

Audit & Risk Committee Meeting

Agenda for Monday 18 September 2017

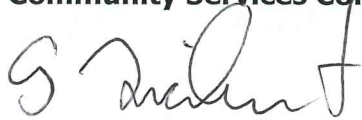


**city of
kalamunda**

NOTICE OF MEETING AUDIT AND RISK COMMITTEE

Dear Councillors

Notice is hereby given that the next meeting of the Audit & Risk Committee will be held in the Council Chambers, Administration Centre, 2 Railway Road, Kalamunda on **Monday 18 September 2017 and will commence at the conclusion of the Corporate & Community Services Committee Meeting.**



Rhonda Hardy
Chief Executive Officer
15 September 2017

Per



Core Values

- Service:** We deliver excellent service by actively engaging and listening to each other.
- Respect:** We trust and respect each other by valuing our differences, communicating openly and showing integrity in all we do.
- Diversity:** We challenge ourselves by keeping our minds open and looking for all possibilities and opportunities.
- Ethics:** We provide honest, open, equitable and responsive leadership by demonstrating high standards of ethical behaviour.

Aspirational Values

- Creativity:** We create and innovate to improve all we do.
- Courage:** We make brave decisions and take calculated risks to lead us to a bold and bright future.
- Prosperity:** We will ensure our District has a robust economy through a mixture of industrial, commercial, service and home based enterprises
- Harmony:** We will retain our natural assets in balance with our built environment

Our simple guiding principle will be to ensure everything we do will make Kalamunda socially, environmentally and economically sustainable.



www.kalamunda.wa.gov.au

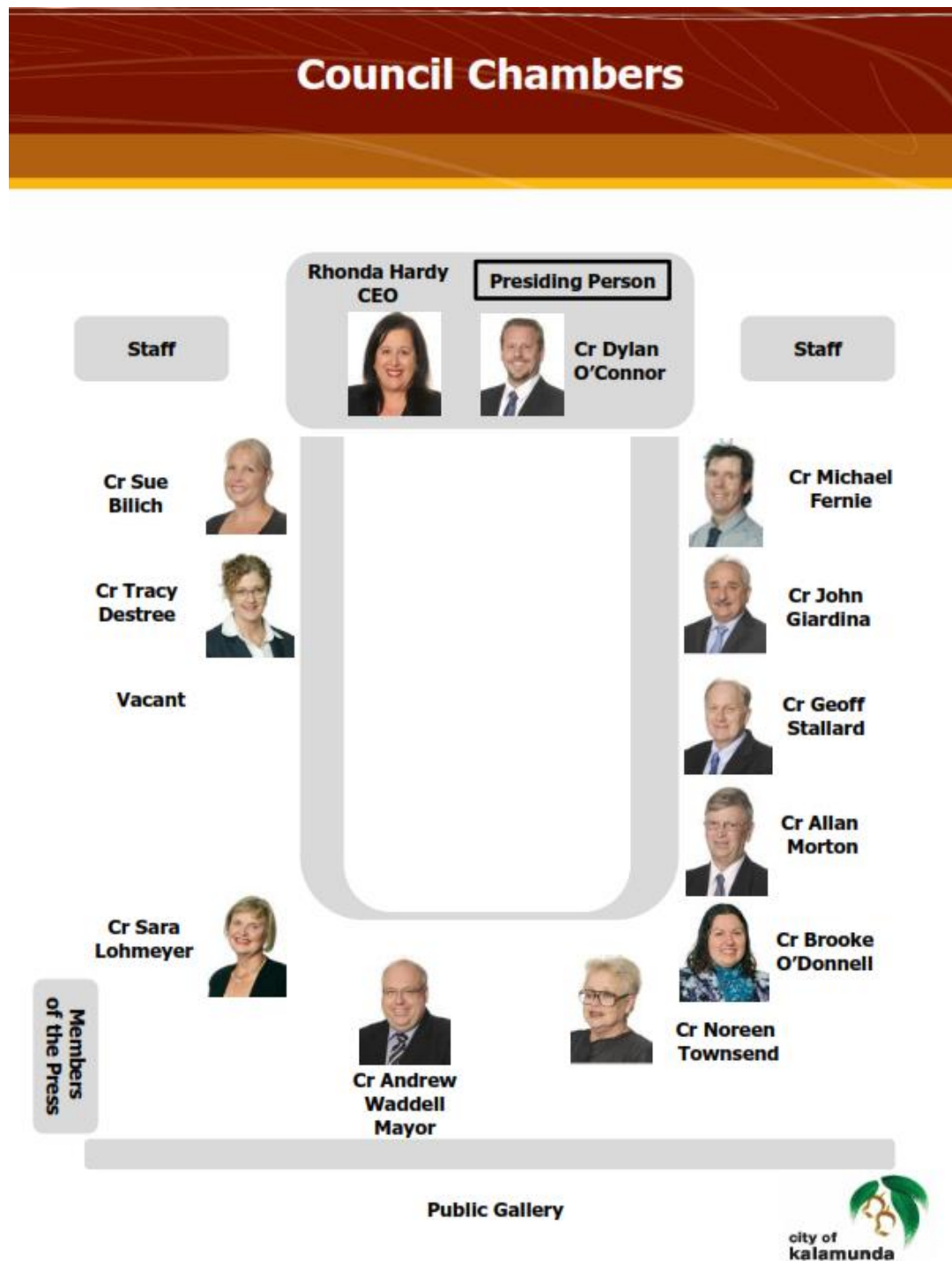
city of
kalamunda

INFORMATION FOR THE PUBLIC ATTENDING COUNCIL MEETINGS

Welcome to this evening's meeting. The following information is provided on the meeting and matters which may affect members of the public.

If you have any queries related to procedural matters, please contact a member of staff.

Council Chambers – Seating Layout



Audit & Risk Committee Meeting Procedure

1. Audit & Risk Committee has a membership of all Councillors.
2. The Committee makes recommendations only to Full Council (held on the fourth Monday of each month at 6.30pm).
3. All other arrangements are in general accordance with Council's Audit & Risk Committee Terms of Reference February 2013.

Emergency Procedures

Please view the position of the Exits, Fire Extinguishers and Outdoor Assembly Area as displayed on the wall of Council Chambers.

In case of an emergency follow the instructions given by City Personnel.

We ask that you do not move your vehicle as this could potentially block access for emergency services vehicles.

Please remain at the assembly point until advised it is safe to leave.

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AGENDA

1.0 OFFICIAL OPENING

2.0 ATTENDANCE, APOLOGIES AND LEAVE OF ABSENCE PREVIOUSLY APPROVED

3.0 PUBLIC QUESTION TIME

A period of not less than 15 minutes is provided to allow questions from the gallery on matters relating to the functions of this meeting. For the purposes of Minuting, these questions and answers will be summarised.

4.0 PETITIONS/DEPUTATIONS

5.0 CONFIRMATION OF THE PREVIOUS MINUTES

- 5.1 That the Minutes of the Audit and Risk Committee Meeting held on 19 June 2017, as published and circulated, are confirmed as a true and accurate record of the proceedings.

Moved:

Seconded:

Vote:

Statement by Presiding Member

"On the basis of the above Motion I now sign the Minutes as a true and accurate record of the meeting of 19 June 2017".

6.0 ANNOUNCEMENTS BY THE MEMBER PRESIDING WITHOUT DISCUSSION

7.0 MATTERS FOR WHICH MEETING MAY BE CLOSED

- 7.1 **08. CONFIDENTIAL ATTACHMENT Review of Tender and Procurement Processes - (Attachment 1)**

Reason for Confidentiality: *Local Government Act 1995 S5.23 (2) (a) – "a matter affecting an employee or employees"*

Reason for Confidentiality: *Local Government Act 1995 S5.23 (2) (c) – "a contract entered into, or which may be entered into, by the local government and which relates to a matter to be discussed at the meeting"*

09. CONFIDENTIAL ITEM – Eastern Metropolitan Regional Council Resource Recovery Facility Request for Tender 2016-005

Reason for Confidentiality: *Local Government Act 1995 S5.23 (2) (c) – "a contract entered into, or which may be entered into, by the local government which relates to a matter to be discussed at the meeting."*

8.0 DISCLOSURE OF INTERESTS

8.1 Disclosure of Financial and Proximity Interests

- a. Members must disclose the nature of their interest in matters to be discussed at the meeting. (Section 5.65 of the *Local Government Act 1995*.)
- b. Employees must disclose the nature of their interest in reports or advice when giving the report or advice to the meeting. (Section 5.70 of the *Local Government Act 1995*.)

8.2 Disclosure of Interest Affecting Impartiality

- a. Members and staff must disclose their interest in matters to be discussed at the meeting in respect of which the member or employee had given or will give advice.

9.0 REPORTS TO COUNCIL

Please Note: declaration of financial/conflict of interests to be recorded prior to dealing with each item.

Declaration of financial / conflict of interests to be recorded prior to dealing with each item.

07. Review of Governance and Policy Framework

Previous Items	OCM May 2013
Responsible Officer	Chief Executive Officer
Service Area	Governance
File Reference	N/A
Applicant	N/A
Owner	N/A
Attachment 1	Governance & Policy Framework

EXECUTIVE SUMMARY

1. The Governance and Policy Framework was adopted by Council in May 2013 and provides a concise outline of the governance and policy processes for the effective and compliant operations of the Council and the City.
2. The Framework has been reviewed to reflect recent changes including the change of status of the Local Government, changes to the Local Government Act around gift provisions and also an improved framework for policy development.
3. This report recommends that Council adopt the revised Governance and Policy Framework ("the Framework")(Attachment 1).

BACKGROUND

4. As an outcome of a number of investigations and reviews in 2012 relating to governance oversight, it was identified that the City required a formal Governance and Policy Framework.
5. A forum on the Governance and Policy Framework was conducted on 25 February 2013.
6. At its May 2013 Ordinary Council Meeting, Council adopted the Governance and Policy Framework.
7. After 4 years in operation and with a pending Council election imminent it is appropriate that the Governance and Policy Framework is reviewed and represented to Council for adoption, hence the provision to Council of the Framework.

DETAILS

8. Effective governance is an important issue for all organisations, both within the corporate area and all levels of government. The practice of good governance is seen as critical for ensuring that:
 - a) An organisation meets legal and ethical compliance
 - b) Decisions are made in the interest of stakeholders
 - c) Organisations behave as a good corporate citizen should

9. Within a local government context, there are a range of benefits that can be derived from the development and implementation of an effective Framework.

These include:

- a) Providing clear guidelines for the roles of the Council and CEO, ensuring that all responsibilities are properly allocated and performance expectations are well understood
- b) Enshrining best practice in relation to Council processes
- c) Assisting the Council and CEO in delivering good governance
- d) Influencing processes throughout the organisation by setting guidelines for strategic planning at all levels
- e) Acting as a point of reference for disputes
- f) Assisting as an induction tool for new Elected Members

10. The Framework provides guidelines on the processes that will ensure the good governance of the City of Kalamunda and highlights a number of other documents that set down the fundamental principles of good governance.

The Framework sets out the governance principles that will ensure that the City's management and organisational practices are professional and Council decisions will be informed and take into account the needs of the community to which it is primarily accountable.

11. The Framework establishes the respective roles and responsibilities of the Council and Administration by:
- a) Promoting ethical and responsible decision making
 - b) Promoting timely and balanced disclosure
 - c) Respecting the rights of the community and other stakeholders
 - d) Recognising and managing risk
 - e) Encouraging better performance by all participants in the governance process at the City of Kalamunda

12. The review of the Framework was required to reflect a number of changes occurring including:
- a) updating the status of the Shire to reflect a City;
 - b) including additional definitions;
 - c) including the new Vision for the City;
 - d) including the Elected Members Communication and Contact with Staff policy;
 - e) an outline of briefing sessions and strategy sessions;
 - f) improving the details of Quasi-judicial role of Council;
 - g) updating Gift provision declaration regulations;
 - h) a simplified terminology for Policy making to clearly separate Council Policy from those mandated by the Chief Executive Officer; and
 - i) inclusion of self-assessment surveys for the performance of Elected Members.

STATUTORY AND LEGAL CONSIDERATIONS

13. The *Local Government Act 1995* is the principal piece of legislation governing the operations of all local governments in Western Australia. It contains numerous sections that relate to the role and functions of the

Mayor, Councillors, CEO and employees. The Framework is designed to articulate these requirements in a concise and logical format.

POLICY CONSIDERATIONS

14. The Framework and associated documents describe the principles and key roles that guide Council in its decision making. The adoption of protocols and principles relating to good Governance of the City of Kalamunda will impact on all Council and Administrative Policies and the implementation of such Policies.

COMMUNITY ENGAGEMENT REQUIREMENTS

15. Public consultation is not required for the development and implementation of the Framework.

FINANCIAL CONSIDERATIONS

16. There are no direct financial implications in adoption of the Framework.

STRATEGIC AND SUSTAINABILITY IMPLICATIONS

Strategic Planning Alignment

17. *Kalamunda Advancing: Strategic Community Plan to 2027*
OBJECTIVE 4.1 To provide leadership through transparent governance.
Strategy 4.1.1 Provide good governance

Sustainability Considerations

Social Implications

18. Nil.

Economic Implications

19. Nil.

Environmental Implications

20. Nil.

RISK MANAGEMENT CONSIDERATIONS

21.

Risk: The City or Council fails to comply with its governance responsibilities.		
Likelihood	Consequence	Rating
Unlikely	Major	High
Action / Strategy		
By ensuring Elected Members are effectively inducted and have appropriate level of support and information provided to support their role will assist in mitigating and risk of non-compliance.		

OFFICER COMMENT

22. The Framework and associated documentation is designed to ensure effective, transparent and sustainable management of the City's affairs and is recommended for adoption.
23. The Framework is a key document used for new Councillors during their induction process it is therefore timely that Council adopts the revised Framework in readiness for the forthcoming October election.

Voting Requirements: Simple Majority

OFFICER RECOMMENDATION (A&R 07/2017)

That Council:

1. Adopts the City of Kalamunda Governance and Policy Framework shown as Attachment 1.

Moved:

Seconded:

Vote:

Attachment 1

Review of Governance and Policy Framework
Governance & Policy Framework

[Click HERE to go directly to the document](#)

Declaration of financial / conflict of interests to be recorded prior to dealing with each item.

08. Review of Tender and Procurement Processes

Previous Items	N/A
Responsible Officer	Director Corporate & Community Services
Service Area	Finance & Risk Services
File Reference	
Applicant	N/A
Owner	N/A
Confidential Attachment 1 <i>Reason for Confidentiality: Local Government Act 1995 S5.23 (2) (a) – "a matter affecting an employee or employees"</i>	Review of Tender and Procurement Processes – Deloitte Report
<i>Reason for Confidentiality: Local Government Act 1995 S5.23 (2) (c) – "a contract entered into, or which may be entered into, by the local government and which relates to a matter to be discussed at the meeting"</i>	

EXECUTIVE SUMMARY

1. This report outlines the findings of the independent review of the City's tender and procurement processes.
2. The independent review into the City's tender and procurement processes was carried out by Deloitte who undertook a sample based review of current tender and procurement processes.
3. The Review of Tender and Procurement Processes (the Review) concluded that:
 - a) the City's Purchasing Policy and Tender Guidelines were robust, although some improvement opportunities exist;
 - b) the evaluation methodologies applied by the City were adequate;
 - c) rationale regarding the exclusion of tender submissions from consideration was acceptable and well documented; and
 - d) the City does not have a formal policy in place regarding the approval of variations.

BACKGROUND

4. A notice of motion was raised at the Ordinary Council Meeting held in May 2017 requesting the CEO to commission an external, independent audit on the City of Kalamunda's tender and procurement process and its effectiveness in delivering objectives of the tender and value for money for tenders over the past three years (2014-2017).
5. An initial RFQ1709 was prepared in June 2017 and was rejected as the quotations exceeded the allocated budget and respondents expressed serious reservations regarding the requested timelines provided by the City.

The RFQ was re-sent in July 2017 to the same firms given an opportunity in the first round to re-quote with new timelines. Deloitte was selected to undertake the review on the basis that their submission provided the best value for money solution to the City.

6. The audit scope was to:
 - a) assess the City’s tender evaluation criteria, tender assessment process against relevant standards and current local government sector practices;
 - b) review and verify decisions to exclude tender respondents;
 - c) assess the number and range of variations approved and the extent to which any variations go beyond the scope of work, the level of officers providing approval and the impact to the approved budget; and
 - d) identify where the level of accountability within the City is assigned for contract management, approval of variations and numbers and details of contracts that have not met the initial scope of works and budget.

7. The City provided Deloitte with the following information so as to assist with their audit planning methodology.

Year	Request for Tender	Request for eQuote	Total
2014	9	3	12
2015	13	1	14
2016	14	9	23
2017	11	0	11
Total	47	13	60

Each tender was detailed by year, contract number and title description, tender award value, number of submissions, number of non-compliant submissions, type of contract and additional comments on funding, tender period award, extensions.

8. Deloitte randomly selected those that would provide a good representation of all types of tenders called by the City in the last three years.

9. Deloitte adopted a three staged approach in undertaking the review:

Stage 1 – Discovery stage

Involved a detailed understanding of the current procurement processes and objectives of key stakeholders. This stage involved conducting meetings with relevant City staff to confirm:

- a) the scope and examination of documentation focusing on processes for exclusion and evaluation of tenders;
- b) the manner in which variations were handled; and
- c) the effectiveness of contract management.

Stage 2 – Detailed Examination stage

Involved an analysis on the tender assessment processes, including opportunities for improvement.

Stage 3 – Consolidate and report

Deloitte issued a draft report containing observations and recommendations for the City to consider before issuing a final report containing agreed management actions and target dates.

10. The recommendations contained in the review, will be implemented and adopted. Several of the recommendations will be reflected in the City's Management Procedures. In addition, the City will be conducting specialised tender evaluation training in October 2017 for relevant staff so as to improve their understanding of the tender and procurement processes.

DETAILS

11. The review involved the random selection of 21 from 60 tenders consisting of:
- a) capital purchases;
 - b) Period Contracts for maintenance related items;
 - c) complex construction projects
 - d) simple supply and delivery of items; and
 - e) IT services.

The sample selected covered most items that the City would normally use via the tendering system.

12. The Review concluded that the tendering and procurement processes were generally sound. Specifically, the review concluded that:
- a) the City's Purchasing Policy and Tender Guidelines were robust;
 - b) the evaluation methodologies applied by the City were adequate; and
 - c) rationale regarding the exclusion of tender submissions from further consideration was acceptable and well documented.

Details of individual findings are contained within Confidential Attachment 1.

13. Notwithstanding, the following improvement opportunities were identified:

Purchasing Policy and Tender Guidelines –

- a) Purchasing Policy and Tender Guidelines require dating, approval and version control;
- b) Tender Guidelines should specify the minimum number of evaluation panel members; and
- c) Implement specific policies or procedures for the approval of variations.

Variations to tenders –

- a) Implement a formal policy or procedure regarding the approval for variations

Exclusion of tender submissions

- a) Notification letters to unsuccessful and successful tenderers should be signed by the CEO or appropriate delegation powers be provided to the procurement officers to undertake this task.

Contract management

- a) Implement a formal contract management framework.

Tender and procurement processes

- a) introduce probity briefings for Evaluation Panel members prior to the commencement of each tender evaluation;
- b) comprehensive planning and scoping of projects should be completed prior to requesting tenders;
- c) all documentation relating to procurement processes should be retained in line with the *State Records Act 2000* (WA); and
- d) provide training in tender and procurement processes.

14. The City is committed to implementing the recommendations contained with the review. In addition, the Internal Audit program will undertake further review during the 2017/18 financial year to ensure that recommendations are implemented and actioned.

STATUTORY AND LEGAL CONSIDERATIONS

15. Regulation 17 of the *Local Government (Audit) Regulations 1996* provide:

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

- (a) risk management;*
 - (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 at least once every 2 calendar years.*
- (3) The CEO is to report to the audit committee the results of that review."*

POLICY CONSIDERATIONS

16. C-PP01 – Purchasing and CM-PP1 – Purchasing along with Tender Guidelines are amended in line with observations detailed in the Deloitte probity report undertaken in August 2017.

COMMUNITY ENGAGEMENT REQUIREMENTS

Internal Referrals

17. Various Finance Procurement staff, Manager Asset Delivery, Manager Finance and Risk Services, Executive Team and General Counsel were consulted during the probity process.

External Referrals

18. Nil.

FINANCIAL CONSIDERATIONS

19. The implementation of the recommendations will reduce exposure to financial risk and potential loss to the City, and ensure the City complies with legislative requirements.

STRATEGIC COMMUNITY PLAN

Strategic Planning Alignment

20. *Kalamunda Advancing: Strategic Community Plan to 2027*

OBJECTIVE 6.8: To ensure financial sustainability through the implementation of effective financial management, systems and plans

Strategy 6.8.4 Provides effective financial services to support the City’s operations and to meet sustainability, planning, reporting and accountability requirements.

SUSTAINABILITY

Social Implications

21. Nil.

Economic Implications

22. Implementation of the recommendations from the review, will assist the City improving value for money in the procurement of goods and services.

Environmental Implications

23. Nil.

RISK MANAGEMENT CONSIDERATIONS

24.	Risk: The City is exposed to the potential financial risk of potential loss and breach of the legislation		
	Likelihood:	Consequence	Rating
	Possible	Significant	High
	Action/ Strategy		
	a) Strengthen Procurement Policy and Tender Guidelines; b) Provide appropriate training to senior staff; c) Ensure all appropriate documentation is recorded under the State Records Act; and d) Commence work on a contract management framework to be approved by Council in 2017/18.		

OFFICER COMMENT

25. The review into the City's tender and procurement processes found that current processes were generally sound. Notwithstanding, some improvement opportunities were identified which will be implemented in order to further strengthen the City's procurement practices.
26. A key focus of the improvement opportunities will be to provide additional training, pre tender briefings, and to strengthen documentation to improve and update internal procedures.
27. The Internal Audit program will undertake further review during the 2017/18 financial year to ensure that recommendations are implemented.

Voting Requirements: Simple Majority

OFFICER RECOMMENDATION (A&R 07/2017)

That Council:

1. Notes the observations and recommendations made by Deloitte in their probity report.

Moved:

Seconded:

Vote:

Confidential Attachment 1

Review of Tender and Procurement Processes

Review of Tender and Procurement Processes – Deloitte Report

This document has been provided under separate cover

Declaration of financial / conflict of interests to be recorded prior to dealing with each item.

09. CONFIDENTIAL ITEM – Eastern Metropolitan Regional Council Resource Recovery Facility Request for Tender 2016-005

Reason for Confidentiality Local Government Act 1995 S5.23 (2) (c) – "a contract entered into, or which may be entered into, by the local government which relates to a matter to be discussed at the meeting."

Previous Items	N/A
Responsible Officer	Director Asset Services
Service Area	Asset Services
File Reference	OR-IRG-035
Applicant	N/A
Owner	N/A
Confidential Attachment 1 <i>Reason for Confidentiality Local Government Act 1995 S5.23 (2) (c) – "a contract entered into, or which may be entered into, by the local government which relates to a matter to be discussed at the meeting"</i>	Waste Supply Agreement
Confidential Attachment 2 <i>Reason for Confidentiality Local Government Act 1995 S5.23 (2) (c) – "a contract entered into, or which may be entered into, by the local government which relates to a matter to be discussed at the meeting"</i>	Participants Agreement
Confidential Attachment 3 <i>Reason for Confidentiality Local Government Act 1995 S5.23 (2) (c) – "a contract entered into, or which may be entered into, by the local government which relates to a matter to be discussed at the meeting"</i>	Financiers Side Deed
Confidential Attachment 4 <i>Reason for Confidentiality Local Government Act 1995 S5.23 (2) (c) – "a contract entered into, or which may be entered into, by the local government which relates to a matter to be discussed at the meeting"</i>	Interrelations Diagram

This report has been supplied to Councillors under separate cover.

10.0 MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

11.0 QUESTIONS BY MEMBERS WITHOUT NOTICE

11.1 Questions taken on notice from Audit & Risk on 19 June 2017.

Audit Plan - (Cr Tracy Destree)

Q1. Can I please have clarification of the number of audits that have been completed, in the March quarter there are 18 scheduled that have not been completed and for the June quarter there is another 20. Will they be completed in time, have they started or are we actually 38 behind schedule given it's not quite the end of the quarter yet?

A1. This information was forwarded to Councillors via memorandum on Monday, 26 June 2017.

12.0 QUESTIONS BY MEMBERS OF WHICH DUE NOTICE HAS BEEN GIVEN

13.0 URGENT BUSINESS APPROVED BY THE PRESIDING MEMBER OR BY DECISION

14.0 TABLED DOCUMENTS

15.0 MEETING CLOSED TO THE PUBLIC

16.0 CLOSURE