO	Chief Executive Officer
Code of Conduct	Principles, values, standards, and rules of behaviour that guide the decisions, procedures and systems of the City of Cockburn
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
Employee	A person employed by a local government in accordance with section 5.36 of the LGA including the CEO, Directors, Managers, officers, casual and contract employees

Title	Fraud & Misconduct Control & Resilience
Policy Number (Governance Purpose)	



Term	Definition
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 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>
LGA	Local Government Act 1995
Minor Misconduct	<p>Minor misconduct occurs if a public officer engages in conduct that:</p> <ul style="list-style-type: none"> (a) 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; or (b) involves the performance of functions in a manner that is not honest or impartial; or (c) involves a breach of the trust placed in the public officer; or (d) 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; <p>and</p> <p>constitutes, or could constitute, a disciplinary offence providing reasonable grounds for termination of a person's office or employment. (<i>Corruption, Crime and Misconduct Act 2003</i>)</p>
Misconduct	Means when a public officer abuses their position and/or authority for personal gain, to cause detriment to another person, or acts contrary to the public interest (Source: Corruption and Crime Commission)
PID Act	The <i>Public Interest Disclosure Act 2003</i> was introduced to encourage people to report wrongdoing within the State Government, local government and public universities and protect them when they do.

Title	Fraud & Misconduct Control & Resilience
Policy Number (Governance Purpose)	



Term	Definition
PID Officer	The 'Public Interest Disclosure (PID) Officer' is the person who holds the specified position as the proper authority to receive public interest disclosures within the sphere of responsibility of the public authority. This person is designated by the Principal Executive Officer (PEO) under section 23(1)(a) of the PID Act.
PSC	Public Sector Commission
Public Interest Information	<p>means information that tends to show, in relation to its public function a public authority, a public officer, or a public sector contractor is, has been, or proposes to be, involved in:</p> <ul style="list-style-type: none"> (a) improper conduct; or (b) an act or omission that constitutes an offence under a written law; or (c) a substantial unauthorised or irregular use of, or substantial mismanagement of, public resources; or (d) an act done or omission that involves a substantial and specific risk of – <ul style="list-style-type: none"> (i) injury to public health; or (ii) prejudice to public safety; or (iii) harm to the environment; <p>or</p> <ul style="list-style-type: none"> (e) a matter of administration that can be investigated under section 14 of the <i>Parliamentary Commissioner Act 1971</i>. (<i>Public Interest Disclosure Act 2003</i>)
Public Officer	Includes a member, officer, or employee of an authority, board, corporation, commission, local government, council, committee or other similar body established for a public purpose under an Act. (<i>Corruption, Crime and Misconduct Act 2003</i>)
Public Authority	Includes an authority, board, corporation, commission, council, committee, local government, regional local government or similar body established under a written law. (<i>Corruption, Crime and Misconduct Act 2003</i>)

Title	Fraud & Misconduct Control & Resilience
Policy Number (Governance Purpose)	



Term	Definition
Serious Misconduct	<p>Serious misconduct occurs when:</p> <ul style="list-style-type: none"> (a) a public officer corruptly acts or corruptly fails to act in the performance of the functions of the public officer's office or employment; or (b) a public officer corruptly takes advantage of the public officer's office or employment as a public officer to obtain a benefit for himself or herself or for another person or to cause a detriment to any person; or (c) a public officer whilst acting or purporting to act in his or her official capacity commits an offence punishable by two or more years' imprisonment. (<i>Corruption, Crime and Misconduct Act 2003</i>)

Strategic Link:	Fraud and Misconduct Control and Resilience Framework
Category	Governance
Lead Business Unit:	Governance
Public Consultation: (Yes or No)	No
Adoption Date: (Governance Purpose Only)	13 December 2018
Next Review Due: (Governance Purpose Only)	December 2018
ECM Doc Set ID: (Governance Purpose Only)	4134601

13.5 REPORT ON OFFICE OF AUDITOR GENERAL PERFORMANCE AUDIT - WASTE MANAGEMENT - SERVICE DELIVERY AND THE CITY OF COCKBURN'S RESPONSE

Author(s) L Davieson

Attachments 1. OAG Performance Audit - Waste Managment - Service Delivery [↓](#)

RECOMMENDATION

That Council receive the Office of Auditor General's Performance Audit Report on Waste Management – Service Delivery, as attached to the Agenda.

Background

The Office of the Auditor General (OAG) has undertaken a series of Performance Audits into functions or activities undertaken by Local Government in Western Australia.

The City of Cockburn has participated in two such Performance Audits to date. The first, *Timely Payment of Suppliers* (report to this Committee in July 2018), and the second, *Information Systems Audit Report 2020 – Local Government Entities* (report to this meeting of the Committee).

The aim is that any such Performance Audit undertaken by the OAG, where Local Government is the focus, a report will be submitted to the Audit and Strategic Finance Committee with comments on the recommendations by relevant City officers as to its applicability to the City of Cockburn.

The OAG has undertaken twenty three audits in the last two years, with seven focused on Local Government and sixteen on State Government agencies.

The OAG has undertaken the following Local Government Performance Audits:

- Records Management in Local Government
- Local Government Building Approvals
- Fraud Prevention in Local Government
- Local Government Contract Extensions and Variations
- Information Systems Audit Report 2020 – Local Government Entities
- Regulation of Consumer Food Safety by Local Government Entities
- Waste Management - Service Delivery

Submission

N/A

Report

A copy of the OAG Performance Audit Waste Management – Service Delivery has been attached to the report with a response from the relevant manager on the recommendations contained in the OAG audits detailed below.

OAG Recommendation 1

Provide support to Local Government entities by:

- a) Preparing a State Waste Infrastructure Plan to ensure alignment with the State planning framework,
- b) Identifying local Perth, Peel and regional reprocessing facility requirements and markets for recyclable materials, particularly for organic materials,
- c) Continuing to develop better practice guidance for Local Government entities to manage key waste streams and problematic wastes,
- d) Engaging with individual Perth, Peel and regional Local Government entities to help understand, identify and address their local challenges, risks and waste management requirements.

City of Cockburn Response

1a. and 1b. – Fully Supported.

All infrastructure planning is best undertaken at the State or Regional level and it is entirely appropriate that the State should lead this development.

- 1c. Quality guidelines have already been developed collaboratively with WALGA and Local Governments. WALGA is actively developing additional guidelines.
- 1d. The Waste Authority and the DWER continue to consult widely on waste related issues and the City's experience is that our feedback is not embraced.

OAG Recommendation 2

Support Local Government entities to improve the accuracy of their waste and recycling data in line with the Waste Data Strategy by:

- a) Providing additional training and guidance for Local Government entities on data collection, reporting and quality control requirements,
- b) Developing and implementing appropriate controls to minimise the risk of inaccurate data supplied by contractors.

City of Cockburn Response

- a) The City has reported waste data, well beyond the minimum requirement, for more than a decade, due mostly to our excellent financial systems, the City's HWRP weighbridge and the detailed metrics recorded in Waste Collection. New compulsory DWER data reporting requirements are now in place.

- b) Supported – Additional funding from the Landfill Levy could be allocated to private waste contractors for waste auditing that will assist in reducing the risk of reporting inaccurate data.

OAG Recommendation 3

Provide Local Government entities with materials that explain the cost and environmental benefits of adopting a 3-bin FOGO system.

City of Cockburn Response

The EMRC has developed a business case approach to use with its Member Councils to assess the viability of FOGO. WALGA has applied for a *WasteSorted* grant to allow this process to be implemented with Local Governments.

The City has made its position clear to the DWER with respect to its cautious approach to adopting FOGO.

OAG Recommendation 4

Engage with Local Government entities to develop consistent and regular state-wide messages, education and behaviour change programs for all Local Government entities and contractors that align with Waste Strategy 2030 targets.

City of Cockburn Response

The City's Waste Education Coordinator meets regularly with the Consistent Communication Collective and has already adopted this group's recommendations in the City's Waste Education promotional material. The process of consistent and collaborative education and behaviour change is already well in place at the City of Cockburn.

OAG Recommendation 5

Provide guidance for Local Government entities to collect and publicly report consistent waste and recovery financial and performance data.

City of Cockburn Response

The City has reported waste data, well beyond the minimum requirement, for more than a decade, due mostly to our excellent financial systems, the City's HWRP weighbridge and the detailed metrics recorded in Waste Collection. New compulsory DWER data reporting requirements are now in place.

OAG Recommendation 6

Provide regular community updates on efforts to recover waste and meet Waste Strategy 2030 targets and seek community feedback where appropriate.

City of Cockburn Response

The Waste Education Coordinator and the Communications Team are very active in social media platforms and in hard print, to provide

feedback to the community on their waste management performance. Public interaction at festivals, workshops and tours is already common place in the City's Waste Education programs.

OAG Recommendation 7

Consider preparing waste plans, which demonstrate how the Local Government will contribute to relevant Waste Strategy 2030 headline strategies. These plans should be publicly available.

City of Cockburn Response

The DWER has already approved the City's Waste Plan (September 2020). It has not been made publically available by the City as it is an unreadable document. The City has instead opted to develop its own Waste Strategy 2020-2030.

The DWER may publicise the City's Waste Plan if it so chooses.

OAG Recommendation 8

Include performance measures in contracts with service providers to recover more waste without adding significant costs.

City of Cockburn Response

WALGA is currently working on Best Practice Procurement Guidelines for Waste Services. This will assist in ensuring at a sector wide level, measures such as this can be included.

OAG Recommendation 9

Consider providing incentives for the community to minimise waste production.

City of Cockburn Response

The City's extensive three year roll out of the third bin involved doorknocking every resident to engage them in waste avoidance and reduction.

The Waste Education Coordinator is continually running competitions and programs with prizes for waste avoidance and reduction.

The City included in its 2020-2021 Fees and Charges a cost reduction for residents to reduce their general waste bin from 240lt to 140lt.

Strategic Plans/Policy Implications

Listening and Leading

A community focused, sustainable, accountable and progressive organisation.

- Ensure good governance through transparent and accountable, planning, processes, reporting, policy and decision making.

Budget/Financial Implications

N/A

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 from the OAG's Performance Audits are considered and addressed.

Advice to Proponents/Submitters

N/A

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

Nil

Western Australian Auditor General's Report



Waste Management – Service Delivery



Report 3: 2020-21
20 August 2020

**Office of the Auditor General
Western Australia**

Audit team:

Jordan Langford-Smith
Jacqueline Richards
Issihaka Toure
Justin Fairhead
Jo Stapley

National Relay Service TTY: 13 36 77
(to assist people with hearing and voice impairment)

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

© 2020 Office of the Auditor General Western Australia.
All rights reserved. This material may be reproduced in whole or in part provided the source is acknowledged.

ISSN: 2200-1913 (Print)
ISSN: 2200-1921 (Online)

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

Cover image: Broome Waste Management Facility

WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

Waste Management – Service Delivery

Report 3: 2020-21
August 2020



**THE PRESIDENT
LEGISLATIVE COUNCIL**

**THE SPEAKER
LEGISLATIVE ASSEMBLY**

WASTE MANAGEMENT – SERVICE DELIVERY

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

Performance audits are an integral part of my Office's overall program of audit and assurance for Parliament. They seek to provide Parliament and the people of WA with assessments of the effectiveness and efficiency of public sector programs and activities, and identify opportunities for improved performance.

This audit assessed whether local government (LG) entities plan and deliver effective waste services to their communities. We also assessed whether the State Government provided adequate support to LG entities for local waste planning and service delivery.

I wish to acknowledge the entities' staff for their cooperation with this audit.

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

CAROLINE SPENCER
AUDITOR GENERAL
20 August 2020

Contents

Auditor General's overview.....	2
Executive summary	3
Introduction	3
Background.....	3
Audit conclusion	5
Key findings.....	6
Recommendations	9
Response from entities.....	10
Audit focus and scope	11
Audit findings	13
LG entities deliver essential waste collection services but few are likely to meet State targets to recover more waste	13
State and local waste planning is inadequate.....	16
Wider uptake of existing better practice waste management methods could be key to improving waste recovery.....	21
The State has made good progress since 2016, but LG entities need more support to address local challenges	29
Appendix 1: Map of key Perth and Peel waste infrastructure at December 2019.....	34
Appendix 2: DWER and Waste Authority progress to address 2016 audit recommendations	35
Appendix 3: Full responses from audited State and local government entities.....	37
Glossary	49

Auditor General's overview

The sustainable management of waste is an important issue for the community. There are many examples across the world of the dire consequences to human health and the environment when waste is poorly managed. Community expectation regarding waste management is high and there is a strong desire to understand how State and local government (LG) entities manage waste, what goes in each of our household bins and where our recyclable materials will end up.



This audit assessed whether LG entities plan and deliver effective waste services to their communities. We also assessed whether the State Government provided adequate support to LG entities for local waste planning and service delivery. We last audited the State Government's role in waste management in 2016 in our report, *Western Australian Waste Strategy: Rethinking Waste*.

The State Government's *Waste Avoidance and Resource Recovery Strategy 2030* clearly outlines the actions the government, industry and the community need to take to meet community expectation. The strategy set ambitious targets, including recovering 65% of municipal solid waste from households in the Perth and Peel regions and 50% in major regional centres, by 2020. LG entities collect and process this waste stream, often with the support of the private operators they contract.

While the Department of Water and Environmental Regulation (DWER) and the Waste Authority have substantially improved their support to LG entities in the last 5 years, the proportion of waste that is recycled in Western Australia has not changed, and the State's performance sits below the national average. High rates of contamination in recycling bins, inconsistent and irregular waste education, limited local recycling infrastructure and markets for recycled commodities, are issues that prevent wider adoption of better practice waste management techniques. As a result, few LG entities are on track to meet the 2020 targets.

It is pleasing to see the many examples of better practice waste management from LG entities, but only a handful were consistently using them. For example, organic material typically accounts for half of household waste, and is therefore our single biggest opportunity to recycle. Using green waste collected from households to produce mulch for community parks and gardens, or composting food and garden organics to develop fertilisers, can significantly increase waste recovery. In addition, separating and recycling bulk rubbish is another simple way for LG entities to recover more waste and contribute to meeting the State's waste targets.

The audit found that local, regional and statewide waste planning is inadequate. Few LG entities had waste plans but DWER has been working closely with entities to help them develop individual plans. The Waste Authority flagged State infrastructure planning as essential back in 2012, but little progress has been made. It remains a key initiative that government, industry and the community need to progress to ensure waste truly becomes a valued resource. Given recent international export bans on recyclable materials, the planning and development of local recycling facilities within the state is becoming increasingly urgent to help provide certainty to stakeholders, create opportunities for local recycling industries, and protect our local environments and public health.

I encourage all LG entities to consider the findings in this report. Making a concerted effort to use available practices to avoid and recover more waste is the key to continuing to improve the State's waste and recycling performance.

Executive summary

Introduction

This audit assessed whether local government (LG) entities plan and deliver effective waste management services to their communities.

We focused on LG waste management and progress towards achieving targets and objectives set in the first *Western Australian Waste Strategy: Creating the Right Environment* (Waste Strategy 2012) and subsequent *Waste Avoidance and Resource Recovery Strategy 2030* (Waste Strategy 2030). The audit also assessed State Government support for LG entities and followed up on recommendations to State government entities from OAG's *Western Australian Waste Strategy: Rethinking Waste* audit completed in 2016.

Background

Waste management challenges

Poorly managed waste poses a threat to human health and the environment. However, if managed well, it can become a valuable material that can be reused, reprocessed or recycled. Solid waste is typically managed as 1 of 3 streams:

- municipal solid waste (MSW or waste¹) – waste from households and public places collected by LG entities or their contractors
- commercial and industrial – waste originating from commercial and/or industrial activities (e.g. metals, paper, cardboard, plastic, food organics, glass, timber)
- construction and demolition – waste material generated from commercial, government or residential building and demolition sites.

In 2017-18, Western Australian (WA) households produced over 1.5 million tonnes, or about 600 kilograms (kg) per person, of waste.² The amount of waste households generated decreased by a reported 26 kg per person from 2014-15 to 2017-18², as did the amount sent to landfill. However, the proportion of waste recovered had not changed. The State's total waste recycling rate of 53% in 2016-17 for all waste streams was still below the national average of 58%.

Factors such as population growth, environmental concerns and changes in technology and international markets for recycled materials have continued to increase the need for sustainable waste management.

In 2018, China announced it would stop importing contaminated recyclable materials as part of its *National Sword* policy. This placed additional pressure on LG entities, who had to find alternative solutions for managing recyclable materials. Other countries such as Malaysia, Thailand and Vietnam also declared restrictions on importing waste. In response, the Council of Australian Governments (COAG) agreed to a phased ban on the export of waste plastic, paper, glass and tyres. This will commence in January 2021.

Waste management is a shared responsibility. All levels of government, business, industry and the community generate waste, and all have a role to play in adopting best practice

¹ MSW is collected from households and LG entities through waste and recycling collections, but can also include some commercial waste.

² ASK Waste Management (2019). *Recycling Activity in Western Australia 2017-18*.

approaches to manage that waste. The State Government oversees and guides the waste and recycling system in WA (Table 1).

Entity	Responsibilities
Waste Authority	<ul style="list-style-type: none"> provides strategic and policy advice to the State Government implements policies and programs consistent with the waste strategy applies funding from the Waste Avoidance and Resource Recovery Account (WARR Account) to strategic initiatives collates waste and recycling data from LG entities to produce the annual <i>Census of Western Australian Local Government Waste and Recycling</i> (LG Census)
Department of Water and Environmental Regulation (DWER)	<ul style="list-style-type: none"> supports the Waste Authority is responsible for waste legislation, policy, planning, and licencing and regulation
Department of Local Government, Sport and Cultural Industries (DLGSC)	<ul style="list-style-type: none"> provides support and advisory services to LG entities, including helping them improve waste management planning

Table 1: Responsibilities of State government entities

LG entities play a critical role in managing MSW, which makes up 34% of the State's waste.³ Many LG entities deliver these waste services 'in-house', while others use private contractors. Some LG entities have joined to form regional councils as a way of sharing waste management. LG entities can provide a range of waste, recycling and organic material collection services; drop-off facilities; and waste education and behaviour change programs to their communities.

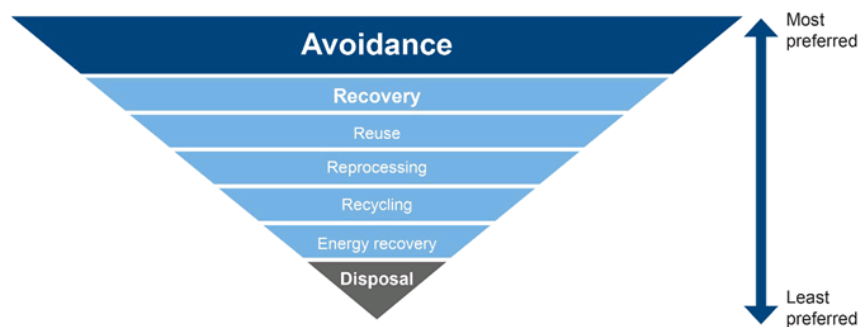
Legislation and waste strategies

The *Waste Avoidance and Resource Recovery Act 2007* (WARR Act) is the principal legislation for waste management in the State. The WARR Act aligns with the key principles of the *National Waste Policy 2018: Less Waste, More Resources*. It also contributes to Australia's international commitments, such as the United Nations' Sustainable Development Goals, adopted by world leaders in 2015. One of these goals focuses on 'responsible consumption and production' and another 8 of the 17 relate to improving resource recovery and waste management.⁴

The WARR Act establishes the role of LG entities to provide waste services in line with the waste hierarchy (Figure 1). It also requires the Waste Authority prepare a waste strategy and provides the Chief Executive Officer of DWER with the power to require LG entities prepare waste plans. These plans aim to align LG entities' waste planning processes with the State's waste strategy, and to protect human health and the environment. DWER has requested Perth and Peel LG entities prepare waste plans by March 2021.

³ ASK Waste Management (2019). *Recycling Activity in Western Australia 2017-18*.

⁴ <https://sustainabledevelopment.un.org/sdgs>



Source: OAG adapted from the Waste Authority

Figure 1: Waste hierarchy based on the WARR Act

The Waste Strategy 2012 was the first statewide plan developed for WA. It described the cooperative effort needed to reduce waste disposed in landfill and increase resource recovery. It set targets to divert 65% of metropolitan MSW from landfill by 2020 and 50% for major regional centres (MRC). Improving the way we manage waste in WA relies heavily on the choices that individuals make in buying and using products and how they dispose of them.

In February 2019, the State Government released the Waste Strategy 2030. It set targets for the community and waste managers. This strategy was developed in consultation with government, industry and the community. It set a new benchmark for community expectation, shifting the State's approach to waste management to focus on avoiding and recovering waste, and protecting the environment.

The Waste Strategy 2030 also introduced the 'circular economy' model where energy and materials are retained for as long as possible. Instead of 'waste', materials became 'resources'. This was a move away from a linear 'take, make, use and dispose' economic model. The *Waste Avoidance and Resource Recovery Action Plan* (Action Plan) supported the Waste Strategy 2030, outlining 8 headline strategies and 57 actions.

Audit conclusion

In WA, kerbside waste collection at the LG level is largely effective. However, local, regional and statewide waste planning, and tailored support for LG entities, is inadequate. This has limited the effectiveness of waste management and the State's ability to meet its long-term targets.

Most LG entities deliver waste collection and drop-off services that are highly valued by their communities. However, many LG entities are not effectively encouraging waste avoidance, nor maximising the recovery of waste by reusing, reprocessing and recycling. As a result, few are on track to help the State meet its Waste Strategy 2030 targets for 2020 to increase waste recovery to 65% in the Perth and Peel region, and 50% in major regional centres (MRC).

Waste planning by LG entities is inadequate and inconsistent, as most do not have their own up-to-date waste plans. Nearly 80% of LG entities contract out their kerbside waste collection services. However, they do not directly impose waste recovery targets on the private waste contractors, who typically focus on collecting waste. Preparing waste plans and contracts that clearly align to the Waste Strategy 2030 and address risks is an important step to help LG entities meet waste targets.

We found examples of good practice in recovering waste across the sector, but LG entities have not consistently adopted these. They include regular and consistent education,

incentives for the community to avoid and reduce waste, and efforts to recover a greater proportion of organic waste and bulk wastes, such as white goods, mattresses and timber. If LG entities are to progress the State's vision to become a sustainable, low-waste society, such initiatives need to be widely implemented.

The Waste Authority and Department of Water and Environmental Regulation (DWER) have substantially improved their support to LG entities since our last audit in 2016. However, both can do more to assist LG entities, particularly those in regional areas. A lack of infrastructure planning and accurate waste and recycling data, along with guidance on better practice waste recovery, has left LG entities to plan and manage community waste based on their own local needs and available infrastructure, which may not be consistent with the State's plans and objectives.

Key findings

LG entities deliver essential waste collection and drop-off services but few are likely to meet State and community expectations to avoid and recover waste

LG entities and their contractors provide regular waste collection and drop-off services that are valued by their community. We reviewed 20 community scorecards, which surveyed community feedback on LG performance between 2017 and 2019. Three quarters of the responses ranked waste collection services as the highest performing area for the LG entities, who received an average positive rating of 92% for weekly waste collection services. These results show that the community and other stakeholders are confident that LG entities will regularly collect and dispose of their household waste.

Most LG entities are unlikely to meet State and community targets to increase waste recovery by 2020 and 2025, and do not always provide public information on their progress. In 2017-18, the waste recovery rate for the Perth and Peel region was 41%, and for the MRCs, 28%. This was well short of the targets of 65% for Perth and Peel, and 50% for MRCs. At the time, none of the 33 Perth and Peel LG entities and only 1 of the 5 MRC LG entities (City of Bunbury) had met the targets. LG entities need to do more to manage waste in line with current community and State expectations, to avoid and recover more waste, and contribute to a circular economy.

State and local waste planning and data capture is inadequate

State planning for significant risks, including recycling, has been poor. Key State government entities have been aware of the potential impact of insufficient waste processing infrastructure since 2012. However, the required planning and proactive response to mitigate the risks, such as reduced access to international markets and limited local waste facilities, has not been timely, nor adequate. This had increased the amount of waste that ends up in landfill, which is contrary to the State's objective to protect the environment.

There is still no State waste infrastructure plan, despite the Waste Authority identifying this as a priority in 2012 in the first Waste Strategy. As a result, there is limited guidance on the location and type of waste infrastructure. This is evident with the approval of 2 proposed waste-to-energy facilities located within 5 km of one another in the south of Perth (Appendix 1). The 2 operating material recovery facilities are also in the south metropolitan area. This imbalance in the location of waste infrastructure further increases the risk that waste facilities may not meet the long-term needs of their communities and the State.

LG waste management planning is also inadequate and not all plans are easily accessible to the community. We found that only 7% of LG entities across the State had a waste plan on their website to provide transparency on their waste activities. Further review of our sampled LG entities showed that none had public waste plans and only 3 of 7 had a waste plan for their LG or region that met WARR Act recommendations. Without good plans that are

publicly available, the community and other stakeholders cannot hold LG entities accountable, nor can they ensure that waste management activities align with the State's strategic direction.

Nearly 80% of LG entities contract out kerbside waste collection services but they have not required their contractors to help meet the State's waste recovery targets. Our review of the main contracts from our sampled LG entities showed that none had obligations or targets for contractors to improve rates of waste recycling or reprocessing. Services focused mainly on timely waste collection and transport. This is a missed opportunity for LG entities to ensure contractors are also contributing to State recovery targets.

Limited guidance from DWER on how LG entities classify and allocate waste costs means that the full cost to deliver waste and recovery services is unknown. LG entities reported that they spent \$297 million in 2017-18 on waste services. However, because there was no clear or consistent approach to how LG entities allocate these costs, the potential for variation in reporting is high. Improved consistency in allocating and reporting the cost of waste services will allow LG entities to choose waste services that provide value for money, improve waste recovery and meet community expectations.

The LG Census relies on data that LG entities self-report and there are limited controls to check its accuracy. We found examples of LG entities reporting the same tonnes of waste collected in multiple years, as well as variation in the way LG entities categorise and record waste streams.

However, State government entities have recognised that the poor quality waste and recovery data reported by LG entities means that government and industry are limited in their ability to monitor progress and make informed decisions. DWER and LG entities have improved data capture in the last 3 years, and the Waste Authority outlined further improvements in a *Waste Data Strategy* released in November 2019. This should allow LG entities to better monitor the efficiency and effectiveness of the waste services they deliver.

Wider uptake of existing better practice waste management methods could be key to improving waste recovery

LG entities are not all using a range of well-known and available practices that can improve waste recovery. The most significant of these are community waste education and behaviour change programs. LG entities, their private waste contractors and others in the sector all produce slightly different waste education materials. Bin tagging programs that reduce contamination are available to all LG entities and their contractors, but are not widely used. Inconsistent messaging and limited use of behaviour change programs increases the risk of bin contamination and contributes to recyclable materials ending up in landfill.

There is poor uptake of the State's waste messaging programs to encourage waste avoidance and recovery by LG entities. The Waste Authority first produced a WasteSorted toolkit in 2018 to help LG entities communicate with their residents. However, the 7 audited LG entities do not use it. Each prefer to use their own or their contractors' graphics and messages, some of which were developed prior to 2018. It is important for all entities to provide regular and consistent community messaging about waste avoidance and recovery to households, industry and government.

Results from LG entities that have adopted the 3-bin food organics and garden organics (FOGO) collection system have been positive, yet uptake has been limited. The Cities of Melville and Bunbury reported annual waste recovery rates of over 60% from 2016-17 to 2018-19, which was much better than the State average of 25% in 2017-18. Each had adopted a 3-bin FOGO system or used alternative waste treatment to separate and process organic waste, and provided regular and consistent waste education. This approach to waste avoidance and recovery was not evident at the other LG entities we sampled, though these

LG entities reported constraints that prevented them from adopting a 3-bin FOGO system. Separating and reprocessing FOGO, which is typically over a third of MSW, can significantly increase waste recovery rates. For those LG entities already using a 3-bin system to collect garden organics (GO), the transition to FOGO may require a change in processing infrastructure, along with associated approvals and licensing by DWER.

Financial incentives for households to avoid or reduce waste are rare but can be effective in facilitating behaviour change. We identified only 2 LG entities that offered financial rewards to residents for reducing their waste. Bunbury charges ratepayers less for smaller size waste bins and the Town of Cambridge does not charge for the yellow-lid recycling bins. These simple, cost effective incentives can help change behaviours and reduce the amount of waste disposed to landfill.

Bulk verge waste can be recycled but often ends up in landfill. All 33 Perth and Peel LG entities and all 5 MRC LG entities, offered verge collections or bulk bins in 2017-18. Around two-thirds of smaller regional LG entities provided drop-off facilities instead. For the Perth and Peel LG entities:

- 6 sent all bulk waste to landfill in 2017-18
- only 4 recycled 50% or more
- the remaining 23 recycled an average of 20%.

Recycling bulk waste offers effective recovery of a range of commonly disposed items such as metal, cardboard, wood and mattresses.

The State Government has made good progress since 2016, but LG entities need more support to address local challenges

The State Government has implemented many of the recommendations from our 2016 audit (Appendix 2). But WA's waste recycling rate of 53% in 2016-17 was still 5% below the national average.⁵ The DWER and Waste Authority have addressed 13 of our 16 audit recommendations. They are currently addressing the remaining 3, however 2 critical recommendations to prepare a State waste infrastructure plan and comprehensive better practice guidance are not complete. Implementing these outstanding recommendations is crucial to help LG entities plan and deliver waste services for their communities, and improve the State's waste recovery.

A combination of local challenges and a lack of tailored support from State government entities prevents LG entities from recovering more waste. LG entities indicated that there was limited opportunity to interact directly with the State government entities that provide waste management guidance. LG entities may also prioritise local issues, such as managing litter or illegal dumping, above Waste Strategy 2030 headline strategies. Without engaging with individual LG entities, particularly in more remote areas, State government entities are unlikely to understand fully the challenges each LG faces, nor offer the support needed for them to recover more waste.

There is unspent landfill levy funds that the Waste Authority can effectively use to progress the State's waste management objectives. The unspent balance of the WARR Account had grown from \$30 million in 2015-16 to \$40 million in 2018-19. The purpose of the funds is to promote programs for the management, reduction, reuse, recycling, monitoring or measurement of waste. These reserves can help to better support a range of Waste Strategy 2030 initiatives.

⁵ National Waste Report 2018

Recommendations

The Waste Authority and Department of Water and Environmental Regulation (DWER) should work together to:

1. provide support to LG entities by:

- a. preparing a State waste infrastructure plan to ensure alignment with the State planning framework
- b. identifying local Perth, Peel and regional reprocessing facility requirements and markets for recyclable materials, particularly for organic materials
- c. continuing to develop better practice guidance for LG entities to manage key waste streams and problematic wastes
- d. engaging with individual Perth, Peel and regional LG entities to help understand, identify and address their local challenges, risks and waste management requirements

2. support LG entities to improve the accuracy of their waste and recycling data in line with the Waste Data Strategy by:

- a. providing additional training and guidance for LG entities on data collection, reporting and quality control requirements
- b. developing and implementing appropriate controls to minimise the risk of inaccurate data supplied by contractors

3. provide LG entities with materials that explain the cost and environmental benefits of adopting a 3-bin FOGO system

4. engage with LG entities to develop consistent and regular statewide messages, education and behaviour change programs for all LG entities and contractors that align with Waste Strategy 2030 targets.

Waste Authority response: Recommendations supported

DWER response: Recommendations supported

LG response: LG entities in our sample supported the recommendations for the Waste Authority and DWER. Full responses from LG entities for each of the recommendations, where provided, are included in Appendix 3

Implementation timeframe: December 2021

The Department of Local Government, Sport and Cultural Industries (DLGSC), Waste Authority and DWER should work together to:

5. provide guidance for LG entities to collect and publicly report consistent waste and recovery financial and performance data.

DLGSC response: Recommendation supported

Waste Authority response: Recommendation supported

DWER response: Recommendation supported

LG response: LG entities in our sample supported the recommendations for the Waste Authority and DWER. Full responses from LG entities for each of the recommendations, where provided, are included in Appendix 3

Implementation timeframe: progressively through to December 2022

LG entities should:

6. **provide regular community updates on efforts to recover waste and meet Waste Strategy 2030 targets and seek community feedback where appropriate**
7. **consider preparing waste plans, which demonstrate how the LG will contribute to relevant Waste Strategy 2030 headline strategies. These plans should be publicly available**
8. **include performance measures in contracts with service providers to recover more waste without adding significant costs**
9. **consider providing incentives for the community to minimise waste production.**

LG response: LG entities in our sample generally agreed with the recommendations and indicated that they were preparing waste plans and considering initiatives to improve waste management and help achieve Waste Strategy 2030 targets. Full responses from LG entities for each of the recommendations are included in Appendix 3.

Implementation timeframe: December 2021

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

Response from entities

The Waste Authority, Department of Water and Environmental Regulation, Department of Local Government, Sport and Cultural Industries and the 7 audited LG entities generally supported the audit findings and accepted our recommendations.

Appendix 3 includes the full responses.

Audit focus and scope

The audit objective was to determine whether local government (LG) entities plan and deliver effective waste management services to their communities.

We based our audit on the following criteria:

- Are waste services planned to minimise waste and meet community expectations?
- Do LG entities deliver effective waste services?
- Does the State Government provide adequate support for local waste planning and service delivery?

The audit focused on waste services delivered by LG entities to progress towards achieving targets and objectives set in the first *Western Australian Waste Strategy: Rethinking Waste* (Waste Strategy 2012) and subsequent *Waste Avoidance and Resource Recovery Strategy 2030* (Waste Strategy 2030). We assessed 3 Perth and Peel and 3 regional LG entities of varying sizes:

- City of Belmont (Belmont)
- City of Bunbury (Bunbury)
- City of Kalgoorlie-Boulder (Kalgoorlie-Boulder)
- City of Kwinana (Kwinana)
- City of Melville (Melville)
- Shire of Broome (Broome).

We audited Mindarie Regional Council, but did not assess their management of specific waste streams or waste and recycling data.

The audit also assessed State Government support for LG entities and followed up on recommendations to State government entities from OAG's *Western Australian Waste Strategy: Rethinking Waste* audit completed in 2016. This included auditing the following State government entities:

- Waste Authority
- Department of Water and Environmental Regulation (DWER)
- Department of Local Government, Sport and Cultural Industries (DLGSC).

We did not look at actions by the private sector waste industry, or the management of construction and demolition waste, commercial and industrial waste, controlled waste, liquid waste, mining waste and waste water.

In undertaking the audit we:

- reviewed plans, policies, strategies, guidelines, budgets and financial statements, industry and LG waste and recovery data, meeting minutes and other documents from the Waste Authority, DWER, the 7 audited LG entities and publicly available documents on statewide LG websites
- analysed DWER's LG Census waste and recovery data from July 2016 to June 2018, including assessment of how LG entities were tracking to meet Waste Strategy 2030 community and waste manager targets, and contributing to State targets (Table 3)

Note: there are limitations in the use of the available data. Not all LG entities reported waste and recycling data. Because DWER did not validate the data, we could not guarantee its accuracy. This issue is discussed later in the report

- analysed LG Census waste and recovery data from July 2018 to June 2019 for the 6 audited LG entities (excluding Mindarie Regional Council)
- reviewed DLGSC's MyCouncil waste and recovery data for LG entities for 2016-17 and 2017-18
- interviewed staff from the Waste Authority, DWER, DLGSC and the 7 audited LG entities
- interviewed Perth, Peel and regional stakeholders, community members, private waste operators, LG entities and key agencies with a role in managing waste in WA, including WA Local Government Association (WALGA), Waste Management and Resource Recovery Association Australia (WMRR), Bunbury-Harvey Regional Council, Eastern Metropolitan Regional Council, Southern Metropolitan Regional Council (SMRC), Suez, Cleanaway and ASK Waste Management
- reviewed published national and international literature on waste management, including national waste reporting
- attended 3 presentations on waste management organised by WALGA and LG Professionals
- conducted site visits to 3 Perth and Peel and 5 regional waste facilities, which included landfills, material recovery facilities (MRF), waste transfer stations and organics processing facilities
- reviewed submissions from LG entities and industry stakeholders.

This was a performance audit, conducted under Section 18 of the *Auditor General Act 2006*, in accordance with Australian Standard on Assurance Engagements ASAE 3500 *Performance Engagements*. We complied with the independence and other ethical requirements related to assurance engagements. Performance audits focus primarily on the effective management and operations of entity programs and activities. The approximate cost of undertaking the audit and reporting was \$450,500.

Audit findings

LG entities deliver essential waste collection services but few are likely to meet State targets to recover more waste

Communities value their LG waste collection and drop-off services

LG entities collect and dispose of their community's waste. Almost all of the State's LG entities that reported waste and recycling data (132 of 139) offer a weekly or fortnightly kerbside waste collection service and drop-off facilities (Table 2). Only 19 LG entities reported using a third kerbside bin to collect GO or FOGO. Regional LG entities collect kerbside waste, however only 65% collect kerbside recycling. These essential services help to protect community health and the environment.⁶

Waste service	Perth & Peel (33 LG entities)	Major regional centre (5)	Smaller regional (94)	Total % (132)
Kerbside waste	33	5	93	99% (131)
Kerbside recycling	33	4	60	73% (97)
Kerbside garden organics (GO)	9	2	3	11% (14)
Kerbside food organics and garden organics (FOGO)	1	1	3	4% (5)
Vergeside bulk waste	33	4	30	51% (67)
Vergeside green waste	31	3	27	46% (61)
Drop-off	32*	5	93	98% (130)

Source: OAG from DWER LG Census data

Table 2: LG waste services reported in the 2016-17 and 2017-18 LG Census.⁷ *Most Perth and Peel LG entities use regional council drop-off facilities

Communities are generally satisfied with LG waste collection and drop-off services. We reviewed 20 community scorecards, which provided feedback on the performance of LG service delivery between 2017 and 2019. Respondents gave the LG entities an average positive rating of 92% for weekly waste collection services. They also ranked these services as high performing or significant areas of strength for the majority (75%) of LG entities. Our sample of scorecards, including half from regional and half from Perth and Peel LG entities, showed a strong positive rating. This reflected community satisfaction across the state.

Most LG entities are not on track to meet waste recovery targets

Community and State expectations for waste management have changed over the last 8 years. The inaugural Waste Strategy 2012 set clear targets to increase the amount of waste diverted from landfill. The Waste Strategy 2030 shifted the focus to both avoid and recover waste, by setting targets to recover 65% of MSW in the Perth and Peel region and 50% for MRCs by 2020, increasing to 70% and 60% respectively, by 2030 (Table 3). These strategies were developed in consultation with the community, industry and government, and show the shift in State and community expectations, from solely focusing on waste collection

⁶ We have only provided data for the 33 Perth and Peel LGs and 5 MRC LGs defined in the current Waste Strategy 2030. The Waste Strategy 2012 referred to 31 metropolitan LGs, which excluded Mandurah and Waroona, and defined MRCs as 'Avon, Greater Bunbury, Albany, Geraldton, Kalgoorlie, Karratha, Peel and Busselton'.

⁷ Note: we used data from the 2016-17 LG Census for LG entities that did not report waste services in the 2017-18 LG Census.

and disposal from households, to waste recovery and waste minimisation. As a result, both the State and local communities expect LG entities to recover more materials that would otherwise have ended up in landfill or stockpiled.

Objectives	Avoid – generate less waste	Recover – recover more value and resources from waste	Protect – protect the environment by managing waste responsibly
State targets	2025 – 10% reduction in waste generation per capita 2030 – 20% reduction in waste generation per capita	2025 – increase material recovery to 70% 2030 – increase material recovery to 75% 2025 – all LG entities in the Perth and Peel region provide consistent 3-bin kerbside collection systems that include separation of food organics and garden organics (FOGO) from other waste categories From 2020 – recover energy only from residual waste	2030 – no more than 15% of Perth and Peel regions' waste is landfilled 2030 – all waste is managed and/or disposed to better practice facilities
Community targets	2025 – reduction in MSW generation per capita by 5% 2030 – reduction in MSW generation per capita by 10%	2020 – increase MSW material recovery to 65% in the Perth and Peel regions and 50% in MRCs 2025 – 67% for Perth and Peel and 55% for MRCs 2030 – 70% for Perth and Peel and 60% for MRCs	2030 – move towards zero illegal dumping 2030 – move towards zero littering
Waste manager targets	2030 – all waste is managed and/or disposed using better practice approaches	All waste facilities adopt resource recovery better practice	2030 – no more than 15% of Perth and Peel regions' waste is disposed to landfill 2030 – all waste facilities adopt environmental protection better practice facilities

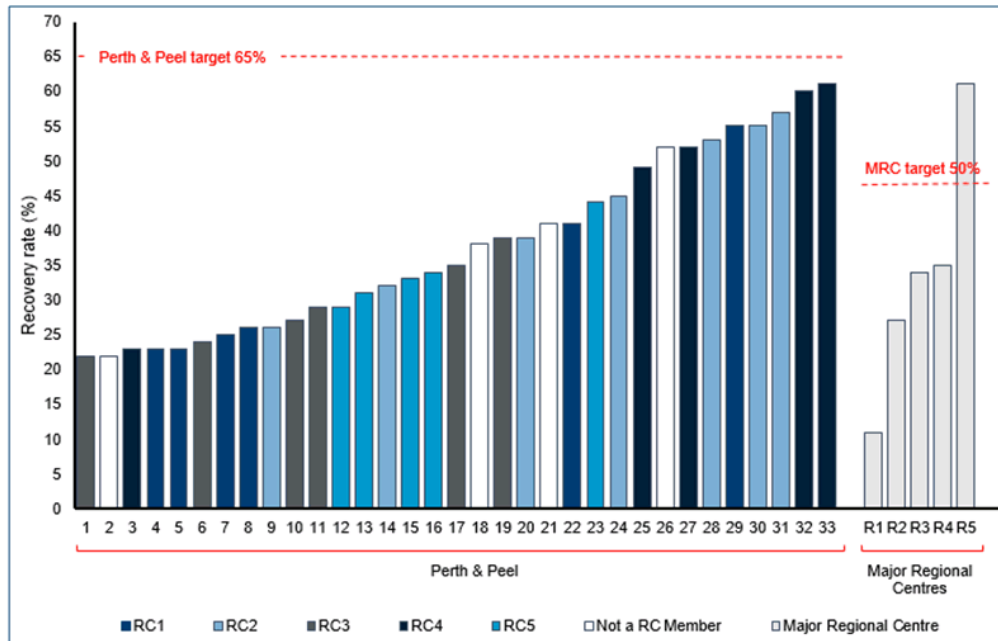
Source: OAG from WA's Waste Strategy 2030

Table 3: Waste Strategy 2030 objectives and State and community targets that relate to this audit⁸

The majority of LG entities are unlikely to meet the State's waste recovery goals. In our analysis of reported 2017-18 data, the combined Perth and Peel LG entities recovered only 41% of their waste. This fell short of the target to divert 65% of metropolitan waste from landfill by 2020. The 5 MRCs of Albany, Busselton, Bunbury, Greater Geraldton and Kalgoorlie-Boulder recovered 28% of their waste, which was also well below their 50% target.

⁸ Additional targets are outlined in the [Waste Strategy 2030](#)

Just 4 of the State's 132 LG entities that reported waste and recycling data had met the State's targets to increase the amount of resources recovered from waste by 2017-18. None of the Perth and Peel LG entities had reached the waste recovery target of 65% (Figure 2). Of the 5 MRCs, only Bunbury had met the recovery target of 50%, recovering 61% of its waste (Figure 2). Neither the Waste Strategy 2012 nor the Waste Strategy 2030 provided targets for smaller regional LG entities. However, a further 3 smaller regional LG entities reported recovery rates of 51-58%. Each sent all kerbside waste and recycling to landfill, but recovered a significant portion of drop-off waste delivered direct to a waste facility by residents. The low recovery rates mean that recyclable materials still end up in landfill, contrary to State and community expectations.



Source: OAG analysis of DWER LG Census data

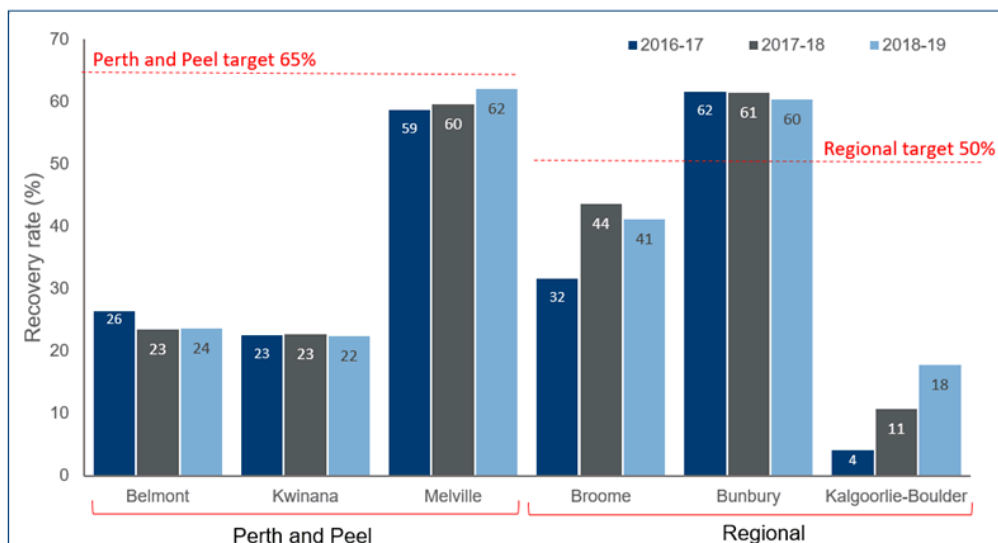
Figure 2: LG entity recovery rates reported in 2017-18 compared to the Waste Strategy 2012 and Waste Strategy 2030 targets of 65% for Perth and Peel RCs and 50% for MRCs

Of the 6 LG entities sampled during our audit, only Melville and Bunbury are on track to meet the Waste Strategy 2030 targets. Both had waste recovery rates of about 60% for 3 years from 2016-17 to 2018-19 (Figure 3). Bunbury was the first LG to introduce the 3-bin FOGO system in 2013 and has shown consistently high performance over a 3 year period. Bunbury and Melville share some characteristics:

- a 3-bin FOGO system or alternative waste treatment to separate organic waste
- in-house kerbside collection services conducted by the LG
- significant investment in regular community education.

The remaining 4 LG entities showed limited signs of improving their waste recovery performance to the extent needed to meet the State's recovery targets. However, 1 LG entity had an agreement to supply residual waste to a waste to energy plant, which it advised would allow it to meet the State's 65% recovery target. This arrangement aligned with the previous Waste Strategy 2012, which aimed to divert waste from landfill. At the time of our audit, LG entities had limited time to accommodate the change in approach of the new Waste

Strategy 2030, which aligns with the waste hierarchy (Figure 1) and supports adoption of a 3-bin FOGO system.



Source: DWER and OAG with data supplied by the LG entities

Figure 3: Reported recovery rates for the 6 audited LG entities from 2016-17 to 2018-19 showing progress towards meeting Waste Strategy 2030 community recovery targets for 2020. Note: regional target applies to MRCs only

LG entities do not provide sufficient public information on their waste recovery targets or their progress to meet these targets. Only 2 of the 6 LG entities sampled in our audit provided this information on their websites or in annual reports. DLGSC's MyCouncil website allows the community to view and compare LG information on services such as waste. It reports tonnes of waste and recycling collected, but does not provide recovery rates for each LG entity. This lack of transparency means that the community has limited visibility of what LG entities are doing to improve waste management outcomes or if they are on track to achieve them.

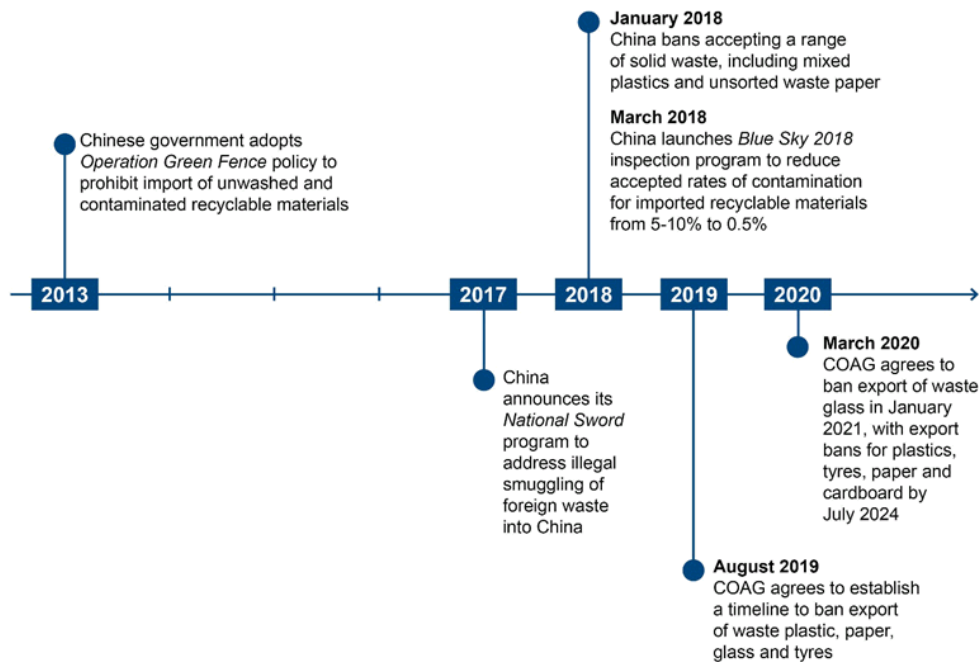
State and local waste planning is inadequate

State planning for significant risks, including recycling, has been poor

State entities have not adequately managed key waste management risks. The planning and development of sufficient waste infrastructure and markets for recyclable materials has been slow, despite the Waste Authority identifying these challenges in 2012. This has led to some significant problems, which the State now needs to manage closely to avoid incurring further costs to recycle waste or increasing the amount of recyclable materials that end up in landfill.

For over a decade, WA has relied heavily on China and other international markets to sell recycled materials, and made little effort to search for alternate markets or reduce contamination levels, despite early warning signs that China would no longer purchase contaminated materials. For example, China's *Operation Green Fence* policy first introduced import bans on contaminated waste in 2013 (Figure 4). It progressively tightened inspection efforts to reduce the amount of this waste entering the country, and in January 2018, further restricted waste imports under its *National Sword* policy. In 2017-18, WA exported around 180,000 tonnes of plastic, paper and cardboard. In 2018-19, the Australian Bureau of

Statistics reported a decline in exports from WA, down to 93,120 tonnes.⁹ The reduction of international markets led to significant increases in the costs for LG entities and MRFs to manage kerbside recycling. Given the early signs of China's market changes, the Waste Authority and DWER could have better prepared for the long-term impact on the State's recycling industry.



Source: OAG

Figure 4: Timeline of events affecting Australia's ability to export recyclable materials

This reliance on international markets, lack of local waste processing infrastructure and limited local markets for the sale of recycled materials, prevents LG entities from recycling more waste without large increases in cost. COAG's August 2019 decision to progressively ban waste exports from Australia from January 2021 has further reduced LG entities' options to recover recyclable materials such as glass, mixed plastic, cardboard and paper. The limited WA recycling industry and local markets for recycled products increases the risk that more materials that are recyclable will end up in landfills or stockpiled inappropriately.

The Waste Authority's Community and Industry Engagement Program provided \$3.46 million in 2019 to support general projects and recycling infrastructure projects that improve recovery and reuse of materials identified in the Waste Strategy 2030. In July 2020, the State Government also announced \$15 million to support local plastic and tyre processing in the north of WA, and access to industrial zoned land valued at \$5 million for processing infrastructure. This may eventually provide LG entities with local alternative options to manage recyclable materials.

⁹ COAG (2020). *Phasing Out Exports of Waste Plastic, Paper, Glass and Tyres. Response Strategy to Implement the August 2019 Agreement of the Council of Australian Governments.*

WA does not have adequate infrastructure to support a local recycling industry. This is particularly evident when facilities become unavailable. For example, in November 2019, a fire in 1 of Perth's 3 MRFs caused 20 LG entities to send recyclable materials to landfill for over 3 months while they sourced alternative processing options. Information had not been released about the cause of the fire at the time of our audit. Similar fires occurred at large recycling facilities in Victoria between 2017 and 2019. A Victorian parliamentary committee attributed these fires to insufficient facilities to store and dispose of waste, over-stockpiling and a reduction in markets for recycled goods. Without adequate waste infrastructure, the State risks further losses of recyclable materials in fires or to landfill.

There is no State waste infrastructure plan even though the State identified it as a priority in 2012

There is no overarching plan to support the strategic development of waste infrastructure in WA. In 2012, the Waste Authority identified the need for a State waste infrastructure plan as a priority but it has not yet been developed. LG entities therefore lack guidance to support strategic decision-making and to develop suitable waste infrastructure to meet the long-term needs of their communities and the State.

Under the Waste Strategy 2030 and the supporting Action Plan, DWER is responsible for the development of the State's waste infrastructure plan in consultation with other stakeholders. The timeline for delivering the plan is unclear, though the Action Plan noted it could take from 3 to 5 years. Without an infrastructure plan, LG entities are left to make local waste management decisions that may leave some facilities unable to adhere to the waste hierarchy, under-utilised or redundant. Some examples of these are:

- regional council 1 – has sent its members' waste to a resource recovery facility to extract and reprocess organic waste since 2009. However, if its members adopt a 3-bin FOGO system, the facility will no longer be needed to process the organic component of the waste, making it obsolete
- regional council 2 – invested in an alternative waste treatment facility in 2007 to separate and process organic waste. The technology was successfully trialled, but ongoing technical challenges resulted in financial difficulties and voluntary administration of the group of private companies that owned and operated the facility in 2016. It briefly restarted operating in 2017, but continued problems caused it to cease receiving waste in February 2018. This means the regional council has to seek other waste treatment options for its members
- regional council 3 – has successfully used organic waste from its members who use a 3-bin FOGO system to produce a compost, which complies with Australian standards. However sourcing regular markets for the product is an ongoing challenge due to production and transport costs, and farmers' historic reliance on synthetic fertilisers
- furthermore, at least 12 of the 33 Perth and Peel LG entities have committed to provide residual waste to waste-to-energy facilities under construction in Kwinana and East Rockingham. However, 1 LG has agreed to supply all its kerbside waste for 20 years. This means the organic materials that could be used to produce mulch and compost will not be available. This approach does not align with the Waste Strategy 2030 objectives to adhere to the waste hierarchy and adopt a circular economy.

Waste facilities for the Perth and Peel region are not well located for LG entities managing waste across the north, south and east. In 2015, the Minister for Environment approved the construction of 2 waste-to-energy facilities in WA, which will be located within 5 km of one another in the south only, and the 2 operating MRFs are also in the south (Appendix 1). The lack of local access to key waste facilities means LG entities have to transport waste longer distances across the Perth and Peel region.

There has been some progress on land use planning for waste infrastructure, as DWER has begun working with the Department of Planning, Lands and Heritage (DPLH). In December 2019, they began preparing a 'planning instrument' to agree on an approach, which will guide decision-making for authorities involved in developing waste management infrastructure.

Local waste management planning is inadequate

LG entities have not sufficiently planned their overall and long-term waste management strategies, and do not generally share plans with their communities. We found that only 7% of LG entities had a publicly available waste plan on their websites. There was no evidence that these plans were updated to align with the new Waste Strategy 2030.

Waste plans had not been a requirement under the WARR Act. However, DWER developed waste plan templates and guidance for LG entities in 2019. All Perth, Peel and MRC LG entities are required to produce their own individual waste plan by March 2021. For our 7 sampled LG entities, none had public waste plans. However, 3 had a waste plan for their LG or region that included key elements recommended in the WARR Act. For example, Kwinana developed its *City of Kwinana Waste Management Strategy* in 2017 that included an assessment of:

- the significant sources, quantities and generators of waste
- the markets and facilities for waste received by the LG
- options and strategies to reduce, manage and dispose of waste
- programs that identify required actions, timeframes, resources and responsibilities for achieving the strategies and targets.

Without transparent local planning that aligns with the WARR Act and Waste Strategy 2030, the State and the community are unable to hold LG entities accountable for delivering effective waste services.

Regional LG entities are not required to develop individual plans, but they could benefit from having an individual plan to address local issues. For example, Broome's landfill is nearing its end of life. The *Regional Waste Management Plan* for the Kimberley Region identified this risk in 2013. Lack of adequate planning for a new landfill site, due in part to Native Title considerations, means that within the next 2 years they will likely need to transport waste lengthy distances to an alternative landfill. This could increase costs for waste disposal. Planning and approval for new landfills can take up to 8 years. Preparing standardised waste plans would help LG entities effectively plan and monitor performance, and address key risks in a timely manner.

There are no obligations for private waste contractors to meet recovery targets

Nearly 80% of LG entities contract out kerbside waste collection services, yet the contractors have no targets for the quantity of waste they reprocess, recycle or reuse. We reviewed the main contracts from our 6 sampled LG entities and found that the contractual arrangements focused on the timely collection and transport of waste, and the provision of bins. None included obligations to divert more waste from landfill and increase material recovery. Without performance measures for waste recovery, contractors may not be incentivised to divert more waste from landfill. While performance measures for waste contractors may help improve waste recovery, it does not negate the need for households to correctly separate and dispose of waste to reduce contamination in the first instance.

A number of Perth and Peel LG entities have agreed to use alternative waste treatment and waste-to-energy facilities, some of which no longer align with the new Waste Strategy 2030 objectives. LG entities can enter into long-term contracts, which they can extend if they have

not allowed sufficient time to prepare a new contract. Extending contracts without considering the regular changes in the waste and recycling industry, increases the risk that LG entities fail to maximise waste recovery to meet their recovery targets.

The New South Wales Environmental Protection Authority¹⁰ offers an example of better practice tendering guidance for LG entities to engage waste contractors that could benefit WA's LG entities. It includes contract specifications for LG waste services that show how the contractor is liable for aspects such as:

- preparing and implementing a contamination management strategy
- recyclable materials collected that are rejected due to high levels of contamination
- annual waste audits on recyclable materials.

DWER's limited guidance on how LG entities should classify and allocate waste costs means that the true costs to manage waste are unknown

Limited guidance from DWER on how LG entities should classify, allocate and report waste costs means that the full costs to deliver waste and recycling services are not known. DWER asks LG entities to provide annual costs for collecting, processing and disposing of waste. However, they do not provide LG entities with a detailed methodology or guidance on how to calculate the costs. In 2017-18, 118 of the State's 132 LG entities that reported, spent a total of \$297 million on waste services. The remainder did not report total waste costs in the LG Census. With no clear or consistent approach to how LG entities allocate these costs, the potential for variation in reporting is high, making the data less meaningful for analysis.

Some waste-related expenditure may not be included in the total waste costs reported by all LG entities. For example, 1 of our sampled LG entities stated that they did not include overheads for staff associated with waste activities or payments to their regional council for waste education services in their total waste costs. Improved understanding of the cost of waste services and consistency in reporting is required. This would allow LG entities to choose the right mix of waste services to improve waste recovery, provide value for money and meet community expectations.

Despite some improvement, there were limited controls to ensure data from LG entities is accurate

LG entities have improved their collection of waste and recovery data since 2016. DWER provide an electronic template with explanatory notes and guidance for LG entities on how to report their waste and recycling data. LG entities that use weighbridges and DWER's approved procedures to calculate or estimate waste and recycling data further help to improve data quality. The Waste Authority has more confidence when using this data to prepare the annual LG Census and to share it with the Commonwealth Government for national benchmarks.

Limited controls affect the consistency and accuracy of the data LG entities provide to DWER. LG entities and their contractors do not routinely audit waste and recovery data, and DWER does not analyse the raw data. The Waste Authority also stated in its 2017-18 LG Census that the data was not validated. Consequently, the Waste Authority cannot guarantee the accuracy of the estimates provided by LG entities. Sixteen percent of LG entities self-reported low confidence in their 2016-17 data and 11% in their 2017-18 data. We interviewed stakeholders, reviewed the data from these 2 financial years, and found potential errors and issues that affect its reliability. For example:

¹⁰ New South Wales Environmental Protection Authority (2015). Model Waste and Recycling Collection Contracts User Guide for Councils <https://www.epa.nsw.gov.au/your-environment/waste/local-council-operations/resources-for-local-councils>

- DWER advised that measurement of waste sent to landfill can vary by up to 300% because some LG entities used truck counts and visual estimates to calculate their waste in the absence of weighbridges:
 - Perth and Peel LG entities and larger regional LG entities such as Albany, Broome, Karratha, Geraldton and Bunbury used weighbridges, which are more accurate
 - 1 regional landfill only uses its weighbridge for commercial waste, but it does not use it to measure ad-hoc domestic waste drop-offs from residents
 - 2 small regional LG entities reported estimating waste tonnage using historic waste audit data and observations at the landfill because there is no weighbridge.
- There are variations in the way LG entities categorise and record waste streams, which means the data for each waste type is not always comparable. One LG entity did not report any FOGO waste collected in 2016-17 as DWER's template did not include FOGO that year, instead recording it as kerbside green waste. Another LG entity had not separated household and commercial waste streams, stating that both types of premises used the same size and colour bins, which the LG entity collected on the same day.
- At least 3 LG entities located close to each other reported the same recovery rate of 83%. MRFs can receive recyclable materials from a number of LG entities at the same time. When this occurs, they only provide an average for the combined LG entities. This means that recovery data for kerbside recycling bins supplied by each LG entity may not represent their individual recovery performance.

The data limitations meant that LG entities cannot accurately monitor how effective and efficient their existing waste management programs and services are. Unreliable information also limits the State entities' ability to use the data to understand the nature and volume of waste types, the fate of recyclable materials and to report progress towards Waste Strategy 2030 targets. Waste data collection is a shared responsibility among LG entities, waste contractors and the State, but DWER is responsible for statewide coordination and reporting.

After changes made in 2019, LG entities are required to report waste and recycling data annually to DWER. The Waste Avoidance and Resource Recovery Regulations 2008 (WARR Regulations) were amended in June 2019. The amendments aim to improve the accuracy, timeliness and completeness of waste and recycling data. The Waste Authority also published a *Waste Data Strategy* in November 2019. It details actions for the Waste Authority and DWER to improve data collection, verification and reporting and aims to achieve:

- more statewide consistency and guidance in data collection and reporting, with standardised data measures, terminology and waste classifications
- better resourcing for data collection, auditing and verification processes to increase data reliability for all stakeholders.

Wider uptake of existing better practice waste management methods could be key to improving waste recovery

Across WA, LG entities do not use consistent and regular waste education and behaviour change programs to encourage the community to reduce waste

There is no regular and consistent messaging by LG entities on waste avoidance, resource recovery and appropriate waste disposal behaviours across WA. LG entities and other waste

managers in the sector have produced a variety of waste education materials, often with slightly different messages. For example, in our sampled LG entities:

- Bunbury provide annual waste and recycling guides with detailed images and text on bin usage. This includes removing lids from plastic bottles and glass jars, and ensuring they are clean before placing in recycling bins.
- Broome provides limited guidance on their website, which does not include graphics or any directions to remove lids or wash containers.

Inconsistent messaging across the State may have contributed to a poor understanding of how to dispose of waste correctly, increasing the risk of contamination and causing more recyclable materials to end up in landfill. Using regular and consistent waste education, with clear messages, is key to improving waste recovery.

Bin tagging behaviour change programs to encourage correct waste disposal are readily available, but few of the State's approximately 100 LG entities that offer kerbside recycling services use them. In September 2019, WALGA advised that only 11 Perth and Peel and 10 regional LG entities had used its Waste Authority funded bin tagging program, which is available to all LG entities and is a simple method used across Australia to improve waste disposal behaviour. WALGA advised that additional LG entities have expressed interest in using the program, subject to funding availability. A comprehensive bin tagging program includes a combination of bin tags (Figure 5) to provide direct feedback on the content of waste, recycling and organic bins, information about what should go in each bin, on-site bin audits, and incentives and enforcement actions to reduce bin contamination. WALGA's bin tagging program in a sample of 3 LG entities over a 6-week period in 2016 showed some positive results:

- through bin audits, 2 LG entities with 2-bin systems showed an increase in the proportion of households that used their recycling bins correctly, from 44% to 64%, and 64% to 76%
- the other LG entity had a 3-bin system and recorded a smaller increase in the correct use of both recycling and organic waste bins, rising from 84% to 91%
- routinely using behaviour change programs such as bin tagging, can improve community understanding of appropriate waste disposal.



Source: WALGA

Figure 5: Examples of bin tags for FOGO bins

Community members put many things in their bins, including hazardous wastes such as batteries, paint and gas bottles. One of our sampled LG entities advised that its waste contractor had experienced 6 incidents of fire in their trucks in a 6-month period due to hazardous waste contamination. This highlights the importance of bin tagging or similar behaviour change programs, along with easy to access disposal options for household hazardous waste and regular and consistent education to effectively decrease bin contamination and prevent harm to the public or environment.

Uptake of the State's messaging to promote consistent waste education is poor

The Waste Authority first produced its WasteSorted toolkit in 2018 to help all LG entities communicate consistently with their residents on how to dispose of waste correctly and decrease bin contamination. However, the 7 LG entities audited do not use it. They advised that the toolkit, which the Waste Authority updated in 2019, lacked useful detail households need to reduce bin contamination. Instead, the LG entities developed their own education

materials (Table 4) or used those supplied by their regional councils or private waste contractors, some of which were developed prior to 2018. LG entities require flexibility to develop educational materials, but maintaining consistency in messaging can help avoid confusion to ensure the community disposes waste correctly. The Waste Authority advised that 14 LG entities that applied for Better Bins Plus: Go FOGO funding in 2020 have indicated that they will use elements of the WasteSorted toolkit. The Waste Authority also plans to launch a state-wide waste campaign in August 2020, targeting waste avoidance, and improved recycling and recovery.

Source	Examples of waste education materials
Waste Authority's WasteSorted toolkit for LG entities	 <p>360L bin 240L bin 140L bin</p> <p>RECYCLABLES</p> <p>FOOD ORGANICS AND GARDEN ORGANICS</p> <p>GENERAL WASTE</p>
LG entity in partnership with a private waste contractor	 <p>YELLOW-TOP RECYCLING BIN Collected fortnightly</p> <p>No plastic bags or greenwaste in your recycling bin</p> <p>Place these items in your yellow-top bin:</p> <p>GLASS BOTTLES & JARS (remove lids) ✓</p> <p>STEEL & ALUMINIUM CANS ✓</p> <p>PAPER, NEWSPAPER, MAGAZINES & CARDBOARD ✓</p> <p>PLASTIC BOTTLES & CONTAINERS (remove lids) ✓</p> <p>MILK & JUICE CARTONS (no silver-lined UHT) ✓</p> <p><small>Images provided courtesy of Cleanaway</small></p>

Sources: Waste Authority, LG entity

Table 4: A sample of waste and recycling bin education materials

To help address the inconsistent messaging from LG entities, WALGA formed the Consistent Communication Collective in 2019. The group provides an avenue for State and LG entities to work with industry partners. It aims to produce clear and consistent messages in education campaigns. LG entities have scope to tailor the WasteSorted toolkit to meet their local community's needs. However, the State still has a key role to play to ensure that entities work together to produce consistent, evidence-based and regular waste communications throughout WA, and to promote a shared responsibility to avoid and recover more waste.

LG adoption of the 3-bin FOGO system is limited, even though reprocessing organic material can significantly increase waste recovery

Few LG entities had the capacity to quickly adopt a 3-bin FOGO system to improve organic waste recovery following the introduction of the Waste Strategy 2030. In Australia, around 50% of household waste is food and garden organic materials, which presents an opportunity to recover a substantial proportion of waste. Only 3 of the 33 Perth and Peel LG entities were using the 3-bin FOGO system by the end of 2019. Another 8 had an existing 2-bin waste and recycling system but agreed to adopt the 3-bin FOGO system in 2020. The Waste Strategy 2030 identified using the better practice 3-bin FOGO system as a priority for Perth and Peel LG entities to increase the recovery of household waste.

According to a combination of WALGA and LG entity feedback, and media reports, over half of the Perth and Peel LG entities were unlikely to swap to the 3-bin FOGO system in 2020. Of these LG entities:

- 7 already provided a 3-bin garden organic (GO) system but did not collect food scraps, which can contribute around 35% of household waste. Many of these LG entities used State funding from the Better Bins program from 2014 to 2019, which offered a contribution of \$30 per household to LG entities to purchase a new third bin for either GO or FOGO. The transition from GO to FOGO does not require purchase of an additional kerbside bin, although it is likely to require a change in processing system for the organic waste, including to manage additional odour and leachate. In addition, LG entities may need to apply to DWER for a change in waste facility licensing
- the remaining 15 had a 2-bin system, but preferred to use an alternative waste treatment facility to remove organic waste from the waste bin or had plans to send waste to a waste-to-energy facility when commissioned. For example:
 - a Perth and Peel LG entity advised us it chose to retain a 2-bin system, instead investing in behaviour change to reduce bin contamination and encourage home composting, and would eventually use a waste-to-energy facility to dispose of residual waste, consistent with the previous waste strategy. The LG entity indicated that it can take 2 to 5 years to review an existing approach, engage with the community on options that consider environmental, social and economic outcomes, conduct technical assessments, and prioritise resources for significant investment in infrastructure and community education
 - a MRC LG entity stated that it would retain a 2-bin system, as landfill was cheaper, compared to the high costs to implement a 3-bin FOGO system and transport materials to recycling markets (including compost to potential agricultural markets that are rare in their region).

Some of these LG entities raised additional concerns about swapping to the 3-bin FOGO system, which included:

- limited ability to produce compost that meets Australian Standards due to high levels of contamination

- high costs to ratepayers for bin roll-out and ongoing education as the State's contribution does not fully cover these costs
- lack of space for additional bins in commercial areas and multiple unit dwellings
- future commitments to provide a set minimum annual tonnage of waste that includes recyclable organic material to a waste-to-energy facility.

Experience from other Australian states and within WA has shown that adoption of the 3-bin FOGO system increases the chance that LG entities will meet the Waste Strategy 2030 targets more easily.

The abundance of food and garden organic waste makes adoption of the 3-bin FOGO system an effective method to minimise waste and re-use valuable materials. In 2017, the Australian Government's *National Food Waste Strategy* estimated that \$20 billion was lost to the Australian economy each year through food waste. Australian households lost over \$2,200 a year by wasting food and the commercial and industrial sectors wasted 2.2 million tonnes of food each year. According to Sustainability Victoria¹¹, LG entities using a 3-bin GO system can recover 40-55% of waste while those using a 3-bin FOGO system can recover 60-70%.

Once suitable infrastructure for collection, transport and processing, and end markets are available, the recovery of FOGO will significantly reduce waste to landfill. It will also help further protect the environment by freeing up landfill space, and reducing landfill emissions of methane and carbon dioxide from decomposing organic waste. Using the 3-bin FOGO system to separate organic waste to produce compost can provide fertiliser to enrich the nutrient poor soils of WA and will keep valuable resources productive in the circular economy.

The State first encouraged LG entities to adopt a 3-bin system through its Better Bins pilot program in 2014. The program offered LG entities a total of \$7.5 million to contribute to the purchase of bins that met the State's *Better Bins Kerbside Collection Program Guidelines*, which included flexibility to collect GO or FOGO. However, LG entities applied for less than half the funds because they regarded the extra costs required to change as prohibitive. The State introduced the revised Better Bins Plus: Go FOGO program in 2020 following the launch of the Waste Strategy 2030, which contributes up to \$25 per household. It offers further funding of \$20 million over 6 years to encourage LG entities across WA to swap to the 3-bin FOGO system, separating both food and garden organics. This does not cover the full costs to support effective rollout of a 3-bin FOGO system.

¹¹ Sustainability Victoria (2017). Changing Behaviours to Improve the Rollout of a New Kerbside Organics Collection Service.

Case study 1 – Implementing the 3-bin FOGO system produces recovery rates of over 60%

In 2013, Bunbury adopted the 3-bin FOGO system. Bunbury recovered around 60% of their kerbside waste in 2016-17 to 2017-19 (Figure 3). This was much higher than the average recovery rate of 27% for all regional LG entities in 2017-18. It was also higher than the 48% average recovery rate for the 7 Perth and Peel LG entities using a 3-bin GO system in 2017-18.

The SMRC and one of its members, Melville, commenced a trial of the 3-bin FOGO system in October 2017 (Figure 6). Over 6,700 households received new rubbish and organic waste bins, and regular and consistent education materials across a range of media. Residents could also attend community information sessions and provide feedback about the new service. SMRC conducted 2 rounds of bin tagging in February-March and April-June 2018. Community Waste Education Officers inspected household bins each week for 6 weeks, recording bin contamination. Sampled bins received a 'happy' or 'sad' tag. This provided residents with feedback on their performance and how to improve (Figure 5).



Source: OAG

Figure 6: Melville's 3-bin FOGO system is publicised on their waste collection trucks

At the end of the trial:

- recycling bin contamination decreased from 25% to 14%
- organic bin contamination was 2.6%, which is similar to rates achieved in other states and low enough to consider composting options if the FOGO is pre-sorted to remove glass, plastic and other contaminants
- Melville reported a waste recovery rate of 64% in 2019, which came close to meeting the Waste Strategy 2030 target of 65%.

Following the successful trial, Melville and 2 other SMRC member LG entities – City of Fremantle and Town of East Fremantle – all introduced the 3-bin FOGO system in 2019.

LG entities rarely use financial incentives to avoid or reduce waste

Most LG entities charge fixed annual rates regardless of the amount and type of waste households and commercial premises produce, giving no financial incentives for individual households and commercial premises to reduce their waste. We identified only 2 examples

of LG entities that provide significant incentives for the community to minimise waste. Bunbury charges ratepayers less for smaller size bins and Cambridge does not charge for the yellow-lid recycling bins. Some LG entities offer other less significant incentives to avoid waste production, such as:

- subsidies for purchase of home compost buckets
- community workshops on sustainable living, composting and worm farming.

A Parliamentary inquiry into the *Waste and Recycling Industry in Australia* in 2018 noted that LG entities could introduce weight-based charging to allow ratepayers to reduce their rates. For example, South Korea introduced a weight-based 'pay-as-you-throw' charge on food waste in 2013. The country now recycles over 95% of its food waste, up from less than 2% in 1995. LG entities can consider financial incentives to increase waste recovery and further contribute to meeting the State's waste recovery targets.

Bulk waste can be recycled but often ends up in landfill

A large proportion of bulk vergeside waste is recyclable (Figure 7), yet LG entities often take it straight to landfill. We found variation across the LG entities, with some making significant efforts to recycle and some using landfill to dispose of all their bulk waste. For example, in 2018-19, Bunbury did not recycle its collected vergeside bulk waste. In the same year, Belmont reported recovering 31% of 3,562 tonnes of vergeside bulk waste by recycling steel, cardboard, wood, green waste and mattresses. Recycling these materials, along with timber and electronic goods, presents an opportunity for LG entities to increase their recovery rates and is better for the environment.



Source: OAG

Figure 7: Bulk bin and vergeside bulk waste collection by LG entities

In the absence of State guidance, WALGA developed *Better Practice Vergeside Collection Guidelines* and suggested that LG entities should aim to recycle 50% of collected bulk waste. All 33 Perth and Peel LG entities offered bulk vergeside or bulk bin waste collections in 2017-18. However of these:

- 6 sent all their bulk waste to landfill
- only 4 recycled 50% or more and met WALGA's target
- the remaining 23 recycled an average of 20% of collected bulk waste.

All 5 MRCs offered bulk waste collections and around two-thirds of the smaller regional LG entities offered drop-off facilities instead. Recycling bulk rubbish will assist all LG entities to

contribute to the Waste Strategy 2030 recovery targets and reduce the amount of waste that ends up in landfill.

The State has made good progress since 2016, but LG entities need more support to address local challenges

The State Government has implemented many of the recommendations from our 2016 waste audit but action in 2 critical areas is still required

The Waste Authority and DWER have addressed 13 of the 16 recommendations from our 2016 audit *Western Australian Waste Strategy: Rethinking Waste* (Appendix 2). However, 2 important recommendations, to prepare a State waste infrastructure plan, and better practice guidance for waste managers, have commenced but are not complete. There is 1 additional outstanding recommendation relating to unlicensed waste operators, which is outside the scope of this audit. LG entities require both infrastructure planning and comprehensive guidance if they are to deliver better practice waste management across the State.

Some of the 13 key recommendations from our 2016 audit (Appendix 2) that they have addressed include:

- clarifying State entity roles and responsibilities
- consulting with industry, government and the community to develop a new Waste Strategy 2030 and Action Plan, and waste reforms on proposed changes to legislation, waste derived materials and a waste levy review
- preparing a template and guidance for LG entities to prepare waste plans
- amending regulations to require LG entities to provide annual waste and recycling data
- establishing the Waste Reform Advisory Group as an avenue for DWER to share progress with industry stakeholders
- preparing a *Waste Data Strategy* to improve data collection, verification and reporting.

The State Government's Waste Strategy 2030 and associated Action Plan provide clarification of government, industry and community responsibilities to manage waste, improve resource recovery and protect the environment. They outline 8 headline strategies and the types of activities needed to achieve these targets. Six of these headline strategies are directly linked to our audit scope and involve the delivery of waste services by LG entities and their communities. The State has already made progress on many of these activities (Table 5).

Headline strategy		Examples of activities complete or underway	Examples of actions delayed
1	Develop statewide communications to support consistent messaging on waste avoidance, resource recovery and appropriate waste disposal behaviours	WasteSorted toolkit for consistent messaging to support Perth and Peel LG entities to adopt a 3-bin FOGO system prepared Own Your Impact guidance on key waste strategy initiatives commenced and behaviour change campaign planned Preparation of Better Bins Plus FOGO guidelines	
2	LG adoption of a 3-bin kerbside waste	Waste Authority position statement on FOGO published	

Headline strategy		Examples of activities complete or underway	Examples of actions delayed
	collection system to separate FOGO	Funding contribution to encourage LG entities to adopt the 3-bin FOGO system	
3	Sustainable government procurement practices to encourage use of recycled products and support local market development	Options and priority actions to reduce waste through State government procurement identified	Not within the scope of this audit
4	LG waste plans	Waste plan template, support and guidance developed Supporting LG entities to meet waste plan requirements	
5	Review the scope and application of the waste levy	Consultation commenced for waste levy review Improvements to the regulatory framework for waste underway Illegal dumping strategies implemented	Not within the scope of this audit
6	Strategic review of WA's waste infrastructure by 2020	Early planning to develop guidance for waste infrastructure planning	State waste infrastructure audit State waste infrastructure plan
7	Review and update State and LG data collection and reporting systems	<i>Waste Data Strategy</i> published Developing an online system for mandatory reporting of waste and recycling data Annual MyCouncil waste data reporting publicly available	
8	Provide funding to promote the recovery of resources from waste	Funding program to support waste avoidance and recovery established	Reprocessing feasibility research

Source: OAG from information supplied by DWER

Table 5: Progress towards meeting headline strategies and examples of activities completed, underway or delayed as at December 2019**Local challenges and a lack of tailored support from State entities prevent LG entities from recovering more waste**

Local challenges and lack of suitable support from State entities restricts LG entities' ability to improve waste recovery. Local waste infrastructure and markets for recycled products are inadequate, with paper and cardboard, glass and mixed plastics typically sent interstate or overseas for reprocessing. Even though there are some local facilities to process organic waste, producing and selling mulch and compost that meet Australian Standards is difficult due to high levels of contamination. Many of these issues can be resolved through understanding local environments, the consistent education previously outlined, and support to develop local reprocessing facilities and end markets that are willing to use recycled products. This can be as simple as LG entities re-using organic materials collected in their own parks and gardens.

Individual LG entities look to the Waste Authority, DWER and DLGSC for guidance on waste management, and integrated planning and reporting, but described limited opportunity to interact with staff from these State entities. Each of the 7 LG entities audited provided positive feedback that DWER had requested more input from LG entities in the last 2 years. Specifically, their feedback was sought to develop the Waste Strategy 2030 and LG waste plan templates, and on a series of consultation papers to help reform waste management in WA. However, the LG entities suggested that State entities could:

- acquire a better understanding of local challenges by visiting individual LG entities
- offer additional guidance on how to deliver more effective and efficient services and construct better practice infrastructure to manage all types of waste
- help to plan and establish appropriate local reprocessing facilities and markets for recyclable materials.

Additional State support will give individual LG entities more confidence that their waste management decisions are better aligned to State recovery priorities and targets.

Some LG entities are not adhering to the State's waste management priorities, particularly those in regional areas. Some of the issues and challenges that prevent LG entities from adopting these priorities are highlighted by regional LG entities and stakeholders that provide waste services and include:

- managing littering with limited staff – 1 LG entity employs 4 full-time staff to collect litter and empty public bins within its main town site, but has only 1 person to attend to other waste-related work. Many regional LG entities may only have 1 part-time staff member responsible for managing waste
- lack of experienced staff and high staff turnover – 1 LG entity reported difficulties in attracting and retaining staff with appropriate technical knowledge. A waste contractor servicing another LG stated that they needed 3 to 5 staff to sort recycling, but had an extremely high turnover of 18 staff over a 6 month period in 2019
- no or limited local reprocessing industries – 1 waste contractor over 500 km from Perth advised us that it disposed of mixed plastics and glass to landfill, only sending separated plastics with recycling labels '1' (PET – polyethylene terephthalate, such as drink bottles) and '2' (HDPE – high density polyethylene, such as milk and shampoo containers) and paper and cardboard to Perth, from where it continues interstate or overseas
- lack of suitable local waste infrastructure – many landfills may lack suitable environmental controls and be unmanned with no ability to monitor waste dropped off or collect gate fees to help fund landfill management and eventual landfill closure and rehabilitation.

Without adequate engagement with individual LG entities, particularly in regional areas that generate 35% of the State's waste, State entities may not fully understand the local challenges LG entities face or be able to provide appropriate support.

Managing illegal dumping and disposing of tyres are 2 problems that most LG entities face. Illegal dumping requires valuable resources to collect and dispose of the waste, which can be hazardous (Figure 8). Even when the waste is dumped on private land or land managed by State entities, the LG entities can be left to collect and dispose of the waste. Tyres can be recycled but as they are costly to transport and recycle, they often ended up in landfill (Figure 9). LG entities require guidance on how best to manage these problematic wastes to prevent environmental harm and maximise resource recovery.



Source: OAG

Figure 8: Examples of illegal dumping of residential, and construction and demolition wastes that LG entities were responsible for collecting and delivering to landfill. Clockwise from top left in the Perth hills, Floreat, Broome and Kalgoorlie-Boulder

Case study 2 – Tyre stockpiling

All LG entities need to manage used tyres. While tyres can be recycled, they often end up in landfill. Until 2018, one regional landfill accepted tyres from local households for free and from commercial clients for a small charge of \$44/tonne for local waste.

However, this created a problem as the LG believed that many were brought in from outside the region to dispose at low cost. Despite recording most of the tyres as waste originating within their area, the LG noticed that the volume of tyres was too high based on the number of residents.



Source: LG entity

Figure 9: Tyre stockpile at the landfill

Due to tyres being disposed by locals and people from outside the region, a large tyre stockpile grew (Figure 9), creating a significant fire risk.

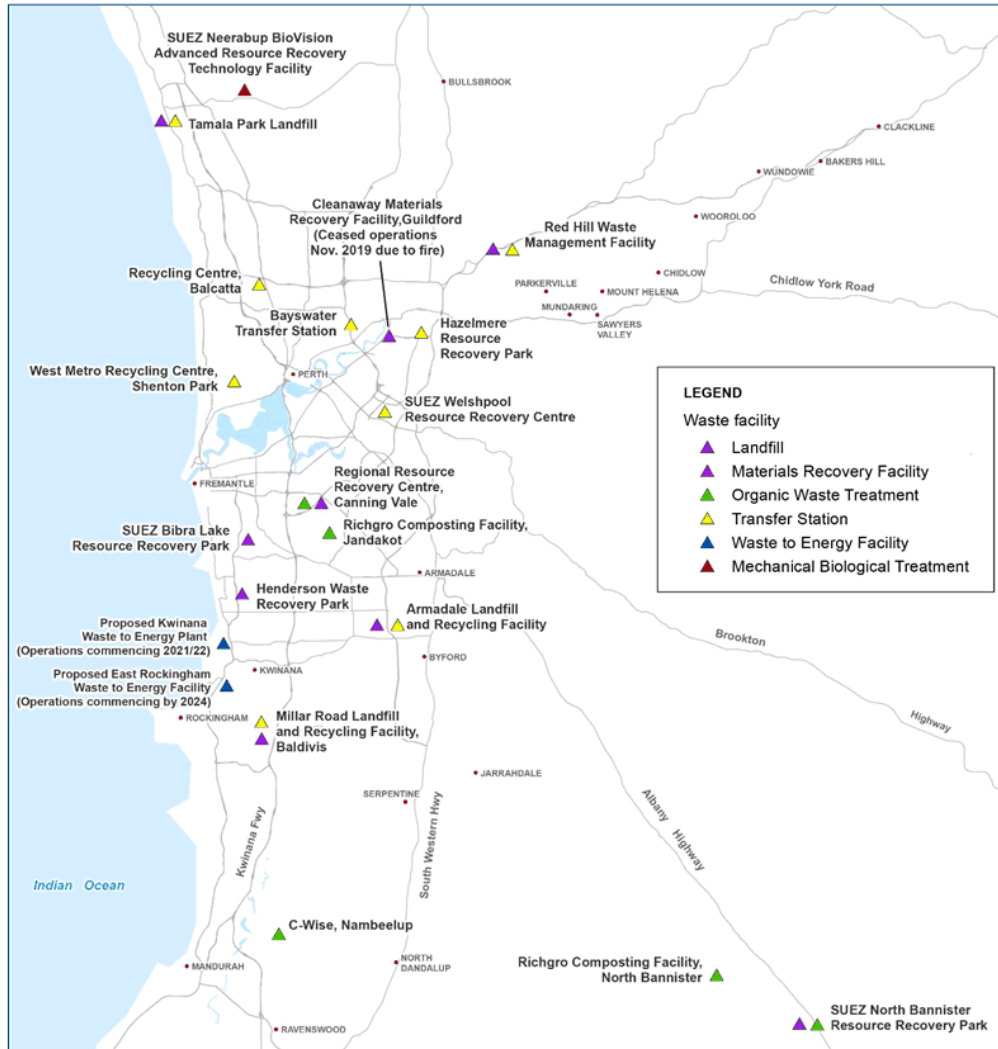
To address this risk, the LG prepared a *Tyre Management Plan* and put them in a separate area at the landfill. This newly constructed tyre 'monofil' will allow them to access the tyres if recycling becomes a viable option in the future. They also began tackling the problem by using a tyre declaration form to ask where tyres come from, increasing fees for all tyre disposal, whether local or not, and limiting the numbers of free tyres disposed per household each year.

Landfill levy funds can be used for waste related projects

The State and LG entities can use reserve landfill levy funds to progress waste management projects and programs. The WARR Account receives 25% of the landfill levy from metropolitan waste for use on waste avoidance and recovery activities. However, the amount of expenditure each year had been lower than the annual amount of receipts from the landfill levy. Consequently, the unspent balance had increased from \$30 million in June 2016 to \$40 million by June 2019. The Waste Authority can use the unspent WARR Account reserves to fund waste-related projects. DWER has advised (Appendix 3) its current approach to these funds includes an allocation to support the October 2020 implementation of the container deposit scheme.

The Waste Authority directs WARR Account funds to help implement the Action Plan and improve waste recovery. It funded Community and Industry Engagement grants to industry, government and the community for projects to better manage, reduce, reuse and recycle waste, and for monitoring or measuring waste. The Waste Authority advised us that it received 90 applications in May-June 2019, requesting over \$24 million for its \$2.3 million budget for these grants. The number of applications highlights the interest in developing local waste solutions.



Appendix 1: Map of key Perth and Peel waste infrastructure at December 2019



Source: DWER

Appendix 2: DWER and Waste Authority progress to address 2016 audit recommendations

Recommendation	Progress	Status
Clarify and communicate the roles of each agency	SLA, Governance Charter, Waste Strategy 2030 and Action Plan clarify agency roles	✓
Finalise a Service Level Agreement (SLA) and governance framework	SLA and Governance Charter finalised	✓
Develop business cases and implementation plans for all projects funded by the WARR Account	Business cases developed for all externally funded projects from 2016-17	✓
Provide regular and comprehensive progress reporting for all annual business plans, associated projects and financial expenditure to the Waste Authority board	Quarterly internal reporting between DWER and Waste Authority	✓
Promote key messages to the community that focus on waste avoidance and minimisation	WasteSorted toolkit prepared in 2018 and updated in 2019. Own Your Impact behaviour change website launched in 2018	✓ This audit identified additional action needed to encourage LG entities to promote consistent key messages
Identify and agree on solutions that will enhance the accuracy of waste and recycling data to report against Waste Strategy targets	WARR Regulations amendments gazetted July 2019 to require LG entities that provide waste services to supply annual waste data to DWER. <i>Waste Data Strategy</i> released November 2019	✓ This audit identified additional action needed to address <i>Waste Data Strategy</i> recommendations
Ensure data used to report against the major regional centre MSW target is representative of regional WA	MRCs defined in Waste Strategy 2030 and set a benchmark for smaller regional LG entities	✓
Publicly report annual progress towards achieving all metropolitan and regional Waste Strategy targets	Waste Authority annual report and business plan detail progress	✓
Improve accountability and transparency of WARR Account fund expenditure	Waste Authority and DWER established a Risk and Performance Committee to monitor WARR Account funded projects	✓
Improve ways to bring together metropolitan and regional agencies, LG, industry and community representatives to assist knowledge exchange and strategic waste planning	Waste Reform Advisory Group established, DWER public consultations to improve programs and strategies	✓

Recommendation	Progress	Status
Complete a State waste and recycling infrastructure plan to ensure alignment with the State planning framework	State Waste Infrastructure Plan not started. DWER progressing waste infrastructure planning with the DPLH	
Provide good practice guidance on waste avoidance and minimisation, managing problem wastes and managing waste and recycling facilities	Waste Strategy 2030 and Action Plan list developing guidance to improve waste management. Some guidance was prepared, for example: waste plans, FOGO, waste-to-energy position statement. However more are needed	 Action needed to produce guidance on problem wastes and managing waste facilities
Assess the need for the State Government to adopt a policy of using recycled products as a way of encouraging community use of recycled products	Assessment of need and opportunities for procurement to increase recycled product use conducted	
Ensure Waste Strategy implementation includes planning and projects to improve resource recovery in regional WA	Community and Industry Engagement Program grants provided to regional recipients. MRCs to prepare waste plans	 This audit identified additional action needed to support regional LG entities
Ensure licensed waste operators provide annual waste and recycling data	WARR Regulations amendments gazetted July 2019	
Conduct risk assessments of unlicensed waste operators and determine what steps need to be taken to ensure they conform with legislative requirements	Legislative reform proposed. DWER and Department of Fire and Emergency Services conducted aerial surveys in June 2019 to target industries that present environmental risks	 Action needed to assess unlicensed waste operators, monitor landfill levy avoidance and manage waste stockpiling

Source: OAG analysis of information supplied by DWER and Waste Authority

Appendix 3: Full responses from audited State and local government entities

Waste Authority

The Waste Authority is pleased to provide comments on this report. It has been working cooperatively with the Department of Water and Environmental Regulation (DWER) in the implementation of the *Waste Avoidance and Resource Recovery Strategy 2030* and the associated Action Plans and Business Plans, including supporting LG's waste services.

The Waste Authority, with support from DWER, is continuing to develop better practice guidance for LG entities to manage key waste streams and problematic wastes. This includes provision of updated position statements on kerbside waste collection, FOGO, the waste hierarchy and waste to energy as per Action 1.3. It also supports the Household Hazardous Waste Program (HHW) including funding and guidelines for the design and operation of HHW facilities.

The Waste Authority is undertaking further work on better practice guidance documents for FOGO, kerbside services, vergeside (bulk) waste collection and drop-off services to support LG entities to adopt better practice waste management.

Both the Waste Authority and DWER continue to engage on a frequent basis with individual metropolitan and regional LG entities to help understand, identify and address their local challenges, risks and waste management requirements.

The Waste Authority has developed and is implementing the *Waste Data Strategy*.

The Waste Authority is supporting LG entities with materials that explain the cost and environmental benefits of adopting a 3-bin FOGO system. A series of FOGO implementation forums were conducted in April – June 2020 to support LG entities in planning, community education and implementation of FOGO services and a FOGO Reference Group with LG and industry representatives is working with the Waste Authority and DWER to develop a practical FOGO Rollout Plan.

The Waste Authority is supporting LG through the Better Bins program and Better Bins Plus: Go FOGO program with a combined investment of \$4.6 million in 2020-21 to support LG entities with the transition costs. This commitment to the Better Bins Plus: Go FOGO funding program will continue at a similar rate of investment over the next 5 years in alignment with the Waste Strategy's Headline Strategy 2 for a consistent 3-bin kerbside collection system, including FOGO, by all LG entities in the Perth and Peel region by 2025.

The Waste Authority and DWER are working closely together to engage with LG entities to develop consistent and regular statewide messages, education and behaviour change programs on waste avoidance, resource recovery and appropriate waste disposal behaviours in alignment with Waste Strategy targets. The Waste Authority's WasteSorted Toolkit provides LG entities with communications materials and is continually revised and updated to meet the various and developing needs of LG. In addition, the Waste Authority recognise the value of direct household education and feedback provided through a bin tagging program to improve household waste sorting behaviour and this program continues to receive Waste Authority funding.

Department of Water and Environmental Regulation

The Department of Water and Environmental Regulation (DWER) continues to work closely with the Waste Authority and key stakeholders in implementing the Waste Strategy 2030, including supporting LG waste services.

As committed to in the current business plan, DWER is undertaking a State waste infrastructure audit and needs analysis in 2020-21 to determine waste infrastructure required to meet the objectives of the Waste Strategy. Following this audit, State waste infrastructure planning will address infrastructure options and technologies to meet the Waste Strategy targets, land use planning objectives, and the approvals processes for environmental, planning and licence approvals. The overall objective is to guide infrastructure development to support the Waste Strategy targets, including that all waste should be managed or disposed of to better practice facilities by 2030.

DWER supports the Waste Authority to develop better practice guidance to manage key waste streams and problematic wastes. This has included the provision of updated position statements on kerbside waste collection, FOGO, the waste hierarchy, waste to energy and support for the HHW Program. Further work is underway to identify better practice guidance documents for FOGO, kerbside services, vergeside (bulk) waste collection and drop-off services to support LG entities to adopt better practice waste management. Market development research is being undertaken in 2020-21 for sustainable markets for products such as compost and soil conditioner derived from FOGO processing.

DWER has developed an online reporting system, training support and guidance to facilitate provision of required waste and recycling data. Improved data will better enable measurement and evaluation of waste management programs and initiatives, and ensure resources are directed where they are most effective.

The Waste Authority and DWER are working closely together to engage with LG entities to develop consistent and regular statewide messages, education and behaviour change programs on waste avoidance, resource recovery and appropriate waste disposal behaviours in alignment with Waste Strategy targets.

DWER is supporting LG to align their waste planning processes with the Waste Strategy. Plans are due 31 March 2021 and annual reporting will commence from 1 October 2022.

Combined Waste Authority and Department of Water and Environmental Regulation response

Specific responses to recommendations

Recommendation 1 a) – supported

The Waste Authority and DWER are working closely together and supporting LG in Western Australia.

DWER is undertaking a State waste infrastructure audit and needs analysis as per Action 6.1 in the current Waste Strategy Action Plan to determine the waste infrastructure required throughout the State to meet the objectives of the Waste Strategy. This will be undertaken in 2020-21. Following this audit, the State Waste infrastructure planning will be undertaken to develop a plan which addresses the different infrastructure options and technologies available to meet the Waste Strategy, land use planning objectives, and the approvals processes for environmental, planning and licence approvals. This is Action 6.3 in the current Action Plan.

This work will be followed by work (as per Action 6.4 and 6.5) with the Department for Planning, Lands and Heritage (DPLH) to develop the planning instruments and guidance for LG and developers for appropriate siting and design of waste facilities including landfills. This DWER work undertaken in consultation with DPLH, LG and the waste industry as part of Headline Strategy 6 in the Waste Strategy will ensure a State waste infrastructure plan in alignment with the State planning framework. The overall objective is to guide future

infrastructure development to support the Waste Strategy targets, including that all waste should be managed or disposed of to better practice facilities by 2030.

Recommendation 1 b) – supported

DWER is aware of the need and committed to identifying local metropolitan and regional reprocessing feasibility research, taking into account known standards, technologies, viabilities and potential barriers for facilities and markets for recyclable materials, particularly for organic materials. This is being undertaken as part of Action 6.2 in the current Action Plan. Specific market development research is being undertaken in 2020-21 for sustainable markets for the products such as compost and soil conditioner, derived from FOGO processing as per Action 2.1.3.

Recommendation 1 c) – supported

The Waste Authority, with support from DWER, is continuing to develop better practice guidance for LG entities to manage key waste streams and problematic wastes. This includes provision of updated position statements on kerbside waste collection, FOGO, the waste hierarchy and waste to energy as per Action 1.3. It also supports the Household Hazardous Waste Program through a funding agreement with WALGA and work is planned to review, update and publish guidelines for the design and operation of facilities for the acceptance and storage of HHW (Action 1.2). A social media education campaign targeting HHW disposal was implemented in 2020 using the WasteSorted toolkit in response to fire incidents. An intensive behaviour change campaign will launch in August 2020 targeting bin contamination and hazardous waste disposal.

The current Action Plan includes commitments for further work to identify better practice guidance documents for FOGO, kerbside services, vergeside (bulk) waste collection and drop-off services to support LG to adopt better practice waste management (Action 1.4) and to support LG entities to develop and implement LG waste plans that align with the Waste Strategy, as per Headline Strategy 4.

Recommendation 1 d) – supported

Both the Waste Authority and DWER continue to engage on a frequent basis with individual metropolitan and regional LG entities to help understand, identify and address their local challenges, risks and waste management requirements.

Recommendation 2 a) – supported

The Waste Authority has developed and is implementing the *Waste Data Strategy* (Action 7.1). DWER has developed an online reporting system (Action 7.2.2), available from 1 July 2020, to enable liable entities to report the required waste and recycling data, as per Regulation 18C of the WARR Regulations (Part 3A, introduced in June 2019). DWER is providing additional training support and guidance for all liable entities (including LG entities) on data collection, reporting and quality control requirements (Action 7.2.1) throughout 2020-21.

Recommendation 2 b) – supported

DWER is supporting LG entities in developing and implementing appropriate controls to minimise the risk of inaccurate data supplied by contractors by providing clear guidance on waste data reporting requirements through the gazettal of CEO notices and approved procedures, and publishing a range of guidance documents; providing additional training through webinars; and developing an annual audit program to review methods of collecting and calculating waste and recycling data.

Recommendation 3 – supported

The Waste Authority is supporting LG entities with materials that explain the cost and environmental benefits of adopting a 3-bin FOGO system. The Eastern Metropolitan Regional Council has developed a business modelling tool that has been made freely available to all LG entities to use, allowing them to change variables such as bin size, collection frequency and facilities available to model different costs and benefits of implementing the 3 bin FOGO system. A series of FOGO implementation forums were conducted in April – June 2020 to support LG entities in planning, community education, and implementation of FOGO services. A FOGO Reference Group with LG and industry representatives working with the Waste Authority and DWER in supporting a highly practical FOGO Rollout Plan (Action 2.2). Composting guidelines have been recently released by DWER for consultation.

The Waste Authority is supporting LG entities through the Better Bins program (Action 2.1.1) and Better Bins Plus: Go FOGO program (Action 2.1.2), with a combined investment of \$4.6 million in 2020-21 to support LG entities. Funding for the program in 2020-21 will see the delivery of FOGO to 323,780 (32%) households in Perth and Peel. This commitment Better Bins Plus: Go FOGO funding program will continue at a similar rate of investment over the next 5 years in alignment with the Waste Strategy's Headline Strategy 2 for a consistent 3-bin kerbside collection system, including FOGO, by all LG entities in the Perth and Peel region by 2025.

FOGO market research is underway in 2020-21 regarding the sustainability of the market for FOGO-derived materials including compost (Action 2.1.3).

Recommendation 4 – supported

The Waste Authority and DWER are working closely together to engage with LG entities to develop consistent and regular statewide messages, education and behaviour change programs on waste avoidance, resource recovery and appropriate waste disposal behaviours in alignment with Waste Strategy targets (Headline Strategy 1).

The Waste Authority's WasteSorted Toolkit was launched in 2018, and in 2 years has built up a substantial folio of branded artwork and templates freely available for use and co-branding by LG entities. The WasteSorted toolkit provides LG entities with a wide range of materials on appropriate waste disposal and is continually revised and updated to meet the various and developing needs of LG entities. Use of the WasteSorted toolkit is strongly encouraged to ensure consistent communications and funding agreements require local governments to use, or be in alignment with, the WasteSorted Toolkit. The most likely time for a LG entity to transition to the WasteSorted Toolkit is when communicating a change in services. Of the 19 local governments that have applied for Better Bins Plus: Go FOGO funding in 2020, 14 have indicated they will use WasteSorted Toolkit elements.

A State-wide behaviour campaign will launch in late August 2020 targeting waste avoidance, improved recycling outcomes and increased recovery. This will provide regular and consistent waste communications throughout WA. LG entities and regional councils will be provided with the campaign materials to help amplify the messages. DWER works closely with WALGA and stakeholders through the Consistent Communications Collective.

In addition, the Waste Authority recognise the value of direct household education and feedback provided through a bin tagging program to improve household waste sorting behaviour. This program (delivered by WALGA) receives Waste Authority funding and it will reach a minimum of 10,000 households in 2020-21.

Recommendation 5 – supported

The Waste Authority and DWER are working closely together and LG entities in WA by providing guidance for LG entities to collect and publicly report consistent waste and recovery financial and performance data.

The Waste Authority has developed and is implementing the *Waste Data Strategy* (Action 7.1). DWER has developed an online reporting system (Action 7.2.2), available from 1 July 2020, to enable liable entities to report the required waste and recycling data, as per Regulation 18C of the WARR Regulations (Part 3A, introduced in June 2019). These amendments aim to improve the accuracy, timeliness and completeness of waste and recycling data available to the community and all stakeholders. Improved data will better enable measurement and evaluation of waste management programs and initiatives, and ensure resources are directed where they can be most effective. DWER is providing additional training support and guidance for all liable entities (including LG entities) on data collection, reporting and quality control requirements (Action 7.2.1) throughout 2020-21.

In April 2019, DLGSC published waste data reported by LG on the MyCouncil website. It is intended this continue on an annual basis.

In addition, Headline Strategy 4 of the Waste Strategy focusses on LG waste plans to align LG waste planning processes with the Waste Strategy. DWER has led extensive consultative work with local governments, WALGA and the DLGSC on aligning LG waste planning processes with the Waste Strategy through waste plans. In consultation with these bodies, DWER developed a resource kit, including a template LG waste plan and guidance documents, to ensure consistency with the Waste Strategy. These templates have been completed and distributed. Following a November 2019 notice from the Director General of the DWER under section 40 of the WARR Act, LG entities and regional councils located in the Perth and Peel regions and major regional centres are now required to include a waste plan within their plans for the future, and submit waste plans to DWER by March 2021.

Response in relation to the WARR Account

The State Government must consider any expenditure from the WARR reserves as part of the State budget process. The Waste Authority itself is not able to determine use of WARR Account reserves.

Section 79(1) of the *Waste Avoidance and Resource Recovery Act 2007* establishes that a special account, namely the Waste Avoidance and Resource Recovery (WARR) Account, is to be established under the *Financial Management Act 2006*.

Section 79(3A) and 79(3B) of the WARR Act requires that the Minister is to credit not less than 25% of the forecast levy amount to the Department's operating account under section 73(4) as is specified by the Minister for that financial year. The operating budget associated with the WARR Account (also referred to as expense limit) is linked to the forecast levy amount for each financial year, as stated in the State's Budget Papers.

Section 80 of the WARR Act provides the Minister with powers to allocate funding to initiatives that are additional to those approved as part of the annual Business Plan prepared by the Waste Authority.

The Waste Authority business cases for expenditure are developed based on the Waste Strategy priorities, resource requirements and Minister's decisions under section 80, in line with the operating budget (or expense limit) for that financial year (in 2019-20 and in 2020-21, the expense limit was set at \$20.75 million and this is consistent for the next four out-years). It is not open to the Waste Authority to prepare a business plan in excess of the approved expense limit or to allocate funds unless part of through the business plan approved by the Minister.

The WARR Account reserve contains historic under-expenditure from previous years. It is not part of the WARR Account expense limit. In 2019-20, the expense limit expenditure was 99.8% of the approved budget. The WARR Account reserves are not accessible without approval from the Expenditure Review Committee through the State budget process.

The State Government committed the WARR Account reserve to underwrite the container deposit scheme commencing on 1 October 2020 and to provide investment in waste processing infrastructure to support COAG's decision to ban the export of certain wastes. An Expression of Interest process has recently been undertaken in July and August 2020 for paper and cardboard processing, and for processing plastics and tyres in WA.

Department of Local Government, Sport and Cultural Industries

The Local Government Act 1995

The *Local Government Act 1995* (the Act) has been under review. This comprehensive legislative reform is intended to create a modern Act that provides a framework for "agile, smart and inclusive" LG, delivering better for communities.

A review panel, chaired by David Michael MLA, met from November 2019 until May 2020, and drew on best practice models in Australia and overseas and closely considered the extensive feedback from the consultation conducted by DLGSC. The report can be found at <https://www.dlgsc.wa.gov.au/departments/publications/publication/local-governmentreview-panel-final-report>

A focal point for the reform is Integrated Planning and Reporting, as the central mechanism for aligning strategy and operations.

Western Australia Local Government: Community Wellbeing Indicators Study (yet to be released)

The above study has been undertaken in a timely manner to contribute to the review of the Act. The study provides the opportunity to consider not just the content of the community outcome indicators being used by LG entities, but also the quality of them. This aspect of the study will assist deliberations on how the Act can empower and support LG to better capture and measure the outcomes that matter to communities, as a core element of strategic planning.

This can include planning at locality (sub-district), district (City, Town, or Shire), and regional (multiple contiguous districts) levels, and also includes the potential to better link with desired State-wide outcomes.

Furthermore, improvements in measurement practice and State-local linkages are not just a matter for legislation. While the Act provides the overarching intent and framework, implementation will need to be supported through non-statutory means. To that end, the study can also shed light on the training, tools, and resources likely to be required to enable a successful and smooth transition to the new Act.

Local Government Waste Plans

The Waste Strategy focusses on LG waste plans to align LG waste planning processes with the Waste Strategy. LG entities are the primary managers of Municipal Solid Waste (MSW) generated in WA and improving LG waste management practices will make a significant impact on the amount of waste materials recovered.

DWER has led extensive consultative work with DLGSC, LG entities and WALGA on aligning LG waste planning processes with the Waste Strategy through waste plans.

Following this consultation, DWER developed and distributed a resource kit, including a template LG waste plan and guidance documents, to ensure consistency with the Waste Strategy.

Following a November 2019 notice from the Director General of the DWER under section 40 of the WARR Act, LG entities and regional councils located in the Perth and Peel regions and major regional centres are now required to include a waste plan within their plans for the future, and submit waste plans to DWER by March 2021.

Waste plans require LG entities to identify:

- how they are performing in relation to the Waste Strategy objectives
- the major waste management challenges for the LG entity
- strategic waste and resource recovery infrastructure needs.

DWER is supporting LG entities in preparing, reviewing, and reporting on their waste plans. LG entities will be required to report on the implementation of their waste plans on an annual basis.

DLGSC will continue to support DWER on the requirement to develop and submit local waste plans and will investigate incorporation within LG Integrated Planning and Reporting, under the Act.

WA State Local Government Partnership Agreement

Minister Stephan Dawson MLA attended the WA State Local Government Partnership Agreement - Leadership Group meeting on 30 October 2019 and discussed the *Waste Avoidance and Resource Recovery Strategy 2030*. An Agreement for waste is intended to sit under the Partnership.

Specific responses to recommendation 5

Supported. DLGSC notes and agrees that improvement to some LG waste management data is required. It supports:

- a) the Waste Authority's *Waste Data Strategy*, and
- b) DWER's online reporting system and the new mandatory reporting requirements together with training support and guidance for LG entities on data collection, reporting and quality control requirements that will increase accuracy, timeliness, and completeness of data over time.

In collaboration with DWER, LG waste data has been uploaded to the MyCouncil website to provide increased transparency around LG waste and recycling performance and encourage benchmarking and improved performance. The 2018-19 data has been uploaded and launched. DLGSC will continue to work with the Waste Authority and DWER in this area.

City of Belmont

The City of Belmont appreciated the opportunity to participate in and contribute to the audit and supports the outcomes and recommendations within it.

The identification of the need for a State waste infrastructure plan and further development in reprocessing facilities for recyclables and market opportunities for organic materials from FOGO processing are key areas of interest for the City, and we were pleased to see reference to these initiatives in the report.

The City is currently on track with the development of a draft Waste Plan, which will be endorsed by Council and submitted to the Chief Executive Officer of DWER by 31 March 2021. Identified within the implementation plan of the City's draft Waste Plan are the following tasks to improve the effective delivery of waste management services and meet the targets of the Waste Strategy 2030:

- introduction of a 3-bin kerbside collection system by 2025
- continue to improve data collection with an emphasis on illegal dumping
- improve awareness and the benefits of source separation for customers through behavioural change programs and consistent messaging.

The City is interested in participating in a future audit to assist with measuring the change and effectiveness of current initiatives underway.

City of Bunbury

The City of Bunbury accepts the findings and recommendations within the report.

City of Kalgoorlie-Boulder

The City of Kalgoorlie-Boulder's waste services are delivered effectively and meet our community's expectations, however we acknowledge that there is work to be done to meet the State's waste diversion targets. Although we support the principle of waste diversion, my primary responsibility as CEO is to deliver cost-effective waste services, which meet the needs of our community and local businesses.

The City broadly supports the recommendations of the audit and in particular the development of a State waste infrastructure plan. We believe this is vital in identifying market-based solutions to improve waste diversion at a regional scale. This is of particular significance to regional communities where population sizes and transport distances impede cost-effective resource recovery at a local level. With these necessary enabling arrangements in place, LG will be better placed to drive the waste diversion objectives sought by the State.

We look forward to working collaboratively with the State Government to improve our progress towards the State's waste diversion targets.

City of Kwinana

Overall, the City of Kwinana commends the report and its comprehensive assessment of LG waste management as it relates to an evolving and challenging state, national and international waste and recycling context.

Importantly, the report highlights the change in the State Waste Strategy from 2012 to 2019 and the slow response from LG to mobilise and respond accordingly. Whilst this may be the case in most LG authorities, this has not been the case with the City of Kwinana. The City is one of few LG authorities that prepared its own Waste Management Strategy based on a comprehensive multi criteria analysis, having regard to the State Waste Strategy 2012 targets and objectives, and should be commended for doing so. It is on this basis that the City entered into a legal agreement to supply a minimum tonnage of Municipal Solid Waste (MSW) to Energy from Waste.

Using this approach the City is forecast to meet the recovery targets of the State Waste Strategy 2012 by late 2021. In changing the [State's] approach as adopted in the State Waste Strategy 2030, the Audit fails to recognise that LG entities are not able to be as agile and responsive to changing strategic directions. The City of Kwinana, like all LG entities, is accountable to its ratepayers, and as such, needs to ensure that the community is not

financially disadvantaged by a conflict in timing between City of Kwinana contractual agreements and changes in State Government strategy. As advised in previous submissions to the Waste Strategy 2030, the City of Kwinana is of the view that the State has developed a one size fits all approach in its adopted Strategy. Whilst this has been done to drive a united vision for waste management in WA, it does not recognise the market conditions, industry context and the variability in the LG's capability and legal commitments with respect to delivering waste services to meet the needs of each local community.

The City of Kwinana is currently in the process of reviewing its current Waste Management Strategy to accord with the requirement to prepare and submit a Waste Plan by March 2021. It is proposed that considerations and actions arising for the City of Kwinana from the Audit findings be incorporated into the City's Waste Plan preparation. This will ensure that the City's approach is integrated, transparent and will enable more effective monitoring of actions.

It is agreed that a greater range of considerations is required by the State Government to foster, develop and support emerging best practice across Perth and its regions and within each LG entity. This comes in many forms and requires the State to allocate funding already collected from LG to be reinvested into meaningful industry wide solutions that would support the objective of the State Waste Strategy 2030. This is fundamental to achieving the objectives of the State Waste Strategy.

Specific responses to recommendations 1 to 4

The City of Kwinana supports the above recommendations but requests that the recommendations go further in terms of the State's transparency and accountability in regards to its funds. In order to achieve the objectives of the Waste Strategy 2030, investment in solutions to currently unviable recovery options, domestic reprocessing technology and infrastructure, and market development for recovered material products must be strategically prioritised and supported with the funding that has already been levied.

It is recommended that the approach that is prepared by the State seek to take a tailored approach where possible to ensure that there is some flexibility and adaptability for each LG entity without compromising the objectives.

Specific responses to recommendations 6 to 9

It should be noted that LG entities are required to prepare Waste Plans by March 2021. Once prepared, these are to be made publicly available for all to access and view. The City is currently in the process of undertaking its modelling of waste management options having regard to existing commitments and the Waste Strategy 2030 objectives and targets. This modelling will inform the preparation of the City's Waste Plan and in turn the existing contracts that are currently in place and subject to review over the next 5 years. It should be noted, that whilst consideration may be given to the inclusion of performance measures in contracts to recover waste, the State needs to be mindful that this will only be achieved at an additional cost, a cost that will be borne by residents. Consideration needs to be given to the rate of change and all the costs associated with the changes, across the waste service and in turn the impact on the community, particularly given the current COVID 19 crisis where the community is already impacted financially through loss of employment. The City needs to have regard to its ability to subsidise changes to the waste services and the additional cost burden of such changes over the short term and longer term.

The City is also in the process of appointing a consultant to prepare a Waste Education Plan to support the City's successful implementation of the Waste Plan, which will include consideration of a number of mechanisms to help the community make informed choices around consumables and waste creation. The City already offers incentives in the form of providing larger recycling bins at no cost to encourage greater recycling. Whilst there may be

further consideration of other options, this needs to be determined in the context of the total costs of providing the waste service.

City of Melville

Thank you for this opportunity to participate in the Performance Audit. The City of Melville was mentioned a number of times positively and the report highlighted some of the essential priorities required to meet the State's long term targets like the lack of local, regional and state-wide waste planning and infrastructure, tailored support for LG entities and the lack of consistency between LG entities of not adopting best practice waste management and resource recovery.

Specific responses to recommendations

Recommendation 1

Supported. These are the main concerns for most LG entities in WA and should be the priority of the state departments to ensure that best practice sustainable resource recovery options and the creation of local processing infrastructure and markets are available in the very near future. They will need to be at a reasonable rate and a realistic distance or valuable renewable material will end up in landfills or at an energy from waste facility at the detriment to the environment. The risks have been well known for a long time and will require a direct approach with enforcing producer responsibilities to reduce waste and include recyclable products in their manufacturing processes and final products.

Recommendation 2

Supported. Considering 80% of LG entities contract out their kerbside collections, amending the *Local Government Act 1995* to include compulsory reporting and validation of reportable figures will ensure contractors and LG entities are held accountable to recovery targets.

Recommendation 3

Supported. The cost of a best practise resource recovery system is high for many LG entities but it should not be if local markets and infrastructure are created and once a majority of LG entities move to a consistent collection, economies of scale are created. Those that opt for a consistent best practice should be further financially incentivised to do so and those choosing not to be subjected to higher landfill levies/gate fees. Historically LG entities have never been a collective and require either enforcement via the *Local Government Act 1995*, regulations or to be financially motivated to make a dramatic change.

Recommendation 4

Supported. The City utilised the well-known brand Recycle Right as a consistent source of information and messaging for both the 3-bin FOGO trial and rollout in 2019 and decided to continue to use it even after the WasteSorted Toolkit was developed to remain consistent. Unsure as to why another was created as the existing source of information should have been built on.

Recommendations 5 and 6

Supported. The City provides via its Annual Report these figures however agree more clarity, transparency and with increased frequencies of updates are required and the feedback is more than welcome to assist with improving our service delivery. Our DWER Waste Plans will be required to pass through Council and therefore become public knowledge however as above, will need to be on the City website as a minimum.

Recommendation 8

Supported. Best practise requires continuous improvement. Prior to the 2019 bulk verge collection, the City engaged a disposal contractor for their bulk verge waste and managed to divert 35% from landfill on top of the mattresses, e-Waste and fridges with no change to the gate fee. Environmental benefits of any Tender or Contract should always be ahead of price.

Recommendation 9

Supported. The City investigated financial incentives but as we were moving to a full City-wide FOGO rollout and the learnings from the trial, decided to offer non-financial incentives to ensure the 3-bin system was used effectively and contamination was reduced to those residents unable to manage their own waste with the bin sizes supplied. We offered a free 360L recycling bin upgrade, still collected fortnightly and a needs assessment for their red-lidded 140L general waste bin and if successful (no food waste or recycling, just a capacity issue) we swapped their smaller bin for a larger 240L red-lidded general waste bin that was also still collected fortnightly. Although contradictory to waste reduction and avoidance behaviour, it offered other options free of charge for the residents to correctly use the 3-bin system.

The City is also investigating a cloth nappy rebate scheme of 50% of the set up purchase price and cheaper FOGO bins for commercial properties in an attempt to reduce waste and food waste to landfill but these won't be in effect prior to the report. State government rebates on cloth nappies as well as compostable caddy liners for example or even incentives for producers to increase their availability and make them cheaper to purchase would also be of benefit to both LG entities and their residents. If a \$150 cloth nappy rebate is available and only 200 residents take up the option at the cost of \$20,000 for example, it will remove approximately 1,200,000 nappies from landfill.

A subsidised load of FOGO compost to the residents would be a classic example of closing the loop and a circular economy.

The Performance Audit has identified the main shortcomings in the WA waste industry. These shortcomings are required to be actioned quickly to maintain the current acute awareness of waste and to achieve a sustainable best practice resource recovery before it becomes cheaper and simpler to ignore all tiers on the waste hierarchy and move straight to disposal or energy recovery and if that occurs, it will be near impossible to re-educate the residents or get LG entities to change their direction.

Mindarie Regional Council

Many thanks for the opportunity to respond to the recommendations on the audit.

Shire of Broome

The Shire of Broome was pleased to be invited to participate in the audit. The Shire is at a critical point in relation to waste and recycling with the imminent closure of the local landfill facility and the conclusion of the kerbside collection contract. The audit report provides an excellent opportunity for improvement in the design and operation of the new facility and waste/ recycling operations in general. The findings within the report will assist with the production of the Shires Waste Strategy, which will inform the direction of operations.

The Shire of Broome is in the process of:

- developing a local waste strategy that will include both the Kimberley Regional Strategy and the State Waste Strategy 2012. Expected completion and release early 2021

- commencing the writing of a new kerbside collection contract. This may include the Kimberley regions. Expected implementation 2023-2024. It has been identified that the current contract is limited in KPI's for the contractor
- implementing an education programme to improve knowledge of recycling and the effects of illegal dumping. Timeframe ongoing
- commencing composting trials to determine product viability. Completion 2021
- discussing the 3-bin FOGO system. Green waste is already delivered to the site in vast quantities, mulched and when there is excess given to the public for free. Organic waste is being investigated although preliminary results are showing a limited market and high processing costs
- the Shire offers 2 weekends for free domestic drop off to the waste facility to encourage pre cyclone clean-up, pensioners are offered a skip bin delivered once a year to their property. Recycling is encouraged with these activities
- investigating reuse options for bulk recyclables within the Kimberley. Completion mid 2021
- areas of current bulk recycling include: concrete crushing, steel crushing and removal to Perth, tyre removal to Perth, mulching of green waste/wood. These bulk activities are costly.

Glossary

Action Plan	<i>Waste Avoidance and Resource Recovery Strategy 2030 Action Plan</i>
DPLH	Department of Planning, Lands and Heritage
DWER	Department of Water and Environmental Regulation
FOGO	food organics and garden organics
GO	garden organics
HHW	household hazardous waste
LG	local government
MRC	major regional centre
MRF	material recovery facility
MSW	municipal solid waste
RC	regional council
SLA	service level agreement
WA	Western Australia
WALGA	Western Australian Local Government Association
WARR Account	Waste Avoidance and Resource Recovery Account
WARR Act	<i>Waste Avoidance and Resource Recovery Act 2007</i>
WARR Regulations	Waste Avoidance and Resource Recovery Regulations 2008
Waste Strategy 2012	<i>Western Australian Waste Strategy – Creating the Right Environment</i>
Waste Strategy 2030	<i>Waste Avoidance and Resource Recovery Strategy 2030</i>

Auditor General's 2020-21 reports

Number	Title	Date tabled
2	Opinion on Ministerial Notification – Agriculture Digital Connectivity Report	30 July 2020
1	Working with Children Checks – Managing Compliance	15 July 2020



**Office of the Auditor General
Western Australia**

7th Floor Albert Facey House
469 Wellington Street, Perth

Perth BC, PO Box 8489
PERTH WA 6849

T: 08 6557 7500
F: 08 6557 7600
E: info@audit.wa.gov.au
W: www.audit.wa.gov.au

 @OAG_WA

 Office of the Auditor General for
Western Australia

13.6 REPORT ON OFFICE OF AUDITOR GENERAL PERFORMANCE AUDIT - REGULATION OF CONSUMER FOOD SAFETY BY LOCAL GOVERNMENT AND THE CITY OF COCKBURN'S RESPONSE

Author(s) N Jones

Attachments 1. OAG Performance Audit - Regulation of
Consumer Food Safety by Local Government [↓](#)

RECOMMENDATION

That Council receive the Office of Auditor General's Performance Audit Report on Regulation of Consumer Food Safety by Local Government, as attached to the Agenda.

Background

The Office of the Auditor General (OAG) has undertaken 23 audits in the last two years (A full list is at attachment 1) with 7 focused on Performance Audits in Local Government including:

- Records Management in Local Government
- Local Government Building Approvals
- Fraud Prevention in Local Government
- Local Government Contract Extensions and Variations
- Information Systems Audit Report 2020 – Local Government Entities
- Regulation of Consumer Food Safety by Local Government Entities
- Waste Management - Service Delivery

The City of Cockburn has participated in two such Performance Audits to date and presented to the Audit and Strategic Finance Committee -

1. Timely Payment of Suppliers (July 2018)
2. Records Management in Local Government (July, 2019).

To ensure the City adopts best practice in the industry, when any such Performance Audits with a Local Government focus are undertaken by the OAG with other Local Governments, the City independently prepares a report to be submitted to the Committee on performance and any improvement opportunities as a result of the OAG audit findings and recommendations.

Submission

N/A

Report

A copy of the OAG Performance Audit Regulation of Consumer Food Safety by Local Government has been attached to the report with a response from the relevant manager on the recommendations contained in the OAG audits detailed below.

The attached OAG report on food safety implies that the system of Food Safety across Local Government Areas (LGA's) has weaknesses. Quoting from the OAG's overview "These weaknesses increase the risk that unsafe food practices are not rectified, and the public consumes hazardous food".

The Audit report identified shortcomings at two Local Government entities. The two Local Government entities accepted the recommendations of the report and have implemented changes to internal processes and procedures.

Based upon the recommendations of the report, Local Governments in the Perth Metropolitan area plus Bunbury, Busselton, Gingin and Murray have committed to reviewing their Food Audit Programs (guided by the OAG Audit model) by the end of 2020, and where necessary, implement corrective actions.

Local Government Environmental Health Officers are committed to ensuring that the internal oversight and implementation of Food Safety standards are applied at a consistently high level throughout the State.

OAG Recommendation 1

Ensure food business inspections are prioritised and carried out according to their risk Classification

City of Cockburn Response

The City classifies all food businesses using the "ANZFA Food Safety: The priority classification system for food businesses". This is done at the Notification stage (a process required by the Food Act 2008).

Inspections are prioritised using these classifications and the recommended inspection frequencies outlined in the ANZFA document and endorsed by WALGA document – *Environmental Health Inspection Schedules*.

The City's Technology One ECM record keeping system records inspection frequency and alerts officers when an inspection is due.

OAG Recommendation 2

Ensure changes to inspection frequencies are only made based on a documented assessment of compliance history or other urgent requirement.

City of Cockburn Response

Changes to inspection frequency (increase) will only occur due to continual non-conformities, infringement or prosecution. These are all well documented on our Technology One ECM record keeping system. Inspection frequency will return to recommended frequency when the premises can show compliance over two consecutive inspections.

If premises are compliant they will remain at the recommended WALGA frequency of inspection. The City does not decrease inspection frequencies.

OAG Recommendation 3

Improve recordkeeping for food business inspections and compliance reporting to:

- a) Better understand inspection and compliance history,
- b) Identify compliance issues and follow-up activities,
- c) Respond to emerging food safety issues.

City of Cockburn Response

The City of Cockburn utilise Technology One ECM as the City's recordkeeping system.

In consultation with the City's Business System service unit, the City's Health Department have established a detailed event process that tracks inspections, compliances, enforcement and follow up procedures and time.

Standard templates have been created which ensures consistency and legal compliance.

This system can be amended in house to reflect emerging food safety issues such as the current focus upon salmonella in eggs.

OAG Recommendation 4

Develop procedures and staff guidance to ensure non-compliant food businesses are followed up and standards enforced in a consistent and timely manner.

City of Cockburn Response

The City has a documented "Food Act 2008 Enforcement Tools and Procedures" including the City's "3 strike policy" which is available for all Environmental Health Officer's. This document as well as regular team consultation creates consistency amongst EHO officers

Induction of new officers refers them to this document.

Technology One and an established Alert process notify officers as to outstanding inspections and follow ups to ensure they occur in the scheduled time period.

OAG Recommendation 5

Work with the Department of Health in the development and implementation of new electronic food safety inspection and recordkeeping systems.

City of Cockburn Response

The City utilises the Australian Food Safety Assessment (AFSA) form which is used Australia wide by EHO's.

The City is investigating creating an electronic version of this but at this stage prototypes are not conducive to the demands of a physical inspection.

The hard copy forms are either scanned into the City's ECM record keeping system or data is entered into the proforma document.

The City does not require the assistance of the State Government's Department of Health for an electronic food safety inspection and recordkeeping system, however such a tool would always be welcome if it created consistency across WA.

Strategic Plans/Policy Implications

Listening and Leading

A community focused, sustainable, accountable and progressive organisation.

- Ensure good governance through transparent and accountable, planning, processes, reporting, policy and decision making.

Budget/Financial Implications

N/A

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 from the OAG's Performance Audits are considered and addressed.

Advice to Proponents/Submitters

N/A

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

Nil

Western Australian Auditor General's Report



Regulation of Consumer Food Safety by Local Government Entities



Report 28: 2019-20
30 June 2020

Office of the Auditor General
Western Australia

Audit team:

Jordan Langford-Smith
Gareth Govan
Matthew Monkhouse
Lyndsay Fairclough

National Relay Service TTY: 13 36 77
(to assist people with hearing and voice impairment)

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

© 2020 Office of the Auditor General Western Australia.
All rights reserved. This material may be reproduced in whole or in part provided the source is acknowledged.

ISSN: 2200-1913 (Print)
ISSN: 2200-1921 (Online)

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

WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

**Regulation of Consumer Food Safety by Local
Government Entities**

Report 28: 2019-20
June 2020



**THE PRESIDENT
LEGISLATIVE COUNCIL**

**THE SPEAKER
LEGISLATIVE ASSEMBLY**

REGULATION OF CONSUMER FOOD SAFETY BY LOCAL GOVERNMENT ENTITIES

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

Performance audits are an integral part of my Office's overall program of audit and assurance for Parliament. They seek to provide Parliament and the people of WA with assessments of the effectiveness and efficiency of public sector programs and activities, and identify opportunities for improved performance.

This audit assessed whether local government entities effectively regulate consumer food safety in food businesses in their local area.

I wish to acknowledge the entities' staff for their cooperation with this report.

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

CAROLINE SPENCER
AUDITOR GENERAL
30 June 2020

Contents

Auditor General's overview	2
Executive summary	3
Introduction	3
Background	3
Conclusion	5
Findings	6
Nearly 30% of high and medium risk food business inspections were overdue	6
Record management shortcomings have reduced LG entities' ability to effectively regulate food businesses	7
LG entities did not always follow-up food safety issues consistently and enforce compliance	8
Recommendations	10
Response from local government entities	10
Audit focus and scope	11

Auditor General's overview

Local government entities (LG entities) are responsible for regulating food businesses in their local area. They ensure food businesses comply with the *Food Act 2008* and the *Australia New Zealand Food Standards Code* through a range of compliance activities such as food business inspections and enforcement actions. When food businesses are effectively regulated, the public can be more confident that the food they consume is safe.



This audit report focusses on the regulation of consumer food safety at 2 LG entities with a large number of food businesses such as restaurants, cafes and bars in their area. We found many inspections were overdue, recordkeeping was poor, and follow-up and enforcement was not always completed or consistent. These weaknesses increase the risk that unsafe food practices are not rectified, and the public consumes hazardous food.

The findings in the report are not about encouraging more regulation of businesses by LG entities, as this can lead to unnecessary burden on food businesses. Rather, the findings highlight the importance of a fair and equitable regulatory framework which focusses on the areas of highest risk to consumer safety. I am pleased that both LG entities generally agreed with the findings, and have advised that they are in the process of completing overdue inspections and improving their inspection and enforcement practices, and reporting.

Educating food businesses on safe food handling practices is an important part of the regulatory regime, and it was also pleasing to see examples of LG entities providing support to food businesses where there is a lack of knowledge, or where there is repeated non-compliance. However, it is also up to food businesses to make sure their staff understand and implement safe food handling practices. Ultimately, it makes good business sense to maintain clean premises and comply with food safety standards to avoid any reputational damage from serving food that makes people ill.

In the coming months I plan to report on the effectiveness of the Department of Health's (the Department) framework for monitoring consumer food safety. The Department was in the original scope of the audit, but my Office's work was put on hold as the Department was a frontline agency in the COVID-19 pandemic response. I'm looking forward to tabling this report as it will provide greater context and transparency as to how food safety is regulated in Western Australia.

I trust the findings in the report will help all LG entities with their compliance activities as food businesses continue to reopen in full, as a result of the easing of COVID-19 restrictions.

Executive summary

Introduction

This audit assessed whether local government entities (LG entities) effectively regulate consumer food safety in food businesses in their local area. It focused on inspection and enforcement processes at a metropolitan and a regional LG entity. These LG entities were selected because they have a large number of food businesses such as restaurants, cafes and bars, and were considered to provide a good baseline understanding of the risks and issues faced by LG entities and food businesses in relation to food safety regulation.

Due to the COVID-19 pandemic we amended the scope and size of the audit and decided to not identify the LG entities in the report.

Background

Food business regulation helps to reduce the number of food related diseases and ensure food is safe for consumption.¹ In 2016-17, Western Australia (WA) had over 23,000 registered food businesses. Across WA over 7,000 cases of intestinal infectious disease, such as salmonella, were reported in 2017.² The Department of Health (the Department) estimates that a 1% decrease in foodborne illness could save the community and health system nearly \$6 million annually.

In WA, the Department and LG entities are responsible for regulating food businesses. The *Food Act 2008* (the Act) and the Food Regulations 2009 (the Regulations) enable the Department and LG entities to inspect food businesses and enforce compliance with legislation and the *Australia New Zealand Food Standards Code* (the Standards). LG entities are responsible for food businesses in their district. Food businesses not in a district such as Rottnest Island and Kings Park, as well as hospitals and primary producers, are regulated by the Department.

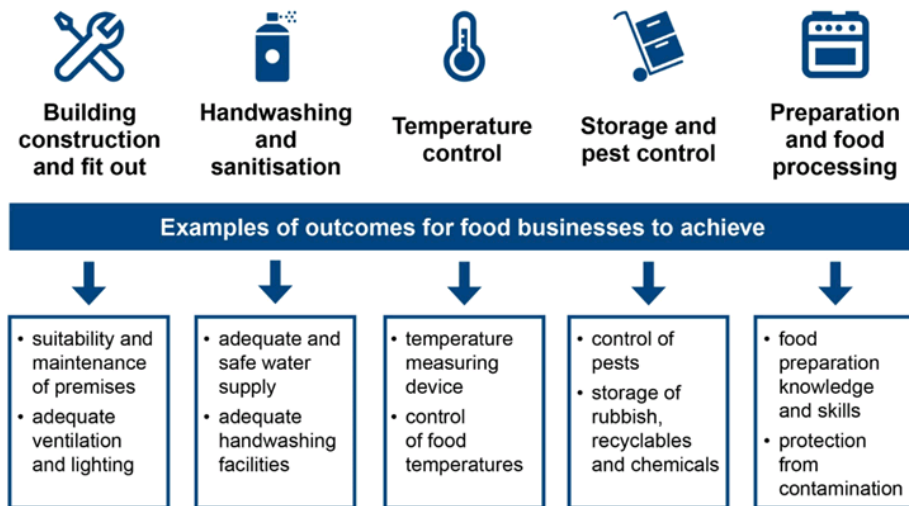
To help make food safe for consumers, food businesses must meet specific requirements in the Standards (see examples in Figure 1).³ Some businesses are also required to have a food safety program which details how they manage high risk foods or vulnerable customers. For example, aged care facilities or restaurants selling uncooked seafood.

¹ Department of Health *Report on the Food Act 2008 (WA) – A report on the performance of the Food Act 2008 (WA) regulatory functions for the period 1 July 2013 to June 2016*.

² Not all of these cases were linked to food businesses.

³ This audit pre-dates the COVID-19 hospitality and tourism hygiene course requirements.

Australia New Zealand Food Standards Code



Source: OAG, using information from the Standards

Figure 1: Examples of the Standards food businesses must meet

LG entities have environmental health officers (EHOs) to conduct food business registrations and inspections. EHOs assess each new food business and assign it with either a high, medium or low risk classification. This classification determines how often businesses are inspected. LG entities charge annual fees to recover the costs of these regulatory activities. EHOs also carry out other duties such as investigating noise complaints, hazardous waste assessments and event approvals.

The Australia New Zealand Food Authority (ANZFA) and the Department have developed better practice resources on the administration of food legislation. The guidance (as summarised in Table 1) helps ensure a consistent approach to business risk assessments and how often businesses are inspected. The starting point is the initial inspection frequency after a business is classified. Inspection frequency can be increased or decreased based on compliance history.

Risk classification	Inspection frequencies (every x months)		
	Starting point	Maximum	Minimum
Low	18	12	24
Medium	12	6	18
High	6	3	12

Source: Australia New Zealand Food Authority

Table 1: ANZFA inspection frequency model

EHOs can monitor and enforce food businesses' compliance with the Standards through education and training, follow-up inspections, improvement notices, infringements, prohibition orders or prosecution. Food businesses face fines of up to \$50,000 for an individual or \$250,000 for a body corporate if they are found not to comply with the Standards. EHOs often exercise discretion choosing which enforcement option to use to achieve compliance.

Conclusion

Current inspection and enforcement processes in the 2 audited LG entities do not support an effective risk-based approach for regulating food businesses.

While the 2 LG entities were conducting inspections, there were shortcomings in the compliance activities they used to regulate food safety in businesses. Many inspections were overdue, recordkeeping was poor, and follow-up and enforcement of compliance with food safety standards was not always consistent or completed. These shortcomings may lead to unsafe food practices going undetected or left unaddressed.

Both LG entities have advised that they are taking steps to complete overdue inspections and improve their inspection and enforcement practices and compliance reporting to address the audit findings.

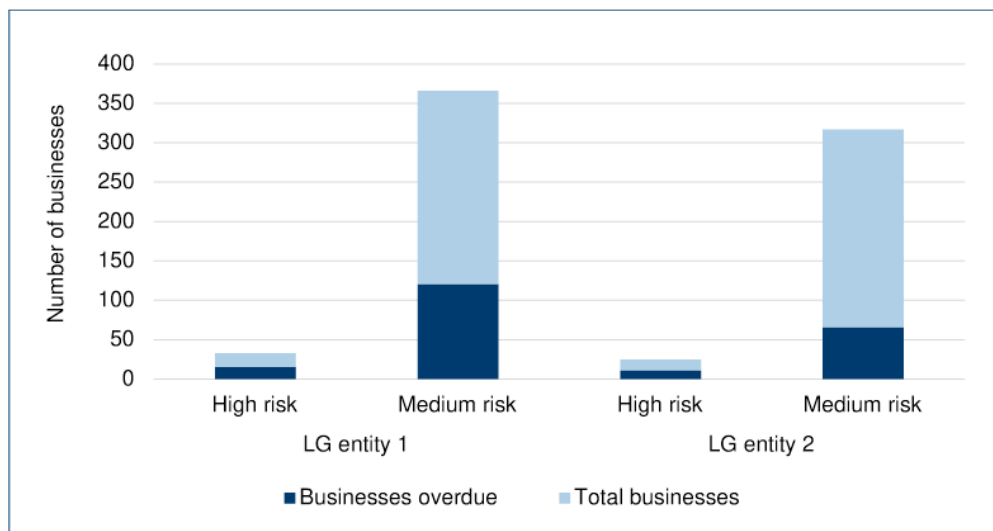
Findings

Nearly 30% of high and medium risk food business inspections were overdue

The 2 LG entities had not completed many required inspections. We found 214 of 741 high and medium risk food business inspections were overdue as at November 2019. When inspections are not completed according to risk, the LG entities are not checking that businesses comply with the Standards.

As LG entities did not have their own documented policy or approach to inspection frequency, we assessed inspections against the ANZFA starting point, the inspection frequency after a business is classified. Our analysis of high and medium risk business inspections (Figure 2) found:

- LG entity 1 had 48% of high and 33% of medium risk businesses overdue for inspection. On average, they were overdue by around 270 days
- LG entity 2 had 44% of high and 21% of medium risk businesses overdue for inspection. On average, they were overdue by more than 400 days.



Source: OAG, using information from the LG entities

Figure 2: Overdue high and medium risk business inspections by LG entity

LG entities have deviated from the better practice inspection frequencies and have not documented why. Therefore, they have less information about whether businesses are meeting food safety standards, increasing the risk that inadequate food practices are undetected. Additionally, businesses are paying annual fees for inspections not performed and they may miss out on receiving information and advice on their food safety practices.

Since being made aware of the findings, the LG entities advised that they were completing the overdue inspections. Both LG entities told us recently that some inspections could not be completed because businesses had cancelled their registration or were closed. One LG entity found some incorrect business risk classifications, which meant that an inspection was not due.

Record management shortcomings have reduced LG entities' ability to effectively regulate food businesses

Inspection and enforcement data was not well documented in the records systems at the 2 LG entities. We found instances where both LG entities had incomplete records of inspections and inaccurate business register data. We also found limited system functionality and compliance reporting. Quality records and reporting support good decision-making and help LG entities effectively and efficiently allocate limited resources.

In our sample of 35 Australian Food Safety Assessment (AFSA) paper inspection forms, we found examples where forms were difficult to read, missing details or an assessment against each standard was not recorded (Figure 3). EHOs need to complete these forms so non-compliance and inspection outcomes are clear to businesses and LG entities have correct records. Both LG entities acknowledged that there were issues with recording information and scanning the form. They advised us that they are developing an electronic form to improve the quality and completeness of inspection information. We note that there is an electronic version of the AFSA inspection form available.

AFSA Australian food safety assessment Office Copy

Business Name	Ref No	Scheduled
Manager/Proprietor	Date	Follow Up
Premises Address	Time	Complaint
Business Phone	Officer	Other

Indicate compliance using ✓/X in 'Complies?' column. If non-compliance is serious indicate by also inserting a # in the 'Serious N/C' column.

Complies?	Serious N/C	Complies?	Serious N/C
Receiving			
1	✓	18	✓
2	✓	Health, Hygiene & Knowledge	
3	✓	19	✓
Storage			
4	✓	20	✓
5	✓	21	✓
6	✓	22	✓
Processing			
7	✓	23	✓
8	✓	Premises and Hygiene	
9	✓	24	✓
10	✓	25	✓
11	✓	26	✓
12	✓	27	✓
Display			
13	✓	28	✓
14	✓	29	✓
Packaging			
15	✓	30	✓
Transportation and Distribution			
16	✓	31	✓
17	✓	32	✓
COMMENTS/ACTION TO BE TAKEN			
<p>1. Not done, used as log rather than as a form</p> <p>2. Not done, used as log rather than as a form</p> <p>3. Not done, used as log rather than as a form</p> <p>4. Not done, used as log rather than as a form</p> <p>5. Not done, used as log rather than as a form</p> <p>6. Not done, used as log rather than as a form</p> <p>7. Not done, used as log rather than as a form</p> <p>8. Not done, used as log rather than as a form</p> <p>9. Not done, used as log rather than as a form</p> <p>10. Not done, used as log rather than as a form</p> <p>11. Not done, used as log rather than as a form</p> <p>12. Not done, used as log rather than as a form</p> <p>13. Not done, used as log rather than as a form</p> <p>14. Not done, used as log rather than as a form</p> <p>15. Not done, used as log rather than as a form</p> <p>16. Not done, used as log rather than as a form</p> <p>17. Not done, used as log rather than as a form</p> <p>18. Not done, used as log rather than as a form</p> <p>19. Not done, used as log rather than as a form</p> <p>20. Not done, used as log rather than as a form</p> <p>21. Not done, used as log rather than as a form</p> <p>22. Not done, used as log rather than as a form</p> <p>23. Not done, used as log rather than as a form</p> <p>24. Not done, used as log rather than as a form</p> <p>25. Not done, used as log rather than as a form</p> <p>26. Not done, used as log rather than as a form</p> <p>27. Not done, used as log rather than as a form</p> <p>28. Not done, used as log rather than as a form</p> <p>29. Not done, used as log rather than as a form</p> <p>30. Not done, used as log rather than as a form</p> <p>31. Not done, used as log rather than as a form</p> <p>32. Not done, used as log rather than as a form</p>			

Further Action?	NI	Reinspection	Letter	Order/Notice	Exemption Notice	Reinspection date:
Serious N/C	Other N/C	Total N/C	Priority Classification	Circle - Increase/Retain / Decrease	Assessment Frequency	
I have read and I understand the contents of this assessment.				Officer signature:	Officer contact No:	
Signature of proprietor/staff:						

Annotations:

- Type and details of inspection not marked
- Assessment against Standards not filled in or incomplete
- Non-compliance and action taken difficult to understand due to handwriting and scanning
- Details of further action and risk assessment not completed

Source: OAG, using information from the LG entities

Figure 3: Example of an inspection form record

We found that business information stored in registers was not always accurate or complete. In particular:

- 47 of 1,204 businesses across both LG entities had no record of inspection in the registers
- 1 LG entity had 15 businesses in which the next inspection pre-dates the last inspection
- through a limited internet search by the OAG of 20 local businesses, 1 business was found to be operating but not known or registered by the LG entity. After we made the entity aware of this finding, they requested and received a registration application.

Incomplete or inaccurate information can result in missed inspections, and businesses not being inspected according to an appropriate risk classification.

Both LG entities had weaknesses in their risk assessment processes. One LG entity did not have supporting documentation for their business risk assessments, and advised that there were 24 high and medium risk businesses which had incorrect risk classifications. At the other entity, we found an instance where risk was not reassessed for a business after multiple items of serious non-compliance were identified. One of which was feeding cats in the kitchen. Inaccurate risk assessments can lead to businesses not being inspected appropriately or paying for more inspections than required.

The LG entities can also improve the way they manage and track inspections. Due to a system error at 1 LG entity, EHOs have to rely on setting reminders for follow-up inspections in their calendars to check non-compliance was resolved. We note 1 LG entity reports quarterly on inspections completed, while the other stopped similar reporting in November 2018, while they wait for a new system. Neither LG entity reported on inspections that were due or overdue. Compliance reporting provides management with oversight of inspections required and completed, and EHO workload.

Compliance information and data can also help identify systemic food safety issues, make decisions on education and support services, and determine appropriate enforcement options. Both LG entities have advised they are either conducting a review of their registers to identify other shortcomings or improving the accuracy and effectiveness of their register and compliance reporting.

LG entities did not always follow-up food safety issues consistently and enforce compliance

We found that the LG entities did not have adequate procedures to help EHOs determine which types of non-compliance require enforcement and follow-up, and when this should occur. While some compliance decisions may require the professional judgement and discretion of individual EHOs, it is important to have documented guidance to support consistent, risk based compliance actions.

Both LG entities were not following up instances of identified non-compliance in a consistent way, to ensure food safety issues were fixed. In our review of 41 inspections across both LG entities, there were 30 inspections that identified non-compliance in areas such as food skills and knowledge, cleanliness, maintenance, handwashing facilities and protecting food from contamination. We found:

- EHOs only recommended an improvement notice for 2 businesses, but these were never issued. One business had a follow-up inspection, while the other was later fined \$250 for hazardous foods that were being thawed with no temperature control.
- Five inspections completed by 1 LG entity identified between 11 and 20 separate items of non-compliance at each business but were enforced differently. Three of the

inspections required no further action, 1 resulted in a follow-up inspection, and the other was marked as requiring an improvement notice, but only had a follow-up inspection.

- Six businesses had follow-up inspections, but it was unclear if all items of non-compliance were fixed. One LG entity advised that non-compliance with a lower risk are often rectified at the time of inspection, but this wasn't always documented.

It is important for LG entities and other regulators to take consistent compliance actions for similar non-compliance. Clear and consistent enforcement processes and actions are equitable and make it easier for businesses to understand how LG entities assess and enforce compliance with the Standards.

We expected to see more formal enforcement processes used, based on the types of non-compliance found, but these were rarely used. According to Department records, in 2018-19, only 2.6% of 734 inspections across both LG entities resulted in formal enforcement. Less than 1% of all inspections resulted in an improvement notice, the first enforcement option for non-compliance. Under appropriate circumstances, formal enforcement actions send a clear and important message to businesses that their food safety practices need to be strengthened and is consistent with the Department's compliance and enforcement guidelines.

Recommendations

Local government entities should:

1. ensure food business inspections are prioritised and carried out according to their risk classification
2. ensure changes to inspection frequencies are only made based on a documented assessment of compliance history or other urgent requirement
3. improve recordkeeping for food business inspections and compliance reporting to:
 - a. better understand inspection and compliance history
 - b. identify compliance issues and follow-up activities
 - c. respond to emerging food safety issues
4. develop procedures and staff guidance to ensure non-compliant food businesses are followed up and Standards enforced in a consistent and timely manner
5. work with the Department of Health in the development and implementation of new electronic food safety inspection and recordkeeping systems.

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

Response from local government entities

Local government entities in our sample generally accepted the recommendations and confirmed that, where relevant, they will improve inspection and enforcement practices, recordkeeping and compliance reporting for regulating food businesses.

Audit focus and scope

This audit assessed if local government entities (LG entities) effectively regulate consumer food safety in food businesses. It focused on food business inspections, and enforcement of compliance with food safety legislation and the Standards at 2 LG entities. We did not attempt to detect non-compliance in food businesses.

In this audit we also examined how effectively the Department of Health monitors consumer food safety, inspects food businesses and enforces compliance. However, this part of the audit was put on hold due to the ongoing COVID-19 pandemic. We plan to table findings specific to the Department at a later date.

We reviewed practices for regulating food safety at 2 LG entities, including:

- food business registers containing 1,204 food businesses
- policies and procedures for regulating food businesses
- records and data on food businesses and regulatory activities
- inspection records and enforcement actions at food businesses from 2018 to 2019
- the timeliness and consistency of follow-up inspections and enforcement actions.

At each LG entity, we sampled 10 food businesses (5 high risk and 5 medium risk) from 2018 to 2019 to review risk assessments, any subsequent risk re-assessments, inspection records and any associated enforcement activities. We also accompanied an environmental health officer on a food business inspection at both LG entities.

We spoke with staff at the LG entities who deal with registration, risk assessment, inspection, education and enforcement of food businesses.

This audit did not review animal food processing premises, retail pet meat stores or businesses exempt from registration (such as newsagents selling low risk packaged foods).

This was a performance audit, conducted under Section 18 of the *Auditor General Act 2006*, in accordance with Australian Standard on Assurance Engagements ASAE 3500 *Performance Engagements*. We complied with the independence and other ethical requirements related to assurance engagements. Performance audits focus primarily on the effective management and operations of entity programs and activities. The approximate cost of undertaking the audit and reporting was \$184,000.

Auditor General's reports

Report number	2019-20 reports	Date tabled
27	Information Systems Audit Report 2020 – Local Government Entities	25 June 2020
26	Western Australian Public Sector Audit Committees – Better Practice Guide	25 June 2020
25	WA's Transition to the NDIS	18 June 2020
24	Opinion on Ministerial Notification	16 June 2020
23	Opinion on Ministerial Notification	29 May 2020
22	Regulation of Asbestos Removal	21 May 2020
21	Audit Results Report – Annual 2019 Financial Audits	12 May 2020
20	Local Government Contract Extensions and Variations and Ministerial Notice Not Required	4 May 2020
19	Control of Monies Held for Specific Purposes	30 April 2020
18	Information Systems Audit Report 2020 – State Government Entities	6 April 2020
17	Controls Over Purchasing Cards	27 March 2020
16	Audit Results Report – Annual 2018-19 Financial Audit of Local Government Entities	11 March 2020
15	Opinion on Ministerial Notification	28 February 2020
14	Opinion on Ministerial Notification	31 January 2020
13	Fee-setting by the Department of Primary Industries and Regional Development and Western Australia Police Force	4 December 2019
12	Audit Results Report – Annual 2018-19 Financial Audits of State Government Entities	14 November 2019
11	Opinion on Ministerial Notification	30 October 2019
10	Working with Children Checks – Follow-up	23 October 2019
9	An Analysis of the Department of Health's Data Relating to State-Managed Adult Mental Health Services from 2013 to 2017	9 October 2019
8	Opinions on Ministerial Notifications	8 October 2019
7	Opinion on Ministerial Notification	26 September 2019
6	Opinions on Ministerial Notifications	18 September 2019
5	Fraud Prevention in Local Government	15 August 2019
4	Access to State-Managed Adult Mental Health Services	14 August 2019
3	Delivering Western Australia's Ambulance Services – Follow-up Audit	31 July 2019
2	Opinion on Ministerial Notification	26 July 2019
1	Opinions on Ministerial Notifications	19 July 2019



**Office of the Auditor General
Western Australia**

7th Floor Albert Facey House
469 Wellington Street, Perth

Perth BC, PO Box 8489
PERTH WA 6849

T: 08 6557 7500
F: 08 6557 7600
E: info@audit.wa.gov.au
W: www.audit.wa.gov.au



@OAG_WA



Office of the Auditor General for
Western Australia

**13.7 REPORT ON OFFICE OF AUDITOR GENERAL PERFORMANCE
AUDIT - INFORMATION SYSTEMS AUDIT REPORT 2020 - LOCAL
GOVERNMENT ENTITIES AND THE CITY OF COCKBURN'S
RESPONSE**

Author(s) B Fellows

Attachments 1. OAG Performance Audit on Information Systems
Audit Report 2020 - Local Government Entities [↓](#)

RECOMMENDATION

That Council receive the Office of Auditor General's Performance Audit Report on Information Systems Audit Report 2020 - Local Government Entities, as attached to the Agenda.

Background

The Office of the Auditor General (OAG) has undertaken a series of Performance Audits into functions or activities undertaken by Local Government in Western Australia. The City of Cockburn has participated in two such Performance Audits to date. The first, *Timely Payment of Suppliers* (report to this Committee in July 2018), and the second, *Information Systems Audit Report 2020 – Local Government Entities* (report to this meeting of the Committee).

The aim is that any such Performance Audit undertaken by the OAG where Local Government is the focus, a report will be submitted to the Committee with comments on the recommendations by relevant City Officers as to its applicability to the City of Cockburn.

The OAG has undertaken twenty three audits in the last two years, with seven focused on Local Government and sixteen on State Government agencies.

The OAG has undertaken the following Local Government performance audits:

- Records Management in Local Government
- Local Government Building Approvals
- Fraud Prevention in Local Government
- Local Government Contract Extensions and Variations
- Information Systems Audit Report 2020 – Local Government Entities
- Regulation of Consumer Food Safety by Local Government Entities
- Waste Management - Service Delivery

Submission

N/A

Report

A copy of the OAG Performance Audit on Information Systems Audit Report 2020 - Local Government Entities has been attached to the report with a response from the relevant manager on the recommendations contained in the OAG audits detailed below.

OAG Recommendation 1

Understand and assess the risks unique to their business activities and environment to inform their strategy for information security management

City of Cockburn Response

This process has been undertaken through the implementation of an Information Security Management System (ISMS) to meet the requirement of the standard ISO 27001 which the City is on-schedule to achieve. ISO 27001 is a specification for an ISMS. An ISMS is a framework of policies and procedures that includes all legal, physical and technical controls involved in an organisation's information risk management processes.

OAG Recommendation 2

Assess their controls against good practice standards to identify gaps and develop plans to improve information security. Entities can seek further guidance from other good practice standards. For instance, the Australian Cyber Security Centre maintains the Australian Government Information Security Manual¹ to assist entities in protecting their information and systems.

The National Institute of Standards and Technology publishes NIST Cybersecurity Framework², to help organisations improve the management of cybersecurity risks

City of Cockburn Response

The ISO 27001 ISMS is the only standard dedicated solely to Information Security and is considered the "Gold Standard". The City also adheres to the Australian Cyber Security Centre's recommendations of implementing the Essential 8.

OAG Recommendation 3

Implement processes to continuously monitor and improve information security controls to ensure they meet entity needs.

City of Cockburn Response

ISO 27001 requires the implementation of security controls that includes being able to audit and improve controls.

Findings and Responding to Findings

Security policies did not provide direction and support for information security

- The City was scored as Minor in this field. The City has accepted the risk and will work to resolve the findings.
- A policy for protection from malware or malicious code – Systems in place, not documented in policy.
- A policy for computer system account reviews and monitoring - systems in place, not documented in policy.
- Expected Quarter 4, 2020.

Poor controls risked network and operations security

- The City was scored as Moderate in this field.
- The City will implement a Security Incident and Event Management software solution. This will be achieved through a tender process.
- Local Administrator permissions have been removed from all standard accounts.
- Solutions are being investigated for segregating services on the network.
- Expected Quarter 2, 2021.

Most entities had business continuity strategies but few had tested these

- The City has both a Business Continuity Plan (BCP) and Disaster Recovery (DR) Plan.
- The BCP was last update and tested April 2019.
- The last full Disaster Recovery test was performed in 2015. The City now performs DR testing on individual systems on an on-going monthly basis.
- The last individual DR tests were performed in September 2020.

Poor access management controls resulted in inappropriate access

- The City was scored as Moderate in this and has implemented the following controls:
 - Reports have been run on all active accounts not logged in for over 90 days.
 - The Help Desk have been tasked with investigating and removing access of these accounts.
 - Multi Factor Authentication has been rolled out for remote access as per the OAG recommendations.
 - Expected Quarter 4, 2020

Entities risked not effectively responding to security incidents

- The City was scored as Moderate in this and has implemented the following controls:
- The IS team has engaged Asterisk Information Security (consultants) to implement an Incident Response Plan (IR Plan). Part of this is having Asterisk on retainer to perform emergency remediation work in the event of a cyber-incident.

- The IR Plan is in its final stages of development (staff training).
- Expected Quarter 1, of 2021.

Information was at risk due to inadequate supplier management controls

- The City was scored as Moderate in this and has implemented the following controls;
- The IS team has worked with Governance, Procurement and the LGIS legal team to develop a non-disclosure agreement (NDA) for handling City data.
- Supplier reports are uploaded to ECM to ensure service delivery is being achieved as expected in line with contractual agreements.

Physical and environmental security could be improved

- The City was scored as Moderate in this field.
- Server Room access has recently been reviewed and significantly restricted (Only Facilities, ICT and IS Managers now have access).
- The lack of a humidity sensor in the server room will be addressed by procuring a sensor.
- Sensor expected Quarter 4, 2020.

Information security controls were not considered over the lifecycle of information systems

- The City was scored as Moderate in this field.
- The new Help Desk software (Alemba) allows for asset management to track IS equipment.
- A Secure Disposal or Reuse of Equipment Standard has been created in ECM to ensure the confidentiality of the City's data.
- Alemba expected Quarter 4, 2020.

Inadequate human resource security controls could threaten information security

- The City was scored as Moderate in this field.
- A non-disclosure agreement (NDA) for off boarding staff has been recommended.
- Manager HR to develop the NDA.

Summary

The City received only one (1) significant finding in the audit, and this was related to Technical Vulnerability Management. Since the audit, the IS team have implemented a Technical Vulnerability Management Standard in ECM, and have automated the deployment of security patches to servers and desktops on the network.

Strategic Plans/Policy ImplicationsListening and Leading

A community focused, sustainable, accountable and progressive organisation.

- Ensure good governance through transparent and accountable, planning, processes, reporting, policy and decision making.

Budget/Financial Implications

N/A

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 from the OAG's Performance Audits are considered and addressed.

Advice to Proponents/Submitters

N/A

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

Nil

Western Australian Auditor General's Report



Information Systems Audit Report 2020 – Local Government Entities



Report 27: 2019-20
25 June 2020

Office of the Auditor General
Western Australia

Audit team:

Jordan Langford-Smith
Kamran Aslam
Walber Almeida
Karla Cordoba
Fareed Bakhsh
Nomin Chimid-Osor

National Relay Service TTY: 13 36 77
(to assist people with hearing and voice impairment)

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

© 2020 Office of the Auditor General Western Australia.
All rights reserved. This material may be reproduced in whole or in part provided the source is acknowledged.

ISSN: 2200-1913 (Print)
ISSN: 2200-1921 (Online)

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

WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

**Information Systems Audit Report 2020 –
Local Government Entities**

Report 27: 2019-20
June 2020



**THE PRESIDENT
LEGISLATIVE COUNCIL**

**THE SPEAKER
LEGISLATIVE ASSEMBLY**

INFORMATION SYSTEMS AUDIT REPORT 2020 – LOCAL GOVERNMENT ENTITIES

This report has been prepared for Parliament under the provisions of section 24 and 25 of the *Auditor General Act 2006*.

Information systems audits focus on the computer environments of entities to determine if these effectively support the confidentiality, integrity and availability of information they hold.

I wish to acknowledge the assistance provided by the staff at the entities included in our audits.

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

CAROLINE SPENCER
AUDITOR GENERAL
25 June 2020

Contents

Auditor General's overview.....	2
Information systems – security gap analysis	3
Introduction	4
Conclusion	4
Background.....	4
What we found	5
Recommendations	10
General computer controls and capability assessment results for local government entities	11
Introduction	12
Conclusion	12
Audit focus and scope	13
What we found	14
Recommendations	23
Appendix 1 – Better practice guidance to manage technical vulnerabilities	24

Auditor General's overview

I am pleased to present our first local government Information Systems Audit report since the proclamation of the *Local Government Amendment (Auditing) Act 2017*. The report summarises the results of the 2019 cycle of information systems audits at 10 local government entities.



Our general computer control audits are a fundamental part of our financial audits. They help to provide assurance that the financial information generated by information systems is accurate, reliable and completely recorded. While local governments will differ in the size and scale, it is critical that they have effective controls to manage information systems.

The report has 2 parts:

- Information systems – security gap analysis
- General computer controls and capability assessment of local government entities.

The security gap analysis benchmarks the results of local government entities' security practices against a globally recognised standard. This standard provides a set of controls which entities can easily implement to protect critical information from internal and external threats. The standard provides useful guidance on how entities can address weaknesses and risks to their information security. My Office performed a similar exercise for State government entities in our 2013 Information Systems Audit Report.

We found that all 10 local government entities had significant shortcomings in their information security practices. Entities need to seriously consider these standards and the recommendations in this report to improve information security practices and protect the confidentiality, integrity and availability of information and systems.

The second part of this report outlines the results of our general computer controls audits and capability assessments. Overall, the level of maturity in the reviewed local government entities was low, with no entity meeting our minimum benchmark across all control categories.

Local government entities' information systems are integral for delivering key public services. However, most of the entities do not have a holistic view of activities that pose risks to their information systems. Entities should have visibility over their systems and take a strategic approach to address these risks.

International standards provide a good framework and starting point for entities to develop and implement sound practices in their operational and strategic security processes. My Office will continue to monitor and report on general computer controls and capability assessments of local government entities. We expect to see better results similar to the improvements made in the State sector in recent years as reported through our regular information system audit program.

WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

Information systems – security gap analysis

Introduction

The objective of this security gap analysis was to determine whether local government entities are adopting adequate controls in managing their information security. We assessed the information security controls at 1 regional and 9 metropolitan local government entities of varying size to determine whether they met the requirements of International Security Standard 27002 (AS ISO/IEC 27002:2015). This standard provides a framework and set of controls to ensure IT environments are managed to preserve the confidentiality, integrity and availability of information. Most of these controls are globally recognised as good practice and require minimal effort to implement.

Conclusion

All audited entities had significant gaps in their management of information security when compared against the standard. We found that entities did not have good practices to manage information and cyber security. Entities did not have appropriate policies and processes to identify and guide information security practices and they often lacked ongoing monitoring processes to detect and respond to threats. These gaps in security controls seriously undermine the confidentiality, integrity and availability of information held by these entities.

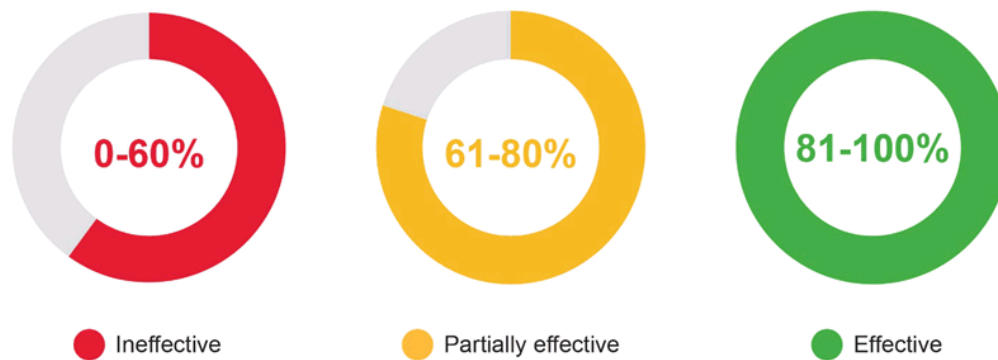
Background

Local government entities hold information, including confidential information about people and the community, which is fundamental to their operations and should be protected from external and internal threats. As IT systems and computing environments become more interconnected, the amount of information grows, along with the number and diversity of threats. Effective information security involves managing people, processes and technology to preserve the confidentiality, integrity and availability of information.

Entities can use the information security standard as a starting point to develop sound practices, or to assess their current controls. The standard has 14 areas with each area containing various controls that can be tailored to needs, size and complexity of entities.

In order to determine an overall rating for each area, we:

- determined which controls were applicable
- assessed and gave individual controls a score
- consolidated these scores to calculate an overall result which considered the number of effective controls in the area
- rated scores above 80 percent to be effective, scores from 61 to 80 percent as partially effective, and below 61 percent as ineffective.



Source: OAG

Figure 1: Scale to score entity controls

We evaluated if entities were effectively meeting information security best practices by comparing their controls against the 14 areas of the ISO 27002 standard. In performing this work, we also assessed if:

- entities had identified and defined the security requirements based on risks to their information systems
- appropriate controls were in place to mitigate information security risks
- mitigating controls were in place where practices did not align with international standards.

What we found

All of the audited entities had significant gaps in meeting the good practice standard across several control areas (Figure 2). Only 4 entities demonstrated that they were effective, or partially effective in at least 7 of the 14 areas. In order to protect the security of the information and systems of the audited entities, we have not named them in this report. We provided each audited entity with a copy of their gap analysis results.

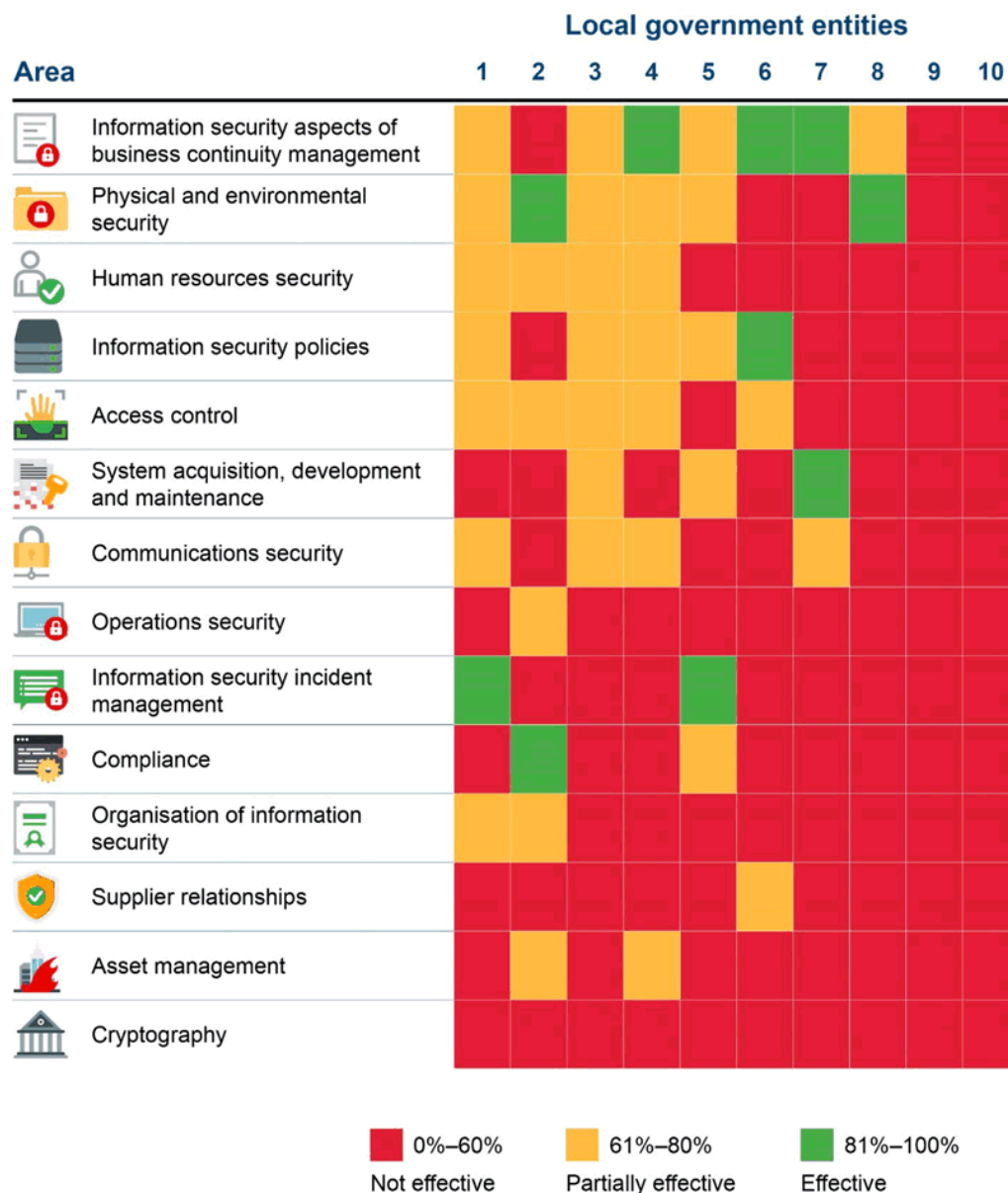


Figure 2: Results of security gap analysis for 10 local government entities

Each entity has unique security requirements based on their business needs. However, the majority of the entities had not assessed and identified their security requirements. Generally, security requirements can be identified through:

- assessing risks, taking into account the overall business strategy and objectives including vulnerabilities and threats to assets
- understanding legal, statutory and contractual requirements that apply to the entity and its contractors and service providers

- understanding the set of principles, objectives and business requirements for information handling to support operations.

Security policies did not provide direction and support for information security

Half of the entities did not have adequate policies outlining their approach for managing information security objectives. We found that policies did not contain guidance for key areas, including:

- roles and responsibilities for information security management
- access management
- protection from malware or malicious code
- use of IT assets and technical vulnerability management.

It is critical that entities take a strategic approach to information security by understanding the risks and implementing appropriate policies for the governance of security.

Additionally, none of the entities had a policy or a management approach on the use of cryptography controls, with all 10 entities rated as ineffective. A lack of guidance or direction for cryptography controls increases the risk that the confidentiality and integrity of information held by these local government entities could be compromised.

We also found 90% of the entities did not have good processes to check compliance with security requirements. For example, performing periodic internal reviews is a good way to ensure controls are working as expected. Without processes to detect policy breaches and non-compliance, entities cannot determine if their controls are operating effectively.

Poor controls risked network and operations security

Nine of the 10 entities did not have good practices to manage operational security. Without good practices, entities are at greater risk that internal and external threats will compromise their systems.

Operational security deals with day-to-day activities related to information processing and communication facilities. The weaknesses we found in controls over network and operations security included:

- a lack of change management processes. Changes may inadvertently introduce risks if they are not appropriately managed and tested prior to implementation
- network security appliances are not securely managed as they use insecure protocols. Insecure protocols that exchange information in plain-text can be used to compromise networks
- firewall events are only retained for limited periods and staff use shared generic accounts to administer firewalls. This makes it difficult to investigate and hold malicious users accountable as actions cannot be linked to them
- there were no processes to adequately assess and remediate security weaknesses. These weakness could be exploited to gain unauthorised access to entity systems and information
- a lack of controls to observe and review network activities. This could result in unauthorised or malicious activity going undetected
- data backup plans did not reflect current IT infrastructure. Also, entities were not testing the integrity of data on backups. Without appropriate backups and testing, entities risk

permanent data loss and may not be able to deliver their core services if systems or information are compromised

- inadequate segregation of networks. Weaknesses in a part of the network may enable malicious actors to access the entire network
- anti-malware controls were not installed on key servers. This could result in malware infections and compromise of systems and critical information.

Most entities had business continuity strategies but few had tested these

Three entities in the sample had good practices to manage business continuity and information security aspects during disaster situations. Four entities had not verified their capability to recover and ensure security of information during a serious interruption, and only partially met the standard. It is crucial to have well developed and verified business continuity and recovery strategies that address the security of information in crisis situations.

The remaining 3 entities had not adequately defined the information security requirements and plans in a disaster situation and consequently had inadequate business continuity and recovery strategies. This meant that a disaster or pandemic could disrupt their key services for prolonged periods and potentially compromise information security.

Poor access management controls resulted in inappropriate access

Half of the entities did not have good processes to manage access to systems and networks. The remaining half had partially effective controls to manage access. Some of the weaknesses we found include:

- a number of former staff still had access to systems. We found instances where systems were accessed inappropriately by former employees without an adequate explanation
- no formal process was in place to request and authorise access to systems
- weak password and authentication controls
- a lack of processes to review user access and privileges.

These control weaknesses significantly exposed entities to unauthorised access to systems and information.

Entities risked not effectively responding to security incidents

Only 2 entities had an appropriate plan to manage information security incidents. The remaining 8 entities did not have response plans, awareness programs and procedures for detecting security incidents and handling of forensic evidence to effectively manage security incidents. These controls are important to detect and appropriately respond to security incidents. Without robust and effective processes for responding to and managing security incidents, entities could face extended service outages and reputational damage in the event of an incident.

Information was at risk due to inadequate supplier management controls

The majority of the audited entities did not document or demonstrate their understanding of information security risks associated with the use of suppliers or contractors. Entities regularly employ contractors or procure systems to deliver key services. As part of this process, they may allow contractors to access information or store data on contractor managed systems. Even if entities use contractors, they are responsible for protecting their

information and managing how it is used. Understanding vendors, their security posture, services and systems is vital in maintaining effective information security controls.

Only 1 entity had partially effective controls to manage supplier risks. Without these controls there is an increased risk that entity information is exposed to unauthorised access and disclosure. In addition, by not embedding information security controls and practices into arrangements with suppliers and contractors, entities may have limited recourse in the event of an information security incident.

Physical and environmental security could be improved

Two entities met good practice standards in this area and 4 entities had partially effective controls. The remaining 4 entities were not managing the physical and environmental controls well. These entities have not formally defined the roles and responsibilities for managing the server room and their physical access controls were not operating effectively. For example, fire suppression systems were not installed, an excessive number of staff had access to server rooms, and access was not monitored. These weaknesses could result in unauthorised access to assets and accidental or deliberate damage to systems and information.

Information security controls were not considered over the lifecycle of information systems

Seven entities did not have good practices for managing their information and IT assets over the lifecycle of information systems. In particular, these entities did not have adequate plans and procedures to manage the acquisition, maintenance, disposal and re-use of IT and information assets. It is important to identify all assets that process information to ensure these are appropriately protected and the information on the assets cannot be inappropriately accessed, even after disposal.

We found that the majority of the entities had not defined how to classify information based on its value, legal requirements, criticality and sensitivity. As a result, appropriate security controls were not applied to information and assets based on these factors, increasing the risk to sensitive information.

Inadequate human resource security controls could threaten information security

Six entities did not have effective controls to ensure that information security risks were appropriately managed when staff were hired or terminated. The remaining 4 entities only had partially effective controls. Some of the weaknesses we identified include:

- no defined requirements for background checks before employing staff and contractors
- confidentiality and non-disclosure agreements not required for new staff
- inadequate induction and ongoing programs to inform staff and contractors of their information security responsibilities.

People play a fundamental role in maintaining information security. It is crucial that suitable people are hired, staff understand their responsibilities for information security and that the security of information is managed properly when staff leave the organisation. Poor practices for managing staff increase the risk of information or systems being compromised.

Recommendations

Local government entities should:

1. understand and assess the risks unique to their business activities and environment to inform their strategy for information security management
2. assess their controls against good practice standards to identify gaps and develop plans to improve information security. Entities can seek further guidance from other good practice standards. For instance, the Australian Cyber Security Centre maintains the *Australian Government Information Security Manual*¹ to assist entities in protecting their information and systems. The National Institute of Standards and Technology publishes *NIST Cybersecurity Framework*² to help organisations improve the management of cybersecurity risks
3. implement processes to continuously monitor and improve information security controls to ensure they meet entity needs.

Under section 7.12A of the *Local Government Act 1995*, the 10 audited entities are required to prepare an action plan addressing significant matters relevant to their entity for submission to the Minister for Local Government within 3 months of this report being tabled in Parliament and for publication on the entity's website. This action plan should address the points above, to the extent that they are relevant to their entity.

¹ <https://www.cyber.gov.au/ism>

² <https://www.nist.gov/cyberframework>

WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

**General computer controls and capability
assessment results for local government entities**

Introduction

In 2018-19, we audited the general computer controls (GCCs) at a sample of 1 regional and 9 metropolitan local government entities. Our GCC audits are integral to our annual financial audits of local government entities as they help to determine whether computer controls effectively support the confidentiality, integrity, and availability of information systems needed for annual financial reporting.

Information systems underpin most aspects of local government operations and services. It is important that entities implement appropriate controls to maintain reliable, secure and resilient information systems. These controls are equally important in smaller local government entities who may not have a dedicated IT department or staff, but may rely on contractors to provide the necessary support.

We use the results of our GCC work to inform our capability assessments of entities. We asked entities to self-assess their capability maturity across the 6 control categories using our assessment criteria. We then met with each of the entities to compare their assessment with ours, which was based on the results of our GCC audits.

Capability maturity models (CMMs) are a way to assess how well-developed and capable entities' established IT controls are. The model provides a benchmark for entity performance and a means for comparing results from year to year, and across entities.

The model we have developed uses accepted industry good practice as the basis for assessment. Our assessment of GCC maturity is influenced by various factors including the:

- business objectives of the entity
- level of dependence on IT
- technological sophistication of computer systems
- value of information managed by the entity.

We focused on the following 6 categories to determine the maturity of entity control environments:



Source: OAG

Figure 3: GCC categories

Conclusion

All 10 local government entities need to improve their general computer controls. We reported 150 control weaknesses across the 10 entities, with 13 of these weaknesses rated

as significant. As these weaknesses could significantly compromise the confidentiality, integrity and availability of information systems, the local government entities need to act promptly to resolve them.

Our capability assessment results show that none of the entities met our expectations across all control categories. We found weaknesses in controls for information security, business continuity, change management, physical security and IT operations, with many entities falling below our benchmark. Whilst some entities had good IT risk policies, others need to improve how they identify and treat information risks.

Audit focus and scope

We conducted GCC audits and capability assessments at 10 local government entities. We used a 6 point rating scale³ from 0 to 5, detailed in Figure 4, to evaluate each entity's capability maturity level in each of the GCC categories. The model provides a reference for comparing entity results from year to year. We expect entities to achieve a level 3 (Defined) rating or better across all the categories.



Source: OAG

Figure 4: Rating scale and criteria

³ The information within this maturity model assessment is derived from the criteria defined within COBIT 4.1, released in 2007 by ISACA.

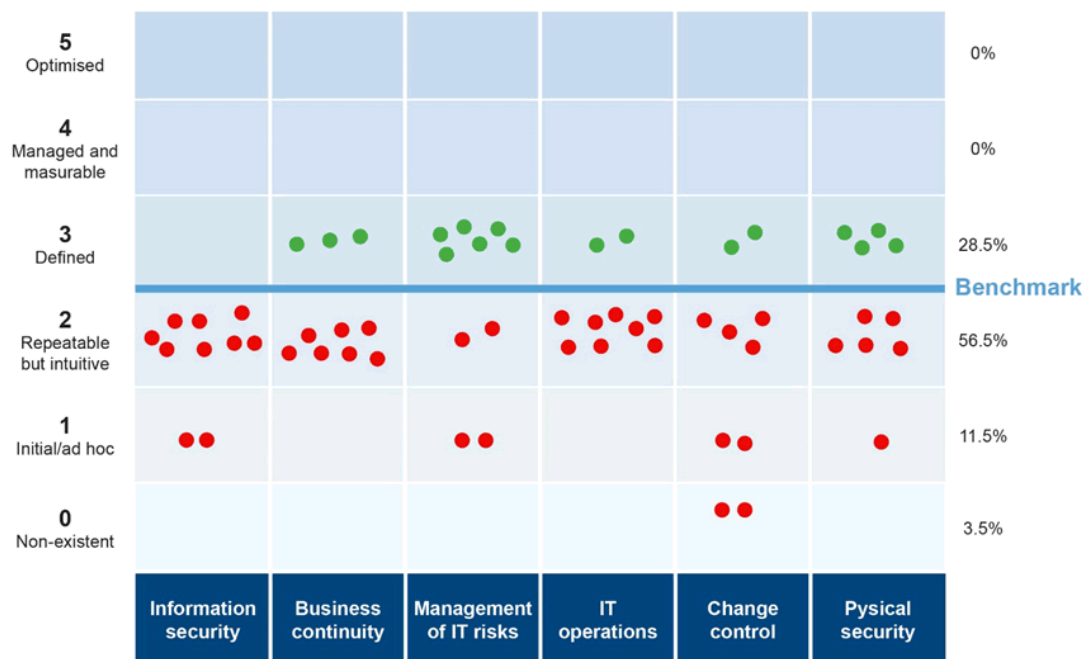
What we found

Capability maturity model assessment results

None of the local government entities we reviewed met our expectations across all control categories.

Entities did not have adequate controls to effectively manage information security, change management, IT operations, physical security and continuity of business. Poor controls in these areas left systems and information vulnerable to misuse and could impact critical services provided to the public. We have included specific case studies that provide more detail where we identified weaknesses in controls that could potentially compromise entities' systems.

Figure 5 shows the results of our capability assessments across all 6 control categories for the 10 entities we assessed.



Source: OAG

Figure 5: Capability maturity model assessment results

Information system controls

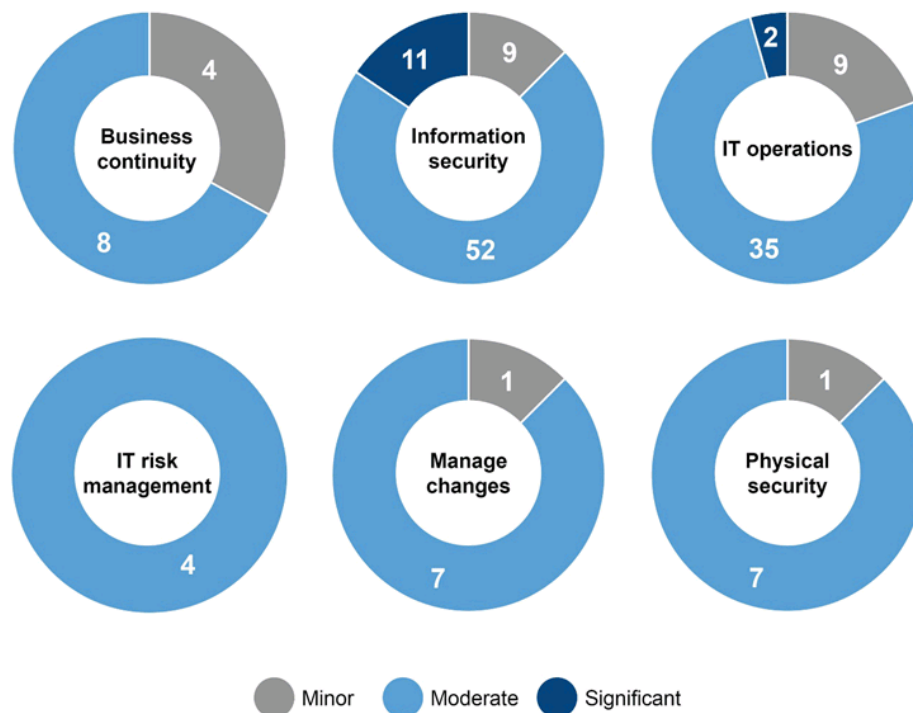
We reported information system control weaknesses identified during our GCC audits to local government entities in management letters. We identified 150 GCC control weaknesses across 10 entities, with 9% of the weaknesses rated as significant requiring prompt action, 75% as moderate which should be addressed as soon as possible, and the remaining 16% as minor. Nearly half of all issues were about information security which was also the category that had most of the significant findings.

Management letters issued to entities contained all the findings. However, we removed sensitive technical details which, if made public, could increase the risk of cyber-attacks for

those entities. We reported these details separately through confidential letters to each local government entity to assist them in addressing the weaknesses. Entities generally agreed to implement the recommendations included in our management letters.

Figure 6 summarises the distribution of the significance of our findings across the 6 control categories.

While the majority of our findings are rated as moderate, a combination of these issues can leave entities with more serious exposure to risk.



Source: OAG

Figure 6: Distribution of ratings for GCC findings in each control category we reviewed

Information security

Good information security practices are critical to protect the information held in key financial and operational systems from accidental or deliberate threats and vulnerabilities.

We found that all 10 local government entities need to improve their practices for managing information security, with no entity meeting our benchmark. We reported 72 issues, nearly half related to the security of information and systems. It is concerning that 11 were rated as significant requiring prompt attention, as they seriously exposed the entity's systems and information to misuse.

Several entities had not clearly defined roles and responsibilities for information security. This, coupled with a lack of appropriate policies and practices, meant their approach towards security was inconsistent and ad-hoc.

A common weakness we found at most entities was a lack of processes to identify and patch security vulnerabilities in systems and ICT infrastructure. Our vulnerability scans of key entity systems identified a range of critical and high severity vulnerabilities which had not been

patched. These left the systems open to compromise. Our better practice guidance at Appendix 1 provides practical information to help entities manage their vulnerabilities.

The following case studies were selected to highlight the risks to entity information from systems not regularly being patched and inadequate access controls, including remote access.

Information and systems are at risk due to inadequate vulnerability management

One of the audited entities did not have appropriate processes to identify and patch security vulnerabilities leaving systems vulnerable to exploitation through unauthorised and inappropriate access. Weaknesses included:

- The entity did not perform regular vulnerability assessments to identify and address weaknesses in a timely manner.
- It also did not have a process to identify vulnerable devices or computers on the network. It is extremely important to have visibility over devices connected to the network, and their vulnerabilities. Our scans identified an unmanaged computer on the network which was still susceptible to well-known critical software vulnerabilities including EternalBlue, Petya and Bluekeep. Patches to address EternalBlue and Petya vulnerabilities were released by mid 2017.
- Over 340 critical and 1500 high severity vulnerabilities on a sample of 50 servers and workstations.
- The entity's security update processes did not include core network devices such as firewalls, routers and switches, leaving them outdated and exposed.

Without an effective process to identify, assess and address relevant vulnerabilities in a timely manner, there is an increased risk that systems will not be adequately protected against potential threats. These vulnerabilities could be exploited and result in unauthorised access to IT systems and information.

Source: OAG

Figure 7: Poor vulnerability management leaves an entity exposed to cyber attacks

Excessive privileges and poor controls to manage infringements and rates could result in fraud

One entity we audited did not have adequate controls in place to manage its rates and infringement receipting system. We identified the following issues:

- A large number of users had excessive privileges to access system functions. For example, we found a number of users who had high level access to a range of functions including receipting, rates accounting and infringements.
- Generic accounts were used to process infringements and rate payments. These generic accounts did not require network authentication and bypassed security controls to access information and resources. In the event of error or wrongdoing, the entity would not be able to attribute responsibility to a particular user.
- Former staff still had infringement books assigned, used to issue fines to the public.
- There was no process to reconcile infringements that had been cancelled, or numbers in the fine sequence that had been skipped. The entity could not provide any information or reasons for cancelled infringements or the missing numbers. This basic control is fundamental to ensuring revenue is fully collected and there is no inappropriate issuance or cancellation of fines by current or former staff.
- There was no visibility to determine if users directly accessed or modified the infringement and rates system database. Infringements or rates notices could therefore be altered without an auditable trace or log.
- The servers for the infringement and rates system were not patched and were exposed to serious software vulnerabilities including EternalBlue and WannaCry.

When combined, these weaknesses could result in a person inappropriately modifying rates or infringement information, or receiving payments without processing them through the system. Due to the use of generic accounts not linked to any person and the lack of monitoring controls, it would be difficult for this entity to identify inappropriate or fraudulent transactions and activities, or investigate who is responsible. In addition, vulnerabilities in the system could be exploited to compromise the confidentiality, integrity and availability of systems.

Source: OAG

Figure 8: Lack of controls to manage the rates and infringement system

Poorly controlled remote access exposes entity's systems and information

One local government entity we audited provided remote access to its staff and contractors but did not have appropriate controls to manage associated risks.

We found:

- Staff and contractors used their personal devices to remotely connect to the entity network and systems. However, the entity had not defined the minimum security controls that these devices needed.
- We identified 6 external contractors with domain administrator privileges to the entity's network. Three of these contractors were not working on any active projects and 2 had not used their access in 4 years.
- Remote access system settings were not secured and publically exposed sensitive information such as the underlying operating system version and internal network information. This could be used by people with malicious intent to compromise the entity network and systems.
- The entity did not require multifactor authentication for remote access. This provides an additional layer of security to the remote system from unauthorised access attempts.
- The remote access infrastructure contained security misconfigurations, unsupported systems and missing patches. These weaknesses could be exploited to gain unauthorised access to the entity systems.

Source: OAG

Figure 9: Internet accessible systems lack controls

Business continuity

Good continuity planning helps ensure that key business functions and processes are restored promptly after a disruption. Business continuity and disaster recovery plans should be regularly tested. This minimises the risk of extended outages which could disrupt the delivery of important services.

We found that 7 of the 10 audited entities did not have up-to-date business continuity and disaster recovery arrangements in place. Some plans had not been updated since 2013 and may not reflect current business practices and IT infrastructure. As a result, in the event of a disruption or disaster, entities may not be able to restore and continue business processes and functions.

Weaknesses in business continuity and disaster recovery planning could have a serious impact on the critical services local government entities deliver to the public. To ensure business continuity, entities should have an up-to-date business continuity plan, disaster recovery plan and incident response plan. The business continuity plan defines and prioritises business critical operations and therefore determines the resourcing and focus areas of the disaster recovery plan. The incident response plan needs to consider potential incidents and detail the immediate steps to ensure timely, appropriate and effective response.

Management of IT risks

Six of the 10 local government entities we reviewed had good policies and procedures for managing IT risks. This was the control category where entities performed best. However, some common weakness at the other 4 included:

- a lack of risk management policies
- inadequate processes to review and report risks to senior management
- no risk registers for ongoing monitoring.

All entities should have risk management policies and practices that identify, assess and treat risks affecting key business objectives. Entities should be aware of the nature of risks associated with IT and have appropriate risk management policies and practices such as risk assessments, registers and treatment plans.

Without appropriate IT risk policies and practices, threats may not be identified and treated within reasonable timeframes. When risks are not identified and treated properly, entities may not meet their business objectives.

IT operations

Only 2 of the 10 entities had adequately defined their requirements for IT service levels and allocated sufficient resources to meet these requirements. IT operations include day-to-day tasks designed to keep services running, while maintaining data integrity and the resiliency of IT infrastructure. In this area, we tested whether entities had formalised procedures and monitoring controls to ensure processes were working as intended.

Common weakness we found included:

- a lack of asset registers to track and monitor IT equipment which may lead to assets being lost or stolen and unintentional disclosure of information
- inadequate processes to ensure compliance with software licensing agreements. This could result in penalties for breaching licencing arrangements
- a lack of service level agreements with IT vendors and poor contract management practices leading to inadequate oversight of vendors or paying for services not provided
- inadequate retention and management of event logs. This means entities cannot track or identify malicious activities, nor they can investigate them
- a lack of access reviews which could result in inappropriate access.

Without appropriate IT strategies and supporting procedures, IT operations may not be able to respond to business needs and recover from errors or failures.

The following case studies highlight the risk to entities when devices and their events are not regularly monitored, and assets are not effectively managed.

No monitoring of inappropriate or malicious network activities

One entity had configured their network to log activities and events that occurred on their ICT infrastructure. However, there was no routine process to review those events.

The entity performed an informal review of logs and identified that a staff member had not complied with their acceptable use policies. Over a number of months, the staff member made several attempts (unsuccessfully) to access inappropriate websites featuring pornography. These websites are often carriers of malicious content and could put the entity's reputation at risk.

While it was good that there were controls in place to prevent access to inappropriate websites, and the entity took disciplinary action against the staff member, this case study highlights the importance of having formal processes for reviewing and monitoring logs to gain insights into inappropriate network activities. If proactive monitoring of important events is not in place, entities cannot detect any unauthorised or malicious activity or take timely corrective action. If it had not been for the informal review, the entity may not have identified inappropriate access attempts.

Entities can use centralised log management systems, such as Security Information and Event Management system, to analyse security events efficiently and effectively.

Source: OAG

Figure 10: Importance of regularly reviewing log events

Inadequate processes to manage IT assets

Another entity did not have appropriate processes to manage the lifecycle of IT assets. Issues we identified include:

- no policies relating to the disposal and re-use of assets
- computers donated to an external organisation without securely erasing data
- records of asset disposals were not maintained.

There is a high risk of unauthorised and unintentional disclosure of entity information if it is not securely removed from computers prior to disposal.

Source: OAG

Figure 11: Unauthorised disclosure of entity information

Insecure management of network devices

One local government entity did not manage its firewalls effectively. Issues we identified include:

- inappropriate firewall configuration which could allow external attackers to compromise the internal network
- individuals used shared generic accounts to administer the firewall which made it impossible to attribute actions to an individual
- backups of the firewall settings were not performed, leaving these vulnerable in the event of failure
- firewall security events were only retained for a short period (3 weeks) and alerts were not setup for critical events. This may make it difficult for the entity to detect or investigate security breaches, if required
- the firewall license for content filtering had expired, which allowed unrestricted access to all websites including those with inappropriate content.

The network and information systems are at a risk of compromise if network appliances are not managed appropriately.

Source: OAG

Figure 12: Increased risk of network compromise

Change control

We found that only 2 of 10 entities had appropriate processes to implement changes in their IT systems and infrastructure. We reviewed whether changes to systems were authorised, tested, implemented and recorded in line with management's intentions. Weaknesses we found included:

- a lack of formal system change management procedures. This increases the risk that changes, including those that may be harmful to systems and information, could be implemented without assessment
- no records of changes made to critical systems. This would make it difficult to investigate incidents that may have been caused by changes.

If changes are not controlled, they can compromise the security and availability of systems. As a result, systems will not process information as intended and entities' operations and services may be disrupted. There is also a greater chance that information will be lost and access given to unauthorised people.

We expected entities to have formal policies and procedures to ensure changes were risk assessed, tested, sufficiently documented and authorised prior to being implemented. This helps to ensure that changes to systems are consistent and reliable.

Physical security

Over half of the entities (6 of 10) did not have appropriate controls to protect their IT systems and infrastructure against environmental hazards and unauthorised access to server rooms. This means entities are at increased risk of unauthorised access and failure of information systems.

The following case study shows issues commonly faced by entities.

Server rooms are not well managed

At 1 entity, the primary server room was shared with the records area. All entity staff had access to this room and server racks were not locked. There was no fire suppression system or extinguishers installed in this area. Additionally, there were no controls to monitor the temperature or humidity of the server room.

Server rooms in shared areas present a risk of unauthorised access and outages due to deliberate or accidental damage to equipment. A lack of environmental controls in the server room, including fire management, could also result in system damage, malfunction due to heat or humidity and service outages.

Source: OAG

Figure 13: Information systems at risk of disruption

Recommendations

1. Information security

To ensure security strategies align with, and support, business objectives senior executives should implement appropriate frameworks and management structures.

Management should ensure good security practices and controls are implemented and continuously monitored.

2. Business continuity

Local government entities should have an appropriate business continuity plan, disaster recovery plan and incident response plan to protect critical services and systems from disruptive events. These plans should be tested on a periodic basis to ensure unexpected events do not affect business operations.

3. Management of IT risks

Local government entities need to identify threats and risks to their operations arising from information technology. These should be assessed and treated within appropriate timeframes. These practices should become a core part of business activities and have executive oversight.

4. IT operations

Local government entities should use good practice standards and frameworks as a reference to implement good controls for IT operations. Entities should have appropriate policies and procedures in place to manage incidents, IT risks, information security and business continuity.

Additionally, entities should ensure IT strategic plans and objectives support their overall business strategies and objectives.

5. Change control

Change control processes should be well developed and consistently followed when applying patches, updating or changing computer systems. All changes should be subject to thorough planning and impact assessment to minimise the occurrence of problems. Change control documentation should be current, and approved changes formally tracked.

6. Physical security

Local government entities should develop and implement physical and environmental control mechanisms to prevent unauthorised access or accidental or environmental damage to computing infrastructure and systems.

Appendix 1 – Better practice guidance to manage technical vulnerabilities

Vulnerabilities are flaws in operating systems, devices and applications that attackers could exploit to gain unauthorised access to systems and information. Local government entities should have continuous monitoring processes to understand security weaknesses and gaps in their systems, devices and applications. Vendors generally provide patches to address flaws in applications and systems. Entities should implement appropriate processes and assign responsibilities to identify and treat these flaws.

The following table outlines some guiding principles entities should consider to address vulnerabilities. This is not intended to be an exhaustive list. Further guidance can be obtained from the Australian Cyber Security Centre.⁴

Principle	Our expectation
Stocktake of assets	Entities should have visibility of all their ICT assets on the network including servers, workstations, printers, software applications, IoT and other network devices (switches, routers, firewalls).
Identify vulnerabilities	Regular vulnerability scans must be performed to identify security weaknesses. Where it is not possible to scan all assets at once, entities should prioritise and group assets to scan them in stages. Scans should be regular (e.g. continuous or monthly) as extended time gaps between scans leave the systems exposed for longer periods.
Understand the exposure	Each vulnerability poses a threat but some are more severe than others. Vulnerabilities generally have a severity rating based on impact and how easily they can be exploited. Entities should perform risk assessments to understand the exposure and take appropriate action.
Test and patch vulnerabilities	Entities should test patches before deploying them to live production systems. Ideally vulnerabilities should be patched as soon as possible, in line with their severity and impact levels. Entities should define appropriate timeframes to patch vulnerabilities based on their severity.
Apply mitigating controls if patching is not possible	In some instances, vulnerabilities cannot be addressed as they could affect the operations of a system (usually legacy systems), or a patch may not yet be available. Based on a risk assessment, mitigating controls should be applied with considerations to: <ul style="list-style-type: none"> • virtual patches • segregating or isolating unpatched systems • upgrading systems that no longer receive security updates.

⁴ <https://www.cyber.gov.au/publications/assessing-security-vulnerabilities-and-applying-patches>

Principle	Our expectation
Don't forget the network devices – and printers	Network devices such as firewalls, routers and switches - and printers - are equally important. Vulnerability management processes must include them as well. Entities should regularly update the firmware and software for these devices.
Verify the patches	Entities should establish a process to verify that patches have successfully fixed the vulnerabilities. Some patches may fail to install or could require further configuration to fully address the weakness. Running another scan after applying patches can identify and report such instances.

Source: OAG

Figure 14: Better practice guidance to manage technical vulnerabilities

Auditor General's reports

Report number	2019-20 reports	Date tabled
26	Western Australian Public Sector Audit Committees – Better Practice Guide	25 June 2020
25	WA's Transition to the NDIS	18 June 2020
24	Opinion on Ministerial Notification	16 June 2020
23	Opinion on Ministerial Notification	29 May 2020
22	Regulation of Asbestos Removal	21 May 2020
21	Audit Results Report – Annual 2019 Financial Audits	12 May 2020
20	Local Government Contract Extensions and Variations and Ministerial Notice Not Required	4 May 2020
19	Control of Monies Held for Specific Purposes	30 April 2020
18	Information Systems Audit Report 2020 – State Government Entities	6 April 2020
17	Controls Over Purchasing Cards	27 March 2020
16	Audit Results Report – Annual 2018-19 Financial Audit of Local Government Entities	11 March 2020
15	Opinion on Ministerial Notification	28 February 2020
14	Opinion on Ministerial Notification	31 January 2020
13	Fee-setting by the Department of Primary Industries and Regional Development and Western Australia Police Force	4 December 2019
12	Audit Results Report – Annual 2018-19 Financial Audits of State Government Entities	14 November 2019
11	Opinion on Ministerial Notification	30 October 2019
10	Working with Children Checks – Follow-up	23 October 2019
9	An Analysis of the Department of Health's Data Relating to State-Managed Adult Mental Health Services from 2013 to 2017	9 October 2019
8	Opinions on Ministerial Notifications	8 October 2019
7	Opinion on Ministerial Notification	26 September 2019
6	Opinions on Ministerial Notifications	18 September 2019
5	Fraud Prevention in Local Government	15 August 2019
4	Access to State-Managed Adult Mental Health Services	14 August 2019

Report number	2019-20 reports	Date tabled
3	Delivering Western Australia's Ambulance Services – Follow-up Audit	31 July 2019
2	Opinion on Ministerial Notification	26 July 2019
1	Opinions on Ministerial Notifications	19 July 2019



**Office of the Auditor General
Western Australia**

7th Floor Albert Facey House
469 Wellington Street, Perth

Perth BC, PO Box 8489
PERTH WA 6849

T: 08 6557 7500
F: 08 6557 7600
E: info@audit.wa.gov.au
W: www.audit.wa.gov.au

 @OAG_WA

 Office of the Auditor General for
Western Australia

13.8 REPORT OF OFFICE OF AUDITOR GENERAL PERFORMANCE AUDIT ON LOCAL GOVERNMENT CONTRACT EXTENSIONS AND VARIATIONS AND THE RESPONSE FROM THE CITY OF COCKBURN

Author(s) A Natale

Attachments 1. OAG Performance Audit on Local Government
Contract Extensions and Variations [↓](#)

RECOMMENDATION

That Council receive the Office of Auditor General's Performance Audit Report on Local Government Contract Extensions and Variations, as attached to the Agenda.

Background

The Office of the Auditor General (OAG) has undertaken a series of Performance Audits into functions or activities undertaken by Local Government in Western Australia. The City of Cockburn has participated in two such Performance Audits to date. The first, *Timely Payment of Suppliers* (report to this Committee in July 2018) and the second, *Information Systems Audit Report 2020 – Local Government Entities* (report to this meeting of the Committee).

The aim is that any such Performance Audit undertaken by the OAG where Local Government is the focus, a report will be submitted to the Audit and Strategic Finance Committee with comments on the recommendations by relevant City officers as to its applicability to the City of Cockburn.

The OAG has undertaken twenty three audits in the last two years, with seven focused on Local Government and sixteen on State Government agencies.

The OAG has undertaken the following Local Government Performance Audits:

- Records Management in Local Government
- Local Government Building Approvals
- Fraud Prevention in Local Government
- Local Government Contract Extensions and Variations
- Information Systems Audit Report 2020 – Local Government Entities
- Regulation of Consumer Food Safety by Local Government Entities
- Waste Management - Service Delivery

Submission

N/A

Report

A copy of the OAG Performance Audit on Local Government Contract Extensions and Variations has been attached to the report with a response from the relevant manager on the recommendations contained in the OAG audits detailed below.

OAG Recommendation 1

All local government entities, including those not sampled in this audit, should:

- a) Ensure their policies and procedures include comprehensive guidance to staff on recording of contract information and management of contract extensions and variations, so that better practices are consistently applied across the organisation.

City of Cockburn Response

The City supports Recommendation 1(a).

The City's Procurement Policy will be amended to reflect this guidance, with the finalisation of procedural documents to expand on the contract framework in relation to contract extensions and variations. This body of work will be completed by the time of the next Audit Committee meeting. The Procurement Services Unit will instigate training for all City personnel impacted by these changes.

- b) Establish specific delegated authorisation limits for the approval of contract extensions and variations.

City of Cockburn Response

The City supports Recommendation 1 (b).

Delegation limits are in place for contract variations above the Tender threshold, as stipulated by Delegated Authority LGAES4. Sub-Tender threshold contract variations are approved by a Senior Management Team (SMT) manager, via their assigned Delegated Financial Authority. This will be formalised with the finalisation of procedural documents by the time of the next Audit Committee meeting.

- c) Ensure their contract summaries include all key information relating to contracts. The level of information should be based on their assessment of the significance, number and complexity of their contractual arrangements.

City of Cockburn Response

The City supports Recommendation 1(C).

This is currently achieved through the contracts administrative procedures used at the City. All key information is assessed by a senior Procurement representative for all significant Procurement contracts. This information is readily available and categorised within the City's Contract System, given the contract risk and value.

- d) Ensure that records of key decisions are retained in accordance with their recordkeeping plans and are readily available.

City of Cockburn Response

The City supports Recommendation 1(d).

This is achieved throughout the Procurement lifecycle within the City's Contract System (Technology One). All information is recorded by the assigned Procurement representative in accordance with the State Records Act (2000). These records are specifically associated with formal sourcing processes dealt and managed by the Procurement Unit.

- e) Improve review processes relating to contract extensions, including timely and documented reviews of contractor performance before exercising contract extension options.

City of Cockburn Response

The City supports Recommendation 1(e).

An existing project has commenced to improve the Contract and Contractor performance management process at the City. This project will be completed by June 2021.

- f) Ensure that contract variations are supported by adequate documentation describing the nature and reasons for the variations, including the associated cost, time and scope implications. The cumulative impact of variations on a contract should also be reviewed and an assessment made of whether a separate procurement process should be undertaken.

City of Cockburn Response

The City supports Recommendation 1(f).

The project to improve the Contract and Contractor performance process will include a review of the documentation required to meet this requirement. Existing procedures will be expanded to provide additional requirements for contract extensions and variations. This project will be completed by June 2021.

- g) Ensure that all contract extensions and variations are approved in accordance with approved delegations, to ensure that all contracting decisions are subject to appropriate levels of scrutiny.

City of Cockburn Response

The City supports Recommendation 1(g).

All above Tender threshold contract extensions and variations are approved under delegation up to the limit set by Delegated Authority LGAES4. All variations above the limit or requiring a budget amendment are approved by Council. All below Tender threshold contract extensions and variations are approved via the City's Delegated Financial Authority framework, controlled in the Financials module within the Technology One ERP system.

Strategic Plans/Policy ImplicationsListening and Leading

A community focused, sustainable, accountable and progressive organisation.

- Ensure good governance through transparent and accountable, planning, processes, reporting, policy and decision making.

Budget/Financial Implications

N/A

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 from the OAG's Performance Audits are considered and addressed in order to reduce potential risks to the City.

Advice to Proponents/Submitters

N/A

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

Nil

Western Australian Auditor General's Report



Local Government Contract Extensions and Variations and Ministerial Notice Not Required



Report 20: 2019-20
4 May 2020

Office of the Auditor General
Western Australia

National Relay Service TTY: 13 36 77
(to assist people with hearing and voice impairment)

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

© 2020 Office of the Auditor General Western Australia.
All rights reserved. This material may be reproduced in
whole or in part provided the source is acknowledged.

ISSN: 2200-1913 (print)
ISSN: 2200-1921 (online)

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

WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

**Local Government Contract Extensions and
Variations
and
Ministerial Notice
Not Required**

Report 20: 2019-20
May 2020



**THE PRESIDENT
LEGISLATIVE COUNCIL**

**THE SPEAKER
LEGISLATIVE ASSEMBLY**

**LOCAL GOVERNMENT CONTRACT EXTENSIONS AND VARIATIONS AND
MINISTERIAL NOTICE NOT REQUIRED**

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

This focus area audit assessed if entities adequately managed extensions and variations to their contracts, and if they maintained comprehensive summaries of their contracts.

I wish to acknowledge the entities' staff for their cooperation with this report.

Also included is my determination that a section 82 notice was not required by the Minister for Water.

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

CAROLINE SPENCER
AUDITOR GENERAL
4 May 2020

Contents

Local government contract extensions and variations..... 2

Executive summary 2

 Background..... 2

 Conclusion 2

 What we did 2

What we found..... 4

 Recommendations 8

 Response from entities..... 8

Appendix 1: Better practice principles 9

Ministerial notice not required 12

WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

**Local Government Contract Extensions and
Variations**

Executive summary

Background

Western Australia's 148 local government entities (entities) spend billions of dollars each year on purchasing a wide range of goods and services. A significant number of these purchases involve contracts.

Procurement contracts vary in complexity, value, duration and risk, but all benefit from a strong approach to contract management. Robust contract management processes centred around the principles of probity, accountability and transparency help to ensure that contracting is effective, meets the standards expected by the community and the Parliament and provides good value for money for the ratepayer.

Comprehensive policies and good management of contract extensions and variations are essential to achieving these outcomes. It is important for all entities to maintain a summary of their contracts in a register or database (hereafter referred to as register), with all key contract details, to help effectively manage contract extensions and variations. This is essential from an accountability perspective and also assists entities in meeting their financial reporting obligations.

Conclusion

At 5 entities there was insufficient documentation to demonstrate that extensions or variations were given due consideration, so we were unable to conclude if they were appropriately managed. At 3 entities, some extensions did not have evidence of contractor performance reviews, and at 3 entities some variations were not approved by delegated officers.

Most entities need to enhance their policies with comprehensive guidance. All entities' contract registers lacked key information essential to effective monitoring of contractual obligations.

What we did

The focus of this audit was to assess if entities adequately managed extensions and variations to their contracts, and if they maintained comprehensive summaries of their contracts.

We assessed the policies, procedures and practices for managing contract extensions and variations at 8 entities of varying sizes in both metropolitan and regional Western Australia. We assessed the following criteria:

- Do entities have adequate policies and procedures for managing contract extensions and variations?
- Do entities have complete and accurate summaries of their contracts?
- Are entities adequately:
 - controlling contract extensions, including the review of contractor performance before extending contracts
 - controlling contract variations, and determining if a variation significantly changes the original scope of the contract
 - complying with management approved delegations before a contract is extended or varied?

When testing against these criteria, we had regard for Part 4 of the Local Government (Functions and General) Regulations 1996, which deals with the provision of goods and services, and includes specific requirements relating to contract extensions and variations. In addition, we expected entities to meet the principles of the *Local Government Act 1995*, which requires entities to have policies, and to keep proper accounts and records. We also had regard to the broader principles of good internal control and governance and general better practice principles that help reduce procurement risks and support value for money.

The audit focused on whether controls were in place to support effective management of contract extensions and variations after a contract was finalised. It was not designed to review the adequacy of procurement processes undertaken prior to the signing of the original contracts.

The following 8 entities were included in this audit:

Entities
City of Bayswater (Bayswater)
City of Kwinana (Kwinana)
City of Rockingham (Rockingham)
City of Swan (Swan)
Shire of Narrogin (Narrogin)
Shire of Wagin (Wagin)
South Metropolitan Regional Council (SMRC)
Town of Cottesloe (Cottesloe)

Source: OAG

Table 1: Entities included in the audit

We assessed contract extensions and variations processed from 1 January 2018 to the date of the audits, in mid-2019.

Detailed findings have been reported to audited entities. Their audit committees should follow up to ensure audit findings and recommendations are appropriately addressed by management in a timely manner.

We conducted this audit under section 18 of the *Auditor General Act 2006* and in accordance with Australian Auditing and Assurance Standards. The approximate cost of undertaking the audit and reporting was \$177,500.

What we found

The contract management policies and procedures at most entities lacked appropriate guidance for staff to correctly and consistently process extensions and variations. We also found contract registers at all 8 entities were missing key information required for effective contract management.

We found instances at 5 entities where sound practices were not always followed for assessment and approval of extensions and/or variations. We therefore could not conclude whether this represented probity in purchasing and value for money for the ratepayer.

Policies and procedures need to be enhanced to ensure consistent application by staff

Comprehensive policies and procedures provide clear guidance to staff, help ensure that regulatory requirements are complied with, and that better practices are consistently followed by all staff. It is also important to have clear documentation of delegated authorisations to ensure that all decisions on contract extensions and variations are made by officers within their delegated authority limits.

Kwinana had sound policies and procedures for managing contract extensions and variations, with scope for improvement at the other 7 entities.

We identified the following shortcomings:

- Four entities did not have clearly established authorisations and delegations for the approval of contract extensions and/or variations. Establishing clear lines of responsibility and accountability for all decision making is an important prerequisite to ensuring decisions are made by individuals the entity considers have the requisite skills, knowledge and experience.
- The policies of 5 entities lacked guidance on what constitutes an appropriate contract variation. For example, a contract variation to provide goods and services that is inconsistent with the scope of the original contract, or significantly alters the scope of the original contract is not appropriate. In such circumstances, a separate procurement process would normally be required.
- The policies of 6 entities did not outline the key requirements for processing contract extensions, including that contracts could be extended only if the terms of the original contract included extension options.
- The policies or procedures of 5 entities did not require a documented performance assessment of a contractor before a contract extension option was considered. This increases the risk that poor performing contractors may be granted extensions.
- No entities' policies or procedures required staff to maintain a contract register, with all key contract information.
- Six entities did not require a regular review of their contract registers to identify contracts that are due to expire, so that appropriate action starts well before the contract expiry date. Lack of a review process increases the risk that contract extension decisions may be rushed, leading to inappropriate extensions, and potentially impact continuity in the provision of goods and services.

Contract registers did not include key information for effective contract oversight

It is important for all entities to maintain a summary of their contracts, with all key information, to help contract managers effectively manage contract extensions and variations.

The entities in our audit maintained records of their contracts on databases, registers, or a combination of both. One entity did not have any collective record of their contracts at the commencement of the audit, but subsequently provided us with a contract summary. The contract registers at the 8 entities did not include all key contract information. We identified the following:

- The contract registers at 2 entities were incomplete and did not include all current contracts. The register at another entity did not include the commencement, duration and end dates of contracts. A fourth entity's register included inaccurate and/or inconsistent information on key data such as contract values, term dates and the status of contracts. Inaccurate and incomplete contract registers can affect management's ability to effectively manage contracts.
- At 6 entities, the contract registers did not include the dollar value of contracts, or any contract extensions or variations. In addition, at 3 of these entities, registers did not include the estimated dollar value of Schedule of Rate¹ contracts. As a result, inadequate information was available to management on the total cost of their contracts.
- Where relevant, although details of contract variations are contained within individual contract management plans, none of the entities' contract registers included summarised information on approved contract variations, such as the number and dollar value of individual variations, and the total value of approved variations. This information is essential for contract managers to effectively track the cumulative value of contract variations, evaluate the impact on the scope of the original contracts, and initiate separate procurement processes where appropriate.
- At 4 entities, contract registers did not include information on the number and duration of extension options available under each contract and details of extension options that were exercised. This information would enable better monitoring of contracts, including the timely exercise of contract extension options.
- The contract registers at 6 entities did not have details of scheduled performance review dates, to ensure that timely reviews of contractor performance were performed prior to considering contract extension options.

Some entities need to improve their assessment of contractors' performance before extending contracts

A contract extension may extend the agreed terms for a further period and/or involve changes to price, personnel and services. We expected to find evidence that contract managers had performed an adequate and timely review of contractors' performance before granting an extension. This would provide management with adequate opportunity to assess if the contractor still offered value for money.

¹ Schedule of Rates contracts are used where the nature of contract work is certain, but the exact amount of work to be performed cannot be predicted at the outset and is inherently provisional in nature. Nonetheless, tenders are usually invited and awarded based on the range of estimated quantities.

All entities except Rockingham and Kwinana exercised contract extension options during our audit period. One of the 6 did not have detailed records of the total number and value of contract extension options exercised. Based on the contract registers of the remaining 5 entities, 51 contract extension options totalling \$19.6 million were exercised during the audit period.

We tested a sample of 18 contract extensions totalling \$13.6 million across the 6 entities. Narrogin, Wagin and SMRC had adequate processes in place for the extension of contracts.

At the other 3 entities, we noted the following shortcomings:

- At 2 entities, 6 of 7 contract extensions did not have any formal documentation to demonstrate that an assessment of contractor performance was conducted before the contract extensions were approved. We were therefore unable to conclude if there was adequate review of contractor performance before exercising the extension options. This increases the risk that poor performing contractors may be granted extensions. The total value of 5 of these extensions was \$1.4 million, while the value of the remaining extension could not be determined as the original contract was not available.
- Three extensions at 2 entities totalling \$1.48 million were approved after the expiry of the initial contracts. One of the entities advised that there were extenuating circumstances that resulted in a short period when some key functions were performed later than usual. Renewal processes that are not initiated well before the expiry of contracts, limit the entities' ability to assess whether the contracts still offer the best value for money. This also potentially impacts the continued supply of goods and services.
- For 2 of 5 contract extensions at 1 entity, there was no mutually accepted agreement or correspondence between both the parties to extend the contract.

Contract variations were not always adequately explained at 2 entities

Contract variations are amendments to a contract that change the original terms or conditions. Variations are usually used to alter the scope of the supply or services provided or to change pricing. We considered if contract variations, individually or cumulatively, significantly altered the scope of the original contract. This may indicate that an entity was using variations to avoid undertaking a new procurement process.

All entities except Wagin undertook contract variations during the period of our audit, although only 5 were able to provide detailed information of the total number and value of their contract variations processed. The contract registers of these 5 entities showed 63 variations totalling \$6 million. We reviewed 27 contract variations totalling \$5.2 million across the 7 entities.

At 2 entities, 4 of 12 variations were not supported by detailed proposals with descriptions of the nature and reasons for the variations, including associated cost, time and scope implications. We were therefore unable to conclude whether the variations had been approved based on adequate analysis of these implications and whether value for money assessments had been performed.

Delegation levels were not always complied with when extending or varying contracts

It is important that all decisions relating to the approval of contract extensions and variations are made in accordance with approved authorisation limits. This ensures that these decisions are valid, and are made by staff with the experience and knowledge commensurate with the value and complexity of the contracts involved.

We reviewed the approval processes of 27 variations valued at \$5.2 million and 18 contract extensions totalling \$13.6 million across all 8 entities and identified the following shortcomings:

- At 2 entities, 7 variations totalling \$1.2 million were approved by officers in excess of their delegated authority.
- At a third entity, we identified 2 variations to a contract totalling \$77,395 that significantly changed the scope of the original contract, increasing the contract value in excess of the \$150,000 tender threshold limit. The consequent waiver from tender was approved by an officer who did not have the delegated authority.
- Two extensions totalling \$73,058 at 1 entity did not have any documented evidence of their approval. We were therefore unable to conclude if an appropriate officer had approved them. This reduces transparency and accountability in decision making and increases the risk that the mandated level of scrutiny is not applied.

Recommendations

1. All local government entities, including those not sampled in this audit, should:
 - a. ensure their policies and procedures include comprehensive guidance to staff on recording of contract information and management of contract extensions and variations, so that better practices are consistently applied across the organisation
 - b. establish specific delegated authorisation limits for the approval of contract extensions and variations
 - c. ensure their contract summaries include all key information relating to contracts. The level of information should be based on their assessment of the significance, number and complexity of their contractual arrangements
 - d. ensure that records of key decisions are retained in accordance with their recordkeeping plans and are readily available
 - e. improve review processes relating to contract extensions, including timely and documented reviews of contractor performance before exercising contract extension options
 - f. ensure that contract variations are supported by adequate documentation describing the nature and reasons for the variations, including the associated cost, time and scope implications. The cumulative impact of variations on a contract should also be reviewed and an assessment made of whether a separate procurement process should be undertaken
 - g. ensure that all contract extensions and variations are approved in accordance with approved delegations, to ensure that all contracting decisions are subject to appropriate levels of scrutiny.
2. Entities should review their policies and procedures against the principles in Appendix 1.

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

Response from entities

Entities 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 contract extensions and variations.

Appendix 1: Better practice principles

The following table shows control principles on which our audit focused. They are not intended to be an exhaustive list.

Management of contract extensions and variations	Focus area	What we expected to see
Policy	Policies and procedures	<ul style="list-style-type: none"> Contract management policies and procedures are regularly reviewed to ensure compliance with current legislation and relevance to current operations. Policies or procedures include a requirement to maintain a comprehensive register or database of all contracts, including: <ul style="list-style-type: none"> the dollar value above which contracts are to be included in the register, and the custodian of the register with responsibility for regular review and update of the contract register or database. Policies include clear guidance on what constitutes a contract variation and when a separate procurement process is required. The policies or procedures provide guidance on the key processes for contract extensions, including timely and documented assessments of contractor performance prior to exercising an extension option.
	Delegations	<ul style="list-style-type: none"> There are appropriate delegations and authorisations in place for procurement as well as for contract extensions and variations.
Records	Comprehensive register of contracts	<ul style="list-style-type: none"> A comprehensive register of all contracts is maintained, with all key contract information.
Contract extensions	Contract terms	<ul style="list-style-type: none"> Contracts are extended only if the original contract includes extension options.
	Approval	<ul style="list-style-type: none"> Contract extensions are approved by an appropriate officer, in accordance with delegated authorisation limits. Extensions are approved before the expiration date of the original contract or previously extended term, for continuity in the provision of services.
	Contractor performance review	<ul style="list-style-type: none"> There is documented evidence that contractor performance has been assessed before a contract extension is approved.

Management of contract extensions and variations	Focus area	What we expected to see
	Recordkeeping	<ul style="list-style-type: none"> There is documented evidence that the terms of the contract extension have been mutually agreed by the entity and the contractor. Documents for approval of contract extensions are retained in accordance with recordkeeping plans, to promote accountability and transparency in decision making.
Contract variations	Approval	<ul style="list-style-type: none"> Contract variations are approved by an appropriate officer, in accordance with delegated authorisation limits. Consideration is given to the cumulative impact of variations, to ensure that the scope of the original contract is not significantly altered, and that a separate procurement process is not required.
	Proposal for variation	<ul style="list-style-type: none"> Contract variations are supported by proposals with detailed description of the nature of the variation, with associated cost, time and scope implications.
	Recordkeeping	<ul style="list-style-type: none"> The variation proposals and approval documents are retained in accordance with recordkeeping plans, to promote accountability and transparency in decision making.

Source: OAG

WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

Ministerial Notice Not Required

Ministerial notice not required

On 24 March 2020, we received 2 notices from the Minister for Water, the Hon David Kelly MLA, under section 82 of the *Financial Management Act 2006* (FMA) in relation to Legislative Assembly Questions on Notice 5872 part (6) and 5873 part (c).

On 10 December 2019, the Hon Terry Redman MLA asked the Minister for the following information:

Legislative Assembly Question on Notice 5872

(1) I refer to the recent Freedom of Information (FOI) released by Water Corporation including a redacted copy of "PRA Business Case" arguing the value of "insourcing the Perth Region Alliance", and ask?

(6) Will the Minister table a copy of the "Alliance Agreement" referenced on page 10 of the business case?

On 19 March 2020, the Minister replied:

(6) The Alliance Agreement is a commercial contract arrangement between the Water Corporation and Programmed Facilities Management.

Legislative Assembly Question on Notice 5873

I refer to the decision by Water Corporation to insource the services currently provided under the Aroona Alliance, and ask:

(c) Can the Minister table the Aroona Alliance contract;

On 10 March 2020, the Minister replied:

(c) The Alliance Agreement is a commercial contract arrangement between the Water Corporation and the Alliance partners.

The Minister's notices advised that the Perth Regional Alliance Agreement and the Aroona Alliance Contract could not be provided to Parliament, as their release would disclose commercially confidential and sensitive information.

We determined that the 2 notices were not required in this instance, as the information does not concern the conduct or operation of an agency as required by the FMA. Section 85 of the *Water Corporations Act 1995* outlines the limited application of the FMA and the *Auditor General Act 2006* to the Water Corporation, but this does not cover section 82 of the FMA.

The Audit Practice Statement on our website (www.audit.wa.gov.au) outlines the circumstances when a notice is unlikely to be required. These include when the requested information does not concern the conduct or operation of an agency as required by the FMA.

Auditor General's reports

Report number	2019-20 reports	Date tabled
19	Control of Monies Held for Specific Purposes	30 April 2020
18	Information Systems Audit Report 2020 – State Government Entities	6 April 2020
17	Controls Over Purchasing Cards	27 March 2020
16	Audit Results Report – Annual 2018-19 Financial Audit of Local Government Entities	11 March 2020
15	Opinion on Ministerial Notification	28 February 2020
14	Opinion on Ministerial Notification	31 January 2020
13	Fee-setting by the Department of Primary Industries and Regional Development and Western Australia Police Force	4 December 2019
12	Audit Results Report – Annual 2018-19 Financial Audits of State Government Entities	14 November 2019
11	Opinion on Ministerial Notification	30 October 2019
10	Working with Children Checks – Follow-up	23 October 2019
9	An Analysis of the Department of Health's Data Relating to State-Managed Adult Mental Health Services from 2013 to 2017	9 October 2019
8	Opinions on Ministerial Notifications	8 October 2019
7	Opinion on Ministerial Notification	26 September 2019
6	Opinions on Ministerial Notifications	18 September 2019
5	Fraud Prevention in Local Government	15 August 2019
4	Access to State-Managed Adult Mental Health Services	14 August 2019
3	Delivering Western Australia's Ambulance Services – Follow-up Audit	31 July 2019
2	Opinion on Ministerial Notification	26 July 2019
1	Opinions on Ministerial Notifications	19 July 2019



**Office of the Auditor General
Western Australia**

7th Floor Albert Facey House
469 Wellington Street, Perth

Perth BC, PO Box 8489
PERTH WA 6849

T: 08 6557 7500
F: 08 6557 7600
E: info@audit.wa.gov.au
W: www.audit.wa.gov.au

 @OAG_WA

 Office of the Auditor General for
Western Australia

14. ENGINEERING & WORKS DIVISION ISSUES

Nil

15. COMMUNITY SERVICES DIVISION ISSUES

15.1 CHIEF EXECUTIVE OFFICER'S TRIENNIAL REVIEW FOR RISK MANAGEMENT, INTERNAL CONTROL AND LEGISLATIVE COMPLIANCE

Author(s) J Fiori

Attachments 1. Chief Executive Officer Triennial Review Results 2020 [↓](#)

RECOMMENDATION

That Council receives the Chief Executive Officer's Triennial Review of the appropriateness and effectiveness of the City's systems and procedures in relation to risk management, internal controls and legislative compliance, as detailed in the 2020 CEO Triennial Review results, provided in the Attachment.

Background

Pursuant to Regulation 17 of the *Local Government (Audit) Regulations 1996* (the Regulations), the City's Chief Executive Officer (CEO) is required to review and report, at a frequency which is not less than once in every three (3) financial years, to the Audit and Strategic Finance Committee (ASFC), on the appropriateness and effectiveness of the City's systems and procedures in relation to:

- Risk Management
- Internal Control
- Legislative Compliance

The Regulations Amendment of 2013 required this review and its reporting to be made available to the ASFC on a biennial basis.

The Regulations Amendment of 2018 now requires this review and its reporting to be made available to the ASFC on a triennial basis. This report is the triennial review for the 2019-2020 financial year and is presented to the ASFC as required.

Submission

N/A

Report

This review was undertaken by utilising the Department of Local Government, Sport and Cultural Industries (DLGSCI) *Local Government Operational Guidelines*, Number 9 – Revised September 2013 (the Guidelines) Appendix 3, which details '*Issues that should be considered for inclusion in the CEO's Review of Risk Management, Internal Control and Legislative Compliance*'.

The review considers that the City has in place appropriate and effective systems and procedures to manage risk and sound control measures to mitigate any identified risk to achieve legislative compliance. This has been achieved by implementing a culturally effective and efficient *City of Cockburn Risk Management Framework*, as required by the *City of Cockburn Risk Management Policy*, which in turn was developed in accordance with requirements of the standard AS ISO 31000:2018 *Risk Management-Guidelines* (AS ISO 31000).

This report is presented by following the format provided in Appendix 3 of the Guidelines.

Strategic Plans/Policy Implications

Listening and Leading

Ensure good governance through transparent and accountable planning processes, reporting, policy and decision making.

Budget/Financial Implications

N/A

Legal Implications

The review has been conducted in accordance with the requirements of reg. 17 of the Regulations and completes the City's obligations in this area.

Community Consultation

N/A

Risk Management Implications

Failure to complete and present this review to the ASFC will result in the City not complying with the requirements of reg. 17 of the Regulations, which read as follows:

'17. CEO to review certain systems and procedures

- (1) *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures, in relation to:
(a) risk management; and
(b) internal control; and
(c) legislative compliance.*
- (2) *The review may relate to any or all of the matters referred to in sub regulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once every 3 financial years.*
- (3) *The CEO is to report to the Audit Committee the results of that review.'*

Additionally, completion of this review provides assurance to the CEO and Council that the City has in place appropriate and effective systems and procedures to manage risk, and sound control measures to mitigate identified risk, to achieve legislative compliance.

Advice to Proponents/Submitters

N/A

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

Nil

CHIEF EXECUTIVE OFFICER'S TRIENNIAL REVIEW FOR RISK MANAGEMENT, INTERNAL CONTROL AND LEGISLATIVE COMPLIANCE

(Attachment 1)

Risk Management

Internal control and risk management systems and programs are a key expression of a local government's attitude to effective controls.

Good audit committee practices in monitoring internal control and risk management programs are demonstrated within the guidelines included below. Provided also within the table is the City's benchmarking against these guidelines:

No.	Guidelines issue (criteria)	Business/Service Unit	City's systems and procedures for risk management
1.	Reviewing whether the local government has an effective risk management system and that material operating risks to the local government are appropriately considered.	Governance Services	<p>The City has implemented the following systems and processes:</p> <ul style="list-style-type: none"> • <i>City of Cockburn Risk Management Policy</i>; • <i>City of Cockburn Risk Management Framework</i>; • <i>Risk Management and Safety Systems (RMSS)</i>, on-line risk management software; and • <i>City of Cockburn Project Governance Framework</i>. <p>Once identified and assessed, all operational and strategic risks are entered into <i>RMSS</i>. Responsible risk owners and risk action responsible officers manage their risks on-line.</p> <p>The City's risk management framework covers all types of risk, including those around internal controls and legislative compliance.</p>
2.	Reviewing whether the local government has a current and effective business continuity plan (including disaster recovery) which is tested from time to time.	Governance Services, Information Services and Ranger & Community Safety	<p>The City has the following business continuity plans (BCP) and related documents:</p> <ul style="list-style-type: none"> • <i>City of Cockburn Administration Building BCP</i>; • <i>City of Cockburn Aquatic and Recreation Centre BCP</i>; • <i>City of Cockburn Operations Centre and Henderson Waste Recovery Park BCP</i>; • <i>City of Cockburn Infectious Disease Pandemic BCP</i>. • <i>City of Cockburn Crisis Management Plan</i>; • <i>City of Cockburn Information Services Disaster Recovery Plan</i>; • <i>City of Cockburn Local Emergency Management Arrangements</i>; and

No.	Guidelines issue (criteria)	Business/Service Unit	City's systems and procedures for risk management
			<ul style="list-style-type: none"> • <i>City of Cockburn Bushfire Risk Management Plan.</i> <p>The Infectious Disease Pandemic BCP is currently in use due to the COVID-19 pandemic and opportunities for improvement have been noted. A desktop BCP test was conducted in March 2017. New testing is planned for 2021.</p> <p>The City's Local Emergency Management Arrangements (LEMA) is reviewed annually, and contact list is updated regularly. The City is complying with the <i>Emergency Management Act 2005</i>. The City's Emergency Response Management (ERM) Plan is due for renewal. The ERM Plan is currently being reviewed, with the City actively working with the Western Australian Local Government Association (WALGA) and SEMC to undertake the required district and local level risk assessments required for the Plan.</p> <p>Information, Communication & Technology (ICT) Services has a dedicated Disaster Recovery (DR) facility located at the Operations Centre, which allows the City to run business critical systems in the event of a disaster at the Administration Building.</p> <p>The City's DR site is a repository for the City's off-site daily backups. The Disaster Recovery procedure was successfully tested in December 2015, with portions of the procedure tested in 2020. The City's DR procedure makes use of the Youth Centre as a site for key staff to assemble once Disaster Recovery has been invoked. The connection to the Youth Centre and the City's DR facility will receive hardening work in Q1 2017 to assure a link to all Cockburn remote buildings and offices.</p>
3.	Assessing the internal processes for determining and managing material operating risks in accordance with the local government's identified tolerance for risk, particularly in the following areas:	Governance Services	In November 2019, the City's risk register was reviewed to update risks profiles against the City's risk appetite, including the risk likelihood and consequence, control effectiveness, ability to influence the risk and treatment plan.
(i)	<ul style="list-style-type: none"> • potential non-compliance with legislation, regulations and standards and local government's policies; 	Financial Services and Governance Services.	The RMSS risk register comprises operational and strategic risks, and details appropriateness and effectiveness of controls and legislative compliance. In compliance with the requirements of AS ISO 31000, the risk register identify the risk severity, accepted tolerance levels and appropriate mitigation treatments. The risk actions required to manage the designated mitigation treatments are

No.	Guidelines issue (criteria)	Business/Service Unit	City's systems and procedures for risk management
			reviewed in a frequency in accordance with the severity of the risk. The City's DAP Committee requires that policies and delegated authorities are regularly reviewed to ensure they remain relevant and fit for purpose.
(ii)	<ul style="list-style-type: none"> important accounting judgements or estimates that prove to be wrong; 	Financial Services	<p>The external audit function of the City's tests accounting assumptions made in the preparation of the annual accounts and assesses the adequacy of internal controls across a number of financial activities (including bank reconciliations, investments, procurement, accounts payable, rates and revenue, IT controls and property, plant, equipment and infrastructure.</p> <p>Local government specific finance training is undertaken each year by key finance personnel to better prepare them for making accounting judgements and estimates in preparing the financial accounts.</p>
(iii)	<ul style="list-style-type: none"> litigation and claims; 	Governance Services	The A&SFC plays an independent oversight over the financial affairs of the City. Part of its remit is to monitor any litigation action against the City.
(iv)	<ul style="list-style-type: none"> misconduct, fraud and theft; 	Financial Services, Governance Services and Human Resources Services	<p>The City has implemented a fraud prevention, control and management process plan supported by the following documentation:</p> <ul style="list-style-type: none"> • <i>City of Cockburn Fraud & Misconduct Control & Resilience Policy</i>; • <i>City of Cockburn Elected Member Code of Conduct</i>; • <i>City of Cockburn Code of Conduct for Staff</i>; • <i>City of Cockburn Information Communication and Technology (ICT) Code of Conduct</i>; • <i>City of Cockburn Fraud and Misconduct Control and Resilience Framework</i>; and • <i>City of Cockburn Public Interest Disclosure information Statement</i>; <p>The above are supported by Learning and Development modules which also provide induction and awareness for staff on procurement induction highlights fraud and misconduct.</p>
(v)	<ul style="list-style-type: none"> significant business risks, recognising responsibility for general or specific risk areas, for example, environmental risk, occupational health and safety, and how they are managed by the local government. 	Financial Services, Governance Services and Human Resources Services	<p>In April 2020, Ernst & Young was engaged by the City to assist with developing the <i>City of Cockburn Climate Change Strategy</i> and to update the Adaptation Risk (and action) Register. The resulting risks have been uploaded into RMSS. The <i>City of Cockburn Safety and Health Management Plan 2019-2022</i> articulates the 'Zero Harm requirements of <i>Courage to Intervene</i>, <i>Courage to Stop Work</i> and <i>Courage to Report</i> to achieve zero harm in the City. This plan details the leadership commitment to safety, consultation arrangements, hazard identification and risk management requirements and safety and health training. The plan also details a range of performance measures and references external requirements against which the City will be assessed.</p>

No.	Guidelines issue (criteria)	Business/Service Unit	City's systems and procedures for risk management
			Investment / loss of funds risk is appropriately and effectively managed through Council Policy and operational controls.
4.	Obtaining regular risk reports, which identify key risks, the status and the effectiveness of the risk management systems, to ensure that identified risks are monitored and new risks are identified, mitigated and reported.	Governance Services	Management progress of the City's Risk Management Framework is reported biannually to the Executive Team and the A&SFC, or more frequently if changes to legislation or significant changes the City's risk profile emerge.
5.	Assessing the adequacy of local government processes to manage insurable risks and ensure the adequacy of insurance cover, and if applicable, the level of self-insurance.	Financial Services	The City actively manages its insurable risks. The City maintains up to date property insurance registers and independently revalues building assets every 3 to 5 years (depending on building construction cost movements), and has a well-resourced and structured approach to managing insurance claims. An annual renewal meeting is held with the Local Government Insurance Scheme (LGIS), the City's insurers, to assess the adequacy of existing cover and to determine any new requirements. A review of the claims history is also undertaken as part of this exercise. A formal insurance declaration is completed each year and reviewed by senior management to ensure all existing and emerging risk areas are sufficiently covered, or alternatively self-insured.
6.	Reviewing the effectiveness of the local government's internal control system with management and the internal and external auditors.	Financial Services, and Governance Services	The City's internal control system is effectively reviewed each year through the following actions: <ul style="list-style-type: none"> • External Audit – interim audit and annual accounts audit; • <i>City of Cockburn Strategic Internal Audit Plan 2019 – 2020</i> developed to address key organisational risk areas; • RMSS annual risk registers reviews; • Council Policy and Delegated Authority reviews; • Completing and submitting the DLGSCI <i>Local Government Statutory Compliance Audit Return</i> (CAR); • Fraud prevention, control and management process plan; • Annual management review of staff delegated financial authorities; and • Additionally, a formal Financial Management Review was undertaken in 2019 by the auditing firm Moore Stephens to assist the Chief Executive Officer of the City discharge his responsibilities in respect to Regulation 5(2)(c) of the <i>Local Government (Financial Management) Regulations 1996</i>, Specifically,

No.	Guidelines issue (criteria)	Business/Service Unit	City's systems and procedures for risk management
			these are to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures once in every three years.
7.	Assessing whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk.	Financial Services	The City has a strictly enforced delegated authorities system, including system controlled financial delegations. All asset purchases and sales are subject to these controls and appropriately recorded. A centre-led procurement model ensures significant oversight over purchasing and contracted procurements. Transactions that may be deemed unusual and sit outside the current delegations would require Council approval. Changes to banking details for suppliers are subject to strict internal control measures.
8.	Assessing the local government's procurement framework with a focus on the probity and transparency of policies and procedures/processes and whether these are being applied.	Financial Services	The City has developed a robust procurement framework in response to extensive audit evaluation and recommendations. Staff resourcing has increased in order to better meet the City's procurement objectives. This has driven a more focussed, transparent and skilled procurement function, resulting in a very low incidence of non-compliant procurement activity. The City's framework includes: <ul style="list-style-type: none"> • A centre-led procurement model; • Regularly updated <i>City of Cockburn Procurement Policy</i>; • A financial delegated authority framework, including system controls and processes, which are annually reviewed for appropriateness; • Compulsory procurement induction and systems training sessions for all procurement network users, including online learning and certification; • Actively managed supplier contract management system; • <i>City of Cockburn Statement of Business Ethics</i>; • Annual supplier database reviews conducted with purchase contract owners; • Implementation of an eProcurement systems (360) with better managed suppliers and more transparency for the quotation process; and • Non-compliance incidence reporting and escalation process.
9.	Should the need arise, meeting periodically with key management, internal and external auditors, and compliance staff, to understand and discuss any changes in the local government's control environment.	Governance Services and Financial Services	The City has a Senior Management Team (SMT), comprising all City Business Units managers, which meets monthly. The <i>City of Cockburn Senior Management Team Terms of Reference</i> states that the SMT will contribute to the achievement of the Corporate Strategic Initiatives by: <ul style="list-style-type: none"> • Identifying, analysing and making recommendations to the Executive on matters of an operational and strategic nature that impact on the ability of the organisation to achieve its corporate strategic initiatives; • Monitoring the initiatives of the organisation to ensure they align with the <i>City of Cockburn Strategic Community Plan 2020-2030</i> (the Strategic Community

No.	Guidelines issue (criteria)	Business/Service Unit	City's systems and procedures for risk management
			<p>Plan);</p> <ul style="list-style-type: none"> • Ensuring members are aware of projects of broad organisational significance; • Create sub-committees as required to develop recommendations on specific issues for consideration by the SMT; • Promote and maintain an open and two way communication channel between the SMT and Executive and • Develop an annual calendar of meetings with approximately five of the meetings focusing on specific strategic matters (i.e. budgets/workforce planning/ Strategic Community Plan with the relevant Director invited to attend the meeting. <p>Additionally, at their meetings, the SMT:</p> <ul style="list-style-type: none"> • Discuss and share key information on their respective risks; • Are briefed on upcoming or results of audits; and • Participate in workshops for fraud control, public interest disclosure, risk management, business continuity and disaster recovery. <p>The SMT has both open and structured dialogue with the internal and external auditors where control matters are discussed and recommendations sought to address issues.</p>
10.	Ascertaining whether fraud and misconduct risks have been identified, analysed, evaluated, have an appropriate treatment plan which has been implemented, communicated, monitored and there is a regular reporting and ongoing management of fraud and misconduct.	Financial Services, Governance Services and Human Resources Services	<p>In November 2019, the City's risk register was reviewed to, including risk related to fraud and misconduct. The review comprised risks updates, risks profiles against the City's risk appetite, including the risk likelihood and consequence, control effectiveness, ability to influence the risk and appropriate treatment plan.</p> <p>The City's fraud prevention, control and management process also undergoes regular reviews.</p> <p>The City's has completed and submitted the 2020 Public Sector Commission <i>Integrity and conduct annual collection</i> which summarises the City's processes, initiatives, and activities related to integrity and conduct pursuant to the following legislation:</p> <ul style="list-style-type: none"> • <i>Public Sector Management Act 1994</i>; • <i>Public Interest Disclosure Act 2003</i>; and • <i>Corruption, Crime and Misconduct Act 2003</i>.

Internal Control

Internal control is a key component of a sound governance framework, in addition to leadership, long-term planning, compliance, resource allocation, accountability and transparency. Strategies to maintain sound internal controls are based on risk analysis of the internal operations of a local government.

Effective and transparent internal control environment areas are demonstrated within the guidelines included below. Provided also within the table is the City's benchmarking against these guidelines:

No.	Guidelines issue (criteria)	Business/Service Unit	City's systems and procedures for internal control
1.	Separation of roles and functions, processing and authorisation.	Financial Services and Human Resources Services	<p>Aspects of the City's effective control framework covering levels of responsibilities and authorities, and human resource management and practices include:</p> <p><u>Financial Services –</u></p> <ul style="list-style-type: none"> • The Delegated Financial Authority framework and separation of transacting and approving roles with the City's Enterprise Resource Planning System (<i>TechnologyOne</i>) provide a strong internal control environment for procurement activities, payment processes, funds investing and revenue raising; • Next manager up review and approval is part of the control environment for all corporate credit cards; and Management review and authorisation of key reconciliations is now a business process within the City's record keeping system Enterprise Content Management (<i>ECM</i>). <p><u>Payroll Services –</u></p> <ul style="list-style-type: none"> • Payroll is audited by both internal and external auditors at least annually; • Procedures are fully documented and each payroll is reviewed internally by the Manager Human Resources and externally by Finance Services prior to payment; and • Separation of duties between Human Resources Management / Learning & Development Services and Payroll Services is maintained to ensure the integrity of the payroll process. <p><u>Procurement Services –</u></p> <ul style="list-style-type: none"> • Procurement activities are controlled through the City's Procurement Policy and corporate Enterprise Resource Planning System. This includes segregation of duties, delegated financial authorities, compliance and data

No.	Guidelines issue (criteria)	Business/Service Unit	City's systems and procedures for internal control
			<p>analysis reporting;</p> <ul style="list-style-type: none"> • A well-defined tendering and contract development function exists to support the City's business units with their procurement needs; and • Significant end user documentation exists to ensure corporate standards and legislative requirements are met, and these are reviewed and updated regularly.
(i)	• delegation of authority -	Governance Services	<p>In accordance with the <i>Local Government Act 1995</i> (the Act), Council may delegate any of its powers or duties to the CEO and the CEO may sub-delegate any of these powers or duties to City officers. The City has strict process for reporting officers to whom powers are delegated:</p> <ul style="list-style-type: none"> • Each time a delegation is used, the officer is required to keep a written record, and these records are checked by Governance Services on a quarterly basis; • Section 5.46(2) of the Act requires Council to review each of its delegations every financial year. This work is completed by Governance Services, in consultation with relevant officers, and a report is submitted to Council for their consideration; • The Delegated Authorities, Policies and Position Statements (DAPPS) Committee formally reviews and approves policies and associated Delegated Authorities and Position Statements; and • The Committee also reviews its Delegated Authorities in accordance with the Act and other Acts on an annual basis.
(ii)	• documented policies and procedures	Governance Services	<ul style="list-style-type: none"> • In accordance with <i>the City of Cockburn Policy Framework</i>, the City has three types of policies: <ul style="list-style-type: none"> ○ Council policies – strategic policies that set governing principles and guide the direction of the organisation to align with community values and aspirations [approved by Council]; ○ Administrative policies – developed for internal administrative and operational purposes [approved by the CEO]; and ○ Planning Policies – a subset of Council policies that are prepared in accordance with Clauses 3, 4 and 5 of Schedule 2 of the <i>Planning and Development (Local Planning Schemes) Regulations 2015</i>; • The <i>City of Cockburn Policies & Procedures Development Process</i> provides a guideline for the development and publishing of these documents; • All policies are submitted to SMT and the Executive for review; • All procedures are submitted to appropriate Senior Manager for review and

No.	Guidelines issue (criteria)	Business/Service Unit	City's systems and procedures for internal control
			<p>approved by the appropriate Director; and</p> <ul style="list-style-type: none"> • All policies and procedures are stored in <i>ECM</i> and have a review period allocated to them.
(iii)	<ul style="list-style-type: none"> • trained and qualified employees 	Human Resources Services	<ul style="list-style-type: none"> • All City officers are employed against periodically reviewed position descriptions; • Where qualifications are required, evidence is obtained during the recruitment phase; • Significant pre-employment screening is conducted, probation reviews conducted and compliance with the requirement for annual performance appraisals monitored; and • Engineering Operations employees are closely monitored for relevant competencies and skills training conducted as necessary.
(iv)	<ul style="list-style-type: none"> • system controls 	Information Services	<ul style="list-style-type: none"> • The City's uses <i>ECM</i> for its documented management system; and • <i>ECM</i> is able to determine and control access to the City's electronic and physical information via security levels and access controls linked to both staff profiles with <i>ECM</i> and on the files themselves.
(v)	<ul style="list-style-type: none"> • effective policy and process review 	Governance Services	<ul style="list-style-type: none"> • In accordance with the <i>City of Cockburn Policy Framework</i>, 'Appendix A: Policy Review and Approval Process', policies are reviewed in three ways: <ul style="list-style-type: none"> ○ Policy revocation – policy is no longer required or has been combined with or superseded by another policy; ○ Requiring minor amendments – changes to language, style, formatting, etc. that do not impact on the application of the policy; and ○ Requiring major amendments – changes that significantly alter the Council's position on an issue or change the strategic intent of the policy; and • A policy is periodically reviewed and re-endorsed by Council and / or the CEO. Some policies are required to be reviewed in a predetermined basis by statutory requirement.
(vi)	<ul style="list-style-type: none"> • regular internal audits 	Governance Services	<ul style="list-style-type: none"> • The City's conducts regular internal audits in compliance with the requirements of the <i>City of Cockburn Strategic Internal Audit Plan 2019 – 2022</i>, which has been developed to address key organisational risk areas; and • The DLGSCI <i>Local Government Statutory Compliance Audit Return (CAR)</i> is conducted by Governance Services, and any area of non-compliance identified, are reported, monitored and audited internally.

No.	Guidelines issue (criteria)	Business/Service Unit	City's systems and procedures for internal control
(vii)	<ul style="list-style-type: none"> documentation of risk identification and assessment 	Governance Services	<ul style="list-style-type: none"> The City is committed to a culture of risk management and has implemented an approach to consider three levels – strategic, operational and project; RMSS efficiently identifies, assesses, controls, monitors and reviews risks using a unique patented workflow, allowing the City to use a variety of risk assessment methodologies, terminology and workflows; RMSS allows the City to identify and report a broad range of risks through an automated process; RMSS standard reports include risk registers, overdue actions, completed actions and estimated cost, uncontrolled risks, top risks and history summary; and Centralised data is accessible through flexible and detailed reporting that proactively identifies trends and reduces costs.
(viii)	<ul style="list-style-type: none"> regular liaison with auditors and legal advisors 	All Business/Service Units	<ul style="list-style-type: none"> The City does not have a dedicated in-house legal team – all legal issues are considered externally; and The City engages periodically with its auditors informally, as well as through the formal audit process.
2.	Control of approval of documents, letters and financial records.	Information Services	The City's corporate enterprise resource planning system, <i>TechnologyOne</i> , has workflow functionality and associated business rules and delegated financial authority. This ensures that all financial transactions are approved in accordance with delegations and defined position descriptions. These include purchase orders, accounts payable (AP) invoice processing, budgeting, general journals, raising revenue and infringement management. Automated optical character recognition (OCR) technology has been introduced to AP invoice processing, cutting out manual data entry and improving process efficiency. It also improves efforts to identify fraudulent activity.
3.	Comparison of internal data with other or external sources of information.	Financial Services	The City utilises a series of monthly routine checklists and processes to identify and act on any anomalies in financial data. Examples of external information sources include the Australian Taxation Office, banks, financial institutions, investment advisors, creditors and Landgate.
4.	Limit of direct physical access to assets and records.	Information Services	The Records Management service unit continues to act as the custodian of the City's corporate information repository. The majority of the City's corporate physical records are all stored within locked facilities which can only be accessed by authorised officers and the Records Management Team. The City's off-site storage facilities, namely Cockburn Seniors Centre, Operations Centre Archive Room and Parke Place self-storage facility are all accessible by authorised officers only. The majority of records are now either legally disposed

No.	Guidelines issue (criteria)	Business/Service Unit	City's systems and procedures for internal control
			of or retained within the City's outsourced provider Grace Information and Records Management Services Ltd.
5.	Control of computer applications and information system standards.	Information Services	Control of information systems access is directed by the Business Unit responsible for the generation and maintenance of the data or information. The Business Systems Services of the Information Services business Unit is responsible for the facilitation of security, and for ensuring that relevant industry standards and best practices relating to secure management of data is maintained at all times. Other systems, such as information management policy and Acceptable Use of Computer Equipment Policy and procedures also ensure the City regularly tests and reviews all existing information controls.
6.	Limit access to make changes in data files and systems.	Information Services	<ul style="list-style-type: none"> • The City's existing process recommends named user access for all accounts, but is not enforced; • The <i>City of Cockburn Information and Cyber Security Policy</i> outlines the controls that the City will implement over systems and processes to prevent to unauthorised access to City data and Information, Communication & Technology (ICT) assets. The policy identifies the need for the City to achieve best practice in ICT risk management by implementing an Information Security Management Framework (ISMF) which has been developed in accordance with the requirements of AS ISO/IEC 27001:2015 <i>Information technology—Security techniques—Information security management systems—Requirements</i>; and • Additionally, the City does not have an Information Security Classification Framework (ISCF) – may be difficult for City staff to understand the impact should a piece of information be subject to a security breach. An example of a ISCF is the one implemented by the Australian government, with levels that include 'Official' and 'Official Sensitive' as defined in the <i>Australian Government Information Security Manual</i>, Australian Cyber Security Centre, Canberra, June 2020.
7.	Regular maintenance and review of financial control accounts and trial balances.	Financial Services	The City's financial management control practices include monthly reconciliation of all financial control accounts and the trial balance. Key reconciliations are reviewed and authorised by responsible finance managers through <i>ECM</i> workflow business processes.
8.	Comparison and analysis of financial results with budgeted amount.	Financial Services	<p>Comparison and analysis of financial results with budgeted amount include:</p> <ul style="list-style-type: none"> • End of month financial processing culminates with the timely (within 3 days) distribution of financial reports to each service unit manager; and • Actual financial results being analysed against budget and reported back to

No.	Guidelines issue (criteria)	Business/Service Unit	City's systems and procedures for internal control
			Council on a monthly basis with significant variances disclosed and any recommended actions. The City has developed an Executive Management Reporting (EMR) dashboard for managing the City's capital projects, which includes detailed real-time financial analysis of budget v actuals.
9.	The arithmetical accuracy and content of records.	Financial Services	Comprehensive cross checks, balances and reconciliations are in place to ensure the arithmetical accuracy of the City's financial records. These include external / internal data matching, variance analysis, exceptions reporting, internal and external audit, segregated cash balancing and audit, and management reviews and sign off.
10.	Report, review and approval of financial payments and reconciliations.	Financial Services	Report, review and approval of financial payments and reconciliations practices include: <ul style="list-style-type: none"> • The financial status of the City's capital projects and works being heavily scrutinised through a comprehensive customised project management financial report. This is maintained by project managers and reviewed by Senior Management on a monthly basis; • The City's 'Procure to Pay' processes ensuring proper authorisation for all expenditure and delegated approval for all bank payments made; • The AP ledger being reconciled on a monthly basis and reviewed by the manager; and • Individual supplier account statements being reconciled against the system to ensure outstanding items are addressed.
11.	Comparison of the result of physical cash and inventor counts with accounting record.	Financial Services	End of day cashier reports are reconciled to cash by cashiers and reviewed by managers and revenue officers. Bank reconciliations provide a further opportunity to identify any cash or banking variance.

Legislative Compliance

The compliance programs of a local government are a strong indication of attitude towards meeting legislative requirements.

Audit committee practices in regard to monitoring compliance programs are demonstrated within the guidelines included below.

Provided also within the table is the City's benchmarking against these guidelines:

No.	Guidelines issue (criteria)	Business/Service Unit	City's systems and procedures for legislative compliance
1.	Monitoring compliance with legislation and regulations.	All Business/Service Units	<p>The City utilises a variety of mechanisms for ensuring compliance as developed by each relevant Business/Service Unit and include:</p> <ul style="list-style-type: none"> • A calendar for governance compliance incorporating items such as completing the CAR and annual returns, and annual review of delegations; • Checklists compiled for building approvals and completed by assessing officers with a final compliance check conducted by senior building staff; • A robust compliance and enforcement process which is followed for investigations arising from alleged non-compliance with a variety of legislation including the <i>Health Act 1911</i>, the <i>Environmental Protection Act 1986</i> and the City's Local Laws; • A documented process for all planning approvals which includes review and approved by senior staff to ensure compliance, and referral of more complex applications to the Senior Manager; • Documented process list and procedure manual for structure planning process to ensure adherence to the <i>Planning and development (Local Planning Schemes) Regulations 2015</i> and documentation of related exercise of delegation being registered; • Documented process list and procedure manual for local planning scheme amendments to ensure adherence to the <i>Planning and development (Local Planning Schemes) Regulations 2015</i>; • Documented procedure manuals for administration and review of each of the City's Development Contribution Plans (as established under the local planning scheme) to ensure adherence to the local planning provisions and State Planning Policy 3.3 (Contributions to Infrastructure); • Clearance for assessment of development contribution payments are integrated into the event workflow (<i>Tech One</i>) for the building permit system to ensure review is undertaken by the City's Development Contributions Officer; • Creation of Learning and Development modules for Development Contribution

No.	Guidelines issue (criteria)	Business/Service Unit	City's systems and procedures for legislative compliance
			<p>Plans for all impacted Council positions. Currently awaiting further discussion with Learning and Development and HR to roll these out through the online learning system and on-boarding processes where appropriate;</p> <ul style="list-style-type: none"> • Documented position and approach for managing all key elements of the compulsory acquisition process to ensure adherence to the <i>Land Administration Act 1997</i>; • Documented procedure for the sale of land assets to ensure adherence to section 3.58 of the <i>Local Government Act 1995</i> while also managing risk from release of independent valuations too early in the process; • Workflow and procedures to guide patrol and security investigations stemming from issues with a number of customer focussed issues such as parking, wandering dogs and effective fire breaks. In addition, all staff undergo certified training and peer reviews, and internal audits are completed periodically; • A stringent emergency management framework is in place, and is monitored via the City's Cockburn Aquatic and Recreation Centre, including working with children checks, fire systems, running of crèche, appropriate building maintenance; and • The City has the online cloud-based software <i>ATTAIN</i> (purchased from Integrity Systems Solutions in 2016) to effectively control the management of Delegations, Gifts, Travel Contributions and Returns, to increase accountability and ability to monitor trend analysis compliance.
2.	Reviewing the local annual <i>Compliance Audit Return</i> and reporting to Council the reports of that review.	Governance Services	The City's <i>Compliance Audit Return</i> (CAR) is presented to A&SFC and reported to Council annually, and anomalies are referred to relevant Business Units to implement appropriate improvements.
3.	Staying informed about how management is monitoring the effectiveness of its compliance and making recommendations.	Governance Services	Audits conducted under the City's internal and external audit plans inform the City on the effectiveness of the City's monitoring of its compliance - audit findings offer the opportunities for improvement on managing this monitoring.
4.	Reviewing whether the local government has procedures for it to receive, retain and treat complaints, including confidential and anonymous employee complaints.	Governance Services and Human Resources Services	These procedures are addressed within the City's Public Interest Disclosure (PID) information Statement, in accordance with the requirements of the <i>Public Interest Disclosure Act 2003</i> . The CEO investigates and maintains the Complaints Register for Minor Breaches. In addition, Customer Service has an on-line complaints receiving system.

No.	Guidelines issue (criteria)	Business/Service Unit	City's systems and procedures for legislative compliance
5.	Obtaining assurance that adverse trends are identified and review management's plans to deal with these.	Financial Services	The City's external audit plan and audit opinion is delivered through the Office of the Auditor General by KPMG. These audits serve to provide assurance to the A&SFC and Council on the state of the City's finances and identify any adverse trends that may require corrective measures developed and implemented by management to maintain organisational compliance.
6.	Reviewing management disclosures in financial reports of the effect of significant compliance issues.	Financial Services	Management disclosures in financial reports are initially discussed with the external auditor and where compliance or any other issue could have a significant effect on the City's financial result; this may also be supported by a management paper explaining the issue, the effects and recommended actions and solutions. Any significant compliance issue disclosed in a financial report will be highlighted to the Audit and Strategic Finance Committee, ensuring it is satisfied with the proposed remedy or response.
7.	Reviewing whether the internal and/or external auditors have regard to compliance and ethics risks in the development of their audit plan and in the conduct of audit projects, and report compliance and ethics issues to the audit committee.	Financial Services and Governance Services	<p>The City's external audit plan is drafted by KPMG on behalf of the OAG and approved by the OAG. An audit entrance meeting is held between KPMG, the OAG and the City's senior finance management to facilitate the formulation of the external audit plan and ensure it addresses topical issues relevant to the City. An audit exit meeting is also held by the parties to discuss outcomes and recommendations.</p> <p>In their oversight of the City's external audit planning and audit delivery, the OAG have demonstrated a strong focus on fraud, ethics, statutory compliance and compliance with accounting standards. Indeed, auditing standards and local government audit legislation place responsibilities on the auditor for these matters.</p>
8.	Considering the internal auditor's role in assessing compliance and ethics risks in their plan.	Governance Services	<p>Internal audits are conducted in accordance with the <i>City of Cockburn Strategic Internal Audit Plan 2019 – 2022</i>, which has been presented to the A&SFC and endorsed by Council.</p> <p>Auditors are selected on subject matter expertise and knowledge and if they are WALGA preferred. These requirements ensure that the selected service provider is experienced and aware in regard to fraud, ethics and statutory compliance and compliance. Auditors are also made aware that the City places a high priority on ethics / fraud and compliance issues when developing its internal audit plan.</p>
9.	Monitoring the local government's compliance frameworks dealing with relevant external legislation	Governance Services	The City has implemented the <i>City of Cockburn Corporate Governance Charter</i> and has an extensive Governance Program which includes monitoring of regulatory requirements, and recording on the compliance calendar. The City utilises the on-line software <i>ATTAIN</i> to assist in the monitoring of compliance

No.	Guidelines issue (criteria)	Business/Service Unit	City's systems and procedures for legislative compliance
	and regulatory requirements.		calendar management in relation to financial disclosures, gifts and travel declarations, delegations of authority management, and related party disclosures.
10.	Complying with legislative and regulatory requirements imposed on audit committee members, including not misusing their position to gain an advantage for themselves or another or to cause detriment to the local government and disclosing conflicts of interest.	Governance Services	<p>To ensure behaviour is appropriate, and conflicts of interest are managed adequately, the City relies on the following documented processes:</p> <ul style="list-style-type: none"> • <i>City of Cockburn Audit and Strategic Finance Committee Terms of Reference</i> 2020 draft currently under review; • <i>City of Cockburn Code of Conduct for Staff</i>; • <i>City of Cockburn Elected Member Code of Conduct</i>; and • <i>City of Cockburn Fraud & Misconduct Control & Resilience Framework</i>.

16. EXECUTIVE DIVISION ISSUES

Nil

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