

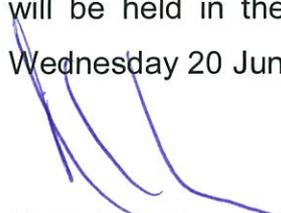
TOWN OF BASSENDEAN

NOTICE OF THE MEETING OF THE

AUDIT AND GOVERNANCE COMMITTEE

Dear Committee Member

The meeting of the Town of Bassendean's Audit and Governance Committee will be held in the Council Chamber, 48 Old Perth Road, Bassendean, on Wednesday 20 June 2018, commencing at 5.30pm.



Mr Bob Jarvis
CHIEF EXECUTIVE OFFICER

15 June 2018

A G E N D A

1.0 **DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS**

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

3.0 **DEPUTATIONS**

4.0 CONFIRMATION OF MINUTES

4.1 Audit and Governance Meeting held on 16 May 2018

OFFICER RECOMMENDATION – ITEM 4.1

That the minutes of the Audit and Governance Committee meeting held 16 May 2018, be confirmed as a true record.

5.0 ANNOUNCEMENTS BY THE PRESIDING PERSON WITHOUT DISCUSSION

6.0 DECLARATIONS OF INTEREST

7.0 BUSINESS DEFERRED FROM PREVIOUS MEETING

7.1 2017/18 Interim Audit – Macri & Partners (Ref: FINM/AUD1) Ken Lapham Manager Corporate Services

APPLICATION

The purpose of this report is to provide information on:

- The requirement and necessity of the Fraud and Error Statement to be signed by the Chairperson of the Audit and Governance Committee.
- Leave Entitlements for Staff

ATTACHMENTS

Attachment No. 1

2017/18 Fraud and Error Assessment

BACKGROUND

At the May 2018, Audit and Governance Committee meeting the Committee recommended to Council that it defers the signing of the Statement on the Fraud and Error Assessment and allow Officers to ascertain the necessity of the Statement.

Further to this committee requested an analysis on all outstanding leave entitlements be undertaken and forwarded to the Audit and Governance Committee including proposed strategies to reduce financial liability.

COMMENT

The Fraud & Error Assessment – Under the Australian Auditing Standards, Auditors have specific responsibilities to communicate with the Audit Committee.

Australian Auditing standard ASA240, *The auditors responsibilities relating to fraud in an audit of a financial report* and ASA 260 – *Communication with those charged with Governance* now makes it mandatory for Auditors to make enquiries of management and those charged with Governance (Audit Committee) regarding matters that are indicated on the template form.

The enquiries with those charged with Governance (Audit Committee) are made in part to corroborate the responses to the enquiries of Management.

The standard requires the Auditor to consider the risk that fraud could occur within the Council. This was undertaken during the Interim Audit visit which was held in March 2018.

The Statement is signed by the CEO as well as the Audit and Governance Committee Chairperson and on forwarded to the Auditor.

Following the May 2018 OCM, Staff contacted Auditors Macri Partners and were advised that:

The purpose of requesting the Management and the Audit Committee to complete the Fraud & Error Assessment Form is primarily for the Auditors to determine the nature, timing and extent of audit procedures in order to express an opinion on the financial report.

The Auditors are required to comply with the Auditing Standard ASA 240 – The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report, together with other auditing standards.

ASA 240 requires auditors to communicate with the management as well as those charged with governance about their knowledge on Fraud & Error prior to the commencement of the year end audit for the reasons given above.

Management is directly involved in the day to day operations of the Council. Hence, if a fraud had occurred in the Council at whatever level of hierarchy, the CEO is in a better position to get to know about it than the Audit Committee which is acting in an advisory capacity to the Board.

However, we as auditors appreciate a response to the questionnaire from the Audit Committee as well, purely because the Committee Members may get to know of any actual, suspected or alleged fraud through external parties in the form of whistle blowers.

The questions asked from the Audit Committee are straight forward. In response to question 3, they may state "No" if they are not aware of any frauds. However, what the Management and the Audit Committee must understand is, this audit process is carried out only to facilitate the designing of effective audit procedures to determine if there are material misstatements in the financial report as a consequence of fraud.

Non signing of the document will not affect the Audit Report. The Mayor may sign the document for the Audit Committee if the Chairperson believes she is not in a position to sign it due to the reasons given in your email.

Leave Entitlements

At the May 2016 Audit & Governance Committee, Members of the Committee, requested information on the employees leave entitlements; viz,

The Committee queried what processes are being implemented by management to ensure that annual leave accruals are being dealt with to reduce financial risk.

Town staff will report back on outstanding annual leave and proposed strategies, as soon as possible.

The Director of Corporate Services advised at the May 2018 meeting, that the Town has minimal financial risk exposure as the leave entitlements are funded through the "Employee Entitlement Reserve fund.

The following table shows the leave entitlements by Department. The Table provides information on Annual Leave and Long Service Leave:

• ASSET SERVICES	\$352,803
• CHILDREN'S SERVICES	\$ 54,313
• COMMUNITY DEVELOPMENT	\$ 28,187
• CORPORATE SERVICES	\$145,391
• DEVELOPMENT SERVICES	\$ 53,270
• ECONOMIC DEVELOPMENT	\$ 20,470
• GOVERNANCE	\$207,411
• LIBRARY SERVICES	\$ 90,983
• RANGER SERVICES	\$ 22,320
• SENIORS AND DISABILITIES	\$108,681
• VOLUNTEER CENTRE	\$ 2,884
• YOUTH SERVICES	\$ 54,385
TOTAL	<u>\$1,141,102</u>

The Leave Entitlement Reserve Fund current balance is \$1,013,653.

Directors and Managers continue to monitor the leave entitlements on a monthly basis and have ensured that the amount of leave is maintained to a manageable level as well as ensuring that the operations of the Town are not affected by Staff taking leave.

Accordingly, the assertion that the Town has an enormous leave liability is incorrect.

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

STATUTORY REQUIREMENTS

The Local Government Act 1995
Local Government (Financial Management Regs) 1996

FINANCIAL CONSIDERATIONS

Funding to meet costs associated with the External Audit are included in the 2017/18 Budget.

OFFICER RECOMMENDATION – ITEM 7.1

That the Audit and Risk Management Committee recommends that the Statement be signed and forwarded to the Auditors, Macri & Partners.

7.2 Notice of Motion – Cr Hamilton: Differential Rates (Ref: RAT&VAL/ENQS/1 – Ken Lapham, Manager Corporate Services)

APPLICATION

The purpose of this report is to provide additional information to Council on the implementation & application of differential based on the resolution from the May 2018 Audit and Governance Committee.

BACKGROUND

The Audit and Governance Committee recommended to Council (and was accepted by Council) that staff provide a report identifying the number of vacant lots, including zonings, and undertake an analysis of differential rating for those properties.

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

COMMENT

The Town rate base of 7140 properties consist of the following:

- 5770 GRV Rated Properties
- 1370 GRV Minimum Rated property's.

There are only 200+ properties that are vacant or approximately 2.8% of the rateable properties.

The overall objective of imposing rates & charges in the Town is to provide for the funding requirement to meet the councils operational & capital requirements.

Differential Rates

The purpose and reasoning of imposing a differential general rate between improved and vacant properties (all rated on GRV valuations) is to obtain a fair income from unimproved land within that particular category.

In regards to vacant land, there are no additional services that are provided to land owners that would justify them paying a higher rate.

Council would also be required to provide information that would substantiate the budget deficiency that occurred and the requirement to levy a differential rate to recover the additional costs associated with the properties.

Based on assumption that the current rate in the dollar (\$0.07165) double and be applied to all vacant properties, the following would apply:

- 16 vacant properties would remain on the current minimum rate, due to low valuations.
- 139 vacant properties that are currently attracting a minimum rate would move to a higher rate and incur increases up to 90%.
- 48 vacant properties that are currently attracting a minimum rate would move to a higher rate and incur increases from 90% to 100%.

Given the above details there is not a strong case to impose a special differential rate on vacant land.

STATUTORY REQUIREMENTS

Section 6.33 of the Local Government Act 1995 sets out the provisions in relation to differential rating.

Section 6.36 of the Local government Act requires that if the Town is going to apply differential rating it must advertise the differentials it intends to apply with local public notice for a period of 21 days and invite submissions in relation to the proposed differentials.

A document (Objects & reasons) is required to be made available for inspection by electors and ratepayers that describes the objects of, and reasons for each proposed rate and minimum payment.

The advertising may be published within a period of 2 months preceding the commencement of the financial year to which the proposed rates are to apply on the basis of the local government's estimate of the budget deficiency.

The Town is then required to consider any applications received and may make a final resolution in relation to the setting of the rates in the \$ and the adoption of the budget.

FINANCIAL CONSIDERATIONS

The Town currently levies a general rate to all properties of \$0.07165 cents and a minimum rate of \$1,085. The general rates levied for the 2017/18 consists of the following :

- General Rate (7.165) that will raise \$ 11,329,482
- Minimum rate (\$1,085) will raise \$ 1,484,280

OFFICER RECOMMENDATION — ITEM 7.2

That Council continues to impose a general rate in the dollar for all rateable properties within the Town of Bassendean.

8.0 REPORTS

8.1 Notice of Motion – Cr Hamilton: Monthly Payments Lists

APPLICATION

The purpose of this report is to address a Notice of Motion from Cr Hamilton to the May OCM which was referred to the Audit and Governance Committee.

ATTACHMENT

Local Government Alert – Moore Stephens

BACKGROUND

At the May 2018 OCM Cr Hamilton provided the following Notice of Motion:

That Council:

- 1. Reaffirms its commitment to transparent and accountable organisational processes; and*
- 2. Directs staff to re-instate the process of making the list of Accounts for Payment publicly available each month via the agenda attachments to Ordinary Council Meetings.*

Cr Hamilton provided the following comments in support of the Notice of Motion:

An April change in procedure implemented by the Town's Administration abolished the publication of the monthly Payments Lists in OCM attachments.

The Town's Administration indicated this action was taken after receipt of a newsletter some time ago from firm Moore Stephens.

Having now read the Moore Stephens Newsletter, I note it states (on the last page) that the two local Councils that fell victim to fraud had "Internal processes that were either not strong enough or not followed completely." Inquiries of our Administration have assured Council that both our internal processes and procedures are entirely adequate.

I also note on the first page of the same newsletter that Moore Stephens were “advocating to the Department of Local Government and Communities (in the interests of increased fraud control) to have Financial Management Regulations amended to only require the list to be presented to Council and not be required to form part of the official record”. To date the Department of Local Government and Communities and Minister Templeman have not indicated any intent to implement such a change. The State Government has consistently promoted a desire for more transparency in the Local Government sector.

I have completed a quick random search of recent Agendas from various other Councils and it would seem that most adhere to the standard methodology of publishing the monthly list of payments made under Delegated Authority in their OCM attachments. Consequently I request a return to this process for reasons of transparent engagement with our community

Staff included the following comments:

This matter refers to the List of Accounts that have been removed from the website to reduce the risk to the Town where information included in the report is being used by “unknown” people and who have scammed a considerable amount of funds from WA Local Governments.

The Internal Auditor and External Auditor have recommended this process through an alert to all local governments. A copy of the Alert from Moore Stephens is included as attachment.

Staff recommend that Council does not ignore the advice from its Auditors. Further, there is ongoing discussion with the Department of Local Government to amend the Regulations and remove the need to publish the List of Accounts.

In regards to the “open and transparency” issue, This document (Schedule of Accounts) remains “Available to the Public” - All that is required is the member who wishes to view that they contact the office requesting that they wish to view a copy, of which they can do under s5.94.of the Local Government Act. In the past 10 years, the Town has not received any requests for copies of the List of Accounts, nor has there been an enquiry from the public about the List of Accounts.

A copy will be attached to the minutes, which means that under 5.94(n), its still available for inspection.

The current method of providing the list to Councillors to receive by the portal and provided to the public on request, is a way of reducing the risk to the Town.

Staff have made the change to reduce the risk to the Town and Staff cannot support the suggested change, however, if Council considers it appropriate, it can refer this matter to the Audit and Governance Committee for its consideration and resolve.

Council resolved to refer the matter to the Audit Committee.

Again, Staff would be concerned if Council did not adhere to the advice provided by its External and Internal Auditors. The advice specifically addressed the concern relating to the fraud risk to Council. Staff urge Council **not to** change the manner of presenting the List of Account.

OFFICER RECOMMENDATION — ITEM 8.1

That the Audit and Governance Committee receives the information on the List of Accounts and recommends to Council that it adheres to the Auditor's advice of excluding the List of Accounts in the Agenda Attachments.

9.0 MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

9.1 Notice of Motion – Cr Hamilton: Contractors

Cr Hamilton has advised that she wishes to move the following motion at this meeting:

“That the Audit and Governance Committee requests staff to prepare a report for the next Committee meeting that outlines the following:

- 1. The processes utilised to review the quality of goods and services delivered by contractors, service providers and consultants engaged by the Town of Bassendean;*
- 2. Provision of a list of contractors, service providers and consultants utilised by the Town of Bassendean for a period in excess of seven years to the current financial year; and*
- 3. The process that guides the frequency and manner of reviewing the pricing structure of any such long term supplier in comparison to other suppliers and consultants;*

4. *Identify any cumulative expenditure with a single supplier which, over three financial years exceeds or is expected to exceed \$150,000 (excluding GST) on the purchase of goods and services; and/or \$200,000 (excluding GST) on the carrying out of works."*

Strategic Priority 5: Good Governance

- 5.1 Enhance organisational accountability
- 5.1.2 Ensure financial sustainability
- 5.1.3 Strengthen governance, risk management and compliance

Background – Cr Hamilton

Regular and timely reviews of procedures should be undertaken to ensure Council receives goods, services or works to the required standards of quality and quantity, and that Council Staff use commercially robust contracts to describe Council's intention and administer each contract competently. This is achieved in part by:

- Monitoring supplier performance;
- Measuring the implementation of the procurement process against budget parameters
- Ensuring defects or variances to procurement objectives are identified and prompt remedial action is taken;
- Implementing strategies that avoid unnecessary consumption and drive improvement in procurement to eliminate waste and inefficiencies across key spend categories;
- Strengthening Council's identification of potential risk factors and the management of underperforming suppliers by providing a means for the early recognition of issues and performance problems.

In respect to Cumulative Spend:

Many Councils monitor cumulative spend with suppliers at least annually. If expenditure with a single supplier or a number of suppliers providing similar goods, services or works is ongoing in nature and the cumulative spend is likely to exceed the legislated threshold over a three year period, then Council may consider reviewing the opportunity to pursue a contract for such goods, services or works through a competitive process.

Regular reviews and assessments of long term suppliers is desirable.

The City of Perth Procurement Policy: Purchasing Thresholds, Item 4.2 states:

In determining the purchasing value, the following considerations are to be taken into account:

The extent to which it could reasonably be expected that the City will continue to purchase a particular category of goods, services or works and what total value is or could be reasonably expected to be purchased; and

Where the value is expected to be in the vicinity of \$150,000 over a three year period, a tender process must be undertaken. The determination of the commencement of a tender process shall be in collaboration with the relevant business unit and the Finance Unit.

Use of Spend Map by some Councils:

The accounts payable data in a council "Spend Map" is grouped according to the category of goods and services being purchased. Expenditure is mapped against procurement categories to complement the traditional departmental budget format. This spend map enables the consistent analysis of the total spend on common goods and services used across multiple departments.

Within each category, spend is further categorised by suppliers to allow the identification of common suppliers across multiple council departments.

I would suggest that it would be advantageous for the Audit and Governance Committee to be provided with such a Spend Map on a quarterly basis.

Town of Bassendean Purchasing Policy 6.16

<http://www.bassendean.wa.gov.au/Profiles/bassendean/Assets/ClientData/Document-Centre/Policies/Leadership and Governance.pdf>

OFFICER COMMENT

The Town has a procurement procedure that is reviewed on an annual basis. This document is linked to the Council Purchasing policy and is an operational document that is used by all Staff within the Town that have authority to purchase goods and services. A copy of the amounts and the quote and tender requirements is attached.

The document is used by Internal and External Auditors to audit the processes that are in place and particularly to ensure that (not limited to):

1. The correct number of quotes are obtained;
2. Whether an RFQ needs to be advertised;
3. Whether WALGA preferred suppliers can be used; or
4. Whether there is a requirement to advertise for tenders for projects that exceed \$150,000.

Staff do use a report (also used by the ATO) to ensure that any supplier spend, complies with the requires of the Tender Regulations and the Local Government Act.

The Notice of motion requires that this report be provide on a quarterly basis, however, there is little value in the report being provided to the Committee as this is an operational report and monitored by qualified Staff and Auditors.

Any matters that are raised by the Auditor are then referred to the Audit & Governance Committee.

Note: Councillors are entitled to documents that would assist in their responsibilities and for the good governance of the district. Council also set the policies for the Town, The CEO is responsible for the financial management (Clause 6.10 of the Local Government Act). Therefore, it is difficult to understand exactly how providing these documents to the Audit and Governance Committee would be considered "good governance" of the district given that procurement procedures are very well monitored by qualified Staff and Auditors.

Accordingly, Staff believe the Notice of motion is not required.

10.0 ANNOUNCEMENTS OF NOTICES OF MOTION FOR THE NEXT MEETING

11.0 CLOSURE

The next meeting is to be held on Wednesday, 8 August 2018, commencing at 5.30pm.

MACRI PARTNERS

**2018 FRAUD & ERROR
ASSESSMENT**

TOWN OF BASSENDEAN

Explanatory Information

The purpose of this form is to contribute towards the effective two-way communication between auditors and the Council's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make enquiries of the Audit Committee under auditing standards.

Background

Under the Australian Auditing Standards, auditors have specific responsibilities to communicate with the Audit Committee.

Australian Auditing Standards ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report* and ASA 260 *Communication with Those Charged with Governance* now make it mandatory for auditors to make enquiries of management and those charged with governance (audit committees) regarding matters that are indicated in the template form. The enquiries with those charged with governance (audit committees) are made in part to corroborate the responses to the enquiries of management.

Respective Responsibilities

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Audit Committee's oversight to address fraud risk.

This form includes a series of questions on each area with provision for responses from both management and the Audit Committee.

We suggest that Management complete the relevant sections before submitting these responses to the Audit Committee.

The Audit Committee should consider whether these responses are consistent with its understanding, before completing the relevant sections applicable to them.

Fraud and Error Assessment – Management

TOWN OF BASSENDEAN

FOR THE YEAR ENDING 30 JUNE 2018

1. Has management assessed the risk of material misstatement in the financial statements due to fraud? What are the results of this process?

Response:

Management has made an assessment to ensure that the annually adopted accounting policies continue to be appropriate to the Towns circumstances and if they have been consistently applied and adequate disclosure has been undertaken.

The reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements is undertaken on a regular monthly basis. Council also undertakes the required budget review process to ensure that the originally adopted accounting estimates are on target.

The Financial Statements are developed on a monthly basis, there are numerous credit and debit transactions that are scrutinised through Contracts management procedures, and processes as well as authorisation of invoices that require two senior Officers to give the final approval before any funds are transferred to the Contractor. The Town Officers maintain a consistent check on new creditors through ASIC searches and ensures that any changes to BSB or Bank Account numbers are fully authorised by two Officer prior to any changes being made to the Creditor. These measures will assist in any misstatements in the financial statements. Where Council is required to adjust the budget, a report is provided giving an overview of the need for an adjustment to a particular item or items. Council needs to pass such amendment by absolute majority.

2. What processes does management have in place to identify and respond to risks of fraud?

Response:

Management undertakes a rigorous internal audit program with a respected Auditing firm, not associated with the External Audit to ensure probity. Combined with the internal audit program, and internal review of processes Management has enhanced and monitors the effectiveness of internal controls. The findings of these audits are reported to the Audit and Governance Management Committee, and then to Council, so that any identified adverse trends or deficiencies are rectified.

Fraud and corruption control and management is an integral component of the Towns Governance framework and Policy's which builds upon the requirement for transparent and accountable processes consistent with sound business practices and organisational standards of compliance. Additionally through this governance process management aim to create a culture of honesty and ethical behaviour within the Town.

The Town has established internal financial, information systems and management controls, which require staff to follow standard practices when conducting business, to act in accordance with best practice, and to adhere to agreed internal control systems. Applicable internal controls include:

- suitable recruitment procedures (e.g. contacting referees Diversified selection panels)*

- reporting and management of conflicts of interest (As per LG.Act)
 - appropriate procurement practices
 - segregation of duties
 - security of records and information systems
 - consideration of risk and risk management strategies (Reviewed by Audit Committee)
 - supervision and internal checks
 - approvals within delegated authority
 - reconciliations
 - budget control
 - regular review of management reports
 - Internal audit.
- The Town's Code of Conduct, which applies to all officers, is a reflection of the Town's commitment to create an environment and culture in which ethical conduct is expected, encouraged, supported and achieved.
 - As stated in the Code of Conduct, staff must report suspected fraudulent and/or corrupt activity. Any staff member who suspects such activity must immediately notify his/her supervisor or those responsible for investigation. In situations where the supervisor is suspected of involvement in fraudulent and corrupt activity, the matter should be notified to the next highest level of supervision.

The Town's response to fraud and corruption allegations or matters will vary, according to the nature and seriousness of the alleged conduct. A full investigative response will be undertaken where the conduct, if proved, could result in dismissal or demotion. At the other end of the spectrum are complaints best dealt with by prompt managerial action.

3. Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?

Response:

The use of Credit cards has been identified in other local authorities as a potential fraud risk. In response to this potential risk, the Town reviewed credit card limits, number of cards issued to officers, and the procedures govern the use of the cards. Credit Card procedures were reviewed in March 2018. Credit Card holders were provided with revised card guidelines, which were signed off by the cardholder.

No other specific fraud risks have been identified in the review period

4. Are internal controls, including segregation of duties, in place and operating effectively? If not, where are the risk areas and what mitigating actions have been taken?

Response:

Management reviews internal controls and internal audit reviews. The segregation of duties in regards to procurement, tender assessment, payment authorisation, security access on the town's financial systems, authorisation of accounts & engagement & monitoring of contracts are frequently reviewed.

5. Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (e.g. because of undue pressure to achieve financial targets such as a surplus position or better performance indicators)?

Response:

The end of year process & preparation of the annual financial statements is reviewed thoroughly by Audit. The Financial ratio's that are reported in the Annual Financial Statements are subject to audit.

6. What arrangements are in place to report fraud issues and risks to the Audit Committee?

Response:

The Town of Bassendean Code of Conduct for Councillors Committee Members & Employees (Section 6) deals with Fraudulent or Corrupt behaviour. Appropriate arrangements where this situation arises.

A role of the Town of Bassendean – Audit & Governance Committee – Instrument of Appointment, Risk management provides that it will review the process of developing & implementing fraud control arrangements and satisfy itself it has appropriate processes and systems in place to detect, capture and effectively respond to fraud related information.

7. How does the Council communicate and encourage ethical behaviour of its staff and contractors?

Response:

The Town of Bassendean's Code of Conduct (for Councillors, Committee Members & Employees) reinforces to individuals the importance and significance of ethical behaviour.

This is clearly listed in the code of conduct, under General Principles and Ethical standards. Further to this, the Town's corporate vision statements enforce a code of behaviour by staff that includes excellence in behaviour, professionalism, & teamwork.

8. How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?

Response:

As stated above, the Town of Bassendean's code of conduct (Section 6.0 6.1) deals with this matter.

In regards to the second part of this question, no issues have been reported in the current reporting period.

9. Are you aware of any related party relationships or transactions that could give rise to risks of fraud?

Response:

Management are not aware of any related party relationships that may lead to fraud. Related party relationships will evolve in 2018/19 once new Accounting standards requirements and Local government Department requirements move into a higher level of compliance.

10. Are you aware of any instances of actual, suspected or alleged, fraud, within the Council since 1 July 2017? If yes, provide details of what occurred and who was involved.

Response:

No instances of actual, suspected or alleged, fraud within the Council have occurred since 1 July 2017.

11. Please advise if there have been any matters reported to the CCC (Corruption and Crimes Commission) by the Town.

Response:

During the 2017/18 reporting period, no matters have been referred to the CCC.

Signature: _____

Name: Mr Bob Jarvis

Position: CEO

Date: 11th May 2018

Fraud and Error Assessment – Audit Committee TOWN OF BASSENDEAN

FOR THE YEAR ENDING 30 JUNE 2018

The Australian Auditing Standards require us to consider the risk that fraud could occur within the Council. We are preparing to perform our Interim Audit risk assessment of your Council in relation to the audit for the year ending 30 June 2018. We would appreciate if you could briefly answer the following questions in the spaces provided, and return this signed letter.

1. Has the Council's management communicated to you its processes for identifying/responding to risks of fraud?

Response:

Yes. Council has adopted a code of conduct with advice from the Public Sector Commission and which has provision for the definition of fraud and misconduct.

2. How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud?

Response:

Matters relating to internal audits and investigations are referred to the Audit and Governance Committee

3. Is the Audit Committee aware of any actual, suspected or alleged fraud? If yes, please provide details.

Response:

During the reporting period, there has been no any actual, suspected or alleged fraud that required the reporting to the Audit and Governance Committee.

Signature: _____

Name: _____

CR K HAMILTON

Position: _____

CHAIRPERSON

Date: _____

Examples of Circumstances that Indicate the Possibility of Fraud

The following are examples of circumstances that may indicate the possibility that the financial report may contain a material misstatement resulting from fraud.

Discrepancies in the accounting records, including:

- Transactions that are not recorded in a complete or timely manner or are improperly recorded as to amount, accounting period, classification, or entity policy.
- Unsupported or unauthorised balances or transactions.
- Last-minute adjustments that significantly affect financial results.
- Evidence of employees' access to systems and records inconsistent with that necessary to perform their authorised duties.
- Tips or complaints to the auditor about alleged fraud.

Conflicting or missing evidence, including:

- Missing documents.
- Documents that appear to have been altered.
- Unavailability of other than photocopied or electronically transmitted documents when documents in original form are expected to exist.
- Significant unexplained items on reconciliations.
- Unusual balance sheet changes or changes in trends or important financial statement ratios or relationships – for example receivables growing faster than revenues.
- Inconsistent, vague, or implausible responses from management or employees arising from enquiries or analytical procedures.
- Unusual discrepancies between the entity's records and confirmation replies.
- Large numbers of credit entries and other adjustments made to accounts receivable records.
- Unexplained or inadequately explained differences between the accounts receivable sub-ledger and the control account, or between the customer statements and the accounts receivable sub-ledger.
- Missing or non-existent cancelled cheques in circumstances where cancelled cheques are ordinarily returned to the entity with the bank statement.
- Missing inventory or physical assets of significant magnitude.
- Unavailable or missing electronic evidence, inconsistent with the entity's record retention practices or policies.
- Fewer responses to confirmations than anticipated or a greater number of responses than anticipated.
- Inability to produce evidence of key systems development and program change testing and implementation activities for current-year system changes and deployments.

Problematic or unusual relationships between the auditor and management, including:

- Denial of access to records, facilities, certain employees, customers, vendors, or others from whom audit evidence might be sought.
- Undue time pressures imposed by management to resolve complex or contentious issues.
- Complaints by management about the conduct of the audit or management intimidation of engagement team members, particularly in connection with the auditor's critical assessment of audit evidence or in the resolution of potential disagreements with management.
- Unusual delays by the entity in providing requested information.
- Unwillingness to facilitate auditor access to key electronic files for testing through the use of computer-assisted audit techniques.

- Denial of access to key IT operations staff and facilities, including security, operations, and systems development personnel.
- An unwillingness to add or revise disclosures in the financial report to make them more complete and understandable.
- An unwillingness to address identified deficiencies in internal control on a timely basis.

Other

- Unwillingness by management to permit the auditor to meet privately with those charged with governance.
- Personal financial pressure
- Vices such as substance abuse and gambling
- Extravagant purchasing or lifestyle
- Real or imagined grievances against the organisation or management
- Increased stress, irritable, defensive and argumentative
- No vacations / sick leave / excessive overtime
- Dominant personality
- Protective of area of administration and missing documents and files from the staff's area
- Accounting policies that appear to be at variance with industry norms.
- Frequent changes in accounting estimates that do not appear to result from changed circumstances.
- Tolerance of violations of the entity's Code of Conduct.



TOWN OF BASSENDEAN

PROCUREMENT PROCEDURES — June 2018

QUOTATION & TENDER REQUIREMENTS

(All values are GST Exclusive)

Refer to : Environmental & Policy Purchasing Policy

CONTRACT VALUE	QUOTATION REQUIREMENT
<\$1,999	Irregular or Non Recurrent -One (1) Verbal or Written prior to purchasing
\$2,000 to \$4,999	Irregular or Non Recurrent - One (1) Written / Electronic Quote
\$5,000-\$19,999	Irregular or Non Recurrent - Two(2) Written / Electronic Quotes Recurring—Assess Expenditure over 3 Years
\$20,000 to \$59,999	Three (3) Written/Electronic Quotation' with formal evaluation & Directors approval required Includes WALGA preferred suppliers Recurring—Assess Expenditure over 3 Years
\$60,000 to \$149,999	A Formal Request for Quotation (RFQ) is required where a Specification and Qualitative Criteria are to be issued. RFQ is to be issued by Contract Support Officer
\$150,000>	Tenders to be Called via Public Advertising or if WALGA preferred suppliers panel exists go via WALGA Panel

QUOTATION EXEMPTIONS

1. From Calling Tenders
2. From Obtaining Three (3) Written Quotations or RFQ

- Existing Town of Bassendean Contract or Tender.
- WALGA Contract. (All preferred suppliers to be invited to quote)
- WA State Government Common Use Contract.
- Goods and/or services are supplied or obtained through the government of the State or Commonwealth, or any of its agencies.
- Goods and/or services are supplied or obtained through a local government.
- Unlikely to be more than one (1) potential supplier (Sole Supplier)**

****NOTE:**

Written report required to substantiate claim for exemption from calling Tenders or obtaining more than one (1) quotation.

- Written authorisation by a Director or the Chief Executive Officer.
- Purchase Orders are still required for Goods & Services under Contract or tender