

COMPLIANCE REPORT ASSESSMENT

STRATHFIELD MUNICIPAL COUNCIL

Performance improvement order dated: 24 July 2015

Period for compliance with order: 12 months from the service of the Order.

Date of compliance report: 10 July 2015

	Terms of the order	Council's final report	Office's assessment
Actions required	<p>1. Take immediate steps to implement internal controls to ensure that all procurement and expenditure on goods and services complies with all relevant statutory requirements and Council's policies, delegations and guidelines. In doing so:</p> <ul style="list-style-type: none"> a. Utilise the services of the temporary adviser to assist Council in assessing the adequacy or otherwise of the existing system of internal control. b. Have due regard to the advice of the temporary adviser as to changes that are required to ensure Council has an effective system of internal control. c. Prepare an improvement plan (including milestones) with advice and direction provided by the temporary adviser requiring all required changes to be implemented within 12 months, or earlier if so advised by the temporary adviser. d. Require, for the next twelve months, the General Manager to report in writing to the monthly meeting of Council and each meeting of the Internal Audit Committee, 	<p>Council's compliance report refers to the following actions that were undertaken by Council:</p> <ul style="list-style-type: none"> • Recommendations from previous external review of Council's procurement being implemented. • Regular meetings held with temporary adviser. • Information provided to temporary adviser. • Advice received from temporary adviser incorporated into implemented changes. • Improvement plan developed. • Report submitted to each Council meeting and to audit committee meetings. 	<p>SUBSTANTIAL COMPLIANCE:</p> <p>Council has made considerable progress in strengthening its internal controls. In doing so, Council has provided assurances that the procurement and expenditure of goods and services are compliant with relevant policies and legislation. Council has worked with its temporary adviser to improve the adequacy of its internal control system.</p> <p>As evidenced from the findings of its compliance review, Council has further actions to complete that extend beyond the completion date of the Order to improve its internal control environment.</p>

	on progress against the improvement plan.		
	<p>2. Establish and implement an effective internal audit function having due regard to the <i>Internal Audit Guidelines</i> issued by the Office of Local Government under section 23A of the <i>Local Government Act 1993</i>. In doing so, adopt an audit plan for the next two years.</p>	<p>Council's compliance report refers to the following actions that were undertaken by Council:</p> <ul style="list-style-type: none"> • An internal audit function has been developed through the establishment of the audit committee and the approval of the audit committee Charter. • Council's internal audit plans were adopted for 2014/15 and 2015/16 by the audit committee on 17 November 2014. • An internal audit services provider has been engaged. 	<p>SUBSTANTIAL COMPLIANCE:</p> <p>The Order has been successful in establishing audit plans and internal audit processes for standard audits.</p>
	<p>3. Without delay, review the appointment of Council's Audit Committee to ensure that the appointment process gave consideration to the <i>Internal Audit Guidelines</i> issued by the Office of Local Government under section 23A of the <i>Local Government Act 1993</i> and is in accordance with Council's Audit Committee Charter.</p>	<p>Council's compliance report refers to the following actions that were undertaken by Council:</p> <ul style="list-style-type: none"> • The appointment of the audit committee has been formally reviewed and a report submitted to Council's meeting on 5 August 2014, which approved the membership of the audit committee and amendments to the audit committee charter. 	<p>FULL COMPLIANCE:</p> <p>Council has reviewed the appointment of members to its audit committee and as a result it has made the necessary changes.</p>

	<p>4. Engage a suitably qualified person approved by the temporary adviser to undertake a compliance review within 12 months to assess the implementation and effectiveness of Council's internal controls in ensuring that procurement and expenditure on goods and services complies with relevant statutory requirements and Council's policies, delegations and guidelines.</p>	<p>Council's compliance report refers to the following actions that were undertaken by Council:</p> <ul style="list-style-type: none"> • A compliance review was completed. 	<p>FULL COMPLIANCE:</p> <p>Council engaged a provider to complete a compliance review.</p> <p>In April 2015, the temporary adviser reviewed the terms of reference prepared by the provider for the conduct of the compliance review. The temporary adviser was satisfied that the terms of reference for the compliance review were appropriate and adequate.</p>
	<p>5. Report the findings of the compliance review to a public Council meeting and the Office of Local Government.</p>	<p>Council's compliance report refers to the following actions that were undertaken by Council:</p> <ul style="list-style-type: none"> • Procurement compliance review carried out and the report was submitted to Council's meeting on 2 June 2015. 	<p>FULL COMPLIANCE:</p> <p>As reported by Council, the compliance review was reported at Council's meeting on 2 June 2015 and was provided to the Office.</p>
	<p>6. Ensure that the performance management process governing the employment of the General Manager, Directors and Council's <i>responsible accounting officer</i> is effective in ensuring that:</p> <p>a. appropriate performance criteria pertaining to the establishment and maintenance of effective internal controls over procurement and expenditure are stipulated in contracts of</p>	<p>Council's compliance report refers to the following actions that were undertaken by Council:</p> <ul style="list-style-type: none"> • A full review was conducted of the senior staff performance appraisal system, including performance agreements, contracts of employment, delegations, and associated 	<p>FULL COMPLIANCE:</p> <p>In December 2014 and January 2015, the temporary adviser reviewed Council's performance management process and made two recommendations. Council's former General Manager considered the recommendations and responded in writing.</p>

	<p>employment and performance agreements;</p> <p>b. the persons holding these positions are capable of fulfilling their responsibilities in regard to Council's internal control system;</p> <p>c. their performance in fulfilling these responsibilities is regularly and effectively assessed; and</p> <p>d. timely and appropriate action is taken to address poor performance.</p> <p>In doing so, Council is required to:</p> <p>a. have due regard to clauses 207 and 209 of the <i>Local Government (General) Regulation 2005</i>;</p> <p>b. assess the adequacy of its current performance management process;</p> <p>c. have due regard to the advice of the temporary adviser and/or other suitably qualified person; and</p> <p>d. prepare an improvement plan (including milestones) with advice and direction provided by the temporary adviser requiring all required changes to be implemented within 12 months or earlier if so advised by the temporary adviser.</p>	<p>completed documentation for performance appraisals to date.</p> <ul style="list-style-type: none"> • Improvements were implemented such as position descriptions more clearly defining responsibilities for internal controls relating to procurement and expenditure; and delegations included into the formal performance appraisal system. • A review of Council's performance appraisal records has shown that staff are held to account by the General Manager, in relation to their individual responsibilities for the organisation and manager level staff are also held accountable. • Performance reviews are recorded in Council's 'eperform' system. • All senior staff performance appraisals are overseen by an independent (external or internal) person. • New position descriptions for all senior staff include references to NSW local government legislation. 	
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Reporting timeframes	<p>Council is to provide the Office of Local Government with a monthly progress report detailing achievements measured against actions taken to improve performance, using any template provided by the Office. In doing so Council is to give the temporary adviser an opportunity to review the proposed progress report at least 7 days before it is given to the Office and is to give the Office a copy of the temporary adviser's comments (if any) on the progress report.</p> <p><i>A compliance report</i> pursuant to section 438F of the Act is to be submitted to the Minister within 12 months from the service of this order on the Council. The report is to detail actions taken to comply with this order and the findings of the compliance review detailed in the order.</p>	<p>Council provided monthly progress reports and gave the temporary adviser the opportunity to comment.</p> <p>A compliance report was received by the Minister on 13 July 2015.</p>	<p>FULL COMPLIANCE:</p> <p>Reports received by the Minister and the Office.</p>
Evidence to be provided	Documentary evidence to substantiate the actions taken and any improvements to Council's performance.	All evidence required to be provided has been provided.	Sufficient and appropriate evidence has been provided by Council.

Has the performance improvement order been implemented to the satisfaction of the Minister/Chief Executive?

In determining whether Council has implemented the order, the Office has noted that when the temporary advisor concluded on 1 July 2015 Council had adequately addressed each of the order requirements.

On this basis, the Office is satisfied that Council has complied with the required actions under the performance improvement order. The performance improvement order has been successful in improving the procurement systems in place at Council. Council's independent compliance reviewer found a high level of compliance with adopted procurement policies and procedures.

Is any further intervention required? If yes, recommended intervention action to be specified

No.