

TOWN OF BASSENDEAN

NOTICE OF THE MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE

Dear Committee Member

In accordance with regulation 12(2) and 14D of the *Local Government (Administration) Regulations 1996*, public notice is hereby given that due to the public health emergency arising from the COVID-19 Pandemic, the Audit and Governance Committee will be held by electronic means on Wednesday 3 June 2020, commencing at 5.30pm.



Ms Peta Mabbs
CHIEF EXECUTIVE OFFICER

26 May 2020

A G E N D A

1.0 **DECLARATION OF OPENING; ANNOUNCEMENT OF VISITORS; ACKNOWLEDGEMENT OF COUNTRY**

Acknowledgement of Traditional Owners

The Town of Bassendean acknowledges the past and present traditional owners of the land on which we gather to conduct this meeting, and pays its respects to their Elders, both past and present.

2.0 **ANNOUNCEMENTS BY THE PRESIDING PERSON WITHOUT DISCUSSION**

3.0 **ATTENDANCES, APOLOGIES AND APPLICATIONS FOR LEAVE OF ABSENCE**

4.0 **DECLARATIONS OF INTEREST**

5.0 **PRESENTATIONS OR DEPUTATIONS**

6.0 **CONFIRMATION OF MINUTES**

6.1 **Audit and Governance Meeting held on 11 March 2020**

OFFICER RECOMMENDATION – ITEM 6.1

That the minutes of the Audit and Governance Committee meeting held on 11 March 2020, be confirmed as a true record.

7.0 **BUSINESS DEFERRED FROM PREVIOUS MEETING**

8.0 **REPORTS**

8.1 **Audit Risk Register (Paul White, Director Corporate Services)**

APPLICATION

The purpose of this report is to provide the Committee with the Town's Audit Risk Register – High Level Report, with updated actions since the last meeting of the Committee.

ATTACHMENTS

Confidential Attachment 1:

Audit Risk Register – High Level Report

BACKGROUND

The Town engaged its internal auditor Moore Stephens to review the appropriateness and effectiveness of the Town's systems and procedures in relation to risk management, internal controls and legislative compliance pursuant to Regulation 17 of the *Local Government (Audit) Regulations 1996*.

The Moore Stephens report, “Review of Risk Management, Internal Controls and Legislative Compliance”, was tabled at the Audit and Governance Committee meeting on 7 August 2019. Moore Stephens recommended that:

“An Audit Log of outstanding audit recommendations should be developed to enable tracking of open items for timely completion. The Audit Log should be presented to each Audit & Governance Committee meeting for oversight by Committee members.”

STRATEGIC IMPLICATIONS

Objectives <i>What we need to achieve</i>	Strategies <i>How we're going to do it</i>	Measures of Success <i>How we will be judged</i>
5.1 Enhance organisational accountability	5.1.1 Enhance the capability of our people	Community / Stakeholder Satisfaction Survey (Governance)
	5.1.2 Ensure financial sustainability	Compliance Audit
	5.1.3 Strengthen governance, risk management and compliance	Risk Management Profile
	5.1.4 Improve efficiency and effectiveness of planning and services	Financial Ratio Benchmarked.
	5.1.5 Ensure optimal management of assets	Asset Ratio Benchmarked

STATUTORY REQUIREMENTS

Local Government (Audit) Regulations 1996, Regulation 17, states:

17. CEO to review certain systems and procedures

- (1) The CEO is to review the appropriateness and effectiveness of a local government’s systems and procedures in relation to —
 - (a) risk management; and
 - (b) internal control; and
 - (c) legislative compliance.
- (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.

The CEO is to report to the Audit Committee the results of that review.

FINANCIAL CONSIDERATIONS

Action required to address some audit recommendations may require the Town to engage external consultants. Any necessary engagements will be governed by the Town's Purchasing Policy and Procurement Guidelines.

COMMENT

The Audit Risk Register – High-Level Report presents a summary of the audit risks and recommendations made in recent internal and external audit reports relating to the Town and provides an update on actions taken to address those recommendations.

The Audit Risk Register – High-Level Report will be updated and provided for each meeting of the Committee.

OFFICER RECOMMENDATION – ITEM 8.1

That the Audit and Governance Committee receives the Confidential Audit Risk Register – High-Level Report.

Voting requirement: Simple majority

8.2 Annual Audit of the Financial Report for 2019-20 – Audit Planning Memorandum (Ref: Paul White, Director Corporate Services)

APPLICATION

The purpose of this report is to provide the Committee with the Audit Planning Memorandum for the audit of the Town's Financial Report for 2019-20.

ATTACHMENTS

Attachment No. 1:

Town of Bassendean Audit Planning Memorandum, RSM Australia 30 June 2020

BACKGROUND

The Auditor General became responsible for the Town's external audit for the 2018-19 financial year. The Auditor General may contract out the audit but maintains overall responsibility for the audit and the audit opinion. The Town's audit last year was performed by Macri Partners. The Auditor General has appointed RSM Australia (RSM) as the Town's auditors for the next three years.

RSM has provided the attached Audit Planning Memorandum (APM) to brief the Audit Committee on the proposed approach by RSM. The APM outlines the:

- key deliverables from the audit
- process including key meetings
- terms of the engagement
- role of the Auditor General
- audit approach and key focus areas
- significant risk areas
- disclosures
- controls
- fraud risk.

RSM also propose to engage an Information System Auditor specialist to assess the risk of material misstatement imposed by the Information Technology environment

STRATEGIC IMPLICATIONS

Objectives <i>What we need to achieve</i>	Strategies <i>How we're going to do it</i>	Measures of Success <i>How we will be judged</i>
5.1 Enhance organisational accountability	5.1.1 Enhance the capability of our people	Community / Stakeholder Satisfaction Survey (Governance) Compliance Audit Risk Management Profile Financial Ratio Benchmarked. Asset Ratio Benchmarked
	5.1.2 Ensure financial sustainability	
	5.1.3 Strengthen governance, risk management and compliance	
	5.1.4 Improve efficiency and effectiveness of planning and services	
	5.1.5 Ensure optimal management of assets	

STATUTORY REQUIREMENTS

Local Government Act 1995

6.4. Financial report

- (1) A local government is to prepare an annual financial report for the preceding financial year and such other financial reports as are prescribed.
- (2) The financial report is to —
 - (a) be prepared and presented in the manner and form prescribed; and
 - (b) contain the prescribed information.
- (3) By 30 September following each financial year or such extended time as the Minister allows, a local government is to submit to its auditor —
 - (a) the accounts of the local government, balanced up to the last day of the preceding financial year; and
 - (b) the annual financial report of the local government for the preceding financial year.

Local Government (Financial Management) Regulations 1996

The Regulations specify the required content of the annual financial report prepared under section 6.4 of the *Local Government Act 1995*.

Local Government Act 1995

7.12AB. Conducting a financial audit

The auditor must audit the accounts and annual financial report of a local government at least once in respect of each financial year.

7.12AD. Reporting on a financial audit

- (1) The auditor must prepare and sign a report on a financial audit.
- (2) The auditor must give the report to —
 - (a) the mayor, president or chairperson of the local government; and
 - (b) the CEO of the local government; and
 - (c) the Minister.

Local Government (Audit) Regulations 1996

10. Report by auditor

- (1) An auditor's report is to be forwarded to the persons specified in section 7.9(1) within 30 days of completing the audit.
- (2) The report is to give the auditor's opinion on —
 - (a) the financial position of the local government; and
 - (b) the results of the operations of the local government.
- (3) The report is to include —
 - (a) any material matters that in the opinion of the auditor indicate significant adverse trends in the financial position or the financial management practices of the local government; and
 - (b) any matters indicating non-compliance with Part 6 of the Act, the Local Government (Financial Management) Regulations 1996 or applicable financial controls in any other written law; and
 - (c) details of whether information and explanations were obtained by the auditor; and
 - (d) a report on the conduct of the audit; and
 - (e) the opinion of the auditor as to whether or not the following financial ratios included in the annual financial report are supported by verifiable information and reasonable assumptions —
 - (i) the asset consumption ratio; and

(ii) the asset renewal funding ratio.

(4A) In subregulation (3)(e) —

asset consumption ratio has the meaning given in the Local Government (Financial Management) Regulations 1996 regulation 50(2);

asset renewal funding ratio has the meaning given in the Local Government (Financial Management) Regulations 1996 regulation 50(2).

(4) Where it is considered by the auditor to be appropriate to do so, the auditor is to prepare a management report to accompany the auditor's report and to forward a copy of the management report to the persons specified in section 7.9(1) with the auditor's report.

FINANCIAL CONSIDERATIONS

Funds for the audit of the Town's annual Financial Report have been set aside in the Annual Budget for 2020-21.

COMMENT

The Director Corporate Services and Manager Finance had a pre-planning meeting with RSM on 30 March 2020 to review and update the audit approach and plan. The first touch point with Councillors is normally the entrance meeting to discuss the APM. However, due to the COVID-19 pandemic, the Town and RSM agreed instead that the APM would be tabled at a Council meeting.

Significant accounting issues and audit findings, if any, noted during the final audit will be discussed with the CEO, Auditor General and RSM at the Final Audit Closing Meeting. If there are significant, unresolved matters, then a meeting will also be held with the Audit and Governance Committee.

The Audit Exit Meeting will be held with the Audit and Governance Committee and will mainly cover the presentation and discussion of the audit closing report, which will outline any significant audit related matters concerning the financial report, management letters and improvement suggestions for future audits. The Audit Exit Meeting is expected to be held in November 2020.

OFFICER RECOMMENDATION – ITEM 8.2

That the Audit and Governance Committee receives the RSM Audit Planning Memorandum.

Voting requirement: Simple majority

8.3 Internal Audit Schedule (Ref: Paul White, Director Corporate Services)

APPLICATION

The purpose of this report is to provide the Committee with the draft internal audit schedule for 2021-23 for review.

ATTACHMENTS

Attachment No. 2:

Internal Audit Schedule 2021-23

BACKGROUND

The Town appointed Moore Stephens as its internal auditors from 1 October 2016 to 30 June 2020 (RFQ CO 324 2016-17).

Moore Stephens has undertaken many internal audit engagements for the Town during that period, including the recent audit of accounts payable and purchasing.

The Town proposes to conduct a new RFQ process for internal audit services for the three years ending 30 June 2021, 2022 and 2023.

STRATEGIC IMPLICATIONS

Objectives <i>What we need to achieve</i>	Strategies <i>How we're going to do it</i>	Measures of Success <i>How we will be judged</i>
5.1 Enhance organisational accountability	5.1.1 Enhance the capability of our people	Community / Stakeholder Satisfaction Survey (Governance)
	5.1.2 Ensure financial sustainability	
	5.1.3 Strengthen governance, risk management and compliance	Compliance Audit
	5.1.4 Improve efficiency and effectiveness of planning and services	Risk Management Profile

	5.1.5 Ensure optimal management of assets	Financial Ratio Benchmarked. Asset Ratio Benchmarked
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STATUTORY REQUIREMENTS

Local Government Act 1995

7.1A. Audit committee

- (1) A local government is to establish an audit committee of 3 or more persons to exercise the powers and discharge the duties conferred on it.

Local Government (Audit) Regulations 1996

16. Functions of audit committee

An audit committee has the following functions —

- (a) to guide and assist the local government in carrying out —
 - (i) its functions under Part 6 of the Act; and
 - (ii) its functions relating to other audits and other matters related to financial management;
- (b) to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;
- (c) to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to —
 - (i) report to the council the results of that review; and
 - (ii) give a copy of the CEO's report to the council;
- (d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —
 - (i) regulation 17(1); and
 - (ii) the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);
- (e) to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;
- (f) to oversee the implementation of any action that the local government —
 - (i) is required to take by section 7.12A(3); and
 - (ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and
 - (iii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and

- (iv) has accepted should be taken following receipt of a report of a review conducted under the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);
- (g) to perform any other function conferred on the audit committee by these regulations or another written law.
[Regulation 16 inserted: Gazette 26 Jun 2018 p. 2386-7.]

17. CEO to review certain systems and procedures

- (1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —
 - (a) risk management; and
 - (b) internal control; and
 - (c) legislative compliance.
- (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.
- (3) The CEO is to report to the audit committee the results of that review.

Local Government (Financial Management) Regulations 1996

- (2) *The CEO is to —*
 - (a) *ensure that the resources of the local government are effectively and efficiently managed; and*
 - (b) *assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and*
 - (c) *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 3 financial years) and report to the local government the results of those reviews.*

FINANCIAL CONSIDERATIONS

The Town includes anticipated internal audit expenditure in its annual budget.

COMMENT

Officers have reviewed the Town's risks for Finance and Information Technology activities and prepared the attached draft internal audit schedule for 2021-23, to test controls over those activities over the next three years.

Importantly, the internal audit schedule will test the control environment for the following proposed automation projects shortly after implementation:

- Payroll and employee leave;
- Purchasing and creditors; and
- Corporate credit cards.

The audit of IT controls is scheduled for year two, as a follow up to a current audit of general IT controls by RSM as part of the Town's annual audit overseen by the OAG.

OFFICER RECOMMENDATION – ITEM 8.3

That the Audit and Governance Committee recommends to Council that it adopt the draft internal audit schedule for 2021-23, as attached to this report.

Voting requirement: Simple majority

8.4 Procurement Process Improvements (Paul White, Director Corporate Services)

APPLICATION

The purpose of this report is to provide the Committee with an overview of recent improvements to procurement processes that have been introduced and implemented at the Town.

BACKGROUND

The Town's Audit Risk Register – High Level Report is tabled at each meeting of the Audit and Governance Committee.

The Audit Risk Register – High-Level Report presents a summary of the audit risks and recommendations made in recent internal and external audit reports relating to the Town and provides an update on actions taken to address those recommendations.

Many of these audit recommendations relate to procurement and contract management. The Town has taken a holistic approach to reforming its procurement and contract management practices and has commenced developing a Procurement and Contract Management Framework. This framework will, once completed, provide a comprehensive, integrated manual to govern all aspects of the Town's procurement and contract management activities, linking policy, procedures, workflow processes and forms to ensure effective procurement and contract management in compliance with all legislative requirements.

The Town has, over the past six months, made significant progress in developing this framework by introducing a range of improvements to procurement processes, aligned with best practice, to promote efficiency, improve governance and strengthen controls.

There remains much more to be done, however, the focus to date has been on the Town's higher value procurement activities, involving formal Request for Tender (RFT) and Request for Quote (RFQ) processes. Subsequent phases of the project will focus on lower level procurement (below \$60,000) and contract management.

The Procurement and Contract Management Framework is expected to be completed by the end of 2020.

STRATEGIC IMPLICATIONS

Objectives <i>What we need to achieve</i>	Strategies <i>How we're going to do it</i>	Measures of Success <i>How we will be judged</i>
5.1 Enhance organisational accountability	5.1.1 Enhance the capability of our people	Community / Stakeholder Satisfaction Survey (Governance) Compliance Audit Risk Management Profile Financial Ratio Benchmarked. Asset Ratio Benchmarked
	5.1.2 Ensure financial sustainability	
	5.1.3 Strengthen governance, risk management and compliance	
	5.1.4 Improve efficiency and effectiveness of planning and services	
	5.1.5 Ensure optimal management of assets	

STATUTORY REQUIREMENTS

*Local Government Act 1995
Local Government (Functions and General) Regulations 1996*

FINANCIAL CONSIDERATIONS

This report does not require a specific budget allocation, aside from a sum of \$8,000 per annum should the Town purchase the VendorPanel Pty Ltd product.

COMMENT

Procurement is usually defined as the process of finding and acquiring goods, services, or works from an external source. A typical procurement lifecycle consists of the following phases:

- Need identification, decision-making and specifications development;
- Documentation development and advertisement;
- Evaluation and validation; and
- Contract award and implementation.

The Town's primary objective for its procurement activities is to obtain the best value for money by securing the provision of goods and services of sufficient quality to meet its needs, at the lowest price.

The improvements to procurement processes introduced and implemented to date are listed below under the relevant phase of procurement activity.

Need Identification, Decision-Making and Specifications Development

A template for a 'Procurement Business Case' was introduced to assist business units (BUs) identify needs and options, conduct cost/benefit/risk analysis and develop an implementation strategy for the procurement.

A Contract Establishment Request form was developed to identify and capture BU objectives and establish the decision making process. This sets in motion the procurement process for any new or recurring requirement.

A detailed process map was produced to aid BUs visualise the entire procurement process.

A model timeline and 'Tender Deadline Schedule' was distributed to help BUs plan the procurement and comply with deadlines for submission of required documents to the Procurement Team.

The Procurement Brief for the CEO Bulletin was reviewed and updated.

Documentation Development and Advertisement Phase

RFTs and RFQs were categorised into separate tender packages for:

- Goods and services
- Construction
- Consultancy.

The Conditions of Tendering were reviewed and updated.

The Conditions of Contracts were reviewed and updated.

The Advertising process was streamlined by developing new templates for Tenderlink Notices and Market Force Advertisements.

An 'Approval to Issue RFT/RFQ Document' was developed to ensure the approval of the Contract Manager, BU and Director Corporate Services prior to tender advertisement.

Compliance and Qualitative Criteria were reviewed and updated to include new compliance criteria to minimise risk to the Town. 'Risk' was transferred from a qualitative criteria to a compliance criteria in recognition of its importance.

Evaluation and Validation

The existing 'Confidentiality and Disclosure Form' was updated.

An 'Evaluation Handbook' was developed to assist members of the Evaluation Panel evaluate tendered submissions in a consistent and equitable manner. The Handbook provides information on the evaluation process, timetable of events, how to evaluate submissions and procedural fairness.

The evaluation process was strengthened by adopting a 'two-stage' evaluation process under which tenderers are initially evaluated against the qualitative criteria, with the evaluation panel having no access to price information. Tenderers that meet the pre-determined qualitative threshold are eligible to progress to the second evaluation stage, being a price comparison. The Town will generally recommend Council award the contract to the tenderer with the lowest price once the qualitative threshold has been met.

A detailed 'Evaluation Worksheet' was developed to capture the individual panel member's comments and score for all compliance and qualitative criteria.

A 'Qualitative Criteria Matrix' was developed to capture and summarise the qualitative scores of the panel members and automate the selection of shortlisted tenderers above the qualitative threshold.

A 'Price Comparison Matrix' was developed to compare the lump sum price (for fixed rate/lump sum tenders) or the estimated financial value (for schedule of rates tenders) of the shortlisted tenderers.

The 'Reference Check' questionnaire was refined according to tender type (goods and services/ construction/ consultancy) and at least two reference checks made mandatory for any tender/quotation.

A Financial health check for the preferred tenderer has been made mandatory.

An OSH compliance check for the preferred tenderer has been made mandatory.

A new 'Evaluation and Recommendation Report' was developed to record the tender process and improve the information provided to Council.

Contract Award and Implementation

The Contract document was reviewed and updated.

Separate 'Letter of Award' for goods and services and construction contracts were developed.

Response letters to unsuccessful respondents were updated.

Feedback process to unsuccessful tenderers was established, including a new email template for unsuccessful tenderers seeking feedback on their tender submission.

The 'Tender Register' for publicly advertised tenders has been revised and made available on the Town's website.

The 'Contract Variation request' form was updated to include more financial and contractual information.

Other Changes

A new 'Sole Supplier Memo' was developed to capture the evidence and approval for the procurement of goods and/or services from only one private sector source of supply.

A new 'Management Agreement Extension Form' was developed for the extension of an expiring Agreement.

Next Steps

Standard Terms and Conditions for Purchase Orders are being developed. This ensures that lower value contracts are performed under the Town's terms and conditions, rather than those of the contractor. The Standard Terms and Conditions will be published on the Town's website shortly.

Local Suppliers

Council has indicated a strong desire to introduce measures to promote business with local suppliers and suppliers who engage local businesses and/or employ local residents. The Town, as part of its response to the COVID_19 pandemic has implemented a "Be a Loyal Local" campaign which provides a platform for local businesses to promote their goods and services to the community.

The Town's Procurement Team is currently researching options to incorporate local supplier measurements into RFT and RFQ processes in a transparent, consistent and measurable way to enhance the Town's ability to award contracts to local suppliers.

The Procurement Team is also examining options to implement a solution to help manage contract spend below the Town's RFQ threshold of \$60,000 through VendorPanel, which provides the WALGA eQuotes platform used extensively throughout Local Government.

Implementation of the VendorPanel Enterprise Solution may make it easier for staff to engage and source quotations from local suppliers using geolocation technology. The Town could set up its own preferred categorised supplier lists, invite local suppliers to submit quotations, evaluate submissions, award contracts, manage supplier compliance (insurance, license, registration and the like) and report and analyse procurement activity.

Automation of purchasing processes

The Town plans to automate its purchasing function in 2020, including corporate credit card approval and acquittal.

The Moore Stephens Internal Audit report on Accounts Payable and Purchasing (Agenda Item 9.4), highlighted a need for implementation of system controls to replace manual controls to strengthen the existing internal control environment. Moore Stephens recommended the Town consider upgrading the existing financial system to a more contemporary version including automated controls.

Finance officers consider the best approach is to upgrade the Town's financial system incrementally and plan to commence with the implementation of automated purchasing in 2020.

Moore Stephens identified through data analytics that 47 per cent of the Town's Purchase Orders were for less than \$500, representing only three (3) per cent of the Town's contract spend. Moore Stephens suggested the Town could gain purchasing efficiency by increasing the frequency of purchasing via credit card for purchases less than \$500.

The Town is currently working with its banker to implement an automated credit card approval and acquittal system to replace the current manual systems and will consider a shift in purchasing mix for small value purchases once that implementation is complete.

Review of Policy

The Town's Procurement Policy and Procurement Guidelines will be reviewed as part of the project to develop the Procurement and Contract Management Framework.

Moore Stephens identified that the Procurement Policy with respect to purchasing thresholds could be improved to align 'purchasing method required' with the level of risk commensurate with the purchasing activity.

The review of the Purchasing Policy will include a review of purchasing thresholds to ensure the thresholds are aligned to risk and the Purchasing Guidelines will be reviewed with a view to realising efficiency gains from a transition of low level spending to credit cards.

OFFICER RECOMMENDATION – ITEM 8.4

That the Audit and Governance Committee notes the improvements to procurement processes outlined in this report and the progress toward development of a Procurement and Contract Management Manual.

Voting requirement: Simple majority

8.5 Internal Audit – Accounts Payable and Purchasing, Moore Stephens, May 2020 (Ref: Paul White, Director Corporate Services)

APPLICATION

The purpose of this report is to provide the report prepared by the Town's internal auditors, Moore Stephens, following their audit of the Town's accounts payable and purchasing functions.

ATTACHMENTS

Attachment No. 3:

Internal Audit – Accounts Payable & Purchasing, Moore Stephens, May 2020

BACKGROUND

The internal audit of accounts payable and purchasing was conducted by Moore Stephens following Council endorsement of the Assurance Plan for 2019-20 at the Ordinary Council meeting on 27 August 2019.

The internal audit report outlines the objectives and scope of the audit, including the use of data analytics to identify high-risk transactions and other anomalies for further testing, and presents key findings and recommendations.

The audit found broad compliance with the Town's Purchasing Policy and Procurement Guidelines and found the manual operating controls in place support a culture of staff performing diligent reviews. However, the audit highlighted a need for implementation of system controls to replace manual controls to strengthen the existing internal control environment and recommended the Town consider upgrading the existing financial system to a more contemporary version including automated controls.

Moore Stephens also recommended the Town develop a Fraud and Corruption Control Plan to help ensure a strategic approach to mitigate fraud risk within the Town's risk appetite.

STRATEGIC IMPLICATIONS

Objectives <i>What we need to achieve</i>	Strategies <i>How we're going to do it</i>	Measures of Success <i>How we will be judged</i>
5.1 Enhance organisational accountability	5.1.1 Enhance the capability of our people	Community / Stakeholder Satisfaction Survey (Governance)
	5.1.2 Ensure financial sustainability	Compliance Audit
	5.1.3 Strengthen governance, risk management and compliance	Risk Management Profile
	5.1.4 Improve efficiency and effectiveness of planning and services	Financial Ratio Benchmarked.
	5.1.5 Ensure optimal management of assets	Asset Ratio Benchmarked

STATUTORY REQUIREMENTS

Local Government (Financial Management) Regulations 1996

5. CEO's duties as to financial management

- (3) Efficient systems and procedures are to be established by the CEO of a local government —
- (c) for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process); and
 - (e) to ensure proper authorisation for the incurring of liabilities and the making of payments;

...

FINANCIAL CONSIDERATIONS

The budget for the Town's internal audit program was included in the adopted Annual Budget for 2019-20.

COMMENT

Moore Stephens highlighted eleven (11) key findings and risks, seven (7) of which were said to represent a control weakness which may become more serious if not addressed (marked with a yellow dot in the report).

The Town is in agreement with Moore Stephens regarding the key findings and recommendations and will respond to the risks identified by taking comprehensive action in 2020-21, including:

- Automating its purchasing function
- Reviewing its Purchasing Policy and Procurement Guidelines
- Reviewing user access privileges
- Developing and implementing a fraud and corruption control plan
- Reviewing inactive and duplicate suppliers and bank accounts.

The audit identified through data analytics that 47% of purchase orders raised were for an amount of less than \$500, representing only 3% of purchasing spend. Moore Stephens recommended the Town consider increasing the use of credit cards for purchases up to \$500 to reduce the administration costs of low value purchase orders.

Following implementation of an automated credit card approval and acquittal system, the Town will review its purchasing guidelines with a view to shifting low-value purchases to credit cards.

The Audit Risk Register – High-Level Report will be updated to include the recommendations made by Moore Stephens in its accounts payable and purchasing report.

OFFICER RECOMMENDATION – ITEM 8.5

That the Audit and Governance Committee receives the Internal Audit – Accounts Payable and Purchasing report and notes the management comments included in that report.

Voting requirement: Simple majority

9.0 MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

10.0 ANNOUNCEMENTS OF NOTICES OF MOTION FOR THE NEXT MEETING

11.0 CONFIDENTIAL BUSINESS

12.0 CLOSURE

The next meeting is to be held on Wednesday, 5 August 2020, commencing at 5.30pm.