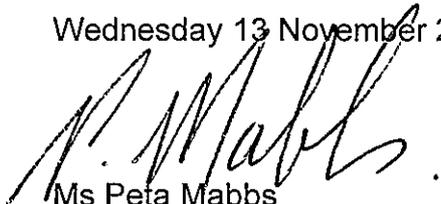


**TOWN OF BASSENDEAN**  
**NOTICE OF THE MEETING OF THE**  
**AUDIT AND GOVERNANCE COMMITTEE**

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 13 November 2019, commencing at 5.30pm.



Ms Peta Mabbs  
CHIEF EXECUTIVE OFFICER

8 November 2019

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**A G E N D A**

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

The CEO will be in attendance to open the meeting and call for nominations for a Presiding Member under Point 2.0 of this agenda. Once a Presiding Member has been appointed, a Deputy Presiding Member is to be decided.

**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**                    **NOMINATION FOR PRESIDING AND DEPUTY PRESIDING MEMBERS**

The Committee's *Instrument of Appointment & Delegation* states that the Committee shall appoint a Presiding Member and Deputy Presiding Member to conduct its business.

## **2.0 NOMINATION FOR PRESIDING AND DEPUTY PRESIDING MEMBERS**

The Committee's *Instrument of Appointment & Delegation* (Attachment No. 1) states that the Committee shall appoint a Presiding Member and Deputy Presiding Member to conduct its business.

As this is the first Committee meeting since the Local Government Elections, the positions for Presiding Member and Deputy Presiding Member are to be decided (nomination form attached under separate cover).

As membership of community members will expire at the end of the year, Council will be advertising for community members for the 2019/21 term to fill these positions.

It is suggested that consideration of a Presiding Member and Deputy Presiding Member be deferred until new members have been appointed, which will give everyone an opportunity to nominate for these positions, should they wish to do so.

That being the case, and if the Committee agrees, it is suggested that a Presiding Member and Deputy Presiding members be appointed for this meeting and any other additional meetings required in 2019.

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

### Apologies

Cr McLennan – Leave of Absence

## **4.0 DEPUTATIONS**

## **5.0 CONFIRMATION OF MINUTES**

### **5.1 Audit and Governance Meeting held on 7 August 2019** **(Minutes - Attachment No. 2).**

#### OFFICER RECOMMENDATION – ITEM 5.1

That the minutes of the Audit and Governance Committee meeting held on 7 August 2019, be confirmed as a true record.

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

**7.0 DECLARATIONS OF INTEREST**

**8.0 BUSINESS DEFERRED FROM PREVIOUS MEETING**

**9.0 REPORTS**

**9.1 Update on Internal Audit Activity from Anne Cheng,  
Moore Stephens (WA) Pty Ltd**

*Please note, this is a standing item on the Audit and Governance Committee Agenda, to enable updates from Council's Internal Auditor.*

**Assurance Plan for 2019-2020**

Council endorsed the Assurance Plan for 2019-2020 at the OCM on 27 August 2019 which specified a Payments Audit for 2019-2020.

**Proposed Audit of Accounts Payable and Purchasing**

The objectives of the proposed audit are to evaluate the Town's management systems, policies and procedures with respect to Accounts Payable and Purchasing.

The scope of the audit is:

- Approval and appropriate delegation of authority over invoice processing and procurement activities;
- Detailed testing of purchasing activity for compliance to the Town's Purchasing Policy and relevant legislative requirements;
- Evaluation of the appropriateness and effectiveness of key internal controls which ensure appropriate segregation of duties, accuracy and completeness of transactions and recordkeeping;
- Adequacy of system automated controls within the Accounts Payable and Purchasing modules of the ERP system;

- Adequacy of controls around update of supplier master data file;
- Adequacy of purchasing via corporate purchasing cards, including the reconciliation procedures; and
- Evaluation of the processes for workflow efficiency and effectiveness for anti-fraud prevention.

#### OFFICER RECOMMENDATION – ITEM 9.1

That the Committee reviews and supports the scope of the audit of Accounts Payable and Purchasing for 2019-2020.

**Voting requirement: Simple majority**

#### **9.2 Audited Annual Financial Statements for the year ended 30 June 2019**

The Annual Financial Statements for the year ended 30 June 2019 are currently subject to review by the Office of the Auditor General (OAG).

A separate meeting of the Committee will be required to receive the Audited Annual Financial Statements for the year ended 30 June 2019.

On 1 November 2019, the CEO received advice from the EMRC that there is a delay in the finalisation of the audit of the EMRC's Annual Financial Report by the Office of Auditor General (OAG) which may have an impact on Council's audit, specifically relating to the share of the interest in the EMRC.

The situation has arisen due to the late changes to the treatment and presentation of the financial report following changes to accounting policies which the OAG are required to sign off on. As a result, the consequential additional time required meant that the EMRC and the OAG were unable to meet the original targeted EMRC Audit Committee meeting date in early October when the 2018/2019 Annual Financial Report (AFR) was to have been presented, prior to the Local Government elections.

Officers from the EMRC have been working with the OAG and they are committed to 21 November 2019 for the AFR to be tabled before the EMRC's Audit Committee. They expect the final Independent Auditor's Report to be signed by the Auditor General or her representative and issued, at the earliest, the next day, being 22 November 2019 and latest early the following week.

The EMRC has advised that it has been working with its auditors with a sense of urgency, and regret that this may cause a delay to the Town of Bassendean's audit, and reassures the Town that appropriate discussions are taking place with the OAG to ensure we are not in the same situation again.

The Town of Bassendean's Annual Financial Statements for the year ended 30 June 2019 will be provided to the Committee once the Audit Report is received from the OAG.

#### OFFICER RECOMMENDATION – ITEM 9.2

That the Committee meets at 5:30pm on Wednesday 27 November 2019, to receive the Annual Financial Statements for the year ended 30 June 2019.

### **9.3 Audit and Risk Register**

#### APPLICATION

The purpose of this report is to provide the Committee with a log of audit recommendations.

#### ATTACHMENTS

**Attachment No. 3:** Audit and Risk Register

#### BACKGROUND

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

The Moore Stephens report, "Review of Risk Management, Internal Controls and Legislative Compliance", was tabled at the Audit & Governance Committee meeting on 7 August 2019.

Recommendation 4.3.1 stated:

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

### COMMENT

The Town reviewed the following internal and external audit reports:

- Moore Stephens Audit of Tenders and Contracts Report for the Town, May 2017;
- Moore Stephens Internal Audit Revenue Report for the Town, March 2018;
- Western Australia Auditor General's Report Number 5 of 2018-18, Local Government Procurement, October 2018;
- OAG Interim Audit Report for the Town - July 2019; and
- Moore Stephens Review of Risk Management, Internal Controls and Legislative Compliance Report for the Town, July 2019.

The Town produced an Audit and Risk Register from the recommendations made in the reports listed above. The Town has added a Management Update, Current Status and Responsible Officer for the Committee's information. The Audit and Risk Register will be updated monthly for tabling at the Administration's Corporate Management Committee.

The Audit and Risk Register will be tabled at each quarterly meeting of the Audit and Governance Committee.

### OFFICER RECOMMENDATION – ITEM 9.3

That the Committee receives the Audit and Risk Register.

**Voting requirement: Simple majority**

### 10.0 MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil.

### 11.0 ANNOUNCEMENTS OF NOTICES OF MOTION FOR THE NEXT MEETING

## **12.0                      CONFIDENTIAL BUSINESS**

### **12.1      Update on Audit Activity**

*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.*

#### **OFFICER RECOMMENDATION – ITEM 12.1**

That the Confidential Officer's report attached to Audit and Governance Committee Agenda of 13 November 2019, be received.

### **12.2      Contractor Legal Dispute**

*This matter is to be considered with members of the public excluded from the Chamber under Clause 5.23 (2) (d) of the Local Government Act 1995, as the officer report discusses legal advice obtained by the Town.*

#### **OFFICER RECOMMENATIONS – ITEM 12.2**

That the Confidential Officer's report attached to Audit and Governance Committee Agenda of 13 November 2019, be received.

### **12.3      Australian Taxation Office Disclosure**

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

#### **OFFICER RECOMMENDATION – ITEM 12.3**

That the Officer's Report attached to the Audit and Governance Committee Agenda of 13 November 2019, be received.

## **13.0                      CLOSURE**

The next meeting is to be held on Wednesday, 27 November 2019, commencing at 5.30pm (subject to confirmation).

# **ATTACHMENT NO. 1**



## **AUDIT AND GOVERNANCE COMMITTEE**

### **INSTRUMENT OF APPOINTMENT AND DELEGATION**

#### **1. PURPOSE OF THE INSTRUMENT OF APPOINTMENT**

The purpose of the Instrument of Appointment is to:

- 1.1 Facilitate the operation of the Audit and Governance Committee;
- 1.2 Support the Council in fulfilling its responsibilities in relation to:
  - a. risk management systems
  - b. internal control structure
  - c. financial reporting
  - d. compliance with laws and regulations e. internal and external audit functions

#### **2. INTRODUCTION**

The Audit and Governance (AG) Committee has been established in accordance with part 7 of the *Local Government Act 1995*.

The Audit and Governance Committee is an advisory committee formally appointed by the Council and is responsible to the Council. The AG committee does not have executive powers or authority to implement actions in areas over which management has responsibility and does not have any financial responsibility. The AG committee does not have any management functions and is therefore independent of management.

#### **3. OBJECTIVES**

The AG Committee's primary objective is to support the Council in discharging its legislative responsibility associated with governing the Town's affairs and overseeing the allocation of the Town's finances and resources.

The AG Committee will promote transparency and accountability in the Town's financial reporting and promote effective and responsible management of risks to protect the Town's assets.

The AG Committee will report to Council and provide appropriate advice and recommendations on matters relevant to its terms of reference in order to facilitate decision making by the Council in relation to the discharge of its responsibilities.

More specifically, the objectives of the AG committee are to oversee:

- 3.1 The integrity of external financial reporting, including accounting policies.
- 3.2 The scope of work, objectivity, performance and independence of the internal and external auditors.
- 3.3 The establishment, effectiveness and maintenance of controls and systems to safeguard the Town's financial and physical assets.
- 3.4 The framework and systems that are designed to ensure the Town comply with relevant statutory and regulatory requirements.
- 3.5 The framework for recognising risks arising from the Town's operations and strategies, and consider the adequacy of measures taken to manage those risks.
- 3.6 The framework and systems which protect the Council against fraud and irregularities.

The AG committee must also add to the credibility of Council by promoting ethical standards through its work.

#### **4. AUTHORITY**

The AG committee has the authority of Council to:

- 4.1 Review the internal and external auditor's annual audit plans and the outcomes/results of all audits undertaken;
- 4.2 Formally meet with the Town's appointed internal and external auditor as necessary;
- 4.3 Ensure that any matters raised by the internal and external audit that require action are actioned; and
- 4.4 Advise Council on any or all of the above as deemed necessary.

#### **5. COMPOSITION**

- 5.1 The AG Committee will comprise of five (5) members - three (3) Elected Members and two (2) external independent members.
- 5.2 An external member will be a person independent of the Town of Bassendean, and will not have provided paid services to the Town either directly or indirectly.

- 5.3 External independent members will be selected based on the following criteria:
- a) a demonstrated high level of expertise and knowledge in financial management, reporting, governance and audit; and
  - b) relevant skills and experience in providing independent expert advice.
- 5.4 Appointments of external independent members will be made following a public advertisement, and all nominations will be provided to Council for consideration.
- 5.5 The Council will appoint all members of the AG Committee.
- 5.6 Members shall be appointed for a period of up to two (2) years terminating on the day of the Local Government Ordinary Council Elections.
- 5.7 The Presiding Member and Deputy Presiding Member will be appointed by the AG Committee, biennially by election by all committee members after the Local Government Ordinary Council Elections.
- 5.8 The quorum for a meeting shall be a minimum of 3 Committee members.
- 5.9 AG Committee members are required to abide by the Local Government Act and Code of Conduct in observing the requirements of declaring any proximity, financial or impartiality interests that relate to any matter to be considered at each meeting.
- 5.10 Reimbursement of expenses approved by Council may be paid to an external person who is a member of the AG committee.

## **6. MEETINGS**

The AG Committee shall meet every three (3) months or more regularly as required at the discretion of the Presiding Member of the AG Committee, the Mayor, or the CEO.

- 6.1 All AG committee members are expected to attend each meeting in person.
- 6.2 Elected Members, who are not part of the AG committee are invited to observe AG committee meetings, however, they are not entitled to participate in the meeting.
- 6.3 The members of the AG committee are to elect a Presiding Member from amongst themselves at the first meeting of the committee following an Ordinary Local Government Election.
- 6.4 The Presiding Member will preside at all meetings.

- 6.5 Each member of the Committee at a meeting will have one vote. The Presiding Member will have a casting vote and simple majority will prevail.
- 6.6 A committee recommendation does not have effect unless it has been made by simple majority. A simple majority is the agreement of not less than half of the members present at the meeting.
- 6.7 The CEO, or his delegate, the Director Corporate Services, is to attend all meetings to provide advice and guidance to the committee, however the CEO and employees are not members of the committee.
- 6.8 The CEO will invite members of management, internal and external auditors or others to attend meetings as observers and to provide pertinent information, as necessary.
- 6.10 The AG committee meetings are generally open to the public unless the Presiding Member or CEO deem it necessary to proceed behind closed doors pursuant to section 5.23 of the Local Government Act 1995.
- 6.11 Meeting agendas will be prepared and provided at least one week in advance to members, along with appropriate briefing materials.
- 6.12 Minutes will be taken at each meeting and presented to the subsequent meeting for confirmation.
- 6.13 Reports and recommendations of each committee meeting shall be presented to the next ordinary council meeting.

## **7. RESPONSIBILITIES**

The AG committee will carry out the following responsibilities:

### **7.1 Risk management**

- 7.1.1 Review whether management has in place a current and comprehensive enterprise risk management framework and associated procedures for effective identification and management of the Town's business and financial risks, including fraud.
- 7.1.2 Assess whether a sound and effective approach has been followed in managing the Town's major risks including those associated with individual projects, program implementation, and activities.
- 7.1.3 Assess the impact of the Town's enterprise risk management framework on its control environment and insurance arrangements.
- 7.1.4 Review the process of developing and implementing the Town's fraud control arrangements and satisfy itself the Town has appropriate processes and systems in place to detect, capture and effectively respond to fraud-related information.

### **7.2 Business continuity**

- 7.2.1 Assess whether a sound and effective approach has been followed in establishing the Town's business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically updated and tested.

### 7.3 Internal Control

- 7.3.1 Review whether management's approach to maintaining an effective internal control framework is sound and effective.
- 7.3.2 Review whether management has in place relevant policies and procedures and that they are periodically reviewed and updated.
- 7.3.3 Assess whether the appropriate processes are in place to assess, at least once a year, whether key policies and procedures are complied with.
- 7.3.4 Review whether appropriate policies and supporting procedures are in place for the management and exercise of delegations.
- 7.3.5 Consider how management identifies any required changes to the design or implementation of key internal controls.

### 7.4 Financial Report

- 7.4.1 Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent accounting, professional and regulatory pronouncements and legislative changes, and understand their effect on the financial report.
- 7.4.2 Review with management and the internal and/or external auditors the results of the audit, including any difficulties encountered.
- 7.4.3 Review the annual financial report and performance report of the Town of Bassendean and consider whether it is complete, consistent with information known to AG committee members, and reflects appropriate accounting principles.
- 7.4.4 Review with management and the internal and/or external auditors all matters required to be communicated to the AG committee under the Australian Auditing Standards.
- 7.4.5 Review the draft Annual Financial Statements and recommend the adoption of the Annual Financial Statements to Council, in accordance with the timeframes as prescribed.
- 7.4.6 Review the mid year budget review and recommend the adoption of the budget review to Council.

## 7.5 Compliance

- 7.5.1 Review the systems and processes to monitor effectiveness of the system for monitoring compliance with legislation and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- 7.5.2 Keep informed of the findings of any examinations by regulatory agencies and any auditor (internal or external) observations and monitor management's response to those findings.
- 7.5.3 Obtain regular updates from management about compliance matters.
- 7.5.4 Review the annual Compliance Audit Return and report to the Council the results of the review.

## 7.6 Internal Audit

- 7.6.1 Review with the AG Committee (via the CEO) the terms of reference, activities and resourcing of the internal audit function.
- 7.6.2 Review and recommend the annual internal audit plan for approval by the Council and all major changes to the plan.
- 7.6.3 Monitor processes and practices to ensure that the independence of the audit function is maintained.
- 7.6.4 Provide an opportunity for the AG committee to meet with the internal auditors to discuss any matters that the AG committee or the internal auditors believe should be discussed privately.
- 7.6.5 Annually review the performance of the internal audit including the level of satisfaction with internal audit function having consideration of the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.
- 7.6.6 Review all audit reports and provide advice to the Council on significant issues identified in audit reports and action to be taken on issues raised, including identification and dissemination of good practice.
- 7.6.7 Monitor management's implementation of internal audit recommendations.
- 7.6.8 Regularly review a report given to it by the CEO under regulation 17 (3) of the Local Government (Administration) Regulations 1996.
- 7.6.9 In seeking to further enhance assurance, that the Town's Internal Auditors have:
  - a functional reporting line to the Audit and Governance Committee; and
  - an administrative reporting relationship to the Chief Executive Officer.

- 7.6.10 In light of the above and to facilitate a functional reporting line to the Audit and Governance Committee, that a standing invitation to all Audit & Governance Committee meetings be extended to the Town's Internal Auditor.

## 7.7 External Audit

- 7.7.1 Develop and recommend to Council a process to be used to select and appoint a person to be an auditor.
- 7.7.2 Recommend to Council the person or persons to be appointed as the external auditor.
- 7.7.3 Develop and recommend to Council a written agreement for the appointment of the external auditor in accordance with Local Government (Audit) Regulation 7.
- 7.7.4 Note the external auditor's proposed audit scope and approach for financial performance audits.
- 7.7.5 Consider the findings and recommendations of relevant Management Letters undertaken by the external auditor and ensure the Shire-Town implements relevant recommendations.
- 7.7.6 Provide an opportunity for the AG committee to meet with the external auditors to discuss any matters that the AG committee or the external auditors believe should be discussed privately.
- 7.7.7 Annually review the performance of external audit including the level of satisfaction with external audit function.
- 7.7.8 Monitor management's implementation of external audit recommendations.

## 7.8 Reporting Responsibilities

- 7.8.1 Report regularly to the Council about AG committee activities, issues, and related recommendations through circulation of minutes.
- 7.8.2 Monitor that open communication between the internal and external auditors and the Town's management occurs.

## 7.9 Other Responsibilities

- 7.9.1 Perform other activities related to these terms of reference as requested by the Council.
- 7.9.2 Annually review and assess the adequacy of the AG committee terms of reference, request Council approval for proposed changes, and ensure appropriate disclosure as might be required by legislation or regulation.

# **ATTACHMENT NO. 2**

# TOWN OF BASSENDEAN

## MINUTES

### AUDIT AND GOVERNANCE COMMITTEE

HELD IN THE COUNCIL CHAMBER, 48 OLD PERTH ROAD, BASSENDEAN  
ON WEDNESDAY 7 AUGUST 2019, AT 5.30PM

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#### 1.0 DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

The Acting Presiding Member opened the meeting, welcomed all those in attendance and conducted an Acknowledgement of Country.

#### 2.0 ATTENDANCES, APOLOGIES AND APPLICATIONS FOR LEAVE OF ABSENCE

##### Present

Cr Melissa Mykytiuk, Acting Presiding Member  
Cr Jai Wilson (from 5.45pm)  
Tom Klaassen  
Ian Walters

##### Staff/Consultants

Anne Cheng, Moore Stephens  
Ron Back, Financial Advisor  
Paul White, Director Corporate Services  
Natalie Ong, Manager Strategy and Governance  
Amy Holmes, Minute Secretary

##### Apologies

Cr Kathryn Hamilton  
Peta Mabbs, CEO

#### 3.0 DEPUTATIONS

Nil

**4.0 CONFIRMATION OF MINUTES**

**4.1 Audit and Governance Meeting held on 5 June 2019**

**COMMITTEE/OFFICER RECOMMENDATION – ITEM 4.1**

MOVED Cr Mykytiuk, Seconded Ian Walters, that the minutes of the Audit and Governance Committee meeting held on 5 June 2019, be confirmed as a true record.

**CARRIED UNANIMOUSLY 3/0**

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

Nil

**6.0 DECLARATIONS OF INTEREST**

Nil

**7.0 BUSINESS DEFERRED FROM PREVIOUS MEETING**

Nil

**8.0 REPORTS**

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

*Please note, this is a standing item on the Audit and Governance Committee Agenda, to enable updates from Council's Internal Auditor.*

**Audit Regulation 17 Review**

The Town of Bassendean engaged Moore Stephens to review the appropriateness and effectiveness of the Town of Bassendean's systems and procedures in relation to risk management, internal controls and legislative compliance ("Audit Regulation 17 Review").

Moore Stephens has completed the Audit Regulation 17 Review and provided its report to the CEO. The CEO has reviewed that report and provided management comments in terms of follow up actions.

These actions have been identified as part of a broader reform agenda being led by the CEO to include amongst other objectives, a strengthening of governance across the organisation.

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

#### **17. CEO to review certain systems and procedures**

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

Review of Risk Management, Legislative Compliance and Internal Controls, Moore Stephens, July 2019.

#### Assurance Plan for 2019-2020

The Proposed Assurance Plan for the current financial year is presented. The Assurance Plan was developed following the Audit Regulation 17 review to target areas based on exposure to financial and/or operational risk.

Town of Bassendean Assurance Plan for 2019-2020, Moore Stephens.

*Cr Jai Wilson joined the meeting at 5.45pm.*

#### ***The following points were raised:***

- ***Councillors' risk management - tolerance and attitude. Needs to be explored further.***
- ***Procurement Risk - Currently dealing with lapsed contracts and changes to administrative process.***
- ***Position Description for Manager Finance is being finalised and will be advertised next week.***

COMMITTEE/OFFICER RECOMMENDATION – ITEM 8.1

**AGC-1/08/19**

MOVED Tom Klaassen, Seconded Ian Walters, that the Audit and Governance Committee:

1. Receives the update on Audit Activity from Moore Stephens;
2. Recommends to Council that it receives the Audit Regulation 17 Review from Moore Stephens and associated management comments; and
3. Reviews the Assurance Plan for 2019-2020 and recommends its approval by Council.

CARRIED UNANIMOUSLY 4/0

**8.2 Audit Completion Report 2017-2018 – Identified Significant Adverse Trends (Ref: GOVN/CCLMEET/1 – Paul White, Director Corporate Services)**

APPLICATION

The purpose of this report is to inform Council, through the Audit and Governance Committee of the action the Town of Bassendean has taken, or intends to take, with respect to matters identified as significant by the Town's auditor, Macri Partners, in the Audit Completion Report for 2017-2018.

ATTACHMENTS

Audit Completion Report for the year ended 30 June 2018, Macri Partners

Department of Local Government, Sport and Cultural Industries letter to the Chief Executive Officer of the Town of Bassendean, 28 June 2019

Report to the Minister, Town of Bassendean External Audit Findings for 2017-2018.

BACKGROUND

Macri Partners conducted the audit of the Town of Bassendean's Annual Financial Statements for 2017-2018 in August 2018. Macri Partners provided its Audit Completion Report to the Audit and Governance Committee on 7 November 2018, which was received by Council on 27 November 2018.

Macri Partners provided an Unqualified Opinion but identified significant adverse trends in the financial position:

*“The Asset Sustainability Ratio and the Operating Surplus Ratio have been below the Department of Local Government, Sport and Cultural Industries standard for the last three years.”*

### STRATEGIC IMPLICATIONS

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

### STATUTORY REQUIREMENTS

The *Local Government Act 1995*, section 7.12A, relevantly states:

- (4) *A local government must –*
- (a) *prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and*
  - (b) *give a copy of that report to the Minister within 3 months after the audit report is received by the local government.*
- (5) *Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website.*

## FINANCIAL CONSIDERATIONS

Funding to meet costs associated with improving both ratios will be required in the 2019-2020 Budget and beyond.

## COMMENT

The Department of Local Government, Sport and Cultural Industries wrote to the Town of Bassendean on 28 June 2019 and advised of the Town's obligation to prepare a report to address the matters raised in the Audit Completion Report which must be provided to the Audit and Governance Committee. The report must also be provided to the Minister for Local Government following endorsement by Council.

### Asset Sustainability Ratio

The Asset Sustainability Ratio is an approximation of the extent to which assets are being renewed or replaced as the assets reach the end of their useful lives. It is calculated by measuring capital expenditure on renewal or replacement of assets, relative to depreciation expense.

The Department of Local Government, Sport and Cultural Industries (DLGSC) standard is met if the Asset Sustainability Ratio is 0.90.

Macri Partners, in its Audit Completion Report for 2017-2018, reported that the Town of Bassendean's Asset Sustainability Ratio has been below the DLGSC standard for the last three years.

	Town of Bassendean			DLGSC Standard
	2018	2017	2016	
Asset Sustainability Ratio	0.48	0.42	0.65	0.90

The Asset Sustainability Ratio can be improved by:

- Increasing expenditure on capital renewal and replacement;
- Reviewing fair market value asset measurement; and
- Reviewing depreciation rates.

The Town of Bassendean has included significant expenditure in its Budget for 2019-2020 for capital upgrades to Town assets. Consequently, budgeted expenditure for 2019-2020 for capital asset renewal and replacement, is relatively low.

However, the Town of Bassendean will continue to identify funding opportunities for further capital renewal and replacement in future years.

The Town of Bassendean will review its fair value asset measurement and depreciation rates during 2019-2020.

### Operating Surplus Ratio

The Operating Surplus Ratio is a measure of a local government's ability to cover its operational costs and have revenues available for capital funding or other purposes. It is calculated by measuring operating surplus (operating revenue minus operating expenses) relative to own source operating revenue. Own source operating revenue means revenue from rates, service charges, fees and user charges, reimbursements and recoveries, interest income and profit on disposal of assets.

The Department of Local Government, Sport and Cultural Industries (DLGSC) standard is met if the Operating Surplus is 0.01.

Macri Partners, in its Audit Completion Report for 2017-2018 reported that the Town of Bassendean's Operating Surplus Ratio has been below the DLGSC standard for the last three years.

	Town of Bassendean			DLGSC Standard
	2018	2017	2016	
Operating Surplus Ratio	-0.03	-0.05	-0.01	0.01

The Operating Surplus Ratio can be improved by increasing own source revenue and reducing expenditure.

The Town of Bassendean will introduce differential rating in its 2019-2020 budget, which is estimated to increase rates revenue by 0.7 per cent. The Town will explore further sources of own source revenue as part of its long-term financial planning. The Town intends to review its costing and pricing framework during 2019-2020 to assist with expenditure management.

It is worth noting that for the 2017-2018 financial year, only 40 per cent of local governments in Western Australia met the required standard for the Asset Sustainability Ratio and 20 per cent of local governments met the required standard for the Operating Surplus Ratio.

It is quite possible, however, that the ratios will remain at levels below the standard in the short-to-medium-term, due to cost pressures and limited revenue resources.

*The comment was made that these ratios are not necessarily meaningful and perhaps need to be reviewed, as a high percentage of local governments are not meeting them.*

COMMITTEE/OFFICER RECOMMENDATION – ITEM 8.2

**AGC-2/08/19**

MOVED Tom Klaassen, Seconded Ian Walters, that the Audit and Governance Committee recommends to Council that it:

1. Receives the officer's report;
2. Directs the CEO to:
  - a. Provide the Report to the Minister, attached to the Audit and Governance Committee Agenda of 7 August 2019, to the Minister for Local Government, The Hon. David Templeman MLA; and
  - b. Publish a copy of the Report to the Minister, attached to the Audit and Governance Committee Agenda of 7 August 2019, on the Town of Bassendean's official website.

CARRIED UNANIMOUSLY 4/0

**8.3 2018-2019 Interim Audit – Revised Interim Audit Report – Office of the Auditor General (Ref: FINM/AUD1 – Paul White, Director Corporate Services)**

APPLICATION

The purpose of this report is to provide Council, through the Audit and Governance Committee, with:

1. Details of the Revised Internal Audit Report for 2018-2019 furnished by the Office of the Auditor General; and
2. An update to management comments relating to finding number one by the Office of the Auditor General: Purchasing Policy.

ATTACHMENTS

Accounting for work bonds, building bonds and hire bonds, Office of the Auditor General, 1 July 2019.

2018-2019 Revised Interim Audit Report, Office of the Auditor General, 23 July 2019.

## BACKGROUND

The Auditor General was provided with the power to conduct performance audits and annual financial audits of Western Australian local governments in October 2017. The Auditor General adopted a program of gradual oversight of annual financial audits for local government entities, commencing with the 2017-2018 financial year. The Auditor General was responsible for the audit of the Town of Bassendean from 2018-2019.

In practice, Macri Partners will conduct the 2018-2019 annual financial audit for the Town of Bassendean, with oversight and final audit sign off by the Auditor General.

Macri Partners, conducted an interim audit of systems and processes in March 2019. The purpose of the interim audit of systems and processes was to evaluate the Town of Bassendean's internal control environment to obtain an understanding of key business processes, risks and internal controls. The interim audit of systems and processes provides a level of assurance to auditors, the CEO, the Audit and Governance Committee and Council as to the level of controls that are in place and adherence to those controls.

The Auditor General provided its interim audit results to the CEO of the Town of Bassendean on 30 May 2019. The Auditor General identified a number of deficiencies in internal controls and rated each deficiency as having significant, moderate or minor implication. The Interim Audit Report, with management comments that addressed the identified deficiencies, was presented to the Audit and Governance Committee for its meeting on 5 June 2019.

The Interim Audit Report identified a deficiency which the Auditor General described as having significant implication relating to Trust Fund Moneys. The Auditor General found 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 Auditor General made the following recommendation:

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

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

The Audit and Governance Committee disagreed and resolved to replace the management comment, which agreed with the Auditor General’s recommendation to the following:

*“Disagree. Action will be taken to challenge the Office of the Auditor General’s finding. Further advice is to be sought from the Western Australian Local Government Association (WALGA) and the Department of Local Government, Sport and Cultural Industries before the next Audit & Governance Committee meeting.”*

Council received the Auditor General’s Interim Audit Report, as amended, at its Ordinary Council Meeting on 25 June 2019.

### STRATEGIC IMPLICATIONS

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

### STATUTORY REQUIREMENTS

The *Local Government Act 1995*, section 6.9 states:

- (1) *A local government is to hold in the trust fund all money or the value of assets —*
- (a) that are required by this Act or any other written law to be credited to that fund; and*
  - (b) held by the local government in trust.*

- (2) *Money or other property held in the trust fund is to be applied for the purposes of, and in accordance with, the trusts affecting it.*
- (3) *Where money or other property is held in the trust fund, the local government is to —*
  - (a) *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;*
  - (b) *in the case of property, deliver it to the person entitled to it.*
- (4) *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.*

#### FINANCIAL CONSIDERATIONS

Funding to meet the costs associated with the 2019 interim audit exists in the 2018-2019 budget.

#### COMMENT

The Office of the Auditor General published a position paper on accounting for work bonds, building bonds and hire bonds on 1 July 2019.

The Office of the Auditor General obtained independent legal advice and stated:

*“ ... unless agreements between developers/hirers and the entity require bond moneys to be held in the Trust Fund, they should not be held in the Trust Fund.*

*There are no provisions in the [Local Government] Act or any other written law that specify that work bonds, building bonds and hire bonds are to be credited to, or held in, the Trust Fund, and these moneys are not held in trust. Consequently, section 6.9 of the [Local Government] Act is not applicable to these funds, and they should be held in the Municipal Fund.*

*We recommend however that separate accounting records should be maintained for these moneys, as one of the control measures to ensure they are used for the correct purpose.*

*As section 6.9(3)(a) of the [Local Government] Act is only applicable to moneys held in the Trust Fund, any interest earned while the moneys are in the Municipal Fund, can be retained by the entity.”*

The Auditor General provided its revised interim audit results to the CEO of the Town of Bassendean on 23 July 2019. The revised interim audit results exclude the deficiency relating to Trust Fund Monies.

The Town of Bassendean can continue to hold bond and security deposits within its municipal fund and retain interest earned on those deposits, in the absence of any agreement for the deposit to be held in the Trust Fund.

#### Council Policy 6.14 - Purchasing Policy

The Auditor General's interim audit results included a deficiency described as having moderate implication relating to the Town of Bassendean's Purchasing Policy.

A revised Purchasing Policy was presented to the Audit and Risk Committee for its meeting on 5 June 2019. The Audit and Risk Committee recommended Council adopt the revised Purchasing Policy, with an amendment relating to local suppliers. Council endorsed the updates to the Purchasing Policy at its Ordinary Council Meeting on 25 June 2019.

The management comment responding to the Auditor General's interim audit results relating to the Purchasing Policy included the following:

*“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.”*

The Town of Bassendean plans to implement a procurement and contract management framework in 2020, following recruitment of a Procurement, Contracts and Leases Coordinator in late 2019. That position is a new position created as part of the Town of Bassendean's new organisational structure, endorsed by Council at a Special Council Meeting on 10 June 2019.

The Town of Bassendean's procurement and contract management framework will include a further review of Council Policy 6.14 – Purchasing Policy, as part of the development of a broader framework to develop principles, processes and procedures that will apply to all purchases of goods, services and works by the Town.

The procurement framework will aim to ensure the following fundamental principles are applied to every procurement at the Town of Bassendean:

- Value for money;
- Open and fair competition;
- Accountability;
- Risk management;
- Probity and transparency; and
- Sustainability.

The Town of Bassendean has adopted some interim measures to strengthen its procurement processes, pending development of the procurement and contract management framework, including:

- Reviewing its Purchasing Policy;
- Improving the quality and consistency of procurement documentation; and
- Revising procurement procedures and qualitative evaluation criteria.

The procurement and contract management framework will, once developed, be submitted to the Audit and Governance Committee for review, prior to provision to Council.

#### COMMITTEE/OFFICER RECOMMENDATION – ITEM 8.3

**AGC-3/08/19**

MOVED Cr Wilson, Seconded Tom Klaassen, that the Audit and Governance Committee:

1. Recommends to Council that it receives the Auditor General's revised Interim Audit Report, as attached to the Audit and Governance Committee Agenda of 7 August 2019.
2. Notes the administration's plan to develop a new procurement and contract management framework for future consideration by the Committee in 2020.

CARRIED UNANIMOUSLY 4/0

**8.4 Annual Closed Circuit Television (CCTV) Report (Ref: INFT/ACQ/1) – Sharna Merritt, Senior Ranger**

APPLICATION

The purpose of this report is to present the 2018/19 annual statistics for the Towns' existing CCTV systems, as per the requirements of the Closed Circuit Television (CCTV) Management & Operational Manual.

COMMITTEE/OFFICER RECOMMENDATION – ITEM 8.4

**AGC-4/08/19** MOVED Ian Walters, Seconded Tom Klaassen, that the Audit and Governance Committee receives the CCTV Management and Operation Annual Report.  
CARRIED UNANIMOUSLY 4/0

**9.0 MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN**

Nil

**10.0 ANNOUNCEMENTS OF NOTICES OF MOTION FOR THE NEXT MEETING**

Nil

**11.0 CONFIDENTIAL BUSINESS**

COMMITTEE RECOMMENDATION – ITEM 11.0(a)

**AGC-5/08/19** MOVED Cr Wilson, Seconded Cr Mykytiuk, that the meeting go behind closed doors in accordance with Section 5.23 of the Local Government Act 1995, the time being 6.20pm.  
CARRIED UNANIMOUSLY 4/0

*Mr Ron Back left the meeting at 6.20pm and did not return.*

**11.1 Update on Audit Activity from Anne Cheng, Moore Stephens (WA) Pty Ltd – Stan Moses Management Group Inc. – Moore Stephens Draft Report, June 2019**

Confidential Attachment - Agreed Upon Procedures – Stan Moses Management Group, Draft Report, Moore Stephens, June 2019

*This matter was 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.*

**COMMITTEE/OFFICER RECOMMENDATION – ITEM 11.1**

**AGC-6/08/19**

MOVED Cr Wilson, Seconded Tom Klaassen, that the Audit and Governance Committee receives the Stan Moses Management Group report from Moore Stephens and associated management comments, as attached to the Audit and Governance Agenda of 7 August 2019.

**CARRIED UNANIMOUSLY 4/0**

**11.2 Street Sweeping Contract – Legal Dispute (Ref: GOVN/CCLMEET/1 – Paul White, Director Corporate Services)**

*This matter was 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.*

**COMMITTEE/OFFICER RECOMMENDATION – ITEM 11.2**

**AGC-7/08/19**

MOVED Cr Wilson, Seconded Tom Klaassen, that the Confidential Officer's report attached to the Audit and Governance Committee Agenda of 7 August 2019, be received.

**CARRIED UNANIMOUSLY 4/0**

**11.3 Payment of Superannuation on Annual Leave Loading (Ref: GOVN/CCLMEET/1) – Paul White, Director Corporate Services**

*This matter was 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.*

COMMITTEE/OFFICER RECOMMENDATION – ITEM 11.3

**AGC-8/08/19**

MOVED Tom Klaassen, Seconded Cr Wilson, that:

1. The Officer's Report attached to the Audit and Governance Committee Agenda of 7 August 2019, be received; and
2. The Committee endorses the Point 2 listed in the Officer/Committee Recommendation and shown in the Confidential Minutes.

CARRIED UNANIMOUSLY 4/0

**12.0 CLOSURE**

The next meeting is to be held on Wednesday 13 November 2019, commencing at 5.30pm (subject to confirmation).

There being no further business, the Presiding Member closed the meeting at 7.20pm.

# **ATTACHMENT NO. 3**

## Internal Auditor's Report Assessment &amp; Management Actions: Review of Risk Management, Internal Controls and Legislative Compliance July 2019

## Regulation 17 of the Local Government (Audit) Regulations 1996

Ref	Area	Category	Assessment	Improvement Opportunity	Management Comments	Priority	Timeframe	Management Update	Status	Responsible Officer
1	Risk Management	4.2.1 Risk Management Policy	<p>The Risk Policy is not well understood nor practiced at the Town.</p> <p>This observation is pervasive at all levels of the organisation.</p> <ul style="list-style-type: none"> <li>A Risk Management framework to support the principles and objectives of the Risk Policy has not been developed.</li> <li>The lack of a framework has impacted on the implementation of the Risk Policy and therefore the Town's ability to demonstrate adherence to the Council Policy.</li> </ul>	<p>1. The Risk Policy should be reviewed as a priority and updated to reflect the commitment by the CEO to implement a current Risk Management Framework i.e. Risk Standard 31000:2018 which is aligned with the Town's strategic objectives and operational plans.</p> <p>2. In conjunction with review of the Risk Policy, a Risk Management Framework should be developed to support its implementation.</p> <p>3. Consideration to have a designated Risk Champion to support Business Units with their risk responsibilities and to provide staff training.</p>	<p>The new position to be appointed, Manager, Strategy and Governance, will be responsible for championing Risk Management. Policy to be developed by November 2019. New Risk Management framework and training to be implemented by December 2019.</p>	HIGH	31-Dec-19	<p>Initial research commenced. The development of a Risk Management Framework is subject to Good Governance &amp; Business Improvements Program schedule being agreed, resourced and adopted.</p>	PLANNING	Manager Strategy & Governance
2		4.2.2 Risk Identification	<p>The Town does not have any formal risk processes to capture and assess risks for management's attention.</p> <p>A process was initiated in late 2016 with external consultants for the identification of risks and for Town staff to document controls which mitigate the generic risks.</p> <p>Review of the documentation generated from this process indicates that it has not been reviewed since the initial exercise.</p> <p>There is also no evidence to support that risks identified through the process were satisfactorily remediated nor followed-up.</p>	<p>4. The Risk Management Framework should include a formal process for staff to identify and assess risks in a consistent manner to enable similar risks to be aggregated and reported.</p>	<p>New framework to address this by December 2019.</p>	HIGH	31-Dec-19	<p>Initial research commenced. To be addressed in conjunction with item 1 above.</p>	PLANNING	Manager Strategy & Governance
3		4.2.3 Risk Monitoring	<p>The Town has reliable processes to monitor risks where it is required by regulatory requirements or where the services being provided are highly regulated with requirements to report risks.</p> <p>However, as the Town has not implemented a formal process or requirement to identify, assess and communicate risks (pt 4.2.2), there is limited visibility for risk monitoring to help ensure transparency and accountability</p>	<p>5. The Risk Management Framework should include a formal risk monitoring process as well as guidelines for escalation of risks based on severity as defined by their risk rating.</p>	<p>Risk monitoring to be built into new quarterly performance reporting framework by December 2019 by Manager Strategy and Governance.</p>	HIGH	31-Dec-19	<p>Refer to item 1. Risk assessment is also included in draft Council Agenda Report template.</p>	PLANNING	Manager Strategy & Governance
4		4.2.4 Risk Reporting	<p>A formal process for reporting of risks to the CEO has not been implemented. There are also no formal mechanisms in place for the reporting of risks from Business Units to Directors / CEO.</p>	<p>6. The Risk Management Framework should include formal risk reporting requirements for internal purposes and also regular reporting to Audit &amp; Governance Committee and Council.</p>	<p>Risk reporting to be implemented into Quarterly Reporting Framework by December 2019 by Manager Strategy and Governance.</p>	HIGH	31-Dec-19	<p>Audit &amp; Risk Management Register in place to be incorporated into Quarterly Reporting. Broader Corporate Risk reporting is required. To be addressed more fully as part of Risk Management Framework under item 1.</p>	IN PROGRESS	Manager Strategy & Governance
5		4.2.5 Code of Conduct Training	<p>The City has formal and ad-hoc processes in place which help ensure staff understand their obligations through the following:</p> <ul style="list-style-type: none"> <li>New staff receive the CoC in their Offer Letter and sign for acknowledgement;</li> <li>CoC is discussed within the Corporate Induction process; and</li> <li>Observance of the Town's CoC is stated as a condition of employment in the Offer Letter.</li> </ul>	<p>7. The Town acknowledges it is considering refresher training for the CoC on a regular basis i.e. every two years.</p> <p>For good governance, this is recommended.</p>	<p>Manager Organisational Development to rollout Code of Conduct and training program on behaviours and ethical decision making for new and existing staff by June 2020. Mandatory training to be provided to all staff bi-annually.</p>	MEDIUM	30-Jun-20	<p>Compulsory Accountable and Ethical Decision Making training to be provided to all staff during during November and December 2019. This will include the Code of Conduct.</p>	IN PROGRESS	Manager Organisational Development
6		4.2.6 Disaster Recovery Plan	<p>The Disaster Recovery Plan provided during the review is a high level plan. A quick read suggests it may not be sufficient as a Disaster Recovery document as it lacks key details to enable a person to follow it in the event of a disaster.</p> <p>Examples of key details missing:</p> <ul style="list-style-type: none"> <li>Catalogue of applications and services included in the plan.</li> <li>Metrics which have not been determined i.e. recovery point objectives (max. acceptable amount of data loss measured in time).</li> </ul>	<p>8. The Disaster Recovery Plan should be reviewed and updated as required with relevant details for an IT skilled person to follow.</p> <p>Testing should be carried out as an exercise to pick-up potential issues such as IP address clashes, length of time the new NBN connection can be established etc.</p>	<p>Agreed. Disaster Recovery Plan to be reviewed and updated and to include a testing regime commensurate with risk. To be incorporated into the role of the IT Coordinator and to be undertaken by June 2020.</p>	MEDIUM	30-Jun-20		NOT STARTED	Director Corporate Services

**Internal Auditor's Report Assessment & Management Actions: Review of Risk Management, Internal Controls and Legislative Compliance July 2019**  
**Regulation 17 of the Local Government (Audit) Regulations 1996**

Ref	Area	Category	Assessment	Improvement Opportunity	Management Comments	Priority	Timeframe	Management Update	Status	Responsible Officer
7		4.2.7 Business Continuity Plan	A draft version of the Town's Business Continuity Plan dated October 2017 was provided during the review. However, the Town could not confirm whether it is the current version. The document's Document Control states that it was revised in February 2015. A cursory read of the BCP indicates that some sections of the plan are based on a generic template and should be adapted to the specific circumstances of the Town.	9. The BCP should be reviewed and updated to reflect a current operating document that can be used in the event of an unforeseen incident resulting in a prolonged disruption in essential services.	Agreed. Business Continuity Plan to be reviewed and updated as outlined by the Manager Strategy & Governance by June 2020.	MEDIUM	30-Jun-20	To be developed in conjunction with DRP, see item 6 above. Commence in Quarter 3, subject to Good Governance & Business Improvements Program schedule being agreed, resourced and adopted.	NOT STARTED	Manager Strategy & Governance
8		4.2.8 Governance Frameworks	A process of introducing greater structure and transparency has been initiated by the incumbent CEO through introduction of frameworks i.e. Project Management (implemented), Procurement (planned), Policy (in progress), etc.	10. It is recommended that frameworks be developed (where not complete) and aligned in conjunction to the new organisational structure to ensure sustainable business processes.	Agreed. Delegations register to be reviewed and updated by the Policy and Research Officer by October 2019.	HIGH	31-Oct-19	Delegations are currently under review.	EXECUTION	Policy & Research Officer
9	New Governance Charter for Corporate Management Committee to be reviewed and updated by the CEO by September 2019.				HIGH	30-Sep-19	Governance Charter (Terms of Reference) for CMC reviewed and implemented August 2019.	CLOSED OUT	Chief Executive Officer	
10	Project Management Framework to be further developed and training provided by Manager Strategy & Governance by June 2020.				MEDIUM	30-Jun-20	Project Management Framework being reviewed by Manager Governance & Strategy. Process and template improvements being considered. Ongoing socialising and capability building of staff.	EXECUTION	Manager Strategy & Governance	
11	All other Governance related Policies to be reviewed by the Policy & Research Officer by June 2020.				MEDIUM	30-Jun-20	The Policy & Research Officer has established a Policy Review schedule and commenced reviewing Governance related policies. Key policies updated thus far are: Annual Performance Review-CEO, Employee Reward and Recognition, Electoral Caretaker Period, Sponsorship and Grants Framework, Customer Service Charter, Draft Communications and Social Media Policy, and Draft Protocols Between the Elected Members and Administration. As per Policy Review Schedule	EXECUTION	Policy & Research Officer	
12	4.3.1 Internal Audit				A formal process to track the completion of audit recommendations has not been developed. This review noted several recommendations made in previous Audit Reports which have not been actioned or the control has not been sustained following implementation. Examples: Revenue Audit Report (May 2018): Create and maintain a master list of leases / agreements. A master lease listing has not been maintained. Tenders & Contracts Audit Report (May 2017): Expired contracts are a repeat finding for this review.	11. An Audit Log of outstanding audit recommendations should be developed to enable tracking of open items for timely completion. The Audit Log should be presented to each Audit & Risk Committee meeting for oversight by Committee members.	Agreed. New audit log to be created and reported to Audit & Governance Committee by Strategy & Governance Manager by October 2019.	HIGH	31-Oct-19	Audit Risk Register created (this document). Audit Risk Register to be tabled at CMC each month and at each quarterly Audit & Governance Committee meeting.
13	4.3.2 Segregation of Duties – System Access	The Town's user access privileges in Synergy and to the network are reviewed for appropriateness on a regular basis by the IT Co-ordinator (per IT Co-ordinator). Evidentiary documentation, however, is not maintained to demonstrate how and when the review was conducted, nor the results.	12. Procedures for the IT Access Security reviews should be developed and documented to ensure consistency in the elements that are reviewed as well as ensuring the procedures adequately mitigate risks of inappropriate access.	Agreed. Procedures for IT Access and Security reviews to be developed as outlined by the IT Coordinator by November 2019.	HIGH	30-Nov-19	Information Services Review commenced in October 2019. IT Access Procedures to be developed in the first half of 2020.	PLANNING	Director Corporate Services	

## Internal Auditor's Report Assessment &amp; Management Actions: Review of Risk Management, Internal Controls and Legislative Compliance July 2019

## Regulation 17 of the Local Government (Audit) Regulations 1996

Ref	Area	Category	Assessment	Improvement Opportunity	Management Comments	Priority	Timeframe	Management Update	Status	Responsible Officer
14		4.3.3 Documented work procedures	Based on discussions with a range of staff in the various areas, there are limited documented internal policies and procedures available to staff for training purposes and/or as guidelines to ensure consistent practices including performance of controls.	13. In conjunction with the development of frameworks, detailed procedures should also be drafted to ensure staff are clear on their control responsibilities.	Agreed. Responsibility to reside with Divisional heads (i.e. new management team) to be implemented by December 2020.	MEDIUM	31-Dec-20	Requirement to be incorporated as part of new performance plans with Corporate Executive members - under development.	PLANNING	Corporate Management Committee
15		4.3.4 Formal Review of Financial Processes	Controls assessed during the walkthroughs of key financial processes indicated: <ul style="list-style-type: none"> <li>• Sufficient segregation of duties between preparer and reviewer with the exception of pay processing;</li> <li>• Evidence of supervisory and management reviews;</li> <li>• Evidence of approvals; and</li> <li>• Journals are reviewed before and after posting into the general ledger.</li> </ul> Based on the walkthroughs conducted (month-end financial reporting, bank reconciliations, Journals and Accounts Payable), key controls were found to be operating effectively.	To ensure continuation of the good practices found within the financial processes, work procedures should be developed as per pt. 4.3.3. (suggested improvement number 13).	Agreed. To be developed by Manager Finance by June 2020.	MEDIUM	30-Jun-20		PLANNING	Manager Finance
16		4.3.5 Access to ABA file	The ABA file created during the payment run to pay Creditors is located in a folder which is accessible to most staff as it is not restricted based on a 'need to know' basis. The risks exists that inappropriate access could result in unauthorised changes to banking details which remain undetected until questioned by the intended payee.	14. As a matter of urgency, the folder access privileges to the ABA file should be reviewed and any inappropriate users removed. Review the current access privileges and grant access only to those requiring it for their job role. Any third party access to the folder for operational reasons should require explicit approval from the Town and appropriate controls to allow temporary access on a strictly 'as needs' basis.	Agreed. The Director Corporate Services will review folder access privileges to the ABA file by September 2019. Note that the Director Corporate Services receives an automated notification by email of any change to creditor banking details.	HIGH	30-Sep-19	Folder access privileges have been reviewed and access restricted.	CLOSED OUT	Director Corporate Services
17		4.3.6 Purchasing Controls	The Town relies on a manual system of raising purchase requisitions for review and approval. There are inherent risks with the manual processes as purchase approvals are based on manual signatures and reliant on a manual check to determine whether it has been approved as per the Delegation of Authority. An automated purchasing system would workflow purchase requisitions based on the pre-set system parameters.	The Town is currently considering upgrading its current goods and services. Purchasing Procedures be updated to provide guidance around the use of contracts and when they are required.	Agreed in principle. The Manager Finance, once appointed, will review the Town's Purchasing Procedures by December 2020. The Town will consider, as part of its broader financial reform strategy, the automation of processing functions that are currently manual.	HIGH	31-Dec-20	Information Services Review commenced in October 2019. Internal audit scope for 2019-2020 includes an Accounts Payable and Purchasing Audit.	PLANNING	Director Corporate Services
18		4.3.7 Payroll Controls	Based on a walkthrough conducted with the Payroll Officer of their duties, it was revealed that their duties involved payroll processing as well as update of employee Masterfile details. Notwithstanding that all the transactions initiated by the Payroll Officer are manually checked independently by both Finance and the HR Manager, there are inherent risks associated with the Payroll Officer being responsible for employee master file details.	As a matter of priority, the Payroll Officer must not have responsibility nor write access to employee masterfile data.	Agreed. To be completed by August 2019 by Director Corporate Services. Note that the Director Corporate Services conducts a review of payroll, prior to processing, including conducting spot checks of pay slips against payroll data.	HIGH	31-Aug-19	Recommendation is in conflict to OAG Interim Audit recommendation 6 which requires that a payroll master file amendment report be produced and reviewed by an independent senior officer. The Town's practices are compliant with the OAG recommendation.	CLOSED OUT	Director Corporate Services

## Internal Auditor's Report Assessment &amp; Management Actions: Review of Risk Management, Internal Controls and Legislative Compliance July 2019

**Regulation 17 of the Local Government (Audit) Regulations 1996**

Ref	Area	Category	Assessment	Improvement Opportunity	Management Comments	Priority	Timeframe	Management Update	Status	Responsible Officer
19		4.3.8 Contract Management	<p>Review of the Town's contract management processes revealed there are 3 contracts which have expired without a procurement strategy in place i.e. how will services be procured upon current expiry.</p> <p>There are a further 4 service contracts expiring 30 June 2019 which also do not have an agreed procurement strategy i.e. renew under existing, call new tender etc. (as of 30 May 2019).</p> <p>Signed and approved contracts between the Town and service provider allows for recourse against poor performance. The signed contract also mitigates the Town's liability should there be any third party claims.</p>	17. As a matter of priority, the Town should review its Contracts Listing and develop a procurement strategy for the contracts which have expired and also for those about to expire so there is continuity of services in an efficient and cost effective manner.	<p>Agreed.</p> <p>The Town plans to develop a Procurement and Contract Management Framework. The Town has, as part of its Organisational Restructure, created a new position for a Procurement, Contracts and Leases Coordinator, who will, once appointed, be responsible for development of the Procurement and Contract Management Framework by December 2020, with oversight by the Director Corporate Services. In the interim, the Town has conducted a review of its contracts listing, prioritised contracts and has engaged a consultant to assist in taking priority contracts to market.</p>	MEDIUM	30-Dec-20	The Town has reviewed its Contracts Listing and all outstanding contracts will have been advertised by the end of November 2019. Procurement, Contracts and Leases Coordinator to commence with the Town in November 2019. The Procurement and Contract Management Framework will be revised and updated in 2020.	IN PROGRESS	Director Corporate Services
20		4.3.9 Contract Spend	<p>The Town currently does not have a process to identify potential suppliers which may be close to, or have exceeded, the tender threshold of \$150,000 as per Local Government (Functions and General) Regulations 1996 (12)(1).</p> <p>The risk exists that repeated use of the same supplier for similar goods and/or services under different purchase orders are in breach of the Anti-Avoidance rule under Section (12)(1).</p>	18. Contract spend should be analysed for: <ul style="list-style-type: none"> <li>• potential breach of \$150k threshold;</li> <li>• anti-fraud reasons i.e. to detect unusual spend patterns;</li> <li>• value for money opportunities; and</li> <li>• development of procurement strategies (as appropriate).</li> </ul>	<p>Agreed. The Manager Finance will develop a process for analysing and monitoring contract spend by June 2020 which will be incorporated into contract management procedures as part of the Procurement and Contract Management Framework.</p>	MEDIUM	30-Jun-20		PLANNING	Manager Finance Procurement, Contracts & Leases Coordinator

## Interim Audit Report Assessment &amp; Management Actions: Interim Audit - Year Ending 30 June 19

## Rating Key

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 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 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.

Ref	Observations	Risk Considerations	Rating	Recommendation	Agreed Management Action	Due Date	Management Update	Status	Responsible Officer
1	<p><b>PURCHASES, PAYMENTS AND CREDITORS Purchasing Policy</b></p> <p>We understand that the Town is currently making amendments to the Purchasing Policy to address the following matter raised by OAG 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.</p>	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.	Moderate	The management should amend and approve the amended Purchasing Policy promptly.	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.)	30-Jun-19	Council adopted a revised Purchasing Policy at the OCM on 25 June 2019. The Procurement and Contract Management Framework will be revised and updated in 2020.	CLOSED OUT	DCS

2	<b>PURCHASES, PAYMENTS AND CREDITORS</b> <b>Purchasing Approvals Exceeding Delegations</b> Audit found an instance where an employee approved a purchase without the appropriate authority limit.	Purchasing approvals not in-line with management approved delegations increases the risk of inappropriate and unauthorised payments being made.	Moderate	Purchasing approvals should be strictly in compliance with approved delegations.	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.	31-Aug-19	The Procurement and Contract Management Framework will be revised and updated in 2020.	CLOSED OUT	DCS
3	<b>RECEIPTS AND SUNDRY DEBTORS</b> <b>Overdue debtor accounts</b> 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 47 - \$15,262.27, Debtor 53 - \$17,778.40, Debtor 785 - \$250, Debtor 991 - \$242, Debtor 1038 - \$1,300, Debtor 1039 - \$250, Debtor 965 - \$250	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 debtor 53 debt of \$10,121 outstanding as of that date was: "Recreational Services have been	Moderate	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 the adequacy for the financial year ended 30 June 2019.	Debtor 75, has been paid in full. Debtors 47 & 53 remain unpaid. Attempts to recover Debts 1039 and 965 will continue. Debtor 991 has been transferred to the Property system. Debtor 47 and 53 are secured by repayment agreement, with negotiations for commencement of a repayment plan will continue.	30-Aug-19	Debtor 785 and 1038 have been paid in full. Attempts to recover Debts 1039 and 965 continue. Negotiations continue for commencement of a repayment plan for Debtor 47 and 53.	IN PROGRESS	DCS

4	<p><b>PAYROLL</b>  <b>Employees with Excessive Annual Leave Accruals</b>                  Audit 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."</p>	<p>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</p>	Moderate	<p>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 action to comply with the Agreement.</p>	<p>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 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 the Town's position.</p>	30-Jun-19	<p>The Town will commence providing the Leave Accrual Report to the CMC monthly.</p>	IN PROGRESS	<p>Manager Organisational Development</p>
5	<p><b>PAYROLL</b>  <b>Access Unrestricted to Payroll Module</b>                  Audit noted that full access to the payroll module, including read and edit functions, is available to non HR/Payroll Officers.</p>	<p>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.</p>	Significant	<p>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.</p>	<p>Agreed. Corrective action has now been implemented. The payroll officers' access will be limited to payroll processing functions segregated from read only functions for oversight purposes.</p>	7-May-19	<p>Changes to payroll are independently checked by the Manager Organisational Development.</p>	CLOSED OUT	<p>Manager Organisational Development</p>
6	<p><b>INFORMATION TECHNOLOGY</b>  <b>No Formal Process in Place to Review User Access Rights and Segregation of Duties</b>                  Audit noted the council does not have a formal process to review user access rights. Audit noted several instances where user access rights presented a conflict of duties as below:                   Acting HR Advisor -Access to payroll processing/human resources (employee setup)</p>	<p>This practice increases the risk of fraudulent activity and may also lead to significant issues in data integrity of the system.</p>	Significant	<p>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</p>	<p>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</p>	7-May-19	<p>Refer to 5 above.</p>	CLOSED OUT	<p>DCS</p>

<p>HR Temp - Access to payroll processing/human resources (employee setup)                  Payroll Officer-Access to payroll processing/human resources (employee setup)                  Finance Officer-Access to bank reconciliation/receipting/general journals</p> <p>Senior Customer Service Officer-Access to bank reconciliation and receipting</p>		<p>Medium</p> <p>Medium</p> <p>High</p> <p>Medium</p>	<p>control exists, management needs to ensure there is mitigating control that prevents the individuals from performing both tasks.</p>	<p>internal process.</p>		<p>Refer to 5 above.</p> <p>Refer to 5 above.</p> <p>Bank reconciliations, back officer receipting and general journals are reviewed by the Manager Finance.                  Access to bank reconciliations has been removed.</p>	<p>CLOSED OUT</p> <p>CLOSED OUT</p> <p>CLOSED OUT</p> <p>CLOSED OUT</p>	
<p>7 <b>INFORMATION TECHNOLOGY</b>  <b>No Formal Information Technology Security Policy</b>                  Audit noted that the Information Technology Security Policy drafted a number of years ago has not been reviewed and formalised by the management.</p>	<p>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.</p>	<p>Moderate</p>	<p>The draft IT Security Policy should be reviewed and approved by the Town and implemented without any further delay.</p>	<p>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.</p>	<p>31-Jul-19</p>	<p>IT Security Policy to be reviewed and updated in the first half of 2020.</p>	<p>PLANNING</p>	<p>DCS</p>
<p>8 <b>MONTHLY RECONCILIATIONS</b>  <b>Monthly Bank and Investment Reconciliations are not Dated by the Preparer</b>                  Audit noted that the monthly bank and investment reconciliations have not been dated although signed by the preparer of the reconciliations.</p>	<p>In the absence of the date preparation of the reconciliation, it cannot be ascertained if the reconciliations have been performed in a timely manner.</p>	<p>Minor</p>	<p>The monthly bank and investment reconciliations should be dated by the preparer to indicate when the reconciliations have been performed.</p>	<p>The comments are noted; future reconciliations will be dated by the preparer.</p>	<p>Completed</p>	<p>Monthly bank and investment reconciliations are now dated by the preparer.</p>	<p>COMPLETE</p>	<p>DCS</p>

## Auditor General's Report Assessment & Management Actions: Local Government Procurement October 2018

### Rating Key

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 year, or in a
Moderate	Those findings which are 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.

Ref	Observations	Risk Considerations	Rating	Recommendation	Agreed Management Action	Due Date	Management Update	Status	Responsible Officer
1	<b>While all LGs had procurement policies and procedures, they are not always effectively and consistently used</b>		N/A		Not applicable as the Report applied to Local Government in general, rather than specifically to the Town.				
	LGs do not always purchase in line with their own policies	When LGs do not comply with their own policies it reduces the likelihood they will get value for money and increases the potential for misappropriation of funds.		Seeking and recording quotes promotes open and effective purchasing. Tendering for high value purchases supports LGs in understanding the market and encourages open and effective competition for suppliers.			The Procurement and Contract Management Framework will be revised and updated in 2020.	PLANNING	DCS
	All LGs had procurement policies but there is opportunity to improve	Non-compliance with policies can indicate a lack of understanding by staff, or that policies no longer meet the needs of the LG.		LG should review their policies to ensure things like purchasing thresholds and quote requirements reflect current needs. In doing this LGs demonstrate they meet regulatory requirements and their policies are fit for their purpose. Non-compliance with policy, also highlight an opportunity for LGs to review the appropriateness of their policies.			The Procurement and Contract Management Framework will be revised and updated in 2020.	PLANNING	DCS
	LGs provided staff with procurement training	The Corruption and Crime Commission's 2015 Report on Misconduct Risk in Local Government Procurement (CCC report) identified inadequate training as one of the risks common to procurement related misconduct in LGs.		Structured training and regular refresher training helps LGs manage this risk and reduce the number of instances of non-compliance with LG policies.			Implementation of the revised Procurement and Contract Management Framework will include staff training.	PLANNING	DCS

2	<b>LGs need better procurement oversight and controls</b>	This exposes LGs to unnecessary procurement risks, such as improper use of funds or paying for goods and services not received.							DCS
	Controls over raising and approving purchase orders could be improved	Increases the risk that goods or services are procured by someone without the proper experience or authority to determine the best value purchase for the LG.		Purchase orders act as an internal approval and control mechanism to proceed with a purchase. These controls are ineffective if purchase orders are raised after goods and services have been received.			The Town's Procurement Guidelines require purchase orders to be created and authorised at the time of ordering goods and services. All staff reminders distributed periodically.	CLOSE OUT	DCS
				Purchase orders should be raised for the full, expected amount prior to the purchase being made and approved by someone with appropriate delegation. This increases the likelihood that expenditure will be capped or monitored.			The Town's Procurement Guidelines require purchase orders to be raised for the full amount. Any discrepancy in excess of 5% or \$50, between the Purchase Order and the invoice requires written explanation and authorisation.	CLOSE OUT	DCS
	LGs should strengthen processes for checking goods and services when receiving them	The CCC Report identified supervisors not checking payment processes and work actually done on contracts as common risks to procurement related misconduct.		Verifying invoices for payment is an important control to ensure that LGs have received the expected goods and services and that they have been correctly charged. Sound practice is to ensure that there is evidence to support all transactions and that a clear audit trail exists. This includes documentation for contract payments, any variations, and reviewing supplier invoices for accuracy.			The Town has a robust process for invoice verification and authorisation. The Town is in the process of centralising its Procurement function within Corporate Services which will provide the capacity for enhanced coordination and oversight.	IN PROGRESS	DCS

	LGs had weaknesses in their segregation of duties	Insufficient records to show controls have been followed increases the risk of inappropriate payments and the effectiveness of monitoring controls is reduced. The CCC Report identified failure to separate duties as a risk common to procurement related misconduct.		Segregating duties is one key way LGs can reduce this risk. In smaller LGs, where resources are limited and full segregation is more difficult, the increased involvement of other senior staff in checking purchases and controls can mitigate this risk.			The Town has adequate segregation of duties for its procurement and accounts payable functions.	CLOSE OUT	DCS
3	Procurement decisions and conflict of interest considerations need to be better documented			To ensure accountable and transparent procurement activities LGs need to document key processes. This includes justifying the use of sole supplier exemptions, tendering decisions and potential conflicts of interests.					
	Exemptions from seeking quotes are regularly used, but are poorly documented and not always justified	Exemptions can improve efficiency in procurement activities, but need to be properly managed and sufficiently justified. They should not be used to avoid testing the market.		There are opportunities for LGs to be more transparent and efficient around when exemptions can be applied. This could include a list of purchase types that were exempt from policy requirements. Ideally this list would be approved by Council in a policy. Reporting higher value exemptions to Council, or a Audit Committee would also improve transparency and accountability.			The Procurement Guidelines state the circumstances in which a tender exemption is permitted. The Procurement Policy specifies quotation requirements for various levels (dollar value) of procurement. The process for seeking an exemption will be incorporated in the review of the Procurement and Procurement and Contract Management Framework.	IN PROGRESS	DCS

	Recording of tender processes and conflict of interests could be improved		LGs could improve the information they captured on tender processes, for example proof of when and where tenders were advertised; individual tender panel assessments; sufficient detail in individual panel member workbooks to support awarding of scores.			The Town has a Tender Register that records details required by the Local Government (Functions and General) Regulations 1996. The Town has implemented a tender and contract evaluation handbook which specifies formal processes for declaration of conflicts of interest. The Handbook also details procedures for contract and tender evaluation and required detailed explanations to support evaluation scores. Training is required to enhance the quality of evaluation assessment records and will be incorporated in the implementation of the revised Procurement and Contract Management Framework.	IN PROGRESS	DCS
		Barriers to how the public accesses the information and decreased confidence in tender processes.	LGs are required to maintain a Tenders Register and make it available for public inspection.			The Town will make its Tender Register available on its website in 2020.	IN PROGRESS	DCS
			Keeping a record of Council's reasons for not following a tender panel's recommendation supports the principle of transparent and accountable decision making and the requirement to keep proper records of the affairs of the LG.			Council's reasons for not following a tender panel's recommendation are recorded in Council minutes. The revised Procurement and Contract Management Framework should specify a process for central recording of such decisions.	IN PROGRESS	DCS

	<p>Declarations of interest and management of conflicts - Tender panels</p>		<p>There should be a clear record that a declaration has been made and signed, reviewed by someone with appropriate authority, and assessed as to whether it results in an actual, potential or perceived conflict of interest. The decision made on how to remove or manage the conflict should be clearly recorded. Providing positive assurance by requiring declarations from all panel members is a sound approach that encourages all staff to engage with the process and consider if any real or perceived conflicts of interest exist.</p>			<p>The Town has implemented a tender and contract evaluation handbook which specifies formal processes for declaration of conflicts of interest. The revised Procurement and Contract Management Framework should include procedures for assessment and management of potential, perceived or actual conflicts of interest.</p>	<p>IN PROGRESS</p>	<p>DCS</p>
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**Internal Audit Report Assessment & Management Actions: Revenue March 2018**

**Rating Key**

Significant	Control weakness which will/may have an adverse effect on the ability to achieve business objectives and/or is in significant breach with legislative requirements. Requires immediate management action.
Moderate	Control weakness which may become more serious if not addressed. Requires management action within a reasonable time period.
Minor	Opportunity for improvement. Management should consider cost benefit analysis within a reasonable time period.

Ref	Observations	Risk Considerations	Rating	Recommendation	Agreed Management Action	Due Date	Management Update	Status	Responsible Officer
1	<p><b>FEE STRATEGY</b>  <b>Review of Annual Fees – Methodology &amp; Approach</b></p> <p>Through discussions with respective Managers involved in setting fees, it was confirmed that the review for fees and charges is performed in conjunction with the annual budgeting process and not formally documented.</p> <p>The above approach does not fully consider the following factors which may influence the amount of fee for the new budget year:</p> <ul style="list-style-type: none"> <li>• confirmation that the historical rate is still appropriate and/or that there have been no changes to the legislated amount;</li> <li>• whether there are any new fees that should be considered; and</li> <li>• the fee strategy for the upcoming budget year for fees not specifically legislated.</li> </ul>	<p>Lost opportunity costs in revenue generation.                      Lack of transparency</p>	Moderate	<p>1.1 The rationale for the respective fees should be documented and presented as part of the approval process to Council.</p>	<p>The larger fees such as waste, children's services and HACC are based on cost recovery. The audit observation relates to minor fees and charges such as hall hire, ground hire and sale of mulch.</p>	30-Jun-18	<p>The rationale for fees and charges will be reviewed and documented as part of the budget process, which will include a series of workshops with Council.</p>	IN PROGRESS	Finance Manager
2	<p><b>FEES ADMINISTRATION - OPERATIONAL</b>  <b>Administration of Leases and Agreements</b></p> <p>The following control deficiencies were noted regarding fees generated from leasing and other long term arrangements:</p> <ul style="list-style-type: none"> <li>• There is no current master list of leases held by the Town to ensure all fees due are captured and monitored for receipt on a timely basis;</li> <li>• 2 of 4 lease payments tested were not calculated correctly resulting in 1 overpayment of \$403.45 (over five years) and 1 underpayment of \$107.24 (over two years);</li> <li>• 1 lease agreement totalling \$50,000 expired on 1 January 2018; as of 19 January, the lease has not been finalised (Casa Mia Montessori).</li> </ul> <p>root cause: responsible officer not aware of expiry on timely basis to initiate renewal. There does not appear to be a documented approach for the renewal of leases.</p>	<p>Incorrect fees.                      Lack of transparency in determining lease agreements</p>	Moderate	<p>2.1 Create and maintain a master list of leases / agreements to track renewal planning and monitoring payments. Responsibility for the master list should be assigned to a specific role to ensure accountability.</p> <p>2.2 Review the master list and ensure lessees have paid the correct amounts and adjust difference accordingly (where appropriate).</p> <p>2.3 Finalise the Casa Mia Montessori lease agreement.</p>	<p>2.1 Agreed. Staff are reviewing the Central Records system to cater for Lease documents as an initial step. ITVISION have a Lease and Contracts module which includes alerts and will assist in monitoring Leases. Staff will discuss this with ITVISION to implement the module.</p> <p>2.2 Adjustments will be made where appropriate when the master list has been set-up and reviewed.</p> <p>2.3 Council approved a 5 year lease in July 2017, however there were issues relating to the adjacent property and the final agreement was signed in March 2018. - No further action required.</p>	30 June 2018 (2.1 and 2.2)	<p>Information Services Review commenced in October 2019, which will inform the Town's future use of IT Vision modules. This will also be addressed as part of "Review of Leases and Management Arrangements" (Good Governance Program).</p>	IN PROGRESS	Manager Finance

Ref	Observations	Risk Considerations	Rating	Recommendation	Agreed Management Action	Due Date	Management Update	Status	Responsible Officer
3	<p><b>FEES MANAGEMENT - SUPERVISORY Reconciliation of Fees between relevant Town Services and Finance</b></p> <p>There does not appear to be a formal/ documented procedure for Town Services and Finance to determine whether the fees initiated, levied or collected are reconciled back to payment records (except for Childcare Services which are reconciled and tracked in a spreadsheet). A reconciliation process would assist Finance with visibility over the fees initiated/expected and collected for cashflow purposes and to ensure that significant shortcomings or negative trends are flagged and investigated on a timely basis.</p>	Errors may not be detected on a timely basis.	Minor	3.1 Where appropriate develop templates which capture fees payable and/ or paid with fee payments received. This will provide Finance with assurance that the service area has received fees for the services performed. This information can then be used as a reasonability check when Finance is performing its semi-annual budget review.	Reconciliations will be maintained by Services as appropriate.	30-Jun-18		PLANNING	Manager Finance
4	<p><b>FEES MANAGEMENT - SUPERVISORY Outstanding and Overdue Fines</b></p> <p>Overall, the review of procedures for monitoring outstanding and overdue fees by the respective Town Service indicate outstanding amounts are appropriately risk managed. The review noted that the process for following up on 'unpaid' fines and infringements within Ranger Services could be improved. Currently, there is no capability to provide a report for Ranger Services to track infringements issued against infringement paid on a summary basis or by defined period. The status of individual infringements can be determined but not on an aggregated basis. This makes it difficult to track the overall success or recovery rate of recoverable infringements, in particular vehicle infringements. .</p>	Lost revenue	Minor	4.1 Assess the feasibility of the system to provide the necessary detail to enable analysis of infringement data. This should provide insight into current recovery rates and whether a change to existing procedures need to be changed to increase collectability	Discussion with IT Vision on the reporting capability will be done. Further staff training for rangers will be implemented.	30-Jun-18	An infringements trial balance is prepared each month, with the senior manager following up on outstanding payments. The trial balance is signed off by the Director Community Planning and provided to Finance for review.	CLOSE OUT	Manager Finance

Internal Audit Assessment & Management Actions: Tenders & Contracts May 2017																																											
Rating Key																																											
<table border="0"> <tr> <td style="background-color: #f8d7da;">Significant</td> <td colspan="10">Control weakness which will/may have an adverse effect on the ability to achieve business objectives and/or is in significant breach with legislative requirements. Requires immediate management action.</td> </tr> <tr> <td style="background-color: #fff3cd;">Moderate</td> <td colspan="10">Control weakness which may become more serious if not addressed. Requires management action within a reasonable time period.</td> </tr> <tr> <td style="background-color: #d4edda;">Minor</td> <td colspan="10">Opportunity for improvement. Management should consider cost benefit analysis within a reasonable time period.</td> </tr> </table>											Significant	Control weakness which will/may have an adverse effect on the ability to achieve business objectives and/or is in significant breach with legislative requirements. Requires immediate management action.										Moderate	Control weakness which may become more serious if not addressed. Requires management action within a reasonable time period.										Minor	Opportunity for improvement. Management should consider cost benefit analysis within a reasonable time period.									
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Ref	Page	Category	Findings	Rating	Recommendation	Agreed Action	Due Date	Management Update	Status	Responsible Officer																																	
1.0	6	CONTRACT TERMS AND CONDITIONS	Standard General Terms and Conditions should be adopted by the Town.	Moderate	ToB to agree on formal General Terms & Conditions which must be used for contractual arrangements (except where using WALGA GT&C) and included in public tender package.	A new GT & C draft has been developed and will be forwarded to our solicitor for advice. A complete document of the contract will be sent with the Acceptance letter.	31-May-17	General Conditions of Contract adopted	CLOSE OUT	DCS																																	
					To consider a formal independent management review process prior to issuance of public tender package. Use of check lists and retention of review notes will demonstrate evidence of review.	Additional training is being provided by WALGA on contract management and procurement.	30-Jun-17	Complete	CLOSE OUT	DCS																																	
2.0	7	CONTRACT ADMINISTRATION – CONTRACT EXPIRIES	Contracts are not formally diarised for expiry to ensure that contract managers have sufficient lead time to determine contract strategy and contract specifications.	Moderate	The list of upcoming contract expiries should be included for management reporting for their oversight. For contracts > \$60,000, the renewal strategy (i.e. to issue public tender) and name of the contract owner should be stated.	Agreed. We are discussing the software requirements with Tenderlink and ITVISION. Tender A report will be presented to Council on the Brickpaving Tender in May/June 2017.	30-06-2017 (renewal strategy expires in next 3 months)	Complete	CLOSE OUT	DCS																																	
					Simple automated reminder system to ensure Contract Managers are notified of upcoming expiries.	Agreed per above.	30-Sep-17	Complete	CLOSE OUT	DCS																																	
3.0	8	TENDER EVALUATION PROCESS	Documentation by panel members to support justification for ratings is general and may not be sufficient if challenged by third party.	Moderate	Develop formal guidelines for the evaluation of tenders to ensure consistency and minimum documentation requirements.	The evaluation process will be amended to include a group discussion prior to a recommendation to the relevant Director.	31-Jul-17	Evaluation handbook implemented in October 2019 which required detailed justification for ratings. Further monitoring required.	IN PROGRESS	DCS																																	

Ref	Page	Category	Findings	Rating	Recommendation	Agreed Action	Due Date	Management Update	Status	Responsible Officer
					The guidelines should consider the need for panel members to discuss as a group prior to the final recommendation to the appropriate Director.	The tender matrix process will be amended in line with any methodology changes and requirements for specific details to support rating.				
4.0	9		Methodology for evaluation of tenders does not require panel members to evaluate price.	Moderate	Evaluation of price should be assessed by panel members to ensure that a holistic view is taken when assessing for value for money.	Agreed. Directors will identify appropriate Officers for the Tender evaluations. This will be included in the evaluation workbook.	31-Jul-17	Evaluation handbook implemented in October 2019 which requires the separate evaluation of qualitative criteria to determine tenderers that meet the Town's minimum requirements. The evaluation panel is required to then separately evaluate price.	CLOSE OUT	DCS
					A risk based approach should be taken regarding composition of the panel to ensure that there is relevant expertise to evaluate the tender across all selection criteria.	Agreed. The composition of the Evaluation Panel will include a broader cross section of the organisation.	31-Jul-17			
5.0	10		Evaluation of supplier financial strength is generally not done nor performed to demonstrate due diligence has been performed to assess supplier financial capacity to complete tender requirements.	Moderate	For large contracts, > \$1M, or for complex/specialist services, consideration should be given to conducting pre-supplier qualification.	The tender Financial strength of the Supplier advice will be provided by appropriate and qualified Officers from Corporate	With immediate effect.	Supplier financial strength is evaluated prior to awarding a contract. This includes obtaining a commercial report from Illion. Formal procedure not yet documented.	IN PROGRESS	DCS
6.0	11	CONTRACT MANAGEMENT	No formal processes in place to require formal reviews of contractor performance with contractor management (as opposed to operational contract staff).	Moderate	Formalise minimum requirements for monitoring of contractor performance by Contract Managers.	Agreed. Currently we deal with non-conforming contract issues immediately, however a template will be developed to ensure compliance with the contract conditions on a regular basis and within the terms of the contract.	30-Sep-17	Complete	CLOSE OUT	DCS
					Performance Reports should be electronically filed to enable other users to rely on them for future work.					

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7.0	12	RECORDS MANAGEMENT	Current system for retention of tenders and contracts is in 6 possible locations resulting in inefficiencies and difficulty in locating documents.	Moderate	The Contracts Management Module within Synergy should be assessed again for usability.	Agreed. All documents received for Tender and Request for quotes are recorded in Synergy Records System. A copy of the document may be kept in another location as a working or reference material.	30-Sep-17	The Town maintains a Tender Register, as required by Regulations. All documents received for tenders and requests for quotes are recorded in Synergy, with a working copy held on "L" drive.	CLOSE OUT	DCS
					If Option #1 is not feasible, a file structure should be developed and communicated to staff to eliminate some of the efficiencies.	In future, tender documentation will be received electronically and evaluated through Tenderlink.				
8.1	13	IMPROVEMENT OPPORTUNITIES	Employ risk management approach throughout the procurement process to ensure risks are identified and appropriately mitigated and/or eliminated via risk transfer	Moderate	ToB to consider a more formal process of identifying risks and corresponding risk mitigation strategies for major or high profile/complex tenders.	Agreed. The Requests for Tender document will be amended to include an additional assessment category for Risk Management and this will involve a review of the Financial, Occupational Health and Safety and Environmental reports provided as part of the Tender.	30-Jun-17	The Town will update its Procurement and Contract Management Framework in 2020. In the interim, risk is assessed throughout the process including by the appointment of a probity auditor where appropriate.	IN PROGRESS	DCS
						An alternative Assessment Matrix will be developed to undertake assessment of Tenders.				
8.2	14		Improvement of submission to Council regarding tender outcomes by providing brief summary of tender panel's key reasons supporting final assessment.	Minor	To provide greater detail around the tender panel's overall justification supporting their award recommendations	Agreed. This will be included in future reports to Council.	30-Jun-17	Complete	CLOSE OUT	DCS

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8.3	15		Templates relating to the tender process	Minor	Review templates with end users and re-design or develop templates as appropriate.	Agreed. Additional training has been arranged with WALGA and Staff will be instructed to ensure the use of templates. These are also included as part of the evaluation workbook that has been developed and is based on the WALGA model.	30-Jun-17	Complete	CLOSE OUT	DCS