



**The Hon Tony Simpson MLA
Minister for Local Government; Community Services;
Seniors and Volunteering; Youth**

Our Ref: 49-04381

Hon Simon O'Brien MLC
Chairman
Standing Committee on Environment and Public Affairs
Parliament House
PERTH WA 6000

Dear Mr O'Brien *Simon*

PETITION NO 37 - INITIATE JUDICIAL INQUIRY INTO THE SHIRE OF CARNARVON

Thank you for your correspondence dated 26 June 2014 regarding the Standing Committee on Environment and Public Affairs undertaking preliminary inquiries into a petition received from Mr Paggi and Mr Fidock, electors of the Shire of Carnarvon in relation to a number of allegations of corruption, serious misconduct and deficient processes at the Shire. These allegations centre on construction projects, tendering, purchasing and general administrative matters.

To assist the Standing Committee in their preliminary inquiries into this matter, I have sought the advice of my Department of Local Government and Communities, who have significant knowledge of these issues. The Department has advised that the issues raised in the petition, with the exception of the petitioner's assertion that he was requested to keep quiet about the matters, have been the subject of independent investigation by three separate government agencies. Each of these agencies has independently come to the determination that, while there have been examples of poor practice at the Shire, there were no matters that should reasonably be the subject of any prosecution or indeed findings or opinions of misconduct, or serious misconduct, by councillors or Shire employees.

I have attached a synopsis of the involvement and actions of the Department and other agencies the Department has interacted with in regard to this matter.

Accordingly, in light of the attached, it is my Department's and my view that these matters have been fully investigated. I further trust that the information provided will be of assistance to the Standing Committee in their deliberations on this matter.

Yours sincerely

HON TONY SIMPSON MLA
**MINISTER FOR LOCAL GOVERNMENT; COMMUNITY SERVICES;
SENIORS AND VOLUNTEERING; YOUTH**

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21 JUL 2014

STANDING COMMITTEE ON ENVIRONMENT AND PUBLIC AFFAIRS – PETITION NO 37 – INITIATE JUDICIAL INQUIRY INTO THE SHIRE OF CARNARVON

SYNOPSIS OF ACTIONS TAKEN BY THE DEPARTMENT OF LOCAL GOVERNMENT AND COMMUNITIES AND OTHER AGENCIES WITH WHICH THE DEPARTMENT HAS INTERACTED IN REGARD TO THIS MATTER

In early 2013, the Department of Regional Development engaged Deloitte to conduct a performance audit of the financial management of the 'Royalties for Regions' funding used in construction works and other issues. The audit revealed the existence and use of inadequate financial controls and process issues with the tendering and contract management at the Shire of Carnarvon.

In May 2013, the then Department of Local Government commenced an assessment of the concerns raised in the audit process and additional matters raised by the electors in relation to tender and purchasing matters at the Shire. As a result of this assessment, concerns were identified in regard to the following areas of operation at the Shire:

- Tender for Provision of Waste Services;
- Tender for Supply of Premix Concrete;
- Tender for Robinson Street and Surrounds Revitalisation – Main Street Upgrades;
- Tender for Carnarvon Fascine Revitalisation Project; and
- general record keeping and recording matters.

As there was a general suspicion that these issues may relate to possible misconduct of public officers, the Department was obligated to refer these issues on to the Corruption and Crime Commission (the CCC).

On 31 May 2013, the Department met with the CCC in relation to this referral and it was determined that the CCC would conduct its own investigation of the alleged tender and misconduct issues, while the Department would simultaneously focus on the matters relating to the Shire's statutory compliance.

In order to identify the full scale of probity and compliance issues at the Shire, the Department undertook a Probity Compliance Audit at the premises of the Shire. The scope of this audit included examination of administrative and governance practices, procedures and best practice in relation to:

- procurement, purchasing and tender processes;
- council decision-making structure and practices;
- standard and manner of general record keeping;
- statutory compliance in relation to the standard of information recorded and meeting processes;
- council policies with regard to both review and relevancy; and
- financial management processes.

At the conclusion of the CCC investigation, the Department was advised that there were no instances identified relating to corruption or serious misconduct and that, therefore, there was no basis for the CCC to take any further action in relation to any councillor or employee of the Shire in relation to the matters. Significantly, the CCC did not refer any matters back to the Department that may relate to lesser matters of misconduct for investigation.

At the conclusion of the Department's examination of the administrative and governance practices and procedures at the Shire, a report was compiled which identified 26 recommendations to improve the governance. These recommendations were accepted by the Shire and, to date, 23 of these recommendations have been implemented in full and the remaining three are approaching full implementation.

In addition to the above information, the following may also be of assistance to the Standing Committee in its deliberations:

- During the various Inquiries undertaken at the Shire, it was determined that the purchase of steel for the Fascine redevelopment project was restricted to a single supplier who held a monopoly over the supply within WA. This sole supplier operated a strict regional price policy that grossly inflated the price required to be paid by the Shire. Concerns relating to this policy have been forwarded to the Australian Competition and Consumer Commission for their consideration and investigation.
- Since the commencement of this process, the senior management structure at the Shire has significantly changed in personnel with almost all of the positions now held by new officers, including the position of Chief Executive Officer.
- The Department has been monitoring the implementation of the administrative and governance processes of the Shire throughout the last two years and continues to do so to ensure full implementation of the Probity Compliance Audit recommendations.
- I am advised by my Department that the issues raised in this petition have been separately reported and are under examination by another statutory authority under specific legislative requirements and that process is still ongoing.