



City of Nedlands

Agenda

Audit and Risk Committee Meeting

27 February 2012

ATTENTION

This Agenda has yet to be dealt with by the Committee.

The Administration Recommendations, shown at the beginning of each item, have yet to be considered by the Committee and are not to be interpreted as being the position of either the Committee or Council.

The Minutes of the meeting held to discuss this Agenda should be read to ascertain the decision of the Committee.

Before acting on any recommendation of the Committee a check must also be made in the Ordinary Council Minutes following the Committee Meeting to ensure that Council did not make a decision at variance to the Committee Recommendation.

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City of Nedlands

Notice of a meeting of the Audit and Risk Committee to be held in the Committee Room at 71 Stirling Highway, Nedlands Building on Monday 27 February at 6 pm.

Dear Committee member

The next meeting of the Audit and Risk Committee will be held on Monday 27 February 2012 in the Committee Room at 71 Stirling Highway, Nedlands commencing at 6 pm.



Michael Cole
Acting Chief Executive Officer
20 February 2012

Audit and Risk Committee Agenda

Declaration of Opening

The Acting Chief Executive Officer will declare the meeting open at 6 pm and will draw attention to the disclaimer below.

(NOTE: Council at its meeting on 30 August 2004 resolved that should the meeting time reach 11.00 p.m. the meeting is to consider an adjournment motion to reconvene the next day).

Presiding Member

The Acting Chief Executive officer will call for nominations for Presiding Member of the Audit and risk Committee

Present and Apologies and Leave Of Absence (Previously Approved)

Leave of Absence (Previously Approved) Nil.

Apologies Nil as at distribution of this agenda.

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1. Public Question Time

A member of the public wishing to ask a question should register that interest by notification in writing to the CEO in advance, setting out the text or substance of the question. Questions tabled at the meeting may be unable to be answered due to the requirement for technical research and will therefore be answered direct afterwards.

Questions must relate to a matter contained within the agenda of this meeting.

2. Addresses By Members of the Public (only for items listed on the agenda)

Addresses by members of the public who have completed Public Address Session Forms will be invited to be made at this point.

3. Disclosures of Financial Interest

The Presiding Member to remind Councillors and Staff of the requirements of Section 5.65 of the *Local Government Act* to disclose any interest during the meeting when the matter is discussed.

A declaration under this section requires that the nature of the interest must be disclosed. Consequently a member who has made a declaration must not preside, participate in, or be present during any

discussion or decision making procedure relating to the matter the subject of the declaration.

However, other members may allow participation of the declarant if the member further discloses the extent of the interest. Any such declarant who wishes to participate in the meeting on the matter, shall leave the meeting, after making their declaration and request to participate, while other members consider and decide upon whether the interest is trivial or insignificant or is common to a significant number of electors or ratepayers.

4. Disclosures of Interests Affecting Impartiality

The Presiding Member to remind Councillors and Staff of the requirements of Council's Code of Conduct in accordance with Section 5.103 of the *Local Government Act*.

Councillors and staff are required, in addition to declaring any financial interests to declare any interest that may affect their impartiality in considering a matter. This declaration does not restrict any right to participate in or be present during the decision-making procedure.

The following pro forma declaration is provided to assist in making the disclosure.

"With regard to the matter in item x..... I disclose that I have an association with the applicant (or person seeking a decision). As a consequence, there may be a perception that my impartiality on the matter may be affected. I declare that I will consider this matter on its merits and vote accordingly."

The member or employee is encouraged to disclose the nature of the association.

5. Declarations by Members That They Have Not Given Due Consideration to Papers

Members who have not read the business papers to make declarations at this point.

6. Confirmation of Minutes

6.1 Audit and Risk Committee Meeting 6 October 2011

The minutes of the Audit and Risk Committee held 6 October 2011 are to be confirmed.

7. Items for Discussion

Note: Regulation 11(da) of the *Local Government (Administration) Regulations 1996* requires written reasons for each decision made at the meeting that is significantly different from the relevant written recommendation of a committee or an employee as defined in section 5.70, but not a decision to only note the matter or to return the recommendation for further consideration.

7.1 Internal Audit Report – Human Resources

Applicant	City of Nedlands
Owner	City of Nedlands
Officer	Shelley Mettam – Manager Human Resources and Organisation Development
Director	Rajah Senathirajah – Acting Director Corporate Services
Director Signature	
File ref.	FIN/006/05
Previous Item No's	Nil
Disclosure of Interest	No officer involved in the preparation of this report had any interest which required it to be declared in accordance with the provisions of the <i>Local Government Act (1995)</i> .

Purpose

The purpose of this report is to receive the Internal Audit report from Grant Thornton on Human Resources.

Recommendation to Committee

Committee receives the internal audit report on Human Resources.

Strategic Plan

KFA 5: Governance

- 5.4 Monitor and review business processes, systems, structure and policies to ensure effective service delivery and organisational performance.
- 5.9 Identify, manage and seek to minimise risk.

Proposal Detail

The audit objective of this assignment was to assess the adequacy and effectiveness of the system and management controls over the City's human resource function to determine if the best practice standards for human resources management have been applied. The scope of the engagement included:

- Assessment of whether the City's human resource systems and management controls are adequate and effective to determine whether best practice standards have been applied; and
- Provision of appropriate comments and recommendations for any matter identified through the audit review.

Five (5) issues were identified during this Audit. The issue raised, recommendation and management response are summarised as follows:

Issue 1: Security of Personnel Information

Sound business practice suggests that organisations safeguard their employees' private information and records.

1. The review of the access to personnel records within TRIM and the employee master file within Authority revealed that the access rights for individuals and business groups did not reflect the correct authorisation levels based on the user requirements. Discussions with the Records Officer and review of the authorisation matrix for the access levels to personnel records in TRIM revealed that there were administration officers and assistants who had full access rights to personnel records within the assigned Business Groups. The Position Description of the administration officers does not include the responsibilities for undertaking human resource tasks for the Business Group.
2. The review of the security surrounding access to physical personnel records revealed that the key to the filing cabinet and payroll office was retained in the Cashier's office which can be accessed by unauthorised personnel. Further, the Cashier's office was not locked after business hours.

Recommendations

1. That the City review the access rights for personnel in TRIM and payroll information within Authority and assign the correct authorisation levels that reflect the user requirements.
2. The security key should be retained with Human Resources and Payroll personnel in a secure location.

Management Response

Recommendations are supported.

1. Access rights to TRIM have been reassessed for applicability and limited to access on an 'as needs basis only'.
2. The security key additional to Payroll key now being retained in HR.
3. Additional access controls now in place.
4. Key arranged for HR.

Responsible Officer

1. Director Corporate Services and Coordinator Records.
2. Manager HR & OD and Payroll Officer

Action Date

November 2011

Issue 2: Occupational Safety Health

Discussions held with the Human Resources Officer revealed that the City did not have effective communication and consultation processes to enable employees, service providers or OSH representatives to share information, be informed about and have input into decisions.

As a result, the City had recently been issued with a Provisional Improvement Notice from Work Safe which identified gaps between the City's work practice and Job Safety Analysis Sheets.

Recommendation

1. The City should update their OSH policies and procedures through a consultation process with OSH representatives, employees and management. Subsequently, the updated OSH policies and procedures should be communicated to all employees and service providers.
2. Each work unit should regularly meet with an OSH representatives about health and safety issues to enable the maintenance of the OSH work environment and practices where required.

Management Response

OSH Consultation Structure is in place with an OSH Committee chaired by Manager HR & OD. OSH Representatives are in place (voted in) and have been through the OSH Rep training. All proposed OSH Policies to be discussed and approved by Committee then submitted to Executive for endorsement.

Management Action

Manager HR & OD proposes that all OSH Reps be allowed up to 2 hours week paid time to conduct OSH duties as part of their normal hours.

Responsible Officer

Manager HR & OD.

Action Date

December 2011.

Issue 3: Completion of Employee Induction

Sample based testing of new recruitments revealed that the Employee Induction checklists were not retained in the personnel file.

Recommendation

That the City develops and completes a checklist for the required documentation necessary for new employees prior to the appointment of the employee. The completed checklist and the required documentation should be retained in the personnel file of the new employee.

Management Response

Recommendations supported.

1. Policy is that wherever possible, Induction Training takes place on the employee's first day.
2. When a role is filled urgently (someone steps in to fill an urgent need out of sequence with the induction timetable) the induction pack will be supplied to the business unit with a check list priority matters for preliminary induction (Safety procedures, start up employment conditions, familiarising the environment, familiarising their role).

Management Action

1. A new checklist is being developed. Hardcopy draft has been completed (October 11)
2. The implementation of the Authority HR Module mid-2012 will enable the capturing of basic electronic employee data

Responsible Officer

Manager HR & OD and Human Resources Officers

Action Date

January 2012

Issue 4: Termination Activities

Sample based testing revealed that there was instances where Employee and Exit Recovery checklists for employees who terminated employment within the scope period were not available on the personnel files

Recommendations

1. That the Human Resource Division communicate the Employee and Exit Recovery Form upon receiving confirmation of the termination of the employee.
2. The City should ensure that terminated employee files are regularly reviewed for enclosure of the Employee and Exit Recovery Form.

Management Response

Agreed.

Management Action

1. A new checklist is being developed. Hardcopy draft has been completed (October 11).
2. The implementation of the Authority HR Module mid-2012 will enable the capturing of basic electronic employee data.

Responsible Officer

Manager HR & OD and HR Officers

Action Date

1. January 2012;
2. With implementation of HR Module – July 2012

Issue 5: Fair Work Information Statement

Through discussions with the Manager, Human Resources and Organisational Development it was established that the Fair Work Information Statement was provided to all new employees through the induction package as required by the *Fair Work Act 2009*. Although the City provides the Fair Work Information Statement to new employees, the review of the Employee Induction checklist revealed that it did not contain a line item to verify that the Fair Work Information Statement had been provided to the new employee.

Recommendation

That the City incorporate another field within the Employee Induction Checklist to include the provision of the Fair Work Information Statement.

Management Response / Action

Agreed. Will add to induction checklist.

Responsible Officer

Manager HR & OD and HR Officers

Consultation

Not applicable.

Legislation

Regulation 5 of the Local Government (Financial Management) Regulations 1996 requires the Chief Executive Officer to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 4 financial years) and report to the local government the results of those reviews.

Budget/Financial Implications

As outlined in the Report.

Risk Management

Not applicable.

Conclusion

That the committee recommend to Council the acceptance of the Internal Audit – Human Resources for the City of Nedlands.

Attachments

1. Internal Audit Report – Human Resources



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City of Nedlands

Human Resources

20 December 2011

Mr Michael Cole
Director, Corporate Services
City of Nedlands
71 Stirling Hwy
NEDLANDS WA 6009

20 December 2011

Dear Michael

INTERNAL AUDIT – HUMAN RESOURCES

I refer to the Audit Strategy Statement dated 13 September 2011, which outlined the scope of the internal audit of the City of Nedlands' Human Resources function.

The matters raised in this report came to our attention during the course of our review. Testing was conducted on a sample basis over a specific period of time. Therefore our report provides assurance regarding the operation effectiveness of the actual controls tested. However, the possibility exists that our report may not include all weaknesses that exist or improvements that may be made where these relate to controls not tested as part of this review.

Management is responsible for maintaining adequate controls over all levels of operations. The City of Nedlands should therefore not rely solely on our report to identify all weaknesses that may exist. Our comments should be read in the context of the scope of our work as detailed in the Audit Strategy Statement. Suggestions for improvement should be assessed by the City of Nedlands to their full commercial impact before they are implemented.

Chartered Accountants
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We would like to thank City of Nedlands' personnel for their assistance during this review. Should you have any queries please do not hesitate to contact Shukit Shah or myself on 9480 2000.

Yours sincerely



C G ANSELL
PARTNER

Enclosure

Glossary

City	City of Nedlands
LGA	Local Government Act 1995
OSH	Occupational Health Safety
TRIM	Document Management System

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Section 1

Executive summary

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| 1. | Executive summary |
| 2. | Detailed Findings |
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Executive Summary

<p>Overview</p>	<p>The City of Nedlands’ (the “City”) has identified the need to maintain robust controls over its human resource activities. Under the Local Government Act 1995, the City is required to apply human resource management principles and comply with certain legislative requirements pertaining to the employment of personnel.</p> <p>The Human Resource Division operates independently from the Finance Division and is responsible for the recruitment, selection and appointment of personnel. Payroll operates within the Finance Division and manages the regular payment of the City's employees for their services and reporting payroll related information. It entails the maintenance of detailed records for each of its employees and those personnel that have been engaged through external contracts.</p> <p>The audit was conducted in accordance with the Standards for the Professional Practice of Internal Auditing.</p>
<p>Objective</p>	<p>The audit objective was to assess the adequacy and effectiveness of the system and management controls over the City’s human resource function to determine if best practice standards for human resource management have been applied.</p>
<p>Link to Risk Assessment</p>	<p>The risks associated with an inadequate and ineffective Human Resource function include:</p> <ul style="list-style-type: none"> • The City does not recruit, select and appoint suitable personnel; • Staff are not appraised in a timely and effective manner; • Inadequate termination process; and • Non compliance with legislation.
<p>Scope</p>	<p>The scope of the engagement included:</p> <ul style="list-style-type: none"> • Assessment of whether the City’s human resource systems and management controls are adequate and effective to determine whether best practice standards have been applied; and • Provision of appropriate comments and recommendations for any matter identified through the audit review.
<p>Methodology</p>	<p>Our approach included:</p> <ul style="list-style-type: none"> • Review of the City’s policy, procedures and guidelines relating to the human resource functions; • Gaining an understanding of the City's human resource function processes and procedures used by staff; • Determining an appropriate audit program and sample based on our understanding of the human resource functions; and • Determining if personnel records for payroll processing are accurately maintained specifically maintenance of employee master files, employee transfers, terminations and new appointments, exception reporting, management reporting and interfaces/reconciliation between systems.

Executive Summary (Cont.)

Areas of Strength	Although this report outlines control deficiencies in certain aspects of the Human Resource function, the City has areas of strength within the Human Resource Division. In particular: <ul style="list-style-type: none">• The City's Human Resource staff displayed a culture of continuous business and process development, including the movement towards a Human Resource system.• The Human Resource policies and procedures were well documented to ensure the decisions such as recruitment, selection and appointment was based on merit, equity and transparency.
Auditors Opinion	In our opinion, based on the interviews and evidence obtained, except for the matters identified, the City has adequate and effective controls over its human resources function.
Overall Management Comment	Management has reviewed the findings and recommendations in this report and has taken appropriate action to implement each recommendation.

Shelley Matham

Manager, Human Resources and Organisational Development

Michael Cole

Director, Corporate Services

Section 2

Detailed Findings

1. Executive summary
2. Detailed Findings
3. Opportunities for Improvement

Detailed Findings

Security of Personnel Information

Criteria	Risk Rating	Cause
Sound business practice suggests that organisations safeguards their employees' private information and records.	Moderate	<ol style="list-style-type: none"> The Records Officer and IT Support Officer stated that the access levels had already been established prior to their commencement at the City. The placement of the key in the Cashier's office was part of a legacy process.
Condition		Effect
<ol style="list-style-type: none"> Our review of the access to personnel records within TRIM and employee master file within Authority revealed that the access rights for individuals and business groups did not reflect the correct authorisation levels based on the user requirements. Our discussions with the Records Officer and review of the authorisation matrix for the access levels to personnel records in TRIM revealed that there were administration officers and assistants who had full access rights to personnel records within the assigned Business Groups. The Position Description of the administration officers does not include the responsibilities for undertaking human resource tasks for the Business Group. Our review also revealed that the authorisation matrix for the access to employee master file in Authority revealed that individuals and user groups had been assigned full access rights even though pre-determined access levels had been assigned to individuals and user groups. 		Personnel records and payroll information could be accessed by unauthorised personnel.
		Recommendation
		<ol style="list-style-type: none"> That the City review the access rights for personnel records in TRIM and payroll information within Authority and assign the correct authorisation levels that reflect the user requirements. The security key should be retained with Human Resources and Payroll personnel in a secure location.
		Management Comments
		<p>Recommendations are supported.</p> <ol style="list-style-type: none"> Access rights to TRIM have been reassessed for applicability and limited to access on an 'as needs basis only'. The security key additional to Payroll key now being retained in HR.
<ol style="list-style-type: none"> Our review of the security surrounding the access to physical personnel records revealed that the key to the filing cabinet and payroll office was retained in the Cashier's office which can be accessed by unauthorised personnel. Further, the Cashier's office was not locked after business hours. 		

Detailed Findings

Security of Personnel Information (cont.)

Management Action	Risk Rating	
<ol style="list-style-type: none"> 1. Additional access controls now in place. 2. Key arranged for HR. 		
Responsible Officer		
<ol style="list-style-type: none"> 1. Director Corporate Services and Coordinator Records. 2. Manager HR&OD and Payroll Officer. 		
Action Date		
November 2011		

Detailed Findings

Occupational Safety Health

Criteria	Risk Rating	Recommendation
Sound occupational safety health practices requires an effective OSH management system.	Moderate	<ol style="list-style-type: none"> The City should update their OSH policies and procedures through a consultation process with OSH representatives, employees and management. Subsequently, the updated OSH policies and procedures should be communicated to all employees and service providers. Each work unit should regularly meet with OSH representatives about health and safety issues to enable the maintenance of the OSH work environment and practices where required.
Condition		
Discussions held with the Human Resource Officer revealed that the City did not have effective communication and consultation processes to enable employees, service providers or OSH representatives to share information, be informed about and have input into decisions relating to: <ul style="list-style-type: none"> hazards associated with their work; OHS risks they may be exposed to; measures to eliminate or minimise that exposure; the work site arrangements for the management of OSH; and procedures for reporting hazards to management. As a result, the City had recently been issued with a Provisional Improvement Notice from Work Safe which identified gaps between the City's work practices and Job Safety Analysis Sheets.		
Cause		
The City did not consider the update and review of OSH management policies and procedures as a priority.		
Effect		
The City may not address its OSH responsibilities under the Occupational Health and Safety Act.		
		Management Comments
		OSH Consultation Structure is in place with an OSH Committee chaired by Manager HR&OD. OSH Representatives are in place (voted in) and have been through the OSH Rep training. All proposed OSH Policies to be discussed and approved by Committee then submitted to Executive for endorsement.
		Management Action
	Manager HR&OD proposes that all OSH Reps be allowed up to 2 hours week paid time to conduct OSH duties and part of their normal hours.	
	Responsible Officer	
	Manager HR & OD	
	Action Date	
	December 2011	

Detailed Findings

Completion of Employee Induction

Criteria	Risk Rating	Recommendation
Employee induction should be undertaken by a new employee prior to commencement.	Medium	That the City refrain from staff engaging in operational activities pertaining to the job without completing the induction training.
Condition		Management Comment
Sample based testing of new recruitments revealed that the Employee Induction checklists were not retained in the personnel file. Subsequent discussions with the Human Resources Officers stated that in some instances the induction had not been completed due to the fact that employee is working on a part time basis or the employee has other priorities within their job.		Recommendations supported. 1. Policy is that wherever possible, Induction Training takes place on the employee's first day. 2. When a role is filled urgently (someone steps in to fill an urgent need out of sequence with the induction timetable) the induction pack will be supplied to the business unit with a check list of priority matters for preliminary induction (Safety procedures, start up employment conditions, familiarising the environment, familiarising their role).
Cause		Management Action
The employee induction was not deemed to be a priority.		Review the Induction program to incorporate all staff, regardless of engagement into foundation induction essentials.
Effect		Responsible Officer
Employees may not integrate into their role and workplace quickly and effectively. Further, initial orientation, safety, training and information needs may not be addressed.		Manager HR & OD and Human Resources Officers
		Action Date
	January 2012	

Detailed Findings

Document Retention

Criteria	Risk Rating	Condition
<p>Upon confirmation of employment, employee eligibility and verification documentation is recorded on the new employee checklist and placed on personnel files.</p>	Medium	<p>Discussions with the Human Resource staff established that the required documentation from a new employee was based on discussions with the relevant Manager or Director. Further, the eligibility requirement for working in Australia would be verbally questioned towards the short listed applicants at the recruitment stage.</p>
<p>Condition</p>		<p>Cause</p>
<p>Sample based testing revealed that there were instances where documentation related to a new employee's position was not retained within the personnel file. Specifically, we noted that there was:</p>		<p>There was no formal process for the requirement to place evidence of employee identification, documentation related to the Position Description and eligibility requirement on personnel files.</p>
<p>1. No evidence of checking the employee's eligibility of working in Australia;</p>		<p>Effect</p>
<p>2. An instance where a valid Working with Children Check was not located within the personnel file of a Qualified Child Care Giver but was retained at the Child Care Centre;</p>		<p>The City may not retain supporting verification and eligibility documentation for the related employee.</p>
<p>3. An instance where the referee check records were not retained on the employee's personnel file;</p>		<p>Recommendation</p>
<p>4. An instance where there was no driving license within the personnel file of a Ranger; and</p>		<p>That the City develops and completes a checklist for the required documentation necessary for new employees prior to the appointment of the employee. The completed checklist and the required documentation should be retained in the personnel file of the new employee.</p>
<p>5. No qualifications retained within the personnel records of some of the new employee's sampled.</p>		<p>Management Comments</p>
		<p>Agreed.</p>

Detailed Findings

Document Retention (cont.)

Management Action	Risk Rating	
<ol style="list-style-type: none"> 1. A new checklist is being developed. Hardcopy draft has been completed (October 11). 2. The implementation of the Authority HR Module mid-2012 will enable the capturing of basic electronic employee data 		
Responsible Officer		
Manager HR&OD		
Action Date		
Finalise checklist January 2012 for start of new recruitment year.		

Detailed Findings

Termination Activities

Criteria	Risk Rating	Recommendation
Termination activities are logged on the termination checklist and placed on personnel files at completion.	Low	1. That the Human Resource Division communicate the Employee and Exit Recovery Form upon receiving confirmation of the termination of the employee.
Condition		2. The City should ensure that terminated employee files are regularly reviewed for enclosure of the Employee and Exit Recovery Form.
Sample based testing revealed that there were instances where Employee and Exit Recovery checklists for employees who terminated employment within the scope period were not available on the personnel files.		Management Comment
Discussions with the Human Resource staff indicated that the relevant Manager may not complete and submit the Employee and Exit Recovery Form to Human Resources or in some instances Human Resource staff may not send out the forms to the relevant supervisor.		Agreed.
Cause		Management Action
There was no follow up requirement to ensure that the termination checklists placed on personnel files in a timely manner.		1. A new checklist is being developed. Hardcopy draft has been completed (October 11).
Effect		2. The implementation of the Authority HR Module mid-2012 will enable the capturing of basic electronic employee data
Evidence of termination activities may be unavailable. For example, the return of premise keys or IT deactivating a user.	Responsible Officer	
	Manager HR& OD and HR Officers	
	Action Date	
	1. January 2012;	
	2. With implementation of HR Module – July 2012	

Section 3

Opportunities for Improvement

1. Executive Summary
2. Detailed Findings
3. Opportunities for Improvement

Opportunities for Improvement

Fair Work Information Statement

Observation	Recommendation	
<p>Through discussions with the Manager, Human Resource and Organisational Development we established that the Fair Work Information Statement was provided to all new employees through the induction package as required by the Fair Work Act 2009.</p> <p>Although the City provides the Fair Work Information Statement to new employees, our review of the Employee Induction checklist revealed that it did not contain a line item to verify that the Fair Work Information Statement had been provided to the new employee.</p>	<p>That the City incorporate another field within the Employee Induction Checklist to include the provision of the Fair Work Information Statement.</p> <tr> <th data-bbox="1167 611 2096 662">Management Comment / Action</th> </tr> <p data-bbox="1167 667 2096 904">Agreed. Will add to induction checklist.</p>	Management Comment / Action
Management Comment / Action		

Appendices

- A. Background
- B. Scope
- C. Methodology
- D. Risk Rating of Audit Findings
- E. Inherent Limitations
- F. Audit Evidence
- G. Personnel Who Assisted with the Audit

A. Background

The City of Nedlands' (the "City") has identified the need to maintain robust controls over its human resource activities. Under the Local Government Act 1995, the City is required to apply human resource management principles and comply with certain legislative requirements pertaining to the employment of personnel.

An effective human resource management strategy aims to maximise return on investment in an organisation's human capital and minimise financial risk. In ensuring such objectives are achieved, the human resources function within organisations should implement human resource activities effectively such as:

- policies which support the recruitment, selection, appointment, appraisal and termination of personnel;
- staff performance monitoring through periodic appraisals;
- maintaining adequate personnel records and protected from unauthorised access; and
- complying with employment and employee statutory obligations, for example, workers compensation legislative requirements and Occupational, Health and Safety requirements.

The Human Resource Division operates independently from the Finance Division and is responsible for the recruitment, selection and appointment of personnel. Payroll operates within the Finance Division and manages the regular payment of the City's employees for their services and reporting payroll related information. It entails the maintenance of detailed records for each of its employees and those personnel that have been engaged through external contracts.

B. Scope

For clarity in terms of the deliverables, set out below were the matters concerning the scope of the internal audit:

Scope Inclusions

The scope of this audit included:

- Assessment of whether the City's human resource systems and management controls are adequate and effective to determine whether best practice standards have been applied. The areas of focus included:
 - the process for the recruitment, selection, appointment, appraisal and termination of personnel;
 - staff performance monitoring process;
 - processes for complying with the employment and employee legislation and regulations;
 - processes for complying with workers compensation and occupational health and safety legislation; and
 - record keeping process for personnel records.
- Provision of appropriate comments and recommendations for any matter identified through the audit review.

Scope Exclusions

- The scope of this review did not test the controls surrounding the recruitment, selection, appointment, appraisal and termination of the City's councillors; and
- Strategic business advice in relation to the implementation of any best practices or audit recommendations.

C. Methodology

The approach for the audit was as follows:

Familiarisation, Planning

- Reviewed the City's policy, procedures and guidelines relating to the human resource functions.

Fieldwork

- Conducted meetings with the City's management with respect to the key areas of the human resource functions;
- Gained an understanding of the processes and procedures used by staff with respect to:
 - recruitment, selection, appointment, appraisal and termination of personnel;
 - staff appraisals;
 - complying with prevailing employment and employee legislation;
 - complying with workers compensation and occupational health and safety requirements; and
 - record keeping of personnel records.
- Determined an appropriate audit program and sample based on our understanding of the human resource functions;
- Relied on the results of sample based testing, evaluate the adequacy and effectiveness of the City's human resource functions;
- Comparison of human resource functions with best practice guidelines; and
- Determined if personnel records for payroll processing are accurately maintained specifically maintenance of employee master files, employee transfers, terminations and new appointments, exception reporting, management reporting and interfaces/reconciliation between systems.

Reporting

- Developed appropriate comments and recommendations for any matters identified through review and testing; and
- Formulated conclusions on the adequacy and effectiveness of the system and management controls over the human resource functions.

D. Risk Rating of Audit Findings

Findings resulting from our internal audit have been rated in accordance with the risk ratings as detailed below

Risk Rating	Risk Description
Extreme	Major strategic risk of high impact which threatens the organisation's objective and should be addressed immediately.
High	Significant strategic risk should be addressed as a matter of high priority. Controls are deficient or ineffective and require attention.
Moderate	The risk has limited strategic impact but it is of sufficient concern and should be addressed as soon as possible.
Medium	The risk has minimal operational and strategic impact but exposure in the identified areas is undesirable.
Low	Inconsequential impact. The risk is not a primary concern but opportunity to improve the systems and processes that should be addressed as a matter of course.

E. Inherent Limitations

Due to the inherent limitations of any internal control structure it is possible that errors or irregularities may occur and not be detected. An internal audit is not designed to detect all weaknesses in control procedures or all compliance failures as it is not performed continuously throughout the period and the tests performed are on a sample basis. As such, except to the extent of the sample testing performed, it is not possible to express an opinion on the effectiveness of the internal control structure or its compliance.

Any projection of the evaluation of control and compliance procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

The internal audit findings expressed in this report have been formed on the above basis.

F. Audit Evidence

The following documents and information were examined as part of this review.

Documents Examined
Recruitment and Selection Policies and Procedures
City of Nedlands Organisation Chart
Employee Requisition Form
Employee Conduct Policies and Procedures
Termination of Employment Policies and Procedures
Exit Interview Questionnaire
Employee Exit and Recovery Form
Award Exempt Employee Employment Contract
CEO Employment Contract
Enterprise Agreement
Outside Workforce Collective Agreement
Fair Work Information Sheet
Equal Employment Opportunity Policies and Procedures
Equal Employment Opportunity Management Plan
Workplace Grievances Policies and Procedures
Local Government EEO Yearly Report

Safety Management Plan 2011 – 2012
OSH Meeting Agenda
Safety Inspection Roster
Annual Performance Appraisal
Performance Review Policies and Procedures
Performance Appraisal Form
Probation Assessment Form
CEO Performance Review Committee Meeting
CEO Periodic Performance Review 2010 / 2011
Advertising Request Form
Applications Short Listing Grid
Governance Manual
Letter of Offers
Reference Check Forms
Interview Topics and Notes
Employee Induction Checklist
Employee Information Pack

G. Personnel Who Assisted with the Audit

The following City of Nedlands' personnel assisted with the audit:

Contact Persons
Ms Shelley Mettam
Ms Michelle Kwan
Ms Katherine Osman
Mr Patrick Green
Mr Rajah Senitharajah

7.2 Audit and Risk Committee – Non-Councillor Member

Applicant	City of Nedlands
Owner	City of Nedlands
Officer	Vanaja Jayaraman – Acting Manager Finance
Director	Rajah Senathirajah – Acting Director Corporate Services
Director Signature	
File ref.	FIN/006/05
Previous Item No's	Nil
Disclosure of Interest	No officer involved in the preparation of this report had any interest which required it to be declared in accordance with the provisions of the <i>Local Government Act (1995)</i> .

Purpose

To confirm the appointment of the non-Councillor member to the Audit and Risk Committee.

Committee Recommendation

That Council confirms the appointment of Mr Ken Eastwood as the non-Councillor member of the Audit and Risk Committee.

Background

At the Special Council meeting of 18 October 2011, Council resolved to appoint up to two non-Councillor members of the Audit and Risk Committee.

Discussion

In response to an advertisement in the local press, Administration received one expression of interest from Mr Ken Eastwood.

A copy of Mr Eastwood's Curriculum Vitae (CV) is has been provided to Committee Members under confidential cover. Mr Eastwood is well qualified for this position and his appointment to the Committee is supported.

Consultation

An advertisement calling for nominations to the Committee was advertised in the local press. The Audit and Risk Committee is being consulted prior to formal consideration by Council.

Conclusion

Mr Eastwood is well qualified for this position and his appointment to the Committee is supported.

Strategic Implications

Key Focus Area 5: Governance

The Audit and Risk Committee is a legislative requirement and the Terms of Reference have been prepared to ensure compliance with statutory requirements and guidelines.

Budget Implications

Not Applicable.

Policy Implications

Not Applicable.

Legislative Requirement

Local Government Act 1995 sets out the requirements for the establishment of the Audit Committee and provides for non-Councillor members.

Attachments

Nil

7.3 Audit and Risk Committee – Compliance Audit Return

Applicant	City of Nedlands
Owner	City of Nedlands
Officer	Natalie Wilson - Coordinator Corporate Services
Director	Michael Cole – Acting Chief Executive Officer
CEO Signature	
File ref.	ORN/088-05
Previous Item No's	Nil
Disclosure of Interest	No officer involved in the preparation of this report had any interest which required it to be declared in accordance with the provisions of the <i>Local Government Act (1995)</i> .

Purpose

The 2011 Compliance Audit Return is required to be adopted by Council prior to submission to the Department of Local Government.

Recommendation to Committee

Council adopts the 2011 Compliance Audit Return.

Background

Local Governments are required to complete an annual Compliance Audit Return. The attached return for the City of Nedlands covers the period 1 January 2011 to 31 December 2011 and is required to be considered and adopted by Council and then submitted to the Department of Local Government by 31 March 2012.

The audit and completion of the 2011 Return was undertaken by Natalie Wilson in consultation with the Director Corporate Services, with input from relevant staff as necessary.

Discussion

The review was undertaken in January 2012 and completed on-line after reviewing and assessing.

1. Council meeting agendas and minutes;
2. Other supporting documentation (i.e. performance plans, media advertisements, recruitment processes, purchasing processes, Local Laws); and
3. Interviews with responsible officers

The completed return is attached.

Of the 78 items listed in the return and audited for compliance, the City was found to be compliant in all but 1 question, a 98.7 % compliance rate.

The 1 non-compliant question is summarised below.

Disclosure of Interest – Page 3 of 8

Question 4 – Was a primary return lodged by all newly elected members within three months of their start date?

Finding – 3 primary returns from newly elected members were not submitted within the time frame set out in the *Local Government Act 1995 Section 5.75 (1)*.

Conclusion

The completion of the Compliance Audit Return for 2011 demonstrated a high level of compliance by the City of Nedlands in all areas.

The City has a proven internal culture of compliance and commitment towards best practice and the management of the City is based on sound systems and procedures with an emphasis on good governance.

In accordance with the regulation 14 and 15 of the *Local Government (Audit) Regulations 1996*, the completed return is required to be:

1. presented to Council;
2. adopted by the Council;
3. recorded in the minutes of the meeting at which it was adopted.;
and
4. a certified copy of the return along with a copy of the minutes recording its adoption is to be submitted to the Department of Local Government by 31 March 2012

Attachments

1. Compliance Audit Return 2011



Nedlands - Compliance Audit Return 2011

Certified Copy of Return

Please submit a signed copy to the Director General of the Department of Local Government together with a copy of section of relevant minutes.

Commercial Enterprises by Local Governments					
No	Reference	Question	Response	Comments	Respondent
1	s3.59(2)(a)(b)(c) F&G Reg 7,9	Has the local government prepared a business plan for each major trading undertaking in 2011.	N/A		Natalie Wilson
2	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2011.	N/A		Natalie Wilson
3	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2011.	N/A		Natalie Wilson
4	s3.59(4)	Has the local government given Statewide public notice of each proposal to commence a major trading undertaking or enter into a major land transaction for 2011.	N/A		Natalie Wilson
5	s3.59(5)	Did the Council, during 2011, resolve to proceed with each major land transaction or trading undertaking by absolute majority.	N/A		Natalie Wilson



Delegation of Power / Duty						
No	Reference	Question	Response	Comments	Respondent	
1	s5.16, 5.17, 5.18	Were all delegations to committees resolved by absolute majority.	N/A		Natalie Wilson	
2	s5.16, 5.17, 5.18	Were all delegations to committees in writing.	N/A		Natalie Wilson	
3	s5.16, 5.17, 5.18	Were all delegations to committees within the limits specified in section 5.17.	N/A		Natalie Wilson	
4	s5.16, 5.17, 5.18	Were all delegations to committees recorded in a register of delegations.	N/A		Natalie Wilson	
5	s5.18	Has Council reviewed delegations to its committees in the 2010/2011 financial year.	N/A		Natalie Wilson	
6	s5.42(1),5.43 Admin Reg 18G	Did the powers and duties of the Council delegated to the CEO exclude those as listed in section 5.43 of the Act.	Yes		Natalie Wilson	
7	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO resolved by an absolute majority.	Yes		Natalie Wilson	
8	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO in writing.	Yes		Natalie Wilson	
9	s5.44(2)	Were all delegations by the CEO to any employee in writing.	Yes		Natalie Wilson	
10	s5.45(1)(b)	Were all decisions by the Council to amend or revoke a delegation made by absolute majority.	Yes	At Council Meeting held on May 24th 2011	Natalie Wilson	
11	s5.46(1)	Has the CEO kept a register of all delegations made under the Act to him and to other employees.	Yes		Natalie Wilson	
12	s5.46(2)	Were all delegations made under Division 4 of Part 5 of the Act reviewed by the delegator at least once during the 2010/2011 financial year.	Yes	At Council Meeting held on May 24th 2011	Natalie Wilson	
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record as required.	Yes		Natalie Wilson	

Disclosure of Interest						
No	Reference	Question	Response	Comments	Respondent	
1	s5.67	If a member disclosed an interest, did he/she ensure that they did not remain present to participate in any discussion or decision-making procedure relating to the matter in which the interest was disclosed (not including participation approvals granted under s5.68).	Yes		Natalie Wilson	
2	s5.68(2)	Were all decisions made under section 5.68(1), and the extent of participation allowed, recorded in the minutes of Council and Committee meetings.	Yes		Natalie Wilson	



No	Reference	Question	Response	Comments	Respondent
3	s5.73	Were disclosures under section 5.65 or 5.70 recorded in the minutes of the meeting at which the disclosure was made.	Yes		Natalie Wilson
4	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly elected members within three months of their start day.	No	3 submitted in Feb 2012	Natalie Wilson
5	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly designated employees within three months of their start day.	Yes		Natalie Wilson
6	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all continuing elected members by 31 August 2011.	Yes		Natalie Wilson
7	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all designated employees by 31 August 2011.	Yes		Natalie Wilson
8	s5.77	On receipt of a primary or annual return, did the CEO, (or the Mayor/ President in the case of the CEO's return) on all occasions, give written acknowledgment of having received the return.	Yes		Natalie Wilson
9	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained the returns lodged under section 5.75 and 5.76	Yes		Natalie Wilson
10	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70 and 5.71, in the form prescribed in Administration Regulation 28.	Yes		Natalie Wilson
11	s5.88 (3)	Has the CEO removed all returns from the register when a person ceased to be a person required to lodge a return under section 5.75 or 5.76.	Yes		Natalie Wilson
12	s5.88(4)	Have all returns lodged under section 5.75 or 5.76 and removed from the register, been kept for a period of at least five years, after the person who lodged the return ceased to be a council member or designated employee.	Yes		Natalie Wilson
13	s5.103 Admin Reg 34C & Rules of Conduct Reg 11	Where an elected member or an employee disclosed an interest in a matter discussed at a Council or committee meeting where there was a reasonable belief that the impartiality of the person having the interest would be adversely affected, was it recorded in the minutes.	Yes		Natalie Wilson
14	s5.70(2)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to the Council or a Committee, did that person disclose the nature of that interest when giving the advice or report.	Yes		Natalie Wilson



No	Reference	Question	Response	Comments	Respondent
15	s5.70(3)	Where an employee disclosed an interest under s5.70(2), did that person also disclose the extent of that interest when required to do so by the Council or a Committee.	Yes		Natalie Wilson
16	s5.103(3) Admin Reg 34B	Has the CEO kept a register of all notifiable gifts received by Council members and employees.	Yes		Natalie Wilson

Disposal of Property

No	Reference	Question	Response	Comments	Respondent
1	s3.58(3)	Was local public notice given prior to disposal for any property not disposed of by public auction or tender (except where excluded by Section 3.58(5)).	N/A		Natalie Wilson
2	s3.58(4)	Where the local government disposed of property under section 3.58(3), did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property.	N/A		Natalie Wilson

Elections

No	Reference	Question	Response	Comments	Respondent
1	Elect Reg 30G (1)	Did the CEO establish and maintain an electoral gift register and ensure that all 'disclosure of gifts' forms completed by candidates and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the candidates.	Yes		Natalie Wilson

Finance

No	Reference	Question	Response	Comments	Respondent
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act.	Yes		Natalie Wilson
2	s7.1B	Where a local government determined to delegate to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority.	N/A		Natalie Wilson
3	s7.3	Was the person(s) appointed by the local government to be its auditor, a registered company auditor.	Yes		Natalie Wilson
4	s7.3	Was the person(s) appointed by the local government to be its auditor, an approved auditor.	Yes		Natalie Wilson
5	s7.3, 7.6(3)	Was the person or persons appointed by the local government to be its auditor, appointed by an absolute majority decision of Council.	Yes		Natalie Wilson



No	Reference	Question	Response	Comments	Respondent
6	Audit Reg 10	Was the Auditor's report for the financial year ended 30 June 2011 received by the local government within 30 days of completion of the audit.	Yes		Natalie Wilson
7	s7.9(1)	Was the Auditor's report for 2010/2011 received by the local government by 31 December 2011.	Yes	At Council Meeting held on November 22, 2011	Natalie Wilson
8	S7.12A(3), (4)	Where the local government determined that matters raised in the auditor's report prepared under s7.9 (1) of the Act required action to be taken by the local government, was that action undertaken.	N/A	No action required	Natalie Wilson
9	S7.12A(3), (4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9 (1) of the Act) required action to be taken by the local government, was a report prepared on any actions undertaken.	N/A		Natalie Wilson
10	S7.12A(3), (4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9 (1) of the Act) required action to be taken by the local government, was a copy of the report forwarded to the Minister by the end of the financial year or 6 months after the last report prepared under s7.9 was received by the local government whichever was the latest in time.	N/A		Natalie Wilson
11	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives of the audit.	Yes		Natalie Wilson
12	Audit Reg 7	Did the agreement between the local government and its auditor include the scope of the audit.	Yes		Natalie Wilson
13	Audit Reg 7	Did the agreement between the local government and its auditor include a plan for the audit.	Yes		Natalie Wilson
14	Audit Reg 7	Did the agreement between the local government and its auditor include details of the remuneration and expenses to be paid to the auditor.	Yes		Natalie Wilson
15	Audit Reg 7	Did the agreement between the local government and its auditor include the method to be used by the local government to communicate with, and supply information to, the auditor.	Yes		Natalie Wilson



Local Government Employees					
No	Reference	Question	Response	Comments	Respondent
1	Admin Reg 18C	Did the local government approve the process to be used for the selection and appointment of the CEO before the position of CEO was advertised.	N/A	No CEO appointed in 2011	Natalie Wilson
2	s5.36(4) s5.37(3), Admin Reg 18A	Were all vacancies for the position of CEO and other designated senior employees advertised and did the advertising comply with s.5.36(4), 5.37(3) and Admin Reg 18A.	N/A	No CEO or Senior staff appointed in 2011	Natalie Wilson
3	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position of CEO under section 5.36(4).	N/A		Natalie Wilson
4	Admin Regs 18E	Did the local government ensure checks were carried out to confirm that the information in an application for employment was true (applicable to CEO only).	N/A		Natalie Wilson
5	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss a designated senior employee.	Yes	2 directors	Natalie Wilson

Official Conduct					
No	Reference	Question	Response	Comments	Respondent
1	s5.120	Where the CEO is not the complaints officer, has the local government designated a senior employee, as defined under s5.37, to be its complaints officer.	N/A		Natalie Wilson
2	s5.121(1)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that result in action under s5.110(6)(b) or (c).	Yes		Natalie Wilson
3	s5.121(2)(a)	Does the complaints register maintained by the complaints officer include provision for recording of the name of the council member about whom the complaint is made.	Yes		Natalie Wilson
4	s5.121(2)(b)	Does the complaints register maintained by the complaints officer include provision for recording the name of the person who makes the complaint.	Yes		Natalie Wilson
5	s5.121(2)(c)	Does the complaints register maintained by the complaints officer include provision for recording a description of the minor breach that the standards panel finds has occurred.	Yes		Natalie Wilson
6	s5.121(2)(d)	Does the complaints register maintained by the complaints officer include the provision to record details of the action taken under s5.110(6)(b) (c).	Yes		Natalie Wilson



Tenders for Providing Goods and Services					
No	Reference	Question	Response	Comments	Respondent
1	s3.57 F&G Reg 11	Did the local government invite tenders on all occasions (before entering into contracts for the supply of goods or services) where the consideration under the contract was, or was expected to be, worth more than the consideration stated in Regulation 11(1) of the Local Government (Functions & General) Regulations (Subject to Functions and General Regulation 11(2)).	Yes		Natalie Wilson
2	F&G Reg 12	Has the local government entered into multiple contracts only where avoiding the requirement to call tenders for a single contract in accordance with F&G Reg 11(1) was not a significant reason for doing so.	No		Natalie Wilson
3	F&G Reg 14(1)	Did the local government invite tenders via Statewide public notice.	Yes		Natalie Wilson
4	F&G Reg 14, 15 & 16	Did the local government's advertising and tender documentation comply with F&G Regs 14, 15 & 16.	Yes		Natalie Wilson
5	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer, notice of the variation.	Yes		Natalie Wilson
6	F&G Reg 18(1)	Did the local government reject the tenders that were not submitted at the place, and within the time specified in the invitation to tender.	Yes		Natalie Wilson
7	F&G Reg 18 (4)	In relation to the tenders that were not rejected, did the local government assess which tender to accept and which tender was most advantageous to the local government to accept, by means of written evaluation criteria.	Yes		Natalie Wilson
8	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17.	Yes		Natalie Wilson
9	F&G Reg 19	Was each tenderer sent written notice advising particulars of the successful tender or advising that no tender was accepted.	Yes	Two tenders on hold	Natalie Wilson
10	F&G Reg 21 & 22	Did the local governments' advertising and expression of interest documentation comply with the requirements of F&G Regs 21 and 22.	N/A		Natalie Wilson
11	F&G Reg 23(1)	Did the local government reject the expressions of interest that were not submitted at the place and within the time specified in the notice.	N/A		Natalie Wilson



No	Reference	Question	Response	Comments	Respondent
12	F&G Reg 23(4)	After the local government considered expressions of interest, did the CEO list each person considered capable of satisfactorily supplying goods or services.	N/A		Natalie Wilson
13	F&G Reg 24	Was each person who submitted an expression of interest, given a notice in writing in accordance with Functions & General Regulation 24.	N/A		Natalie Wilson
14	F&G Reg 24E	Where the local government gave a regional price preference in relation to a tender process, did the local government comply with the requirements of F&G Reg 24E in relation to the preparation of a regional price preference policy (only if a policy had not been previously adopted by Council).	N/A		Natalie Wilson
15	F&G Reg 11A	Does the local government have a current purchasing policy in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, \$100,000 or less.	Yes		Natalie Wilson

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

 Signed Mayor / President, Nedlands

 Signed CEO, Nedlands

8. Date of next meeting

The date of the next meeting of this Committee is to be advised.

Declaration of Closure

There being no further business, the Presiding Member will declare the meeting closed.

A handwritten signature in black ink, appearing to read "Michael Cole".

Michael Cole
Acting Chief Executive Officer