



# MINUTES

## Audit, Risk and Improvement Committee Minutes Wednesday, 27 August 2025 at 6:00 PM

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# MINUTES

## 1 DECLARATION OF OPENING OF MEETING/ANNOUNCEMENTS OF VISITORS

The Presiding Member declared the meeting open at 6.02pm.

## 2 ACKNOWLEDGEMENT OF COUNTRY

*"On behalf of the Council I would like to acknowledge the Whadjuk Nyoongar people as the traditional custodians of the land on which this meeting is taking place and pay my respects to Elders past, present and emerging."*

## 3 RECORD OF ATTENDANCE

### 3.1 ATTENDANCE

The following members were in attendance:

Cr M Wilson	Presiding Chair
Mayor J O'Neill	
Cr A Natale	
Mr J Chauvel	

The following staff were in attendance:

Mr J Throssell	Chief Executive Officer
Mr P Kocian	Executive Manager, Corporate Services
Mrs B Browning	Minute Secretary
Ms P Pandeya	Finance Manager
Mr R Edwards	Information Management Officer

### 3.2 APOLOGIES

Cr A White  
Cr A McPhail

## 4 MEMORANDUM OF OUTSTANDING BUSINESS

Nil

## 5 DISCLOSURES OF INTEREST

Nil

## 6 PUBLIC QUESTION TIME

Nil

## 7 PRESENTATIONS/DEPUTATIONS

Nil

## 8 CONFIRMATION OF MINUTES OF PREVIOUS MEETING

### 8.1 AUDIT, RISK AND IMPROVEMENT COMMITTEE WEDNESDAY, 26 FEBRUARY 2025

#### OFFICER RECOMMENDATION

Moved Mr J Chauvel , seconded Cr Natale

That the minutes of the Audit, Risk and Improvement Committee meeting held on Wednesday, 26 February 2025 be confirmed as a true and correct record of proceedings.

**(CARRIED UNANIMOUSLY 4:0)**

For: Mayor O'Neill, Mr Chauvel, Crs Wilson, Natale,

Against: Nil

## 9 ANNOUNCEMENTS BY THE PRESIDING MEMBER

## 10 REPORTS

Reports start on the next page



## 10.1 2508 - POSITION PAPER EFCP 24-25 ACCOUNTING FOR OPERATOR AGREEMENT LEASE

<b>Report Reference Number</b>	ACR-784
<b>Prepared by</b>	Peter Kocian, Executive Manager Corporate Services
<b>Supervised by</b>	Jonathan Throssell, Chief Executive Officer
<b>Meeting date</b>	Wednesday, 27 August 2025
<b>Voting requirements</b>	Simple
<b>Documents tabled</b>	Nil
<b>Attachments</b>	

1. **Position Paper – EFCP 24-25 Accounting for Operator Agreement Lease (Confidential)**
2. **Update to Position Paper – PowerPoint Presentation – Accounting Requirements – EFCP (Confidential)**

## PURPOSE

The Audit, Risk and Improvement Committee is requested to:

- (i) Note the accounting requirements for East Fremantle Community Park
- (ii) Note the status update from Belgravia Leisure in meeting requirements
- (iii) Note the following statutory requirement under the *Local Government Act 1995*

## 6.4. Financial report

- (1) A local government is to prepare an annual financial report for the preceding financial year and such other financial reports as are prescribed.
- (2) The financial report is to —
  - (a) be prepared and presented in the manner and form prescribed; and
  - (b) contain the prescribed information.
- (3) **By 30 September following each financial year or such extended time as the Minister allows, a local government is to submit to its auditor —**
  - (a) the accounts of the local government, balanced up to the last day of the preceding financial year; and
  - (b) the annual financial report of the local government for the preceding financial year.
- (iv) Endorse Management's request for an extension to be sought from the Minister for the Town to submit its Annual Financial Report for the Year Ended 30 June 2025 (up to an additional 30 days)

## EXECUTIVE SUMMARY

The following proposed audit schedule is extracted from the Town's Financial Audit Planning Summary for the Year Ending 30 June 2025. This audit schedule is premised on the Town meeting the critical target date of 29 September 2025 for providing its Auditors a final trial balance and signed Annual Financial Report.

This report recommends that an extension be sought from the Minister to provide the Auditors with a final Annual Financial Report due to the accounting requirements relating to the operations of East Fremantle Community Park (with information requirements dependent on a third party).

Any delay in finalising the Annual Financial Report will thus impact on timing:

- For completion of audit field work

- For issue of the Audit Opinion and Final Management Letter (under s7.9 of the LGA the Auditor is required to provide the Audit Opinion by the 31 December)
- For completion and adoption of the Town's Annual Report for the Year Ended 30 June 2025
- Scheduling of the Annual Meeting of Electors

## Proposed Audit Schedule

	Date
Planning	26 May – 30 May 2025
Information System Audit	June – August 2025
Interim Audit	3 June – 20 June 2025
Final Audit	29 September – 24 October 2025
<b>Critical Target Dates*</b>	
Interim Management Letter	By 13 July 2025
Final Trial Balance	29 September 2025
Receipt of Signed Financial Statements	29 September 2025
Exit Interview (week ending)	14 November 2025
Receipt of Signed Management Representation Letter and Financial Statements	14 November 2025
Issue of Audit Opinion and Final Management Letter	21 November 2025 (or within 5 working days of receipt of the signed financial statements and management representation letter)

## BACKGROUND

The Town had its 24-25 Audit Entrance Meeting with the Office of the Auditor General on 28 May 2025. The Planning Summary contained the following area of focus. A comprehensive Management Position Paper was subsequently prepared and provided to the Office of the Auditor General – see Attachment 1.

### East Fremantle Community Park

Background	Our Response
<ul style="list-style-type: none"> <li>- The Town entered into an arrangement with Belgravia Leisure for the management and operation of the East Fremantle Community Park facilities</li> </ul> <p><b>Reasons for area of key focus</b></p> <ul style="list-style-type: none"> <li>- High value of arrangement</li> <li>- Arrangement may be complex and its accounting treatment subject to significant judgement</li> </ul>	<ul style="list-style-type: none"> <li>- We will review management's assessment of the impact of this arrangement, determine whether, to the extent necessary, your entity has applied the relevant standards correctly, and ensure the financial statements comply with the requirements of the applicable standards.</li> </ul>

Over the last six weeks, the Town has been in regular dialogue with the Office of the Auditor General, and an accounting update is provided in the attached PowerPoint presentation.

## CONSULTATION

Office of the Auditor General  
Council  
Chief Executive Officer  
Finance Manager  
Belgravia Leisure  
Various Financial Professionals/Consultants

## STATUTORY ENVIRONMENT

Australian Accounting Standards  
S 6.4 of the *Local Government Act 1995* – preparation of Annual Financial Report  
S 7.9 of the *Local Government Act 1995* – audit to be conducted

## POLICY IMPLICATIONS

The Town will need to finalise a Position Paper outlining the annual accounting requirements for East Fremantle Community Park following the completion of the Town's 24-25 financial audit.

## FINANCIAL IMPLICATIONS

Financial implications are largely unknown currently, although Management does anticipate an increase in costs relating to:

- Staff/contract resources to implement requirements
- Increase in audit fee by the Office of the Auditor General

## STRATEGIC IMPLICATIONS

Strategic Community Plan 2020-2030  
Strategic Priority 5: Leadership and Governance.  
5.1.3 Improve the Efficiency and Effectiveness of Services

## RISK IMPLICATIONS

### RISKS

Risk	Risk Likelihood (based on history & with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
The Town, via its Operator Belgravia Leisure, are unable to meet Audit requirements resulting in a Disclaimer of Audit Opinion	Possible (3)	Extreme (5)	High (10-16)	COMPLIANCE Non-compliance results in termination of services or imposed penalties	Accept Officer Recommendation

## RISK MATRIX

Consequence Likelihood		Insignificant	Minor	Moderate	Major	Extreme
		1	2	3	4	5
Almost Certain	5	Moderate (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative or a deviation from the expected and may be related to the following objectives: occupational health and safety, financial, service interruption, compliance, reputation and environment. A risk matrix has been prepared and a risk rating is provided below. Any items with a risk rating over 16 will be added to the Risk Register, and any item with a risk rating over 16 will require a specific risk treatment plan to be developed.

## RISK RATING

<b>Risk Rating</b>	15
<b>Does this item need to be added to the Town's Risk Register</b>	Yes
<b>Is a Risk Treatment Plan Required</b>	No

## SITE INSPECTION

Not Applicable

## COMMENT

In summary, OAG has determined:

- Applying substance over form, the lease with Belgravia Leisure is not a lease under AASB16 and the Operator is only operating EFCP as an agent on behalf of the Town.
- As such, the Town is required to account for all the transactions (revenues and expenses, asset and liabilities) of EFCP in the Town's financial statements.

The Town is completely dependent on a third party (Belgravia Leisure) in meeting requirements, including:

- The preparation of key financial statements for EFCP being a Profit and Loss Statement, Balance Sheet and Statement of Cash Flow.
- Belgravia Leisure providing working papers/a trial balance which will enable the Auditors to verify balances in the financial statements.

The Town's Chief Executive Officer and Executive Manager Corporate Services had an on-line meeting to discuss requirements with Belgravia Management (A/CEO, General Manager WA, General Manager Corporate Services) on Friday 8 August 2025. Subsequent discussions with members of Belgravia's finance team indicates that they will be able to prepare a site-specific Statement of Financial Position for EFCP – with balances being able to be verified from a detailed transaction listing or subsidiary ledger extract.

However, Belgravia will not be in a position to provide this information to the Town until the 10<sup>th</sup> October 2025. This has resulted in a revised audit schedule proposed below:

DELIVERABLE	DATE
Belgravia to provide Accounts/Statements to Town	No later than CoB 10 <sup>th</sup> of October
Town to review and seek any further clarifications from Belgravia	13 <sup>th</sup> - 17 <sup>th</sup> October
Town to bring into accounts EFCP and finalise AFR	20 <sup>th</sup> - 24 <sup>th</sup> October
AFR to Audit Committee	27 <sup>th</sup> - 30 <sup>th</sup> October
Accounts and Statements to OAG	31st October
Audit Field work (rescheduled)	3 <sup>rd</sup> November - 28 <sup>th</sup> November
Exit Meeting	8 <sup>th</sup> - 12 <sup>th</sup> December
Auditor Sign Off	31 December or prior

The Town has provided this alternative timetable to the Office of the Auditor General for comment.

## CONCLUSION

The Audit, Risk and Improvement Committee is requested to receive this paper and support the Officer Recommendation.

## 10.1 OFFICER RECOMMENDATION / COMMITTEE RESOLUTION

**Committee Resolution 012708**

### OFFICER RECOMMENDATION

**Moved Mr Chauvel, seconded Cr Natale**

**That the Audit, Risk and Improvement Committee:**

- 1. Note the accounting requirements for East Fremantle Community Park**
- 2. Note the status update from Belgravia Leisure in meeting requirements**
- 3. Note the following statutory requirement under the *Local Government Act 1995***

#### 6.4. Financial report

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

- 4. Endorse Management's request for an extension to be sought from the Minister for the Town to submit its Annual Financial Report for the Year Ended 30 June 2025 (up to an additional 30 days)**

**(CARRIED UNANIMOUSLY 4:0)**

**For:** Mayor O'Neill, Mr Chauvel, Crs Wilson, Natale

**Against:** Nil

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#### REPORT ATTACHMENTS

Attachments start on the next page

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## 10.2 2508 EAST FREMANTLE COMMUNITY PARK - INDEPENDENT REVIEWS – CONFIDENTIAL REPORT

This is a Confidential Report in accordance with s.5.23 2(e)(iii) *Local Government Act 1995*

### 10.2 OFFICER RECOMMENDATION / COMMITTEE RESOLUTION

**Committee Resolution 022708**

#### **OFFICER RECOMMENDATION**

**Moved Mr Chauvel, seconded Cr Natale**

**That the Audit, Risk and Improvement Committee:**

1. **Receives the confidential Independent Financial Review of East Fremantle Community Park.**
2. **Receives the confidential High-Level Independent Audit into the Operational and Financial Management of the East Fremantle Community Park.**
3. **Notes the three-year budget forecast for East Fremantle Community Park which illustrates a forecast subsidy of (\$367,891) in 2025-26 and operating profits of \$38,920 in 2026-27 and \$163,251 in 2027-28.**
4. **Receives the July dashboard report for East Fremantle Community Park which indicates that results are consistent with the monthly budget.**

**(CARRIED UNANIMOUSLY 4:0)**

**For: Mayor O'Neill, Mr Chauvel, Crs Wilson, Natale**

**Against: Nil**

Peter Kocian was requested to follow up with Moore Australia regarding the breakdown of Belgravia staff management costs.

### 10.3 2508 INSURANCE OVERVIEW

<b>Report Reference Number</b>	ACR-788
<b>Prepared by</b>	Bron Browning, Manager, Corporate Services
<b>Supervised by</b>	Peter Kocian, Executive Manager, Corporate Services
<b>Meeting date</b>	Wednesday, 27 August 2025
<b>Voting requirements</b>	Simple Majority
<b>Documents tabled</b>	
<b>Attachments</b>	
	1. LGIS Membership Contribution Summary
	2. Submitted Claims from 2020-2025

#### PURPOSE

The purpose of this report is to provide the Audit, Risk and Improvement Committee with the LGIS Membership Contribution Summary for 2025/26 as well as the synopsis of claims that the Town has submitted to LGIS in the last five years.

#### EXECUTIVE SUMMARY

This report outlines the Town's renewal membership terms under the Local Government Insurance Scheme (LGIS) for 2025/26 as well as providing an overview of the Town's claims submitted to LGIS over the last five years relating to workplace incidents, injuries and workers' compensation, property, public liability, and motor vehicles.

#### BACKGROUND

LGIS have been managing claims for local government over the past thirty years. The four factors that influence member contributions are the sector's claim performance, cost of capital, members risk profiles and overall performance of the scheme.

LGIS place significant weight on the risk management practices, and controls implemented by its members in addressing sector-specific exposures. Members are expected to proactively manage assets to improve the risk position with focus on proactive housekeeping, maintenance, fire prevention practices, building locations and heritage listings.

In the 2025/26 Membership Scheme Report LGIS has highlighted:

##### Motor Fleet

Improvement is required in the motor portfolio with minor at-fault accidents accounting for a disproportionately high percentage of total claims. LGIS have recommended that members engage with their motor fleet risk management program to identify and address gaps in fleet management to improve performance.

##### LGIS Liability

Due to significant claims made over the last 10 years there is still a need for ongoing focus on the following five key asset areas:

- Trees
- Roads and footpaths
- Playgrounds and public open spaces
- Swimming/aquatic
- Planning (Land use, building, enforcement)

They have further advised that procurement practices are also a focus for the scheme and remind members to ensure that they have good governance and rigorous procurement processes in place.

Another area of interest is the sector's labour hire contract practices to meet WHS duties and obligations to deliver a safe work environment. LGIS has requested members adopt policies and procedures along with thorough documentation to demonstrate they are making reasonable efforts to meet duty of care provisions.

#### Commercial Crime and Cyber

There has been an uplift in the overall cyber security and awareness of local governments with a slight improvement in the control environment identified in both the self-assessment data captured by LGIS and recent Office of the Auditor General (OAG) reports. As the use of artificial intelligence evolves LGIS have reminded members of the need to protect their businesses and improve their cyber resilience practices.

#### LGIS Workcare

With the introduction of the new *Workers Compensation and Injury Management Act (2023) WA*, LGIS has been impacted by new compliance and complaints processes. In addition, the ATO private ruling advising the income component of a settlement payout must now be gross has had an impact on settlement values.

Key challenges for LGIS include the 40% increase in claimant medical and health entitlements as well as the need to ensure all return-to-work avenues are explored before settlements can be considered.

LGIS have advised that the 14 day decision timeframe has proven to be incredibly challenging and have reminded members that the 14 day decision countdown starts when the employer receives the claim form and NOT when it is received by LGIS.

#### Summary of Claims 2020-2025

##### Motor Vehicle Claims

The Town has submitted 26 motor vehicles claims from 2020-2025. The most significant claim was in March 2024 whereby a Town vehicle collided with a stationary vehicle resulting in a gross claim for \$81,893.00 due to a vehicle write off and an ensuing court case by the third party.

##### Property Claims

The Town has submitted 20 property claims from 2020-2025. The most significant claim was due to a motor vehicle accident in February 2024 whereby a motor vehicle collided with a Bus Shelter on Canning Highway, outside Richmond Quarters, resulting in a gross claim of \$9913.64.

##### Public Liability Claims

The Town has submitted 28 public liability claims from 2020-2025. Twenty of those claims related to property damage with the most significant claim relating to a non-compliant pool barrier building approval resulting in a gross claim of \$14,810.00. Out of the 28 claims, 5 claims were approved by LGIS.

##### Workers Compensation Claims

The Town has submitted 12 workers compensation claims from 2020-2025. There are four claims that are still current with the most significant claim relating to a soft tissue injury incurring costs to date of \$341,127.00. Total costs of claims incurred for the 5 year period is \$591,194.00.

The Town's WorkCare rate has increased from 1.65% of declared salaries and wages in 2021-22 to 2.35% in 2025-26.

## CONSULTATION

LGIS

## STATUTORY ENVIRONMENT

*Workplace Health and Safety Act 2020**Workers Compensation and Injury Management Act 2023*

## POLICY IMPLICATIONS

2.2.4 Risk Management

## FINANCIAL IMPLICATIONS

The Town's total scheme membership for 2025-26 is \$399,730 ex GST.

## STRATEGIC IMPLICATIONS

Strategic Priority 5 – Leadership and Governance

5.1 Strengthen organisational accountability and transparency

5.3 Strive for excellence in leadership and governance

## RISK IMPLICATIONS

## RISKS

Risk	Risk Likelihood (based on history & with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
The Town's most significant insurance risk has been workers compensation claims with total estimated claims of \$591k over a five-year period. Most of this value is derived from claims in the Town's Neighbourhood Link Service illustrating a greater risk profile of this service compared to the Town's other operations.	Almost Certain (5)	Major (4)	Extreme (17-25)	HEALTH Long term disability/multiple injuries	Control through implementation of effective WHS systems.

## RISK MATRIX

Consequence		Insignificant	Minor	Moderate	Major	Extreme
Likelihood		1	2	3	4	5
Almost Certain	5	Moderate (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative or a deviation from the expected and may be related to the following objectives: occupational health and safety, financial, service interruption, compliance, reputation and environment. A risk matrix has been prepared and a risk rating is provided below. Any items with a risk rating over 16 will be added to the Risk Register, and any item with a risk rating over 16 will require a specific risk treatment plan to be developed.

## RISK RATING

<b>Risk Rating</b>	16+
<b>Does this item need to be added to the Town's Risk Register</b>	Yes
<b>Is a Risk Treatment Plan Required</b>	Yes

Part of the risk treatment is the finalisation and implementation of the Town's WHS Framework.

## SITE INSPECTION

N/A

## COMMENT

The Town's summary of contributions for 2025/26 Scheme membership is below:

## LGISWA Scheme Membership

A summary of contributions for your 2025/26 Scheme membership follows:

SCHEME FUND	2024/25 TOTAL CONTRIBUTION (INCLUDING GST)	2025/26 BASE CONTRIBUTION	2025/26 GST	2025/26 TOTAL CONTRIBUTION	COMMENTS
LGIS Property	\$124,383.60	\$113,075.86	\$11,307.59	\$124,383.45	Rollover rate negotiated
LGIS Liability	\$126,724.50	\$117,723.56	\$11,772.36	\$129,495.92	Minor rate increase
LGIS Casual Hirers Liability	\$0.00	\$0.00	\$0.00	\$0.00	Scheme Funded
LGIS Pollution Liability	\$0.00	\$0.00	\$0.00	\$0.00	Scheme Funded
LGIS Management Liability	\$28,791.40	\$26,617.00	\$2,661.70	\$29,278.70	Minor rate increase
LGIS Motor Vehicle Fleet	\$26,262.50	\$26,043.00	\$2,604.30	\$28,647.30	9.5% reduction in rate negotiated. Increase due to sums insured
LGIS Commercial Crime & Cyber Liability	\$5,998.30	\$5,726.05	\$572.61	\$6,298.66	Minor rate increase
LGIS Voluntary Workers	\$609.40	\$579.00	\$57.90	\$636.90	Minor rate increase
LGIS Corporate Travel	\$1,018.60	\$926.00	\$92.60	\$1,018.60	Rollover rate
LGIS WorkCare	\$98,554.50	\$109,040.00	\$10,904.00	\$119,944.00	Rate has increased from 2.10% to 2.35% due to claims performance. 5-year loss ratio at 194%
<b>*Total Scheme Membership</b>	<b>\$411,342.80</b>	<b>\$399,730.47</b>	<b>\$39,973.06</b>	<b>\$439,703.53</b>	

As can be seen from the summary above, there are minor rate increases for the Town's contribution to the Membership Scheme with the exception of Workcare which has increased from 2.10% to 2.35% due to the Town's claim performance for workers compensation, indicating a 5-year loss ratio of 194%.

### CONCLUSION

The Audit Risk and Improvement Committee is requested to receive the LGIS Membership Contribution Summary for 2025/26 and note the synopsis of claims made by the Town from 2020-2025.

### 10.3 OFFICER RECOMMENDATION / COMMITTEE RESOLUTION

**Committee Resolution 032708**

#### OFFICER RECOMMENDATION

**Moved Mr Chauvel, seconded Cr Natale**

**That the Audit, Risk and Improvement Committee:**

- 1. Receives the LGIS Membership Contribution Summary for 2025/26 as presented in attachment 1 to this report.**
- 2. Notes the synopsis of claims the Town has made to LGIS from 2020-2025 as presented in attachment 2 to this report.**

**(CARRIED UNANIMOUSLY 4:0)**

**For: Mayor O'Neill, Mr Chauvel, Crs Wilson, Natale**

**Against: Nil**

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## REPORT ATTACHMENTS

Attachments start on the next page

UNCONFIRMED



# LGIS Membership Contribution Summary

Town of East Fremantle

June 2025



### Local Governments Working Together

For over two decades, we have stood by our West Australian local government members through thick and thin, working together to ensure the ongoing protection and vibrancy of local communities

As the protection partner of choice for WA local governments, we understand the complexity of the sector like no other.

Our risk program aligns with the priorities of modern, sophisticated local governments and supports their growth to meet changing community needs.

Based in WA our team of local government experts are always on-hand to support members – whether it's managing risk, providing cover to protect the organisation and community, or handling claims.

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## Executive Summary

LGISWA (LGIS) is pleased to provide Town of East Fremantle with renewal terms for 2025/26. This report includes alternative limit options where requested. We value your continued membership and look forward to working with you in 2025/26.

### 30 Years of local governments working together

1 July marks an historic moment for LGIS, on the same day 30 years ago LGIS launched. A lot has changed over that time, but the core purpose remains – local governments working together through a mutual to protect their people, organisations and communities.

LGIS was born from necessity, when the commercial insurance market withdrew cover and costs were escalating. WA local governments banded together to protect themselves making sure that they would always have access to appropriate, affordable and sustainable protection. The reasons that LGIS was formed still exists today – confirming that the mutual indemnity scheme remains the best option to protect WA local governments.

Since inception our services have grown to give member value that goes far beyond 'insurance.'

### Why LGIS?



#### **SURPLUS' BENEFIT MEMBERS**

Surplus funds stay with the Scheme benefiting members as contribution credits, special distributions, and program investments.



#### **FINANCIAL SUSTAINABILITY**

LGIS delivers stable, predictable financial performance, year on year, providing members with peace of mind.



#### **TAILORED PROTECTIONS**

Members get protection that the commercial sector won't provide, enabling members to meet their legislated duties and serve their community.



#### **BOARD REPRESENTATION**

Local government members of the LGIS Board of Directors ensure that the voice of the sector is always heard, driving the Scheme's strategy.



#### **TRUSTED RISK ADVISOR**

LGIS has unique insights into the sector's ongoing and emerging risks. We respond with strategies that deliver real value back to our members and their community.



#### **LOCAL GOVERNMENT SPECIALISTS**

A team of committed local government specialists across claims, protection and risk who are passionate about supporting our members.



#### **BENEFITS OF MUTUALITY**

Distinctive protection through a mutual indemnity model, enhanced by specialised services, along with unique discretionary powers granted by Scheme rules and Trust Deed.



#### **FUNDED PROGRAMS**

Scheme funded programs to support members in managing their risks and encouraging a consistent approach to risk management across the sector.

Your member service team are here to assist you, please contact them for further information:  
Damien Gaughan Tel: +61 8 94838841 / 0439 902 029  
Luciana Jackson Tel: 0439 902 029





## LGIS Update

2024/25 is predicted to finish well ensuring the ongoing delivery of sustainable long-term protection to the Western Australian local government sector. The year has not been without challenges, especially in workers' compensation, but the Scheme's prudent financial management has ensured a good position for the sector.

### Financial Results

LGIS projects a financial surplus for 2024/25. This is good news for members and the Scheme ensuring that we are well placed to meet the evolving and growing risk exposure of the local government sector.

In 2024/25 our independent scheme actuaries, Scyne, completed deep analysis of the Scheme and sectors' exposures and the capital required to be able to respond. Claims performance, with an increase in costs and complexity, across many areas of cover points to a need for increased capital capacity to meet the sector's growing need.

Our actuaries recommended that we retain capital in the range of 1.5 to 1.9 times the Minimum Capital Requirement (MCR). The Scheme commenced the year with capital below the target range and the projected surplus is anticipated to assist in meeting the capital requirement. It's for this reason that the Board has decided to retain the 2024/25 surplus.

Investments are a large portion of our income. Like all investors we've been impacted by the uncertainty of global events, particularly the USA's tariff decisions. Our investments are in a good position, however given the dramatic fluctuations experienced across financial markets it's difficult to predict what the result will be come 30 June 2025. All indicators show good recovery from market movement, and we anticipate that investment earnings will contribute a large component of this year's surplus.

### Managing your Scheme

Our financial position continues to experience expenditure pressure; the nature of our business is volatile, and the sector's claims performance has been concerning on several fronts.

The WorkCare portfolio remains in the spotlight with rising claims costs. A significant consideration in the requirement to increase capital retention was the new *Workers Compensation and Injury Management Act 2023 (WA)* which substantially increased worker entitlements. Refer to the WorkCare update for more information.

Our Liability, Property and Motor portfolios have also experienced escalating claims costs with supply chain delays and replacement costs growing faster than inflation. Forecasts indicate that the construction and automotive sectors will continue to be constrained in the coming year with labour force challenges and supply chain delays. That said, all funds are expected to performed well in 25/26, but witnessed development on prior periods, with Liability incurring significant increases on the back of bushfire and catastrophic injury losses

This year also brings in changes to the Scheme Rules and a new Product Disclosure Statement (PDS). The updates reflect the modern operating environment and clearly articulate the expectations of local government members and what you can expect from your Scheme. As a mutual we rely on our members to adopt the cooperative philosophy of LGIS. The details of recent amendments can be found in the Disclosures section of this report. The full Scheme Rules and PDS are available on the LGIS website.

## 2024/25 Overview

There are four factors that influence member contributions – the sector's claims performance, cost of capital, members risk profiles, and overall performance of the Scheme.

Most of the claims paid by LGIS come out of the pooled fund, that is the 'bucket' that member contributions are put into every year. To protect the pooled fund LGIS also has indemnity partners (insurers and reinsurers) who pay a proportion of large and extraordinary claims. In an ideal world the number of times and amounts that LGIS would draw down from our indemnity partners would be minimal.

LGIS places significant weight on the risk management practices and controls implemented by members in addressing sector-specific exposures. Good risk mitigation across the sector places downward pressure on claims and improves our ability to defend claims, reducing the overall quantum.

Looking at the sector's claims performance for 2024/25 there are areas that the sector will need to focus on over the next fund year. These are detailed in the updates for each portfolio.

Accurate risk profiles are vital and the Scheme's programme to improve data quality is paying dividends. Improvements to the online renewal declaration platform have been well received by members, in particular the collaborative functions allowing multiple staff to be involved in the process and the ability to import data from last year.

The range and quality of data collected provides us with a deeper understanding of the unique operating environment and concerns of local government in Western Australia.

While the general market conditions prevail across all protection classes, the most significant impacts for the mutual have been on workers' compensation.

## LGIS Property

All indicators point to a positive year for the Property portfolio for 2024/25, closing out within the \$10 Million retention. This is pleasing as inflation and supply chain bottlenecks have remained significant factors on the portfolio's performance, and we have closed out a handful of large, long-tail claims.

Fortunately, there has been minimal damage from the bushfire and cyclone season. Tropical Cyclone Zelia was the most significant for this fund year and while there was widespread flooding and wind damage, we avoided any major loss events.

We expect increased scrutiny of asset registers and valuations as many members have been exposed to under declaring the assets.

Several policy changes are likely to come into effect for 2025/26. Whilst their impact is on low frequency events, please discuss these changes with your account manager.

- Average clauses applied to business interruption cover.
- Landscaping definition amended to reflect intent of cover
- Greens cover to be reduced from \$500 K to a \$100 K any one event and \$250 K in the aggregate. Members do not declare these assets and has no impact on contribution paid.

Members must proactively manage their assets to improve their risk positions, focus should be on is on proactive housekeeping, maintenance, fire prevention practices, building locations, and heritage listing.

Waste management continues to attract interest and is an area of concern due to the fire load, ignition sources, and potential fire spread, which will only increase as battery contamination and solar/e-waste



contamination become more prevalent. LGIS has increased its focus and strongly recommends members consider the LGIS waste management risk guide which clearly outlines practical strategies to address concerns.

On average property contributions increased in the low-mid single digit range, with members exposed to catastrophic losses and poor claims experience witnessing above average increases.

### LGIS Motor Fleet

The Motor portfolio has experienced varied performance, and continues to be influenced by significant loss events, weather-related incidents, and supply chain disruptions, resulting in claims that exceed the five-year average. Overall cost of damaged fleet is significant as repair wait times and costs escalate.

There's plenty of room for improvement in the Motor portfolio with minor at-fault accidents accounting for a disproportionately high percentage of total claims.

There are two minor changes in cover for 25/26:

- Increase in "Bushfire Volunteer private vehicle" sub-limit from \$1 M - \$1.25 M per period of protection
- Minor changes in wording to reflect increased penetration of electric vehicles. By taking a proactive approach to managing at-fault claims members can have a material impact on the performance of the Motor portfolio, placing downward pressure on contributions.

Although there has not been a notable improvement in performance, on average, member contributions rates for 2025/26 have remained stable, with fluctuations attributed to claims deterioration and alterations in fleet size

Members are urged to engage with LGIS' motor fleet risk management programme to identify and address gaps in fleet management to improve performance.

### LGIS Liability

The size and strength of liability program continues to provide members with stable coverage and minimal pricing changes, despite development of prior year claims. However, there is increased focus on both active participation by members in risk programs and the close out of recommendations.

Liability claims over the past 10 years, including significant losses, highlights the need for ongoing focus on five key asset areas:

- Trees
- Roads and footpaths
- Playgrounds and public open spaces
- Swimming / aquatic
- Planning (Land use, building, enforcement)

Other related and significant concerns lie around:

- **Bushfire liability** coverage is a significant topic of conversation from even the more mature indemnity providers on our program. In recent years there have been a several WA local government claims which have put preventative bushfire functions and tree management in the spotlight. To date the number of claims has been small but the potential cost has been

significant. Our partners are scrutinising all facets of how members manage bushfires and reduce their frequency this includes decisions on burning permits, bushfire management plans, vegetation management plans.

- **Procurement practices** are in focus for the Scheme. Although claims numbers have been small the potential quantum has been high. Members are reminded to ensure that have good governance and rigorous procurement processes. Too often LGIS is asked to review or comment on a contract once it has been signed, and no amendment can be made.

### Management Liability

There are several significant matters that will fall within the new legislation and will develop in the years ahead, as investigations conclude and decisions to prosecute are made.

**Work, health and safety (WHS)**, particularly **contractor** and **volunteer bushfire fighter management** are in the spotlight. There are several incident investigations which are ongoing and will be turning points to provide clarity on local government responsibilities in the management of regarding volunteer bushfire fighters. Another area of interest is the sector's labour hire contract practices to meet WHS duties and obligations to deliver a safe work environment. Again, there are several incidents under WorkSafe WA investigation which will provide clarity.

Indemnity partners and the Scheme are looking to members to adopt policies and procedures alongside thorough documentation to demonstrate that they are making reasonable efforts to meet their duty of care in this area.

The increased loss activity in relation to employment practices and the changes in the *Local Government Amendment Act* are reflective of contribution movements. In the first year of increased pool cover we have witnessed gross claims projected more than the pooled retention. We encourage members to carefully consider their general practices around:

- Employment Contract
- Due process in investigation and termination processes

### Commercial Crime and Cyber

Throughout the last three period, there has been an uplift in the overall cyber security and awareness of local governments. There has also been a slight improvement in the control environment which is recognised in both the self-assessment data captured by LGIS and recent Office of the Auditor General (OAG) reports.

LGIS has made significant investment in improving awareness over two years, with 2024/25 seeing over 15 workshops focused on Incident Management and the ASD 8. The sector also has a significant 12 -24 months ahead with the introduction of *Privacy and Responsible Information Sharing Act (2024)* WA.

- **Indemnity provider focus:** shifting their focus more towards the internal controls of members.
- **Claims trend:** Claims frequency in Australia has been climbing over the last 11 years, with ransomware events continuing to dominate. Locally, members have been impacted by business email compromise and social engineering fraud.

As the use of artificial intelligence (AI) technology continues to grow in the ever-evolving digital world, it is also increasingly being used in cyber-attacks on small businesses. As the use of AI becomes more prevalent, it's more important than ever for LGIS members to protect their business and improve cyber resilience.



The LGIS Board is considering further support that can be provided to the sector around key aspects of loss management and systemic risk control.

### LGIS Bushfire Volunteers Personal Injury

Plans for the *proposed Combined Emergency Services Act* are progressing and creating an uncertain risk environment for volunteer bushfire fighter personal injury protection. The bushfire portfolio is already the most volatile in the Scheme due to the cost, nature, and severity of claims. Political discussions have increased this uncertainty.

Ongoing discussions to provide volunteer bushfire firefighters with protection for presumptive post-traumatic stress disorders (PTSD) is of particular note for the Scheme. Initial modelling by the Scheme's actuaries shows that costs, exposure and pooled funding to cover this would dramatically increase if presumptive PTSD is adopted. Any political discussions must consider; models to fund this protection taking into account the sector's capacity; and our reinsurance partners appetite to take on the risk.

Our indemnity partners are extremely cautious and seek to reduce their exposure. Scrutiny is given to our local governments on how they manage their volunteer brigades, training, fitness for work, and oversight during an emergency response.

In recent years there have been several significant incidents involving volunteer bushfire fighters and spontaneous volunteers. These are being investigated by WorkSafe WA, and we expect to the findings to be released in 2025/26. This should provide LGIS and the sector with greater clarity on work, health and safety responsibilities with regard to bushfire response.

Based on the current claims' performance, it is expected that the Bushfire Personal Injury fund will remain below the retention of \$750,000 in the 2023/24 fund year whilst developments will occur in the 2024/25 fund year due to some significant injuries.

### LGIS WorkCare

The conclusion of 2024/25 marks the first 12 months of the new *Workers Compensation and Injury Management Act (2023) WA*. The new Act brought with it significant changes for the Scheme in managing claims and for the sector. We are still adapting to these changes, as well as further developments during the same period. In addition to the known changes that came with the Act we have been impacted by:

- New compliance and complaints processes
- ATO private ruling which impacts settlement values

### 2024/25 Challenges

In 2023/24 Scheme actuaries, Scyne, forecast the financial implications of the Act and recommended LGIS substantially increase retained capital to ensure our ability to meet new legislative obligations. The performance of 2024/25 looks to support this decision with a fourth consecutive deficit predicted for WorkCare.

Key challenges for the portfolio include:

- Claimant medical and health entitlements increased by 40% to approximately \$150 K per claim exclusive of travel costs.
- Settlement has proven to be more difficult to achieve, all return-to-work avenues (including external re-deployment) must be explored before settlement can be considered.

- Focus on return-to-work, providing alternative and/or light duties for injured workers has proven challenging with many members unable or unwilling to facilitate return-to-work with light or alternative duties.
- Provisional payments of weekly benefits (wages) must be paid if a claim is deferred for more than 28 days.

### Decision timelines

The 14-day decision timeframe has proven incredibly challenging for the sector. On average LGIS has not received claim documents quickly enough from members which has had substantial run-on effects to timely liability decisions.

It's vital that members remember that the 14-day decision countdown starts when the employer receives the claim form, NOT when LGIS receives it. It's also 14 calendar days, NOT working days, so it's imperative that LGIS is notified of claims immediately.

Late receipt of claim documents has two significant areas of impact:

- Reduced time to consider and investigate a claim may mean LGIS makes a decision that we ordinarily may not have made.
- Material impact on the cost of the claim.

### ATO Private ruling impact on settlements

A February 2024 private ruling from the Australian Tax Office is already having a material impact on settlement values. The income component of a settlement payout must now be gross, this was previously net (less tax value). Scheme actuaries have estimated a 10%+ increase to the income component of all settlements which has a substantial impact on the overall value of settlements. The Scheme actuaries have factored this into recommendations for 2025/26 retention.

### Financial performance and contributions

2024/25 sees the fourth consecutive deficit for the WorkCare portfolio. Although claims numbers have plateaued the average cost is increasing significantly – claims are more complex, and workers are taking longer to return to work. This impacts contribution rates.

WorkCare is not impacted by global insurance trends. The benchmark rates for workers' compensation are set by the WorkCover gazetted rates which in recent years have increased year on year for Local Government Administration. LGIS WorkCare rates, however, are based entirely on the member's and portfolio's performance.

The market for indemnity providers has continued to shrink for workers' compensation and the sector's performance has made it even more challenging. LGIS' strong, long-term relationships with our indemnity partners has ensured continued protection for the sector. However, those members with poor claims performance will see this reflected in their 2025/26 contributions

For 2025/26, LGIS continues with the five different risk categories that are closely aligned to individual members risk profile. For performance-based members, the option of a blended rating (whereby a reduced deposit is utilised) continues to be offered.

For fixed rate-based members, we continue to consider critical factors such as claims experience, incurred but not reported claims trends, and past contributions to calculate equitable ratings for the 2025/26 fund year.

## Improving claims performance

Workers' compensation is firmly in the sights of the LGIS Board of Directors and is one of their top concerns for the new financial year. The Scheme is investing heavily in programmes to reduce claims costs and time away from work. It's imperative that members 'do their bit', proactively managing fitness for work, cooperating with the workers' compensation process, and providing accommodations and light duties to facilitate the return-to-work process.

To support the sector in reducing claims and proactively LGIS funds additional programmes including:

- **Injury management** for workers' compensation claimants, with four specialist allied health professionals who work with claimants and members to address the rising cost of treatment and facilitate return to work. Of particular concern is the increasing number and cost of surgery. Wherever possible we will seek conservative, non-surgical intervention to support claimant recovery and reduce costs.
- Our **Early Intervention Programme (EIP)** provides a suite of services including clinical psychology, mediation, physiotherapy, injury management, and a range of other allied health services to support injured workers. A claim does not need to be lodged to access these services. This service aims to avoid a claim being lodged. Where the injury develops into a claim, the prior engagement of EIP has proven to make a material difference in reducing the overall claim cost.
- **Injury prevention** services aim to upskill the sector in reducing musculoskeletal injuries arising from manual task hazards. We provide onsite training and a wide range of resources to support members, delivered by two allied health specialists.
- **Work, health and safety** services support member in creating safer workplaces. In recent years our services have focused on uplifting the sector's ability to identify and mitigate psychosocial hazards in the workplace. This is in addition to the ongoing three steps to safety programme, work health and safety guidance, and support in managing volunteers.



## LGIS Structure

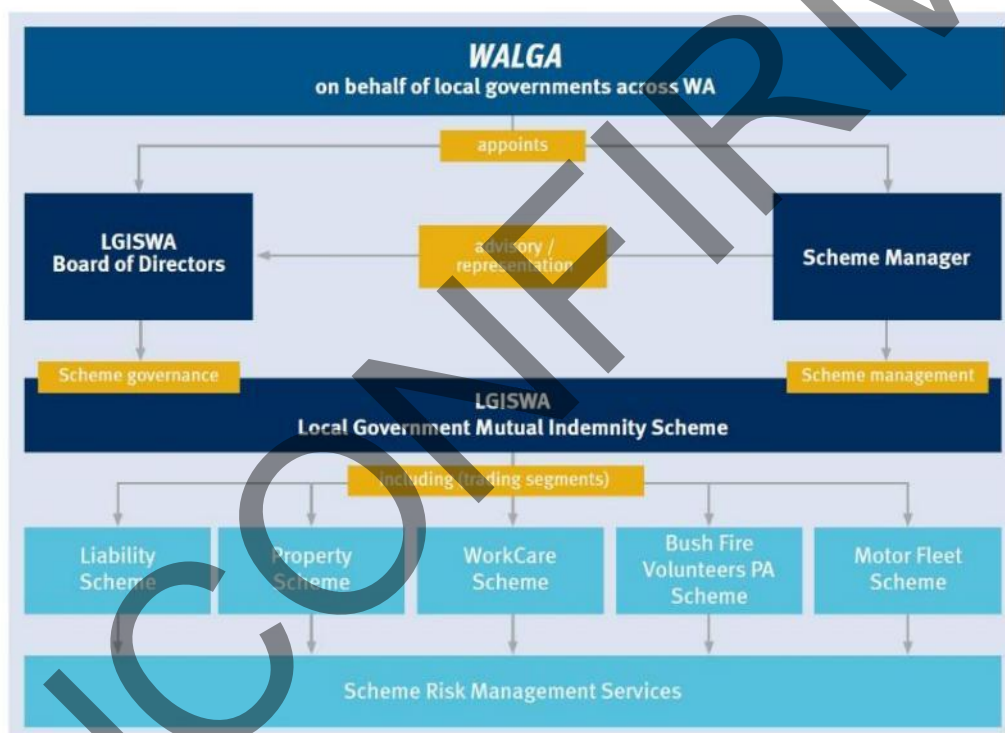
The WA local government mutual indemnity scheme known as LGISWA, or LGIS, is a WA Local Government Association (WALGA) service managed by JLT Risk Solutions (ABN 69 009 098 864 AFS Licence No: 226827) which is a business of Marsh McLennan.

JLT Risk Solutions (also known as JLT Public Sector), have managed your local government mutual indemnity scheme and provided insurance broking along with delivering related services, for over two decades.

They were appointed to manage the scheme by WALGA through a Trust Deed.

The diagram below illustrates the relationship between WALGA and JLT Public Sector.

WALGA also appoint a Board of Directors, on behalf of State Council, the majority of whom are local government representatives, to oversee the strategic management of the scheme.



## Your Board of Directors

WALGA has appointed a Board of Directors to represent the State Council and lead the strategic direction of LGIS.

Recognising the broad skill sets and understanding to successfully lead the Scheme the Board of Directors comprises of two WALGA representatives, three independent directors and four local government representatives.

Each Director's term is three years, and they may have up to three terms, for a total of nine years.



**Peter Forbes**  
Chair - Independent



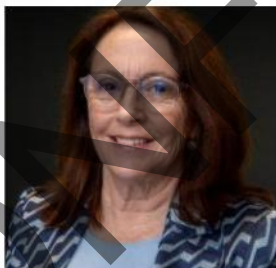
**Mary Woodford**  
Independent



**Kelly Hick**  
Independent



**Nick Sloan**  
WALGA CEO



**Cr Karen Chappel AM**  
WALGA President



**Ben Rose**  
Shire of Manjimup



**John Pearson**  
City of Rockingham



**Cr Chris Antonio**  
Shire of Northam



**Cr Paul Kelly**  
Town of Claremont

## Mutual Benefits

LGISWA is the local government mutual indemnity scheme owned by its local government members.

LGISWA (the Scheme) exists through a Trust Deed arrangement between WALGA and the members and is managed by JLT Public Sector.

The Scheme is not-for-profit with surpluses being returned to members.

The scheme exists to provide financial protection for the benefit of local governments who are members of LGIS. LGIS provides discretionary risk protection solely to our members and claims on LGIS can only be made by members.

As a mutual LGIS uses the combined size and scale of the entire WA local government sector to spread the cost of risk

### What is a Mutual Indemnity Scheme?

A mutual indemnity scheme is a financial vehicle for the management of risk. It is important to note that the Scheme is not insurance - it is an alternative risk financing strategy.

Mutuals are established by organisations with a common purpose (in the case of LGIS, local governments).

Scheme members contribute funds to create a Fund, or a 'pot of money', which is used to manage the primary layer of risk (Pooled Cover). The Scheme buys a variety of 'insurance' (indemnity covers) in excess of these Pooled Covers to provide members with the protection they require

As funds are administered for the benefits of members there is a clear relationship between the successful execution of risk improvement strategies, which lowers risks and losses, and the increased financial strength of the mutual. This leads to greater member benefits – stability in pricing and coverage; risk services to support members, which in turn has enabled, in the case of LGIS, over \$60 M to be returned to members since 2007.

### Discretion

The unique feature of a mutual which sets it apart from insurance is discretion.

The power of discretion rests in the hands of the members via the LGIS Board. The Board has sole and absolute discretion over all claims for loss. As a member-based organisation, the Board will act in good faith and in the best interest of all members.



## Claims Management

LGIS considers all Scheme claims for risks covered under protection policies. The Board of LGISWA will determine with respect to pooled cover claims, in its sole and absolute discretion, whether the Scheme will, in respect of any such claim, either in whole or in part and upon such terms and conditions as the Board may consider appropriate, provide indemnity.

Claims made under the relevant discretionary protection policies will be assessed as follows:

- The matter can be considered as a “claim” under the relevant protection policies.
- All protection policy conditions, and Scheme Rules are met by the member.
- The matter / claim does not breach any exclusion as set out in the protection policies.
- The Scheme has adequate capital to respond to the claim(s).
- The discretion of the Scheme is limited to the pooled cover adopted for each fund and protection policy.
- If indemnity cover is required in respect of a claim, indemnity for the claim will only be granted once confirmation of indemnity cover response is received by the Scheme.

The Board will exercise its discretion with respect to claims by reference to the following principles:

- The considerations set out in paragraph one above.
- Whether, in the Board’s opinion, it is in the interests of local governments in Western Australia that indemnity be provided in a particular claim.
- Whether the member, in the circumstances of the claim, was acting in respect of:
  - A public function or power
  - A private right or contractual arrangement
  - A commercial or deliberate decision
  - Perceived public interest
- Whether the fund would be materially financially disadvantaged by the grant of indemnity.
- Whether the conduct of the member is such that, in the Board’s view, a grant (or denial) of indemnity to the member would offend the conscience of a reasonable local government.
- Whether the grant of indemnity to the member is consistent with the relevant policy wording.
- Whether the grant of indemnity would find protection, or be excluded, under the LGISWA’s indemnity cover arrangements.

## Working Together

The benefit of LGISWA is that it's owned and run for the benefit of a community of like-minded organisations.

The strength of LGISWA rests in our local government members working together. Our breadth across the membership softens and smooths the variable loss experiences of individual members. Member ownership of LGISWA allows savings from that pooling to be retained by the members.

The success of LGISWA is dependent on our members.

This includes how they manage their own risks and work cooperatively together.

Good, cooperative members of the Scheme are committed to proactive risk management. They work closely with LGISWA and access the Scheme Risk Programs. Typically, they make sure that they:

- Provide accurate information in relation to their protection or claims.
- Cooperate with all reasonable requests while processing their claim
- Lodge claims which are the result of a valid loss event.
- Act on recommendations from risk assessments.
- Address problems as soon as they become aware of them, where reasonably possible.
- Actively try to minimise their risks and chance of loss.

When all members adopt a mindful, proactive approach to risk management then LGISWA will thrive, and pooled contributions can be used to protect members when they need it most.



## Your Scheme Protection

## LGISWA Scheme Membership

A summary of contributions for your 2025/26 Scheme membership follows:

SCHEME FUND	2024/25 TOTAL CONTRIBUTION (INCLUDING GST)	2025/26 BASE CONTRIBUTION	2025/26 GST	2025/26 TOTAL CONTRIBUTION	COMMENTS
LGIS Property	\$124,383.60	\$113,075.86	\$11,307.59	\$124,383.45	Rollover rate negotiated
LGIS Liability	\$125,724.50	\$117,723.56	\$11,772.36	\$129,495.92	Minor rate increase
LGIS Casual Hirers Liability	\$0.00	\$0.00	\$0.00	\$0.00	Scheme Funded
LGIS Pollution Liability	\$0.00	\$0.00	\$0.00	\$0.00	Scheme Funded
LGIS Management Liability	\$28,791.40	\$26,617.00	\$2,661.70	\$29,278.70	Minor rate increase
LGIS Motor Vehicle Fleet	\$26,262.50	\$26,043.00	\$2,604.30	\$28,647.30	9.5% reduction in rate negotiated. Increase due to sums insured
LGIS Commercial Crime & Cyber Liability	\$5,998.30	\$5,726.05	\$572.61	\$6,298.66	Minor rate increase
LGIS Voluntary Workers	\$609.40	\$579.00	\$57.90	\$636.90	Minor rate increase
LGIS Corporate Travel	\$1,018.60	\$926.00	\$92.60	\$1,018.60	Rollover rate
LGIS WorkCare	\$98,554.50	\$109,040.00	\$10,904.00	\$119,944.00	Rate has increased from 2.10% to 2.35% due to claims performance. 5-year loss ratio at 194%
<b>*Total Scheme Membership</b>	<b>\$411,342.80</b>	<b>\$399,730.47</b>	<b>\$39,973.06</b>	<b>\$439,703.53</b>	

### One invoice – two instalments

Members receive a single invoice for the total cost of Scheme membership. This means that members enjoy the payment flexibility of two (2) instalments on the total cost of Scheme membership. The single invoice will still detail the contribution for each protection, as per the Summary of Contributions table.

### 2025/26 Alternative quote options

Please indicate if you accept/reject the alternative options on your limits.

SCHEME FUND	ALTERNATIVE	TOTAL CONTRIBUTION	ACCEPT
LGIS Commercial Crime & Cyber Liability	Increase Cyber Crime to \$2m	\$6,548 plus GST	<input type="checkbox"/> Yes <input type="checkbox"/> No
LGIS Commercial Crime & Cyber Liability	Increase Cyber Liability to \$2m	\$6,586 plus GST	<input type="checkbox"/> Yes <input type="checkbox"/> No
LGIS Commercial Crime & Cyber Liability	Increase Cyber Crime to \$2m and Cyber Liability to \$2m	\$7,408 plus GST	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

### Discretionary Trust Arrangement

We take this opportunity to remind councils who are members of LGISWA that this is a discretionary trust arrangement which is not insurance because one component of the arrangement involves the trustee's absolute discretion as to whether to pay claims and how much to pay. The Discretionary Trust Arrangement is classified by ASIC as a managed investment scheme and mutual risk product. It is neither authorised under nor subject to the *Insurance Act 1973* (Cth) nor is it regulated by the Australian Prudential Regulation Authority ("APRA"). It is therefore important that councils do not use the word "insurance" or "insurer" when referring to LGISWA whether in any written or verbal communications.

## Disclosures

## Disclosures

### New Public Disclosure Statement and changes to Scheme Rules

The LGIS Board of Directors adopted the new Public Disclosure Statement (PDS) and associated changes to the LGISWA Scheme Rules, applicable from 30 June 2025, at their May 2025 meeting.

As the issuer of membership in a scheme that provides discretionary risk protection to its members, WALGA is required to provide new members with a Product Disclosure Statement (PDS). This is because the Scheme is a managed investment scheme and therefore interests in the Scheme are financial products.

While usually a PDS only needs to be provided when a financial product is issued to retail clients, regulation 7.9.07CA of the Corporations Regulations extends the PDS requirements to wholesale clients where the financial product is issued by a discretionary mutual fund (within the meaning given by subsections 5(5) and (6) of the Financial Sector (Collection of Data) Act 2001).

The LGISWA Scheme operated by WALGA meets the definition of 'discretionary mutual fund'.

The PDS is available to all members and contains information about significant characteristics or features of LGISWA products and the rights, terms, conditions and obligations attaching to the product (per section 1013D(1)(f)).

Scheme manager, JLT has taken a risk-based approach to the level of detail included in the PDS about the discretionary protection, taking into account the following:

- Protection wordings exist for each of the protections that are offered by the LGISWA Scheme and form part of the PDS.
- The Scheme Rules also form part of the PDS.

### Scheme Rules

The consequence of the Scheme Rules forming part of the PDS is that they become subject to the requirements that apply to disclosure documents.

The amendments that have been made to the LGISWA Scheme Rules include:

- Updating the listed factors used in determining contributions to be the factors that are currently used.
- Updating rules and definitions to reflect the current operation of the LGISWA Scheme.
- Clarifying that as WALGA acts as a licensed self-insurer under the Western Australia workers compensation law, its discretion to accept or deny claims in respects of workers compensation risks will be subject to obligations imposed on licensed self-insurers.
- Duplicating parts of the trust deed in the Scheme Rules that are required for the Scheme Rules to be capable of being read independently or otherwise relate to rights and obligations of members in relation to the LGISWA Scheme.
- Updating the delegation rule so that it more accurately reflects the roles of WALGA and JLT.
- Clarify that the term of membership begins from when a member is accepted to membership and continues until they are either expelled or retire.

The full PDS and Scheme Rules are available on the LGIS website at [www.lgiswa.com.au](http://www.lgiswa.com.au) or discuss with your Account Manager.



### Member Service Charter

Our members are at the heart of LGIS, it's only through working together that we can successfully protect WA local governments and their communities. Available on the LGIS website the document, and the service promise within it, is integral to us delivering on our commitment to work together with our members.

This Member Service Charter encapsulates our promise to members to deliver high levels of services anchored in our in-depth knowledge of local government. All LGIS employees, volunteers and contractors are expected to adhere to this charter and deliver a high level of service to our members and other stakeholders.

This document comprehensively covers our service commitment and includes key elements which all members are encouraged to be familiar with. These are:

- LGIS Financial Services Guide
- LGIS Collection Statement
- LGIS Privacy Statement

### Financial Services Guide (FSG)

You can find 'JLT-Our Commitment to You and Financial Services Guide' on the LGIS website at [lgiswv.com.au](http://lgiswv.com.au)

Most of the amendments are minor in nature, but we would like to highlight the following clauses under the heading 'Important Terms of Our Agreement with You':

- Sanctions and Embargoes- In addition to the increasing imposition of sanctions and embargoes by governments we are also encountering international banks' limited appetite for certain transactions which may not be directly caught by the sanctions and for which they may elect not to handle any monies. In this regard this section explains our approach and that the banks may also limit our ability to transact.

This FSG provides the terms under which we will provide our services to you, and you agree to be bound by these terms.

### Claims Made Policy

All or part of this policy is subject to claims made provision. This means that claims or possible claims must be notified to the Scheme during the currency of the protection period. Such a policy will not provide indemnity for claims, or possible claims, notified after the policy expires.

To protect your interests, please ensure that any claims or circumstances which you believe may give rise to a claim, and which have not been notified by you on the renewal declaration or previously notified to the Scheme, are notified to LGISWA immediately or in any event prior to expiry of the current protection.

### New Claims

Any terms to you are based on the understanding that there will be no deterioration in the claims experience between the date LGIS provided our terms and the expiry date of the protection or the date of inception of new risks.

If claims do occur during this period, LGISWA has the right to revise the terms provided or even rescind their protection.

## Important Information

### Changes to Protection Policies

Please note that unless advised otherwise by you, all changes or inclusions of any sort or type including limits or sum protected shown, will take effect from the expiry date for the protection policies involved.

NB: This only applies if the completed questionnaires are received by the date requested.

Late receipt of the completed questionnaire will result in expiring limits/terms provided. Updated terms will only be provided once indemnity provider agreement has been received.

### Contractual Liabilities

Virtually all commercial contracts or agreements contain clauses which are intended to alter the Common Law rights of the parties involved.

It is not practical to list all the types of agreements, however some of the more common examples include joint ventures, leases, hire, service, maintenance, franchise, cartage, and sale and purchase orders.

Most of these will contain clauses transferring liabilities or imposing obligations on one party for the benefit of the other. These clauses are identified by various names including "liability provisions, indemnity, release and hold harmless".

The transfer of risk by such means is a well-established and effective risk management tool. The author of such clauses will have considered the legal implications, and these notes are therefore mainly intended for the "consumer".

As a rule, the cover provided by your protection may be reduced or totally negated if the Scheme is prejudiced by your acceptance of alterations, either to your own or your common law rights, without first obtaining LGISWA permission.

For your protection, please ensure that all contracts and agreements are reviewed prior to execution to identify whether the effect of any clauses are to:

- impose liabilities on you which would otherwise not arise; or
- require you to release another party from its liability to you.

Where such clauses are included in an agreement and cannot be deleted, please notify your Account Manager.

During the review it is also necessary to identify any "obligations or requirements to insure" which also frequently appear in contracts or agreements. These also need to be reviewed and, where appropriate, accepted by LGISWA and its indemnity cover providers.

### Claims made policies

The LGIS Liability (parts -of), Management Liability, Cyber, Commercial Crime and Pollution Legal Liability protections are issued on a "claims made" basis.

This means that the policy covers you for claims which are made against you and notified to the Scheme and its indemnity providers during the period of cover, irrespective of the date when the cause of action may have occurred.



The policy will not respond to:

1. acts or omissions giving rise to a claim which occurred prior to any retroactive date stated in the policy.
2. claims or circumstances known to you or notified to an insurer prior to inception of the policy.
3. circumstances notified after expiry of the policy
4. claims notified after expiry of the policy.

Claims notified after expiry of the policy may be covered (at least in part) in some circumstances however we strongly recommend that you implement a programme to ensure that all claims are identified and notified immediately and within the policy period to avoid difficulties.

Where you become aware of facts or circumstances that might give rise to a claim against you, you should forward to us a notice in writing outlining those facts or circumstances as soon as reasonably practicable and before expiry of the policy period. We will forward the notice to the indemnity providers, where required, on your behalf.

Where such notice is given, the policy will, subject to its terms and conditions, cover you notwithstanding that a formal claim is not made against you by the third party until after that particular protection has expired.

Delay in notifying us or failure to provide all relevant facts could result in the claim being denied.

### Average Clause

Your protection may be subject to an average clause which means that if the value insured exceeds the sum protected, then you would be required to contribute proportionally to each and every loss.

A simple example of the application of average is:

Full value	\$100,000
Sum protected	\$50,000
Fire damage claim	\$40,000
Scheme pays 50% of \$40,000	\$20,000

**Therefore, you retain 50% of the loss**

Your account manager can explain which policies include such a clause.

### Collection Statement

In accordance with the Privacy Act 1988 (and subsequent amendments), we, JLT Risk Solutions Pty Ltd ABN 69 009 098 864 ('JLT'), being an insurance broker and the managing body for LGISWA, draw your attention to the following:

1. We may collect personal information about you by means of documents as issued from time to time.
5. We are collecting the information principally for the purpose of assessing and advising you on your protection needs, claims handling or risk management (depending on your requirements) and/or for the proper performance of our role as the managing body for LGISWA. Other purposes include providing you with information about other JLT products or services and administering payments to you. If you are proposing for or renewing protection, the information is required pursuant to your duty of disclosure under the Insurance Contracts Act 1984, the Marine Insurance Act 1909 or at common law.
6. The information we collect may be disclosed to third parties including but not limited to (re)insurers, insurance intermediaries, service providers, finance providers, advisers, agents and JLT related Group companies.



7. Your personal information may be sent to our administrative processing centre(s) in Mumbai (India), and/or Kuala Lumpur (Malaysia) and to other JLT Group companies, insurers, reinsurers, and other third-party service providers (e.g. data storage providers) in the United Kingdom, Singapore, Hong Kong, the United States of America and elsewhere.
8. If you provide us with personal information about other individuals, you must ensure that those persons have been made aware of the above matters. Where the information collected relates to health, criminal record, or other sensitive information as defined in the Privacy Act 1988, you must obtain it with the individual's consent. We will use and disclose your personal information in accordance with the LGISWA Privacy Policy.

Our Privacy Policy can be accessed on the LGISWA website ([www.lgiswa.com.au](http://www.lgiswa.com.au)). For further information contact either your account manager or the JLT Privacy Officer:

JLT Risk Solutions Pty Ltd Level 19, 100 Barangaroo Avenue, Sydney NSW 2000 Phone: +61 2 9290 8000

### Mutual Scheme

LGISWA is a Mutual Risk Product as defined by ASIC that is neither authorised under, nor subject to, the provisions of the Insurance Act 1973.

LGISWA is not a product regulated by APRA.

LGISWA estimates its future liabilities based upon procedures which are supported by both independent legal and actuarial experts. LGISWA also maintains specific financial provisions for late reported claims (IBNR) and future claim developments plus a prudential risk margin. These provisions are amounts in addition to specific claim estimates.

The LGISWA Board has established financial targets to ensure that adequate financial resources are available to discharge future liabilities and make future payments. This is achieved via a combination of financial management strategies which may include purchasing reinsurance, developing risk margins, and retaining surplus funds. The Scheme Board reviews the operating financial statements at regular intervals and an independent audit occurs annually with its findings reported to the Members.

The Trust Deed is the primary document which governs the operation of the Mutual Scheme. By its acceptance of an offer of membership (or renewal membership) a member agrees that at all times while it remains a member of the Scheme it will be bound by the Trust Deed and Scheme Rules and perform the obligations of a member accordingly. Protection policies for each Scheme Fund are issued as a guide as to the terms under which claim will be considered and settled. A copy of the Trust Deed, Scheme Rules and protection policies are available on the website at [www.lgiswa.com.au](http://www.lgiswa.com.au).

### Duty of Disclosure

You have a duty of disclosure under the Trust Deed, LGISWA Scheme Rules, and (if relevant) Insurance Contracts Act 1984. You have a duty to tell us anything that you know, or could reasonably be expected to know, may affect the Scheme's ability to protect you and on what terms. You have this duty until the LGISWA agrees to protect you. You have the same duty before you renew, extend, vary, or reinstate your protection.

If we ask you questions that are relevant to the LGISWA/indemnity provider's decision to protect you and on what terms, you must tell us anything that you know and that a reasonable person in the circumstances would include in answering the questions.

Also, we may give you a copy of anything you have previously told us and ask you to tell us if it has changed. If we do this, you must tell us about any change or tell us that there is no change. If you do not tell us about a change to something you have previously told us, you will be taken to have told us that there is no change.

You do not need to tell us anything that reduces the risk protected, is common knowledge, the Scheme knows or should know, or the Scheme waives your duty to tell them about.

#### **If you do not tell us something**

If you do not tell us anything you are required to, the Scheme may cancel your protection or reduce the amount it will pay you if you make a claim, or both. If your failure to tell us is fraudulent, the Scheme may refuse to pay a claim and treat the membership as if it never existed.

#### **Change of Risk or Circumstances**

Please tell us about any changes to your circumstances or business, such as any alteration of risk, location changes, new or changed business activities, as they could affect your protections.

#### **Unreported Losses**

Please let us know whether there are any losses which have occurred that have not been reported to us/indemnity providers, whether you intend making a claim or not.

#### **New Claims**

Any Scheme membership contribution assessment is based on the understanding that there will be no deterioration in the claims experience (or change in the risk information) between the date the Scheme provides its terms and the inception date of the cover. If claims (or a change in information) do occur during this period, the Scheme has the right to revise the terms quoted or even withdraw their offer of renewed membership.

#### **Hold Harmless Agreements, Contracting Out, Removal of Subrogation Rights**

You may prejudice your rights to a claim if, without prior agreement from the Scheme, you make any agreement that could prevent the Scheme and its indemnity provider from recovering the loss from a third party. These 'hold harmless' clauses are often found in leases, licences and contracts for maintenance, supply, construction, and repair.

#### **Insuring the interest of Other Parties**

LGISWA does not protect the interests of other parties. If you require the interest of another party to be covered by the policy, you **MUST** request this. Most policies will attempt to exclude indemnity to other parties (e.g. mortgagees, lessors, principals etc.) unless their interest is expressly noted on the policy.

#### **Several liability**

Where your policy cover is provided by more than one indemnity provider it is important to note that each indemnity provider is only responsible to the extent of their individual subscription and there is no obligation for that indemnity provider to make up the shortfall of any other subscribing indemnity provider in a claim or return premium payment.

#### **Confirmation of Transaction**

You may contact us by telephone or in writing to confirm any transaction under your protection policies or LGISWA Scheme membership, such as renewals and endorsements. If necessary, we will obtain the information for you from the Scheme or insurer.

### Refund of Contributions

In the event of any refund contribution being allowed for the cancellation or adjustment of this policy, we reserve the right to retain all charges.

### Receiving information about other products and services

We may, from time to time, offer you information about products and services which may be of interest to you. Please notify us if you do not wish to receive such additional information.

### Service difficulties

We would like to know if you are not satisfied with our services. If you have any difficulties, please contact your LGIS account manager.

If there is any part of the above that you do not understand or you require further explanation, please contact your account manager immediately.

Email: Your account manager

Phone: 9483 8888



# Important Information – Mutual Risk Product

## LGISWA (THE SCHEME) - STATUTORY NOTICE

LGISWA is a Managed Investment Scheme and Mutual Risk Product as defined by ASIC under the Corporations Act 2001 (Cth) that is neither authorised under, nor subject to, the provisions of the Insurance Act 1973 (Cth). LGISWA is not a product regulated by APRA. The future liabilities based upon procedures which are supported by both independent legal and actuarial experts and includes specific financial provisions for late reported claims (IBNR) and future claim developments plus a prudential risk margin. These provisions are amounts in addition to specific claim estimates.

LGISWA Board of representatives of Western Australian Local Government Association (WALGA) has established financial targets to ensure that adequate financial resources are available to discharge future liabilities and make future payments. This is achieved via a combination of financial management strategies which may include purchasing reinsurance, developing risk margins and retaining surplus funds. The LGISWA Board reviews the operating financial statements at regular intervals and an independent audit occurs annually.

WALGA has appointed JLT Risk Solutions Pty Ltd (JLT) as Scheme Manager.

The Trust Deed is the primary document which governs the operation of the Scheme. By its acceptance of an offer of membership (or renewal membership) a member agrees that at all times while it remains a member of the Scheme it will be bound by the Trust Deed and Scheme Rules and perform the obligations of a member accordingly. Protection policies are issued as a guide as to the terms under which claim will be considered and settled. For a copy of the Trust Deed, Scheme Rules, Product Disclosure Statement and Protection Policies, go to:

<https://www.lgiswa.com.au>

## CHANGE OF RISK OR CIRCUMSTANCES

Please tell the Scheme Manager about any changes to your circumstances or business, such as any alteration of risk, location changes, new or changed business activities, as they could affect your protection.

## UNREPORTED LOSSES

Please let the Scheme Manager know whether there are any losses which have occurred that have not been reported to the Scheme Manager, whether you intend making a claim or not.

## NEW CLAIMS

Any terms provided to you are based on the understanding that there will be no deterioration in the claims experience (or change in the underwriting information) between the date terms are quoted and the inception date of the cover. If changes do occur during this period, the terms quoted may be revised or even withdrawn.

## RECEIVING INFORMATION ABOUT OTHER PRODUCTS AND SERVICES

The Scheme Manager may, from time to time, offer you information about products and services which may be of interest to you. Please notify the Scheme Manager if you do not wish to receive such additional information.

## FINANCIAL SERVICES GUIDE (FSG)

For important information about the Scheme and the services provided, go to the link below to access the JLT Public Sector Financial Services Guide. You should read it carefully and if there is anything in the FSG that you do not understand, please contact the Scheme Manager.

[www.jltpublicsector.com/financial-services-guide.html](http://www.jltpublicsector.com/financial-services-guide.html)

## PRIVACY POLICY

We value your privacy and are committed to handling your personal information in accordance with the Australian Privacy Principles and Privacy Act. Full details of how we collect, hold, use and disclose personal information is detailed in our Privacy Policy available online via the link below. If you require a copy, you can contact us or email [privacy.australia@marsh.com](mailto:privacy.australia@marsh.com).

<https://www.jltpublicsector.com/privacy-policy.html>

## COMPLAINTS PROCEDURES

If a Member has a complaint about the Scheme, including but not limited to a complaint about non-payment of a Claim, they can communicate it to the Scheme Manager via post, telephone or email:

PO Box 1003  
WEST PERTH WA 6872  
+61 8 9483 8888

[www.lgiswa.com.au](http://www.lgiswa.com.au)

A more detailed explanation of our complaints procedures can be found here:

<https://jitpublicsector.com/financial-services-guide.html>.

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## Remuneration and Payment - Mutual Risk Product

Our remuneration for the work involved in arranging cover is in accordance with the services set out in the 'Our Remuneration' and 'Terms of Engagement' sections of the JLT Public Sector Financial Services Guide.

We have an obligation to disclose any potential conflict of interest which may occur that may affect our relationship. Where we or our Authorised Representatives and/or associated entities receive additional remuneration, these will be detailed on the Cover Summary/Policy Schedule. Below is an outline of the circumstances under which we receive additional remuneration. Please contact us if you have any questions.

### CONTRIBUTION FUNDING

If you instruct us to arrange or issue a financial product through a funding arrangement, we are paid commission and/or fee by the funder. The commission is usually calculated as a percentage of your contribution (including stamp duty, emergency/fire services levy, GST and other government charges, taxes, fees or levies). The funder also pays us and our associated entity an annual distribution fee in relation to the loan business we introduce.

### PROMOTER FEE

Where a promoter is involved in a Mutual Risk Product, it may be paid a fee by the Trustee. The Trustee may also provide sponsorship, financial or other benefits to that promoter.

#### Proposal Disclaimer

Every effort has been taken by LGIS to ensure that the commentary and recommendations contained in this communication are appropriate for consideration and implementation by the recipient. Any recommendation, advice and information contained within this report given in good faith and is based on sources believed to be reliable and accurate at the time of preparation and publication of this report. LGIS and their respective officers, employees and agents do not accept legal liability or responsibility for the content of the recommendations, advice, and information; nor does LGIS accept responsibility for any consequential loss or damage arising from its application, use and reliance. A change in circumstances occurring after initial inspection, assessment, analysis, consultation, preparation, or production of this report by LGIS and its respective officers, employees and agents may impact upon the accuracy and relevance of the recommendation, advice and information contained therein. Any recommendation, advice or information does not constitute legal or financial advice. Please consult your advisors before acting on any recommendation, advice, or information within this report.

#### Proprietary Nature of Proposal

This proposal is prepared for the sole and exclusive use of the party or organisation to which it is addressed. Therefore, this document is considered proprietary to JLT Public Sector, a division of JLT Risk Solutions Pty Ltd (ABN 69 009 098 864 /AFS Licence No: 226827) (JLT) and may not be made available to anyone other than the addressee or person(s) within the addressee's organisation who are designated to evaluate or implement the proposal. JLT proposals may be made available to other persons or organisations only with written permission of JLT.

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## 10.4 2508 REQUEST FOR QUOTATION - FINANCIAL MANAGEMENT AND AUDIT REGULATION 17 REVIEW

<b>Report Reference Number</b>	ACR-814
<b>Prepared by</b>	Peter Kocian, Executive Manager Corporate Services
<b>Supervised by</b>	Jonathan Throssell, Chief Executive Officer
<b>Meeting date</b>	Wednesday, 27 August 2025
<b>Voting requirements</b>	Simple
<b>Documents tabled</b>	Nil

### Attachments

1. Request for Quotation – Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls
2. **Report – Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls – January 2023 (Confidential)**

### PURPOSE

The Audit Committee is requested to endorse the attached Request for Quotation for the Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls.

### EXECUTIVE SUMMARY

In order to meet the requirements under Regulation 5 (2)(c) of the *Local Government (Financial Management) Regulations 1996* and Regulation 17 of the *Local Government (Audit) Regulations 1996*, the CEO is required to undertake a review of the Town's financial management, risk management, legislative compliance and internal controls every 3 years.

Given the methodology undertaken, and the need for independence, this review is outsourced to qualified companies.

### BACKGROUND

The *Local Government Act 1995*, *Local Government (Audit) Regulations 1996* and *Local Government (Financial Management) Regulations 1996* detail the statutory requirements with respect to audit of local government. The following reporting requirements to the Audit Committee are mandatory:

Item	Requirements	Legislation
External Audit Report	The Auditor is to provide a report (annually) giving an opinion on the financial position of the local government and the results of the operations of the local government. Where it is considered by the auditor appropriate to do so, the audit is to prepare a management report to accompany the auditor's report.	Regulation 10 of the <i>Local Government (Audit) Regulations 1996</i>
Compliance Audit Return	Local Governments are required to complete a statutory compliance return (Compliance Audit Return) annually and have the return adopted by Council. The return is a checklist of	Regulation 14 of the <i>Local Government (Audit) Regulations 1996</i>

	a local government's compliance with the requirements of the Act and its Regulations, concentrating on areas of compliance considered 'high risk'. The audit committee is to review the Compliance Audit Return and report to the Council the results of that review.	
Risk Management/Internal Controls/Legislative Framework	The CEO is to review the appropriateness and effectiveness of a local governments and procedures in relation to risk management, internal control and legislative compliance at least once every three years and report to the audit committee the results of that review.	Regulation 17 of the <i>Local Government (Audit) Regulations 1996</i>
Financial Management Review	The CEO is to review the appropriateness and effectiveness of the financial management systems and procedures of the local government at least once every years and reports the results of that review.	Regulation 5 of the <i>Local Government (Financial Management) Regulations 1996</i>

The last review of financial management, risk management, legislative compliance and internal controls was completed in January 2023 – see attached confidential report. The next review is required to be completed by the end of this calendar year pursuant to the Internal Audit Work Plan.

## CONSULTATION

Audit, Risk and Improvement Committee.

## STATUTORY ENVIRONMENT

The local government audit framework is governed by the *Local Government Act 1995* and Regulations including the *Local Government (Administration) Regulations 1996*, *Local Government (Audit) Regulations 1996*, *Local Government (Financial Management) Regulations 1996* and *Local Government (Functions and General) Regulations 1996*.

## POLICY IMPLICATIONS

The Department of Local Government has published several operational guidelines including Operational Guideline # 9 Audit in Local Government – The appointment, function and responsibilities of Audit Committees. Appendix 3 of this guidelines recommends issues that should be considered for inclusion in the CEO's Review of Risk Management, Internal Control and Legislative Compliance.

## FINANCIAL IMPLICATIONS

The 2025-26 Budget includes an allocation of \$30k for this project against GL account E04203.

## STRATEGIC IMPLICATIONS

### **Strategic Priority 5 – Leadership and Governance**

- 5.1 Strengthen organisational accountability and transparency
- 5.3 Strive for excellence in leadership and governance

## RISK IMPLICATIONS

## RISKS

Risk	Risk Likelihood (based on history & with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
That the CEO does not comply with the Regulation 17 of the LG Audit Regulations 1996 and Regulation 5 of the LG Financial Management Regulations 1996.	Possible (3)	Moderate (3)	Moderate (5-9)	COMPLIANCE Some temporary non-compliance	Accept Officer Recommendation

## RISK MATRIX

Consequence Likelihood		Insignificant	Minor	Moderate	Major	Extreme
		1	2	3	4	5
Almost Certain	5	Moderate (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative or a deviation from the expected and may be related to the following objectives: occupational health and safety, financial, service interruption, compliance, reputation and environment. A risk matrix has been prepared and a risk rating is provided below. Any items with a risk rating over 16 will be added to the Risk Register, and any item with a risk rating over 16 will require a specific risk treatment plan to be developed.

## RISK RATING

Risk Rating	9
Does this item need to be added to the Town's Risk Register	No
Is a Risk Treatment Plan Required	No

## SITE INSPECTION

Not applicable.

## COMMENT

### Financial Management Review

Once every three (3) years the Chief Executive Officer is required to review the appropriateness and effectiveness of the financial management systems and procedures, as required by Financial Management Regulation 5(2)(c). The review covers the systems and procedures established by the Town in performing the duties defined by Financial Management Regulation 5(1), including, but not limited to the following:

- Collection of money owed;
- Custody and security of money held;
- Maintenance and security of financial records;
- Accounting for revenue and expenses;
- Accounting for assets and liabilities;
- Accounting for trust transactions;
- Authorisation of purchases;
- Authorisation of payments;
- Maintenance and processing of payroll;
- Stock control and costing records;
- Preparation of budgets and budget reviews; and
- Preparation of financial reports.

### Systems and Procedures Review

Likewise, at least once every three (3) years the Chief Executive Officer is required to report on the appropriateness and effectiveness of the Town's risk management, internal controls and legislative compliance systems and procedures, every three years, as required by Audit Regulation 17. The results of the review are to be reported by the CEO to the Audit Committee. The Audit Committee is required to review the CEO's report and then report to the Council. The report from the Audit Committee to the Council is required to have attached a copy of the CEO's report to the Audit Committee.

To ensure independence of process, it is recommended that an external company be appointed (via WALGA E Quotes) to undertake the review, and follow the methodology below:

- Conduct onsite interviews with key personnel involved in risk management, financial management legislative compliance.
- Identify the extent of commitment and mandate to Risk Management principles (using AS/NZS ISO 31000:2018 as the framework) within the overall risk management framework.
- Review each component (risk management, legislative compliance and internal controls) after considering the overall risk environment, governance structure and internal control environment.
- Assess the gaps (if any) between the current processes and the expected risk management, internal controls and legislative compliance systems and procedures and recommend suggested improvements.
- Report on the appropriateness and the effectiveness of current systems and procedures.

### Independent Audit Report – East Fremantle Community Park

The Town has already commissioned an independent audit of the operations of East Fremantle Community Park (see attachment 3 - 2508 East Fremantle Community Park – Independent Reviews Report). The independent report has assessed the control environment at EFCP including payroll and accounting systems, end of day reconciliation and point of sales systems and cost allocation and stock. This report provides assurances as to the control environment implemented by Belgravia Leisure as the Operator. It is thus recommended that EFCP be excluded from the scope of the RFQ Specification presented.

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## CONCLUSION

That the Audit, Risk and Improvement Committee endorse the commencement of this independent review, noting that the Chief Executive Officer will appoint the successful respondent to the Request for Quotation as per his statutory responsibility. The final report and audit findings will be presented to the Committee.

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## 10.4 OFFICER RECOMMENDATION / COMMITTEE RESOLUTION

**Committee Resolution 042708**

### OFFICER RECOMMENDATION

Moved Cr Natale, seconded Mr Chauvel

That the Audit, Risk and Improvement Committee endorse the Request for Quotation for the Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls as presented, with the review to be finalised by January 2026.

### (CARRIED UNANIMOUSLY 4:0)

**For:** Mayor O'Neill, Mr Chauvel, Crs Wilson, Natale

**Against:** Nil

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## REPORT ATTACHMENTS

Attachments start on the next page



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**Request for Quotation**  
**RFQ06-2025/2026**  
**Review of Financial Management, Risk**  
**Management, Legislative Compliance and**  
**Internal Controls**

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**Submission to be received by 4pm**  
**Date: Tuesday 30 September 2025**

**Late submissions will not be accepted**

**To be submitted via the WALGA E- Quotes Portal**



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**Part 1 READ AND KEEP THIS PART**

## **1 Conditions of Responding**

### **1.1 Contract Requirements in Brief – Scope of Works in Brief**

The Town seeks the services of an experienced professional to undertake a review of systems and procedures and issue a consolidated report to meet the reporting requirements the Chief Executive Officer has under legislation.

#### **1. Financial Management Review**

The CEO is to review the appropriateness and effectiveness of the financial management systems and procedures of the local government at least once every three years and reports the results of that review.

Regulation 5 of the *Local Government (Financial Management) Regulations 1996*

#### **2. Review of Risk Management, Internal Controls and Legislative Framework**

The CEO is to review the appropriateness and effectiveness of a local governments and procedures in relation to risk management, internal control and legislative compliance at least once every three years and report to the audit committee the results of that review.

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

A full statement of the Goods/Services required under the proposed Contract appears in the Specification **Part 2**.

### **1.2 Definitions**

Below is a summary of some of the important defined terms that may be used in this Request:

**AS/NZS:** means Australian and New Zealand Standard

**Appendix(es):** means the documents attached to the Principal's Request for Quotation document

**Attachment(s):** means the documents you attach as part of your Quotation submission

**Consultant:** means the same as Contractor

<b>Part 1</b>	<b>READ AND KEEP THIS PART</b>
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**Contractor:** Means the person or persons, corporation or corporations whose Response is accepted by the Principal, and includes the executors or administrators, successors and assignments of such person or persons, corporation or corporations.

**Deadline:** The Deadline shown on the front cover of this Request for lodgement of your Submission.

**General Conditions of Contract:** Means the General Conditions of Contract for the Supply of Goods and Services under a Purchase Order in **Part 3**.

**Offer:** Your Offer to be selected to supply the Requirements.

**Principal:** *Town of East Fremantle*

**Response:** Completed Offer, response to Selection Criteria and Attachments.

**Requirement:** The Goods and/or Services requested by the Principal.

**Request or RFQ or Request for Quotation:** This document.

### 1.3 Contact Persons

Respondents should not rely on any information provided by any person other than the person listed below:

<b>Name:</b>	<i>Peter Kocian, Executive Manager Corporate Services</i>
<b>Telephone:</b>	<i>(08) 9339 9317</i>
<b>Email:</b>	<i>pkocian@eastfremantle.wa.gov.au</i>

### 1.4 Briefing/Site Inspection

Not applicable.

### 1.5 Selection Criteria

The Contract may be awarded to a Respondent who best demonstrates the ability to provide quality products and/or services at a competitive price. The quoted prices will be assessed together with the qualitative and compliance criteria to determine the most advantageous outcome to the principal.

<b>Part 1      READ AND KEEP THIS PART</b>
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The Principal has adopted the best value for money approach to this Request. This means that, although price is considered, the Response containing the lowest price will not necessarily be accepted, nor will the offer ranked the highest on the Qualitative Criteria.

A scoring system will be usual as part of the assessment of the Qualitative Criteria. Unless otherwise stated, a Response which provides all the information requested will be assessed as satisfactory.

The extent to which the Respondent demonstrates greater satisfaction of each of these criteria will result in a greater score. The aggregate score of each Response will be used as one of the factors in the final assessment of the Qualitative Criteria and in the overall assessment of value for money.

### **1.6 Compliance Criteria**

These criteria are detailed within **Part 4** of this document and will not be point scored. Each Response will be assessed on a Yes/No basis as to whether the criterion is satisfactorily met. An assessment of "No" against any criterion may eliminate the Submission from consideration.

### **1.7 Qualitative Criteria**

In determining the most advantageous Response, the Evaluation Panel will score each Response against the Qualitative Criteria as detailed within **Part 4** of this document. Each criterion will be weighted to indicate the relative degree of importance that the Principal places on the technical aspects of the goods or services being purchased.

Note: It is essential that Respondents address each Qualitative Criterion.

Information that you provide addressing each Qualitative Criterion will be point scored by the Evaluation Panel.

Failure to provide the specified information may result in elimination from the evaluation process or a low score.

### **1.8 Value Considerations**

The non-weighted cost method is used where functional considerations such as capacity, quality and adaptability are seen to be crucial to the outcome of the contract. The evaluation panel will make a series of value judgements based on the capability of the Respondents to complete the Requirements and a number of factors will be considered including:

- a) the qualitative ranking of each Respondent; and
- b) the pricing submitted by each Respondent.



**Part 1 READ AND KEEP THIS PART**

Once the tenders have been ranked, the Evaluation Panel will make a value judgement as to the cost affordability, qualitative ranking and risk of each Response, in order to determine the Response which is most advantageous to the Principal.

The quoted price will be considered along with related factors affecting the total cost to the Principal (eg the lifetime operating costs of goods or the Principal's contract management costs may also be considered in assessing the best value for money outcome).

**1.8.1 Price Basis**

All prices for Goods/Services offered under this Request are to be fixed for the term of the Contract. Quoted prices must include Goods and Services Tax (GST).

Unless otherwise indicated prices tendered must include delivery, unloading, packing, marking and all applicable levies, duties, taxes and charges. Any charge not stated in the Response, as being additional will not be allowed as a charge for any transaction under any resultant Contract.

Any charge not stated in the Tender as being additional will not be allowed as a charge for any transaction under any resultant Contract.

**1.9 Principal's Policies That May Affect Selection**

**2.1.3 Town of East Fremantle Purchasing Policy** – a copy can be downloaded from the Town's website at [www.eastfremantle.wa.gov.au](http://www.eastfremantle.wa.gov.au)

**1.10 Lodgement of Response and Delivery Method**

The Response must be lodged by the Deadline. The Deadline for this Request for Quote is

**4.00pm Tuesday 30 September 2025**

The Response is to be submitted via the WALGA E-Quotes portal.

**1.11 Rejection of Responses**

A Response will be rejected without consideration of its merits in the event that:

- a) it is not submitted before the Deadline; or
  - b) it is not submitted at the place specified in the Request for Quotation; or
  - c) it may be rejected if it fails to comply with any other requirements of the Request for Quote;
- or
- d) the Respondent does not submit an Offer form which has been completed and signed together with all the required Attachments.

<b>Part 1      READ AND KEEP THIS PART</b>
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#### **1.12 Acceptance of Responses**

Unless otherwise stated in this Request, Responses may be for all or part of the Requirements and may be accepted by the Principal either wholly or in part. The Principal is not bound to accept the lowest Response and may reject any or all Responses submitted.

#### **1.13 Response Validity Period**

All Responses will remain valid and open for acceptance for a minimum period of ninety (90) days from the Deadline.

#### **1.14 Precedence of documents**

In the event of there being any conflict or inconsistency between the Terms and Conditions herein and those in the General Conditions of Contract, the Terms and Conditions appearing in this Request will have precedence.

#### **1.15 Alterations**

The Respondent must not alter or add to the Request documents unless required by these General Conditions of Responding.

The Principal will issue an addendum to all registered Respondents where matters of significance make it necessary to amend the issued Request for Quote documents before the Deadline.

#### **1.16 Ownership of Responses**

All documents, materials, articles and information submitted by the Respondent as part of or in support of a Response shall become upon submission the absolute property of the Principal and will not be returned to the Respondent at the conclusion of the Response Process PROVIDED that the Respondent shall be entitled to retain copyright and other intellectual property rights therein, unless otherwise provided by the Contract.

#### **1.17 Canvassing of Officers**

If a Respondent, whether personally or by agent, canvasses any of the Principal's Commissioners or Councillors (as the case may be) or Officers with a view to influencing the acceptance of any Response, then regardless of such canvassing having any influence on the acceptance of such Submission, the Principal may at its discretion omit the Respondent from consideration.

**Part 1    READ AND KEEP THIS PART**

**1.18 Identity of the Respondent**

The identity of the Respondent and Contractor is fundamental to the Principal. The Respondent shall be the person, persons, corporation or corporations named as the Respondent in Part 3 of this Request. Upon acceptance of the Response, the Respondent will become the Contractor.

UNCONFIRMED

<b>Part 2      KEEP AND READ THIS PART</b>
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## 2 Specification

### 2.1 Introduction

In order to assist the CEO to meet his obligations under Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* and Regulation 17 of the *Local Government (Audit) Regulations 1996* we are seeking quotations to undertake two reviews and issue one report to meet the two separate reporting requirements the CEO has under legislation.

The Financial Management Review (*FM Reg 5(2)(c)*) will focus on the financial management duties of the CEO as set out in Regulation 5(1) of the *Local Government (Financial Management) Regulations 1996*. With the broader Audit Regulation 17 review, focusing on the overall systems and procedures in relation to risk management, internal controls and legislative compliance.

The financial management review will combine with a review of systems and procedures review of non-financial areas of the Town, to form the overall System and Procedure Review in accordance with Audit Regulation 17(3). A single report will be prepared for the CEO to detail the results of the two reviews to the local government as required by legislation.

### 2.2 Financial Management Review

#### 2.2.1 Objective of the engagement

Review the appropriateness and effectiveness of the financial management systems and procedures of the local government on behalf of the CEO, as required by *Financial Management Regulation 5(2)(c)*.

The financial management review will cover the systems and procedures established by the CEO in performing the duties defined by *Financial Management Regulation 5(1)*.

#### 2.2.2 Procedures

A review is to be undertaken of all of the Town's financial systems including, but not necessarily limited to:

- Collection of money owed;
- Custody and security of money held;
- Maintenance and security of financial records;
- Accounting for revenue and expenses;
- Accounting for assets and liabilities;
- Accounting for trust transactions;
- Authorisation of purchases;
- Authorisation of payments;
- Maintenance and processing of payroll;
- Stock controls and costing records;
- Preparation of budgets and budget reviews; and
- Preparation of financial reports.



**Part 2 KEEP AND READ THIS PART**

### 2.2.3 Reporting

A detailed report is to be provided following the completion of the review.

The primary focus of this component of the review is to assess the appropriateness and effectiveness of the key areas listed above as required by *Local Government (Financial Management) Regulation (5)(2)(c)*.

The report should highlight any areas requiring improvement noted during the course of the review.

## 2.3 Systems and Procedures Review

### 2.3.1 Objective of the engagement

The review aims to provide the basis for a report by the CEO on the appropriateness and effectiveness of the Town's risk management, internal controls and legislative compliance systems and procedures as required by Audit Regulation 17. The results of the review are to be reported by the CEO to the Audit Committee. The Audit Committee is required to review the CEO's report and then report to the Council. The report from the Audit Committee to the Council is required to have attached a copy of the CEO's report to the Audit Committee.

### 2.3.2 Procedures

Procedures would encompass the following services:

- A review of the risk management systems policies, procedures and plans in place at the Town;
- Evaluate the non-financial/operational internal control systems and procedures at the Town;
- Assess systems and procedures for maintaining legislative compliance;
- Prepare a report of matters identified during the review to assist the Chief Executive Officer to assess the appropriateness and effectiveness of the relevant systems and procedures in accordance with Local Government Audit Regulation 17.

To undertake these procedures, the following methodology should be applied as a minimum:

- Conduct onsite interviews with key personnel involved in risk management, financial management and ensuring Town adherence to legislative compliance;
- Identify the extent of commitment and mandate to Risk Management principles (using AS/NZS ISO 31000:2018 as the framework) within the overall risk management framework;
- Review each component (risk management, legislative compliance and internal controls) after considering the overall risk environment, governance structure and internal control environment;
- Assess the gaps (if any) between the current processes and the expected risk management, internal controls and legislative compliance systems and procedures and recommend suggested improvements; and
- Report on the appropriateness and the effectiveness of current systems and procedures.

The review will be a high-level review given the scale, variety and breadth of non-financial activities and will consider as a minimum the issues identified by the Department of Local Government, Sport and Cultural Industries in Appendix 3 to Local Government Operational Guideline Number 09 – Audit in Local Government.



<b>Part 2      KEEP AND READ THIS PART</b>
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### 2.3.3 Reporting

The review is to be more than a compliance exercise and seeks to identify sound practices and confirm their effectiveness as well as offer practical assistance to rectify any weaknesses identified.

The primary focus of this component of the review report is to provide an assessment of the appropriateness and effectiveness of risk management, internal controls and legislative compliance for the CEO, the systems and procedures review report will provide an assessment for each of the three elements and identify any opportunities for improvement noted during the course of the review.

1. A written report is to be provided, including the following headings:
  - Engagement overview
  - Review context
  - Review summary
  - Methodology
  - Framework Design, Implementation and Evaluation
  - Report Findings
2. All findings are to be incorporated into an Excel Register with the following headings to be included for alignment with the Town's Risk Management Framework and Audit Status Reports:

Audit Finding	Risk Assessment Category Risk - event and Failure Modes	Risk Identified	Date of Initial Risk Identification	Risk Category (Low, Medium or High)	Action Required	Mitigation and Management Strategy (Possible Future Controls)
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### 2.3.4 Timing

The work is to be undertaken between the months of November – December. A draft report is to be provided to the Executive Manager Corporate Services by the 16 January 2026. Methodology is to include a workshop with the Executive Leadership Team to review and discuss the draft Report with a view of finalising the Report by the 30 January 2026.

**Part 3 READ AND KEEP THIS PART**

**3 General Conditions of Contract for Supply of Goods and Services under Purchase Order**

**1. SUPPLY OF GOODS AND SERVICES**

- 1.1. The Contractor must supply the Goods or Services to the Principal in accordance with the Contract.
- 1.2. Unless expressly agreed to in writing by the Principal and referenced in the Contract, to the extent permitted by Law, no other terms or conditions, including the Contractor's own terms and conditions even where they have been provided to the Principal or signed by a representative of the Principal, will apply or have any legal effect in connection with the supply of the Goods, the performance of the Services or the Contract.
- 1.3. Where the Contract relates to Goods or Services the subject of a separate contract between the Contractor and the Principal, the terms of the separate contract also apply to the extent of any inconsistency with the Contract unless the Principal has clearly stated otherwise on the Purchase Order.

**2. CONTRACTOR'S OBLIGATIONS**

- (a) The Contractor must ensure that it and the Contractor's Personnel, in performing the Contractor's Obligations under the Contract:
- (b) comply with all applicable Laws, any standards and procedures made available by the Principal to the Contractor, and any reasonable instructions given by the Principal;
- (c) do not interfere with the Principal's activities or the activities of any other person at the Delivery Point or any place the Contractor provides the Services;
- (d) carry out and perform the Contractor's Obligations in a safe manner in a way which does not prejudice safe working practices, safety and care of property or continuity of work;
- (e) unless otherwise set out in the Contract, supply all plant, resources and equipment necessary to perform the Services; and
- (f) provide all such information and assistance as the Principal reasonably requires.

**3. RECEIPT, INSPECTION AND ACCEPTANCE OF GOODS AND SERVICES**

- 3.1. The Contractor must deliver the Goods in full to the Delivery Point and perform the Services at the times stated in the Contract. In this respect, time will be of the essence of the Contract.
- 3.2. Acceptance of the Goods or Services by the Principal does not constitute approval of the Goods or Services or prejudice any claim the Principal may have in connection with the Goods or Services.
- 3.3. Acceptance of the Goods or Services occurs on the earlier of:

**Part 3 READ AND KEEP THIS PART**

- (a) a representative of the Principal notifying the Contractor in writing that the Goods or Services have been accepted; or
- (b) the lapse of 14 days after delivery of the Goods to the Delivery Point without the Principal notifying the Contractor in writing that the Goods have been rejected.

3.4. The Contractor must allow the Principal or a representative of the Principal, upon 2 Business Days' written notice from the Principal and during standard business hours, to inspect, examine, review and witness tests of the Goods or Services, or the performance of the Goods or Services and to carry out site inspections at the Contractor's premises.

**4. TITLE AND RISK**

- 4.1. Title in the Goods will pass from the Contractor to the Principal upon payment of the Contract Price. The Contractor warrants that title in the Goods will be transferred to the Principal without any encumbrances or liens.
- 4.2. Risk in the Goods will pass to the Principal on acceptance of the Goods in accordance with clause 3.3.

**5. VARIATIONS**

The Contractor must not change the Goods or Services, including an addition, reduction or omission to any part of the Goods or Services except in accordance with a written direction of the Principal in which case the Contractor must comply with that direction and the Contract Price will be adjusted by an amount agreed in writing by the parties.

**6. INVOICING AND PAYMENT**

- 6.1. The Principal must pay the Contract Price to the Contractor for the Goods and the Services.
- 6.2. The Contract Price is inclusive of all costs and expenses including packaging, freight, delivery, insurance, the cost of any miscellaneous services, compliance with the Contract and Taxes and, subject to clause 5, no additional amounts will be payable by the Principal.
- 6.3. Subject to clause 6.4, on or promptly after the later of the Date of Delivery of the Goods or the Date of Completion of the Services (as applicable), the Contractor must submit an Invoice to the Principal for the amount due to the Contractor.
- 6.4. If agreed in writing by the Principal, the Contractor may submit an Invoice to the Principal at the end of each month for any Services performed during that or previous months provided those Services have not already been included in a previous Invoice issued to the Principal.
- 6.5. An Invoice must include:
  - (a) the Purchase Order number;
  - (b) a description of the Goods delivered, including the quantity of Goods and the Date of Delivery; or
  - (c) a description of the Services performed;
  - (d) the amount being claimed for the Goods and the Services;

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- (e) the amount of any applicable GST;
  - (f) if applicable, include the WALGA Preferred Supplier discount associated with the purchase and
  - (g) any further information reasonably requested by the Principal.
- 6.6. If an Invoice does not contain the information required in clause 6.5, the Principal may, at its option, complete the missing details or return the incomplete Invoice to the Contractor, in which case the Contractor must submit a replacement Invoice compliant with clause 6.5.
- 6.7. Subject to the Contractor submitting an Invoice in accordance with clause 6.5 or a compliant Invoice in accordance with clause 6.6, the Principal must pay the amount payable within 30 days or as otherwise agreed by the parties.
- 6.8. Payment under this clause 6 will not be taken as proof or admission that all, or any part of, the Goods or the Services have been delivered or performed (as the case may be) to the satisfaction of the Principal, but will be taken to be payment on account only.
- 6.9. The Contractor agrees that the Principal may:
- (a) deduct from moneys due to the Contractor any money due or which may become due from the Contractor to the Principal under, or in connection with, the Contract; and
  - (b) withhold payment of any amounts payable under the Contract pending resolution of any dispute.
- 7. GOODS AND SERVICES TAX**
- 7.1. If GST is imposed on any supply made by the Contractor in connection with the Contract, the Contractor may recover from the Principal, in addition to the Contract Price, an amount equal to the GST payable in respect of that supply.
- 7.2. The Contractor must first provide the Principal with an Invoice before the Principal will pay the GST amount to the Contractor.
- 8. QUALITY OF GOODS AND SERVICES**
- 8.1. The Contractor must ensure that:
- (a) all Goods or Services conform to the description of the Goods or Services set out in the Contract;
  - (b) all Goods and Services are fit for their intended purpose and to the extent Services performed are design Services, the works being designed will be fit for their intended purpose;
  - (c) if the Contractor provided the Principal with a demonstration of the Services or represented that a result could be achieved by the Services before the Principal issues the Purchase Order, the Services correspond in nature and quality with the services demonstrated or the services that achieved that result (as the case may be); and
  - (d) any Goods are new and of merchantable quality.

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- 8.2. The Contractor warrants that the Contractor's Personnel engaged to perform the Services have all the necessary skills, training and qualifications to carry out the Services in accordance with the Contract.
- 8.3. The Contractor must ensure that the Principal has the full benefit of any manufacturer's warranties that may be applicable to the Goods (and the Contractor must, at its cost, pursue any manufacturer's warranties on the Principal's behalf).

**9. DEFECTS**

- 9.1. At any time prior to the expiry of the Defects Liability Period, the Contractor must, at its cost and at the Principal's direction, promptly rectify all Defects other than a Defect caused by the negligence of the Principal.
- 9.2. Nothing in this clause 9 prejudices any other right that the Principal may have against the Contractor arising out of the failure of the Contractor to supply the Goods or perform the Services in accordance with the Contract.
- 9.3. If the Principal directs the Contractor to rectify a Defect and the Contractor fails to rectify that Defect within a reasonable time specified by the Principal:
- (a) the Principal may, without prejudice to any other rights the Principal may have against the Contractor, rectify the Defect itself; and
  - (b) the rectification costs incurred by the Principal will be a debt due and payable on demand from the Contractor to the Principal.
- 9.4. Where any Defect has been rectified under the Contract, the rectification work will be the subject of an additional Defects Liability Period commencing on the date the relevant rectification works are completed.

**10. CONFIDENTIAL INFORMATION**

The Contractor must not use any Confidential Information or disclose any Confidential Information other than to any of the Contractor's Personnel who need the information to perform the Services or deliver the Goods, to the Contractor's legal advisers or where required by Law.

**11. INTELLECTUAL PROPERTY**

- 11.1. Subject to clause 11.3, the Contractor IP remains vested in the Contractor and the Principal IP remains vested in the Principal.
- 11.2. The Principal will own all Intellectual Property that the Contractor creates in the performance of the Services and the supply of the Goods.
- 11.3. The Contractor grants to the Principal a non-exclusive, perpetual, royalty-free, irrevocable, transferable, sub-licenseable licence (with the right to grant sub-licenses on the same terms) to use the Contractor IP to the extent necessary to use the Goods and the Services.



**Part 3 READ AND KEEP THIS PART**

**12. INSURANCE**

12.1. Where the Contract is for Services, the Contractor must effect and maintain with a reputable insurer the following insurance policies for the entirety of the term of the Contract:

- (a) *public and products liability insurance* covering liability for damage to property and the death of or injury to any person (other than as covered under a workers compensation policy) in an amount of not less than \$10 million in respect of each and every claim, unlimited as to the number of occurrences for public liability;
- (b) workers compensation insurance as required by Law, including cover for common law liability for an amount of not less than \$50 million for any one occurrence;
- (c) *motor vehicle insurance* covering all vehicles, plant and equipment (whether owned, hired or leased) used in connection with the Contract for loss or damage of not less than the market value and third party liability of not less than \$20 million in respect of each and every claim;
- (d) insurance covering the Contractor's own property, goods, materials owned, hired, leased or used by the Contractor, for an amount not less than the market value of those insured items; and
- (e) any additional insurance required by an applicable Law or reasonably requested by the Principal; and
- (f) where the Contractor is providing professional services, *professional indemnity insurance* of not less than \$2 million for each claim and in the aggregate for all claims arising in the same insurance period, covering the liability of the Contractor for any professional services provided by the Contractor and the Contractor's Personnel under the Contract. Where this insurance is effected on a 'claims made' basis, the policy must be maintained for a period of at least 7 years after the Completion Date or the earlier termination of the Contract.

12.3 The Contractor must provide to the Principal, within 3 business days of a written request, certificates of currency for each of the insurance policies required under clauses 12.1 or 12.2 (or both, as applicable).

12.4 Subject to clause 17.4, if the Contractor subcontracts any part of the Contractor's Obligations, then the Contractor must ensure that every subcontractor effects and maintains all of the insurances required under clause 12.1 or 12.2 (or both, as applicable), as appropriate for the work being performed by that subcontractor, before the subcontractor commences any of the Contractor's Obligations.

**13 INDEMNITY AND LIMITS OF LIABILITY**

13.1 The Contractor indemnifies the Principal and the Principal's officers, employees, agents and contractors for and against any claims (including third party claims) and losses suffered or incurred by any of them arising out of, or in connection with, any wrongful act or omission of the Contractor or any of the Contractor's Personnel. This indemnity will be reduced to the extent that the claim or loss is caused by the negligence of the Principal or the Principal's personnel.

13.2 Neither party is liable to the other for Consequential Loss.

**Part 3 READ AND KEEP THIS PART**

**14 TERMINATION**

14.1 The Principal may terminate the Contract by notice to the Contractor:

- (a) at any time and in its absolute discretion by giving 7 days' notice to the Contractor;
- (b) if the Contractor commits a breach of the Contract and fails to remedy that default within 14 days of the Principal giving notice of the breach; or
- (c) immediately if an Insolvency Event occurs.

14.2 On termination of the Contract, the Contractor must promptly return to the Principal any of the Principal's Confidential Information, property and documents which the Principal owns or in which the Principal has an interest.

14.3 If the Contract is terminated under clause 14.1(a):

- (a) the Principal must pay the Contractor that part of the Contract Price for any Contractor's Obligations performed prior to termination that have not already been paid by the Principal; and
- (b) the Contractor is not entitled to, and the Principal is not liable for, any additional amounts whatsoever.

14.4 Subject to clause 14.3, termination of the Contract, however it may occur, does not prejudice any claim that either party may have against the other under the Contract on termination.

**15 NOTICES**

Any notice or other communication relating to the Contract must be in writing, signed by the sender or its agent, and either hand delivered, sent by pre-paid post, faxed or emailed to the other party at the address, fax number or email address set out in the Purchase Order.

**16 DISPUTES**

16.1 Neither party may commence any action, bring any proceedings or seek any relief or remedy in a court, except interlocutory or equitable relief, from a court in respect of a dispute until they have complied with the dispute resolution process in accordance with this clause 16.

16.2 If any dispute arises between the parties in relation to the Contract, either party must give notice of the dispute to the other party.

16.3 A senior representative of each of the parties must promptly meet and attempt to resolve the dispute. If the parties are unable to resolve a dispute within 21 days of the notice referred to in clause 16.2, then either party may issue court proceedings.

**17 GENERAL**

17.1 The Contract states all the express terms of the agreement between the parties in respect of its subject matter. It supersedes all prior representations, discussions, negotiations, understanding and agreements in respect of its subject matter.

**Part 3 READ AND KEEP THIS PART**

- 17.2 The Contract is governed by the law in force in Western Australia and each party irrevocably submits to the non-exclusive jurisdiction of courts exercising jurisdiction in Western Australia.
- 17.3 The Contractor must not assign or novate the Contract or assign any other right, benefit or interest under the Contract to any person or entity without the prior written consent of the Principal.
- 17.4 The Contractor must not, without the prior written consent of the Principal, which consent must not be unreasonably withheld, subcontract any of the Contractor's Obligations.
- 17.5 No term or provision of the Contract will be construed against a party on the basis that the Contract or the term or provision in question was put forward or drafted by that party.
- 17.6 The Contract is a non-exclusive contract for the supply of Goods or Services and it does not prevent the Principal from entering into other contracts for the supply or performance of the same or similar goods or services with other contractors.
- 17.7 Any provision of the Contract which is illegal, void or unenforceable will be ineffective to the extent only of that illegality, voidness or unenforceability without invalidating the remaining provisions.
- 17.8 If the Principal is restructured by Law, then the rights and obligations of the Principal under the Contract are novated to and assumed by the appropriate legal entity as determined by the Principal or the successors of the Principal under the restructure.
- 17.9 Clauses 4, 6.8, 6.9, 10, 11, 12.2(f), 13, 14.4 and 17 survive the termination or expiry of the Contract.

**18 DEFINITIONS**

**Completion Date** means the date on which performance of the Services is completed.

**Conditions of Contract** means these general conditions of contract for the supply of goods and services under a purchase order.

**Confidential Information** means the Contract and information (regardless of its form) which is disclosed directly or indirectly by the Principal to the Contractor or Contractor's Personnel which is treated or designated as confidential, or which the Contractor or the Contractor's Personnel ought to know is confidential, but does not include information which is or becomes public knowledge (other than by the Contractor's disclosure or breach of the Contract).

**Consequential Loss** means any loss of production, loss or revenue, loss of profit, loss of business reputation, business interruptions, loss of opportunities, loss of anticipated savings or wasted overheads.

**Contract** means the Conditions of Contract and the relevant Purchase Order.

**Contract Price** means the price for the Goods or Services (exclusive of GST) set out in the Purchase Order.

**Contractor** means the contractor specified in the Purchase Order.

**Part 3 READ AND KEEP THIS PART**

**Contractor IP** means any Intellectual Property of the Contractor (or Intellectual Property licensed to the Contractor by a third party) which:

is in existence before the date of the Contract or comes into existence after the date of the Contract other than in connection with the Contract, the Goods or the Services; and

which the Contractor makes available, contributes, brings to or uses in connection with the Contract.

**Contractor's Obligations** means all of the Contractor's obligations under the Contract.

**Contractor's Personnel** means the Contractor's officers, employees, agents and subcontractors and their respective employees and agents.

**Date of Delivery** means the date on which the Goods are delivered to the Delivery Point.

**Day** means a business day that is not a Saturday, Sunday, a public holiday in Western Australia or 27, 28, 29, 30 or 31 December.

**Defect** means any defect, error, damage, deficiency, fault or inadequacy in the design, performance, workmanship, quality or makeup of the Goods or Services.

**Defects Liability Period** means a period of 12 months commencing: (a) in respect of the Goods, on the Date of Delivery; and

in respect of the Services, on the Completion Date,

and, where relevant, any additional period of time specified in accordance with clause 9.4.

**Delivery Point** means the place set out in the Purchase Order for delivery of the Goods or otherwise notified by the Principal in writing.

**Goods** means any goods, materials, supplies, equipment or other items set out in the Purchase Order.

**GST** means goods and services tax or similar value added tax levied or imposed in Australia pursuant to *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

**Insolvency Event** means in respect of the Contractor, the following events: appointment of an administrator, appointment of a liquidator, appointment of a provisional liquidator, appointment of a controller (including any receiver or receiver and manager), insolvency, bankruptcy, winding up or any event analogous to these events.

**Intellectual Property** means all intellectual and industrial property rights, including trade marks, copyright (including future copyright), inventions, patents, designs, circuits and other eligible layouts, database rights, including any application or right to apply for registration of any of these rights.

**Invoice** means any document or record treated by the Commissioner of Taxation as an invoice or as a document entitling a recipient to an input tax credit.

**Law** means any law in force in Australia, whether common law, equity or any law under any statute, subordinate legislation, ordinance or code.

**Part 3 READ AND KEEP THIS PART**

**Principal** means the party ordering or receiving the Goods or Services in accordance with the Contract, being that party specified in the Purchase Order.

**Principal IP** means any Intellectual Property of the Principal (or licensed to the Principal by a third party) which the Principal makes available, contributes, brings to or uses in connection with the Contract.

**Purchase Order** means the Principal's purchase order form for the Goods or Services.

**Services** means any services set out in the Purchase Order, including the delivery of any goods and performance of services ancillary to the Services.

**Tax** means any income, land, indirect and other taxes, levies, imposts, deductions, charges, duties, compulsory loans and withholdings, including financial institutions duty, debits tax or other taxes whether incurred by, payable by return or passed on to another person and includes any interest, penalties, charges, fees, fines or other amounts imposed in respect of any of the above, but does not include GST.

**19 INTERPRETATION**

In the Contract:

a reference to "Goods or Services" is to be read as "Goods or Services, or both of them, as applicable";

the singular includes the plural and the plural includes the singular;

a reference to a clause or party of the Contract is a reference to a clause of, and a party to, the Contract;

a reference to legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them;

the words 'include', 'includes' and 'including' must be construed without limitation as to what else might be included; and

Part 1F of the *Civil Liability Act 2002* (WA) does not apply to the Contract.



**Part 4 COMPLETE AND RETURN THIS PART**

**4 Respondent's Offer**

**4.1 Offer Form**

Chief Executive Officer  
Town of East Fremantle  
135 Canning Highway  
EAST FREMANTLE WA 6158

I/We (Registered Entity Name): \_\_\_\_\_  
(BLOCK LETTERS)

of: \_\_\_\_\_  
(REGISTERED STREET ADDRESS)

ABN \_\_\_\_\_ ACN (if any) \_\_\_\_\_

Telephone No: \_\_\_\_\_ Facsimile No: \_\_\_\_\_

E-mail: \_\_\_\_\_

**In response to Request for Quotation – RFQ06-2025/2026 – Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls**

I/We agree that I am/We are bound by, and will comply with this Request and its associated schedules, attachments, all in accordance with the Conditions contained in this Request signed and completed.

The responded price is valid up to ninety (90) calendar days from the date of the RFQ closing.

I/We agree that there will be no cost payable by the Principal towards the preparation or submission of this Response irrespective of its outcome.

The consideration is as provided under the schedule of rates of prices in the prescribed format and submitted with this RFQ.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2025

Signature of authorised signatory of Respondent: \_\_\_\_\_

Name of authorised signatory (BLOCK LETTERS): \_\_\_\_\_

Position: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

Authorised signatory Postal address: \_\_\_\_\_

Email Address: \_\_\_\_\_

<b>Part 4      COMPLETE AND RETURN THIS PART</b>
--

**4.2 Selection Criteria****4.2.1 Compliance Criteria**

Please select with a "Yes" or "No" whether you have complied with the following compliance criteria:

Description of Compliance Criteria	
------------------------------------	--

a) Respondents are to provide acknowledgment that your organisation has submitted in accordance with the Conditions of this RFQ including completion of the Offer Form and provision of your pricing submitted in the format required by the Principal.	Yes / No
b) Respondents are to provide any relevant certifications/accreditations required for the scope of work.	Yes / No
c) Compliance with the Specification contained in the Request.	Yes / No
d) Compliance with the Delivery Date.	Yes / No
e) Risk Assessment Respondents must address the following information in an attachment and label it "Risk Assessment":	Yes / No
i) An outline of your organisational structure inclusive of any branches and number of personnel.	Yes / No
ii) If companies are involved, attach their current ASC company extracts search including latest annual return.	Yes / No
iii) Provide the organisations directors/company owners and any other positions held with other organisations.	Yes / No
iv) Provide a summary of the number of years your organisation has been in business.	Yes / No
v) Attach details of your referees. You should give examples of work provided for your referees where possible.	Yes / No
vi) Are you acting as an agent for another party? If Yes, attach details	

<b>Part 4</b>	<b>COMPLETE AND RETURN THIS PART</b>
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<i>(including name and address) of your principal.</i>	Yes / No
vii) <i>Are you acting as a trustee of a trust? If Yes, give the name of the trust and include a copy of the trust deed (and any related documents); and if there is no trust deed, provide the names and addresses of beneficiaries.</i>	Yes / No
viii) <i>Do you intend to subcontract any of the Requirements? If Yes provide details of the subcontractor(s) including; the name, address and the number of people employed; and the Requirements that will be subcontracted.</i>	Yes / No
ix) <i>Will any actual or potential conflict of interest in the performance of your obligations under the Contract exist if you are awarded the Contract, or are any such conflicts of interest likely to arise during the Contract? If Yes, please supply in an attachment details of any actual or potential conflict of interest and the way in which any conflict will be dealt with.</i>	Yes / No
x) <i>Are you presently able to pay all your debts in full as and when they fall due?</i>	Yes / No
xi) <i>Are you currently engaged in litigation as a result of which you may be liable for \$50,000 or more? If Yes, provide details.</i>	Yes / No
xii) <i>In order to demonstrate your financial ability to undertake this contract, include a profit and loss statement and the latest financial return for you and each of the other proposed contracting entities, together with a list of financial referees from your bank and/or accountant.</i>	Yes / No
<p>The insurance requirements for this Request for Quotation are stipulated in Part 3 of the RFQ. Respondents are to supply evidence of their insurance coverage including, insurer, expiry date, value and type of insurance. If a Respondent holds "umbrella Insurance", please ensure a breakdown of the required insurances are provided. A copy of the Certificate of Currency is to be provided to the Principal within five (5) days of acceptance.</p>	

<b>Part 4 COMPLETE AND RETURN THIS PART</b>
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**4.2.2 Qualitative Criteria**

Before responding to the following Qualitative Criteria, Respondents must note the following:

- All information relevant to your answers to each criterion are to be contained within your Response;
- Respondents are to assume that the Evaluation Panel has no previous knowledge of your organisation, its activities or experience;
- Respondents are to provide full details for any claims, statements or examples used to address the Qualitative Criteria; and
- Respondents are to address each issue outlined within a Qualitative Criterion.

<b>A. Relevant Experience &amp; Specific Local Government Operations Review Experience</b>  Describe your experience in completing/supplying similar Requirements. Respondents must, as a minimum, address the following information in an attachment and label it <b>"Relevant Experience"</b> :	<b>Weighting</b>  <b>40%</b>	
<ol style="list-style-type: none"> <li>Provide details of similar work.</li> <li>Provide scope of the Respondent's involvement including details of outcomes.</li> <li>Demonstrate competency and proven track record of achieving outcomes.</li> </ol>	<b>"Relevant Experience"</b>	<b>Tick if attached</b>  <input type="checkbox"/>
<b>B. Organisation Capability (Incl. Individual Capability Credentials/Experience Experience)</b>  Respondents should provide as a minimum information of proposed personnel to be allocated to this project, such as:	<b>Weighting</b>  <b>30%</b>	
<ol style="list-style-type: none"> <li>Their role in the performance of the Contract.</li> <li>Membership to any professional or business associations.</li> <li>Qualifications, with particular emphasis on experience of personnel in projects of a similar requirement.</li> <li>Any additional information.</li> </ol>	<b>"Organisation Capability"</b>	<b>Tick if attached</b>  <input type="checkbox"/>

<b>Part 4      COMPLETE AND RETURN THIS PART</b>
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Supply any other relevant details in an attachment and label it "Organisation Capability".		
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<b>C. Methodology</b>  Respondents should detail the process they intend to use to achieve the Requirements of the Specification.  Areas you may wish to cover include:	<b>Weighting</b>  <b>30%</b>	<b>"Methodology"</b>  Tick if attached  <input type="checkbox"/>
<i>a) A project schedule/timeline.</i>  <i>b) The process for the delivery of the Goods/Services.</i>  <i>c) Demonstrated understanding of the Scope of Work.</i>		
Supply details and provide an outline of your proposed methodology in an attachment labelled "Methodology".		



<b>Part 4      COMPLETE AND RETURN THIS PART</b>
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**4.3 Price Information**

Respondents must complete the following "Price Schedule". Before completing the Price Schedule, Respondents should ensure they have read this entire Request for Quotation.

Activity	Pricing Exclusive of GST
<b>Lump Sum - list inclusions</b>	
<b>Hourly rate (for out of scope work)</b>	
<b>Total (GST EXCLUSIVE)</b>	\$

**4.3.1 Price Basis**

4.3.1.1 Unless otherwise stated in this Contract, the Contract Price shall be firm and not subject to rise and fall.

4.3.1.2 Unless otherwise provided in this Contract, the Contractor shall pay all packaging, freight, Taxes, insurances and other charges whatsoever, in connection with this Contract and the Goods and/or Services including delivery of Goods to the Delivery Point and the return of Goods wrongly supplied and all packaging.

UNCONFIRMED

**10.5 2508 AUDIT OF REQUISITIONS OVER \$5,000.00**

<b>Report Reference Number</b>	ACR-804
<b>Prepared by</b>	Natalie McGill, Senior Finance Officer
<b>Supervised by</b>	Pratigya Pandeya, Manager Finance
<b>Meeting date</b>	Wednesday, 27 August 2025
<b>Voting requirements</b>	Simple
<b>Documents tabled</b>	Nil
<b>Attachments</b>	

**1. Procurement Review (Confidential)****PURPOSE**

The Audit Committee is requested to receive the assessment of all supplier purchases greater than \$5k (ex GST) for the 2024/25 financial year (as at the time of preparing the report), for compliance against Council's Purchasing Policy.

**EXECUTIVE SUMMARY**

During the period of review, the Town released 166 purchase orders over \$5k (ex GST). Full information is provided as confidential attachment 1, with the level of compliance against the Purchasing Policy assessed as follows:

Amount	Purchasing Requirement	No. Purchase Orders	No. Compliant with Purchasing Policy or Exempt i.e. Sole Supplier	% Compliant
Over \$5001 and up to \$20,000	Attempt to obtain 2 written quotes	119	119	100
Over \$20,001 and up to \$50,000	Attempt to obtain 3 written quotes	36	36	100
Over \$50,001 and up to \$250,000	Attempt to obtain 3 written quotes under a Request for Quotation	10	10	100
Over \$250,000.00	Request for Tender unless exempt	1	1	100

**BACKGROUND**

The annual Internal Audit Work Plan proposes that an internal audit of all requisitions over \$5,000 (ex GST) be completed and presented to the Audit Committee. This will ensure a complete sample and identify all instances of non-compliance. Findings will then inform areas for improvement, education, and if deemed appropriate, removal of financial delegation.

This review is also provided to the Town's auditors each year to assist the audit process.

## CONSULTATION

All Officers with Purchasing Delegation

## STATUTORY ENVIRONMENT

Section 5.41 of the *Local Government Act 1995* details the functions of the CEO.

Regulation of the *Local Government (Financial Management) Regulations 1996* details the CEO's duties as to the financial management of the local government.

Regulation 11A of the *Local Government (Functions and General) Regulations 1996* requires local governments to prepare and adopt a Purchasing Policy.

## POLICY IMPLICATIONS

Council's Purchasing Policy applies.

The following requirements apply for purchases over \$5,001 (ex GST):

Amount (ex GST)	Purchasing Requirement
Over \$5,001 and up to \$20,000	Attempt to obtain 2 written quotes
Over \$20,001 and up to \$50,000	Attempt to obtain 3 written quotes
Over \$50,001 and up to \$250,000 (previously \$150,000)	Attempt to obtain 3 written quotes under a Request for Quotation
Over \$250,000	Request for Tender unless exempt

## FINANCIAL IMPLICATIONS

There are no financial implications relevant to this item.

## STRATEGIC IMPLICATIONS

Strategic Priority 5 – Leadership and Governance

5.1 Strengthen organisational accountability and transparency

5.3 Strive for excellence in leadership and governance

## RISK IMPLICATIONS

### RISKS

Risk	Risk Likelihood (based on history & with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
Non-compliance with Purchasing Policy: - Statutory breach	Possible (3)	Major (4)	High (10-16)	COMPLIANCE Short term non-compliance but with significant regulatory	Treat through regular review/audit...

- Not receiving value for money - Risk of favouring certain suppliers				requirements imposed	
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## RISK MATRIX

Consequence		Insignificant	Minor	Moderate	Major	Extreme
Likelihood		1	2	3	4	5
Almost Certain	5	Moderate (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative or a deviation from the expected and may be related to the following objectives: occupational health and safety, financial, service interruption, compliance, reputation and environment. A risk matrix has been prepared and a risk rating is provided below. Any items with a risk rating over 16 will be added to the Risk Register, and any item with a risk rating over 16 will require a specific risk treatment plan to be developed.

## RISK RATING

<b>Risk Rating</b>	12
<b>Does this item need to be added to the Town's Risk Register</b>	No
<b>Is a Risk Treatment Plan Required</b>	No

## SITE INSPECTION

Not Applicable.

## COMMENT

An internal audit of all purchases greater than \$5k (ex GST) has been completed by the Senior Finance Officer. Whilst Regulation 6 of the *Local Government (Financial Management) Regulations 1996* states that a local government is to ensure that an employee whom is delegated responsibility for the day-to-day accounting operations is not also delegated the responsibility for conducting an internal audit, the Town does not have a staffing structure that provides for separation of duties. It is also noted that this is an administrative internal audit project and is not a statutory requirement.

- All purchases over \$250k were assessed to be compliant as a public tender process was followed.
- All purchases between \$50k and \$250k were assessed to be compliant as they were either



subject to a public tender, formal request for quotation, a council resolution or purchasing of services from a regional local government.

- All purchases between \$5k and \$50k were assessed to be compliant by having a copy of the requisite number of quotes uploaded into the financial system or an exemption provided under the Purchasing Policy.

This achievement of 100% compliance reflects a significant improvement in procurement processes, demonstrating that all purchases have been made in accordance with approved procedures, delegations, and documentation standards. It highlights the commitment of staff to uphold governance and transparency, ensuring that organisational resources are managed responsibly and in line with policy objectives.

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## 10.5 OFFICER RECOMMENDATION / COMMITTEE RESOLUTION

**Committee Resolution 052708**

**OFFICER RECOMMENDATION**

**Moved Cr Natale, seconded Mr Chauvel**

**That the Audit, Risk and Improvement Committee receive the procurement review of all purchases over \$5k (ex GST), as detailed in the confidential attachment, for assessment of compliance against Councils Purchasing Policy.**

**(CARRIED UNANIMOUSLY 4:0)**

**For: Mayor O'Neill, Mr Chauvel, Crs Wilson, Natale**

**Against: Nil**

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## REPORT ATTACHMENTS

Attachments start on the next page

UNCONFIRMED

## 10.6 2508 PURCHASING POLICY - PURCHASING AUTHORITY LEVELS

<b>Report Reference Number</b>	ACR-799
<b>Prepared by</b>	David Van Herk, Accountant
<b>Supervised by</b>	Pratigya Pandeya, Finance Manager
<b>Meeting date</b>	Wednesday, 27 August 2025
<b>Voting requirements</b>	Simple Majority
<b>Documents tabled</b>	
<b>Attachments</b>	

1. Amended Purchasing Policy and Procedures

### PURPOSE

The Audit, Risk and Improvement Committee is requested to endorse a change to the purchasing authority limit for the Executive Manager Corporate Services, to streamline the approval process for the following regular payments:

- Loan Repayments
- DFES ESL Remittance
- Insurance Payments
- Payments to Australian Taxation Office (PAYG, GST Payable, & FBT Payable)
- Superannuation Liability Payments
- Payment of wages

### EXECUTIVE SUMMARY

The Purchasing Policy governs all procurement activities within the Town, ensuring that purchases are made with the principles of transparency, probity and good governance and complies with the *Local Government Act 1995*. This review evaluated the policy's effectiveness, examined compliance with regulations, and identified opportunities for improvement.

### BACKGROUND

Since the Purchasing Policy was last updated in December 2024, the finance team have identified an inefficiency with the Executive Manager Corporate Services position being unable to approve fixed liability payments above \$50,000 (GST Inc). The above identified payments currently require the approval of the Chief Executive Officer.

### CONSULTATION

Accountant – David Van Herk  
 Finance Manager – Pratigya Pandeya  
 Executive Manager Corporate Services – Peter Kocian

### STATUTORY ENVIRONMENT

*Local Government Act 1995*  
*Local Government (Functions and General) Regulations 1996*  
*State Records Act 2000*

## POLICY IMPLICATIONS

Policy 2.1.3 Purchasing

## FINANCIAL IMPLICATIONS

There are no financial implications relevant to this item.

## STRATEGIC IMPLICATIONS

Strategic Priority 5 – Leadership and Governance.

5.1 Strengthen organisational accountability and transparency.

5.3 Strive for excellence in leadership and governance.

## RISK IMPLICATIONS

### RISKS

Risk	Risk Likelihood (based on history & with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
Non-compliance with the Purchasing Policy and Procedure	Unlikely (2)	Major (4)	Moderate (5-9)	COMPLIANCE Some temporary non-compliance	Accept Officer Recommendation

### RISK MATRIX

Consequence		Insignificant	Minor	Moderate	Major	Extreme
Likelihood		1	2	3	4	5
Almost Certain	5	Moderate (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative or a deviation from the expected and may be related to the following objectives: occupational health and safety, financial, service interruption, compliance, reputation and environment. A risk matrix has been prepared and a risk rating is provided below. Any items with a risk rating over 16 will be added to the Risk Register, and any item with a risk rating over 16 will require a specific risk treatment plan to be developed.

## RISK RATING

<b>Risk Rating</b>	8
<b>Does this item need to be added to the Town's Risk Register</b>	No
<b>Is a Risk Treatment Plan Required</b>	No

## SITE INSPECTION

Not applicable

## COMMENT

The Purchasing Policy (appended Procedure 2.1.3) has been reviewed to ensure current and best practices are aligned – refer tracked changes.

## CONCLUSION

The review of the Purchasing Policy is a necessary step to ensure that the organisation's procurement practices remain efficient, transparent, and aligned with current regulations and strategic objectives. The recommended revisions will aim to streamline purchasing processes and reduce costs.

## 10.6 OFFICER RECOMMENDATION / COMMITTEE RESOLUTION

**Committee Resolution 062708**

**OFFICER RECOMMENDATION**

**Moved Cr Natale, seconded Mr Chauvel**

**That the Audit, Risk and Improvement Committee recommend Council approve the tracked changes amendments to the attached Purchasing Policy.**

**(CARRIED UNANIMOUSLY 4:0)**

**For: Mayor O'Neill, Mr Chauvel, Crs Wilson, Natale,**

**Against: Nil**

## REPORT ATTACHMENTS

Attachments start on the next page





### 2.1.3 Purchasing

<b>Type:</b>	Corporate Services – Financial Management
<b>Legislation:</b>	Local Government Act 1995 Local Government (Functions and General) Regulations 1996
<b>Delegation:</b>	DA35 Ordering Thresholds
<b>Other Related Document:</b>	Purchasing Procedures PRO2.1.3

#### Policy

The Town of East Fremantle (the "Town") is committed to delivering best practice in the purchasing of goods, services and works that align with the principles of transparency, probity and good governance and complies with the *Local Government Act 1995* (the "Act") and Part 4 of the *Local Government (Functions and General) Regulations 1996*, (the "Regulations"). Procurement processes and practices to be complied with are defined within this Policy and the Town's prescribed procurement procedures.

This Policy aims to ensure all procurement decisions are made in a consistent manner using an equitable process that will help to mitigate risk, demonstrate value and achieve the most advantageous outcome for the Town.

#### Policy Statement

Procurement decisions will be made using the following principles:

- (1) **Ethical Behaviour and Fair Dealing**  
Employees of the Town must conduct all procurement and business relationships with honesty, integrity, fairness, diligence and a high degree of care, ensuring processes are appropriate and compliant. Procurement processes must be transparent and free from bias and will be supported by Employee Code of Conduct and a Statement of Business Ethics, approved by the CEO outlining the behavioural standards expected by the Town from its employees, suppliers and contractors in conducting its business. Any canvassing of the Town's Elected Members or staff is strictly prohibited on current procurement activity.
- (2) **Value for Money (VFM)**  
Achieving value for money reflects the best possible outcome by considering cost and non-cost factors in procurement decisions. Non-cost factors are important in reducing risk and determining whole of life outcomes that do not adversely impact the community or environment.  
  
These include safety and quality considerations, fit for purpose (specification), timeliness, sustainability (social and environment – circular supply), economic (local & regional) and relevant service benchmarks. Where a higher cost conforming offer is recommended, there should be clear and demonstrable benefits over and above the lowest total priced conforming offer.

The Town recognises that in achieving long term value for money, appropriate strategic business partners may be developed with suppliers for specific supply categories. All strategic procurement partners will be reviewed on a periodic basis as per their associated arrangement, to a minimum period of every three (3) years from the commencement of the partnership. The acceptance of higher priced submissions must always be supported by justification, presenting demonstrable benefits proportionate to the level of activity.

All pre-qualified, approved, and strategic business partnership suppliers will be systematically reviewed in line with contract terms and performance criteria (at least three yearly or as required). This requirement will assess whether VFM continues to be achieved by the Town with any renewal or extension of contract arrangements.

(3) Open and Effective Competition

Competition is encouraged through the sourcing requirements of the procurement thresholds (below) and any allowable exemptions as outlined within this Policy.

The expected level of effective competition will depend on the pre-determined market engagement strategy (public, selective, pre-qualified) as identified in the procurement plan and the assessed level of procurement risk to the Town. Town employees are to source across a range of diverse suppliers, to ensure market opportunities are considered.

*Purchasing Value Definition*

Determining purchasing value is to be based on the following considerations:

1. Exclusive of Goods and Services Tax (GST);
2. The actual or expected value of a contract over the full contract period, including all options to extend; or the extent to which it could be reasonably expected that the Town will continue to purchase a particular category of goods, services or works and what total value is or could be reasonably expected to be purchased. A best practice suggestion is that if a purchasing threshold is reached within three years for a particular category of goods, services or works, then the purchasing requirement under the relevant threshold (including the tender threshold) must apply.
3. Must incorporate any variation to the scope of the purchase and be limited to a 10% tolerance of the original purchasing value.

**Purchasing Thresholds**

The table below prescribes the purchasing process that the Town must follow, based on the purchase value:

Purchase Value Threshold	Purchasing Requirement
Up to \$5,000 (exc GST)	<p>Purchase directly from a supplier using a Purchasing or Corporate Credit Card issued by the Town, or obtain at least one (1) oral or written quotation from a suitable supplier, either from:</p> <ul style="list-style-type: none"> <li>an existing panel of pre-qualified suppliers administered by the Town; or</li> <li>a pre-qualified supplier on the WALGA Preferred Supply Program (e-Quotes) or State Government Common Use Arrangement (CUA); or</li> <li>from the open market.</li> </ul>
Over \$5,001 and up to \$20,000 (exc GST)	<p>Request at least two (2) written quotations from suppliers following a brief outlining the specified requirement, either from:</p> <ul style="list-style-type: none"> <li>an existing panel of pre-qualified suppliers administered by the Town; or</li> <li>a pre-qualified supplier on the WALGA Preferred Supply Program (e-Quotes) or State Government CUA; or</li> <li>from the open market.</li> </ul> <p>The purchasing decision is to be based upon assessment of the supplier's response to:</p> <ul style="list-style-type: none"> <li>a written brief outline of the specified requirement for the goods; services or works required; and</li> <li>value for money criteria, not necessarily the lowest price.</li> </ul>
Over \$20,001 and up to \$50,000	<p>Request at least three (3) written quotations from suppliers following a brief outlining the specified requirement, either from:</p> <ul style="list-style-type: none"> <li>an existing panel of pre-qualified suppliers administered by the Town; or</li> <li>a pre-qualified supplier on the WALGA Preferred Supply Program or State Government CUA; or</li> <li>from the open market.</li> </ul> <p>The purchasing decision is to be based upon assessment of the supplier's response to:</p> <ul style="list-style-type: none"> <li>a written brief outline of the specified requirement for the goods; services or works required; and</li> <li>value for money criteria, not necessarily the lowest price.</li> </ul> <p>The procurement decision is to be represented using the Brief Evaluation Report Template.</p>

<p>Over \$50,001 and up to \$250,000 (exc GST)</p>	<p>Request at least three (3) written quotations from suppliers by formal invitation under a Request for Quotation, containing price and detailed specification of goods and services required. The procurement decision is to be based on pre-determined evaluation criteria that assesses all value for money considerations in accordance with the definition stated within this Policy.</p> <p>Quotations within this threshold may be obtained from:</p> <ul style="list-style-type: none"> <li>• an existing panel of pre-qualified suppliers administered by the Town; or</li> <li>• a pre-qualified supplier on the WALGA Preferred Supply Program (e-Quotes) or State Government CUA; or</li> <li>• from the open market.</li> </ul> <p>Requests for quotation from a pre-qualified panel of suppliers (whether administered by the Town through the WALGA preferred supply program or State Government CUA) are not required to be invited using a Request for Quotation form, however at least three written quotes are still required to be obtained.</p> <p>The purchasing decision is to be based upon assessment of the supplier's response to:</p> <ul style="list-style-type: none"> <li>• a detailed written specification for the goods, services or works required and</li> <li>• pre-determined evaluation criteria that assesses all best and sustainable value considerations.</li> </ul> <p>The procurement decision is to be represented using the Evaluation Report template.</p>
<p>Over \$250,000 (exc GST)</p>	<p>Where the purchasing requirement is not suitable to be met through a panel of pre-qualified suppliers, or any other tender-exempt arrangement as listed under section 8 of this Policy, conduct a public Request for Tender process in accordance with the Regulations, this policy and the Town's tender procedures. The procurement decision is to be based on pre-determined evaluation criteria that assesses all value for money considerations in accordance with the definition stated within this Policy.</p> <p>The purchasing decision is to be based upon the supplier's response to:</p> <ul style="list-style-type: none"> <li>• a specification of the goods, services or works (for a tender exempt process including the WALGA Preferred Supplier Arrangement); or</li> <li>• a detailed specification for the open tender process; and</li> <li>• pre-determined evaluation criteria that assesses all best and sustainable value considerations.</li> </ul> <p>The procurement decision is to be represented using the Evaluation Report template.</p>

Unless otherwise approved in writing by the Chief Executive Officer, the Town will maintain a principal period of three (3) years for all initial procurement activities and contracts. The Town will periodically review recent past purchasing activity across its operations to identify categories of supply for which the Town will have continuing need, and which can be aggregated into single contract arrangements in order to achieve best value for money and efficiency in future purchasing activity.

The assessment of aggregated expenditure for the same category of supply capable of being supplied by a single supplier will determine the Purchasing Value threshold applicable to future purchasing activity.

#### **Waiver of Quotation**

Where this policy requires a certain number of quotations to be obtained, but it is not possible to obtain that number of quotations, then best endeavors must be used to obtain as many quotes as possible.

If it is not possible to obtain the required number of quotations then:

1. the requirement to obtain that number of quotations may be waived by the Chief Executive Officer or Executive Manager Corporate Services if the purchase is below \$20,000 and justification has been provided by an officer with appropriate authority to incur the liability. The following are examples of where an exemption may be approved:
  - Supplier is a sole provider registered in the Town of East Fremantle
  - Supplier is an Aboriginal Business
  - Supplier is Disability Enterprise
  - Delivery of goods or services is time critical
  - The local government has good reason to believe that, because of the unique nature of the goods or services required or for any other reason, it is unlikely that there is more than one potential supplier
2. all other requirements of this policy applicable to that type or value of purchase apply.

The following supply categories are also exempt from quotation requirements, provided that the total value of Procurement does not exceed \$250,000 ex GST over a three-year period.

#### **1. Purchasing from Legal Service Providers**

The Town of East Fremantle will utilise the WALGA preferred supplier contract for legal services. The selection of the service provider will be undertaken by the Chief Executive Officer or relevant Executive Manager (under delegated authority) based on factors including the panel provider undertaking similar work on behalf of the Town, specialist expertise as well as being based on standard contract performance. This supply category is exempt from the minimum quotation requirements.

#### **2. Procurement of labour hire**

The Town of East Fremantle will ensure due diligence is carried out when procuring labour hire from recognised personnel providers in the market, with suppliers to be registered with WALGA. The Town will undertake to ensure the most qualified and suitable person is hired under an arrangement with the labour hire provider. Whilst cost will be considered as part of the evaluation of suppliers, the most important criteria will be that the hired person is best fit for the



Town and someone who will carry out their duties and responsibilities in-line with the Town's ethos. This does not preclude the value for money section of the Town's purchasing policy. This supply category is exempt from the minimum quotation requirements.

### **3. Purchasing from Uniform Providers**

The Town of East Fremantle will utilise the WALGA Preferred Panel for the procurement of uniforms. Purchasing for Corporate Uniforms and Protective Clothing is exempt from the general requirements of this Policy, and only requires one quote to be obtained. All purchases are still subject to a value for money judgement prior to issuing a Purchase Order.

### **4. Purchasing from Stationery Suppliers**

The Town of East Fremantle will utilise either the WALGA preferred supplier contract or Social Enterprises (Disability and Aboriginal Corporations) for stationery purchases. The Town will endeavour to ensure value for money is realised as well as purchasing sustainable office supplies where possible. This supply category is exempt from the minimum quotation requirements.

### **5. Purchasing of Accounting and Strategic Financial Services**

The Town of East Fremantle will utilise the WALGA preferred supplier contract for Accounting and Strategic Financial Services. The selection of the service provider will be undertaken by the Chief Executive Officer or relevant Executive Manager (under delegated authority) based on factors including the panel provider undertaking similar work on behalf of the Town, specialist expertise as well as being based on standard contract performance. This supply category is exempt from the minimum quotation requirements.

### **6. Specific Organisational Expertise**

The Town of East Fremantle acknowledges that on occasion, contractors may have a unique understanding of Council procedures and/or software obtained through previous experience with the Town.

In cases where this specific expertise or knowledge of the Council is demonstrated to be beneficial to the Town or provides significant cost savings, purchases may be made from these contractors without obtaining the minimum number of quotations required. This exception recognises that such specialised knowledge and experience may lead to enhanced efficiency, reduced risk, and cost and time savings. This supply category is exempt from the minimum quotation requirements.

### **7. Other Exemptions**

The Town is also not required to undertake a competitive procurement process for the following where the total value of Procurement does not exceed \$250,000 ex GST over a three-year period:

- (a) annual renewals for software maintenance, support and licensing fees,
- (b) engagement of artists or performers,
- (c) memberships and subscriptions,
- (d) provision of advertising services,
- (e) provision of utility services,
- (f) provision of software and support by a third-party provider from a software developer that is known to the Town, that demonstrates value for money.

#### **Sustainable Procurement and Corporate Social Responsibility**

The Town is committed to providing a preference to suppliers that demonstrate sustainable business practices and high levels of corporate social responsibility (CSR). Where appropriate, the Town shall endeavour to provide an advantage to suppliers demonstrating that they minimise environmental and negative social impacts and embrace CSR. Sustainable and CSR considerations must be balanced against value for money outcomes in accordance with the Town's sustainability objectives.

For formal procurement decisions, the Town may weight sustainability up to a total of 20%, with a maximum of 10% able to be assigned for any one of the following elements:

##### **1. Environmental**

Procurement that minimises unnecessary resource consumption, considers whole of life costs and delivers beneficial environmental economic outcomes is encouraged.

The Town will support the purchasing of recycled and environmentally sustainable products whenever a value for money assessment demonstrates benefit toward achieving the Town's strategic and operational objectives.

Qualitative weighted selection criteria will be used in the evaluation of Requests for Quote and Tenders to provide advantages to suppliers which:

- (a) demonstrate policies and practices that have been implemented by the business as part of its operations;
- (b) generate less waste material by reviewing how supplies, materials and equipment are manufactured, purchased, packaged, delivered, used and disposed; and
- (c) encourage waste prevention, recycling, market development and use of recycled/recyclable materials.

##### **2. Social**

Procurement from organisations such as Aboriginal controlled businesses and social enterprises including Australian Disability Enterprises is encouraged.

Where possible, Australian Disability Enterprises and Aboriginal businesses are to be invited to quote for supplying goods and services under the tender threshold. A qualitative weighting may be afforded in the evaluation of quotes and tenders to provide advantages to these businesses, or businesses that demonstrate a high level of employment diversity.

##### **3. Local Economy (with boundaries of the Southwest Group)**

The Town will provide supply opportunities for local organisations that can demonstrate economic benefits, either through being a local business, the use of local sub-contractors or local employees. This will be dependent on the extent to which the local business can demonstrate a contribution to the local economy but does not include any preferential treatment of pricing in the evaluation process.

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

Examples of criteria include the following:

1. The Tenderer must provide details of the benefits to the local community from their involvement in this contract. Examples may include, but should not be limited to things such as:
  - Local employment
  - Use of local service providers
  - Use of local food and beverage providers
  - Sourcing of materials and consumables locally
2. Community Participation and Benefits – provide commentary on initiatives to support Aboriginal business and indigenous community, local trade support, Australian manufacturing, and community benefit (i.e. corporate philanthropy or employment development programs for Corporate Social Responsibility such as disability enterprise or special needs).

#### **Authorisation of Expenditure**

Acceptance of tenders and quotations and the authorisation of expenditure is to comply with the Town's purchasing requirements, associated policies and procedures and within the relevant delegation or limit of authority.

All purchases of goods or services other than those goods or services deemed an emergency or those outside of normal business hours are only to be purchases after the approval of an appropriate purchase requisition and the receipt of a relevant purchase order.

The confirmation of any purchase after the completion of a quotation / tender process must be authorised by an officer to whom authority to incur a liability has been delegated ensuring that sufficient funds have been provided for in the Town's annual budget.

#### **Record Management**

Records of all purchasing activity must be retained in compliance with the *State Records Act 2000* (WA); the Town's Records Keeping Plan and associated procurement procedures.

For each procurement activity, such documents may include:

- the Procurement initiation document such as a procurement business case which justifies the need for a contract to be created (where applicable);
- procurement Planning and approval documentation which describes how the procurement is to be undertaken to create and manage the contract;
- request for Quotation/Tender documentation;
- copy of public advertisement inviting tenders, or the notice of private invitation (whichever is applicable);
- copies of quotes/tenders received;
- evaluation documentation, including individual evaluators note and clarifications sought;
- approval of award documentation;
- all correspondence to respondents notifying of the outcome to award a contract;
- contract Management Plans which describes how the contract will be managed; and
- copies of contract(s) with supplier(s) formed from the procurement process.

<b>Responsible Directorate:</b>	Corporate Services
<b>Reviewing Officer:</b>	Chief Executive Officer
<b>Decision making Authority:</b>	Council
<b>Policy Adopted:</b>	16/8/16
<b>Policy Amended/Reviewed:</b>	19/6/18, 17/9/19, 19/11/19, 10/12/19, 19/5/20, 15/9/20, 8/12/20, 20/7/21, 18/3/25, <a href="#">27/8/25</a>
<b>Former Policy No:</b>	4.2.4



### PURCHASING PROCEDURES (PRO2.1.3)

1. Council purchase orders are to be signed only by Officers authorised by Council, namely the:

- Chief Executive Officer; (unlimited)
- Executive Manager Corporate Services; Limit \$50,000 (With exceptions for below Liability Payments):
  - Loan Repayments - (\$200,000.00)
  - DFES ESL Payments – As required based on ESL payment schedule
  - Insurance Invoices - (\$250,000.00)
  - BAS-ATO Payments (PAYG, GST Payable, & FBT Payable) – (\$150,000.00)
  - Superannuation Liability Payments – as required to meet statutory requirements
  - Payment of wages – As required
- Executive Manager Regulatory Services; Limit \$50,000
- Executive Manager Technical Services; Limit \$50,000
- Operations Supervisor; Limit \$15,000
- Supervisor Infrastructure and Assets, Limit \$15,000
- Finance Manager, Limit \$15,000
- Manager People and Culture; Limit \$5,000
- Coordinator Corporate Services; Limit \$5,000
- Executive Assistant/Governance Coordinator; Limit \$5,000
- Coordinator Regulatory Services; Limit \$5,000
- Coordinator – Operations; Limit \$5,000
- Manager CHSP (CHSP related purchases only); Limit \$5,000
- Manager Community Engagement and Communication; \$5,000
- Senior Ranger; Limit \$2,000
- Principal Environmental Health Officer; Limit \$1,500

or those Officers acting in the positions  
All of the above thresholds are GST exclusive.

2. Authority limitations apply to any purchase including signing contracts in accordance with Delegation DA8 and DA9;
3. An official purchase order must be placed for all goods or services (including consultants' opinions, e.g. legal, engineering, town planning, etc.) ordered, prior to an invoice being received by the Town. Should an invoice be received without a purchase order having been created, a Creditor Request Form must be completed and authorised prior to payment of the invoice;
4. Standing Purchase Order – these are commitments made against a particular supplier for goods or services that are regularly procured over a specified period, usually one financial year. The full value of the commitment is restricted to the amount in the approved budget, allowing for a spread over more than one supplier. Standing order numbers will need to be quoted to the supplier for inclusion in their invoice. Standing orders will be expedited by Finance at the end of each financial year and will need to be re-established in the new financial year.
5. Emergency Order – emergency orders can only be processed outside the procurement process when any of the following events are likely to occur:
- Possible cause of injury or loss of life
  - Potential to result in destruction of property
  - Possible loss or disruption to the Town's stakeholders or core functions

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- Will seriously impair the reputation of the Town in the local or wider community
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In such cases, the purchaser will initially make a purchase commitment with a third party without following all the processes in this procedure. The purchase order is to be raised as soon as possible following the initial commitment and prior to the invoice being received.

6. When ordering by telephone a purchase order number must be quoted and the original of the order to be forwarded to the supplier endorsed "Confirmation of Telephone Order on (date)".
7. Should an exception to the purchasing policy be applied to an order, an authorised 'exception form' must be attached to the Requisition/Purchase order in Synergysoft for the exemption to be valid.
8. All Officers are to ensure that when issuing a Council order for goods or services that a current account number (which will reflect the Budget estimate for those goods or services) be quoted on the Council order. This will ensure that:-
  - 8.1 expenditure is allocated to the correct Budget item (with the job number account being noted on the Council order); and
  - 8.2 that sufficient funds are identified against the job number account before expenditure is authorised.
9. In order that costs are adequately controlled before issuing a Council purchase order Officers must check against their current Budget estimates for the current financial year and monthly expenditure reports to ensure that there are sufficient funds to cover the cost of the goods or services being ordered;
10. Roles of Finance:
  - Finance Officers will provide initial training and support to Authorised Purchasing Officer;
  - Finance staff will review purchase orders on a periodic basis to ensure compliance with the Purchasing Policy including ensuring that all relevant quotes are attached. An email will be sent to the Purchaser seeking a valid reason why the Purchasing Policy was not complied with and they will be asked to provide the requested number of quotes to be attached to the purchase order. A report will be prepared yearly for presentation to the Audit and Risk Committee.
  - Goods receipt amounts will be matched to supplier's invoice and processed for payment in line with their terms. Any variance greater than 10% will be referred to the Purchaser.
  - Purchase orders will be reviewed every three months to ensure obsolete orders are expedited.
11. Where possible, The Town is to use environmentally friendly paper products including recycled paper;
12. All purchases must also comply with Policy 2.1.3 – Purchasing Policy.

## 10.7 2508 WHS ACTION PLAN - STATUS UPDATE

<b>Report Reference Number</b>	ACR-817
<b>Prepared by</b>	Peter Kocian, Executive Manager Corporate Services
<b>Supervised by</b>	Jonathan Throssell, Chief Executive Officer
<b>Meeting date</b>	Wednesday, 27 August 2025
<b>Voting requirements</b>	Simple
<b>Documents tabled</b>	Nil
<b>Attachments</b>	

1. WHSMS Briefing Note (Confidential)
2. Review of ToEF Services (Confidential)
3. WHS Document Register

## PURPOSE

The Audit Committee is requested to receive an update on the implementation of the Work Health and Safety Action Plan.

## EXECUTIVE SUMMARY

Marsh Pty Ltd was engaged to implement the Work Health and Safety Action Plan. The engagement deliverables focus on six (6) key areas:

- Management Commitment
- Operations
- Consultation and Engagement
- Hazard Management
- Training and Supervision
- Volunteer Management

Closing reports are presented detailing handover requirements.

## BACKGROUND

Marsh Pty Ltd was engaged in early 2024 to facilitate a gap analysis of the Town's Work Health and Safety Framework, to identify what the Town needs to do to drive WHS performance and minimise future claims exposure.

The WHS Gap Analysis Report and WHS Action Plan was distributed to Elected Members in May 2024. The following were the overall scores from the assessment:

Category	Score	Available Score	Section Achievement
Management Commitment	11	32	34%
Planning	9	36	25%
Consultation and Reporting	9	28	32%
Hazard Management	13	32	41%
Training and Supervision	12	28	43%
Volunteer Management	10	36	28%
Overall Score	64	192	33%

There are 47 actions documented from the gap analysis.

#### CONSULTATION

Chief Executive Officer  
Human Resources Coordinator  
Executive Leadership Team  
All Staff  
Marsh Pty Ltd  
WHS Committee

#### STATUTORY ENVIRONMENT

*Work Health and Safety Act 2020*  
*Workers Compensation and Injury Management Act 2023*

#### POLICY IMPLICATIONS

A draft Town of East Fremantle Work Health and Safety Management System has been developed. This is a comprehensive repository of work health and safety management policies and procedures.

#### FINANCIAL IMPLICATIONS

The adopted 2025-26 Budget makes provision for the recruitment of a Workplace Health and Safety Officer. A Position Description has been drafted, and the Town is soon to advertise for this new position.

#### STRATEGIC IMPLICATIONS

Strategic Community Plan 2020-2030  
Strategic Priority 5: Leadership and Governance  
5.1.1 Strengthen governance, risk management and compliance

#### RISK IMPLICATIONS

##### RISKS

A Strategic Risk Register was presented to the August 2024 Audit Committee Meeting. The following is an extract from the Register.

Description - Title	Risk and potential impacts	Strategic Community Plan Reference	Risk Rating	Description	Description and evidence of controls / corrective actions	Residual risk rating	Effectiveness of the control in place	Additional Treatments / Changes / Controls
Human Resource Management	Increased psychosocial pressures, Inadequate WHS Standards and Workers Compensation Claims increase and Premium increases. (Health, Compliance, Reputational)	5.1.1 Strengthen governance, risk management and compliance.	16	Urgent Attention	LGIS and External Audits. Learnrite system, EAP, Code of Conduct, WHS Committee, WHS Policies and Procedures, HR Manual.	12	Inadequate	Resourcing implementation, Action Plan close out.

## SITE INSPECTION

Not Applicable.

## COMMENT

Marsh Pty Ltd has concluded its engagement with the Town. To support handover and implementation of the WHSMS, a briefing note was provided to the Chief Executive Officer. The following tangibles were completed as part of the engagement:

- Town of East Fremantle Work Health and Safety Management System (WHSMS). A comprehensive repository of work health and safety management policies and procedures.
  - PPE Policy – added on request of the Town of East Fremantle after the WHSMS was developed.
  - Simple and complex investigation templates associated with the Incident Reporting and Investigation Procedure.
  - WHS Workplace Inspection Checklist for use by HSR's.
  - Safe Work Method Statement Template.
- 2025-2026 WHS Management Plan. To guide the strategic direction and monitoring and review of health and safety performance at Executive Management level.
- 2025-2026 WHS Training Plan. To describe mandatory training requirements in the Town.
- Volunteer Induction Handbook. To describe relevant policies, procedures, and processes for the successful onboarding and induction of volunteers undertaking work activities on behalf of the Town.
- WHS Document Register. To record and track document versions with regards to the WHSMS.
- Updates with regards to hazard identification and risk management, including psychosocial risk management, within the existing Employee Induction WHS Handbook.
- Updates to the Town of East Fremantle online induction module.
- New content for manager/supervisor performance review ELMO module.
- Completion of high-risk SWMS including engagement with the Operations Team.

The Executive Leadership Team is progressively reviewing and adopting WHS Documents (as detailed in attachment 3) including:

- 2025-26 WHS Management Plan
- WHS Policy
- WHS Roles and Responsibilities Policy
- Volunteer Management Procedure

The new position of 'Work Health and Safety Officer' will have the following primary objectives.

- Manage, implement and continuously improve the Town's Work Health and Safety (WHS) Management system.
- Promote and encourage a safe working environment through the implementation of safety systems.
- Ensure all employees and contractors comply with the Town's Work Health and Safety systems and processes.
- Provide education, training and support with Work Health and safety practises and procedures to develop organisational safety, health and wellbeing.
- Support all operational functions of Work Health and Safety ensuring that all processes are accurately undertaken providing an efficient and compliant service to the Town.

The position will be advertised as a part-time position (0.6FTE). Included in this position's duties will be to provide relevant reports to the Audit, Risk and Improvement Committee as required.

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## CONCLUSION

The Audit, Risk and Improvement Committee is requested to receive this status report.

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## 10.7 OFFICER RECOMMENDATION / COMMITTEE RESOLUTION

**Committee Resolution 072708**

**OFFICER RECOMMENDATION**

**Moved Cr Natale, seconded Mr Chauvel**

**That the Audit, Risk and Improvement Committee receives this status report in relation to the development and implementation of the Town of East Fremantle Work Health and Safety Management System (WHSMS).**

**(CARRIED UNANIMOUSLY 4:0)**

**For: Mayor O'Neill, Mr Chauvel, Crs Wilson, Natale**

**Against: Nil**

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## REPORT ATTACHMENTS

Attachments start on the next page

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WHS Document Register

1. Strategy and Priorities						
Document Name	Version number	Date of issue	Date of next review	Responsible person	Consultation Completed (y/n)	Comments
2025-2028 WHS Management Plan						
2. Core WHS Management System (WHSMS)						
Document Name	Version number	Date of issue	Date of next review	Responsible person	Consultation Completed (y/n)	Comments
WHS Policy						
Mentally Healthy Workplace Policy						
WHS Roles and Responsibilities Policy						
Hazard and Risk Management Procedure						
Incident Reporting and Investigation Procedure						
Procurement Risk Assessment Procedure						
Mobile Plant Procedure						
Noise Management Procedure						
Hazardous Substances Procedures						
Manual Material Handling/Hazardous Manual Tasks Procedure						
Working Alone Procedure						
Electrical Safety Procedure						
Consultation and Communication Procedure						
WHS Contractor Management Procedure						
WHS Review Procedure						
WHS Training and Development Procedure						
Injury Management Procedure						
Fitness for Work (Drugs, Alcohol, and Impairment) Procedure						
Fatigue Management Procedure						
Volunteer Management Procedures						
3. Employee Management						
Document Name	Version number	Date of issue	Date of next review	Responsible person	Consultation Completed (y/n)	Comments
East Fremantle Employee Induction WHS Handbook						
Volunteer Induction Handbooks						

## 10.8 2508 OFFICE OF AUDITOR GENERAL AUDIT PUBLICATIONS

<b>Report Reference Number</b>	ACR-774
<b>Prepared by</b>	Pratigya Pandeya, Manager Finance
<b>Supervised by</b>	Peter Kocian, Executive Manager Corporate Services
<b>Meeting date</b>	Wednesday, 27 August 2025
<b>Voting requirements</b>	Nil

**Attachments**

1. Information Systems Audit Results 2023-24
2. Financial Audit Results 2023-24
3. Local Government Management of Purchasing Cards 2024-25

**PURPOSE**

The Audit Committee is requested to receive the Office of the Auditor General's audit reports for local government audit in 2023/24.

**EXECUTIVE SUMMARY**

The Office of the Auditor General is required to submit reports to Parliament on the findings from the audits of local government entities. The Town's audit performance can be assessed in the context of sector-wide findings.

**BACKGROUND**

The Office of the Auditor General has provided the following report overview of the financial audit results for local government on their website:

*2023-24 was our third year auditing the entire local government sector and we continue to see the impact of the hard work put in by the sector and our audit teams. For 2023-24, 91.8% of audit opinions, covering 135 of 147 local government entities, were signed by 31 December 2024 (2023: 89%). We are in a good position to provide a holistic view of the sector, again earlier than we did last year. There were 12 entities' audits outstanding at 31 December 2024 which are not included in this report. These entities encountered various challenges in providing us with information to enable their audits to be finalised.*

*An area of improvement in 2023-24 was a reduction in the number of qualified audit opinions from 12 entities in 2022-23 to six entities this year. The reduction was partially driven by legislative relief around valuations of infrastructure and property, plant and equipment. The overall number of financial management findings also decreased by 29%, from 718 issues to 512. We commend entities for the ongoing improvements and the Department of Local Government, Sport and Cultural Industries (DLGSC) in its actions to support the sector. The Office will continue to offer support and input where appropriate.*

*Another area of improvement was timeliness. However, while timeliness has improved year on year, we continue to see a bottleneck of audit sign-offs in December. We also still experience multiple financial statement versions submitted for audit and high error rates in those versions. These challenges further contribute to increased audit effort and costs, and delay audits.*

*Most emphasis of matter (EoM) paragraphs this year were due to fixing prior year errors. Eight of 18 EoM paragraphs related to restatement of prior year fixed asset or infrastructure balances, many where assets were not previously recognised in the accounting records and financial report. The restatement of prior year*

numbers requires both local government staff and Office staff (including contractor audit firms) to re-examine previously audited numbers.

Pleasingly, information systems control issues have also reduced by 25% compared to 2022-23. A full analysis of these results is contained within the Local Government 2023-24 – Information Systems Audit Results<sup>1</sup> report.

## CONSULTATION

Office of the Auditor General and managed IT service provider, Focus Networks Support.  
Executive management team

## STATUTORY ENVIRONMENT

Auditor General Act 2006

## POLICY IMPLICATIONS

There are no Council Policies relating to this item.

## FINANCIAL IMPLICATIONS

There are no financial implications associated with this item.

## STRATEGIC IMPLICATIONS

Strategic Priority 5 – Leadership and Governance

5.1 Strengthen organisational accountability and transparency

5.3 Strive for excellence in leadership and governance

## RISK IMPLICATIONS

### RISKS

Risk	Risk Likelihood (based on history & with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
Inadequate oversight of the Town's external audit framework	Unlikely (2)	Moderate (3)	Moderate (5-9)	COMPLIANCE Some temporary non-compliance	Accept Officer Recommendation

## RISK MATRIX

Consequence		Insignificant	Minor	Moderate	Major	Extreme
Likelihood		1	2	3	4	5
Almost Certain	5	Moderate (5)	High (10)	High (15)	Extreme (20)	Extreme (25)

Likely	4	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative or a deviation from the expected and may be related to the following objectives: occupational health and safety, financial, service interruption, compliance, reputation and environment. A risk matrix has been prepared and a risk rating is provided below. Any items with a risk rating over 16 will be added to the Risk Register, and any item with a risk rating over 16 will require a specific risk treatment plan to be developed.

#### RISK RATING

<b>Risk Rating</b>	6
<b>Does this item need to be added to the Town's Risk Register</b>	No
<b>Is a Risk Treatment Plan Required</b>	No

#### SITE INSPECTION

Not applicable.

#### COMMENT

There are various recommendations included in the report on Financial Audit 2024 and on Management of Purchasing Cards 2024-25:

#### Recommendations

To further improve financial reporting timeliness and reduce costs:

1. Entities should:
  - a. submit good quality, reviewed and CEO-signed financial reports for audit no later than 30 September. Supporting work papers and reconciliations should also be available by this date
  - b. evaluate the significance of errors and decide if they need to be adjusted. Analyse the root cause for the errors.
  - c. communicate delays to financial report submission early to minimise disruptions and facilitate resource allocation. Flexibility may be required from entities when rescheduling their audit
  - d. evaluate opportunities to submit financial reports earlier for audit
  - e. refer OAG's Audit Readiness Tool which contains checklists to assist in preparation for audit.
2. DLGSC should:
  - a. Consider further opportunities to reduce financial report disclosure requirements to provide further relief to entities, without compromising the needs of users of the financial report.

#### Recommendation on Management of Purchasing Cards

Based on the performance of 6 local government entities, OAG has recommended following:

- a. report purchasing card transactions more transparently to Council to enable better scrutiny of how public money is being spent
- b. have suitable controls in place to manage the issue and timely cancellation of purchasing cards
- c. review and approve purchasing card transactions in a timely manner
- d. keep proper records of the review and approvals of purchasing card transactions and card cancellations
- e. regularly monitor and report on purchasing card controls to allow management to oversee usage and control effectiveness. The results of reviews should be documented and retained.

In line with the above, all the purchases made via purchasing cards are reviewed and reported in the monthly Accounts for Payment report to the Council.

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## CONCLUSION

The attached reports provide valuable insights into the audit performance of local government entities. Committee members are encouraged to read the reports.

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## 10.8 OFFICER RECOMMENDATION / COMMITTEE RESOLUTION

**Committee Resolution 082708**

**OFFICER RECOMMENDATION**

**Moved Mayor O'Neill, seconded Mr Chauvel**

**That the Audit, Risk and Improvement Committee receive the reports prepared by the Office of the Auditor General on the findings from the audits of local government entities for the 2023/24 financial year.**

**(CARRIED UNANIMOUSLY 4:0)**

**For: Mayor O'Neill, Mr Chauvel, Crs Wilson, Natale**

**Against: Nil**

---

## REPORT ATTACHMENTS

Attachments start on the next page





Report 11: 2024-25 | 11 April 2025

INFORMATION SYSTEMS AUDIT RESULTS

# Local Government 2023-24



**Office of the Auditor General  
for Western Australia**

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(to assist people with hearing and voice impairment)

We can deliver this report in an alternative format for  
those with visual impairment.

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***The Office of the Auditor General acknowledges the traditional custodians throughout Western Australia and their continuing connection to the land, waters and community. We pay our respects to all members of the Aboriginal communities and their cultures, and to Elders both past and present.***

Image credit: shutterstock.com/jjomathadesigners

WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

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**Local Government 2023-24 –  
Information Systems Audit Results**

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Report 11: 2024-25  
11 April 2025

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UNCONFIRMED



THE PRESIDENT  
LEGISLATIVE COUNCIL

THE SPEAKER  
LEGISLATIVE ASSEMBLY

#### LOCAL GOVERNMENT 2023-24 – Information Systems Audit Results

This report has been prepared for submission to Parliament under the provisions of section 24 of the *Auditor General Act 2006*.

Our information systems audits focus on the computer environments of entities to determine if their general computer controls effectively support the confidentiality, integrity and availability of information systems and the information they hold.

This is our sixth report on the findings from our audits of local government entities' information technology general computer controls.

I wish to acknowledge the entities' staff for their cooperation with this audit.

A handwritten signature in black ink, appearing to read 'C. Spencer'.

Caroline Spencer  
Auditor General  
11 April 2025

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## Auditor General's overview

Local government entities (entities) rely on information systems and technology to help deliver services to the public and prepare their financial information. As Australia is one of the most targeted<sup>1</sup> countries through cyber attacks, it is important entities manage risks, beyond the purely operational, to protect the confidentiality, integrity and availability of their systems and information. This includes safeguarding personal information the public shares with entities like when paying rates, joining the local library and applying for a home building permit.



Each year, as part of our annual financial audit program, my office and our contract audit firms assess entities' general computer controls to determine if information and key systems are appropriately protected. My office also conducts in-depth capability maturity assessments at a sample of entities to obtain a more detailed understanding of the sector's maturity.

Our work shows entities have improved considerably since last year's audit. We reported 360 findings to 89 entities in 2023-24 compared to 473 findings to 76 entities the year prior. This year we also saw improvement in our capability maturity assessments at 11 entities. This is a welcome result from the work entities have done over the years to address our audit findings.

However, like previous years, the five categories that relate to information and cyber security controls (Figure 1) continue to be of high concern. Nearly 70% of our findings relate to weaknesses in these categories, which increase the likelihood of security breaches. Entities need to implement robust controls to safeguard against a range of internal and external threats.

This report includes important case studies that clearly illustrate the types of risks and what entities should and should not do. I encourage all entities to learn from the case studies to implement fit for purpose controls many of which do not require expensive technology investments.

<sup>1</sup> Insurance Business, [Ransomware hits record high. Australia among top targets](#), IB, March 2025.

## 2023-24 at a glance

### Auditing local government entities

(Prior year shown in brackets)



**360** general computer controls findings at 89 entities  
(PY: 473 at 76 entities)



**7.5%** (PY: 12%) significant findings – half of these were unresolved issues from prior years

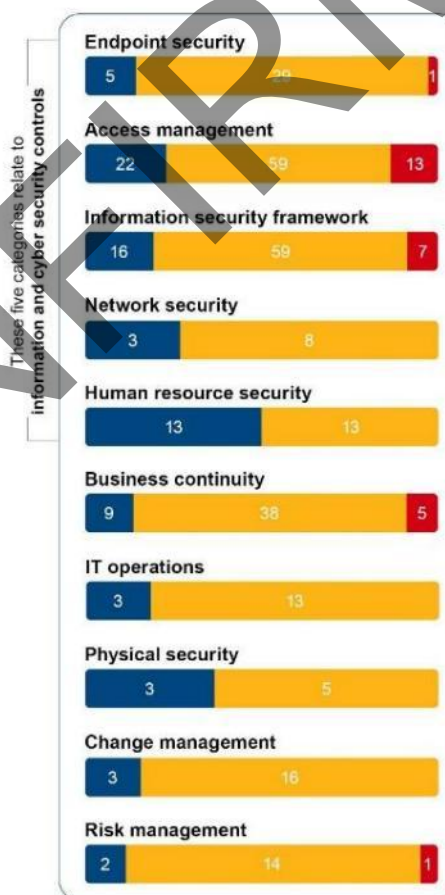
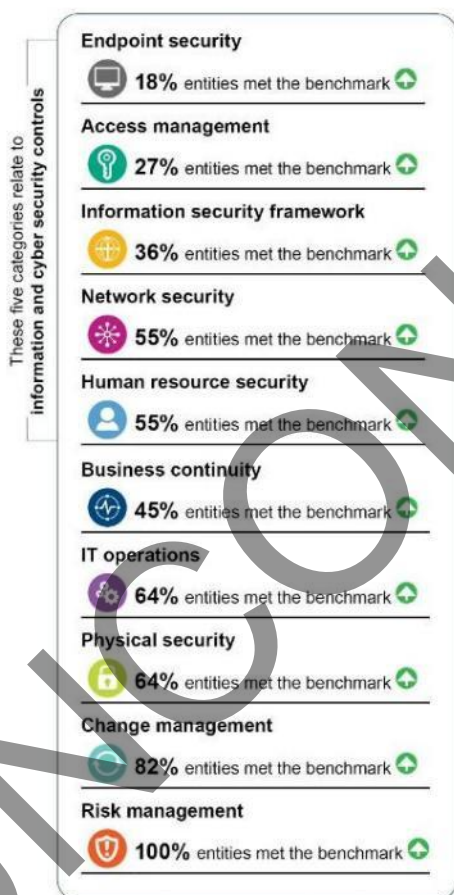


**11** capability maturity assessments  
(PY: 11)



### Snapshot of capability maturity assessments

### Snapshot of general computer controls findings



↑ Improved since prior year

## Introduction

This is our sixth report on the audits of local government entities' (entities) general computer controls (GCC). The objective of our audits is to determine if entities' computer controls effectively support the integrity, confidentiality and availability of information systems used to process and maintain their financial information. The Australian auditing standards<sup>2</sup> require auditors to gain an understanding of entities' IT environment and related risks including cyber security<sup>3</sup> risks.

As a result of the procedures required in our financial audits, in 2023-24 we reported GCC findings to 89<sup>4</sup> entities. We also provided 11 of these entities with a more in-depth capability maturity assessment. These assessments look at how well-developed and capable entities' established IT controls are across our 10 audit categories (Figure 1).

We have not named the audited entities in this report to avoid increasing their exposure to cyber threats.

Our audits incorporate recognised industry better practices such as ISO 27002<sup>5</sup> and the Australian Signals Directorate's *Strategies to mitigate cybersecurity incidents*<sup>6</sup> which include the Essential Eight. They also consider entities':

- business objectives
- level of reliance on IT
- complexity of computer systems
- data and information.

<sup>2</sup> Auditing and Assurance Standards Board, [Auditing Standard ASA 315 Identifying and Assessing the Risks of Material Misstatement](#), AUASB, February 2020.

<sup>3</sup> Auditing and Assurance Standards Board, [The Consideration of Cyber Security Risks in an Audit of a Financial Report](#), AUASB, May 2021.

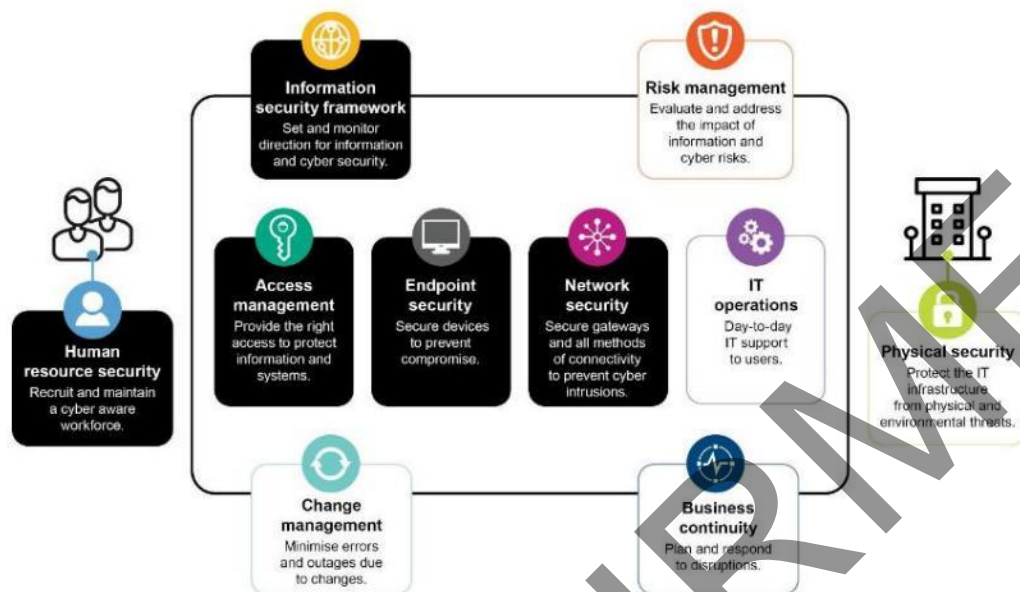
<sup>4</sup> Entities issued with GCC findings at 12 March 2025.

<sup>5</sup> ISO/IEC 27002:2022, *Information security, cybersecurity and privacy protection – information security controls*, 2022.

<sup>6</sup> Australian Signals Directorate, [Strategies to mitigate cybersecurity incidents](#), ACSC website, accessed 10 March 2025.



Our audits focus on 10 control categories (Figure 1).



Source: OAG

Note: shaded categories relate to information and cyber security.

**Figure 1: Audited control categories**

## Conclusion

There was considerable improvement across the sector this year. We reported 360 control findings to 89 entities in 2023-24, compared to 473 findings to 76 entities the year before.

Our capability maturity assessments at 11 entities also show a notable improvement in all controls categories in 2023-24. It is the first year all 11 entities met our capability maturity benchmark for risk management, and we also saw a significant increase in the number of entities that met the benchmark for human resource security.

While the total number of findings and those rated as significant in 2023-24 both reduced, concerningly half of the significant findings remain unresolved from prior years. Unresolved findings increase the likelihood of compromise to the integrity, confidentiality and availability of entities' IT environments and business systems and should be addressed as a priority.

Information and cyber security remain of high concern with nearly 70% of our findings in the five related control categories. Of particular concern, 20 of this year's 27 significant findings related to weak or missing access management and information security framework controls. Entities should refer to the recommendations in this report and our office's *Digital Identity and Access Management – Better Practice Guide*<sup>7</sup> to help address weaknesses.

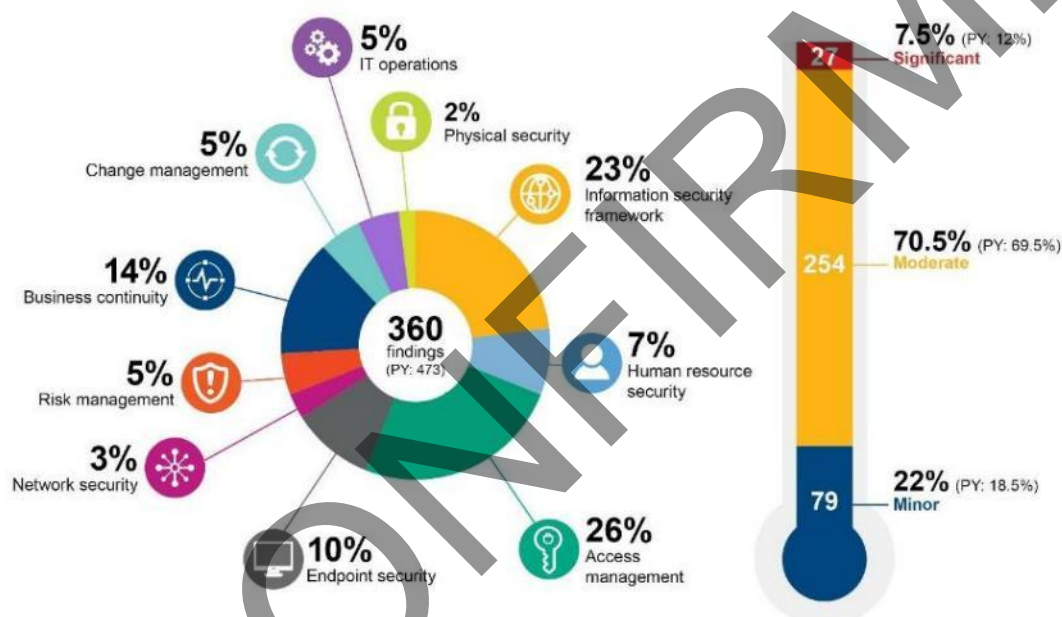
<sup>7</sup> Office of the Auditor General, *Digital Identity and Access Management – Better Practice Guide*, OAG website, 28 March 2024, accessed 26 March 2025.

## What we found: General computer controls

We reported 360 information system weaknesses to 89 entities: 27 were rated significant, 254 moderate and 79 minor (Figure 2). We provided detailed findings and recommendations to each entity.

Significant findings reduced to 7.5% this year compared to 12% the prior year. However, half of these significant weaknesses were unresolved prior year findings. Most findings (70.5%) were rated moderate and should be promptly addressed because, when combined, they increase an entity's overall exposure to cyber threats.

We have included case studies throughout this report to highlight how poor controls can impact the integrity, confidentiality and availability of entities' systems.



Source: OAG

Figure 2: Ratings and distribution of GCC findings

## What we found: Capability assessments

We performed capability maturity assessments at 11 entities. We assessed entities' capability maturity levels across the 10 categories using a 0-5 rating scale<sup>8</sup> (Figure 3). To meet our benchmark, entities needed to reach maturity level three ('defined') or better.

In 2021-22, we updated our control categories, separating information and cyber security into five categories, to increase understanding, transparency and guidance to entities around these important areas. As such, our results for five of the 10 categories only compare data from the last three years.



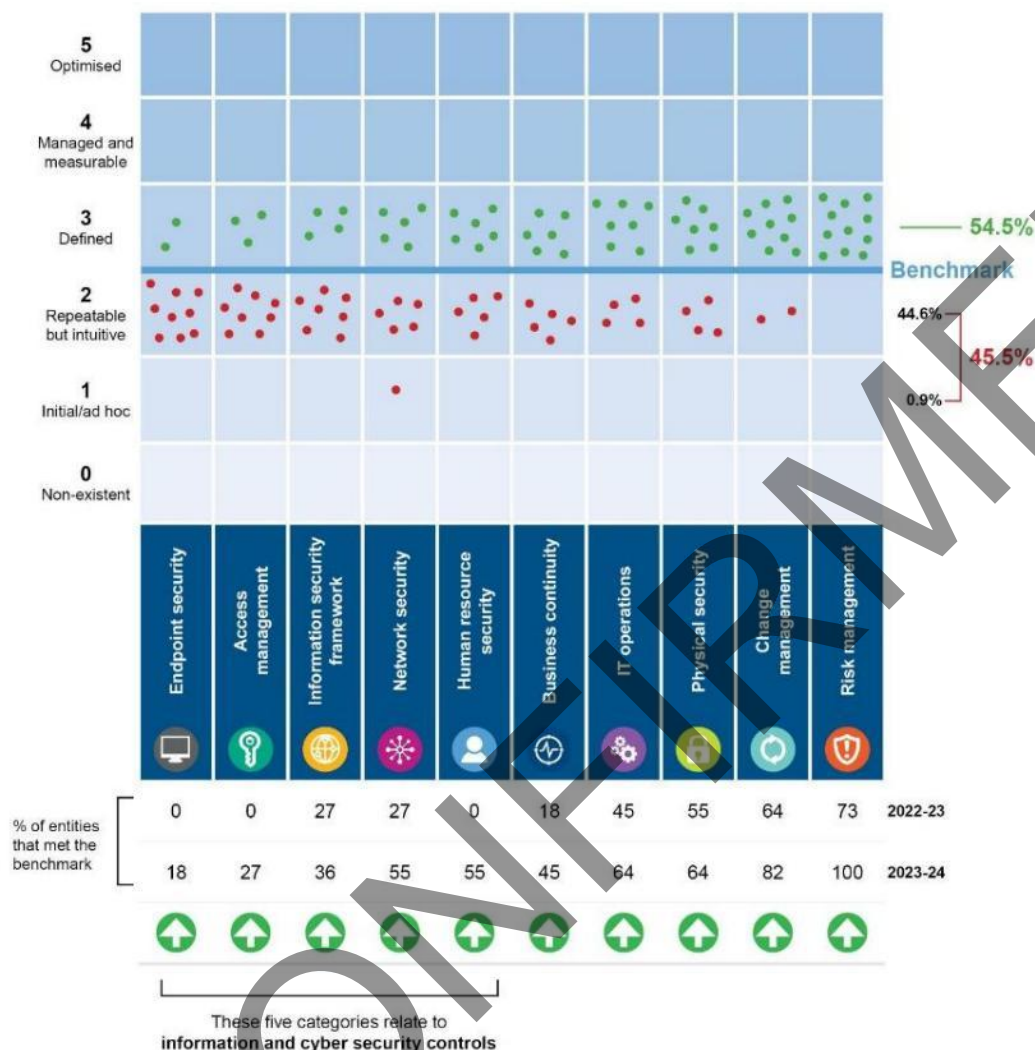
Source: OAG

**Figure 3: Rating scale and criteria**

We are pleased to report improvement across all 10 categories for 2023-24 (Figure 4). However, endpoint security, access management and information security framework remain areas of significant concern with few entities meeting our benchmark.

<sup>8</sup> The information within this maturity model assessment is derived from the criteria defined within COBIT 2019, released in 2018 by ISACA.





Source: OAG

**Figure 4: Capability maturity assessment results**

As entities increasingly adopt cloud and digital technologies, they must address the evolving cyber security threat landscape. It is encouraging to see entities on a journey to implement better practice cyber security controls, including the Australian Signals Directorate's Essential Eight<sup>9</sup>. These controls help protect sensitive information and systems against a wide range of cyber threats. By adopting practices like application control<sup>10</sup>, regular patching, multi-factor authentication and regular backups, entities can significantly improve their cyber resilience and safeguard their digital assets.

<sup>9</sup> Australian Signals Directorate, [Strategies to mitigate cybersecurity incidents](#), ACSC website, accessed 10 March 2025.

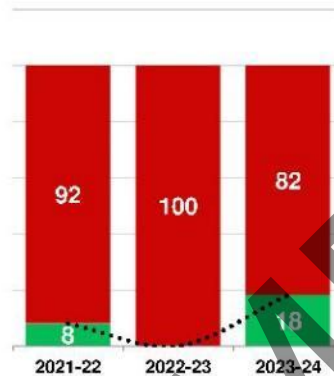
<sup>10</sup> Application control prevents the execution of unapproved programs and scripts.

## 1. Endpoint security

Entities have gradually improved their endpoint security controls but much more work is needed as only two of the 11 entities met the capability maturity benchmark.

Entities must ensure endpoints, including servers, laptops, mobile devices and network devices (switches, routers, firewalls) are safeguarded against cyber threats by implementing fit-for-purpose controls.

Blocking malicious applications, conducting regular scans to identify vulnerabilities and promptly patching operating systems, databases and applications are crucial, especially for internet-facing devices. Regular scans and risk assessments help identify and prioritise vulnerabilities, which allows entities to apply appropriate mitigations.



Source: OAG

Figure 5: Percentage of entities that met/did not meet the benchmark for endpoint security



Source: OAG

Figure 6: Endpoint security controls included in our audits

Common weaknesses included:

- **Vulnerability management was ineffective** – entities did not regularly scan systems for known vulnerabilities and promptly apply patches. A frequent tactic used by attackers when breaching systems is targeting known security gaps and weaknesses, such as unpatched vulnerabilities in commonly used operating systems or applications.
- **Unauthorised applications are not blocked** – this increases the risk of malicious applications being used to compromise entities' systems and information.
- **Sensitive data lacked encryption** – databases containing sensitive data were not encrypted to prevent information leakage in the event of a breach.

- **Untrusted macros<sup>11</sup> were not blocked** – entities should prevent untrusted macros from running as they may contain malware, leading to service disruptions or ransomware attacks.

The following case studies illustrate common weaknesses in endpoint security.

#### Case study 1: Critical vulnerabilities were not promptly remediated

At the time of our audit, an entity had 600 known critical and 2,000 high severity vulnerabilities on their devices detected through routine automated vulnerability scans. The entity did not prioritise patching and remediating these vulnerabilities urgently, with some of the vulnerabilities having fixes available for nearly 10 years. Potential attackers would be spoiled for choice if they wanted to use a known vulnerability to breach the entity's environment.

#### Case study 2: Macros controls could be bypassed by users

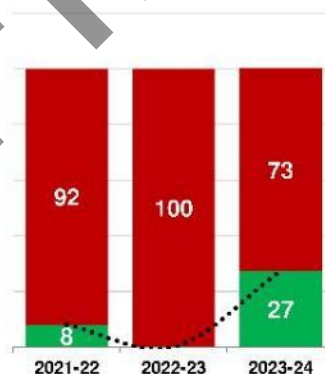
One entity implemented measures to block users from running potentially malicious Microsoft Office macros. However, as it let users turn this protection off, the risk of users accidentally running or being coerced into running dangerous macros was not reduced.

## 2. Access management

Access management is another area of concern. Although there is an improvement over last year, only three of the 11 entities met our benchmark. Lack of appropriate access management controls could lead to unauthorised access to systems and information.

For the second consecutive year, this control category also had the highest number of significant findings, mostly due to excessive access privileges to key business applications. This increases the risk of security incidents, unauthorised data transactions or system modifications.

Effective access monitoring and enforcing least privilege are key to minimising security risks, such as data breaches, as they ensure that users only have the necessary permissions to perform their tasks.



Source: OAG

**Figure 7: Percentage of entities that met/did not meet the benchmark for access management**

<sup>11</sup> Macros are pieces of code that run inside applications, such as the Microsoft suite, generally to automate tasks.





Source: OAG

Figure 8: Access management controls included in our audits

Common weaknesses included:

- **Lack of ongoing access reviews** – entities failed to review accounts to ensure the user's level of access was necessary and appropriate to conduct their duties. Outdated or unnecessary accounts could be used for malicious activities.
- **Inappropriate privileged access** – an excessive number of staff had high-level system privileges. Proper management of highly privileged accounts is key to maintaining the integrity, confidentiality, and availability of business-critical systems and services.
- **Access and activity were not logged and monitored** – lack of access and user activity logging and monitoring across applications, databases and networks make it difficult to detect potentially malicious actions. Entities can identify and respond to potential security threats more effectively if they monitor activities that deviate from business-as-usual patterns.
- **Lack of multi-factor authentication** – entities did not require staff to use a second form of authentication like a mobile phone (something you have) or fingerprint (something you are) to access sensitive networks and applications. Allowing simple credentials (username/password) exposes networks and applications to a higher risk of compromise by malicious actors.

The following case studies illustrate examples of good practice and common weaknesses in access management.

#### Case study 3: Remote access was appropriately managed

Remote access to an audited entity's internal network was only granted to approved devices, and users also needed their username, password and multi-factor authentication (MFA). Additionally, software on the devices was checked for malware before allowing the device to access the network.

Using this approach, the entity reduced the risk of attackers remotely accessing the entity's information or spreading malware to its computers.

#### Case study 4: Absence of multi-factor authentication

At one entity, MFA was not enforced on its finance application. This meant that attackers could have used passwords obtained from data breaches or phishing attacks to directly log into the finance system.

Another entity implemented MFA for their finance and HR system but did not deactivate a legacy, internet accessible logon page that did not require MFA. Our audit detected that over fifty staff members were still using the old logon method without MFA protection.

#### Case study 5: Activity in key systems was not monitored

A number of audited entities had no processes in place to monitor system logs for erroneous or suspicious activity on critical applications for finance, payroll and rates. Unauthorised changes to the information in these systems could remain unnoticed for prolonged periods.

#### Case study 6: Email access was not blocked after employees left employment

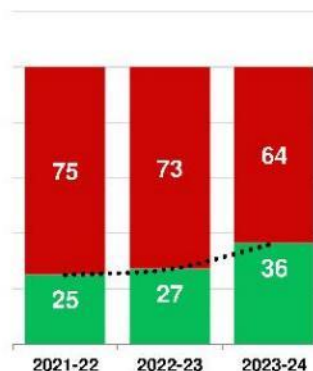
One entity did not periodically check that users still required access, allowing some staff to retain email access for many months after ceasing employment. One account belonged to a staff member who had left almost two years ago and accounts belonging to two former staff were accessed months after they departed. What these former staff did with their email accounts could not be investigated because system logging was not adequately configured.

### 3. Information security framework

Four of the 11 entities met the benchmark compared with three last year. However, the number of significant findings in this control category make up just over 25% of all significant weaknesses.

Our assessments show that while some entities have effective policies, many others need to improve their cyber security governance. A structured approach is crucial to align IT and security initiatives with business objectives, to protect entities against emerging threats.

Having a robust information security framework and governance model is essential for systematically managing risks, ensuring compliance and safeguarding sensitive assets against evolving cyber threats.



Source: OAG

**Figure 9: Percentage of entities that met/did not meet the benchmark for information security framework**



Source: OAG

**Figure 10: Information security framework controls included in our audits**

Common weaknesses included:

- **Lack of or outdated information and cyber security policies** – entities are less likely to achieve their information security objectives if their policies are either non-existent, outdated or fail to address critical areas of information and cyber security.
- **No strategic IT plan** – having a well-defined IT strategy is essential. Lack of a strategy could result in technology and resourcing decisions not being aligned with the entity's overall business objectives.
- **Inadequate data loss prevention controls** – accidental or malicious information leaks can undermine trust and damage an entity's public image. Having robust data loss detection and prevention measures is paramount.
- **Sensitive information was not classified** – entities did not specifically identify and classify their sensitive information to ensure it is protected against unintentional disclosure.

The following case study illustrates a common weakness in the information security framework category.

**Case study 7: No data loss prevention policies**

An entity did not have policies to guide staff on the acceptable use of approved cloud storage for corporate information. Although it had technical controls capable of blocking, monitoring and alerting data loss to cloud and removable storage, it had not activated the controls, in part due to a lack of policies and clear guidance.



#### 4. Network security

There was further improvement in this category with six of the 11 entities now meeting the benchmark and no significant findings reported.

Network security is vital for protecting key systems from cyber intrusions. It is encouraging to see year-on-year improvements in controls such as network segregation and secure device configurations.

These controls are even more important for entities that have public facing facilities such as libraries, that contain network access points.

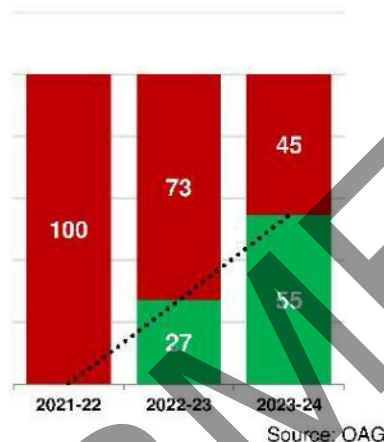


Figure 11: Percentage of entities that met/did not meet the benchmark for network security



Figure 12: Network security controls included in our audits

Common weaknesses included:

- **No independent review of network security** – without periodic reviews of the security of network infrastructure, entities may fail to address weaknesses which could exacerbate the impact of a cyber attack and data breach.
- **Inadequate network segregation and infrastructure administration** – controls were not established to isolate network segments and prevent attackers from accessing multiple systems during cyber intrusions. Without proper network segregation, the impact of a cyber breach could be significantly worse.

Additionally, entities did not restrict administration of infrastructure to dedicated secure hosts or a network segment. This increases the risk to the internal network in case of a compromise.

- **Unauthorised devices not blocked on the physical network** – unauthorised devices can spread malware, be used to eavesdrop on communications or access sensitive information.

The following case study illustrates a common weakness in network security.

#### Case study 8: Administrator interfaces were not restricted

An audited entity did not restrict the administration of important infrastructure to specific workstations. Our testing discovered a logon page to the entity's email server administration portal, which was also accidentally exposed to the internet.

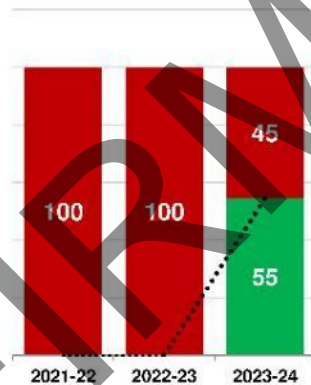
A determined attacker could gain control over the entity's emails by phishing or guessing passwords for this portal.

## 5. Human resource security

Human resource security has shown the biggest improvement this year.

Since people can be the strongest or weakest link in a cyber culture, it is encouraging to see entities making significant progress in this essential area.

Human resource security ensures everyone understands their responsibility to protect the information they handle. Background screening, fit-for-purpose employment processes and regular tailored cyber security education increases safeguards.



Source: OAG

Figure 13: Percentage of entities that met/did not meet the benchmark for human resource security



Background checks



Acceptable use policies



Confidentiality agreements



Security awareness programs

Source: OAG

Figure 14: Human resource security controls included in our audits

Common weaknesses included:

- **Lack of regular and relevant security awareness training** – building a strong security culture starts with regular cyber security training. Educated staff become the first line of defence against social engineering attacks like phishing and business email compromise, significantly reducing the risk of these threats.
- **Inadequate onboarding and offboarding processes** – without proper background screening, entities risk hiring unsuitable individuals, increasing insider threat risks. Additionally, delayed exit processes can lead to unauthorised access to premises,

information, systems and potential financial loss, by individuals who no longer are employed or contracted.

- **Decentralised management of contractors** – without centralised oversight of contractors and consultants, human resource security processes for these individuals may be forgotten or bypassed.

The following case studies illustrate common weaknesses in human resource security.

#### Case study 9: No refresher security training

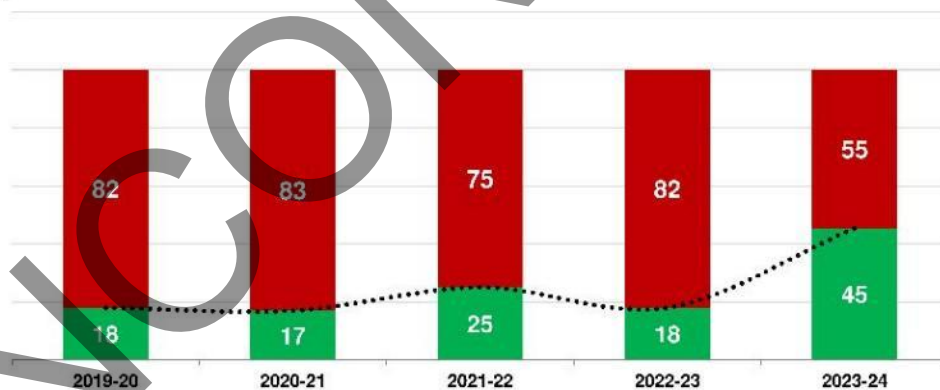
One entity successfully implemented one-off mandatory cyber security training for new staff, however, there was no ongoing program to provide refresher training. In a rapidly evolving cyber security landscape, where people are often the target of attackers, staff need regular training with up-to-date and relevant material.

#### Case study 10: Contractor access was not well managed

At one entity we found contractors were being engaged without any background screening, induction or offboarding processes. Contractors often perform work that gives them access to business systems and sensitive information, so it is important they are appropriately screened and offboarded to ensure they know and uphold their information security responsibilities.

## 6. Business continuity

In 2023-24, five of the 11 entities met the business continuity benchmark. This is an improvement from last year. It is important that entities have good business continuity plans and procedures to guide their actions during disruptive events. These plans should be based on regularly reassessed business impact analysis and agreed recovery priorities and objectives.



Source: OAG

Figure 15: Percentage of entities that met/did not meet the benchmark for business continuity





Source: OAG

Figure 16: Business continuity controls included in our audits

Common weaknesses included:

- **Missing or outdated continuity and cyber incident response plans** – without sufficient business continuity plans it may take entities longer to recover operations following an incident. This can impact and extend interruptions for services delivered to the community.
- **Lack of regular testing** – routine testing of plans helps entities to identify weaknesses, be better prepared and minimise downtime during actual emergencies. Regularly testing plans also confirms if they meet recovery expectations.

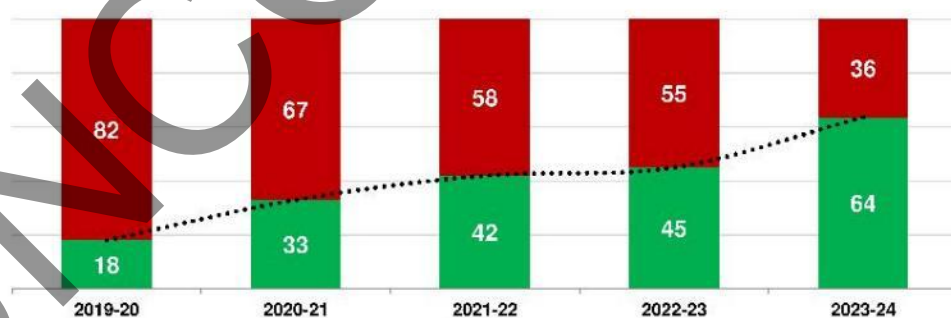
The following case study illustrates a common weakness in continuity planning.

#### Case study 11: Business continuity plans stale and untested

One entity had not performed any review or test of their business continuity plans in nearly seven years. In a rapidly evolving IT environment, outdated and untested continuity plans provide no assurance that the entity's functions would be able to continue in an emergency or that agreed recovery objectives and times are feasible.

## 7. IT operations

IT operations is another category that has shown consistent improvement over the years. In 2023-24, seven entities met our benchmark. We assessed if entities had a formal incident management process, fit-for-purpose service desk processes and appropriately managed IT assets. We also looked at the management of IT vendors' performance and contracts.



Source: OAG

Figure 17: Percentage of entities that met/did not meet the benchmark for IT operations



IT assets lifecycle  
management



Supplier  
performance management



Incident and problem  
management

Source: OAG

Figure 18: IT operations controls included in our audits

Common weaknesses included:

- **Supplier performance not reviewed and contracts lack service level agreements** – entities may be unaware when IT suppliers fail to fulfil performance requirements which can affect overall operations.
- **Inadequate IT asset management** – asset registers were poorly maintained and stocktakes were not performed which can lead to inaccurate inventory records, financial loss and reputational damage.

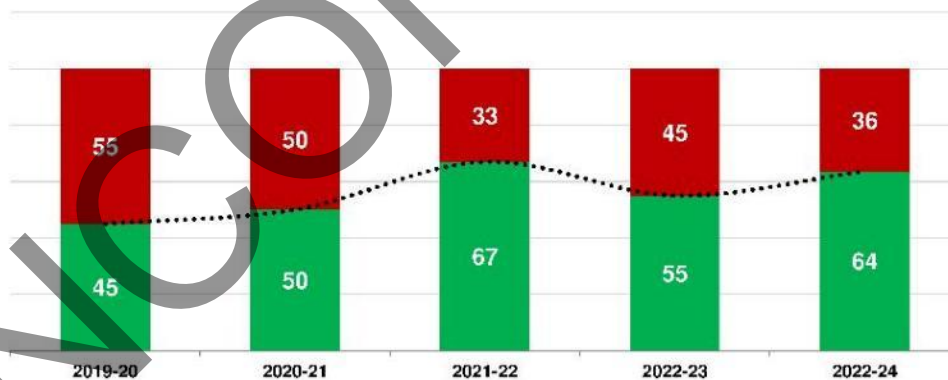
The following case study illustrates a common weakness in IT operations.

#### Case study 12: Unrecorded assets increase the risk of information disclosure

At one entity we found over 80 laptops that were not recorded in the asset register. This increases the risk that the laptops could be stolen or go missing, and that sensitive information stored on them could be inappropriately accessed and disclosed.

## 8. Physical security

Over half of the 11 entities demonstrated good controls in server room access management and IT infrastructure protection, following a small decline last year.



Source: OAG

Figure 19: Percentage of entities that met/did not meet the benchmark for physical security



Source: OAG

Figure 20: Physical security controls included in our audits

Common weaknesses included:

- **Server room access logs were not maintained or monitored** – it is important to keep entry logs and review access to server assets to help prevent both intentional and accidental damage to vital IT equipment.
- **Server rooms were poorly maintained** – server rooms should be kept tidy and free of unnecessary items, with cables neatly organised to prevent accidental damage to infrastructure. In addition, server racks should be locked when not in use to enhance security and protect equipment.

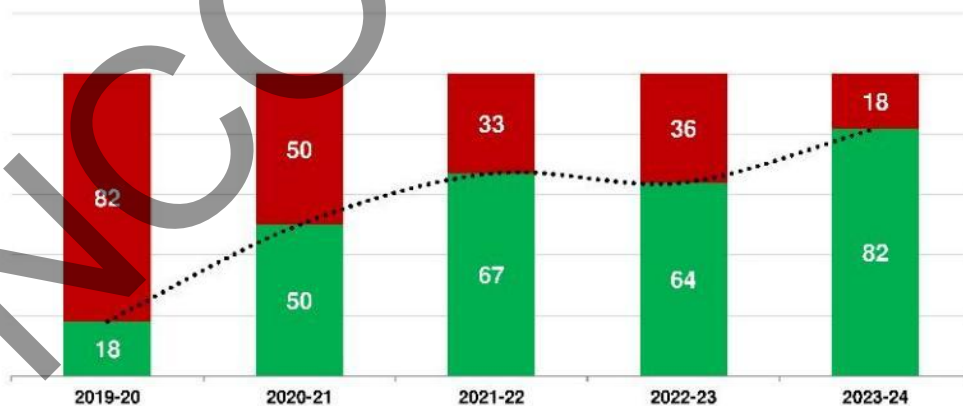
The following case study illustrates a common weakness in physical security.

#### Case study 13: Swipe card access was not reviewed

When we examined the building management system at one entity, we found over 120 staff had been erroneously granted swipe card access to a critical server room. As no reviews of door access permissions were taking place, non-IT staff had direct physical access to the entity's server and network hardware.

## 9. Change management

We have observed steady improvement in change management over the years. In 2023-24, nine entities have demonstrated good controls in this area. Well managed change management processes reduce business risk.



Source: OAG

Figure 21: Percentage of entities that met/did not meet the benchmark for change management





Source: OAG

Figure 22: Change management controls included in our audits

Common weaknesses included:

- **Lack of change management procedures** – this can lead to uncoordinated changes, that result in system instability, errors and potential downtime. It's crucial to have a structured approach to plan, test and implement changes.
- **Changes were not documented well** – comprehensive documentation is essential to ensure changes are well-understood and managed effectively.

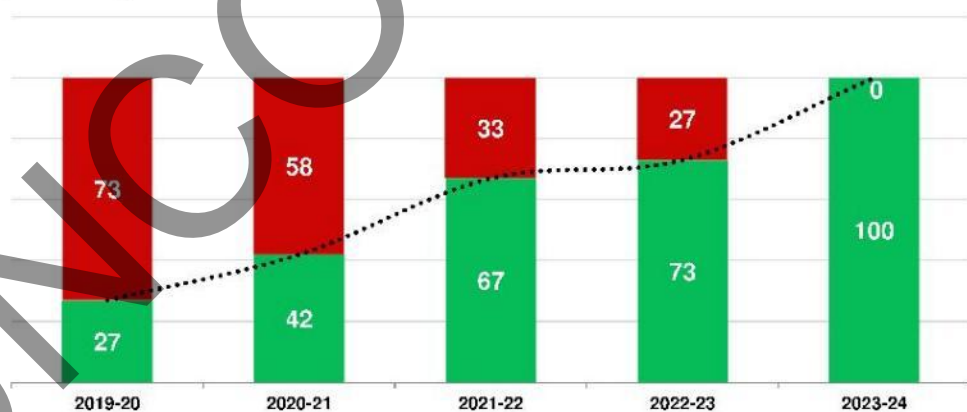
The following case study illustrates a common weakness in change management.

#### Case study 14: Change plans lacked sufficient detail

One entity developed a detailed change management procedure. However, when we reviewed recent IT changes, we found most were missing essential details around their testing, implementation and rollback. While the procedure required these fields for each change, the information documented was not detailed enough to be useful.

## 10. Risk management

For the first time since we began auditing local government entities' information systems in 2019-20, all 11 entities demonstrated comprehensive risk management policies and processes. Entities should continue to implement these to address current and emerging cyber security risks.



Source: OAG

Figure 23: Percentage of entities that met/did not meet the benchmark for risk management



Source: OAG

**Figure 24: Risk management controls included in our audits**

This year, none of the 11 entities had findings in this category. However, we did raise risk management findings with other audited entities during our GCC audits. Most commonly, these entities lacked IT risk registers. It is crucial entities maintain a detailed IT risk register to proactively identify and mitigate risks, ensuring smoother operations and enhanced security.

---

## Recommendations

### 1. Endpoint security

Local government entities should:

- a. implement effective controls against malware
- b. promptly identify and address known vulnerabilities
- c. control installation of software on workstations, servers and mobile devices
- d. prevent unapproved applications and macros from executing
- e. enforce minimum baseline controls for personal or third-party devices connecting to their systems
- f. implement controls to prevent impersonations and detect/prevent phishing emails
- g. review and harden server and workstation configurations
- h. ensure sensitive information within database is appropriately protected.

### 2. Access management

To ensure only authorised individuals have access, entities should:

- a. implement effective access management processes
- b. regularly review active user accounts
- c. enforce strong passphrases/passwords and phishing-resistant multi-factor authentication
- d. limit and control administrator privileges
- e. implement automated access monitoring processes to detect malicious activity.

### 3. Information security framework

Entities should:

- a. maintain clear information and cyber security policies and governance structures to oversee and direct IT operations and cyber security
- b. conduct regular assessments or gain comfort through assurance reports
- c. obtain and review service organisation controls (SOC2) report or equivalent when they use software-as-a-service (SaaS) application for key systems including payroll and finance
- d. classify information and implement data loss prevention controls.

### 4. Network security

Entities should:

- a. implement secure administration processes for network devices
- b. regularly review their network security controls through penetration tests
- c. segregate their network

- d. prevent unauthorised devices from connecting to their network
- e. adequately secure wireless networks.

**5. Human resources security**

Entities should ensure that:

- a. pre-employment screening is conducted for key positions
- b. confidentiality/non-disclosure requirements are in place and understood by individuals
- c. termination procedures are in place and followed to ensure timely access cancellation and return of assets
- d. ongoing security awareness training programs are in place and completed by all staff.

**6. Business continuity**

Entities should:

- a. maintain up-to-date business continuity plans
- b. keep disaster recovery plans current
- c. ensure incident response plans are regularly updated
- d. frequently test all plans to ensure effectiveness.

**7. IT operations**

Entities should:

- a. implement appropriate IT incident management processes
- b. regularly monitor supplier performance
- c. perform regular reviews of inventory assets
- d. have formal service level agreements with suppliers.

**8. Physical security**

Entities should:

- a. implement effective physical access controls to prevent unauthorised access
- b. maintain environmental controls to prevent damage to IT infrastructure arising from heat, moisture, fire and other hazards
- c. gain assurance that third-party providers manage their data centres appropriately.

**9. Change management**

Entities should:

- a. consistently apply change control processes when making changes to their IT systems
- b. assess and test changes before implementation to minimise errors
- c. maintain change control documentation



- d. implement controls to detect unauthorised changes.

#### 10. Risk management

Entities should:

- a. fully implement their risk management policies to manage IT and cyber security risks
- b. understand their information assets and apply controls based on their value
- c. ensure IT, information and cyber security risks are identified, assessed and treated within appropriate timeframes
- d. regularly assess controls to ensure they are operating effectively
- e. provide executive oversight and remain vigilant against the risks of internal and external threats.

In accordance with section 7.12A of the *Local Government Act 1995*, local government entities should prepare a report on any matters identified as significant in the local government's audit report<sup>12</sup>. The report should be given to the Minister for Local Government within three months of the local government receiving the audit report and published on the local government's website.

<sup>12</sup> An audit report includes the independent auditor's opinion and the auditor's management report (interim and final management letters) as described in regulation 10 of the Local Government (Audit) Regulations 1996. Further information on what is an audit report is available on our website (<https://audit.wa.gov.au/resources/local-government/faqs/#faq-21828>).



### Auditor General's 2024-25 reports

Number	Title	Date tabled
11	Local Government 2023-24 – Information Systems Audit Results	11 April 2025
10	Fraud Risks in the WA Greyhound Racing Association	11 April 2025
9	Child Protection Case Management System – Assist	21 March 2025
8	Universities and TAFEs 2023 – Financial Audit Results	5 December 2024
7	WA Student Assistance Payment – Controls Review	27 November 2024
6	Provision of Additional Information to the Standing Committee on Estimates and Financial Operations – Opinions on Ministerial Notifications	22 November 2024
5	Implementation of the Aboriginal Procurement Policy	21 November 2024
4	Quality and Utilisation of Emergency Department Data	20 November 2024
3	Management of State Agreements	30 October 2024
2	Legislative Reform Priorities and Timeframes – Opinion on Ministerial Notification	19 August 2024
1	Supplier Master Files – Better Practice Guide	1 August 2024

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Office of the Auditor General  
for Western Australia



Report 12: 2024-25 | 24 April 2025

FINANCIAL AUDIT RESULTS

# Local Government 2023-24



**Office of the Auditor General  
for Western Australia**

**Audit team:**

Grant Robinson

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(to assist people with hearing and voice impairment)

We can deliver this report in an alternative format for those with visual impairment.

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***The Office of the Auditor General acknowledges the traditional custodians throughout Western Australia and their continuing connection to the land, waters and community. We pay our respects to all members of the Aboriginal communities and their cultures, and to Elders both past and present.***

Image credit: shutterstock.com/Stephen.I.Parsons

WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

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**Local Government 2023-24 –  
Financial Audit Results**

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Report 12: 2024-25  
24 April 2025



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UNCONFIRMED



THE PRESIDENT  
LEGISLATIVE COUNCIL

THE SPEAKER  
LEGISLATIVE ASSEMBLY

#### LOCAL GOVERNMENT 2023-24 – FINANCIAL AUDIT RESULTS

This report has been prepared for submission to Parliament under the provisions of sections 24 and 25 of the *Auditor General Act 2006*.

The report summarises the final results of our annual audits of 135 of 147 local government entities for the year ended 30 June 2024.

I wish to acknowledge the assistance provided by the councils, chief executive officers, finance officers and others, including my staff and contract audit firms, throughout the financial audit program and in finalising this report.

A handwritten signature in cursive script, reading 'S Labuschagne'.

Sandra Labuschagne  
Acting Auditor General  
24 April 2025

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## Report overview

2023-24 was our third year auditing the entire local government sector and we continue to see the impact of the hard work put in by the sector and our audit teams. For 2023-24, 91.8% of audit opinions, covering 135 of 147 local government entities, were signed by 31 December 2024 (2023: 89%). We are in a good position to provide a holistic view of the sector, again earlier than we did last year. There were 12 entities' audits outstanding at 31 December 2024 which are not included in this report. These entities encountered various challenges in providing us with information to enable their audits to be finalised.

An area of improvement in 2023-24 was a reduction in the number of qualified audit opinions from 12 entities in 2022-23 to six entities this year. The reduction was partially driven by legislative relief around valuations of infrastructure and property, plant and equipment. The overall number of financial management findings also decreased by 29%, from 718 issues to 512. We commend entities for the ongoing improvements and the Department of Local Government, Sport and Cultural Industries (DLGSC) in its actions to support the sector. The Office will continue to offer support and input where appropriate.

Another area of improvement was timeliness. However, while timeliness has improved year on year, we continue to see a bottleneck of audit sign-offs in December. We also still experience multiple financial statement versions submitted for audit and high error rates in those versions. These challenges further contribute to increased audit effort and costs, and delay audits.

Most emphasis of matter (EoM) paragraphs this year were due to fixing prior year errors. Eight of 18 EoM paragraphs related to restatement of prior year fixed asset or infrastructure balances, many where assets were not previously recognised in the accounting records and financial report. The restatement of prior year numbers requires both local government staff and Office staff (including contractor audit firms) to re-examine previously audited numbers.

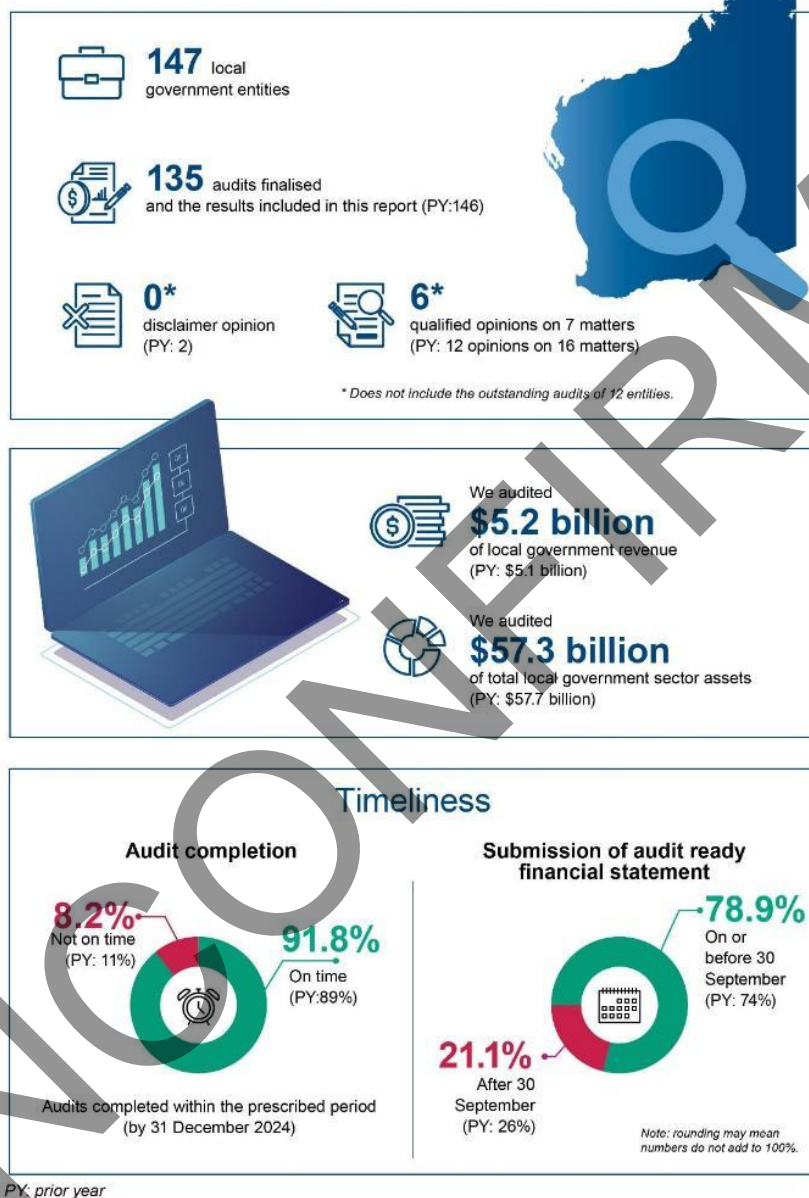
Pleasingly, information systems control issues have also reduced by 25% compared to 2022-23. A full analysis of these results is contained within the *Local Government 2023-24 – Information Systems Audit Results*<sup>1</sup> report.

DLGSC and entities are encouraged to consider the recommendations included in this report, and draw on our better practice guides, to streamline the financial reporting and auditing processes. It is pleasing to see the significant progress made by entities this year and we hope to see this momentum maintained for the 2024-25 season.

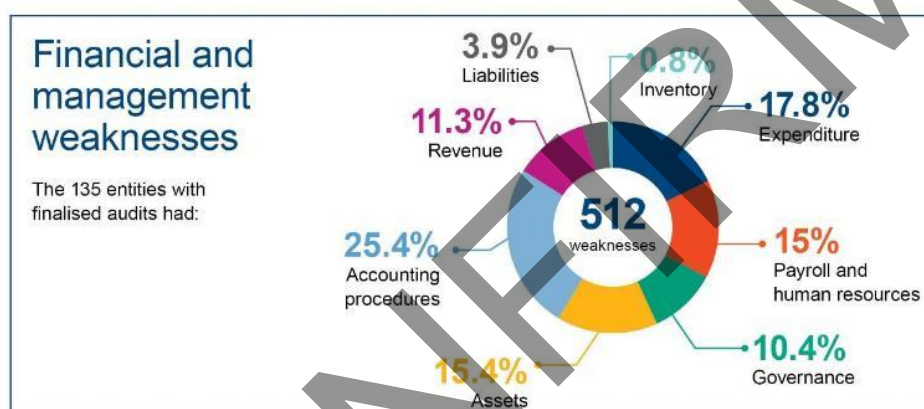
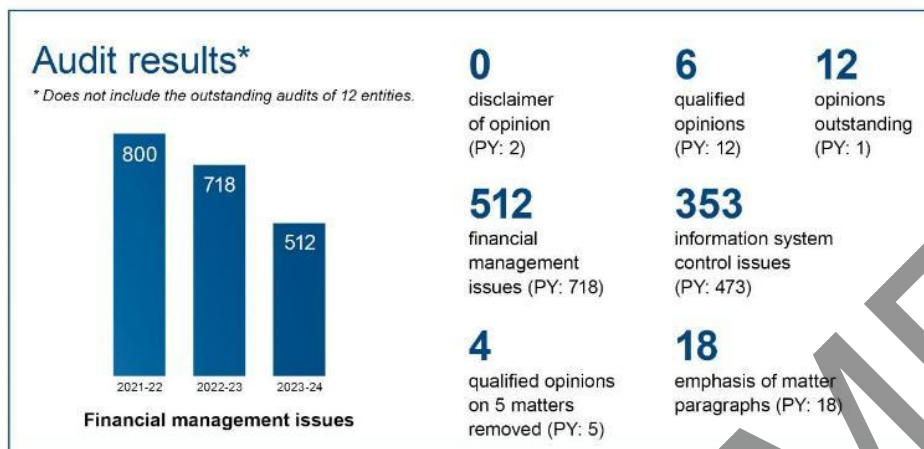
<sup>1</sup> Office of the Auditor General, [Local Government 2023-24 - Information Systems Audit Results](#), OAG, 11 April 2025.

## 2023-24 local government reporting cycle at a glance

This report contains our findings from the annual financial audits of the local government entities whose audits were completed by 31 December 2024.







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## Recommendations

### To streamline the audit process:

Entities should:

- a. submit good quality, reviewed and CEO-signed financial reports for audit no later than 30 September. Our expectation is that CEO certification means management is satisfied the financial report is a complete and accurate record of their entity's finances and all numbers and disclosures are supported by underlying work papers. Supporting work papers and reconciliations should be available by this date (page 12)
- b. evaluate the significance of errors and decide if they need to be adjusted. Analyse the root cause for the errors (page 13)
- c. communicate delays to financial report submission early to minimise disruptions and facilitate resource allocation. Flexibility may be required from entities when rescheduling their audit (page 16)
- d. evaluate opportunities to submit financial reports earlier for audit (page 15)
- e. refer to our Audit Readiness Tool which contains checklists to assist in preparation for audit (page 16).

The Department of Local Government, Sport and Cultural Industries (DLGSC) should:

- f. consider further opportunities to reduce financial report disclosure requirements to provide further relief to entities, without compromising the needs of users of the financial report. This recommendation is reoccurring from our *Local Government 2022-23 – Financial Audit Results* report (page 24).

#### DLGSC response:

DLGSC recognises the importance of this consideration and is committed to continuous review and monitoring for opportunities to streamline and simplify reporting processes. This approach ensures that the necessary information is captured efficiently, while minimising the effort required from entities and the auditor. By regularly evaluating and refining our reporting requirements, DLGSC aims to maintain a balance between thoroughness and ease of use.

### To improve reporting and accounting for fixed assets:

Entities should:

- g. conduct asset counts to support the completeness and accuracy of asset records (page 23).

DLGSC should:

- h. finalise their valuations guide and release this to improve consistency and reliability of valuations across the sector. This recommendation is reoccurring from our *Local Government 2022-23 – Financial Audit Results* report (page 22).

#### DLGSC response:

After consultation with other jurisdictions, the DLGSC is finalising a comprehensive guide to assist entities in revaluing non-financial assets. This guide aims to enhance the consistency and reliability of asset valuations. It will encompass key topics such as valuation

methodologies, scope of works and assumptions used in the valuation process as outlined and is scheduled for completion by 30 June 2025.

**To reduce management letter findings:**

Entities should:

- i. alert OAG audit engagement leaders to new processes or systems, any issues encountered during the year, or any area of concern or technical accounting determinations (page 16).

DLGSC should:

- j. consider providing guidance for entities around commercial operations and consider if regulatory change is warranted (page 22)
- k. develop guidance on how to disclose and account for prior period errors (page 23)
- l. develop WA guidance on rehabilitation provision accounting. This recommendation is recurring from our *Local Government 2022-23 - Financial Audit Results* report (page 23).

**DLGSC response:**

DLGSC will consider as part of any further local government reforms the potential to streamline regulation in the setting of fees and charges for local governments and regional subsidiaries to reflect modern commercial management. Regulatory changes are however ultimately decisions for the Minister for Local Government and in respect of the *Local Government Act 1995*, the Cabinet.

DLGSC will consider if existing guides on accounting for rehabilitation provisions can be localised for Western Australian specific legislation.

DLGSC acknowledges the challenges that accounting for prior period errors can present to local governments. DLGSC will assist by providing affected local governments with examples for previous prior period error corrections of a similar nature. However, the best approach is for the local government to provide early advice to the auditor on their need to report a prior period error.



## Review of the 2023-24 financial year

### Introduction

Our financial audits focus on ensuring the accuracy of an entity's annual financial statements. This report summarises the results of the financial audits of local government entities (entities) for the year ended 30 June 2024. It includes the results for the 135 of 147 entities' audits that we completed by 31 December 2024 (Appendix 1), with the remaining 12 entities' results to be tabled in Parliament once their audits are completed. Appendix 1 also includes statistics of results by local government band to enable entities to contextualise their own results.

### Summary of audit opinions

For the financial year ending 30 June 2024, we issued clear opinions for 129 entities by 31 December 2024 and six audit opinions were qualified. We included 18 emphasis of matter (EoM) paragraphs in the auditor's reports of 18 entities and one audit opinion with a material uncertainty of going concern.

Audit year	2022-23	2023-24
Number of entities subject to OAG audit	147	147
Number of entity audits included in results report	137	135
Number of entity audits included in updated statistics <sup>2</sup>	146 <sup>2</sup>	N/A
Clear (unqualified) audit opinions	132 <sup>2</sup>	129
Qualified opinions	12 <sup>2</sup>	6
Disclaimer of opinion	2 <sup>2</sup>	0
Material uncertainty related to going concern	1	1
Emphasis of matter paragraphs	18 <sup>2</sup>	18

Source: OAG

**Table 1: Audit results for the past two years**

### No disclaimed opinion yet for 2023-24

Of the 135 entities audits signed by 31 December 2024, we issued no disclaimers of opinion. This status may change as we finalise the remaining outstanding audits.

Issuing a disclaimer of opinion is the most serious audit outcome. In 2022-23, we issued two disclaimers of opinion, the City of Nedlands which was reported in our *Local Government 2022-23 - Financial Audit Results* report and the Shire of Halls Creek which was completed after the cut-off date of that report<sup>3</sup>. A disclaimer of opinion is issued when there is insufficient evidence to form an opinion and the effect is pervasive through the financial report.

<sup>2</sup> Updated statistics as per Appendix 10 of tabled report on OAG website, *Universities and TAFEs 2023 - Financial Audit Results*, 5 December 2024.

<sup>3</sup> The opinion for the Shire of Halls Creek was included with updated statistics as per Appendix 10 of tabled report on OAG website, *Universities and TAFEs 2023 - Financial Audit Results*, 5 December 2024.

### Six qualified opinions

So far for 2023-24, six entities received qualified opinions, covering seven qualification matters (Appendix 4) representing a decrease in the number of qualified entities from 2022-23 where we qualified the audit opinions of 12 entities, covering 16 qualification matters.

All seven qualification matters related to assets: one for biological assets and six for infrastructure assets. Five of the qualification matters related to the comparability of balances due to prior year qualifications. One included a qualification of the current and prior year asset values as the entity was unable to sufficiently determine the existence of their assets in 2022-23 or 2023-24. The other qualification matter related to insufficient evidence to support the existence of biological assets.

Additional audit work is required in the year following a qualification to determine if the qualification needs to remain or if it can be removed. We expect five of the 2023-24 qualifications to be cleared in the 2025 financial year as the qualified comparative balances will no longer be reported.

### Emphasis of matter paragraphs

In 2023-24, we included 18 EoM (Appendix 6) paragraphs in 18 entity auditors' reports which is on par with the 18 EoM paragraphs included in 17 reports the prior year. We anticipate this number to increase as the outstanding 12 audits are finalised. This year EoM paragraphs directed the readers' attention to:

- restatements of comparative figures or balances to correct prior period errors, largely related to property and infrastructure assets (2023-24: 14 entities) (2022-23: 13 entities)
- events occurring after balance date (2023-24: 2 entities) (2022-23: 3 entities)
- the basis of accounting used by the entity (2023-24: 1 entity) (2022-23: 1 entity)
- legal determination pending (2023-24: 1 entity) (2022-23: 1 entity).

The increase in entities with prior period errors in their financial reports is of concern. These errors largely relate to found assets, which are owned assets that had not been appropriately recognised in the accounting records and financial report. To reduce the risk of such errors, entities should review their processes and controls to ensure their asset records appropriately capture all assets.

It is commendable that entities proactively find and correct prior period errors; however, it raises serious concerns around historical accounting records and increases audit risk. Additionally, errors cause delays and increase audit effort as prior year numbers need to be re-audited and additional disclosure notes must be reported and verified.

Five prior period errors were a result of gifted assets not being recognised in the accounting records of entities at the time they were received. It is important that when entities receive assets, regardless of the amount they have paid for them, that they are appropriately recognised in entity accounting records and at the appropriate value.

A full description of EOM paragraphs is included in Appendix 6.

### Material uncertainty related to going concern

Under Australian Auditing Standards, we consider whether events or conditions exist that may cast significant doubt on the entity's ability to continue as a going concern.

In 2023-24, this applied to the Resource Recovery Group (Group). The going concern issue arose due to the majority of member councils withdrawing from the Group. This material

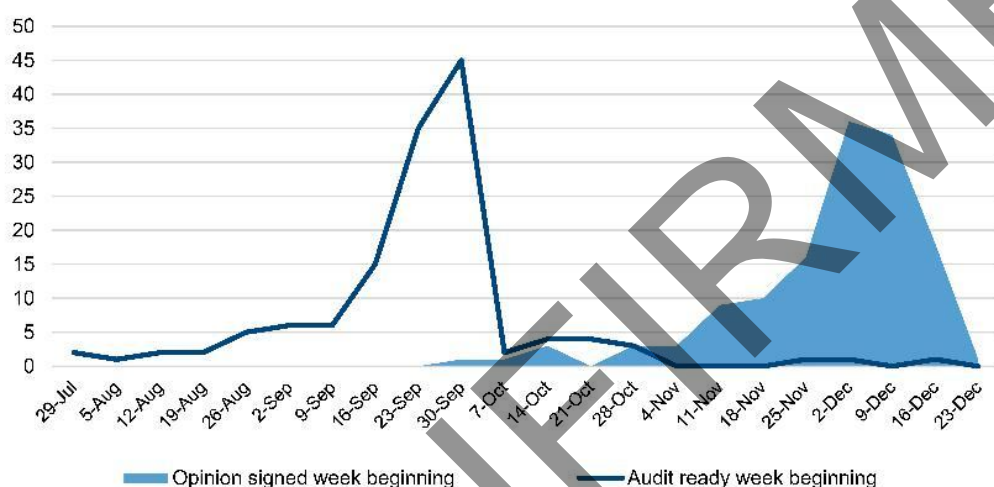


uncertainty was first included in the Group's audit report for 2022-23. This was not reported in our 2022-23 results report as the audit was finalised after the cut-off date for that report.

Appropriate disclosures were included in the Group's financial report about this matter and our auditor's report draws readers' attention to these disclosures, an extract of this is included in Appendix 7.

### Quality and timeliness of financial reporting

We aim to finalise all audits early enough for entities to meet their legislated timeframes for adopting their annual reports. Appendix 1 outlines the date we issued each entities' 2023-24 auditor's report and our assessment of their audit readiness. Of the 122 entities which provided financial statements by 30 September 2024, we considered 116 to be audit ready.



Source: OAG

**Figure 1: Audit ready financial report submitted for audit vs. audit completion dates by week beginning**

### Issues with quality of financial reports

The quality of financial reports and supporting documentation directly impacts audit timelines. For 2023-24, we continued to see issues resulting from a lack of quality review processes. This included high numbers of financial report versions, a large number of audit reports with EoM paragraphs due to prior period restatements and a significant number of audit errors.

### Revisions to financial reports

Multiple financial report versions impact the cost of financial reporting. On average four versions of the financial report (2022-23: five versions) were provided by each entity for 2023-24. One entity submitted 16 versions. Each new version requires time to review and verify the changes, and increases the risks around version control.

To improve the quality of financial reports provided to audit and reduce the number of versions provided, we request financial reports go through an internal review and certification process prior to being submitted for audit. This process is to ensure the financial report has been interrogated and stress-tested internally, with the expectation that errors or other anomalies are identified early and corrected by the entity before the audit starts.

A rigorous review process enables CEOs to be comfortable with the report submitted and prepared to sign as final. In 2023-24, 117 entities provided us with statements certified by the

CEO at the commencement of the audit. Of the remaining entities, five were signed by the CFO or equivalent and 13 entities did not have any certification prior to submission for audit.

Entities should also have their financial report reviewed by council prior to providing for audit. Where councillors have not reviewed the financial report prior to audit sign-off there can be a situation whereby councillors are unhappy with disclosures in the report or want changes. This is evidenced in Case study 1.

#### Case study 1: Councillors not shown financial report prior to audit sign-off



A local government entity had their audit completed and signed in mid-December. The following week we received a request to amend the audited financial report due to council's dissatisfaction with a disclosure.

While minor disclosure amendments are simple in theory, any amendment to an audited annual report requires significant audit effort. Our audit opinion would have to be recalled and re-issued, amended disclosures would need to be re-audited and we have to re-perform subsequent event reviews as required by the auditing standards. This can quickly add up to an expensive exercise with minimal benefit to ratepayers. When this was conveyed, along with the likely timeline for actioning the changes, the entity elected not to go ahead with the amendments.

To avoid similar situations, entities should ensure the council, either in full or via delegated authority to the audit committee, is comfortable with the financial report prior to it being submitted for audit. This should form part of the pre-audit review of the financial report. Without a comprehensive review process there is an increased risk that the financial report is not audit ready.

#### Financial report errors

Errors coupled with multiple financial report versions are indicators of the quality of financial operations.

At 31 entities (2023: 34) we found no errors. For the other 104 entities, we identified 377 errors, 257 of which entities corrected (adjusted) in the final financial report and 120 remained uncorrected (Table 2). We expect the numbers of errors to increase once the remaining audits are finalised. There was a decrease in both the total number and total value of errors from the prior year and when compared with both the previous year's totals.

Year	Adjusted errors			Unadjusted errors			Total errors	
	No. of entities	No. of errors	Value	No. of entities	No. of errors	Value	No. of errors	Value
2023-24	104	257	\$355,842,684	54	120	\$54,998,088	377	\$410,840,772
2022-23	100	285	\$1,125,288,333	59	104	\$69,157,705	389	\$1,194,446,038
2021-22	91	335	\$1,613,529,048	58	132	\$50,668,884	467	\$1,664,197,932

Source: OAG

Table 2: Adjusted and unadjusted errors for entities

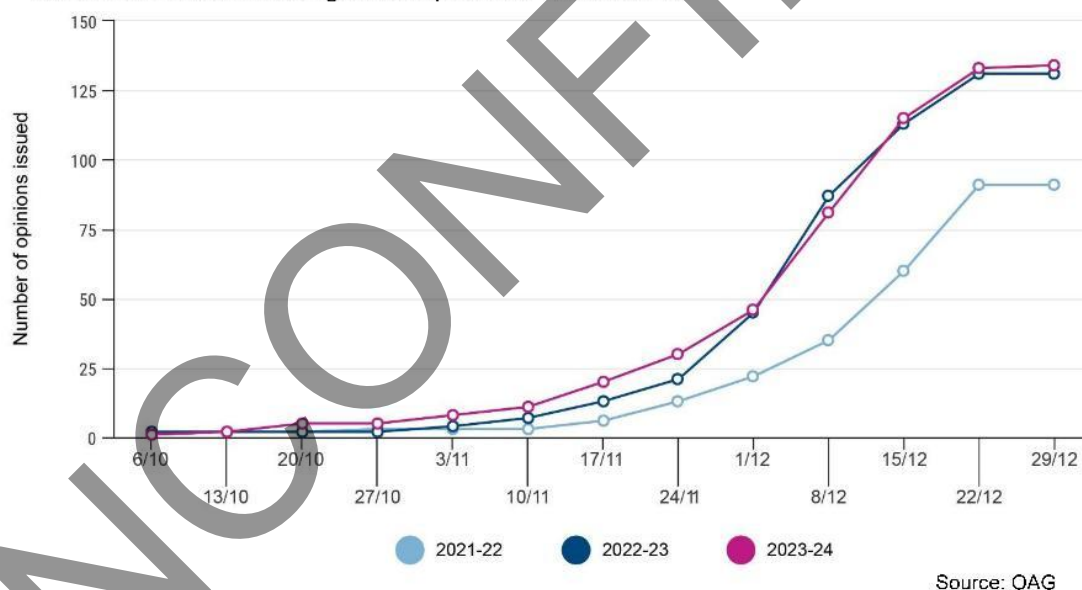
We identify errors based on evidence found during our audit. Material errors require correction to (in most cases) avoid qualification; for smaller errors, entities can choose whether or not to adjust.

We inform management and those charged with governance of all errors other than those that are clearly trivial. By hearing about them, the entity can identify potential risk areas or other matters impacting their financial reporting. Entities should consider carefully whether they make adjustments for errors that are not material. Smaller errors have no real impact on the financial report but require time to process and validate. All errors, but particularly those which are adjusted by the entity, increase the time and cost of financial reporting and of the audit. At one entity we noted 15 errors, it adjusted 13, but only five were material in total. Entities need to get the balance right in terms of the overall objective of the financial report.

## Timeliness

### *OAG hard line initiative factor in improved timely reporting*

This was the second year we invoked our hard line initiative. The initiative focuses on improving the quality and timeliness of financial reports and associated working papers that entities provide for audit. The continued support from the sector meant we were able to issue 91.8% of entities' audit opinions prior to 31 December 2024 (89.1% to 31 December 2023 for 2022-23). Entities have continued to work hard to prepare for their audits and provide more timely information. Figure 2 illustrates the completion of audits across the three years where we have had responsibility for all local government audits. It clearly shows the impact of the hard-line initiative in moving the completion of audits earlier.

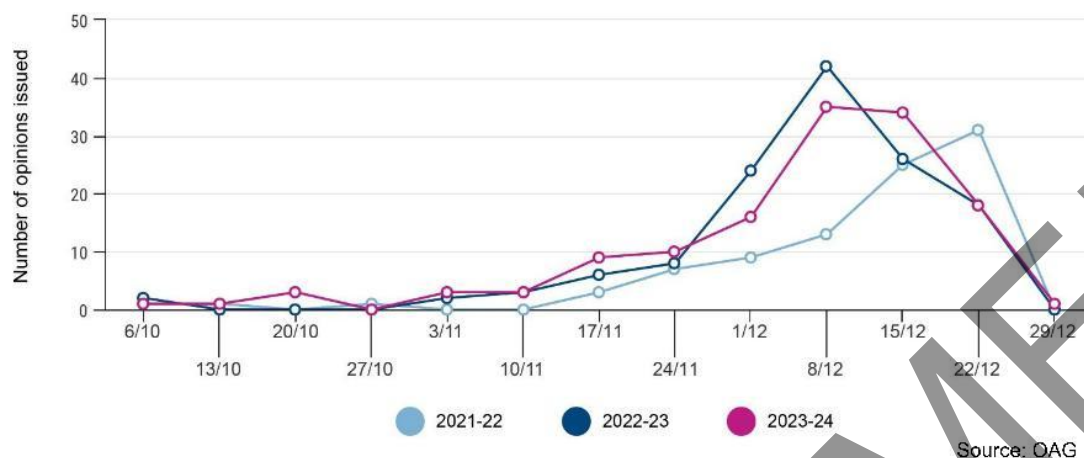


**Figure 2: Cumulative opinions issued in 2022, 2023 and 2024 by date**

### *Audit bottleneck*

There is a significant bottleneck in December. The majority of opinions are issued in December – 60.5% in 2023-24 and 63.9% in 2022-23 (Figure 2) with a substantial spike in the number of opinions issued per week (Figure 3). We issued more opinions in the second half of December 2024 than in 2023, 52 opinions in 2023-24 as opposed to 44 opinions in 2022-23.





**Figure 3: Opinions issued per week in 2022, 2023 and 2024**

Despite only 78.9% (116 entities) of the sector being audit ready by 30 September 2024, we completed 91.8% of the sectors audits on time. The 19 entities included in this report that submitted their financial reports late added to the December bottleneck. Entities need to further improve their audit readiness as early preparation may enable audits to be brought forward. It also creates a buffer so audits with unexpected delays or newfound issues may still be completed within mandated timeframes.

Another factor in the bottleneck is entities viewing 30 September as the initial submission date for their financial report rather than treating it as the final date they can provide their financial report. Entities should focus on bringing forward their financial reporting processes to enable submission of their financial report as early as possible. Case study 2 illustrates what can be achieved when entities are audit ready ahead of 30 September.

Figures 1, 2 and 3 illustrate the time pressure point for finalising audits and how critical it is to meet agreed timelines. We need to work with the sector to bring work forward, wherever possible, to reduce the bottleneck and peak in workload.

#### Case study 2: Entity provided a complete financial report ahead of the statutory deadline



The Shire of Denmark had their financial report audit ready on 6 September 2024, more than three weeks ahead of the statutory deadline. This allowed the audit team to complete the audit and issue the opinion on 18 October 2024.

The Shire had completed internal review processes prior to submitting their report for audit that had been certified by the CEO on submission. The internal review process was thorough and meant that we were able to provide a clean audit opinion on the second version of their financial report with the Shire having no adjusted or unadjusted errors.

Having their audit completed by mid-October meant the Shire was reporting timely data to their ratepayers and other stakeholders, and allowed ample time to meet their statutory reporting deadlines before the end of the calendar year.

### *Reduction in requests for submission extension of financial report to auditor*

Entities can apply to DLGSC prior to the legislated deadline of 30 September for an extension to submit their financial report for audit. There was a 37% reduction in the number of extensions this year, with 17 entities requesting extensions (Appendix 2), down from 27 entities in 2022-23. Entities need to advise us early if they are seeking an extension so we can work with them to minimise any adverse impact on the scheduling of their audit.

Extensions impact the timeliness of reporting. There can be legitimate reasons for one-off extensions; however, repeat extensions can be symptomatic of other underlying problems where early intervention is critical to prevent these from escalating. It is acknowledged that in July and August of each year, a time which should be primarily focused on preparation of the financial report, entities have competing priorities. On top of their business-as-usual work, entities are required to prepare and adopt their annual budget for the year by 31 August. This work is often completed by the same staff that would prepare the financial report.

Of the 17 entities given extensions, one entity received an extension to December 2024 and three obtained extensions into early 2025. These heavily extended deadlines meant it was impossible for these financial reports to be audited by the statutory deadline of 31 December 2024. Of the 12 entities that did not have their audits completed by 31 December 2024, nine had received an extension.

### **Audits finalised after 31 December 2024 and those that are still in progress**

The twelve audits that were not finalised prior to 31 December 2024 encountered numerous challenges (Appendix 3).

Generally, audits in progress share some of the following themes:

- **Data integrity and system changeovers:** information to support the trial balance and financial report disclosures was not readily available, including appropriate data validation for those entities which had changed financial systems during the year. We encourage entities to review our better practice guides<sup>4</sup> to better understand audit information requirements.
- **Key staff availability:** positions were vacated during the audit or have been vacant for some time. When key staff resign prior to or during the audit process, often no one is left at the entity who can assist with audit queries or provide the necessary information.
- **Difficulty closing out technical reporting matters:** some entities lacked the expertise required to adequately manage complex financial reporting. Technical matters such as business purchases, found assets and additional work required to clear prior year opinion modifications were too often left to the audit teams to resolve.
- **Incomplete valuations:** valuations are not readily available or we have concerns with their accuracy and/or completeness.

For those audits still in progress, we expect to issue further qualified opinions or opinions that include an EoM paragraph. We also expect the number of financial control findings to increase.

<sup>4</sup> Office of the Auditor General, [Audit Readiness – Better Practice Guide](#), OAG, 30 June 2023 and Office of the Auditor General, [Western Australian Public Sector Financial Statements – Better Practice Guide](#), OAG, 14 June 2021.



### Best practice entities

We rate entities on their financial reporting practices which is measured against the following criteria:

- timeliness of CEO-certified financial report
- quality of financial report (financial statements and notes)
- quality of working papers that support the financial report
- management resolution of accounting matters
- key staff availability during the audit
- number and significance of management letter findings
- clear opinion with no EoM or other audit report modifications.

We congratulate the entities we rated as the top 20 achievers for 2023-24.

Best practice top 20 entities	
<ul style="list-style-type: none"> <li>• City of Albany*</li> <li>• Town of Bassendean</li> <li>• Shire of Beverley*</li> <li>• Shire of Brookton*</li> <li>• Shire of Chapman Valley</li> <li>• Shire of Christmas Island</li> <li>• Shire of Cue*</li> <li>• Shire of Dardanup*</li> <li>• Shire of Denmark*</li> <li>• Shire of Dumbleyung*</li> </ul>	<ul style="list-style-type: none"> <li>• Shire of Esperance*</li> <li>• Shire of Exmouth</li> <li>• Shire of Irwin*</li> <li>• Shire of Lake Grace</li> <li>• Shire of Menzies</li> <li>• Shire of Mundaring</li> <li>• Shire of Murray</li> <li>• Shire of Perenjori*</li> <li>• Shire of Three Springs*</li> <li>• City of Vincent</li> </ul>

Source: OAG

\* Indicates entities which received best practice in the 2022-23 report.

**Table 3: Best practice entities for 2023-24**

### Certifications

Since November 2024<sup>5</sup>, we completed 14 certifications on Roads to Recovery Program, Local Roads and Community Infrastructure Program, and Deferred Pensioner Claim. All of these were clear certification opinions. Appendix 8 includes a full listing of certifications issued.

### Control weaknesses

#### Control environment

We reported a total of 865 control findings in 2023-24 which is a reduction from the prior year (1,191 control findings). These are made up of 512 financial management issues (2022-23: 718) and 353 information system (IS) control issues (2022-23: 473).

An entity's control environment includes the governance and management functions and the attitudes, awareness and day-to-day actions that contribute to the internal control practices of

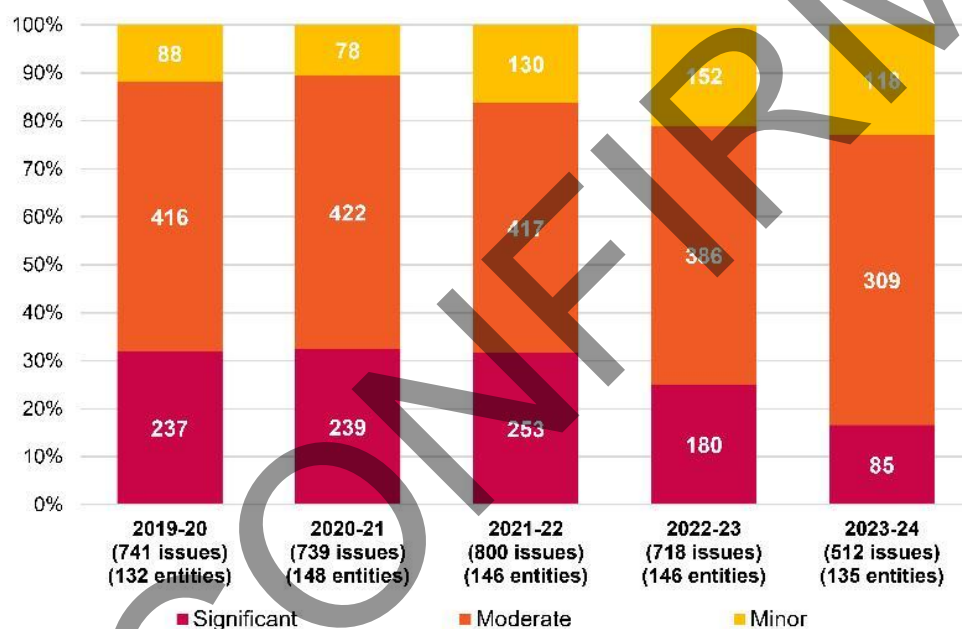
<sup>5</sup> Certifications prior to November 2024 have been included in previously tabled financial audit results reports, most recently within the *Universities and TAFEs 2023 - Financial Audit Results* report tabled on 5 December 2024.

importance to the entity. A control environment with adequate systems, processes and people reduces the risk of error and fraud, and provides assurance to management, council and auditors that financial reports are materially correct. We assess each entity's control environment during our risk assessment procedures. We report details of weaknesses in the environment to entities. The main themes of these weaknesses are discussed in further detail below. We reported in detail the IS control findings in a separate report to Parliament<sup>6</sup>.

## Financial management controls

We alerted 119 entities to 512 financial management control weaknesses across our three risk categories (Figure 4) compared with 718 weakness reported to 132 entities in 2023. The total number of findings is tracking lower than in recent years. These numbers will increase once the 12 outstanding entities are finalised; however, we don't expect the increase in number of findings to be greater than that reported in 2022-23. Importantly, the number of significant issues raised continued on a downward trend in 2023-24.

Definitions of our finding risk ratings can be found at Appendix 10.



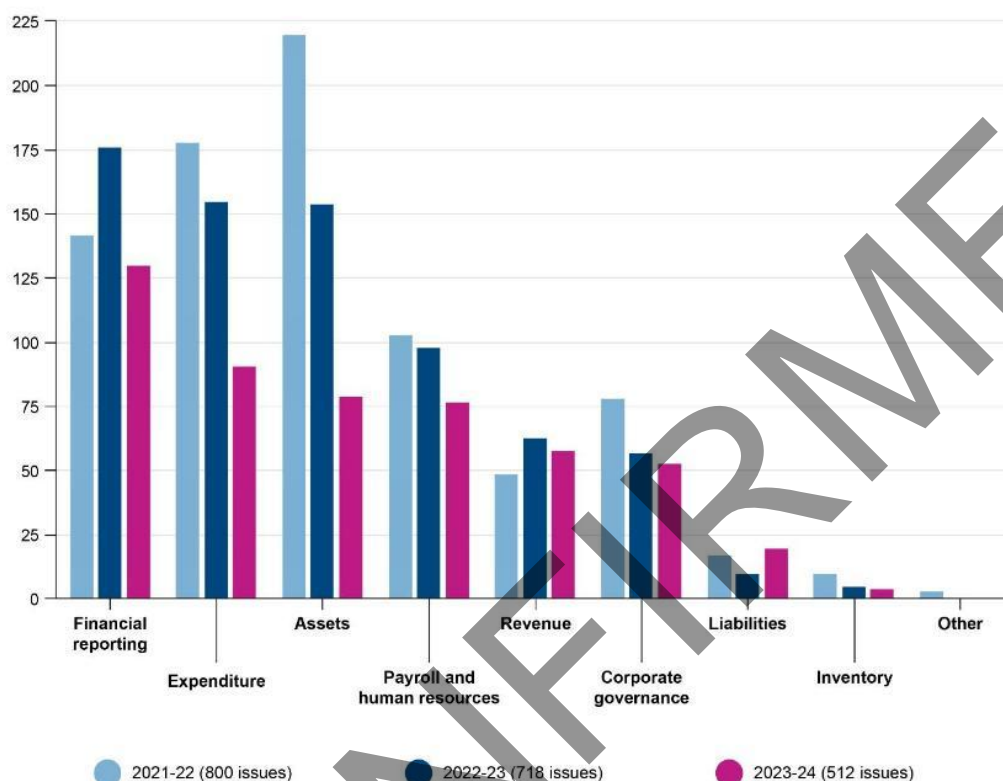
Source: OAG

Note: number of entities is the total number of entities audited by OAG for that year.

**Figure 4: Proportion of control weaknesses reported to management in each risk category and comparative ratings of the control weaknesses**

<sup>6</sup> Office of the Auditor General, [Local Government 2023-24 - Information Systems Audit Results](#), OAG, 11 April 2025.

As can be seen in Figure 5, financial reporting has become the largest area of concern. There has been a large drop in assets management issues this can be attributed in part to regulatory relief for the sector and in part to the work entities have done to clear some of their longstanding issues.



Source: OAG

**Figure 5: Financial management control issues reported to entities**

### Financial reporting

We raised 130 (2022-23: 176) issues at 67 (2022-23: 80) entities relating to their financial reporting procedures. Of the 130 issues, 38 were unresolved from the prior year and 28 were rated as significant.

Twenty-one per cent of issues (28 issues) related to bank reconciliations. We found reconciliations were not being performed or not being performed in a timely manner, not being reviewed and reconciling items being long outstanding. Bank reconciliations are a key financial management control and without a good reconciliation process financial reports are prone to errors and fraud may go undetected.

Fifteen per cent of issues (20 issues) related to general ledger reconciliations (not of a bank nature) and journal entries. Where balances in the finance system are not regularly reconciled to sub-systems there is an increased risk of errors in financial reporting. While accounting journal entries are a standard practice at all entities, they are a high-risk area from an auditor's perspective, as adjustments can change previously approved and posted transactions. Key controls over journal entries include segregation between journal posters and approvers, and appropriate review processes. Without these controls there is an increased risk of errors within the financial report and an increased risk of fraud. Generally these findings can be easy to correct with the implementation of regular reconciliation and



review processes and journal entry controls. We look forward to the results of the 2024-25 audit to see if these findings have been corrected.

The financial report submitted to audit should be supported by reconciliations and working papers of a high quality. Entities should document the procedures for producing the financial report to ensure business continuity in the event of staff changes. The financial report should be reviewed by the CEO and council or the audit committee to ensure its quality. Following this, the CEO should sign the financial report and submit it for audit. Further guidance for entities is available in our better practice guides accessible on our website<sup>7</sup>.

## Expenditure

We reported 91 expenditure weaknesses to 57 entities in 2023-24, compared with 155 issues to 76 entities in 2022-23. Of these 91 weaknesses, 22 were unresolved from the prior year and 10 were rated as significant.

As was the case in previous years we found instances of purchase orders raised after the invoice date and entities not seeking enough quotes. Seeking an appropriate number of quotes is an important control in ensuring value for money. Purchases made without authorised purchase orders increase the risk of unauthorised spending. These issues made up 49.5% (45 findings) of our expenditure findings.

Credit card controls accounted for 23% (21 issues) of the findings. We found credit card policies that were outdated or not complied with, transactions not being appropriately reviewed or approved, and instances where invoices were paid which were not in the name of the entity. Our recent performance audit report, *Local Government Management of Purchasing Cards*<sup>8</sup>, contains insights about entities credit card usage and where controls can be strengthened in this area.

Poor procurement practices increase the risk of fraud. It also increases the risk that entities may not be obtaining the best value for money. Entities need fit for purpose controls and processes that operate effectively to help mitigate against procurement risks.

## Asset management

We identified 79 findings at 50 entities compared with 154 findings at 84 entities in 2022-23. Of the 79 findings, 24 were prior year findings which have not been resolved and 24 were rated as significant. In 2022-23, most findings related to entities not revaluing their assets with sufficient regularity; however, in 2023-24 this is no longer the most prevalent issue. The reason for this is regulatory relief for entities around the regularity with which valuations need to occur, reducing from annual reviews to being every five years. We do anticipate that in revaluation years the number of asset management findings will increase.

In 2023-24, most asset management findings related to depreciation and reconciliations (19 issues each). Asset reconciliations are vitally important to ensure the asset records are appropriately recognised in the financial system as without appropriate reconciliation processes ownership status of assets can be difficult to ascertain or owned assets can be lost from records. Depreciation impacts on both asset carrying amounts and expenditure. Where assets are not depreciated or depreciation rates are inappropriate, reported asset carrying amounts will not be correct.

Due to the value of assets owned by most entities (namely property and infrastructure), anomalies in any one or more of the above factors can easily lead to qualifications of audit

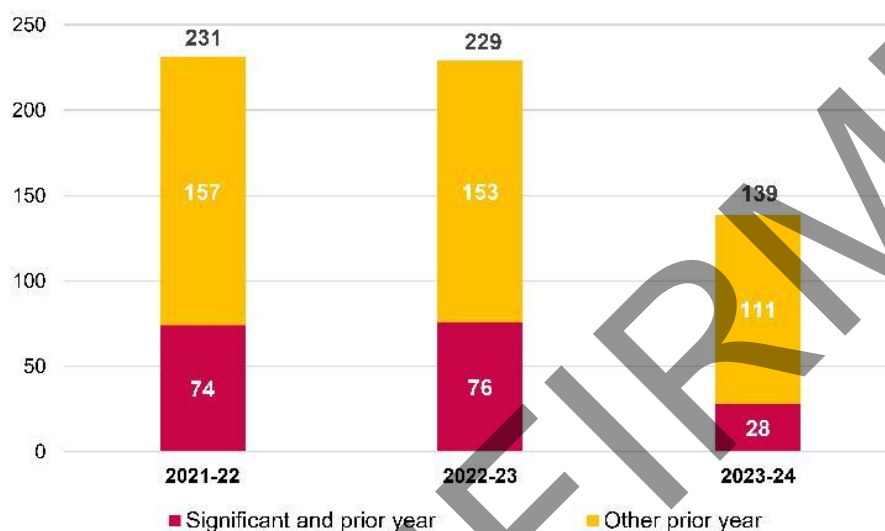
<sup>7</sup> Office of the Auditor General, *Audit Readiness – Better Practice Guide*, OAG website, 30 June 2023 and Office of the Auditor General, *Western Australian Public Sector Financial Statements – Better Practice Guide*, OAG website, 14 June 2021.

<sup>8</sup> Office of the Auditor General, *Local Government Management of Purchasing Cards*, OAG website, 12 June 2024.

opinions. It is important that entities remain alert to these issues and ensure their assets are appropriately valued, depreciated and reconciled each year.

### Findings unresolved from prior year

For 2023-24, 139 financial management control findings raised across 67 entities (2022-23: 229 findings across 87 entities) remain unresolved from prior years. This represents 27% (2022-23: 34%) of all current year findings. Of these, 20% (28 issues, 2022-23: 76 issues representing 33%) are significant, requiring urgent action.



Source: OAG

**Figure 6: Prior year issues per year**

The carry over findings mainly relate to financial reporting, assets and payroll. Common themes were:

- reconciliations were not performed regularly for assets and other balance sheet items
- poor procurement practices, including around the purchase of assets
- employees with excessive annual leave balances, considered to be balances larger than 8 weeks, represent a large liability to their employer. Findings also related to the accuracy and completeness of employee leave balances.

It is unfortunate that these issues remain outstanding. Issues add to audit time and costs. Entities need to prioritise fixing these issues.

### Information system controls

By 31 December 2024 we had reported 353 information system control weaknesses to 87 entities compared with 473 issues at 76 entities in 2023-24. This represents a significant improvement across the sector since our previous years' audit.

The number of significant findings also fell; however, half of them were unresolved issues from the prior year. Information and cyber security continue to be the area of highest concern. It was encouraging to see entities on a journey to implement better practice cyber security controls, which will help them address audit findings.



Computer controls included in information systems form part of the entity's control environment. The auditing standards require us to assess each entity's control environment inclusive of computer controls as part of risk assessment procedures. Entities rely on information systems to deliver a wide range of services. These are essential to processing and storing data and producing financial reports. We assess the general computer controls to determine if entities' computer controls effectively support the preparation of financial reports, delivery of key services, and the confidentiality, integrity and availability of information systems.

We reported in detail the IS control findings in a separate report to Parliament<sup>9</sup>.

## Continuous improvement opportunities

There are opportunities for entities and DLGSC to work together to address some areas of accounting and reporting complexity that continues to be challenging for entities. We found entities with commercial operations could provide greater clarity around their operations. Entities found assets previously owned (usually gifted by developers) but had not been previously included in their financial reports, and we found the revaluation and recognition of certain assets continues to be an area of inconsistency across the sector. We continue to see entities requiring support with accounting for their rehabilitation provisions and the impact of outsourcing on financial reporting capacity in the regions. These major areas for improvement are discussed in further detail below.

### Commercial operations

The *Local Government Act 1995* (the Act) prescribes the accounting for and presentation of fees and charges. However, the prescripts for fees and charges are not suited to pricing mechanism for commercial operations. For example, the Act has conditions that entities must adhere to in the pricing of goods, and changes to prices. Prices are to be included in the budget, requiring an absolute majority of council to approve changes and every time prices need to change, the entity must give notice to the local public of the intention to change prices. For commercial operations which require regular price and product changes, this is not practical. Examples of such commercial operations include general stores, airports, accommodation facilities, post offices or golf pro shops. We also think it is important that the nature of these transactions are reflected as sales of goods and services as that is their true nature. DLGSC should consider if this part of the Act needs to be reviewed or if entities could benefit from guidance on the accounting treatment and disclosure expected for commercial operations.

### Fixed assets

#### Valuations

As part of our recommendations last year, we suggested DLGSC provide guidance on valuations. DLGSC is still in the process of developing a guide to assist entities when revaluing assets. We understand the guide will cover topics such as valuation methodologies, scope of works and assumptions used in the valuation process. As such, the guide is an important tool to help entities improve their processes and increase the consistency of judgements and decisions around the assumptions driving valuation outcomes, making the valuations more reliable. DLGSC advised the guide had been shared with other jurisdictions in Australia for their input and feedback before finalisation, which is expected to be before 30 June 2025. This guide will be especially important for years when entities are required to revalue their assets (currently every five years) which typically results in increased audit findings on assets.

<sup>9</sup> Office of the Auditor General, [Local Government 2023-24 - Information Systems Audit Results](#), OAG, 11 April 2025.

### *Recognition of assets*

Last year we reported on the inconsistent accounting for crossovers, turf and shrubbery across the sector and recommended DLGSC provide some guidance in this area. There is no technical right or wrong accounting treatment so we have continued to accept the treatment entities have disclosed in their annual report. We still consider the sector could benefit from clear guidance from DLGSC on the accounting treatment for these items to ensure consistency across the sector. DLGSC initially included guidance on accounting for crossovers, turf, garden/trees in the Non-Financial Asset Valuation Guidelines. However, in consultation with this Office in October 2024, it was suggested that DLGSC consider further consultation with other jurisdictions on these, and that it may be best to include it in a later version. DLGSC advises that subject to further review, the section of the guidelines on specific asset types, specifically shrubbery (including trees) and crossovers, is to be considered in the next iteration.

### *Found assets*

An area of concern for 2023-24 was assets found in the current year that related to previous years, these were largely responsible for the increase in prior year restatements for 2023-24 as compared to 2022-23. These assets generally related to assets gifted to entities by developers as part of subdivisions. Entities need to ensure that any gifted assets are entered into both their financial records and asset register, at appropriate values, in the financial year that they are received. Entities need to conduct regular asset counts and verifications, to ensure that all their owned assets are recorded in the asset register.

Some entities outsource the counting and verification process to their valuers, while others carry out the work themselves. Without surety on the completeness of asset records the true value of assets owned by an entity cannot be ascertained or audited.

### *Errors*

For 2023-24, we had a slight increase in the number of EoM paragraphs relating to prior period errors. Entities that find material errors relating to previous years, such as found assets, are required to amend this and disclose a prior period error. Material prior period errors can also arise via many other means. These errors require specific considerations and disclosures to be made, as prescribed in AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, which are often complex. Additionally, due to the rarity of such disclosures, entity staff may not have previous experience with such disclosures. We recommend entities liaise with us early, allowing us to review the proposed approach and draft disclosures and provide feedback earlier in the audit process. We also welcome any guidance from DLGSC via example disclosures and the process to follow to guide entities.

### *Rehabilitation provisions*

Accounting for rehabilitation provisions is complex. Some entities lack the technical accounting capability to calculate and account for their rehabilitation provisions. In the absence of guidance on the recognition and ongoing measurement of rehabilitation provisions, we are often required to provide significant guidance to entities who simply do not understand the technical accounting aspects. LG Professionals has stepped in to assist in this area with a practical accounting guide presentation as part of their March 2025 conference. The presentation was based on a guide developed by the Queensland branch of the Local Government Finance Professionals. The DLGSC should consider if these existing guides can be localised to consider Western Australian specific legislation.



### Differential reporting and reduced disclosure requirements

As a result of DLGSC simplifying financial reporting requirements in 2022-23 we have noted a decrease in audit findings on assets. The simplification of reporting requirements is consistent with what our Office has been advocating for and reporting on for some time. The change meant smaller entities are no longer required to comply with various disclosure requirements.

DLGSC removed the requirements for all entities to report information in their financial reports on fees and charges, discounts and some other items. A list of amendments is available on the DLGSC website<sup>10</sup>. DLGSC also moved some financial report disclosure requirements to annual report only disclosures, so these are not audited. All were important contributions to reduce the financial reporting burden on entities.

### The role of outsourcing in financial reporting

We continue to see entities outsource areas of their finance operating function to accounting firms. The outsourced work includes all areas of financial reporting, including preparation of reports, accounting policies, business valuations and everyday accounting such as preparation of monthly reconciliations and reporting to council. Outsourcing can be beneficial, as it allows entities to tap into a specialist skill set and helps overcome their resource constraints.

There are downsides of outsourcing. Our teams often find management are not sufficiently informed on their own accounting policies or areas of judgement within their financial report. Further, where outsourcing agreements do not include a transfer of knowledge to entity staff, there is a missed opportunity for local government staff development and upskilling. Audit teams are often left to conduct the audit with the assistance of the outsourced financial report provider with minimal entity involvement.

The key to a successful outsourcing arrangement is a strong management presence to connect the service providers, audit teams, operations and council. Early engagement, planning and close contract management are vital. Responsibility to provide information for audit rests with entities, this cannot be outsourced. Effective oversight ensures a smoother process with no surprises. It also contributes to lower audit costs and more timely reporting.

### Accounting standard changes

There are changes to AASB 13 *Fair Value Measurement* impacting entities in 2024-25 for the first time. These changes are significant for the sector. The updated standard confirms an asset's current use is presumed to be the highest and best use unless its sale or an alternative use is highly probable<sup>11</sup>. Valuations of restricted use land should therefore generally discount the value of the land for the current use restrictions in place.

The updated AASB 13 also clarifies the costs to be considered when measuring fair value under the cost approach, which is frequently used to value infrastructure (e.g. roads) as these are not actively bought and sold in an open marketplace. The standard confirms 'once-off' costs, such as professional and project management fees, should be included in the calculation of replacement cost when it is reasonable to do so. The changes help ensure consistency in the measurement of fair value for not-for-profit public sector entities.

<sup>10</sup> Department of Local Government, Sport and Cultural Industries, [Local Government Regulations Amendment Regulations 2023](#). DLGSC website, 13 July 2023.

<sup>11</sup> To be highly probable, the alternative use needs to be physically possible, legally permissible and financially feasible. This also requires that management must be committed to the alternative use with an implementation plan in place and relevant approvals for change in use of the asset.

As previously indicated, DLGSC is currently working on a valuation guide which should include these requirements. In the interim, the DLGSC released a LG Alert in July 2023<sup>12</sup> addressing the changes required by AASB 13.

## The role of outsourcing in delivering OAG audits

The outsourcing of audits is critical to the operation of our office. It has many benefits including to meet periods of peak demand and provide access to specialist skills found in the private sector. Outsourcing is common practice across jurisdictions, both within and outside Australia. It also allows us a unique opportunity to benchmark our audit quality and efficiency with private audit firms.

We maintain oversight of our contract audit firms, reviewing their audit files including key audit judgements to maintain a high level of quality and consistency across the sector. We also engage with entities throughout the audit process including attending key meetings. Entity opinions are signed by our office and are included as part of our whole of sector reporting, such as this report.

The number of audits we outsource has increased in recent years. This is due in part to a tight labour market which makes it difficult to attract and retain audit talent. This year we outsourced additional audits to increase capacity while we rolled out our new methodology and audit tool across all of our audits. For 2023-24, we outsourced 92% of local government entities. Over the next five years we plan to progressively increase the number of local government sector audits we conduct in-house to reach our outsourcing target of 80%.

## Future audits

With the growing prevalence and availability of AI (artificial intelligence) and analytics tools, we are investigating new tools and techniques to assist with our audits. We approach these opportunities in a balanced way to gain benefits with minimal risk.

Our internal Strategic Business Intelligence team is working in unison with our audit teams to trial new techniques and products. Successful trials will be considered for rollout across our audits in future years. Before we implement the use of AI or AI based audit tools, we consider the implications on data integrity and data security, continuing to ensure any data we receive from entities is securely dealt with.

We expect to gain efficiencies in this space to assist with containing audit costs. We will share our insights with the sector as they arise.

For AI to be used by entities, there must be an understanding of what will be generated by it and how that information is planned to be used (e.g. for key decision making). If the use of AI will be generating or influencing information we ultimately need to audit, an appropriate evidential and auditable trail will need to be retained. There are also relevant security of information aspects to consider. We recommend entities liaise with the OAG, preferably before using AI, to clarify planned use, controls instituted around its use, implications for the entity and the audit process.

## Timely communication of audit fees

In late 2023 we deferred the completion of tenders for outsourced audits to enable us to focus on outstanding local government financial audits. This was important to enable us to sign-off as many entities audit reports as possible by the end of 2023. We acknowledge the unintended consequence of this decision was significantly delayed timing of our 2023-24

<sup>12</sup> Department of Local Government, Sport and Cultural Industries, [Fair Value Measurement of Non-Financial Assets for local governments](#), DLGSC website, 23 July 2023.



indicative fee notifications that did not give entities sufficient time to implement initiatives to mitigate the impact of the increases. In hindsight we realise we should have communicated to entities the timing of fee communication as well as anticipated fee impact earlier.

In September 2024, the Auditor General, accompanied by various OAG representatives, appeared before the Legislative Council's Standing Committee on Estimates and Financial Operations (EFOC) on the matter of audit fees and other aspects of OAG operations. EFOC took this opportunity to express concerns raised on various matters regarding local government audit fees<sup>13</sup>. This was an important exercise in accountability for the Auditor General and OAG.

This process provided us with valuable feedback and highlighted the need for timeliness and additional transparency with our fee communication. In response we developed an infographic<sup>14</sup> (Appendix 11) on how we set and benchmark our audit fees.

We are committed to completing our tender processes in December each year and complete our audit risk assessment analysis at the completion of each year's audit with the intention to have the fee setting process finalised by 31 March each year.

As a cost recovery agency, our audit fee revenue must cover any difference between our appropriation funding from Parliament and the costs of running our office, therefore with increased costs we must increase our audit fees.

Audit fees reflect a variety of cost drivers:

- labour market pressures across the auditing profession as well as the public sector
- increasing audit contractor fees
- changes in auditing and accounting standards leading to increased audit effort
- audit readiness and ability of entity staff to handle audit queries
- complexity of issues being encountered at entities
- inflationary impact on general expenses including IT, travel and other supplies.

We are committed to driving efficiencies in our processes wherever possible. For our contract audits we use market pressures of tendering to encourage competitive audit fees, and we are seeking efficiencies through tightly focussed audit planning using our new audit methodology for in-house audits. However, we do anticipate cost pressures to continue in the near to medium term.






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<sup>13</sup> A broadcast of this consultation is available on the Parliament of Western Australia website, [Estimates and Financial Operations Committee Consultation with the Auditor General](#), 23 November 2022.

<sup>14</sup> Office of the Auditor General, [Information on local government fees](#), OAG website, December 2024.



## Appendix 1: Status and timeliness of audits

Type of audit opinion	
Clear (unmodified)	
Clear opinion with emphasis of matter or matter of significance paragraph	
Material uncertainty related to going concern	
Qualified or a disclaimer of opinion	
Qualified opinion with an emphasis of matter or matter of significance paragraph	

Financial report timeliness – audit ready submissions*	
Received financial report by statutory deadline of 30 September 2024 and assessed audit ready	
Received an extension from DLGSC to the statutory deadline and met this extension with audit ready financial report	
Extension or statutory deadline was not met with audit ready financial report	

\* Financial report initially provided may not be of a quality that is audit ready. The icon in the table below reflects the date we assessed the financial report as audit ready.

Entities listed in alphabetical order with opinion type, opinion date and audit ready financial report submission status.

	Entity	Band	Type of opinion	Opinion issued	Audit ready submission of financial report*
1	Bunbury-Harvey Regional Council	Other		05/12/2024	
2	Catalina Regional Council	Other		30/09/2024	
3	City of Albany	1		11/12/2024	
4	City of Armadale	1		13/12/2024	
5	City of Bayswater	1		02/12/2024	
6	City of Belmont	1		28/11/2024	
7	City of Bunbury	1		19/11/2024	
8	City of Busselton	1		08/11/2024	
9	City of Canning	1		06/12/2024	
10	City of Cockburn	1		05/12/2024	

	Entity	Band	Type of opinion	Opinion issued	Audit ready submission of financial report*
11	City of Fremantle	1	✓	03/12/2024	📄
12	City of Gosnells	1	✓	04/12/2024	📄
13	City of Joondalup	1	✓	19/11/2024	📄
14	City of Kalamunda	2	✓	08/11/2024	📄
15	City of Kalgoorlie-Boulder	1	✓	10/12/2024	📄
16	City of Karratha	1	✓	13/12/2024	📄
17	City of Kwinana	1	✓	04/12/2024	📄
18	City of Mandurah	1	✓	10/12/2024	📄
19	City of Melville	1	✓	04/12/2024	📄
20	City of Perth	1	✓	28/11/2024	📄
21	City of Rockingham	1	✓	29/10/2024	📄
22	City of South Perth	2	✓	12/11/2024	📄
23	City of Stirling	1	✓	17/12/2024	📄
24	City of Subiaco	2	✓	13/11/2024	📄
25	City of Swan	1	✓	19/11/2024	📄
26	City of Vincent	2	✓	18/11/2024	📄
27	City of Wanneroo	1	✓	26/11/2024	📄
28	Eastern Metropolitan Regional Council	Other	✓	09/10/2024	📄
29	Mindarie Regional Council	Other	✓	14/11/2024	📄
30	Murchison Regional Vermin Council	Other	✓	18/12/2024	📄
31	Resource Recovery Group	Other	✓	25/11/2024	📄
32	Rivers Regional Council	Other	✓	11/12/2024	📄
33	Shire of Ashburton	2	✓	06/12/2024	📄
34	Shire of Augusta-Margaret River	2	✓	12/11/2024	📄
35	Shire of Beverley	4	✓	01/11/2024	📄
36	Shire of Boddington	4	✓	06/12/2024	📄
37	Shire of Boyup Brook	4	✗	19/12/2024	📄

	Entity	Band	Type of opinion	Opinion issued	Audit ready submission of financial report*
38	Shire of Brookton	4	✓	09/12/2024	🗓️
39	Shire of Broome	2	⚠️	09/12/2024	🗓️
40	Shire of Broomehill-Tambellup	4	✓	12/12/2024	🗓️
41	Shire of Bruce Rock	4	✓	18/12/2024	🗓️
42	Shire of Capel	3	✓	29/11/2024	🗓️
43	Shire of Carnamah	4	✓	09/12/2024	🗓️
44	Shire of Carnarvon	2	✓	11/12/2024	🗓️
45	Shire of Chapman Valley	4	✓	10/12/2024	🗓️
46	Shire of Chittering	3	✓	11/12/2024	🗓️
47	Shire of Christmas Island	3	✓	02/12/2024	🗓️
48	Shire of Cocos (Keeling) Islands	4	✓	23/12/2024	🗓️
49	Shire of Coorow	4	✓	05/12/2024	🗓️
50	Shire of Corrigin	4	✓	18/12/2024	🗓️
51	Shire of Cranbrook	4	✓	16/10/2024	🗓️
52	Shire of Cuballing	4	✓	13/12/2024	🗓️
53	Shire of Cue	4	✓	04/12/2024	🗓️
54	Shire of Cunderdin	4	✓	05/12/2024	🗓️
55	Shire of Dalwallinu	3	✓	21/11/2024	🗓️
56	Shire of Dandaragan	3	✓	09/12/2024	🗓️
57	Shire of Dardanup	3	✓	15/11/2024	🗓️
58	Shire of Denmark	3	✓	18/10/2024	🗓️
59	Shire of Derby-West Kimberley	2	✓	12/12/2024	🗓️
60	Shire of Donnybrook Balingup	3	✓	20/11/2024	⚠️
61	Shire of Dowerin	4	✓	14/11/2024	🗓️
62	Shire of Dumbleyung	4	✓	28/11/2024	🗓️
63	Shire of East Pilbara	2	✓	10/12/2024	🗓️
64	Shire of Esperance	2	✓	31/10/2024	🗓️



	Entity	Band	Type of opinion	Opinion issued	Audit ready submission of financial report*
65	Shire of Exmouth	3	✓	27/11/2024	📄
66	Shire of Gingin	3	✓	20/11/2024	📄
67	Shire of Gnowangerup	4	✓	15/11/2024	📄
68	Shire of Goomalling	4	✗	12/12/2024	📄
69	Shire of Harvey	2	✓	28/11/2024	📄
70	Shire of Irwin	3	✓	19/12/2024	📄
71	Shire of Jerramungup	4	✓	15/11/2024	📄
72	Shire of Katanning	3	✓	17/12/2024	📄
73	Shire of Kellerberrin	4	✓	05/12/2024	📄
74	Shire of Kent	4	✗ ✓	16/12/2024	📄
75	Shire of Kojonup	3	✓	20/12/2024	📄
76	Shire of Kondinin	4	✓	06/12/2024	📄
77	Shire of Koorda	4	✓	28/11/2024	📄
78	Shire of Kulin	4	✓	06/12/2024	📄
79	Shire of Lake Grace	4	✓	02/12/2024	📄
80	Shire of Laverton	3	✓	06/12/2024	📄
81	Shire of Leonora	3	✓	05/12/2024	📄
82	Shire of Manjimup	2	✓	20/11/2024	📄
83	Shire of Meekatharra	3	✓	04/12/2024	📄
84	Shire of Menzies	4	✓	06/11/2024	📄
85	Shire of Merredin	3	✓	05/12/2024	📄
86	Shire of Mingenew	4	✓	06/12/2024	📄
87	Shire of Moora	3	✓	19/12/2024	📄
88	Shire of Morawa	4	✓	02/12/2024	📄
89	Shire of Mount Magnet	4	✗ ✓	25/11/2024	📄
90	Shire of Mount Marshall	4	✓	11/12/2024	📄
91	Shire of Mukinbudin	4	✓	18/12/2024	📄

	Entity	Band	Type of opinion	Opinion issued	Audit ready submission of financial report*
92	Shire of Mundaring	2	✓	02/12/2024	🟢
93	Shire of Murchison	4	✓	28/11/2024	🟢
94	Shire of Murray	2	✓	04/12/2024	🟢
95	Shire of Narembeen	4	✓	05/12/2024	🟢
96	Shire of Narrogin	3	✓	22/11/2024	🟡
97	Shire of Ngaanyatjaraku	4	✓	10/12/2024	🟢
98	Shire of Northam	2	✓	04/12/2024	🟡
99	Shire of Northampton	3	✓	13/12/2024	🟡
100	Shire of Nungarin	4	✓	11/12/2024	🟢
101	Shire of Peppermint Grove	4	✓	29/11/2024	🟢
102	Shire of Perenjori	4	✓	05/12/2024	🟢
103	Shire of Pingelly	4	✓	27/11/2024	🟢
104	Shire of Plantagenet	3	✓	11/12/2024	🟢
105	Shire of Quairading	4	✓	04/12/2024	🟡
106	Shire of Ravensthorpe	3	✓	09/12/2024	🟢
107	Shire of Sandstone	4	🔴	17/12/2024	🟢
108	Shire of Serpentine-Jarrahdale	2	🔴	18/12/2024	🟢
109	Shire of Shark Bay	4	✓	13/12/2024	🟢
110	Shire of Tammin	4	✓	12/12/2024	🟡
111	Shire of Three Springs	4	✓	05/12/2024	🟢
112	Shire of Trayning	4	✓	13/12/2024	🟢
113	Shire of Upper Gascoyne	4	✓	19/12/2024	🟢
114	Shire of Victoria Plains	4	✓	28/12/2024	🟢
115	Shire of Wagin	4	✓	18/11/2024	🟢
116	Shire of Wandering	4	✓	11/12/2024	🟢
117	Shire of Waroona	3	✓	02/12/2024	🟢
118	Shire of West Arthur	4	✓	06/12/2024	🟢



	Entity	Band	Type of opinion	Opinion issued	Audit ready submission of financial report*
119	Shire of Westonia	4	✗	18/12/2024	🔴
120	Shire of Williams	4	✓	5/12/2024	🟢
121	Shire of Wiluna	4	✓	17/12/2024	🟢
122	Shire of Wongan-Ballidu	4	✓	29/11/2024	🔴
123	Shire of Woodanilling	4	✓	11/11/2024	🟢
124	Shire of Wyalkatchem	4	✓	25/11/2024	🔴
125	Shire of Wyndham-East Kimberley	2	✓	6/12/2024	🟢
126	Shire of Yilgarn	3	✓	13/12/2024	🟢
127	Shire of York	3	✓	13/12/2024	🟢
128	Town of Bassendean	3	✓	11/12/2024	🟢
129	Town of Cambridge	2	✓	18/12/2024	🔴
130	Town of Claremont	3	✓	09/12/2024	🟢
131	Town of East Fremantle	3	✓	06/12/2024	🟢
132	Town of Mosman Park	3	✓	09/12/2024	🟢
133	Town of Port Hedland	1	✗	16/12/2024	🟢
134	Town of Victoria Park	2	✓	11/12/2024	🟢
135	Western Metropolitan Regional Council	Other	✓	18/10/2024	🟢

Source: OAG

### Opinion type by entity band allocations

Band of entity	Number of entities	Opinions issued	Clean opinions	Qualifications or other modifications	Opinions including EoM paragraphs
Band 1	23 (23)	22 (23)	21 (22)	1 (1)	4 (6)
Band 2	21 (21)	20 (21)	20 (20)	0 (1)	4 (4)
Band 3	35 (35)	29 (35)	29 (31)	0 (4)	4 (3)
Band 4	60 (60)	56 (59)	51 (51)	5 (8)	5 (3)
Other (e.g. councils)	8 (8)	8 (8)	7 (7)	1 (1)	1 (1)
Total	147 (147)	135 (146)	128 (131)	7 (15)	18 (17)

Source: OAG

Notes: 2022-23 numbers included in brackets.

## Appendix 2: Entities who received an extension from DLGSC to submit their financial report after the 30 September legislated deadline

Entity	Extension date
City of Nedlands	9 December 2024
Shire of Bridgetown-Greenbushes	31 October 2024
Shire of Collie	31 October 2024 31 March 2025
Shire of Donnybrook Balingup	31 October 2024
Shire of Dundas	23 October 2024
Shire of Gnowangerup	18 October 2024
City of Greater Geraldton	31 January 2025
Shire of Halls Creek	28 February 2025
Shire of Kojoonup	31 October 2024
Shire of Merredin	14 October 2024
Shire of Narrogin	21 October 2024
Shire of Northampton	25 October 2024
Shire of Quairading	4 October 2024
Shire of Toodyay	31 October 2024
Shire of Wickepin	11 October 2024
Shire of Wongan-Ballidu	18 October 2024
Town of Cottesloe	31 October 2024

Source: DLGSC

## Appendix 3: Outstanding audits at 31 December 2024<sup>15</sup>

Entity	Balance date	Reason for delay
City of Greater Geraldton	30 June 2024	The City changed their financial system during the year and due to data migration complexities the City requested an extension to 31 January 2025 from DLGSC to submit their financial report. The audit was completed on 28 March 2025.
City of Nedlands	30 June 2024	The City requested an extension from DLGSC to provide their financial report to the auditors on 9 December 2024. This was due to time needed to address the matters giving rise to the disclaimer of opinion in 2022-23. We are expecting to sign this audit in the first half of 2025.
Shire of Bridgetown-Greenbushes	30 June 2024	The Shire had staffing issues which meant that although they produced financial statements, certain areas were found to be incorrect. The audit was put on pause to enable these areas to be corrected. The audit was completed on 4 April 2025.
Shire of Collie	30 June 2024	The Shire had staffing issues which meant they were unable to produce financial statements by 30 September 2024. Consequently the Shire requested an extension from DLGSC to provide their financial report to the auditors on 31 December 2024. We are expecting to sign this audit in the first half of 2025.
Shire of Coolgardie	30 June 2024	The Shire requested the audit be put on pause until early 2025 to provide them time to provide outstanding audit information. This extension was due to staff changes at the executive level and to allow the Shire to address other urgent operational matters. The audit has recommenced with expected sign-off in May 2025.
Shire of Dundas	30 June 2024	The audit was delayed due to challenges related to the acquisition of a local business during the financial year and staffing issues due to the remote location. The audit was completed on 9 April 2025.
Shire of Halls Creek	30 June 2024	The 2023 audit was not completed until late April 2024. The Shire obtained an extension for provision of the financial report to 28 February 2025 and met this deadline. The 2024 audit has since commenced.
Shire of Nannup	30 June 2024	Our audit of the revaluation completed during the year identified that some assets were missed. The Shire chose to arrange for a new valuation resulting in a need to pause the audit while this occurred. The audit was completed on 4 February 2025.
Shire of Toodyay	30 June 2024	As evidenced in the previous three audits, the Shire continued to lack the ability to undertake and provide the required information for audit purposes in a timely manner, causing significant audit delays. The audit is expected to be completed in the first half of 2025.

<sup>15</sup> Date of report cut-off.

Entity	Balance date	Reason for delay
<b>Shire of Wickepin</b>	30 June 2024	On review of the infrastructure revaluation completed during the year it was noted that an asset class was missed. The Shire requested the audit be put on pause while they arranged a new valuation. The audit was completed on 14 February 2025.
<b>Shire of Yalgoo</b>	30 June 2023 and 30 June 2024	These audits have been delayed due in part to the 30 June 2022 audit only being completed in May 2024. There have been continued delays in the provision of outstanding audit information required from management to finalise the audits of both years. These audits are expected to be signed off in the first half of 2025.
<b>Town of Cottesloe</b>	30 June 2024	On review of a fair value valuation, there were queries around a 2022/23 valuation which required the Town to revert to their valuer, requiring the audit be put on pause until January 2025 to facilitate this. The audit was completed on 14 February 2025.

Source: OAG



## Appendix 4: 2023-24 Qualified opinions

Entity	Details of qualification
<b>Shire of Boyup Brook</b>	<b>Biological assets</b> We were unable to obtain sufficient and appropriate audit evidence for biological assets, as disclosed in note 7 in the financial statements, as the Shire did not provide us with adequate information to support the year-end stocktake of biological assets or the movements of biological assets during the year. We could not confirm biological assets by alternative means. Consequently, we were unable to determine whether any adjustments to the biological assets reported at a carrying value of \$158,702 or the net result for 30 June 2024 were necessary.
<b>Shire of Goomalling</b>	<b>Infrastructure</b> The opinion in the prior year was qualified because infrastructure asset classes of roads, drainage and footpaths as disclosed in note 8(a) of the financial report as at 30 June 2023 with the carrying values of \$40,811,938, \$2,153,484 and \$770,060 respectively, had not been revalued as required by the regulations. The Shire was unable to correct these prior year figures in the current year. Consequently, the opinion on the current year financial report is also modified because of the possible effects of this matter on the comparability of the current period's figures and the corresponding figures.
<b>Shire of Kent</b>	<b>Infrastructure</b> The opinion in the prior year was qualified because other infrastructure assets as disclosed in note 9(a) of the financial report as at 30 June 2023 with a carrying value of \$4,867,091 had not been revalued as required by the regulations. The Shire was unable to correct these prior year figures in the current year. Consequently, the opinion on the current year financial report is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.
<b>Shire of Mount Magnet</b>	<b>Infrastructure</b> The opinion in the prior year was qualified because other infrastructure asset classes of parks and gardens, aerodromes and other reported at the carrying values of \$862,215, \$2,787,963 and \$4,584,744 respectively as at 30 June 2023, had not been revalued as required by the regulations. The Shire was unable to correct these prior year figures in the current year. Consequently, the opinion on the current year financial report is modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures in note 9 of the financial report.
<b>Shire of Westonia</b>	<b>Infrastructure</b> The opinion in the prior year was qualified because Infrastructure assets as disclosed in note 9(a) of the financial report as at 30 June 2023 with a carrying value of \$43,562,879 had not been revalued as required by the regulations. The Shire was unable to correct these prior year figures in the current year. Consequently, the opinion on the current year financial report is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.
<b>Town of Port Hedland</b>	<b>Infrastructure assets valuations</b> The Town did not recognise 670 (2023:797) infrastructure assets with a value of \$17,371,521 (2023: \$25,112,117) in accordance with the Regulation 17A(2)(a) of the Local Government Financial Management Regulations 1996, as these assets could not be located due to weaknesses in the asset management system. The assets were instead adjusted to a nil carrying value while still being in use and accounted for in the asset register. We were unable to determine the impact on the net carrying amount of infrastructure assets and the consequential impact on retained earnings, revaluation reserves, depreciation and net surplus



Entity	Details of qualification
	<p>for the year, as it is impracticable to do so. In addition, the opinion in the prior year was qualified because drainage and other infrastructure assets, reported at a carrying value of \$33,243,203 and \$47,582,860 as at 30 June 2023 respectively in note 9 to the financial statements, were not all revalued as required by the regulations. The Town was unable to correct these prior year figures in the current year. Consequently, the opinion on the current year financial report is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.</p> <p><b>Investment property</b></p> <p>The opinion in the prior year was qualified because investment property as disclosed in note 12 of the financial report as at 30 June 2023 with the carrying value of \$45,027,262 had not been revalued as required by the regulations. The Town was unable to correct these prior year figures in the current year. Consequently, The opinion on the current year financial report is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.</p>

Source: OAG

## Appendix 5: Prior year qualifications and disclaimers removed in 2023-24

Entity	Details of qualification or disclaimer
Shire of Katanning	<p><b>Qualification - Infrastructure</b></p> <p>Infrastructure amounting to \$159,205,524 in the statement of financial position as at 30 June 2023 has not been revalued with sufficient regularity, as required by Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996 since 2017-18. Consequently, we were unable to determine the extent to which the carrying amount of Infrastructure is misstated, as it was impracticable to do so. Additionally, we are unable to determine whether there may be any consequential impact on the revaluation surplus as at 30 June 2023.</p> <p><b>Qualification - Buildings</b></p> <p>The buildings depreciation expense of \$1,016,090 reported in note 7(a) of the financial report for year ended 30 June 2023 did not reflect the expected pattern of the future economic benefits of these assets. The Shire did not update rates of depreciation for the year ended 30 June 2023. If the Shire had updated the rates, buildings depreciation would have increased by \$1,259,134. Buildings and retained surplus at 30 June 2023 would have decreased by \$1,259,134 and the net result for the period would have decreased by \$1,259,134.</p>
Shire of Plantagenet	<p><b>Qualification - Other Infrastructure and Parks and Oval – Comparability of Prior Period Figures</b></p> <p>The opinion in the prior year was qualified because the Shire did not value the 71 newly identified assets included under other infrastructure and parks and ovals at fair value in accordance with Regulation 17A(2)(a) of the Local Government (Financial Management) Regulations 1996. Other infrastructure and infrastructure - parks and ovals balances were reported in note 9(a) of the financial report at \$16,954,536 and \$6,792,411 respectively as at 30 June 2022. The Shire was unable to make the appropriate corrections for these prior year figures in the current year.</p> <p>Consequently, the opinion on the current year financial report is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures in note 9(a) of the financial report.</p>
Shire of Wiluna	<p><b>Qualification - Airport and Other Infrastructure Assets</b></p> <p>We qualified the revaluations of the Shire's airport and other infrastructure assets stated at \$5,353,146 and \$2,284,337 respectively in the prior year because they were not supported with appropriate and complete accounting records. The Shire has not made the appropriate corrections for these prior year figures in the current year. Consequently, the opinion on the current year financial report is modified because of the possible effect of this matter on the comparability of the current period's airport and Infrastructure figures in note 9 (a) and the corresponding figures of the financial report.</p>
Shire of Woodanilling	<p><b>Qualification - Building assets</b></p> <p>We qualified building assets stated at \$4,942,954 in the prior year because the Shire had not revalued its building assets with sufficient regularity or in accordance with Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996. The Shire has not made the appropriate corrections for this prior year figure in the current year. Consequently, the opinion on the current year financial report is modified because of the possible effect of this matter on the comparability of the current period's building asset figure in note 9 and the corresponding figure of the financial report.</p>

Source: OAG

## Appendix 6: Emphasis of matter paragraphs included in auditor reports

Entity	Description of EoM paragraphs	Brief explanation
City of Kalgoorlie-Boulder	<b>Restatement of comparative balances</b> We draw attention to note 33 to the financial report which states that the amounts reported in the previously issued 30 June 2023 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.	The City conducted a comprehensive review of their land asset holdings and identified 36 lots of Crown land which had incorrectly been measured at fair value since 2022.
City of Kwinana	<b>Restatement of comparative balances</b> We draw attention to note 31 to the financial report which states that the amounts reported in the previously issued 30 June 2023 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.	The City identified \$12.5 million of developer contributed assets which had not been previously recognised in prior years.
City of Melville	<b>Events occurring after the end of the reporting period</b> We draw attention to note 21 to the financial report, which states that, following the end of the financial year ended 30 June 2024, the Council has resolved to extend the City's withdrawal from Resource Recovery Group by six months to 31 December 2025. The opinion is not modified in respect of this matter.	On 21 November 2023, the City resolved to withdraw from the Resource Recovery Group and all associated projects, effective 1 July 2025. On 17 September 2024, the City resolved to extend the withdrawal date to 31 December 2025.
City of Wanneroo	<b>Restatement of comparative balances</b> We draw attention to note 32 of the financial report which states that the amounts reported in the previously issued 30 June 2023 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.	The restatements relate to developer contribution plans, which had not been accounted for correctly.
Rivers Regional Council	<b>Basis of accounting</b> We draw attention to note 1 of the financial report, which discloses that the Council has decided to wind up Rivers Regional Council. Consequently, the financial report has been prepared on a liquidation basis. The opinion is not modified in respect of this matter.	The Council has decided to wind up Rivers Regional Council. Consequently, the financial report has been prepared on a liquidation basis as required under Accounting Standards. Accordingly, all assets and liabilities in the 2023-24 financial report have been classified as current.
Shire of Broome	<b>Restatement of comparative balances</b> We draw attention to note 29 of the financial report which states that the amounts reported in the previously issued 30 June 2023 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.	The Shire reviewed the accounting treatment of contributions from developers and noted certain projects and contribution types which should have been recognised as revenue in previous financial years.



Entity	Description of EoM paragraphs	Brief explanation
<b>Shire of Katanning</b>	<b>Restatement of comparative balances</b> We draw attention to note 26 of the financial report which states that the amounts reported in the previously issued 30 June 2023 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.	The 2022-23 financial report was qualified as infrastructure had not been revalued in line with regulatory timeframes and the buildings and depreciation charges were not accurately recognised. These matters were corrected in the 2023-24 and restated the 2022-23 financial report to accurately reflect the valuations.
<b>Shire of Kent</b>	<b>Restatement of comparative balances</b> We draw attention to note 28 of the financial report which states that the amounts reported in the previously issued 30 June 2023 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.	The Shire had incorrectly recognised fees collected on behalf of another agency as revenue and related payments as expenditure. The 2022-23 comparative balances were restated in the financial report to correct this.
<b>Shire of Mingenew</b>	<b>Restatement of comparative balances</b> We draw attention to note 29 of the financial report which states that the amounts reported in the previously issued 30 June 2023 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.	The Shire had incorrectly recognised fees collected on behalf of another agency as revenue and related payments as expenditure. The 2022-23 comparative balances in the financial report were restated to correct this.
<b>Shire of Moora</b>	<b>Restatement of comparative balances</b> We draw attention to note 29 of the financial report which states that the amounts reported in the previously issued 30 June 2023 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.	In 2022-23, the Shire acquired the land, building and infrastructure of the Moora Tennis Clubhouse in exchange of support of its operation. The assets were not recognised in the financial report at that time.  An external valuation has now been obtained, and a correction was processed with 2022-23 balances being restated in the financial report in the current year.  The Shire also received a fire truck from the Department of Fire and Emergency Services on 31 March 2022 as a grant at zero cost. The asset and related income was not recognised in 2022.  A correction was processed, and the 2022-

Entity	Description of EoM paragraphs	Brief explanation
		23 balances have been restated in the 2023-24 financial report.
<b>Shire of Morawa</b>	<b>Restatement of comparative balances</b> We draw attention to note 30 of the financial report which states that the amounts reported in the previously issued 30 June 2023 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.	The Shire had incorrectly recognised fees collected on behalf of another agency as revenue and related payments as expenditure in their financial report. The 2022-23 comparative balances were restated in the 2023-24 financial report to correct this.
<b>Shire of Mount Magnet</b>	<b>Trade and other receivables</b> We draw attention to note 5 of the financial report which describes an amount of \$766,793 in the Shire's rates and statutory receivables that is subject to Supreme Court determination. The opinion is not modified in respect of this matter.	Some of the Shire's reported rate revenue and receivables includes amounts which were objected by a rate payer. The objection was upheld by the State Administrative Tribunal and is now subject to a Supreme Court determination. The Shire recognised these amounts in their financial report as they were confident at the time that the determination when made, would be made in the Shire's favour.
<b>Shire of Sandstone</b>	<b>Restatement of comparative balances</b> We draw attention to note 25 of the financial report which states that the amounts reported in the previously issued 30 June 2023 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.	The Shire had incorrectly recorded trust funds as shire monies. These balances were restated in the 2022-23 comparatives in the 2023-24 financial report.
<b>Shire of Serpentine-Jarrahdale</b>	<b>Restatement of comparative balances</b> We draw attention to note 34 of the financial report which states that the amounts reported in the previously issued 30 June 2023 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.	Infrastructure assets previously gifted to the Shire as part of land subdivisions had not been recognised in the financial report. During the 2023-24 year the Shire has investigated and identified the assets they believe to have been missed and these have been subsequently recognised in the financial report.
<b>Shire of Yilgarn</b>	<b>Restatement of comparative balances</b> We draw attention to note 29 of the financial report which states that the amounts reported in the previously issued 30 June 2023 financial report have been restated and disclosed as	Subsequent to a revaluation in 2021-22, infrastructure assets had been moved to different categories and depreciation inconsistently applied. This



Entity	Description of EoM paragraphs	Brief explanation
	comparatives in this financial report. The opinion is not modified in respect of this matter.	\$293,542 error was found and corrected in the \$457 million infrastructure balance in the 2023-24 financial report.
<b>Town of Cambridge</b>	<b>Restatement of comparative balances</b> We draw attention to note 32 of the financial report which states that the amounts reported in the previously issued 30 June 2023 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.	The Town conducted a review of their asset data and identified infrastructure assets which were not included in the 2022-23 revaluation. An updated valuation was received and the 2022-23 balances have been restated the 2023-24 financial report.
<b>Town of East Fremantle</b>	<b>Events occurring after the end of the reporting period - adjusting event</b> We draw attention to note 23 to the financial report, which states that, following the end of the financial year ended 30 June 2024, a deed of settlement and release was executed between the Council and the Resource Recovery Group (RRG) with respect to the Town's withdrawal from the RRG and provided the Town a full release from any further obligations in exchange for a settlement sum. The opinion is not modified in respect of this matter.	On 20 June 2023 the Town resolved to withdraw from the Resource Recovery Group and all associated projects, effective 1 July 2024. A deed of settlement was executed on 22 August 2024 to release the Town from its interest in and obligations to the Resource Recovery Group.
<b>Town of Victoria Park</b>	<b>Restatement of comparative balances</b> We draw attention to note 30 to the financial report which states that the amounts reported in the previously issued 30 June 2023 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.	The Town identified capital works projects that resulted in new and upgraded assets which had not been added to the fixed asset register when the project was completed.  Additionally, there were prior year balances in the Town's works-in-progress account that were no longer considered capital in nature and required to be expensed. The 2022-23 figures were restated in the 2023-24 financial report.

Source: OAG

## Appendix 7: Material uncertainty related to going concern

Entity	Details of material uncertainty
Resource Recovery Group	<p><b>Material Uncertainty Related to Going Concern</b></p> <p>I draw attention to note 1 in the financial report, which indicates that the Group incurred a net loss of \$2.48 million during the year ended 30 June 2024 and that the Council has commenced a restructuring process. As stated in note 1, these events or conditions, along with other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The audit opinion is not modified in respect of this matter.</p>

Source: OAG

## Appendix 8: Local government certifications issued since November 2024

### Certifications issued for 2023-24

Entity and opinion	Opinion issued
<b>City of Bayswater</b> Local Roads and Community Infrastructure Program	19 December 2024
<b>City of Busselton</b> Local Roads and Community Infrastructure Program Roads to Recovery Funding Pensioner Deferments	5 February 2025 13 December 2024 4 December 2024
<b>City of Gosnells</b> Pensioner Deferments	25 November 2024
<b>City of Joondalup</b> Pensioner Deferments	22 November 2024
<b>City of South Perth</b> Pensioner Deferments	29 November 2024
<b>City of Vincent</b> Pensioner Deferments	2 December 2024
<b>Town of East Fremantle</b> Pensioner Deferments	19 December 2024

Source: OAG

### Outstanding certifications issued from 2021-22

Entity and opinion	Opinion issued
<b>Shire of Derby-West Kimberley</b> Local Roads and Community Infrastructure Program	13 December 2024
<b>Shire of Quairading</b> Local Roads and Community Infrastructure Program	08 April 2025
<b>Shire of York</b> Roads to Recovery Funding	19 December 2024
<b>Town of Port Hedland</b> Roads to Recovery Funding	11 April 2025

Source: OAG

### Outstanding certifications issued from 2019-20

Entity and opinion	Opinion issued
<b>Town of Port Hedland</b> Roads to Recovery Funding	11 April 2025

Source: OAG

The cut-off date for this appendix is 15 April 2025.

**Appendix 9: Other local government opinions issued since 31 December 2024**

Entity	Opinion issued
City of Greater Geraldton	28 March 2025
Shire of Bridgetown-Greenbushes	4 April 2025
Shire of Dundas	9 April 2025
Shire of Nannup	4 February 2025
Shire of Wickepin	14 February 2025
Town of Cottesloe	14 February 2025

Source: OAG

*Note: the cut-off date for this appendix is 15 April 2025.*



## Appendix 10: Opinion and management letter definitions

In the auditor's report we include the audit opinion on the annual financial report and any other matters that, in our judgement, need to be highlighted. This year the Auditor General has issued the following types of opinions:

1. **clear opinion:** indicates satisfactory financial controls. The financial report is based on proper accounts, complies with relevant legislation and accounting standards, and fairly represents performance and financial position
2. **clear opinion with an EoM:** draws attention to a matter disclosed in the financial report to aid the readers understanding but does not result in a qualified opinion
3. **qualified opinion:** given when the audit identifies materially misleading information, inadequate controls or conflicts with the financial reporting frameworks.
4. **disclaimer of opinion:** the most serious audit outcome, issued when the auditor is unable to form an opinion due to insufficient evidence to form an opinion after all reasonable efforts.
5. We report weaknesses in the control environment to the CEO, mayor, president or chairperson and the Minister for Local Government. Findings will be rated as significant, moderate or minor. We also indicate if the finding has the potential to impact the audit opinion and if it relates to the prior year and remains unresolved. Both quantitative and qualitative aspects guide our ratings.

Risk category	Audit impact	Management action required
<b>Significant</b>	Findings where there is potentially a significant risk to the entity should it not be addressed by the entity promptly. A significant rating could indicate the need for a modified audit opinion in the current year or in a subsequent reporting period if not addressed. However, even if the issue is not likely to impact the audit opinion, it should be addressed promptly.	Priority or urgent action by management to correct the material misstatement in the financial report to avoid a qualified opinion or for control risks, implement a detailed action plan as soon as possible, within one to two months.
<b>Moderate</b>	Findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.	Control weaknesses of sufficient concern to warrant action being taken as soon as practicable, within three to six months. If not addressed promptly, they may escalate to significant or high risk.
<b>Minor</b>	Those findings that are not of primary concern but still warrant action being taken.	Management to implement an action plan within six to 12 months to improve existing process or internal control.

Source: OAG

We give management the opportunity to review our audit findings and provide comments prior to completion of the audit. Each control finding is documented in a management letter which identifies weakness, implications for the entity, risk category and a recommended improvement action.



## Appendix 11: Information on local government fees and OAG tender procurement process

### What you get for your fees

#### Auditor's report

- High quality, independent financial audit opinion
- Fully compliant with auditing standards
- Entity specific findings and recommendations
- Comparable and consistent for LGs
- Annual LG sector results reports
- Provides assurance to Council, ratepayers and Parliament.

#### Capability development

- Financial statement preparation guidance
- Online audit readiness tool
- Liaison – WALGA, LG Professionals, DLGSC – meetings, webinars and presentations
- Advocacy on changes to financial governance practices, legislation and standards resulting in cost savings.

#### Funded by Parliament

- Performance audits
- Information systems audits (application audits)
- Better practice guidance, e.g.
  - Physical Security of Server Assets
  - Management of Credit Cards
  - Fraud Risk Management
- Audit Committee Chair forum.

### How much have fees changed?

Audit report delivery year 2024-25						
Band	Average fee	Median fee	Average increase	Average increase	Median increase	Median increase
1	\$116,690	\$108,600	\$14,290	15%	\$12,910	10%
2	\$85,276	\$94,600	\$9,571	15%	\$9,500	10%
3	\$56,890	\$48,000	\$8,935	21%	\$8,410	21%
4	\$41,962	\$39,500	\$8,247	26%	\$9,385	25%
Regional Councils	\$48,275	\$32,850	\$4,731	14%	\$3,775	10%

Range: \$79,000 - \$198,702

### How do we compare?

Cost to deliver LG audit reports		
Year	WA average	National average
2022-23	\$62,750	\$69,619
2023-24	\$71,240	\$91,252

### Why have fees changed?

92% of LG audits are contracted and two thirds of those are affected by increased prices from Contract Audit Firms (CAFs) in 2024.

#### CAF extensions

- CAF extension quotes received (years 4 and 5 of existing contracts)\*

Increase range	Increase range	Average	Median
2% - 116%	\$500 - \$51,593	36%	59%

- CAF extension quotes accepted by OAG\*

Increase range	Increase range	Average	Median
2% - 48%	\$500 - \$35,969	25%	27%

#### CAF tenders (approach to market after 5 years)

Range	Range	Average	Median
(20%) - 97%	(\$7,500) - \$23,111	23%	19%

\* Increase from prior year.

Two-thirds of sector affected in 2024

### What are we doing about audit fees?

- Market testing every 3-5 years, approaching up to 10 CAFs per LG
- Rejecting and retendering unacceptable CAF increases
- Gaining efficiencies with new OAG audit tool and methodology
- Continuing advocacy for streamlined reporting and minimising compliance duplication
- Better consulting with entities as part of the extension quote and tender process
- Providing earlier advice on indicative fees
- Seeking to bring more audits in-house as labour constraints ease
- Continuing to seek feedback from WALGA, LG Professionals, LGs and Parliament on what we can do better.

### Factors affecting all audits

- Changes in auditing standards, including IT risks
- Professional wage inflation.
- Fuller cost recovery (direct + overhead costs)
- Levels of audit effort related to audit readiness and complexity.

Source: OAG



## Understanding the OAG tender procurement process

- 21 audit firms on pre-accredited list, eligibility assessed on capability to audit small, medium, large, complex entities. 16 firms are currently actively engaged with OAG.
- For each audit, we prepare an information pack and typically invite between 5 and 10 contract audit firms (CAFs) to submit tenders.
- CAFs submit tender incorporating qualitative and quantitative considerations - including their understanding of the entity, audit risks, resources/skill mix, timing and cost.
- Convene tender evaluation panel of 2 senior OAG staff.
- Each panel member independently evaluates submissions for qualitative aspects first.
- Assess qualitative and quantitative factors of each CAF's tender submission to support a recommendation.
- Recommendations may be moderated to manage risks of firm capacity and OAG over-reliance across entire audit portfolio.
- AAG-FA and Deputy make recommendations to AG who has final approval.
- Typically award initial contract for 3 years, with up to 2 year extension option.
- If no tender submissions are received for an entity, we have the option to put the audit back out to tender and invite different firms, or appoint a firm directly under the Auditor General Act.



## Understanding the OAG contract procurement extension process

- Seek quote from CAFs for up to 2 years following the conclusion of their initial 3 year term.
- OAG engagement leader assesses quote for reasonableness.
- If deemed reasonable then accept, may seek entity input.
- If not reasonable, audit is re-tendered.
- If audit is re-tendered, entity to be notified and commence tender process.

### Pre-accredited Contract Audit Firms (CAFs)

BDO Audit (WA) Pty Ltd	William Buck (WA) Pty Ltd	AMD Audit & Assurance Pty Ltd
Deloitte	Crowe	HLB Mann Judd
Ernst & Young	Stantons International	Lincolns
Grant Thornton Australia Ltd	Pitcher Partners BA & A Pty Ltd	Macri Partners
KPMG	Nexia Perth Audit Services Pty Ltd	Armada Audit Services Pty Ltd
Price Waterhouse Coopers	Moore Australia Audit (WA)	Francis A Jones
RSM Australia Pty Ltd	Dry Kirkness	SW Audit

Source: OAG

### Auditor General's 2024-25 reports

Number	Title	Date tabled
12	Local Government 2023-24 – Financial Audit Results	24 April 2025
11	Local Government 2023-24 – Information Systems Audit Results	11 April 2025
10	Fraud Risks in the WA Greyhound Racing Association	11 April 2025
9	Child Protection Case Management System – Assist	21 March 2025
8	Universities and TAFEs 2023 – Financial Audit Results	5 December 2024
7	WA Student Assistance Payment – Controls Review	27 November 2024
6	Provision of Additional Information to the Standing Committee on Estimates and Financial Operations – Opinions on Ministerial Notifications	22 November 2024
5	Implementation of the Aboriginal Procurement Policy	21 November 2024
4	Quality and Utilisation of Emergency Department Data	20 November 2024
3	Management of State Agreements	30 October 2024
2	Legislative Reform Priorities and Timeframes – Opinion on Ministerial Notification	19 August 2024
1	Supplier Master Files – Better Practice Guide	1 August 2024

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Office of the Auditor General  
for Western Australia





Report 17: 2024-25 | 28 May 2025

**PERFORMANCE AUDIT**

## **Local Government Management of Purchasing Cards – Larger Metropolitan Entities**





**Office of the Auditor General  
for Western Australia**

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National Relay Service TTY: 133 677  
(to assist people with hearing and voice impairment)

We can deliver this report in an alternative format for  
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***The Office of the Auditor General acknowledges the traditional custodians throughout  
Western Australia and their continuing connection to the land, waters and community. We  
pay our respects to all members of the Aboriginal communities and their cultures, and to  
Elders both past and present.***

Image credit: shutterstock.com/Me dia

WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

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**Local Government Management of  
Purchasing Cards – Larger Metropolitan  
Entities**

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Report 17: 2024-25  
28 May 2025

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**THE PRESIDENT  
LEGISLATIVE COUNCIL**

**THE SPEAKER  
LEGISLATIVE ASSEMBLY**

#### **LOCAL GOVERNMENT MANAGEMENT OF PURCHASING CARDS – LARGER METROPOLITAN ENTITIES**

This report has been prepared for submission to Parliament under the provisions of sections 24 and 25 of the *Auditor General Act 2006*.

Performance audits are an integral part of my Office's overall program of audit and assurance for Parliament. They seek to provide Parliament and the people of WA with assessments of the effectiveness and efficiency of public sector programs and activities, and identify opportunities for improved performance.

This audit assessed if six larger metropolitan local government entities effectively manage the issue, use and cancellation of purchasing cards.

I wish to acknowledge the entities' staff for their cooperation with this audit.

A handwritten signature in black ink, appearing to be 'C Spencer'.

Caroline Spencer  
Auditor General  
28 May 2025

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## Auditor General's overview

This is my Office's second report in two years on local government entities' management of purchasing cards. Purchasing cards are a cost-effective and convenient way to pay for goods and services of low value, but there is a risk of misuse and loss of public money if they are not effectively managed.



This audit reviewed six larger metropolitan entities and had similar findings to our first audit of three regional entities<sup>1</sup>. Entities had varying controls in place to manage purchasing cards but did not clearly state what they considered allowable and reasonable business expenditure. In a climate where cost of living is a significant concern, we questioned if some purchases are in line with community expectations of responsible use of public money.

We found no evidence of cards being misused, in part because without clear policies and guidance, we had no benchmark to assess purchases against. However, we share in this report (Case study 1) some of the items of expenditure that appeared excessive when compared with practices in the State sector. Staff should have clear guidance on what is allowable and reasonable, particularly for travel, alcohol, meals, entertainment and gifts.

Entities can also improve their controls over the issue and cancellation of cards, review and approval of purchases and transparent reporting, to give councils and the public confidence that cards are appropriately managed and that purchases meet a business need.

I thank the staff at each audited entity for their cooperation and assistance in completing this audit. I also encourage all local government entities to consider the better practice guidance included in the report to help manage their purchasing cards and minimise the risk of inadvertent or deliberate misuse of public funds.

Our case study examples are de-identified in this report. However, if we audit this topic again, I may name entities to help promote accountability given the recommendations and better practice guidance we have provided the sector.

<sup>1</sup> Office of the Auditor General, [Local Government Management of Purchasing Cards](#), OAG website, 12 June 2024, accessed 1 May 2025.

## Executive summary

### Introduction

This audit assessed if the following six metropolitan local government entities (entities) effectively manage the issue, use and cancellation of purchasing cards:

- City of Cockburn
- City of Fremantle
- City of Melville
- City of Perth
- City of Subiaco
- Town of Victoria Park.

We previously audited the management of purchasing cards in June 2024 at three regional entities and found inadequate policy guidance for what they considered was allowable and reasonable expenditure, weaknesses in controls over the issue and cancellation of cards, and a lack of effective oversight.<sup>2</sup>

Both audits considered the requirements of the *Local Government Act 1995* (LG Act) and associated regulations, guidelines issued by the Department of Local Government, Sport and Cultural Industries and our better practice guidance in Appendix 1.

### Background

Purchasing cards are a well-established part of modern purchasing systems and are a cost effective, convenient and timely way to pay for goods and services of low value. Purchasing cards include corporate credit cards, store cards<sup>3</sup>, fuel cards and taxi cards. This audit focused on credit cards and store cards.

Entities need to demonstrate that purchases meet a legitimate and authorised business need and meet community expectations around the responsible use of public money. Improper, wasteful or unauthorised purchases that are not identified and resolved result in financial loss to the entity.

Effective controls, appropriate to an entity's size and risk, help to prevent and detect inadvertent or deliberate misuse of purchasing cards. These include:

- up-front controls to prevent misuse and errors before a purchase is made. These include clear policies, procedures and guidance, preset card limits and delegations to purchase
- controls to detect errors and misuse after a purchase is made. These include processes to review and approve purchases in a timely way, the monitoring, reporting and oversight of card use and destruction processes.

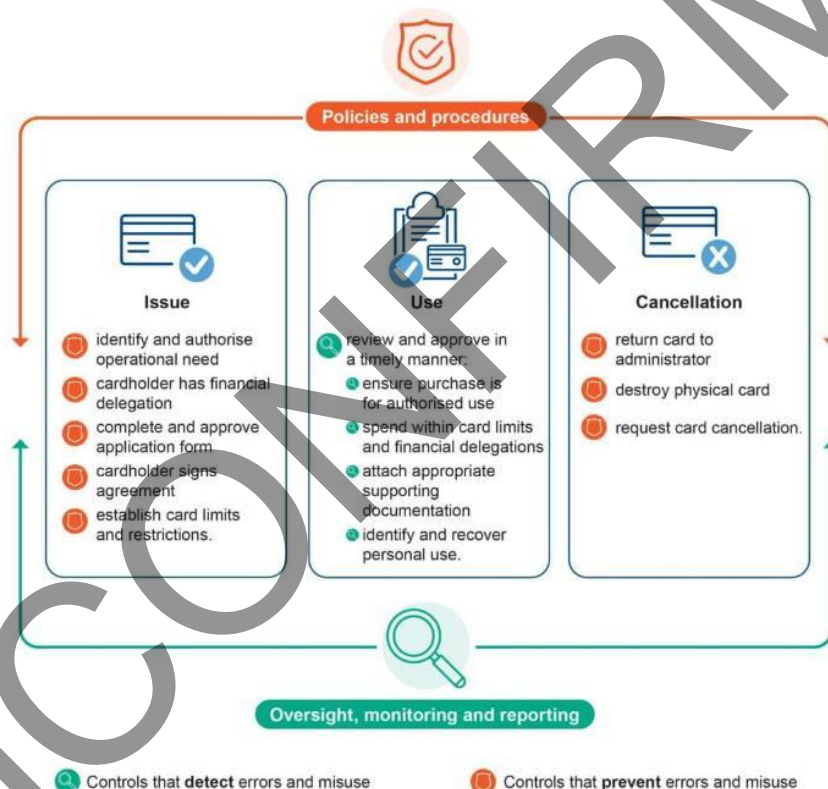
<sup>2</sup> Office of the Auditor General, [Local Government Management of Purchasing Cards](#), OAG website, 12 June 2024, accessed 1 May 2025.

<sup>3</sup> Store cards are a type of credit card that offer a line of credit for use in a specific store or chain of stores such as large supermarket and hardware retailers.

Entities also need to meet their legislated financial responsibilities. The LG Act and associated regulations require:

- entities to develop procedures for the payment of accounts to ensure there is effective security for, and properly authorised use of, purchasing cards<sup>4</sup>
- CEOs to keep proper accounts and records in accordance with regulations<sup>5</sup>
- councils to oversee allocation of their entity's finances and resources, and determine policies<sup>6</sup>
- entities to present their council with a monthly payment listing of all purchasing card transactions and the list recorded in the council minutes<sup>7</sup>. This provides for increased council and public scrutiny of local government spending.

Figure 1 provides an overview of the key components of purchasing card management, highlighting the controls we assessed during the audit and our better practice guidance (Appendix 1).



Source: OAG

**Figure 1: Overview of key components in purchasing card management and controls**

<sup>4</sup> Local Government (Financial Management) Regulations 1996, regulation 11(1)a.

<sup>5</sup> Local Government Act 1995, section 6.5(a).

<sup>6</sup> Local Government Act 1995, sections 2.7(2)(a) and (b).

<sup>7</sup> Local Government (Financial Management) Regulations 1996, regulation 13A took effect from 1 September 2023.



The Department of Local Government, Sport and Cultural Industries provides the sector with broad guidance on the management of purchasing cards and changes in legislation through accounting and operational guidelines, circulars, alert bulletins and monthly webinars.

## Conclusion

The six entities had varying controls in place to manage the issue, use and cancellation of their purchasing cards, but weak implementation and control gaps meant their controls were only partly effective.

Appropriately, cardholders provided receipts to support their purchases. This control helps entities meet their legislated responsibilities and ratepayers' expectations around the responsible use of public money.

However, we found gaps and weaknesses in all areas of purchasing card management that increase the likelihood of cards being inadvertently or deliberately misused:

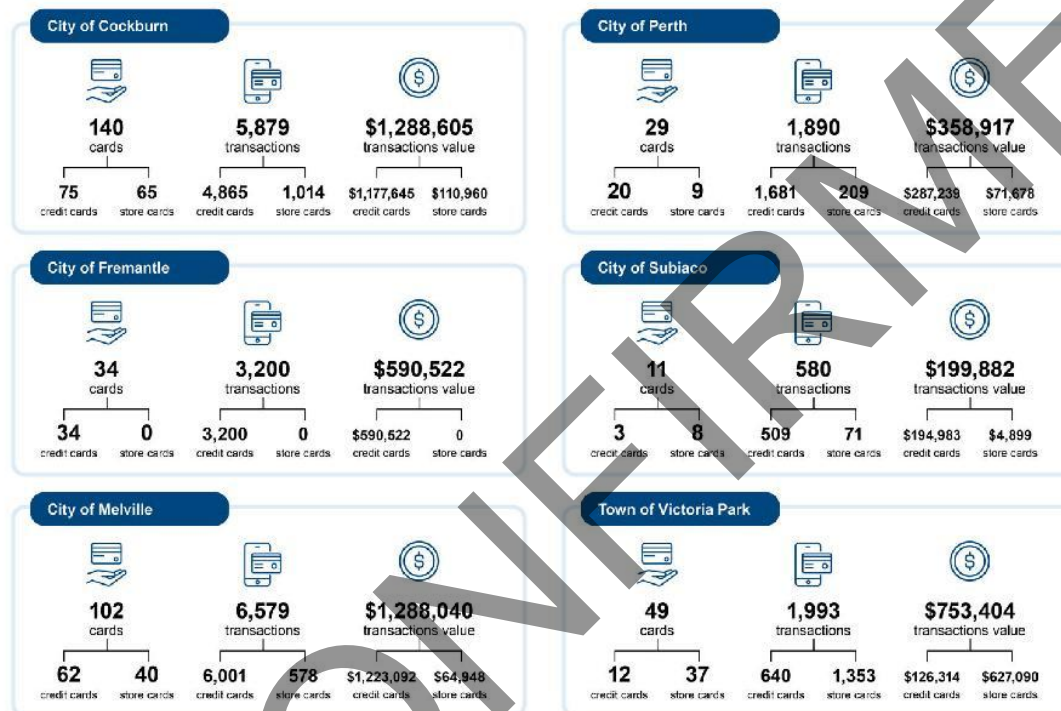
- Policies and guidance for staff did not clearly state what was allowable and reasonable expenditure on such things as travel, accommodation, meals and alcohol. In addition, purchases were not always adequately reviewed and approved in a timely manner.
- The operational need for a purchasing card was not always established; cards were issued to staff who did not have delegated authority to make purchases; cardholder obligations and responsibilities were not made clear; and cards were not promptly returned and destroyed when no longer needed.
- A lack of oversight and monitoring of how well purchasing cards were managed meant entities were missing opportunities to identify and promptly address the risks of card misuse and financial loss.

Although our audit found gaps and weaknesses, our transaction sample testing did not find any evidence that cardholders misused public money, in part because none of the entities had clearly stated for staff what they considered allowable and reasonable business expenditure.

## Findings

### Controls over the use of purchasing cards were partly effective

We found cardholders provided receipts or other documentation to support more than 95% of purchases. In total, the six entities had 365 purchasing cards and made purchases totalling around \$4.5 million during our 12-month audit period (Figure 2). Appropriately, purchases were generally for low value items with most transactions valued below \$500.

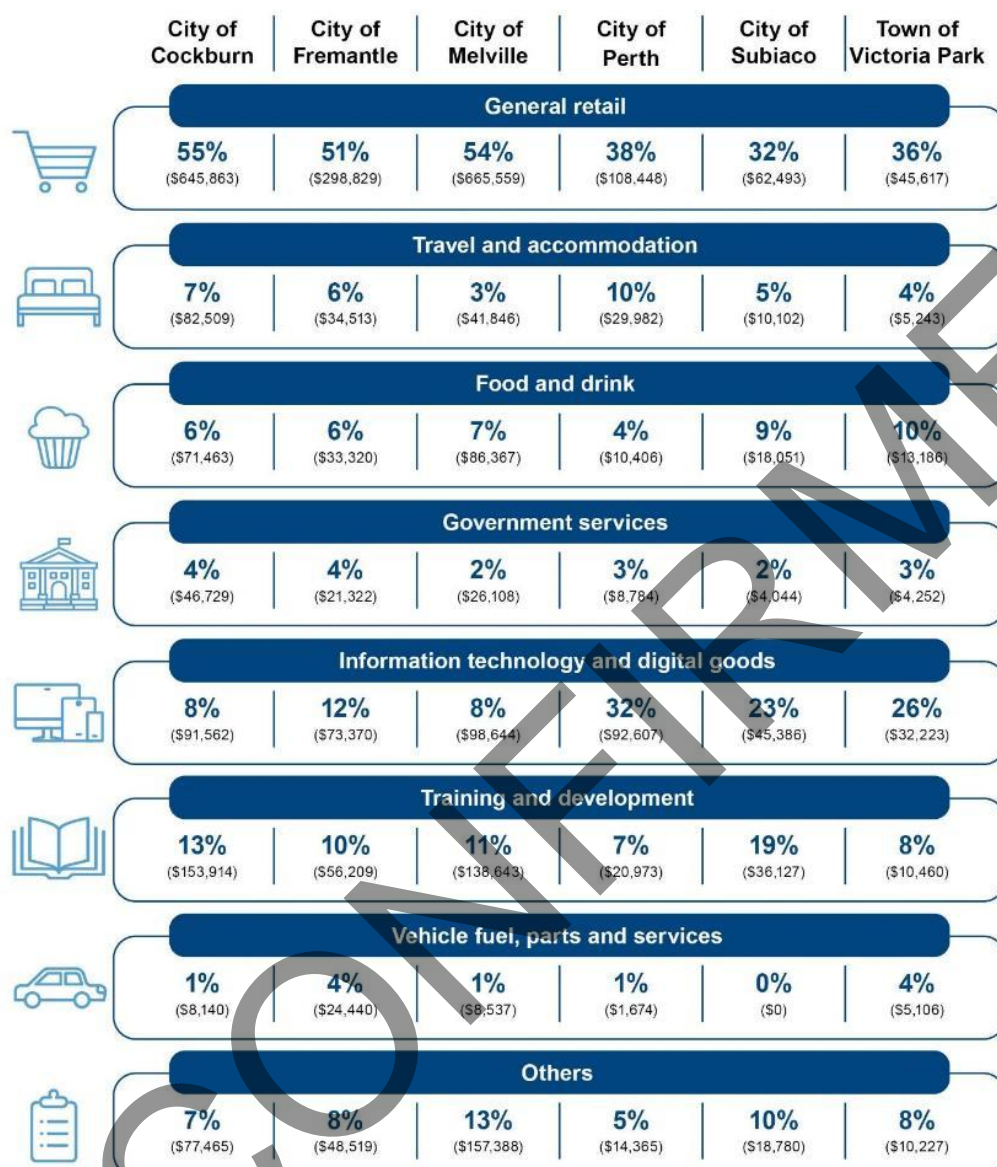


Source: OAG based on entity information

**Figure 2: Key purchasing card statistics from 1 October 2023 to 30 September 2024**

Our analysis across all six entities showed credit card purchases generally fell into the range of categories set out in Figure 3.





Source: OAG based on entity information

Note: percentages may not add up to 100% due to rounding. We have analysed credit card transaction data only.

**Figure 3: Purchase categories for 1 October 2023 to 30 September 2024**

### Inadequate policies and guidance on allowable and reasonable business use

None of the six entities had clearly stated for staff what was considered allowable and reasonable business expenditure. Entities regularly made purchases for travel, meals, alcohol, entertainment and gifts. Clear policies and guidance are important preventive controls to guide staff decisions when purchasing and reduce instances of unreasonable and excessive spending. The community has a right to expect that public money will be spent carefully and only for legitimate business purposes.

The following case study provides examples of approved purchases that in the absence of clear policies and guidance, we queried if the spending was reasonable.

#### **Case study 1: Reasonableness of business use**

##### *Alcohol and meals*

- \$1,026 for an elected member and staff dinner after a council meeting, including three bottles of wine at \$70 each. It is the entity's practice to go out to dinner after meetings once a month to support local businesses in the area.
- Four entities have on-site bars. We identified alcohol purchases including:
  - \$990 for wine and spirits
  - \$412 for four cases of wine.
- \$280 for four bottles of champagne to celebrate a major achievement with elected members and staff.
- \$259 for an offsite meeting between the CEO and two senior individuals from key community organisations that included the purchase of a bottle of wine (\$68) and oysters (\$42).

##### *Gifts*

- \$86 on three bottles of wine as gifts for partners of three retiring elected members.

##### *Travel*

- \$2,489 for a car service to transport 10 people (two elected members, the CEO and seven external delegates) to events over two evenings during an international conference.

We found that none of the entities had documented processes or timeframes to recover money when purchasing cards were used to pay for personal items. Purchasing cards should not be used to purchase personal items under any circumstances, even when the cardholder plans to reimburse the entity. If purchases cannot be clearly split into personal and business components at the time of purchase, a better approach is to pay with a personal account and then seek a reimbursement from the entity for the business component.

Entities need to have processes in place to promptly identify and recover the cost of personal purchases to prevent loss of public money.

#### **Inadequate review and manager approval of purchases**

The entities did not always adequately review and approve purchasing card transactions. None of the entities fully complied with their own policy and procedures. We found instances:

- at all entities where purchases were not reviewed and approved within their own specified timeframes or where timeframes were not set. One purchase was not approved for 208 days (City of Fremantle)
- at three entities where pre-approvals were not obtained in line with the entities' requirements for specific items (e.g. alcohol), purchases over a certain value or

permission to use another person's card (City of Fremantle, City of Melville and City of Subiaco)

- at two entities where records did not include required information such as the purpose of providing entertainment or hospitality or the number of employees attending (City of Fremantle and Town of Victoria Park)
- at one entity where not all purchases made by the CEO were approved (City of Victoria Park).

In addition:

- one entity could not provide us with key records for most of their purchases due to a system limitation. We identified this limitation during our audit. These key records included description of purchases, who had approved them and when (City of Victoria Park)
- one entity did not have policies and procedures for who should review and approve store card purchases (City of Cockburn)
- two entities did not specify who should approve CEO purchases (City of Fremantle and City of Subiaco).

To ensure a purchase is allowable and reasonable, a direct manager<sup>8</sup> who is aware of the cardholder's role and purchasing requirements should conduct a timely review and approve purchases. This reduces the likelihood of unreasonable, inappropriate or unauthorised transactions going undetected.

We also found:

- card sharing taking place. This increases the likelihood of unauthorised or fraudulent purchases and makes it difficult to identify the purchaser (City of Subiaco)
- the collection of personal reward scheme points on a small number of business purchases, and all of them had not been identified nor reported as part of the approval process (City of Cockburn, City of Perth, City of Melville, Town of Victoria Park). A risk exists with reward schemes that cardholders may make purchases through a particular supplier to gain a personal advantage.

The following case study is an example of control weaknesses and delays in approving purchases at one entity.

#### **Case study 2: Control weaknesses to approve purchases**

An entity's policies and procedures did not specify a timeframe for credit card purchases to be approved or who should approve purchases made by the CEO.

We found:

- three purchases were not approved until over 125 days after the transactions took place
- the date of approval was not recorded for almost two thirds of the purchases we reviewed. As a result, we could not determine the timeliness of the approval for all credit card purchases

<sup>8</sup> In the case of the CEO, the chief finance officer (or equivalent) or a suitably senior staff member.



- the CEO and a director approved their own purchases.

Timely and appropriate approval of purchases can detect inadvertent and deliberate misuse and prevent fraudulent use.

## Controls over the issue and cancellation of cards were partly effective and require improvement

The six entities' management of the issue and cancellation of purchasing cards was only partly effective. We identified the following control weaknesses:

- all entities' policies and procedures were missing some key elements such as an application process to approve eligibility and need for a card; who should approve a new card; a cardholder agreement form outlining cardholder obligations and responsibilities; and processes to cancel cards
- registers at all entities either did not list all purchasing cards or were missing key information such as acknowledgement of card return and date of card destruction
- no policies or procedures for the issue and cancellation of store cards (City of Cockburn and City of Subiaco)
- purchasing cards were issued to staff who were not recorded in the delegations register as having the required delegated authority to make purchases (City of Cockburn, City of Melville, City of Perth, City of Subiaco)
- all cardholders had not signed agreements acknowledging their legal obligations and responsibilities or had signed the agreement up to seven months after they received their card (Town of Victoria Park)
- delays of between one to eight months to cancel cards when staff exited the entity, including one card that was used to make a purchase 259 days after the staff member exited (City of Cockburn, City of Fremantle, City of Melville, Town of Victoria Park).

There is an increased likelihood of inadvertent or deliberate misuse and financial loss to entities when cards are not appropriately issued and cancelled.

## Lack of appropriate oversight of purchasing card controls

Three entities did not meet legislative requirements to provide council with a list of all purchases. We found:

- reporting of store card purchases did not include the payees name, date and sufficient details to identify each payment (City of Melville and City of Subiaco)
- individual reporting of store card purchases did not start until April 2024 even though it was required from September 2023 (Town of Victoria Park).

All entities had instances where they provided council with vague descriptions of purchases and could have better identified the expenditure to facilitate transparency and proper scrutiny of how public money is being spent.

None of the entities had appropriate management oversight of purchasing card control effectiveness. None routinely monitored controls to issue, use and cancel cards and report on shortcomings to management. Regular monitoring activities, like those described in our better practice guide in Appendix 1, would assist entities to identify control gaps and address

weaknesses in a timely manner. All entities reviewed their financial management systems and procedures as required by legislation<sup>9</sup> but not all of the reviews included a review of purchasing card procedures. One entity had conducted a one-off internal audit of their purchasing card control effectiveness which was finalised during our audit (City of Cockburn).

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<sup>9</sup> Local Government (Financial Management) Regulations 1996, regulation 5(2)c.



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## Recommendations

1. The six entities should ensure their policy and guidance is clear on what is allowable and reasonable business use expenditure for items such as travel, alcohol, meals, entertainment and gifts.
2. The six entities, as relevant, should:
  - a. report purchasing card transactions more transparently to council to enable better scrutiny of how public money is being spent
  - b. have suitable controls in place to manage the issue and timely cancellation of purchasing cards
  - c. review and approve purchasing card transactions in a timely manner
  - d. keep proper records of the review and approvals of purchasing card transactions and card cancellations
  - e. regularly monitor and report on purchasing card controls to allow management to oversee usage and control effectiveness. The results of reviews should be documented and retained.

In accordance with section 7.12A of the *Local Government Act 1995*, the six entities should prepare a report on any matters identified as significant to them for submission to the Minister for Local Government within three months of this report being tabled in Parliament, and within 14 days of submission publish it on their website.

## Response from entities

### City of Cockburn

The City thanks the Office of the Auditor General for the conduct of this performance audit.

The findings of the Office of the Auditor General's performance audit align with the findings of a separate credit and purchasing card internal audit that the City had performed in 2024/25. The City values the insight the Office of the Auditor General has provided. The community must be confident that the City has appropriate controls in place for purchasing cards and guidance for their use by the City. This includes setting expectations on reasonable business use for expenditure for items such as travel, alcohol, meals, entertainment and gifts to staff.

The Office of the Auditor General has previously highlighted the need for local governments to provide policy guidance on reasonable business use. As a result, when Council considered the Civic Hospitality and Gifts Policy at the 13 May 2025 Council meeting, it resolved to "REQUEST a further report to be presented to the June 2025 Governance Committee meeting to respond to the Office of Auditor General's guidance on the need to develop clear policy guidance for employees and Elected Members on what is allowable and reasonable business expenditure on meals, entertainment and hospitality."

The City will implement the findings of this Office of the Auditor General Performance Audit and report on them to the Minister for Local Government as well as to the City's Audit, Risk and Compliance Committee, and Council.

### City of Fremantle

The City of Fremantle acknowledges and accepts the audit's recommendations. The City of Fremantle remains committed to ongoing improvement and will take steps to strengthen its practices and ensure transparency, accountability and continued responsible use of public resources.

### City of Melville

The City of Melville acknowledges the findings from the performance audit into purchasing card management and is committed to strengthening governance, compliance, and oversight. While the audit did not find evidence that cardholders misused public money, the City recognises the importance of continuous improvement in the management of its purchasing cards. Implementation of recommendations has commenced ensuring alignment with better practice principles.

### City of Perth

The City of Perth is committed to continuous improvement and feedback, and has welcomed the opportunity to participate in the OAG's purchasing cards performance audit.

Contextually, purchasing cards account for less than 0.1% of the City's total expenditure.

In 2020, following the conclusion of the most complex Inquiry into a local government in Western Australia, the City embarked upon an 'Evolution to Excellence' to address all 215 Inquiry recommendations assigned to the City.

In 2024, the City concluded this significant body of work and provided the State Government (through the Department of Local Government, Sport and Cultural Industries) comprehensive evidence to substantiate its completion of each of the 215 recommendations. The City's response was achieved through strong leadership, clear



direction and commitment to address the governance and operational issues identified through the Inquiry. As a result of these efforts, the City has strengthened its internal governance, operations and financial management.

The City has established a high calibre Audit and Risk Committee, with independent membership, to oversight the operations and performance of the City.

The City considers all opportunities for improvement as a means of further strengthening its processes and systems and importantly ensuring value for its rate payers.

The City has established a range of policies and guidance (8 in total) for staff and elected members on what is allowable and reasonable business use expenditure for items such as travel, alcohol, meals, entertainment and gifts. On this basis, the City does not agree with recommendation one within this report.

### **City of Subiaco**

The City of Subiaco embraces continuous improvement and welcomes opportunities to improve our processes in accordance with the OAG's recommendations. The City considers the risk associated with usage of its credit cards to be low, given that there are only two credit cards, that they are only used for purchases that cannot be made by other mechanisms, and that they have low limits. Total monthly expenditure ranges between \$10k and \$20k, with expenditures typically comprising IT subscriptions, sundry items for community events, staff training and memberships, and catering for council meetings and workshops held after hours.

There are also strong controls in place given that every purchasing card transaction is scrutinized by the Finance team, the Director Corporate Services, and is reported to Council Meetings each month for the further scrutiny of every elected member and the general public. This is a much higher bar of transparency than provided by state government agencies. General staff using the two shared credit cards do not have access to the card details, and can only make payments following a supervisor's authorisation, providing a 'gate' control which arguably reduces the risk compared to organisations that allocate cards to every staff member with a purchasing need. All purchases are made in accordance with budgetary constraints and are subject to the same Purchasing policy and protocols as every other transaction in the City.

### **Town of Victoria Park**

The Town of Victoria Park acknowledges the overall findings and recommendations by the OAG in the performance audit. The Town has already started the process of reviewing its current Policy, Management Practice, Procedure and Transaction Card Agreement, around the use and management of purchase cards. This will take into consideration the recommendations included in these findings, operational guidelines provided by the DLGSC, better practice guidance provided by the OAG and legislative requirements. This will then be communicated to all cardholders and monitored by the Town's card administrators for its effectiveness moving forwards. The Town would like to note that the performance audit did not find any evidence of fraud or that the Town's cardholders misused public money.

## Audit focus and scope

The objective of this audit was to assess if six local government entities effectively manage the issue, use and cancellation of purchasing cards. The criteria were:

- Are there effective controls over the issue and cancellation of purchasing cards?
- Are there effective controls over the use of purchasing cards?

The audit reviewed the issue, use and cancellation practices of each entity over the period 1 October 2023 to 30 September 2024.



We assessed each entity's policies and procedures against legislative requirements, the Department of Local Government, Sport and Cultural Industries' operational guidelines and our better practice guidance in Appendix 1. At each entity, we also assessed a sample of CEO purchasing card transactions and whether there was adequate independent review.

This was an independent performance audit, conducted under section 18 of the *Auditor General Act 2006*, in accordance with Australian Standard on Assurance Engagements ASAE 3500 *Performance Engagements*. We complied with the independence and other ethical requirements related to assurance engagements. Performance audits focus primarily on the effective management and operations of entity programs and activities. The approximate cost of undertaking the audit and reporting was \$415,000.

## Appendix 1: Better practice guidance



Local government entities need to have purchasing card policies and procedures that are up-to-date and accessible to staff. These policies and procedures should include key controls for the issue, use and cancellation of purchasing cards and be regularly reviewed.

The table lists requirements for effective purchasing card management, which guided our audit. It is not intended to be an exhaustive list.

Purchasing card management	Outcome	What we expect to see
 <b>Issue</b>	Cardholder eligibility and operational need is established, an application is appropriately approved and the cardholder is made aware of their legal obligations and responsibilities	<ul style="list-style-type: none"> <li>cardholder has appropriate financial delegation to incur expenditure. Delegations should also be set for certain types of expenditure</li> <li>an application form is appropriately approved</li> <li>card limits are based on cardholders need</li> <li>cardholder and their manager sign an agreement that clearly sets out the legal obligations and responsibilities and the purposes for which a card may or may not be used</li> <li>cardholder acknowledges that they understand and will comply with purchasing card policy and procedures</li> <li>cardholder receives training on procedures and requirements</li> <li>card administrator updates the purchasing card register with key cardholder information.</li> </ul>
 <b>Use</b>	Purchases are for business use and are properly reviewed and approved in accordance with the purchasing card policies and procedures	<ul style="list-style-type: none"> <li>purchases should be within the transaction and card limits. They should not be split to circumvent these limits</li> <li>entity sets out appropriate delegations for approval of expenditure</li> <li>timely review and approval of transactions: <ul style="list-style-type: none"> <li><u>cardholder</u>: reviews statements to ensure accuracy of reported purchases, attaches adequate supporting documentation, codes purchases and provides sufficient details to identify the purchase</li> <li><u>cardholder's direct manager<sup>10</sup></u>: reviews and approves purchases to ensure appropriate business use, consistency with cardholder's role and responsibilities, and compliance with policies and guidelines</li> </ul> </li> </ul>

<sup>10</sup> In the case of the CEO, the chief finance officer (or equivalent) or a suitably senior staff member.



Purchasing card management	Outcome	What we expect to see
		<ul style="list-style-type: none"> <li>review and approval processes have adequate documentation</li> <li>processes to repay any personal purchases</li> <li>guidance for purchases where cards are not physically present such as online telephone and internet purchases</li> <li>treatment of reward schemes and loyalty programs as purchasing cards should not be used to gain a personal benefit</li> <li>procedures for when a cardholder is on leave to ensure card security.</li> </ul>
 <b>Cancellation</b>	Timely cancellation of purchasing cards to prevent unauthorised purchases and unnecessary card fees	<ul style="list-style-type: none"> <li>immediate cancellation once a cardholder exits or has a change in employment requirements</li> <li>cardholder returns card to the administrator</li> <li>cards should be destroyed, and evidence of destruction recorded</li> <li>administrator enters cancellation and destruction information in cardholder register.</li> </ul>
 <b>Oversight</b>	<p>Regular monitoring and reporting to provide management with insights into use and the effectiveness of controls and to address shortcomings in a timely manner</p> <p>Evidence of reviews should be retained</p>	<p>Examples of monitoring and reporting include:</p> <ul style="list-style-type: none"> <li>Continuously: <ul style="list-style-type: none"> <li>disclose information about each purchasing card transaction in a payment listing to council and in council minutes</li> <li>record instances of personal use, inappropriate use, and disputed and fraudulent transactions. Take corrective action when required</li> <li>assess the timeliness of reviews and approvals by cardholders and managers, and act when timeframes are not met</li> <li>provide reports to managers on usage within their areas to assess operational need</li> <li>reinforce requirements to cardholders and approvers</li> </ul> </li> <li>Annually: <ul style="list-style-type: none"> <li>identify inactive or underused cards that may require cancellation</li> <li>review appropriateness of transaction and card limits</li> <li>audit and update purchasing card registers</li> <li>review relevance and effectiveness of policies and procedures as part of an annual risk assessment</li> </ul> </li> </ul>

Purchasing card management	Outcome	What we expect to see
		<ul style="list-style-type: none"> <li>Periodically:               <ul style="list-style-type: none"> <li>sample test transactions for appropriate business use and compliance with policies and procedures</li> <li>analyse usage and supplier patterns to inform procurement practices</li> <li>review purchasing card policy against operational guidelines and better practice principles</li> <li>review the appropriateness and effectiveness of financial management systems and procedures as required by legislation.</li> </ul> </li> </ul>

Source: OAG

### Auditor General's 2024-25 reports

Number	Title	Date tabled
17	Local Government Management of Purchasing Cards – Larger Metropolitan Entities	28 May 2025
16	Fraud Risks in Land Transactions by DevelopmentWA	28 May 2025
15	Electricity Generation and Retail Corporation (Synergy)	30 April 2025
14	State Government 2023-24 – Information Systems Audit Results	30 April 2025
13	State Government 2023-24 – Financial Audit Results	30 April 2025
12	Local Government 2023-24 – Financial Audit Results	24 April 2025
11	Local Government 2023-24 – Information Systems Audit Results	11 April 2025
10	Fraud Risks in the WA Greyhound Racing Association	11 April 2025
9	Child Protection Case Management System – Assist	21 March 2025
8	Universities and TAFEs 2023 – Financial Audit Results	5 December 2024
7	WA Student Assistance Payment – Controls Review	27 November 2024
6	Provision of Additional Information to the Standing Committee on Estimates and Financial Operations – Opinions on Ministerial Notifications	22 November 2024
5	Implementation of the Aboriginal Procurement Policy	21 November 2024
4	Quality and Utilisation of Emergency Department Data	20 November 2024
3	Management of State Agreements	30 October 2024
2	Legislative Reform Priorities and Timeframes – Opinion on Ministerial Notification	19 August 2024
1	Supplier Master Files – Better Practice Guide	1 August 2024

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## 11 MATTERS BEHIND CLOSED DOORS

Nil

## 12 CLOSURE OF MEETING

The Mayor thanked Mr John Chauvel and Cr Wilson for their contribution as Members of the Audit, Risk and Improvement Committee.

There being no further business, the Presiding Member declared the meeting closed at 7.57pm

*I hereby certify that the Minutes of the ordinary meeting of the **Audit Risk and Improvement Committee** of the Town of East Fremantle, held on **27 August 2025** Minute Book reference **1 to 12** were confirmed at the meeting of the Council on*

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*Presiding Member*