

# Waverley Council

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21 May 2014

A meeting of the **WAVERLEY COUNCIL AUDIT COMMITTEE** will be held in the Bronte Room, Level 2, Waverley Council Chambers, Corner Bondi Road & Paul Street, Bondi Junction at:

**10.00AM, FRIDAY, 30 MAY 2014**

**COMMITTEE MEMBERS:**

Independent Members: Mr M Bass (Chair)  
Mr N Hall

Councillor Member: Cr B Mouroukas  
Cr T Kay (Alternate)

**ATTENDEES:**

Mr A Kyron – General Manager  
Mr I Mead – Divisional Manager, Finance & Information  
Systems & Services  
Mr S Helweh – Senior Internal Auditor  
Mr S Kidnapillai – Senior Internal Auditor

**INVITEE:** Mr G Mottau – Director, Hill Rogers Spencer Steer:

**QUORUM:** Two Committee members.

**APOLOGIES:** By telephone or email to the following:

Arthur Kyron, General Manager  
Ph: 9369 8056 or email [arthur.kyron@waverley.nsw.gov.au](mailto:arthur.kyron@waverley.nsw.gov.au)

Jo Reid, Acting Governance Manager  
Ph: 9369 8193 or email [jo.reid@waverley.nsw.gov.au](mailto:jo.reid@waverley.nsw.gov.au)

## AGENDA

### **A-1405.A Apologies**

### **A-1405.DI Declarations of Interest**

The Chair will call for Declarations of Interest.

### **A-1405.1 Confirmation of Minutes of Previous Meeting – 21 February 2014**

**PAGE 7**

**Recommendation:** That the Minutes of the Waverley Council Audit Committee Meeting of 21 February 2014; a copy of which was distributed to each Committee member, be received and that such Minutes be confirmed as a true record of the proceedings of that meeting.

### **A-1405.2 Waverley Council Audit Committee Charter – Adoption of Committee Charter (A09/1105)**

**PAGE 11**

At the February 2014 Audit Committee meeting the Committee decided to initiate a review of its Charter and to report the outcome of the review to the April Council meeting.

Attached is a copy of the report and the draft Charter prepared for Council's consideration at its meeting held on 22 April 2014. At that meeting Council resolved to adopt the draft Waverley Council Audit Committee Charter as submitted.

**Recommendation:** That the Committee receive and note this information.

### **A-1405.3 Internal Audit's Progress Report (A10/0345)**

**PAGE 23**

Report dated 30 April, 2014 from Internal Auditor providing an update on progress with the FY14 Audit Plan.

**Recommendation:** That the Committee receive and note this progress report, and also a Stage one update report on the ERM Project.

**Council's response to ICAC on Operation Jarek – 12 months Progress Report (A11/0745)**

In October 2012 the ICAC released its report about Operation Jarek, an investigation into allegations that staff from a number of local councils, including Waverley and other public authorities accepted secret benefits from suppliers and that staff from two local councils facilitated payment of false invoices from suppliers.

At the February 2013 Audit Committee meeting, the then General Manager advised that Council had received the corruption prevention recommendations contained in the ICAC report and was required to respond to the ICAC about the actions we have taken in regard to the recommendations.

At the May 2013 Audit Committee meeting Council's response to the ICAC was submitted to the Committee for information.

Council's response to the ICAC's recommendations can be viewed on the ICAC website at:

<http://www.icac.nsw.gov.au/investigations/past-investigations/article/4171>

Following on, attached is a copy of Council's 12 months progress report to the ICAC about the actions we have taken, to date, in regard to the recommendations.

**Recommendation:** That the Committee receive and note this information and Council's 12 months progress report to the ICAC.

**A-1405.5****ISSUED SEPARATELY****CONFIDENTIAL REPORT - Internal Audit Follow-up Report – Section 94A Development Contributions Review (A13/0487)**

*This matter is classified as confidential under the provisions of Section 6.4(d) of Waverley Council's Audit Committee Charter.*

Confidential Internal Audit Follow-up report dated 27 March 2014 on Section 94A Development Contributions Review.

**Recommendation:** That:

1. The Committee receive and note the Confidential Internal Audit Follow-up Report on Section 94A Development Contributions Review, which has been distributed separately with the agenda.
2. The Confidential Internal Audit Follow-up Report on Section 94A Development Contributions Review be treated as confidential in accordance with the provisions of Section 6.4(d) of Waverley Council's Audit Committee Charter for the following reasons:
  - (a). The report contains commercial information of a confidential nature that would, if disclosed prejudice the commercial position of the person who supplied it.

- (b). It is not in the public interest to reveal commercially sensitive information about Council's internal operations and business interests, which if disclosed may prejudice Council's effective operation of its functions.
3. The correspondence and reports relevant to the subject business be withheld from the public as provided by Section 6.4 of the Audit Committee Charter.

**A-1405.6** **ISSUED SEPARATELY**  
**CONFIDENTIAL REPORT - Internal Audit Follow-up Report – Business Continuity Management (A14/0177)**

*This matter is classified as confidential under the provisions of Section 6.4(d) of Waverley Council's Audit Committee Charter.*

Confidential Internal Audit Follow-up report dated 27 March 2014 on Business Continuity Management.

**Recommendation:** That:

1. The Committee receive and note the Confidential Internal Audit Follow-up Report on Business Continuity Management, which has been distributed separately with the agenda.
2. The Confidential Internal Audit Follow-up Report on Business Continuity Management be treated as confidential in accordance with the provisions of Section 6.4(d) of Waverley Council's Audit Committee Charter for the following reasons:
  - (a). The report contains commercial information of a confidential nature that would, if disclosed prejudice the commercial position of the person who supplied it.
  - (b). It is not in the public interest to reveal commercially sensitive information about Council's internal operations and business interests, which if disclosed may prejudice Council's effective operation of its functions.
3. The correspondence and reports relevant to the subject business be withheld from the public as provided by Section 6.4 of the Audit Committee Charter.

**A-1405.7** **ISSUED SEPARATELY**  
**CONFIDENTIAL REPORT - Internal Audit Report – Commercial Waste Services**

*This matter is classified as confidential under the provisions of Section 6.4(d) of Waverley Council's Audit Committee Charter.*

Confidential Internal Audit report dated March 2014 on Commercial Waste Services.

**Recommendation:** That:

1. The Committee receive and note the Confidential Internal Audit Report on Commercial Waste Services, which has been distributed separately with the agenda.
2. The Confidential Internal Audit Report on Commercial Waste Services be treated as confidential in accordance with the provisions of Section 6.4(d) of Waverley Council's Audit Committee Charter for the following reasons:
  - (a). The report contains commercial information of a confidential nature that would, if disclosed prejudice the commercial position of the person who supplied it.
  - (b). It is not in the public interest to reveal commercially sensitive information about Council's internal operations and business interests, which if disclosed may prejudice Council's effective operation of its functions.
3. The correspondence and reports relevant to the subject business be withheld from the public as provided by Section 6.4 of the Audit Committee Charter.

**A-1405.8**

**ISSUED SEPARATELY**

**CONFIDENTIAL REPORT - Internal Audit Report – Accounts Receivable**

*This matter is classified as confidential under the provisions of Section 6.4(d) of Waverley Council's Audit Committee Charter.*

Confidential Internal Audit report dated March 2014 on Accounts Receivable.

**Recommendation:** That:

1. The Committee receive and note the Confidential Internal Audit Report on Accounts Receivable, which has been distributed separately with the agenda.
2. The Confidential Internal Audit Report on Accounts Recievable be treated as confidential in accordance with the provisions of Section 6.4(d) of Waverley Council's Audit Committee Charter for the following reasons:
  - (a). The report contains commercial information of a confidential nature that would, if disclosed prejudice the commercial position of the person who supplied it.
  - (b). It is not in the public interest to reveal commercially sensitive information about Council's internal operations and business interests, which if disclosed may prejudice Council's effective operation of its functions.
3. The correspondence and reports relevant to the subject business be withheld from the public as provided by Section 6.4 of the Audit Committee Charter.

**A-1402.9** **ISSUED SEPARATELY**  
**CONFIDENTIAL REPORT – Observations and Suggestions for Improvement from the External Audit Management Letter of 11 April 2014 and Management’s Response (A04/0630)**

*This matter is classified as confidential under the provisions of Section 6.4(d) of Waverley Council’s Audit Committee Charter.*

The Confidential Report - Observations and Suggestions for Improvement from the External Audit Management Letter of 11 April 2014 and Management’s Response has been distributed separately with the agenda.

**Recommendation:** That:

1. The Committee receive and note the Confidential Report - Observations and Suggestions for Improvement from the External Audit Management Letter of 11 April, 2014 and Management’s Response, which has been distributed separately with the agenda.
2. The Committee receive and note the External Audit Management Letter of 11 April, 2014 and Management’s letter of response dated 13 May 2014, which have been distributed separately with the agenda.
3. The Confidential Report - Observations and Suggestions for Improvement from the External Audit Management Letter of 11 April 2014 and Management’s Response, be treated as confidential in accordance with the provisions of Section 6.4(d) of Waverley Council’s Audit Committee Charter for the following reasons:
  - (b). The report contains commercial information of a confidential nature that would, if disclosed prejudice the commercial position of the person who supplied it.
  - (c). It is not in the public interest to reveal commercially sensitive information about Council’s internal operations and business interests, which if disclosed may prejudice Council’s effective operation of its functions.
3. The correspondence and reports relevant to the subject business be withheld from the public as provided by Section 6.4 of the Audit Committee Charter.

**A-1405.10**  
**Adopted Schedule of Meeting Dates for 2014 (A09/1105)**

At its last meeting the Committee adopted the following schedule of meeting dates for 2014.

- 10.00am, Friday, 26 September 2014
- 10.00am, Friday, 12 December 2014

**Recommendation:** That the Committee receive and note this information.

**A-1405.11** **GENERAL BUSINESS**

**MINUTES OF THE WAVERLEY COUNCIL  
AUDIT COMMITTEE MEETING HELD AT THE  
WAVERLEY COUNCIL CHAMBERS ON  
FRIDAY, 21 FEBRUARY 2014**

**Voting Members Present:**

Mr M Bass	Independent Member (Chair)
Mr N Hall	Independent Member
Cr B Mouroukas	Waverley Council

**Also Present:**

Cr T Kay	Waverley Council
Mr P Brown	General Manager
Mr S Helweh	Senior Internal Auditor
Mr S Kidnapillai	Senior Internal Auditor
Mr I Mead	Divisional Manager, Finance & Information Systems & Services
Ms B Kelly	Director, Corporate & Technical Services
Ms K Henderson	Director, Community & Recreation Services
Mr M Wood	Director, Public Works & Services
Ms J Reid	Governance & Integrated Planning Officer / Assistant Committee Secretary
Mr R Russo	Governance Manager / Committee Secretary

**Invitees:**

Mr Y Yang	Manager, Hill Rogers Spencer Steer (External Auditors)
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*At the commencement of proceedings at 10.03am, those present were as listed above with the exception of Ms Kelly, Ms Yang and Mr Wood who arrived at 10.08am, 10.20am and 10.50am respectively.*

*At 11.28am Ms Henderson left the meeting and did not return.*

**A-1402.A  
Apologies**

The Chair called for apologies and none were received.

**A-1402.DI  
Declarations of Interest**

The Chair called for Declarations of Interest and none were received.

#### **A-1402.1**

##### **Confirmation of Minutes of Previous Meeting – 6 December 2013**

**DECISION:** That the Minutes of the Waverley Council Audit Committee Meeting of 6 December 2013; a copy of which was distributed to each Committee member, be received and that such Minutes be confirmed as a true record of the proceedings of that meeting.

#### **A-1402.2**

##### **Matters Arising from Previous Minutes**

There were no matters arising from the previous Minutes that were submitted for the Committee's consideration.

#### **A-1402.3**

##### **Waverley Council Audit Committee Charter – Review (A09/1105)**

Report dated 10 February 2014 from the Governance Manager about a review of the Waverley Council Audit Committee Charter adopted by Council in September 2011.

*A copy of the Waverley Audit Committee Charter was attached to the Agenda*

**DECISION:** That the Committee:

1. Receive and note this report.
2. Review the Waverley Audit Committee Charter.
3. Report to Council on the outcome of the review of the Charter.

#### **A-1402.4**

##### **Internal Audit's Progress Report (A10/0345)**

Report dated 10 February 2014 from Internal Auditor providing an update on progress with the FY14 Audit Plan.

**DECISION:** That the Committee receive and note this progress report.

#### **A-1402.5**

##### **CONFIDENTIAL REPORT - Internal Audit Report – Capital Works Management – Waverley Pavilion**

*This matter is classified as confidential under the provisions of Section 6.4(d) of Waverley Council's Audit Committee Charter.*



*The Confidential Internal Audit Report on Capital Works Management – Waverley Pavilion was distributed separately with the agenda.*

**DECISION:** That:

1. The Committee receive and note the Confidential Internal Audit Report on Capital Works Management – Waverley Pavilion, which has been distributed separately with the agenda.
2. The Confidential Internal Audit Report on Capital Works Management – Waverley Pavilion be treated as confidential in accordance with the provisions of Section 6.4(d) of Waverley Council's Audit Committee Charter for the following reasons:
  - (a). The report contains commercial information of a confidential nature that would, if disclosed prejudice the commercial position of the person who supplied it.
  - (b). It is not in the public interest to reveal commercially sensitive information about Council's internal operations and business interests, which if disclosed may prejudice Council's effective operation of its functions.
3. The correspondence and reports relevant to the subject business be withheld from the public as provided by Section 6.4 of the Audit Committee Charter.

#### **A-1402.6**

#### **CONFIDENTIAL REPORT – Observations and Suggestions for Improvement from the External Audit Management Letter of 5 July 2013 and Management's Response (A04/0630)**

*This matter is classified as confidential under the provisions of Section 6.4(d) of Waverley Council's Audit Committee Charter.*

*The Confidential Report - Observations and Suggestions for Improvement from the External Audit Management Letter of 5 July 2013 and Management's Response was distributed separately with the agenda.*

**DECISION:** That:

1. The Committee receive and note the Confidential Report - Observations and Suggestions for Improvement from the External Audit Management Letter of 5 July 2013 and Management's Response, which has been distributed separately with the agenda.
2. The Confidential Report - Observations and Suggestions for Improvement from the External Audit Management Letter of 5 July 2013 and Management's Response, be treated as confidential in accordance with the provisions of Section 6.4(d) of Waverley Council's Audit Committee Charter for the following reasons:
  - (b). The report contains commercial information of a confidential nature that would, if disclosed prejudice the commercial position of the person who supplied it.

- (c). It is not in the public interest to reveal commercially sensitive information about Council's internal operations and business interests, which if disclosed may prejudice Council's effective operation of its functions.
3. The correspondence and reports relevant to the subject business be withheld from the public as provided by Section 6.4 of the Audit Committee Charter.
  4. For future meetings of the Committee, the External Audit Management letter and Council's letter of response be attached with the report to the Audit Committee. The report is to be tabled in the adopted format with an update of the progress of the Action Item within the 'status' field of the report.

**A-1402.7**  
**Proposed Schedule of Meeting Dates for 2014 (A09/1105)**

The Committee adopted the following schedule of meeting dates for 2014.

- 10.00am, Friday, 30 May 2014
- 10.00am, Friday, 26 September 2014
- 10.00am, Friday, 12 December 2014

**DECISION:** That the Committee receive and note this information.

**A-1402.8** **GENERAL BUSINESS**

There were no Items of General Business.

**THE MEETING CLOSED AT 11.57AM**

## Report Requiring Determination No. CRD.17/14



**Subject:** Waverley Council Audit Committee –  
Adoption of Draft Revised Charter

**Trim File No.:** A09/1105

**Author:** Robert Russo, Governance & Administration Manager

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**Recommendation:** That Council:

1. Receive and note this report.
2. Adopt the draft revised Waverley Council Audit Committee Charter.

### 1. Executive Summary

In accordance with Section 6.8 of the Audit Committee Charter, the Audit Committee is required to review the Committee Charter at least once every two years. The Committee has recently undertaken a review of the Charter and this report presents a draft revised Audit Committee Charter for Council's consideration and adoption.

A copy of the revised Charter is attached with all the amendments highlighted. "Explanatory Review Notes" are used throughout the Charter to provide background information about the proposed amendments and will be removed when adopted.

### 2. Introduction/Background

In February 2010 Council agreed to establish the Waverley Council Audit Committee and adopted the Waverley Council Audit Committee Charter.

Waverley's Audit Committee was established and operates under the Division of Local Government's Internal Audit Guidelines issued in 2008 and revised in 2010. The Guidelines are issued under Section 23A of the Local Government Act, 1993. Pursuant to Section 23A(3) of the Local Government Act, "*a council must take any relevant guidelines issued under this Section into consideration before exercising any of its functions*".

Council's Audit Committee Charter is based on the sample charter included in the Guidelines. Section 6.8 of the Charter provides for the Committee to periodically review its Charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place.

The Committee may regulate the way it operates through its Charter, pursuant to Section 23A(3) of the Act, but as the Committee has no delegations any changes to the operation of the Committee requires that a revised Charter be adopted by Council.

### 3. Discussion

Waverley Council's Audit Committee has been operational for almost four years. In 2011 the Committee undertook a comprehensive review of the Charter which was subsequently adopted by Council in September 2011.

Since 2011 the Committee with the support of the Internal Audit function and Management has been able to fine tune its operation and the proposed amendments contained in the draft revised Charter reflect enhancements and observations that the Committee believes will assist it in meeting its responsibilities.

The draft revised Charter incorporates proposed amendments raised at the February Audit Committee meeting and submissions received from members and Council staff via email. These are highlighted in **Blue**.

Whilst the amendments are important they are minor in nature or self explanatory and it is considered that the "Explanatory Review Notes" contained in the draft revised Charter (in **Red**) are sufficient to provide Council with the necessary information without the need to itemise and explain each amendment individually.

#### **4. Conclusion**

The adoption of the draft revised Audit Committee Charter by Council will provide the Committee with an up to date instrument by which it can operate at optimum efficiency. By reviewing its Charter the Committee meets the requirement of Section 6.8 to review its Charter and report to Council on the outcome of the review.

#### **5. Relationship to Waverley Together 3 & Delivery Program 2013-17**

The relationship to *Waverley Together 3* and *Delivery Program 2013-17* is as follows:

- Direction: G1 - Inspiring community leadership is achieved through decision making processes that are open, transparent, corruption resistant and based on sound integrated planning.
- Strategy: G1b – Promote and embed good governance and corruption prevention practices in operational activities.
- Deliverable: Internal audit function supported.

#### **6. Financial impact statement/Timeframe/Consultation**

- There will be no unbudgeted costs incurred by Council in amending the Charter.
- The draft revised Audit Committee Charter will be implemented as soon as it is adopted by Council.
- The draft revised Charter has been the subject of consultation at the February 2014 Committee meeting and an on-line submission process was conducted for members and Council staff.

#### **7. Attachment/s:**

1. Draft Revised Waverley Audit Committee Charter.

**DRAFT**

# Waverley Council Audit Committee Charter



*Adopted by Council **April 2014** ~~September 2011~~  
A09/1105*

# Revisions

Council first adopted an Audit Committee Charter on 16 February 2010.

The following amendments have been made since that date:

- Revised 21 September 2010 (Amendment made to Section 3.1 to delete the Mayor as a member of the Committee and Section 6.2 to clarify the role of the General Manager in the internal audit function). These amendments were recommended by the Division of Local Government in their revised Internal Audit Guidelines issued in September 2010.
- Revised 20 September 2011 (Various amendments including the addition of provisions for confidentiality). These amendments were as a result of a review conducted by the Committee.

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## **1. Committee Objectives**

The objective of the Waverley Council Audit Committee (the Committee) is to provide independent assurance and assistance to the Council on risk management, control, governance, and external accountability responsibilities.

## **2. Authority**

The Council authorises the Committee as a whole, but not individual members of the Committee, within the scope of its role and responsibilities, to:

- Obtain any information it needs from any employee or external party (subject to their legal obligations to protect information).
- Discuss any matters with the external auditor or other external parties (subject to confidentiality considerations).
- Request the attendance of any employee or councillor at Committee meetings.
- Obtain external legal or other professional advice considered necessary to meet its responsibilities.

## **3. Composition and Tenure**

### **3.1 Members (voting)**

The Committee will consist of three voting members. Voting members will include a Councillor other than the Mayor and two independent members external to Council. The independent external members shall be the majority of the number of voting members. One of the independent members of the Committee will be the chair of the Committee.

The independent external members of the Committee will be appointed for the term of Council, after which they will be eligible for extension or re-appointment following a formal review of their performance.

The Councillor member of the Committee will be appointed annually at the Council meeting to elect the Mayor, Deputy Mayor and members of other committees.

Council may also appoint an alternate Councillor member to the Committee to attend meetings in the absence of the Councillor member. The alternate Councillor member will have the same voting rights as the Councillor member.

The members of the Committee, taken collectively, will have a broad range of skills and experience relevant to the operations of Waverley Council. At least one independent member of the Committee shall have accounting or related financial management experience, with an understanding of accounting and auditing standards in a public sector environment.



### 3.2 Attendees (non-voting) for all agenda items

The Committee will also include the following as non voting attendees:

- The General Manager or nominated delegate.
- Divisional Manager - Finance and Information Systems and Services or nominated delegate.
- Internal Auditor<sup>s</sup>, unless requested not to do so by the Chair of the Committee. *(Explanatory Review Note: The inclusion of a nominated delegate for the General Manager is proposed by Committee members to emphasise the importance the Committee places on the attendance of the General Manager and in his/her absence that the General Manager be represented by his/her nominee. The inclusion of a nominated delegate for the Divisional Manager, FISS is proposed for operational efficiency. The addition of an “s” at “Auditor” is proposed to reflect that more than one internal auditor attends as necessary).*

### 3.3 Invitees (non-voting) for specific agenda items

Representatives of Council's external auditor and other Council officers may attend Committee meetings by invitation as requested by the Committee.

### 3.4 Observers (non-voting) for all agenda items

Councillors who are not Committee members may attend meetings of the Committee as observers.

## 4. Role and Responsibilities

The Committee has no executive powers, except those expressly provided by the Council. The Committee has no authority to direct the performance of the internal or external audit function. However, it can request the internal audit function to take action via a resolution of the Committee.

In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for management of Council rests with the elected Council and the General Manager in accordance with the Local Government Act 1993.

The responsibilities of the Committee may be revised or expanded by the Council from time to time. As set out below, the Committees responsibilities can be categorised under the headings of Risk Management; Council's Control Framework; External Accountability; Legislative Compliance; and Internal and External Audit.

### 4.1 Risk Management

The Committee is responsible for:

- Reviewing whether management has in place a current and comprehensive risk management framework, and associated procedures for effective identification and management of business and financial risks, including fraud;
- Reviewing whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings;
- Reviewing the impact of the risk management framework on its control environment and insurance arrangements; and
- Reviewing whether a sound and effective approach has been followed in establishing business continuity planning arrangements, including whether plans have been tested periodically.
- Reviewing whether Council processes and procedures result in an efficient and effective allocation of resources, and accountability and transparency.

## **4.2 Control Framework**

The Committee is responsible for:

- Reviewing whether management has adequate internal controls in place, including over external parties such as contractors and advisors;
- Reviewing whether management has in place relevant policies and procedures, and these are periodically reviewed and updated;
- Progressively reviewing whether appropriate processes are in place to assess compliance with policies and procedures;
- Reviewing whether appropriate policies and procedures are in place for the management and exercise of delegations; and
- Reviewing whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

## **4.3 External Accountability**

The Committee is responsible for:

- Satisfying itself that the annual financial reports comply with applicable Australian Accounting Standards and are supported by appropriate management sign-off on the statements and the adequacy of internal controls;
- Review the external audit opinion, including whether appropriate action has been taken in response to audit recommendations and adjustments;
- Considering contentious financial reporting matters in conjunction with Council's management and external auditors;
- Reviewing the processes in place designed to ensure financial information included in the annual report is consistent with the signed financial statements;
- Satisfying itself there are appropriate mechanisms in place to review and implement, where appropriate, relevant State Government reports and recommendations;
- Satisfying itself there is a performance management framework linked to organisational objectives and outcomes.

#### **4.4 Legislative Compliance**

The Committee is responsible for:

- Determining whether management has appropriately considered legal and compliance risks as part of risk assessment and management arrangements;
- Reviewing the effectiveness of the system for monitoring compliance with relevant laws, regulations and associated government policies.

#### **4.5 Internal Audit**

The Committee is responsible for:

- Acting as a forum for communication between the Council, General Manager, senior management, internal audit and external audit;
- Reviewing the internal audit coverage and Internal Audit Plan, ensure the plan has considered the Risk Management Plan, and approve the plan;
- Considering the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved Internal Audit Plan;
- Reviewing all audit reports and consider significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of better practices;
- Monitoring the implementation of internal audit recommendations by management;
- Periodically reviewing the Internal Audit Charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place;
- Periodically reviewing the performance of Internal Audit.

#### **4.6 External Audit**

The Committee is responsible for:

- Acting as a forum for communication between the Council, General Manager, senior management, internal audit and external audit;
- Providing input and feedback on the financial statement and performance audit coverage proposed by external audit, and provide feedback on the external audit services provided;
- Reviewing all external plans and reports in respect of planned or completed external audits, and monitor the implementation of audit recommendations by management;
- Consider significant issues raised in relevant external audit reports and better practice guides, and ensure appropriate action is taken.

The Committee may, at any time, consider any other matter it deems of sufficient importance to do so.

#### **4.7 Responsibilities of Members**

Members of the Committee are expected to:

- Broadly be aware of and understand the relevant legislative and regulatory requirements appropriate to Waverley Council, particularly as these pertain to individual matters under consideration by the Committee.
- Contribute the time needed to study and understand the papers provided.
- Apply good analytical skills, objectivity and good judgment.
- Express opinions frankly and ask questions that go to the fundamental core of issues.

## **5. Reporting**

The Committee will report to Council on its activities at least ~~twice a year preferably in May and November.~~ **yearly coinciding with the financial year and the annual statement time.** *(Explanatory Review Note: This amendment is proposed by the Committee on the basis of a minimum requirement and would not restrict the Committee reporting to Council more often, if required).*

The Annual and Three Year Audit Plans will be submitted to Council as part of the Committee's ~~twice yearly~~ report to Council. *(Explanatory Review Note: The deletion of these words is subject to the adoption of the proposed amendment that the Committee report to Council at least yearly).*

At the first Committee meeting after 30 June each year, the Internal Auditor will provide a performance report to the Committee of:

- The performance of Internal Audit for the financial year as measured against agreed key performance indicators; and
- The approved Internal Audit Plan of work for the previous financial year showing the current status of each audit.

## **6. Administrative arrangements**

### **6.1 Meetings of the Committee**

The Committee will meet at least ~~five~~ **four** times per year, with one of these meetings to include review and endorsement of the annual audited financial reports and external audit opinion. *(Explanatory Review Note: This amendment is proposed by the Committee on the basis of a minimum requirement and would not restrict the Committee meeting more often, if required. In 2013, it was necessary to cancel one of the five scheduled meetings due to a paucity of items for the Committee's consideration).*

The need for any additional meetings will be decided by the Chair of the Committee, though other Committee members may make requests to the Chair for additional meetings.

A forward meeting plan, including meeting dates and agenda items, will be agreed by the Committee each year, and as necessary. The forward meeting plan will cover all Committee responsibilities as detailed in this Audit Committee Charter.

In addition, at any time an individual Committee member may request a meeting with the Chair of the Committee.

Meetings of the Committee are closed to the public.

## **6.2 Attendance at Meetings and Quorums**

A quorum will consist of a majority of Committee members. Meetings can be held in person, by telephone or by video conference.

A Committee member who does not attend three meetings of the Committee without notice or explanation will be deemed to have relinquished their membership of the Committee.

The General Manager may attend each meeting but will permit the Committee to meet separately with each of the Internal Auditor and the External Auditor in the absence of management on at least one occasion per year, **should the Committee deem this necessary**. The General Manager may only be excluded from the meeting while the Committee deals with a matter relating to the standard of performance of the General Manager or the terms of the employment of the General Manager.

*(Explanatory Review Note: This amendment is proposed to clarify that this is not a compulsory requirement for the Committee but a provision that may be available should the Committee decide that it is necessary).*

## **6.3 Secretariat**

The Divisional Manager – Governance and Integrated Planning is to provide secretariat support to the Committee. The Committee Secretariat will ensure the agenda for each meeting and supporting papers are circulated, at least one week before the meeting, and ensure minutes of the meetings are prepared and maintained. Minutes shall be approved by the Chair and circulated to each member within four weeks of the meeting being held.

## **6.4 Agendas, Minutes, Internal Audit Reports and Supporting Papers**

Agendas and minutes of the Audit Committee will be made publicly available on Council's website.

Supporting papers to the agenda considered by the Committee will be made publicly available on Council's website unless the business is of the following kind:

- (a). personnel matters concerning particular individuals.
- (b). personal hardship of any resident or ratepayer.
- (c). information that would, if disclosed, confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business.
- (d). commercial information of a confidential nature that would, if disclosed:
  - i. prejudice the commercial position of a person who supplied it; or
  - ii. confer a commercial advantage on a competitor of Council;
  - iii. reveal a trade secret.
- (e). information that would, if disclosed, prejudice the maintenance of law.

- (f). matters affecting the security of Council, Councillors, Council staff and Council property.
- (g). advice concerning litigation, or advice that would otherwise be privileged from production in legal proceedings on the grounds of legal professional privilege.
- (h). information concerning the nature and location of a place or an item of Aboriginal significance on community land.

If the subject business is of a kind listed above then those documents will be issued under separate cover and are to be treated as confidential. The grounds for restricting public access to documents will be stated in the agenda of the Committee and an explanation provided of the way in which public access would be, on balance, contrary to the public interest.

## **6.5 Conflicts of Interest**

Committee members, attendees, invitees, observers and Council staff must declare any conflicts of interest at the start of each meeting or before discussion of a relevant agenda item or topic. Details of any conflicts of interest should be appropriately minuted and be in accordance with Council's Code of Meeting Practice.

Where Committee members, attendees, invitees, observers or Council staff at Committee meetings are deemed to have a real or perceived conflict of interest, they will be excused from Committee deliberations on the issue where the conflict of interest may exist in accordance with Council's Code of Meeting Practice.

## **6.6 Induction**

New members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

## **6.7 Assessment Arrangements**

The Chair of the Committee will initiate a review of the performance of the Committee at least once every two years. The review will be conducted on a self-assessment basis (unless otherwise determined by the Chair), with appropriate input from Waverley Council senior management and any other relevant stakeholders, as determined by the Chair.

The review of the performance of the Committee is to be included in the Committee's annual report to Council. *(Explanatory Review Note: The Committee believes that the outcome of the review should be formalised and reported to Council as part of its annual report and this amendment prescribes the reporting requirement).*

## **6.8 Review of Audit Committee Charter**

At least once every two years the Committee will review and report to Council on the Audit Committee Charter.

## REPORT TO AUDIT COMMITTEE

### Internal Audit's Progress Report (A10/0345)

Report dated 30 April 2014 from Internal Auditor providing an update on progress with the FY14 Audit Plan.

**Recommendation:** That the Committee receive and note this progress report, and also a Stage one update report on the ERM Project.

### Progress on Audit Plan

Since the last meeting of the Committee held on the 21 February 2014, the Senior Internal Auditors have compiled a summary of the reviews and their status in the table below:

Audit Name	Date Commenced	Status					Awaiting Management Response*
		Planning	Fieldwork	Reporting	Completed	Finalised	
Accounts Payable	October 2012	✓	✓	✓	✓	✓	N/A
Asset Management - Kerb and Gutter	August 2012	✓	✓	✓	✓	✓	N/A
Business Continuity Management	October 2012	✓	✓	✓	✓	✓	N/A
Waverley Pavilion	February 2013	✓	✓	✓	✓	✓	N/A
Property Investment Strategy	February 2013	✓	✓	✓	✓	✓	N/A
Commercial Waste Services	August 2013	✓	✓	✓	✓	✓	N/A
Accounts Receivable	November 2013	✓	✓	✓	✓	✓	N/A
Outdoor Event Permits and Licensing	February/March 2014	✓	✓	✓	x	x	x
<b>Follow Up Reviews</b>							
Property Management	April 2013	✓	✓	✓	✓	✓	N/A
On Street Parking	April 2013	✓	✓	✓	✓	✓	N/A
Payroll	August 2013	✓	✓	✓	✓	✓	N/A
S94A	November 2013	✓	✓	✓	✓	✓	N/A
Business Continuity Management	February 2014	✓	✓	✓	✓	✓	N/A
Budgeting	March 2014	✓	✓	x	x	x	N/A

Since the last meeting, the Internal Audit function is progressing on track with the annual plan.

The following is works in progress from both Senior Internal Auditors:

## REPORT TO AUDIT COMMITTEE

The work in progress for Mr Seyonne Kidnapillai is as follows:

- Budgeting Follow Up Review: - the detailed follow up review is at the fieldwork stage.

The work in progress/completed for Mr Sam Helweh includes the following;

- Outdoor Event Permits and Licensing – this review is currently in reporting stage.
- Annual Audit Planning

The delivery of the annual plan will be close to 100% complete by 30 June 2014. The outstanding reviews that have yet to be escalated might be available at a future audit committee meeting.

### Annual Planning Process

The annual planning process has commenced and discussions have been held with the newly appointed Waverley General Manager - Arthur Kyron. A draft Annual Plan will be presented to the General Manager in the coming months that will reflect reviews that will likely cover any new strategic, financial, operational and community directions to be conducted at Waverley Council in 2015 and beyond.

Also, a rolling 3 year Strategic Plan is currently a work in progress and continuing discussions are being held with the Executive team, and the plan will be based on professional internal audit experience, senior management and risks from previous reviews at other Councils. The Annual Plan and 3 Year Strategic Plan are currently not linked to a risk management framework, however, there is current work being performed across the organisation to establish the Enterprise Risk Management (ERM) model, this work is being done by InConsult Pty Ltd. Internal audit has attached a copy of the Stage One report provided by the consultants for your information. Once the complete ERM is in place, a thorough review of the risk identified will be used to build all future internal audit plans.

The current resourcing arrangement is still being provided by SSROC, the two Senior Internal Auditors are on a job share arrangement across a 5-day week, is set to continue in this financial year. The auditors will endeavour to fulfil the plan, and at the same time they will provide their professional consultancy services to other SSROC member councils. The demand for the internal audit services by other councils cannot be planned for and may have an adverse affect on completing the annual plan.

Further to this, both Internal Auditors are members of the professional body, "Institute of Internal Auditors Australia", and are required annually to accumulate CPD points for their continued professional development to maintain membership. This educational and professional time has been factored, along with any planned or unplanned personal leave for the upcoming year into the annual plan.

**Recommendation:** That the Committee receive and note this progress report, and also a Stage one update report on the ERM Project.

Sam Helweh and Seyonne Kidnapillai  
**Senior Internal Auditors**





## Waverley Council ERM Project

### STAGE 1 REPORT

Prepared for: Waverley Council  
Prepared by: Mitchell Morley, InConsult Pty Ltd  
Report date: 2 May 2014



## 1. Introduction

InConsult Pty Ltd was engaged by Waverley Council to develop and commence implementation of an Enterprise Risk Management (ERM) framework.

This report summarises the activities undertaken as part of the first stage of the project which involved the initial development of the framework. The key expected deliverables from this stage were a draft Enterprise Risk Management Policy and a draft Enterprise Risk Management Strategy.

## 2. Framework Development

In order to develop a risk management framework suitable for Council's needs we began by familiarising ourselves with Council and the environment within which it operates. We reviewed a number of key documents including:

- Community Strategic Plan and associated integrated planning documents
- 2012/13 Financial Statements
- 2012/13 Annual Report
- Various existing risk management documents

We then met with the General Manager and Directors in to gain an understanding of the organisation's attitude to risk and establish the context for the development of the risk management framework.

Based on the information obtained from the above activities we have developed a draft Enterprise Risk Management Policy and Strategy which are attached to this report. In developing these documents we also had regard for the requirements of the international risk management standard AS/NZS ISO 31000:2009 and our experience in developing frameworks for numerous other councils.

## 3. Framework Documents

### ***ERM Policy***

The draft Enterprise Risk Management Policy is designed to establish a clear mandate and commitment for managing risk across the organisation. It articulates Council's commitment to effective risk management, responsibilities of key stakeholders in relation to risk management and the components of Council's ERM framework. The Policy also outlines Council's appetite for risk across key risk categories.

Once Council is comfortable with the content of this Policy it should be formally endorsed and then communicated to all staff and key stakeholders.

### ***ERM Strategy***

The draft Enterprise Risk Management Strategy is divided into four sections as follows:

1. ERM Framework – this section describes the proposed framework for managing risk across Council
2. Responsibilities and Accountabilities – this section details the responsibilities and accountabilities of key stakeholders in managing risk across Council
3. Risk Management Strategy – this section details the strategies and activities that Council will employ to ensure that risks are being managed in a consistent and systematic way across the organisation.
4. Risk Management Process – this section outlines the process, methodology and criteria that will be utilised across the organisation to identify, analyse and manage risks.

Once endorsed by Council , the ERM Strategy will become the “blueprint” or “how to” guide for managing risk.

The ERM strategy details what we would consider to be a “best practice” approach to managing risk in a local government context tailored to the specific characteristics of Waverley Council.

It is recognised that Council will need to consider the resources and systems required to implement the Strategy. This is discussed below together with a suggested approach to ongoing implementation and refinement of the Strategy following completion of this project.

In addition, a clear theme that emerged from our interviews with senior management, was that it is difficult to know what will work best at Waverley without first seeing the outcomes of the initial implementation of the Strategy. It is therefore important that the Strategy remains flexible and that its effectiveness is reviewed on a regular basis.

## 4. Framework Implementation and Next Steps

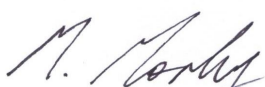
The next step in the process will be for Council to consider and ultimately endorse the draft Policy and Strategy. In considering the draft documents, it is important to obtain input and commitment from the broader Council management team.

Once Council has endorsed (at least in principle) the proposed ERM Policy and Strategy, the next two stages of this project will focus on initial implementation of the framework. This will involve risk management training session for managers and other key staff followed by a series of risk workshops designed to develop an initial corporate risk register/ risk profile.

Following this, it will be up to Council to ensure that appropriate resources and systems are in place to continue to implement and then maintain and continuously review the risk management framework. In this regard we would recommend that Council consider establishing a Project Steering Group to drive and oversee the ongoing implementation of the ERM Strategy. This Group might, for example, consider issues such as how best to integrate risk management into the integrated planning and reporting framework, the optimal frequency for formal risk register reviews, what software systems may be necessary to best manage risk management data on an ongoing basis and whether there is a need for an ongoing risk management committee.

Given all of the above we recommend that Council:

1. circulate the draft ERM Policy and Strategy internally for review and comment;
2. if considered appropriate, present the draft Policy and Strategy to a meeting of Council's management team for discussion;
3. following consideration of any input from managers, endorse the Policy and Strategy; and
4. consider the establishment of a Risk Management Project Group in due course to drive the ongoing implementation of the ERM framework



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Mitchell Morley BeC  
Director

Sydney, May 2014

Our ref: A11/0745

19 February 2014

Private & Confidential  
The Commissioner  
Independent Commission Against Corruption  
GPO Box 500  
SYDNEY NSW 2001

**Operation Jarek**

Dear Sir/Madam

Please find enclosed an updated schedule as at February 2014 with information highlighting the progress of Waverley Council with respect to ICAC's corruption prevention recommendations arising from the investigation into Operation Jarek.

If you would like any further detail, please contact Mark Wood, Director Public Works & Services on 8306 3608.

Yours sincerely

Peter Brown  
General Manager

# 12 Month Progress Report

## Operation Jarek

### Waverley Council

*Please update this schedule with information about the status of each item as at February 2014. Include details of the latest action/update in respect of each initiative, dates where relevant and attach copies of any documents referred to, where possible, in support of implementation of particular initiatives. Please provide the name of a contact person in your agency from whom we can seek more detail if needed. Please return this document to the ICAC in writing and electronically to ckenny@icac.nsw.gov.au by no later than 28 February 2014.*

#### **Recommendation 1.**

That councils communicate to suppliers a clear set of supplier behaviour expectations and the associated consequences for non-compliance.

#### Summary of progress

The recommendation will be:

- Implemented as described in the report
- ✓ Implemented in an alternative way
- Partially implemented
- Not implemented

#### Action taken to implement recommendation

1. Waverley Council reviewed related policies and procedures and are readily accessible on Council's website.
2. A reference to Council's Statement of Business Ethics is included on Council's Terms and Conditions and Purchase Orders.
3. Waverley Council has reviewed the active creditor list and removed all inactive accounts

#### Supporting material

The Code of Conduct and Statement of Business Ethics referenced on our purchase orders and tender documents and available on our website.

#### Evaluation of implementation (Progress update)

Included on Purchase Orders and available on the Web page

# 12 Month Progress Report

## Operation Jarek

### Recommendation 2.

That councils develop a proactive and comprehensive supplier engagement framework.

### Summary of progress

The recommendation will be:

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

### Action taken to implement recommendation

All staff who hold a financial delegation have had intensive training in Council's purchasing Policy specifically including supplier engagement

Council currently provide open briefing sessions as part of the tender process. There are also provisions to provide feedback to unsuccessful tenderers.

Council also has a statement of Business Ethics document that is available to suppliers.

Supervisors are no longer able to Purchase non-stock items and have them stored in Council Stores. Any item that is used on a regular basis and not project specific, will need to be in Councils inventory system

### Supporting material

The Statement of Business Ethics is noted in Councils Tender and Quotation Documentation. Also all Purchase Orders sent to suppliers have a reference to this Statement.

### Evaluation of implementation (Progress update)

Staff have been trained in Supplier Engagement via the Gifts & Benefits Policy and Code of Conduct.

# 12 Month Progress Report

## Operation Jarek

### Recommendation 3.

That councils review their codes and policies on gifts and benefits to ensure they effectively communicated expected behaviour in a way that the intended audience can easily grasp.

#### Summary of progress

The recommendation will be:

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

#### Action taken to implement recommendation

- Council's Code of Conduct has been reviewed and implemented.
- During 2013 all staff members with delegated authority were required to attend formal training on Council's reviewed code of conduct and purchasing procedure
- Council has implemented an on line system where all staff with delegated authority are asked a series of questions relating to Council's purchasing Policy and Code of Conduct. Staff are required to pass this course and if not required to retrain formally.

Council has undertaken a number of steps to improve the awareness of Council's gift and benefits policies.

- On 10 December 2012 an email reminder was sent by Divisional Manager, Governance and Integrated Planning advising of Council's gift policy and referring staff to Council's Code of Conduct for further information.
- Council provides training on its gifts and benefits policy for all new staff members through its mandatory corporate induction program.
- Refresher training is conducted with staff members every four years.

#### Supporting material

- Code of Conduct for Staff, Delegates and Volunteers
- Code of Conduct for councillors

#### Evaluation of implementation (Progress update)

The Code of Conduct has been reviewed and communicated to staff.



# 12 Month Progress Report

## Operation Jarek

### Recommendation 4.

That councils ensure their policy provides that all staff who hold financial delegations are prohibited from receiving gifts of any kind.

#### Summary of progress

The recommendation will be:

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

#### Action taken to implement recommendation

Council has implemented and communicated a Policy of zero tolerance on Council staff with a financial delegation receiving a gift or benefit

#### Supporting material

Council's revised "Managing Gifts and Benefits" which forms part of Council's Code of Conduct

#### Evaluation of implementation (Progress update)

All staff with a financial delegation have attended training in 2013.

At induction new staff are informed of Councils Code of Conduct and Gifts Policy.

# 12 Month Progress Report

## Operation Jarek

### Recommendation 5.

That councils ensure that staff training on gifts has a focus on the disciplinary consequences of accepting gifts.

#### Summary of progress

The recommendation will be:

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

#### Action taken to implement recommendation

- Council has implemented an on line system where all staff with delegated authority are asked a series of questions relating to Council's purchasing Policy and Code of Conduct. Staff are required to pass this course with over 80% and if unsuccessful required to retrain formally.
- Staff members are trained in the code of conduct at corporate induction and undergo refresher training every 4 years.
- The Development Assessment team receive targeted refresher training every 2 years.
- The staff members receive copies of the Code of Conduct. As part of the training staff members review case studies and examine and discuss the disciplinary outcomes relating to Council's gifts policy and the consequences for accepting gifts.
- New staff are trained at induction.

#### Supporting material

Code of Conduct for staff members

#### Evaluation of implementation (Progress update)

All staff with a financial delegation have attended training in 2013.

# 12 Month Progress Report

## Operation Jarek

### Recommendation 6.

That councils assess which of their staff members operate in an environment where relational selling is commonplace, and equip these staff to recognise and respond to these sales tactics, including the offer of gifts.

#### Summary of progress

The recommendation will be:

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

#### Action taken to implement recommendation

- In 2013 Procurement Training Workshops for existing staff involved in engaging suppliers. Training included Council's gifts policy and techniques to respond and deal with suppliers.
- Learning & Development developed and implemented a Procurement - E-Learning module for completion by staff involved in engaging suppliers.
- Procurement Manager conducts random procurement audits and reports compliance issues to the executive

#### Supporting material

- Training program
- Online evaluation survey
- Assessment activity
- E-Learning Procurement module completed by new starters and as a refresher tool for existing staff

#### Evaluation of implementation (Progress update)

- Procurement Manager conducts random procurement audits and reports compliance issues to the executive
- Assessment activity to check understanding in training session of over 80%.
- Online evaluation survey

## 12 Month Progress Report

### Operation Jarek

#### Recommendation 7.

That councils, if they have not already done so, analyse their procurement processes to identify points of corruption risk and take steps to improve the design of their procurement processes.

#### Summary of progress

The recommendation will be:

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

#### Action taken to implement recommendation

Council engaged a consultant to do a full review of our stores processes to respond to the ICAC enquiry.

The recommendations that have been implemented are:

1. Previously staff with Delegated Authority could raise a Purchase Order and Stamp the invoice approved as long as it was in that persons delegated authority. Council has implemented a two stage process in its electronic Purchasing Process and the system will not allow a Purchase Order to be raised and approved by the same person – the system requires a person raising an order to refer the order to the next level Manager.
2. Previously many items held within the store area were not listed as stock items in Councils inventory system. We have increased a number of stock lines with minimum and maximum inventory holdings, this helps to reduce the risk of Supervisors and Team Leaders from over ordering.
3. Previously Councils Purchasing Policy required a Purchase Order for Goods and Services above \$5,000. This has been reviewed and as of early 2013 to Council Purchase Orders are required for purchases of Goods and Services above \$1,000.

#### Supporting material

Councils Executives have endorsed the above changes in Council Purchasing Procedure

#### Evaluation of implementation (Progress update)

Random Procurement Audits are conducted 12 times per year as part of the Procurement Managers workplan.

## 12 Month Progress Report

### Operation Jarek

#### Recommendation 8.

That councils if they have not already done so, consider introducing e-procurement as an efficient method of controlling possibly vulnerabilities in their system.

#### Summary of progress

The recommendation will be:

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

#### Action taken to implement recommendation

Council has an E-Procurement system for managing purchasing. Council has introduced a requirement to raise a Purchase Order for goods greater than \$1,000. Previously Purchase Orders were only raised for goods greater than \$5,000. All Purchase Orders now require approval from a second person with the appropriate financial delegation.

Council uses a number of E Procurement methods

1. Tenders on line for all tenders and high value quotations where applicable
2. Vendor Panel for quotes on goods and services where applicable
3. Use Finance one for purchase orders and authorities

The change in policy regarding purchase orders to be included in Procurement Training for Managers and Supervisors.

#### Supporting material

Council currently has Finance One as its e-procurement operating system

#### Evaluation of implementation (Progress update)

E-Procurement is currently in place.

## 12 Month Progress Report

### Operation Jarek

#### Recommendation 9.

That councils, if they have not already done so, review which reports are available to the managers of stores and ensure they (councils) can generate a report showing the orders placed by any individual across all cost centres.

#### Summary of progress

The recommendation will be:

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

#### Action taken to implement recommendation

Council has implemented a transaction report which identifies all stock issues by employee payroll number.

Council currently has a reporting system which identifies a person with financial delegation and the transactions they have approved for a period of time.

#### Supporting material

The report is available in Council Finance One Accounts Payable System

#### Evaluation of implementation (Progress update)

Reports are run and evaluated as required

## 12 Month Progress Report

### Operation Jarek

#### Recommendation 10.

That councils, if they have not already done so, analyse inventory management systems with a view to improving controls and reducing waste.

#### Summary of progress

The recommendation will be:

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

#### Action taken to implement recommendation

The consultant engaged by Council identified improvements to Council's inventory management system.

The following recommendations have been implemented by Council:

1. Previously many stock lines were not individually sized. The inventory system has been amended and now all clothing and shoes are individually sized. This allows supervisors to check current issues against previous issues.
2. The transaction slip that is required at the stores to obtain stock items has been reviewed and amended so that each line now requires an employee's payroll number. Council has developed a report that can be distributed to supervisors to check what each employee has been issued from the stores over a period of time.
3. Minimum and Maximum stock levels are on each stock item.

#### Supporting material

Council engaged an external consultant to identify area of improvement within Councils Store.

#### Evaluation of implementation (Progress update)

Council has reviewed stock holding and removed redundant stock.

## 12 Month Progress Report

### Operation Jarek

#### Recommendation 11.

That councils examine options for control of their pull-based inventory and implement an option that is suitable for their operations.

#### Summary of progress

The recommendation will be:

- Implemented as described in the report
- Implemented in an alternative way  
Partially implemented
- Not implemented

#### Action taken to implement recommendation

Council has in place a minimum and maximum level for all stock items. From this a suggested re-order report can be pulled from the system each week which identifies stock that has reached its minimum. Only those items that have reached their minimum are purchased to replenish stock holdings.

#### Supporting material

The suggested re-order report is a standard report in Finance One

#### Evaluation of implementation (Progress update)

Stores staff are notified electronically when a stock line is reached it minimum.



## 12 Month Progress Report

### Operation Jarek

#### Recommendation 12.

That councils, if they have not already done so, organise their stores so that all items are labelled clearly, stock is securely stored and movement of all goods in or out of the store is recorded on an integrated inventory management system.

#### Summary of progress

The recommendation will be:

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

#### Action taken to implement recommendation

Council has a secure premise for the stores. The movement of goods is managed through Council's finance one – inventory management system. Staff members are required to present a "stores requisition" slip signed by an appropriate supervisor prior to any stock item being issued. Stock is clearly labelled

#### Supporting material

Transaction dockets are available and are held in Councils store. These transactions can also be viewed in Councils Finance One inventory system.

#### Evaluation of implementation (Progress update)

Stores is secured at all times by staff and security system and all transactions are recorded electronically.

# 12 Month Progress Report

## Operation Jarek

### Recommendation 13.

That councils ensure stocktakes are conducted independently of store officers and by staff knowledgeable about the principles of stocktaking.

#### Summary of progress

The recommendation will be:

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

#### Action taken to implement recommendation

Waverley Council's financial officers including the Corporate Procurement Manager and Financial Services Manager conduct a bi-annual stocktake of our Store outside normal business hours. Stores staff members assist to facilitate the stocktake.

#### Supporting material

The Finance Manager and Procurement Manager sign off on the counts being correct at each stock take.

#### Evaluation of implementation (Progress update)

The Finance Manager and Procurement Manager are both bi-annual stock takes

## 12 Month Progress Report

### Operation Jarek

#### Recommendation 14.

That council management assesses the residual risk in its store and, if appropriate for the organisation, conducts random spot checks or cycle counts on select aspects of inventory management.

#### Summary of progress

The recommendation will be:

- Implemented as described in the report
- ✓ Implemented in an alternative way
- Partially implemented
- Not implemented

#### Action taken to implement recommendation

Council undertakes a bi-annual stock take by staff members outside the Stores. Council believes this review is adequate.

#### Supporting material

Stock takes are conducted bi-annual and records of the events are available.

#### Evaluation of implementation (Progress update)

Stock take conducted every 6 months and daily monitoring by management

## 12 Month Progress Report

### Operation Jarek

#### Recommendation 15.

That councils, if they have not already done so, consider the risks highlighted by this report, namely,

- relational selling and gift giving
- procurement processes
- inventory management

and, where they consider the council is at risk, add these topics to their internal audit programs.

#### Summary of progress

The recommendation will be:

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

#### Action taken to implement recommendation

- Items added to stock lines prevent supervisors dealing with suppliers and ensures inventory is only purchased as required.
- Approval process reviewed and implemented with a two step approval process.
- Training for all relevant staff.
- Stock line descriptors have been reviewed with redundant lines removed and minimum and maximum levels implemented.
- Council's internal auditor has already undertaken a review of our procurement processes and inventory management.

#### Supporting material

Code of Conduct and Purchasing Procedure

#### Evaluation of implementation (Progress update)

Stock lines are checked during stock take

Register of staff training

Internal Audit Report