

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 6 June 2019, commencing at 9.30am.



Ms Peta Mabbs
CHIEF EXECUTIVE OFFICER

30 May 2019

AGENDA

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**

Apologies

Mr Tom Klassen

3.0 DEPUTATIONS

Mr Suren Herathmudalige from Macri Partners, will be in attendance to discuss the Interim Audit Report.

Ms Anne Cheng from Moore Stephens, will be in attendance to discuss the Internal Audit.

4.0 CONFIRMATION OF MINUTES

4.1 Audit and Governance Meeting held on 18 March 2019

OFFICER RECOMMENDATION – ITEM 4.1

That the minutes of the Audit and Governance Committee meeting held on 19 March 2019, 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

8.0 REPORTS

8.1 Update on Audit Activity from Anne Cheng, Moore Stephens (WA) Pty Ltd

Please note, this will now be a standing item on the Audit and Governance Committee Agenda, to enable updates from Council's External Auditor.

Audit Regulation 17 Review

A review of Audit Regulation 17 commenced in 13 May 2019. The purpose of the review is to provide an independent assessment to the CEO in respect of the Town's governance and processes regarding Risk Management, Internal Controls and Legislative Compliance.

A draft report for consideration and review is targeted for 7 June 2019.

Audit Plan for 2019-2020

The Audit Plan for the next financial year will be presented to the next Audit and Governance Committee following engagement with the CEO. The rationale for the Plan will take into consideration the results of the Audit Regulation 17 review to target areas based on exposure to financial and/or operational risk.

Risk Workshops

Risk Workshops were conducted for staff and for the Executive Team on 8 and 17 May 2019.

The objectives of the Risk Workshops were to provide training using ISO 31000:2018 as the Risk Management Standard to:

- increase awareness of the principles of risk management;
- outline staff accountability and responsibilities for managing risk in their respective work areas;
- engage in risk conversations to start the process of formalising procedures for risk identification, assessment and risk mitigation; and
- provide informal and formal risk reporting guidelines for staff adherence.

The Risk Workshop for the Executive Team focused on discussion of strategic risks, including outcomes of risk discussions from the staff workshops.

OFFICER RECOMMENDATION – ITEM 8.1

That the update on Audit Activity from Moore Stephens (WA) Pty Ltd, be received.

8.2 2018/19 Interim Audit – Macri Partners (Ref: FINM/AUD1 - Ken Lapham, Manager Corporate Services)

APPLICATION

The purpose of this report is to provide Council, through the Audit and Governance Committee, with details of the 2018/19 Interim External Audit Report and provide management comments and information on the remedial action taken.

ATTACHMENTS

Confidential Attachment No. 1:
2018/19 Interim Audit Report

BACKGROUND

In March 2019, Macri Partners, the Town’s Auditors, has reviewed the following functions:

- Bank Reconciliations;
- Investment of Surplus Funds;
- Purchases, Payments and Creditors;
- Rate Receipts and Rate Debtors;
- Receipts and Sundry Debtors;
- Payroll;
- General Accounting (Journals, etc);
- IT Controls;
- Registers (Tenders Register, etc);
- Compliance;
- Review of Council Minutes.

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 |

FINANCIAL CONSIDERATIONS

Funding to meet costs associated with the 2019 External Audit exists in the 2018/19 Budget.

COMMENT

The Interim Audit of systems and processes provides a level of assurance to auditors, the CEO, the Committee and Council in relation to the level of controls that are in place and staff adherence to those controls.

A summary of the issues identified by the Auditor is included as an attachment to the agenda. Management comments in response to the issues raised by Macri Partners, have been submitted to Macri Partners and the Office of Auditor General.

The 2018/19 audit process involved the Office of Auditor General, who will oversee Local Government financial audits. The Auditor General commenced local government financial audits in 2017/18. Macri Partners will complete the 2018/19 Annual Financial audit for the Town of Bassendean, with the Office of Auditor General having the final audit sign off.

Appropriate action to have the various recommendations in the Interim Audit Report implemented, will be or has been undertaken.

The Audit and Governance Committee can recommend that Council receive the Interim Audit Report and note management's comments.

The Acting Director Corporate Services recommends that the Interim Audit Report prepared by Macri Partners be received and that the management's comments be noted.

OFFICER RECOMMENDATION – ITEM 8.2

That the Audit and Risk Management Committee recommends that Council receives the Interim Audit Report for the 2018/19 financial period, from Macri Partners.

Voting requirement: Simple majority

8.3 Policy 6.14 - Review of Purchasing (Ref: GOVR/POLCY/1-Acting Director Corporate Services, Ken Lapham)

APPLICATION

In response to the 2018/19 Interim Audit review, the Audit and Governance Committee is requested to recommend Council adopt a revised Purchasing Policy.

The Town of Bassendean Purchasing Policy does not include information about what forms of quotations are acceptable, the minimum number of verbal and written quotes and record retention.

In order to comply with the requirements of the Local Government (Functions & General) Regulations 1996 a revised Purchasing policy to ensure compliance is presented.

Separate to the above, consideration was also given to a Council resolution (28 August 2018) that *"the Audit and Governance Committee consider the scope of works and deliverables for new projects and consultancies that would be appropriate for presentation to Council/Committees for consideration and approval prior to release, and provide recommendations to Council."*

More broadly, a progress report on the progress in reviewing the Town's procurement processes & controls, is also provided.

ATTACHMENT

Attachment No. 1

- Current Purchasing Policy 6.14; and
- Draft Purchasing Policy 6.14 (*with Track Changes*).

BACKGROUND

The review of 6.14 - Purchasing Policy was presented to the Audit and Governance Committee at the meeting held on 8 August 2018. The application was to consider:

1. A notice of motion from Cr Brown: Incentive for Local Business; and
2. Review the purchasing policy in order to comply with the requirements of the Local Government (Functions & General regulations).

At its meeting held on 28 August 2018, Council resolved to:

- “1. Defer a decision on Policy 6.14 – Purchasing Policy and refers it back to the Audit & Governance Committee to consider in the light of:
 - a) recommendations and feedback from WALGA regarding sustainable procurement;
 - b) the findings of the Auditor General’s Report on Procurement that is due to be released in the near future;*
- 2. Request the Audit & Governance Committee consider the scope of works and deliverables for new projects and consultancies that would be appropriate for presentation to Council/Committees for consideration and approval prior to release, and provide recommendations to Council.”*

In response to Council’s resolution on 28 August 2018 (in particular item 1 above), a further review of the Purchasing Policy - 6.14 was presented to the Audit and Governance Committee meeting held on the 7 November 2018.

The application was to consider adjustment to the policy in view of the WALGA sustainability report and receipts of the Auditor General’s Office report on Local Government Procurement. The policy also sought to address the Council resolution pertaining to incentives for local businesses for the procurement of goods & services.

As a result of this report, Council at its meeting held on 22 November 2018, deferred the review of Policy 6.14 pending a Councillors’ workshop.

COMMENT

- 1) Amendment of 6.14 Purchasing Policy: Local Government (Functions and General) Regulations

An amendment was made to the Local Government (Functions and General) Regulations that requires Council to include purchasing thresholds and explanations to the thresholds that should be included into the Purchasing Policy. In addition to this, it is a requirement to include how the recording and retention of written information, or documents, in respect of all quotations are received.

In order to comply with the 2018/19 Interim Audit outcomes, a revised purchasing policy that reflects the inclusion of purchasing thresholds and includes matters relating to the recording and retention of written information, is attached to the agenda.

It should be noted that further enhancements to the policy will be presented to the Audit and Governance Committee at a later stage, to address issues in regards to sustainability, incentives for local businesses (Local Economic benefit).

2) Scope of works for Projects and consultancies:

The Local Government (Functions & General) Regulations 1996 provides specific guidance that Local Governments are required to follow in the preparation of a purchasing policy in relation to contracts for other persons to supply goods and services where the consideration under the contract is expected to be \$150,000 or less or worth \$150,000 or less.

In accordance with the Local Government (Functions & General) Regulations section 11A (3), the proposed purchasing policy (attached) provides specific guidance on forms of quotations for various levels of expenditure, in summary the quotation levels are:

| 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 |
| \$20,000 to \$59,999 | Three (3) Written/Electronic Quotations with formal evaluation & Directors approval required Includes WALGA preferred suppliers |

| | |
|------------------------------|---|
| \$60,000 to \$149,999 | A Formal Request for Quotation (RFQ) is required where a Specification and Qualitative Criteria are to be issued. |
| \$150,000> | Tenders to be Called via Public Advertising or if WALGA preferred suppliers panel exists go via WALGA Panel |

It is acknowledged that there is no legislative requirement to refer any contract below \$150,000 to Council for endorsement or consideration. In order to meet Council's request to be informed of the scope of works and deliverables for new projects or consultancies over the value of \$20,000 and to allow the Council to provide comment, it is suggested through the CEO weekly bulletin, advice be provided on the list of such projects and consultancies over \$20,000 in conjunction with the scope of work, for Councillors' comment.

3. A status update report on the progress in reviewing the Town's procurement processes & controls

A workshop was undertaken in April 2019 which enabled opportunities to identify improvements in the Town's current procurement systems. A number of staff, including the CEO, Directors, Managers and authorising officers attended the procurement workshop in conjunction with an officer from the Corruption and Crime Commission who shared a number of case studies of what can go wrong in procurement based, upon actual examples across local government. This emphasised the need for robust processes and systems but also clear policies and procedures, and most importantly a culture of integrity.

The workshop also covered issues of procurement levels and clearer guidelines, limitations of the current IT system, creating a procurement workflow system, and the proposal of moving from the current decentralised system to a center-led approach to better manage risks.

Going forward in the next stage of transforming the framework, the move to a more centre-led procurement model under Corporate Services will be undertaken.

STATUTORY REQUIREMENTS

Local Government Act 1995

The Local Government (Functions and General) Regulations requires that the Purchasing Policy (Clause 11(3)) states:

A purchasing policy must make provision in respect of —

- (a) the form of quotations acceptable; and*
- (ba) the minimum number of oral quotations and written quotations that must be obtained; and*
- (b) the recording and retention of written information, or documents, in respect of —*
 - (i) all quotations received; and*
 - (ii) all purchases made.*

FINANCIAL CONSIDERATIONS

Nil.

OFFICER RECOMMENDATION - ITEM 8.3

That the Audit and Governance Committee recommends to Council that it adopts Policy 6.14 – Purchasing, as included in the Audit and Governance Committee Agenda of 5 June 2019.

Voting requirement: Absolute majority

8.4 Role of Internal Audit and Audit Focus for 2018/19 (Ref GOVR/LREGLIA/3 – Ken Lapham Acting Director Corporate Services)

APPLICATION

The purpose of this report is to provide Council, through the Audit and Governance Committee with details on the progress of the Internal Auditors organisational risk assessment, assessment of internal controls, and assessment of legislative compliance to meet the requirements of regulation 17 of the Local Government (Audit) regulations 1996, and regulation 5 (2) of the Local Government (Financial Management) Regulations 1996.

BACKGROUND

At the Audit and Governance Committee meeting held on Wednesday 6 February 2019, the CEO presented an item on the role of the Internal Audit and better aligning the Town's Internal Audit program to its risk profile.

The Committee supported a proposal to undertake an organisational risk assessment, in addition to examining the Town's controls to manage and mitigate these risks. The purpose of this is to assess the health of the organisation and also to comply with requirements of the Local Government Act and Regulations.

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 |

FINANCIAL CONSIDERATIONS

Funding to meet the costs associated with the 2019 Internal Audit is provided for in the 2018/19 Budget.

COMMENT

The Audit & Governance recommendation point 5 stated:

"A report to the Audit & Governance Committee on the Outcomes of the Internal Auditors organisational risk, and other activities (as listed under application), is to be provided by 30 June 2019".

As part of the Town's compliance obligations and to build a culture of risk management, workshops were recently held with staff at the Depot and Town Centre.

The workshops and development work in building the risk matrix, is being developed by the Town's internal auditors, Moore Stephens (WA) Pty Ltd. Workshop objectives were:

- Identification/articulation of key strategic risks;
- Capture of operational risks by Business Units;
- Embed risk mindset into decision-making throughout the Town.

Key outcomes from the workshop were:

- Risk Management theory simplified;
- Risk Assessment – the big picture; and
- Sample Risk Register.

Further work is to be undertaken over the next month to build a risk assessment matrix and assess the state of Town's controls. It is envisaged that the final report will be presented to the Audit and Government Committee meeting in August 2019.

OFFICER RECOMMENDATION – ITEM 8.4

That Council notes the progress on the internal risk assessment, assessment of internal controls and assessment of legislative compliance, with the final report being presented to the Council meeting to be held in June 2019.

Voting requirement: Simple majority

9.0 MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil.

10.0 ANNOUNCEMENTS OF NOTICES OF MOTION FOR THE NEXT MEETING

11.0 **CONFIDENTIAL BUSINESS**

11.1 **Auditor's Report**

Confidential Attachment No. 2:

This matter is to be considered with members of the public excluded from the Chamber under Clause 5.23 (2) (b) of the Local Government Act 1995, as the officer report discusses information of a personal nature.

12.0 **CLOSURE**

The next meeting is to be held on Wednesday, 8 August 2019, commencing at 5.30pm.

ATTACHMENT NO. 1



Our Ref: 8240

Ms Peta Mabbs
Chief Executive Officer
Town of Bassendean
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BASSENDEAN WA 6934

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469 Wellington Street, Perth

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PO Box 8489
PERTH WA 6849

Tel: (08) 6557 7500
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Dear Madam

**ANNUAL FINANCIAL REPORT
INTERIM AUDIT RESULTS FOR THE YEAR ENDING 30 JUNE 2019**

We have completed the interim audit for the year ending 30 June 2019. We performed this phase of the audit in accordance with our audit plan. The focus of our interim audit was to evaluate your overall control environment, but not for the purpose of expressing an opinion on the effectiveness of internal control, and to obtain an understanding of the key business processes, risks and internal controls relevant to our audit of the annual financial report.

Management Control Issues

I would like to draw your attention to the attached listing of deficiencies in internal control and other matters that were identified during the course of the interim audit. These matters have been discussed with management and their comments have been included on the attachment. The matters reported are limited to those deficiencies that were identified during the interim audit that we have concluded are of sufficient importance to merit being reported to management. Some of the matters may be included in our auditor's report in accordance with section 7.9(2) of the *Local Government Act 1995* or regulation 10(3)(a) and (b) of the *Local Government (Audit) Regulations 1996*. If so, we will inform you before we finalise the report.

An audit is not designed to identify all internal control deficiencies that may require management attention. It is possible that irregularities and deficiencies may have occurred and not been identified as a result of our audit.

This letter has been provided for the purposes of your local government and may not be suitable for other purposes.

We have forwarded a copy of this letter to the Mayor. A copy will also be forwarded to the Minister for Local Government when we forward our auditor's report on the annual financial report to the Minister on completion of the audit.

Feel free to contact me on 6557 7542 if you would like to discuss these matters further.

Yours faithfully

LIANG WONG
ASSISTANT DIRECTOR
FINANCIAL AUDIT

30 May 2019

Attach

TOWN OF BASSENDEAN

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

| | INDEX OF FINDINGS | RATING | | |
|---|---|-------------|----------|-------|
| | | Significant | Moderate | Minor |
| | Purchase, Payments and Creditors | | | |
| 1 | Purchasing policy | | ✓ | |
| 2 | Purchasing approvals exceeding delegations | | ✓ | |
| | Receipts and Sundry Debtors | | | |
| 3 | Overdue debtor accounts | | ✓ | |
| | Payroll | | | |
| 4 | Employees with excessive annual leave accruals | | ✓ | |
| 5 | Access unrestricted to payroll module | ✓ | | |
| | Information Technology | | | |
| 6 | No formal process in place to review user access rights and segregation of duties | ✓ | | |
| 7 | No formal information technology security policy | | ✓ | |
| | Monthly Reconciliations | | | |
| 8 | Monthly bank and investment reconciliations are not dated by the preparer | | | ✓ |
| | Trust Fund Moneys | | | |
| 9 | Recognition of trust fund moneys and payment of interest | ✓ | | |

TOWN OF BASSENDEAN

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

KEY TO RATINGS

The Ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating could indicate the need for a modified audit opinion in the current year, or in a subsequent reporting period if not addressed. However, even if the issue is not likely to impact the audit opinion, it should be addressed promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

TOWN OF BASSENDEAN
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

PURCHASES, PAYMENTS AND CREDITORS

1. Purchasing Policy

Finding

We understand that the Town is currently making amendments to the Purchasing Policy to address the following matter raised by the Office of Auditor General in its Performance Audit performed in September 2018:

“The Town of Bassendean Purchasing Policy does not include information about what forms of quotations are acceptable, the minimum number of verbal and written quotes and record retention as required by the Local Government (Functions and General) Regulations 1996.”

We do note that the Town has included this detail in its Purchasing Guidelines. However, the regulations are specific that this needs to be in the policy.

**Rating: Moderate
Implication**

Without information on the acceptable forms of quotation, the minimum number of verbal and written quotes and record retention, there is high risk that procurement may not be performed properly and consistently. It does not also comply with regulation 11A(3) of the Local Government (Functions and General) Regulations 1996.

Recommendation

The management should amend and approve the amended Purchasing Policy promptly.

Management Comment

Agreed. A revised policy including “information about what forms of quotations are acceptable, the minimum number of verbal and written quotes and record retention” will be presented to the Audit and Risk Committee in June 2019.

(In the longer term, the Town is committed to undertaking a more comprehensive review of procurement to move towards a centre-led model (under the Director Corporate Services) to strengthen oversight and minimise risk; and consider sustainability in procurement.)

Responsible Person: Director Corporate Services
Completion Date: 30 June 2019

TOWN OF BASSENDEAN

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

2. Purchasing approvals exceeding delegations**Finding**

We found an instance where an employee approved a purchase without the appropriate authority limit as detailed below:

| Supplier | Invoice Number | Amount (\$) | Authorised By | Authority Limit (\$) |
|-----------------------|----------------|-------------|---------------|----------------------|
| Greenacres Turf Group | 32098 | 12,200.76 | Jeremy Walker | 2,000.00 |

Rating: Moderate**Implication**

Purchasing approvals not in-line with management approved delegations increases the risk of inappropriate and unauthorised payments being made.

Recommendation:

Purchasing approvals should be strictly in compliance with approved delegations.

Management Comment

This was an isolated incident due to the Manager Asset Services taking an additional day's annual leave, with the Authorisation form not being amended, to include the extra day of leave. Proposed amendments to the Procurement process, from the current decentralised procurement model to a centre-led model will assist with the management of authorisations. This is to be reviewed in conjunction with matter # 1.

Responsible Person: Director Corporate Services

Completion Date: 31 August 2019

TOWN OF BASSENDEAN

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

RECEIPTS AND SUNDRY DEBTORS

3. Overdue debtor accounts

Finding

A review of the sundry debtors aged trial balance report as at 31 January 2019 showed the following overdue accounts in the 90 days and over category:

| Debtor # | Debtor Name | Balance (\$) |
|----------|----------------------------------|--------------|
| 47 | Ashfield Sports Club | 15,262.27 |
| 53 | Bassendean Amateur Football Club | 17,778.40 |
| 785 | Dave Kelly MLA | 250.00 |
| 991 | Praetorium Pty Ltd | 242.00 |
| 1038 | Alanna Clohesy MLC | 1,300.00 |
| 1039 | Samantha Rowe MLC | 250.00 |
| 1039 | Tim Hammond MP | 250.00 |
| 75 | Swan District Football Club | 39,684.95 |
| | Total | 75,017.62 |

Rating: Moderate**Implication**

Overdue debtor accounts may adversely affect the Town's cashflow requirements. The management may encounter difficulty in recovering long outstanding debts resulting in financial loss to the Town.

The previous auditors, Macri Partners raised the matter of long outstanding debts as at 28 February 2018 in their management letter dated 10 May 2018. The management's comment in regards to the Bassendean Amateur Football Club debt of \$ 10,121 outstanding as of that date was:

"Recreational Services have been liaising with the football club regarding their outstanding debt. Currently preparations and negotiations are underway to agree upon a schedule of payments to eliminate the debt."

However, we noted that the debt pertaining to the Bassendean Amateur Football Club has since increased as shown above.

Recommendation

The management should take appropriate action to recover all long outstanding debts without delay and also ensure that all debts are recovered within the credit period offered.

The management should review the existing provision for doubtful debts in the books and consider its adequacy for the financial year ending 30 June 2019.

TOWN OF BASSENDEAN

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

Management Comment

Debtor # 75, Swan Districts Football Club, has been paid in full.

Debt's # 47 & 53 remain unpaid. Attempts to recover Debts # 1039 will continue.

Debtor # 991, \$242.00 has been transferred to the Property system.

Debts for the two sports clubs are secured by repayment agreement, with negotiations for commencement of a repayment plan will continue.

Responsible Person: Director Corporate Services
Completion Date: 30 August 2019

TOWN OF BASSENDEAN

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

PAYROLL

4. Employees with excessive annual leave accruals

Finding

We obtained an Employee "Leave Accrual Report as at 19 February 2019. The report contained 8 staff with outstanding annual leave entitlements in excess of 8 weeks to a maximum of 13 weeks.

Section 25.6 (a) of the Local Government Industry Award 2010 stipulates that "an employee has an excessive leave accrual if the employee has accrued more than 8 weeks paid annual leave."

Rating: Moderate**Implication**

Excessive annual leave accruals may have adverse effects on the Town including:

- key staff not being rotated, a preventive control against fraud;
- health and safety concerns with staff members not taking their annual entitlements; and
- Increase the Town's costs given salary rises and increments over time.

This matter was raised by the previous auditors, Macri Partners in their management letter dated 10 May 2018. The management comment provided then was:

"Human resources will correspond with those staff who have accrued excessive leave. Those officers will be requested to provide a written response to the CEO on how they intend to reduce their leave entitlements to within the specified accruals."

Recommendation

The management should review its current process to identify and monitor employees' annual leave balances in excess of the maximum stipulated in the Local Government Industry Award 2010 and implement necessary plan to comply with the Agreement.

Management Comment

- Managers/Directors/CEO are provided a leave report for all staff relevant to their business unit at the end of every month for review. A copy of the email was provided as an example as well as the leave accrual reports to Macri.
- A follow-up memo to the appropriate employees seeking a response on how their excessive leave will be taken.
- A quarterly report will be presented to the Management group for information.
- A policy will be developed to Manage this Towns position.

Responsible Person: Human Resources Manager
Completion Date: 30 June 2019

TOWN OF BASSENDEAN

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

5. Access unrestricted to payroll module

Finding

We noted that full access to the payroll module, including read and edit functions, is available to non HR/Payroll officers.

Rating: Significant

Implication

Full access to the payroll module by non HR/Payroll officers creates a risk of unauthorised data entry into the payroll module, and changes to the payroll, and also impacts on the security and confidentiality of the human resource information.

Recommendation

Full access (i.e. edit and read) should be restricted to authorised HR and/or payroll officers to ensure the integrity of the payroll system and data. Any other senior officers who are involved in the review process of the payroll should be granted read only access.

Management Comment

Agreed. Corrective action has now been implemented. The payroll officer is now the only officer who has full access to the payroll master file.

Responsible Person: Payroll Officer

Completion Date: 7 May 2019

TOWN OF BASSENDEAN

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

INFORMATION TECHNOLOGY**6. No formal process in place to review user access rights and segregation of duties**

We noted the council does not have a formal process to review user access rights. We noted several instances where user access rights presented a conflict of segregation of duties as below:

| Employee Title | Segregation of Duty Conflict | Risk |
|--------------------------------|---|--------|
| Acting HR Advisor | Access to payroll processing / human resources (employee setup) | Medium |
| HR Temp | Access to payroll processing / human resources (employee setup) | Medium |
| Payroll Officer | Access to payroll processing / human resources (employee setup) | Medium |
| Finance Officer | Access to bank reconciliation / receipting / general journals | High |
| Senior Customs Service Officer | Access to bank reconciliation and receipting | Medium |

Rating: Significant Implication

This practice increases the risk of fraudulent activity and may also lead to significant issues in data integrity of the system.

Recommendation

The management should conduct a formal process to review user access rights and module responsibility structures to ensure there is no risk of incompatible duties. The user access rights to employees should be granted considering the job description. Where a segregation of duties conflict exists, management needs to ensure there is a mitigating control that prevents the individuals from performing both tasks.

Management Comment

Agreed. Corrective action has now been implemented. With reference to access to Bank reconciliation/receipting/general journals access to these modules cannot be separated due to the requirement that both officers undertake different components of the financial process.

Responsible Person: Acting Director Corporate Services
Completion Date: 7 May 2019

**TOWN OF BASSENDEAN
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**

7. No formal information technology security policy

Finding

We noted that the Information Technology Security Policy drafted a number of years ago has not been reviewed and formalised by the management.

Rating: Moderate

Implication

In the absence of a formal Information Technology Security policy, management and users will not have guidance as to what constitutes best practice in relation to IT Security.

Recommendation

The draft IT Security Policy should be reviewed and approved by the Town and implemented without any further delay.

Management Comment

A draft IT security Policy previously been prepared, however this will need to be reconsidered by Management. It is envisaged that once approved by Council, the policy will form a part of the staff induction process.

Responsible Person: HR Manager
Completion Date: 31 July 2019

TOWN OF BASSENDEAN

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

MONTHLY RECONCILIATIONS

8. Monthly bank and Investment reconciliations are not dated by the preparer

Finding

We noted that the monthly bank and investment reconciliations have not been dated although signed by the preparer of the reconciliations.

Rating: Minor

Implication

In the absence of the date of preparation of the reconciliation, it cannot be ascertained if the reconciliations have been performed in a timely manner.

Recommendation

The monthly bank and investment reconciliations should be dated by the preparer to indicate when the reconciliations have been performed.

Management Comment

The comments are noted, future reconciliations will be dated by the preparer.

Responsible Person: Acting Director Corporate Services

Completion Date: Completed

TOWN OF BASSENDEAN

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

9. Recognition of trust fund moneys and payment of interest**Finding**

We noted that the Town has been holding Bond and Security deposit monies within its municipal fund and recognising an asset on the Statement of Financial Position along with a corresponding liability. Interest earned on these funds has been retained by the Town.

The Town has no control of these funds until a damage event occurs. Consequently, they do not meet the definition of an asset in accordance with Australian Accounting Standards, and should not be reflected on the Town's Statement of Financial Position. Any interest earned on these funds also should not be reflected in the Town's accounts.

The *Local Government Act 1995 (Act)* requires:

Where money or other property is held in the trust fund, the local government is to — in the case of money, pay it to the person entitled to it together with, if the money has been invested, any interest earned from that investment.

Rating: Significant**Implication**

Assets and Liabilities are both overstated by the value of Bond and Security deposits. In retaining interest earned on invested trust fund moneys, the Town is keeping and utilising moneys that it is not entitled to under the Act.

As a further consequence, the recognition of trust moneys on the Statement of Financial Position is not compliant with Australian Accounting Standards.

Recommendation

To facilitate accurate reporting for 30 June 2019 the Town should:

- report bond/security monies as trust funds in the Notes to the financial report
- reliably estimate past interest earned that is payable to persons entitled to receive it.

The *Local Government Act 1995 (Act)* states:

Where money has been held in the trust fund for 10 years it may be transferred by the local government to the municipal fund but the local government is required to repay the money, together with any interest earned from its investment, from that fund to a person claiming and establishing a right to the repayment.

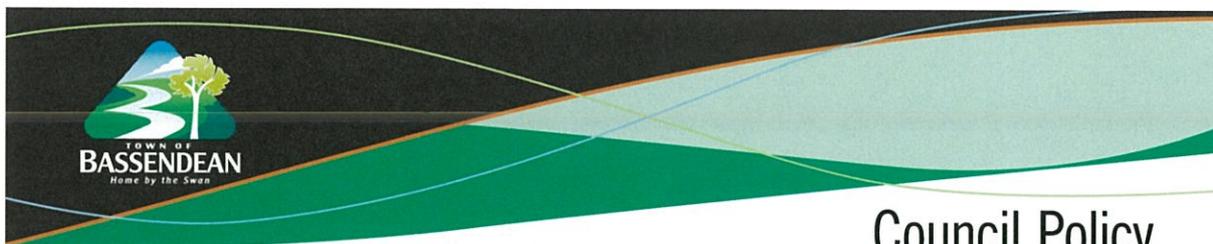
The Town needs to account and manage trust fund moneys in accordance with the Act. The Town should undertake the necessary steps to identify any obligations it has to return moneys that it has incorrectly retained from the current and previous years.

Management Comment:

Agreed. To facilitate accurate reporting as at 30 June 2019, the town will report bond/security monies as Trust funds. Once this corrective action to the reporting is undertaken, any interest earned will be paid to the persons entitled to receive it.

Responsible Person: Director Corporate Services
Completion Date: 1 July 2019

ATTACHMENT NO. 2



6.14 Purchasing Policy

Objective

This policy:

1. Meets the requirements of the *Local Government Act 1995* and the Local Government (Functions and General) Regulations 1996 to establish a framework of operational standards for contracts to purchase goods and services;
2. Sets out the requirements for acceptable forms of quotation, and the recording of documents and information, for contracts to purchase goods and services;
3. Is designed to ensure that the Town receives value for money as a result of its purchasing activities; and
4. Aims to deliver a high level of accountability whilst providing a flexible, efficient and effective and transparent procurement framework.

Strategy

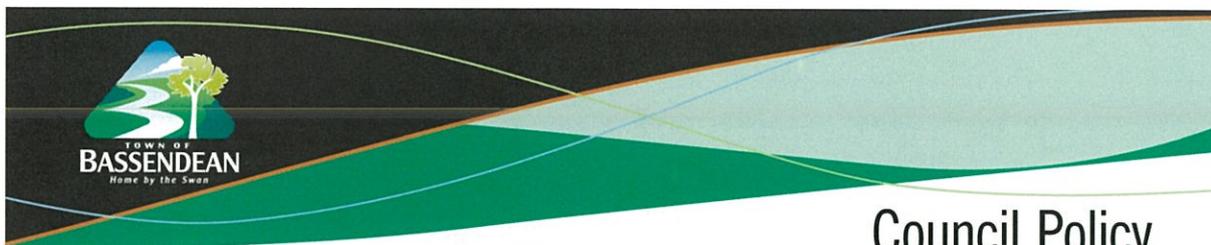
Staff have developed a procurement manual that provides an effective 'how to' framework for Town of Bassendean contracting for goods and services. Understanding and adhering to the procedures within the manual, will help ensure good purchasing outcomes.

The Manual and associated Council policies provide a purchasing and contract management framework that reflects the principles and arrangements fundamental to efficient and effective purchasing and contracting.

These procedures apply to all methods of procurement, including e-commerce methods.

In undertaking any procurement activity, authorized Council purchasing officers, and any private sector organisations purchasing on the Town's behalf, must understand and comply with the policy requirements outlined in Council policies.

In the event of any inconsistency between these Procedures and Council policies, compliance with the policies takes precedence.



Council Policy

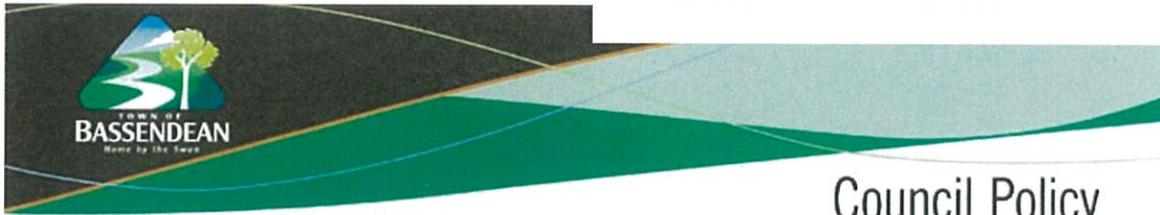
Key outcomes that Council seeks to achieve are:

- ensuring value for money in Town of Bassendean contracting and purchasing;
- ensuring there is transparency in Town of Bassendean contracting and purchasing;
- minimising the risk to the Town of Bassendean from purchasing and contracting through the application of a robust risk management mechanism ensuring that the products and services it purchases are in line with the Town's objectives for a sustainable future and that can support markets for environmentally preferred products and services, support products with minimum packaging and contribute to improved environmental quality and progress towards sustainability
- ensuring that the purchasing framework promotes the sustainable use of resources and reduces negative impacts.
- to efficiently manage the replacement of the Town of Bassendean's vehicle fleet

Application

Responsibility for the implementation of this policy rests with the Mayor, Councillors and Chief Executive Officer. The Policy is to be reviewed every three years.

| | |
|--|---|
| <p>Policy Type: Strategic Policy</p> <p>Link to Strategic Community Plan: Leadership and Governance</p> | <p>Responsible Officer: Chief Executive Officer</p> <p>Last Review Date: September 2017 Version 2</p> <p>Next Review due by: May 2020</p> |
|--|---|



Council Policy

DRAFT

5 June 2019

6.14 Purchasing Policy

Objective

This policy:

1. Ensures compliance with ~~Meets the requirements of the~~ *Local Government Act 1995* and the *Local Government (Functions and General) Regulations 1996* to establish a framework of operational standards for contracts to purchase goods and services;
2. Provides guidance ~~Sets out the requirements to all Council employees on all levels of procurement for acceptable forms of quotation, and the recording of documents and information, for contracts to purchase goods and services;~~ to ensure ethical behavior, and to ensure probity, and transparency;
3. ~~Is designed to e~~Ensures that the Town receives value for money as a result of its purchasing activities;
4. Aims to deliver a high level of accountability whilst providing a flexible, efficient and effective and transparent procurement framework;
5. Ensures that the Town considers the environmental and sustainability implications of the procurement process across the life cycle of goods and services; and
6. Ensures that all purchasing transactions are recorded in compliance with the *State Records Act 2000* and associated records management practices and procedures of the Town.

Strategy

The Town is committed to sustainable procurement practices. The Town will advertise and assess qquotes and tenders to secure supply arrangements that contribute to achieving the Town's strategic goals and objectives in line with the following principles:

- Enhance our natural and built environment, by purchasing products and services that demonstrate environmental best practice, and will reduce negative impacts;
- Enhance our Economic environment by ensuring value for money in all contracting and purchasing;

- Ensure Good Governance by maintaining transparency in contracting and purchasing, minimising the risk to the Town of Bassendean through the application of a robust risk management mechanism's ensuring that the products and services it purchases are in line with the Town's objectives; and
- ~~Where appropriate, the Town shall endeavour to provide an advantage to suppliers demonstrating that they minimise environmental and negative social impacts and embrace sustainable business practices.~~

~~Staff have developed a procurement manual that provides an effective 'how to' framework for Town of Bassendean contracting for goods and services. Understanding and adhering to the procedures within the manual, will help ensure good purchasing outcomes.~~

~~The Manual and associated Council policies provide a purchasing and contracting framework that reflects the principles and arrangements fundamental to efficient~~

~~These procedures apply to all methods of procurement, including e-commerce methods.~~

~~In undertaking any procurement activity, authorized Council purchasing officers, and any private sector organisations purchasing on the Town's behalf, must~~

~~In the event of any inconsistency between these Procedures and Council policies, compliance with the policies takes precedence. Key outcomes that Council wishes to achieve are:~~

- ~~ensuring value for money in Town of Bassendean contracting and purchasing;~~
- ensuring there is transparency in Town of Bassendean contracting and purchasing;
- minimising the risk to the Town of Bassendean from purchasing and contracting through the application of a robust risk management mechanism ensuring that the products and services it purchases are in line with the Town's objectives for products and services, support products with minimum packaging and contribute to improved environmental quality and progress towards sustainability
- ~~Ensure that the purchasing framework promotes the sustainable use of resources and reduce negative impacts.~~
- Buying Local - Where possible suppliers operating within the Town of Bassendean are to be given the opportunity to quote for goods & services required by the Town. However it is recognised that not every category of goods and services required by the Town will lend itself to supply by local businesses.
- * ~~To efficiently manage the replacement of the Town of Bassendean's vehicles~~

Records Management

All records associated with the tender process or a direct purchase process must be recorded and retained.

For a tender process, this includes:

- Tender documentation;
- Internal documentation;
- Evaluation documentation;
- Enquiry and response documentation; and
- Notification and award documentation.

For a direct purchasing process this includes:

- Quotation documentation;
- Internal documentation; and
- Order forms and requisitions.

Record

Retention of records shall be in accordance with the minimum requirements of the State Records Act, and the Town of Bassendean's internal records management procedures.

Sustainable Procurement

~~The Town is committed to implementing sustainable procurement by providing a preference to suppliers that demonstrate sustainable business practices (social advancement, environmental protection and local economic benefits).~~

~~The Town will embrace Sustainable Procurement by applying the value for money assessment to ensure that wherever possible our suppliers demonstrate outcomes which contribute to improved environmental, social and local economic outcomes. Sustainable Procurement can be demonstrated as being internally focussed (i.e. operational environmental efficiencies or employment opportunities and benefits relating to special needs), or externally focussed (i.e. initiatives such as corporate philanthropy).~~

~~Requests for Quotation and Tenders will include a request for information from Suppliers regarding their sustainable practices and/or demonstrate that their product or service offers enhanced sustainable benefits.~~

Local Economic Benefit

~~The Town encourages the development of competitive local businesses within its boundary first, and second within its broader region. As much as practicable, the Town will:~~

- ~~• Where appropriate, consider buying practices, procedures and specifications that do not unfairly disadvantage local businesses;~~
- ~~• Consider indirect benefits that have flow on benefits for local suppliers (i.e. servicing and support);~~
- ~~• Ensure that procurement plans address local business capability and local content;~~

- Explore the capability of local businesses to meet requirements and ensure that Requests for Quotation and Tenders are designed to accommodate the capabilities of local businesses;
- Avoid bias in the design and specifications for Requests for Quotation and Tenders – all Requests must be structured to encourage local businesses to bid; and
- Provide adequate and consistent information to local suppliers.

Purchasing Threshold

The Town will maintain a principle period of 3 years for all procurement of goods or services for the Town, for purchases valued over \$20,000.

Where the value of procurement and contract (excluding GST) is, or is expected to be:

| Monetary Threshold (excluding GST) | Purchasing Method Required |
|---|---|
| Up to \$1,999 Annually - For Irregular and Non-Recurrent Purchases 3 year period for Recurring Purchases | Irregular and Non-Recurrent Purchases – For irregular and nonrecurrent goods and services valued up to \$1,999 per year, no competitive process is required, although one verbal quote must be obtained prior to purchasing. An exception is where goods are purchased by Corporate Credit Card. Recurring Purchases – Recurring goods and services valued up to \$1,999 per year, require a projected spend over 3 year period. Use Contract Procurement Checklist Appendix 4. |
| \$2,000 to \$ 4,999 Annually - For Irregular and Non-Recurrent Purchases | Irregular and Non-Recurrent Purchases - For Irregular and Non- Recurrent Purchases goods and services valued between \$2,000 and \$4,999 per year, no competitive process is required, although one written quote must be obtained prior to purchasing. |
| \$5,000-\$19,999 Annually - For Irregular and Non-Recurrent Purchases 3 year period for Recurring Purchases | Irregular and Non-Recurrent Purchases - For goods and services valued between \$5,000 and \$19,999 a purchase, 2 x Written quotations are required. Where rates are reasonable and consistent with similar products, officers must occasionally undertake market testing to ensure best value for money is obtained. Record of Written Quotes \$2,000 to \$59,999 is attached in Appendix 3. Recurring Purchases – Recurring goods and services valued between \$5,000 and \$19,999 per year require projected spend over 3 year period. Use Contract Procurement Checklist Appendix 4. |
| \$20,000 - \$59,999 (over 3 years) | Minimum 3 written quotations are requested required and Manager or Director approval required , informal evaluations could include OHMS requirements, financial viability, experience and referees. Record of Written Quotes \$2,000 to \$59,999 is attached in Appendix 3 together with evaluation form. |
| \$60,000-149,999 Formal RFQ required | Formal Request For Quotation (RFQ) is required to be issued by <u>the</u> Contract Support Officer. Contract Owner/Manager is to complete the Contract Procurement Checklist (Appendix 4), have Manager of Service and Director approve then forward to Contract Support Officer. A sufficient number of written quotations are to be sought (minimum of three 3 written quotations.) A quote must be sought from either: <ul style="list-style-type: none"> • The open market; or • A supplier included in the relevant WALGA Preferred Supplier Arrangement. (link on Intranet). All suppliers of those particular services registered on the WALGA Portal must be given the opportunity to provide a response to our quote, unless Director has approved otherwise; or |

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|----------------------------------|---|
| | <ul style="list-style-type: none"> Other suppliers that are accessible under another tender exempt arrangement (WA Disability Enterprise or an Aboriginal Owned Business). Responses are to be evaluated on both price considerations and appropriate weighted qualitative criteria, by the Contract Supervisor/Manager and Evaluation Panel to evaluate the submission/s and recommend a supplier. The Successful Supplier must be approved by the Manager of Service and Director. |
| \$150,000 and above RFT Required | <p>Request for Tender (RFT) to be called by Contract Support Officer. Request for Tender is to be issued in accordance with the Local Government Act 1995 (Section 3.57) unless expressly exempted under clause 11 (2) of the Regulation.</p> <p>Contract Owner/Manager is to complete the Contract Procurement Checklist (Appendix 4), have Manager of Service and Director approve then forward to Contract Support Officer, who will then complete (Director and CEO Procurement Authority Appendix 6) to proceed with Tender process.</p> <p>Request for Tender must be sought from either:</p> <ul style="list-style-type: none"> The open market (must be publicly advertised State-wide); or A supplier included in the relevant WALGA Preferred Supplier Arrangement (link on Intranet). All suppliers of those particular services registered on the WALGA Portal must be given the opportunity to provide a response to our request, unless Director has approved otherwise; or Other suppliers that are accessible under another tender exempt arrangement (WA Disability Enterprise or an Aboriginal Owned Business) and State or Commonwealth Government Contracts. <p>Responses are to be assessed by the Evaluation Panel on appropriate weighted qualitative criteria, who will recommend a successful supplier. The Procurement Decision (successful supplier) is to be reported to the next Ordinary Council Meeting, to be approved by Council.</p> |

Application

Responsibility for the implementation of this policy rests with the Mayor, Councillors and Chief Executive Officer. The Policy is to be reviewed every three years.

| | |
|---|---|
| <p>Policy Type: Strategic Policy</p> <p>Link to Strategic Community Plan: Leadership and Governance</p> | <p>Responsible Officer: Chief Executive Officer</p> <p>Last Review Date: September 2017 August 2018 <u>and June 2019</u></p> <p>Version <u>43</u></p> <p>Next Review due by: May 2020</p> |
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