
Shire of Kalamunda

Audit Committee

Minutes for 2 April 2012

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MINUTES

1.0 OFFICIAL OPENING

1.1 The Chairman opened the meeting at 4.50pm and welcomed Councillors, Staff and Patrick Holmes from Deloitte. At 4.55pm Martin Langridge, also from the Deloitte company, arrived and the Chairman acknowledged him.

2.0 ATTENDANCE, APOLOGIES AND LEAVE OF ABSENCE PREVIOUSLY APPROVED

2.1 Attendance

Councillors

Dylan O'Connor	(Chairman), North West Ward
Donald McKechnie	(Shire President), North Ward
Margaret Thomas	North Ward
Allan Morton	(Deputy Shire President) South West Ward
Justin Whitten	South West Ward
Martyn Cresswell	North West Ward

Members of Staff

James Trail	Chief Executive Officer
Rhonda Hardy	Director of Corporate and Community Services
Darrell Forrest	Manager Governance
Peter Hayes	Manager Business and Strategy
Steve McKay	Manager Property and Procurement
Meri Comber	Governance Officer

Observer

Noreen Townsend (5.17pm)	South East Ward
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2.2 Apologies

Nil.

2.3 Leave of Absence Previously Approved

Nil.

3.0 CONFIRMATION OF MINUTES OF PREVIOUS MEETING

3.1 That the Minutes of the Audit Committee Meeting held on 24 October 2011 are confirmed as a true and correct record of the proceedings.

Moved: **Cr Margaret Thomas**

Seconded: **Cr Justin Whitten**

Vote: **CARRIED UNANIMOUSLY (6/0)**

4.0 ANNOUNCEMENTS BY THE PERSON PRESIDING WITHOUT DISCUSSION

4.1 Nil.

5.0 DISCLOSURE OF INTERESTS**5.1 Disclosure of Financial and Proximity Interests**

- a. Members must disclose the nature of their interest in matters to be discussed at the meeting. (Sections 5.60B and 5.65 of the *Local Government Act 1995*.)
- b. Employees must disclose the nature of their interest in reports or advice when giving the report or advice to the meeting. (Sections 5.70 and 5.71 of the *Local Government Act 1995*.)

5.1.1 Nil.

5.2 Disclosure of Interest Affecting Impartiality

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

5.2.1 Nil.

6.0 REPORT TO COUNCIL

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

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

04. Report on the Kalamunda Water Park and Shire Purchasing Policy

Previous Items	Nil
Responsible Officer	Director of Corporate and Community Services
Service Area	Finance
File Reference	
Applicant	N/A
Owner	N/A
Confidential Attachment 1	Draft Report - Investigation of Kalamunda Water Park and Shire Purchasing Policy <u>Reason for Confidentiality</u> – Local Government Act 1995 Section 5.23(2)(c), "A contract entered into, or which may be entered into, by the local government and which relates to a matter to be discussed at the meeting."

PURPOSE

1. To consider a draft Report on the Kalamunda Water Park and Shire Purchasing Policy prepared by Deloitte.

BACKGROUND

2. Expenditure on the major refurbishment of the Kalamunda Water Park exceeded the original contract and budget estimate by approximately \$1.46 million.
3. The Chief Executive Officer and Directors considered it prudent for a Forensic Audit to be undertaken on the Kalamunda Water Park to determine:
 - a) That the expenditure incurred was bona fide.
 - b) The reasons for the over expenditure.
 - c) Whether the principal contractors complied with the terms of their contract and tender.
 - d) Whether there is a potential claim against the principal contractor of the project for recovery of over expenditure.
 - e) Whether council policy and procedures were properly followed to prevent unauthorised expenditure from occurring.
4. Five audit firms were approached to provide quotations for a Forensic Audit of the Kalamunda Water Park. Two quotes were received and Deloitte's were appointed.

DETAILS

5. Deloitte issued a draft report on the 19 March 2012 for consideration by the members of the Audit Committee. The report includes a number of key findings and recommendations.

STATUTORY AND LEGAL IMPLICATIONS

6. Conformity with Section 3.57 of the *Local Government Act 1995* and Part 4 Tendering for providing goods or services under *Local Government (Functions and General) Regulations 1996*

POLICY IMPLICATIONS

7. Compliance with Purchasing Policy (Policy Number – PUR 1)

PUBLIC CONSULTATION/COMMUNICATION

8. Nil.

FINANCIAL IMPLICATIONS

9. Cost of the Forensic Audit of \$35,000 (excluding GST) is unbudgeted expenditure.
10. Over expenditure of approximately \$1.46m on the swimming pool and the cost of the Forensic Audit is being addressed as part of the budget review.

STRATEGIC AND SUSTAINABILITY IMPLICATIONS

Strategic Planning Implications

11. Nil.

Sustainability Implications

Social Implications

12. Nil.

Economic Implications

13. Nil.

Environmental Implications

14. Nil.

OFFICER COMMENT

15. To consider key findings and recommendations of the Report on the Kalamunda Water Park Project and Shire Purchasing Policy prepared by Deloitte.

Patrick Holmes gave a verbal account of the contents of the Forensic Report prepared by Deloitte which was commissioned to examine the reasons and causes for the over-expenditure with this project.

Councillors asked for clarification on several points. One of several potential reasons given for the over spend was that the scope of the work goes beyond the scope of services to be provided under the respective Panel contracts.

Panel suppliers are required under their contract terms to submit monthly invoices with a minimum prescribed level of detail. Not all Panel suppliers had provided the level of detail required. These Panel suppliers will be requested to provide the details; a Councillor asked what action can be taken if the Shire of Kalamunda are not happy with the response. This question was taken on notice.

OFFICER RECOMMENDATION (AU 04/2012)

That Council:

1. Receives the report on the Kalamunda Water Park and Shire Purchasing Policy prepared by Deloitte.
2. The Chief Executive Officer implements the recommendations in the report.

Moved: **Cr Margaret Thomas**

Seconded: **Cr Donald McKechnie**

Vote: **CARRIED UNANIMOUSLY (6/0)**

7.0 QUESTIONS BY MEMBERS WITHOUT NOTICE

7.1 Nil.

8.0 QUESTIONS BY MEMBERS OF WHICH DUE NOTICE HAS BEEN GIVEN

13.1 Nil.

9.0 URGENT BUSINESS APPROVED BY THE PERSON PRESIDING OR BY DECISION

9.1 Nil.

10.0 CLOSURE

There being no further business, the Chairman declared the meeting closed at 5.27pm and thanked the representatives from Deloitte for attending.

I confirm these Minutes to be a true and accurate record of the proceedings of this Committee.

Signed: _____
Chairman

Dated this _____ day of _____ 2012