

NOTICE OF MEETING

Elected Members

An Ordinary Meeting of the Audit Committee will be held on Tuesday, 26 February 2019 in the Pod Meeting Room, 135 Canning Highway, East Fremantle commencing at 6.30pm and your attendance is requested.

GARY TUFFIN
Chief Executive Officer

AGENDA

- 1. DECLARATION OF OPENING OF MEETING/ANNOUNCEMENTS OF VISITORS**
- 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 and present.”

- 3. RECORD OF ATTENDANCE**
 - 3.1 Attendance**
 - 3.2 Apologies**
Cr Natale
 - 3.3 Leave of Absence**
 - 4. MEMORANDUM OF OUTSTANDING BUSINESS**
 - 5. DISCLOSURES OF INTEREST**
 - 5.1 Financial**
 - 5.2 Proximity**
 - 5.3 Impartiality**
 - 6. PUBLIC QUESTION TIME**
 - 6.1 Responses to previous questions from members of the public taken on notice**
 - 6.2 Public Question Time**
 - 7. PRESENTATIONS/DEPUTATIONS**
 - 7.1 Presentations**
 - 7.2 Deputations**
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8. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

8.1 Audit Committee (7 November 2018)

8.1 OFFICER RECOMMENDATION

That the minutes of the Audit Committee meeting held on Wednesday, 7 November 2018 be confirmed as a true and correct record of proceedings.

9. ANNOUNCEMENTS BY THE PRESIDING MEMBER

10. REPORTS

10.1 Compliance Audit Return 2018

Applicant	Town of East Fremantle
File ref	A/DLG1
Prepared by	Peter Kocian, Executive Manager Corporate Services
Supervised by	Gary Tuffin, Chief Executive Officer
Date of Meeting	26 February 2019
Voting requirements	Simple Majority
Documents tabled	Nil
Attachments	1. Compliance Audit Return 2018

Purpose

To facilitate the adoption of the Compliance Audit Return 2018 for submission to the Department of Local Government, Sport and Cultural Industries (DLGSC) by 31 March 2019.

Executive Summary

The statutory Compliance Audit Return runs on a calendar year basis and is for the period 1 January to 31 December 2018.

The statutory Compliance Audit Return has been completed by self-assessment by the Chief Executive Officer.

Background

In 2018 the DLGC has included 95 compliance audit questions, which require Yes or No answers, however where an item has not occurred during the calendar year a response of not applicable (N/A) will be provided.

The Compliance Audit Return is to be:

1. reviewed by the Audit Committee
2. presented to an Ordinary Meeting of Council,
3. adopted by Council; and
4. recorded in the minutes of the meeting at which it is adopted.

After the Compliance Audit Return (CAR) has been presented to Council, a certified copy of the return signed by the Mayor and Chief Executive Officer, along with the relevant section of the minutes and any additional information detailing the contents of the return are to be submitted to the DLGC by 31 March 2018.

Statutory Environment

Section 7.13 (1) (i) of the *Local Government Act 1995* requires that each local government carry out a compliance audit for the period 1 January to 31 December each year.

Regulations 14 & 15 of the *Local Government (Audit) Regulations 1996* require local governments to carry out a compliance audit and provide a certified copy of the compliance audit return to the Departmental CEO.

Policy Implications

There are no policy implications.

Financial Implications

There are no financial implications.

Strategic Implications

The Town of East Fremantle Strategic Community Plan 2017 – 2027 states as follows:

STRATEGIC PRIORITY 5: Leadership and Governance

A proactive, approachable Council which values community consultation, transparency and accountability.

5.1 Strengthen organisational accountability and transparency.

Risk Implications

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 Audit Committee not endorse the Compliance Audit Return	Rare (1)	Insignificant (1)	Low (1-4)	COMPLIANCE Minor regulatory or statutory impact	Accept Risk (risk is inconsequential as Council is to adopt the Compliance Audit Return)

Risk Matrix

Consequence		Insignificant	Minor	Moderate	Major	Extreme	
		1	2	3	4	5	
Likelihood	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	1
Does this item need to be added to the Town's Risk Register	No
Is a Risk Treatment Plan Required	No

Site Inspection

N/A

Comment

The statutory Compliance Audit Return has been completed and all compliance matters in 2018 were either marked as Yes or N/A and there were no matters of non-compliance reported for this period.

10.1 OFFICER RECOMMENDATION

That the Audit Committee recommend that Council adopt the Compliance Audit Return for the period 1 January to 31 December 2018.



East Fremantle - Compliance Audit Return 2018

Certified Copy of Return

Please submit a signed copy to the Director General of the Department of Local Government, Sport and Cultural Industries together with a copy of section of relevant minutes.

Commercial Enterprises by Local Governments					
No	Reference	Question	Response	Comments	Respondent
1	s3.59(2)(a)(b)(c) F&G Reg 7,9	Has the local government prepared a business plan for each major trading undertaking in 2018.	N/A		Peter Kocian
2	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2018.	N/A		Peter Kocian
3	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2018.	N/A		Peter Kocian
4	s3.59(4)	Has the local government given Statewide public notice of each proposal to commence a major trading undertaking or enter into a major land transaction for 2018.	N/A		Peter Kocian
5	s3.59(5)	Did the Council, during 2018, resolve to proceed with each major land transaction or trading undertaking by absolute majority.	N/A		Peter Kocian



Delegation of Power / Duty					
No	Reference	Question	Response	Comments	Respondent
1	s5.16, 5.17, 5.18	Were all delegations to committees resolved by absolute majority.	Yes		Janine May
2	s5.16, 5.17, 5.18	Were all delegations to committees in writing.	Yes		Janine May
3	s5.16, 5.17, 5.18	Were all delegations to committees within the limits specified in section 5.17.	Yes		Janine May
4	s5.16, 5.17, 5.18	Were all delegations to committees recorded in a register of delegations.	Yes		Janine May
5	s5.18	Has Council reviewed delegations to its committees in the 2017/2018 financial year.	Yes		Janine May
6	s5.42(1),5.43 Admin Reg 18G	Did the powers and duties of the Council delegated to the CEO exclude those as listed in section 5.43 of the Act.	Yes		Janine May
7	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO resolved by an absolute majority.	Yes		Janine May
8	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO in writing.	Yes		Janine May
9	s5.44(2)	Were all delegations by the CEO to any employee in writing.	Yes		Janine May
10	s5.45(1)(b)	Were all decisions by the Council to amend or revoke a delegation made by absolute majority.	Yes		Janine May
11	s5.46(1)	Has the CEO kept a register of all delegations made under the Act to him and to other employees.	Yes		Janine May
12	s5.46(2)	Were all delegations made under Division 4 of Part 5 of the Act reviewed by the delegator at least once during the 2017/2018 financial year.	Yes		Janine May
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record as required.	Yes		Janine May

Disclosure of Interest					
No	Reference	Question	Response	Comments	Respondent
1	s5.67	If a member disclosed an interest, did he/she ensure that they did not remain present to participate in any discussion or decision-making procedure relating to the matter in which the interest was disclosed (not including participation approvals granted under s5.68).	Yes		Janine May
2	s5.68(2)	Were all decisions made under section 5.68(1), and the extent of participation allowed, recorded in the minutes of Council and Committee meetings.	N/A		Janine May



No	Reference	Question	Response	Comments	Respondent
3	s5.73	Were disclosures under section 5.65 or 5.70 recorded in the minutes of the meeting at which the disclosure was made.	Yes		Janine May
4	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly elected members within three months of their start day.	N/A		Janine May
5	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly designated employees within three months of their start day.	Yes		Janine May
6	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all continuing elected members by 31 August 2018.	Yes		Janine May
7	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all designated employees by 31 August 2018.	Yes		Janine May
8	s5.77	On receipt of a primary or annual return, did the CEO, (or the Mayor/ President in the case of the CEO's return) on all occasions, give written acknowledgment of having received the return.	Yes		Janine May
9	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained the returns lodged under section 5.75 and 5.76	Yes		Janine May
10	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70 and 5.71, in the form prescribed in Administration Regulation 28.	Yes		Janine May
11	s5.88 (3)	Has the CEO removed all returns from the register when a person ceased to be a person required to lodge a return under section 5.75 or 5.76.	Yes		Janine May
12	s5.88(4)	Have all returns lodged under section 5.75 or 5.76 and removed from the register, been kept for a period of at least five years, after the person who lodged the return ceased to be a council member or designated employee.	Yes		Janine May
13	s5.103 Admin Reg 34C & Rules of Conduct Reg 11	Where an elected member or an employee disclosed an interest in a matter discussed at a Council or committee meeting where there was a reasonable belief that the impartiality of the person having the interest would be adversely affected, was it recorded in the minutes.	Yes		Janine May
14	s5.70(2)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to the Council or a Committee, did that person disclose the nature of that interest when giving the advice or report.	Yes		Janine May



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No	Reference	Question	Response	Comments	Respondent
15	s5.70(3)	Where an employee disclosed an interest under s5.70(2), did that person also disclose the extent of that interest when required to do so by the Council or a Committee.	Yes		Janine May
16	s5.103(3) Admin Reg 34B	Has the CEO kept a register of all notifiable gifts received by Council members and employees.	Yes		Janine May

Disposal of Property					
No	Reference	Question	Response	Comments	Respondent
1	s3.58(3)	Was local public notice given prior to disposal for any property not disposed of by public auction or tender (except where excluded by Section 3.58(5)).	Yes		Peter Kocian
2	s3.58(4)	Where the local government disposed of property under section 3.58(3), did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property.	Yes		Peter Kocian

Finance					
No	Reference	Question	Response	Comments	Respondent
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act.	Yes		Peter Kocian
2	s7.1B	Where a local government determined to delegate to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority.	N/A		Peter Kocian
3	s7.3	Was the person(s) appointed by the local government to be its auditor, a registered company auditor.	N/A	OAG now responsible for financial audit, commencing 18/19 FY	Peter Kocian
4	s7.3, 7.6(3)	Was the person or persons appointed by the local government to be its auditor, appointed by an absolute majority decision of Council.	N/A		Peter Kocian
5	Audit Reg 10	Was the Auditor's report for the financial year ended 30 June 2018 received by the local government within 30 days of completion of the audit.	Yes		Peter Kocian
6	s7.9(1)	Was the Auditor's report for the financial year ended 30 June 2018 received by the local government by 31 December 2018.	Yes	Dated 2 November 2018	Peter Kocian
7	S7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under s7.9 (1) of the Act required action to be taken by the local government, was that action undertaken.	N/A	unqualified audit report	Peter Kocian



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No	Reference	Question	Response	Comments	Respondent
8	S7.12A (4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9 (1) of the Act) required action to be taken by the local government, was a report prepared on any actions undertaken.	N/A		Peter Kocian
9	S7.12A (4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9 (1) of the Act) required action to be taken by the local government, was a copy of the report forwarded to the Minister by the end of the financial year or 6 months after the last report prepared under s7.9 was received by the local government whichever was the latest in time.	N/A		Peter Kocian
10	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives of the audit.	Yes	Agreement expired on completion of 17/18 annual audit	Peter Kocian
11	Audit Reg 7	Did the agreement between the local government and its auditor include the scope of the audit.	Yes		Peter Kocian
12	Audit Reg 7	Did the agreement between the local government and its auditor include a plan for the audit.	Yes		Peter Kocian
13	Audit Reg 7	Did the agreement between the local government and its auditor include details of the remuneration and expenses to be paid to the auditor.	Yes		Peter Kocian
14	Audit Reg 7	Did the agreement between the local government and its auditor include the method to be used by the local government to communicate with, and supply information to, the auditor.	Yes		Peter Kocian
15	Audit Reg 17	Has the CEO reviewed the appropriateness and effectiveness of the local government's systems and procedures in accordance with regulation 17 of the Local Government (Audit) Regulations 1996.	Yes	Presented to Council in March 2017	Peter Kocian
16	Audit Reg 17	If the CEO has not undertaken a review in accordance with regulation 17 of the Local Government (Audit) Regulations 1996, is a review proposed and when.	N/A		Peter Kocian



Integrated Planning and Reporting					
No	Reference	Question	Response	Comments	Respondent
1	s5.56 Admin Reg 19DA (6)	Has the local government adopted a Corporate Business Plan. If Yes, please provide adoption date of the most recent Plan in Comments. This question is optional, answer N/A if you choose not to respond.	Yes	Corporate Business Plan 2015-2019 adopted 20 July 2015. New Corporate Business Plan will be adopted early 2019	Peter Kocian
2	s5.56 Admin Reg 19DA (6)	Has the local government adopted a modification to the most recent Corporate Business Plan. If Yes, please provide adoption date in Comments. This question is optional, answer N/A if you choose not to respond.	No		Peter Kocian
3	s5.56 Admin Reg 19C (7)	Has the local government adopted a Strategic Community Plan. If Yes, please provide adoption date of the most recent Plan in Comments. This question is optional, answer N/A if you choose not to respond.	Yes	Strategic Community Plan 2017-2027 adopted 19 September 2017.	Peter Kocian
4	s5.56 Admin Reg 19C (7)	Has the local government adopted a modification to the most recent Strategic Community Plan. If Yes, please provide adoption date in Comments. This question is optional, answer N/A if you choose not to respond.	No		Peter Kocian
5	S5.56	Has the local government adopted an Asset Management Plan. If Yes, in Comments please provide date of the most recent Plan, plus if adopted or endorsed by Council the date of adoption or endorsement. This question is optional, answer N/A if you choose not to respond.	No	Asset Management Plans have been prepared but not formally adopted by Council	Peter Kocian
6	S5.56	Has the local government adopted a Long Term Financial Plan. If Yes, in Comments please provide date of the most recent Plan, plus if adopted or endorsed by Council the date of adoption or endorsement. This question is optional, answer N/A if you choose not to respond.	No	An Integrated Asset Management Plan and Long Term Financial Plan (titled Strategic Resource Plan) will be presented to Council for adoption in first half of 2019	Peter Kocian
7	S5.56	Has the local government adopted a Workforce Plan. If Yes, in Comments please provide date of the most recent Plan plus if adopted or endorsed by Council the date of adoption or endorsement. This question is optional, answer N/A if you choose not to respond.	No	A Workforce Plan has been prepared but not formally adopted by Council	Peter Kocian



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Local Government Employees						
No	Reference	Question	Response	Comments	Respondent	
1	Admin Reg 18C	Did the local government approve the process to be used for the selection and appointment of the CEO before the position of CEO was advertised.	N/A		Peter Kocian	
2	s5.36(4) s5.37(3), Admin Reg 18A	Were all vacancies for the position of CEO and other designated senior employees advertised and did the advertising comply with s.5.36(4), 5.37(3) and Admin Reg 18A.	N/A		Peter Kocian	
3	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position of CEO under section 5.36(4).	N/A		Peter Kocian	
4	Admin Regs 18E	Did the local government ensure checks were carried out to confirm that the information in an application for employment was true (applicable to CEO only).	N/A		Peter Kocian	
5	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss a designated senior employee.	N/A		Peter Kocian	



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Official Conduct					
No	Reference	Question	Response	Comments	Respondent
1	s5.120	Where the CEO is not the complaints officer, has the local government designated a senior employee, as defined under s5.37, to be its complaints officer.	N/A		Janine May
2	s5.121(1)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that result in action under s5.110(6)(b) or (c).	Yes		Janine May
3	s5.121(2)(a)	Does the complaints register maintained by the complaints officer include provision for recording of the name of the council member about whom the complaint is made.	Yes		Janine May
4	s5.121(2)(b)	Does the complaints register maintained by the complaints officer include provision for recording the name of the person who makes the complaint.	Yes		Janine May
5	s5.121(2)(c)	Does the complaints register maintained by the complaints officer include provision for recording a description of the minor breach that the standards panel finds has occurred.	Yes		Janine May
6	s5.121(2)(d)	Does the complaints register maintained by the complaints officer include the provision to record details of the action taken under s5.110(6)(b) or (c).	Yes		Janine May

Tenders for Providing Goods and Services					
No	Reference	Question	Response	Comments	Respondent
1	s3.57 F&G Reg 11	Did the local government invite tenders on all occasions (before entering into contracts for the supply of goods or services) where the consideration under the contract was, or was expected to be, worth more than the consideration stated in Regulation 11(1) of the Local Government (Functions & General) Regulations (Subject to Functions and General Regulation 11(2)).	Yes	Independent review of all tenders completed by the WALGA Procurement Service November 2018	Peter Kocian
2	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than inviting tenders for a single contract.	N/A		Peter Kocian
3	F&G Reg 14(1) & (3)	Did the local government invite tenders via Statewide public notice.	Yes		Peter Kocian
4	F&G Reg 14 & 15	Did the local government's advertising and tender documentation comply with F&G Regs 14, 15 & 16.	Yes		Peter Kocian



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and Cultural Industries**

No	Reference	Question	Response	Comments	Respondent
5	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer, notice of the variation.	Yes		Peter Kocian
6	F&G Reg 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of F&G Reg 16.	Yes		Peter Kocian
7	F&G Reg 18(1)	Did the local government reject the tenders that were not submitted at the place, and within the time specified in the invitation to tender.	Yes		Peter Kocian
8	F&G Reg 18 (4)	In relation to the tenders that were not rejected, did the local government assess which tender to accept and which tender was most advantageous to the local government to accept, by means of written evaluation criteria.	Yes		Peter Kocian
9	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17.	Yes		Peter Kocian
10	F&G Reg 19	Was each tenderer sent written notice advising particulars of the successful tender or advising that no tender was accepted.	Yes		Peter Kocian
11	F&G Reg 21 & 22	Did the local governments's advertising and expression of interest documentation comply with the requirements of F&G Regs 21 and 22.	N/A		Peter Kocian
12	F&G Reg 23(1)	Did the local government reject the expressions of interest that were not submitted at the place and within the time specified in the notice.	N/A		Peter Kocian
13	F&G Reg 23(4)	After the local government considered expressions of interest, did the CEO list each person considered capable of satisfactorily supplying goods or services.	N/A		Peter Kocian
14	F&G Reg 24	Was each person who submitted an expression of interest, given a notice in writing in accordance with Functions & General Regulation 24.	N/A		Peter Kocian
15	F&G Reg 24AD(2)	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice.	N/A		Peter Kocian
16	F&G Reg 24AD(4) & 24AE	Did the local government's advertising and panel documentation comply with F&G Regs 24AD(4) & 24AE.	N/A		Peter Kocian



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No	Reference	Question	Response	Comments	Respondent
17	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of F&G Reg 16 as if the reference in that regulation to a tender were a reference to a panel application.	N/A		Peter Kocian
18	F&G Reg 24AD(6)	If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application, notice of the variation.	N/A		Peter Kocian
19	F&G Reg 24AH(1)	Did the local government reject the applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time specified in the invitation for applications.	N/A		Peter Kocian
20	F&G Reg 24AH(3)	In relation to the applications that were not rejected, did the local government assess which application (s) to accept and which application(s) were most advantageous to the local government to accept, by means of written evaluation criteria.	N/A		Peter Kocian
21	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers, comply with the requirements of F&G Reg 24AG.	N/A		Peter Kocian
22	F&G Reg 24AI	Did the local government send each person who submitted an application, written notice advising if the person's application was accepted and they are to be part of a panel of pre-qualified suppliers, or, that the application was not accepted.	N/A		Peter Kocian
23	F&G Reg 24E	Where the local government gave a regional price preference in relation to a tender process, did the local government comply with the requirements of F&G Reg 24E in relation to the preparation of a regional price preference policy (only if a policy had not been previously adopted by Council).	N/A		Peter Kocian
24	F&G Reg 24F	Did the local government comply with the requirements of F&G Reg 24F in relation to an adopted regional price preference policy.	N/A		Peter Kocian
25	F&G Reg 11A	Does the local government have a current purchasing policy in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, \$150,000 or less.	Yes		Peter Kocian

REPORT 10.1

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return

ATTACHMENT 1



Department of
**Local Government, Sport
and Cultural Industries**

I certify this Compliance Audit return has been adopted by Council at its meeting on _____

Signed Mayor / President, East Fremantle

Signed CEO, East Fremantle

10.2 Recurrent Status Report – Risk Management, Internal Controls and Legislative Compliance

File ref	F/AUD1
Prepared by	Peter Kocian, Executive Manager Corporate Services
Supervised by	Gary Tuffin, Chief Executive Officer
Meeting Date:	26 February 2019
Voting requirements	Simple Majority
Documents tabled	Nil
Attachments	1. Status Report

Purpose

It is recommended that the Audit Committee receive a status report on all outstanding matters raised in external audit reports, financial management reviews, performance audits, internal audit reports and any other review relevant to the Audit Committee's Terms of Reference.

Executive Summary

A status report has been prepared reporting against identified issues with respect to audit, risk management, internal controls, procurement matters and legislative compliance. The status report is not an exhaustive listing and will become a living document and updated as issues are identified. It is presented to the Audit Committee to assist in their role to report to Council and provide advice and recommendations on matters relevant to its terms of reference.

Background

The Department of Local Government has published an Operational Guideline on Audit in Local Government. Appendix 3 of this Guideline lists a number of matters that should be presented to an Audit Committee for review and monitoring:

Risk Management:

- Reviewing whether the local government has an effective risk management system;
- Reviewing whether the local government has a current and effective business continuity plan;
- Reviewing areas of potential non-compliance with legislation, regulations and standards and local governments policies;
- Reviewing the following; litigation and claims, misconduct, and significant business risks;
- Obtaining regular risk reports, which identify key risks, the status and the effectiveness of the risk management systems, to ensure that identified risks are monitored and new risks are identified, mitigated and reported;
- Assessing the adequacy of local government processes to manage insurable risks and ensure the adequacy of insurance cover, and if applicable, the level of self-insurance;
- Reviewing the effectiveness of the local governments internal control system with management and the internal and external auditors;
- Assessing whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk;
- Assessing the local government's procurement framework with a focus on the probity and transparency of policies and procedures/processes and whether these are being applied.

Internal Control Systems:

- Separation of roles and functions, processing and authorisation;
- Control of approval of documents, letters and financial records;

- Limit of direct physical access to assets and records;
- Control of computer applications and information system standards;
- Regular maintenance and review of financial control accounts and trial balances;
- Comparison and analysis of financial results with budgeted amounts;
- Report, review and approval of financial payments and reconciliations;
- Comparison of the result of physical cash and inventory counts with accounting records.

Legislative Compliance:

- Monitoring compliance with legislation and regulations;
- Reviewing the annual Compliance Audit Return and reporting to Council the results of that review;
- Reviewing whether the local government has procedures for it to receive, retain and treat complaints, including confidential and anonymous employee complaints;
- Obtaining assurance that adverse trends are identified and review managements plans to deal with these;
- Reviewing management disclosures in financial reports of the effect of significant compliance issues;
- Considering the internal auditors role in assessing compliance and ethics risks in their plan;
- Monitoring the local government's compliance frameworks dealing with relevant external legislation and regulatory requirements.

Consultation

Chief Executive Officer

Statutory Environment

Regulation 17 of the *Local Government (Audit) Regulations 1996* requires the CEO to review the appropriateness and effectiveness of a local governments systems and procedures in relation to risk management, internal control and legislative compliance separately or all at the one time, on the provision that each matter is reviewed at least once every three years. The CEO is also required to report the results of that review to Council.

Policy Implications

There are no Council Policies relevant to this item.

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

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 a status report not be prepared leading to a lack of oversight by the Audit Committee	Possible (3)	Moderate (3)	Moderate (5-9)	COMPLIANCE Short term non-compliance but with significant regulatory requirements imposed	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	9
Does this item need to be added to the Town's Risk Register	No
Is a Risk Treatment Plan Required	No

Comment

The status sheet has been updated and is attached.

10.2 OFFICER RECOMMENDATION

That the Audit Committee recommend that Council receives the status report on items relevant to its Terms of Reference.

Audit Committee - Status Report

Findings		Ref	Risk Rating	Progress Update	Officer Status
Finalisation of the Business Continuity Plan	Reg 17 Review	High	Underway	Draft completed	
Development of a Risk Register	Reg 17 Review	High	Underway	Risk Management Governance Framework adopted March 2017. Agenda Item template has been updated to include Risk Implications.	
Requirement to undertake 4 yearly Financial Management Review	Reg 17 Review	High	Completed	Presented to Audit Committee/Council 2017	
Requirement to develop further policies and procedures with regards to complaints management	Reg 17 Review	Medium	Completed	External Complaints Policy established May 2017; to be reviewed as part of the Customer Service Improvement Project.	
Develop Customer Service Charter	Reg 17 Review	Low	Underway	Customer Service Charter has been drafted and will be presented to Council in the first quarter of 2019.	
Develop Annual Staff Training program	Reg 17 Review	Medium	Completed	Training and Development Policy established 2017. Staff Education and Study Leave Policy approved, and communicated. Annual Training Plan in place, as part of the annual PDR process.	
Review the Municipal Heritage Inventory	Reg 17 Review	Low			
Review Procurement Processes/Review Purchasing History (Tender Compliance)	Reg 17 Review	Medium	Underway	WALGA has completed this review. Report will be presented to the Audit Committee in February 2019.	
Develop full set of Asset Management Plans	Reg 17 Review	High	Completed	Asset Management Plans are being incorporated into a Strategic Resourcing Plan which is a combined Long-Term Financial Plan and Asset Management Plan.	
Develop Event Management Processes and	Reg 17 Review	Medium	Completed	Checklist, Workflow and Fact Sheet has been prepared.	
Update Lease Register	Reg 17 Review	Medium	Underway	Leases that are currently being held over are being progressed as well as new leases. A property management framework has been developed and will be	
Develop Annual Playground Inspection Program	Reg 17 Review	Medium			
Develop and Implement Disaster Recovery Plan	Reg 17 Review	High	Underway	The 2016 Disaster Recovery Plan is being updated as part of the review of the	
Archives Records Management	Reg 17 Review	Medium	Underway	A proposal has been received for the archiving of basement records, and a tender prepared for the digitisation of planning/building records.	

Develop Project Management Framework	Reg 17 Review	Medium	Underway	A Project Plan template has been implemented.
Develop Contract Register and Contract	Reg 17 Review	High	Underway	A review of vital records has commenced.
That all balance sheet reconciliations be reviewed	FMR	Medium	Completed	EMCS is signing off on all end of month reconciliations.
That procedures be developed to ensure	FMR	Low	Underway	Open Purchase Order reports are being distributed and reviewed monthly. The
That the Credit Card Policy be reviewed to ensure compliance with the Department's Operational Guidelines	FMR	Medium	Underway	Existing Policy has been reviewed. A new Credit Card Policy has been drafted including a Conditions of Use form to be signed by the cardholder.
That staff leave accruals be managed to reduce liability	FMR	Low	Underway	Monthly leave accrual reports are being distributed to Managers. Staff with excessive leave balances are being requested to take leave.
That Council take necessary actions to improve its financial ratios, namely the Operating Surplus Ratio and Asset Sustainability Ratio	FMR	Low	Underway	The draft Long Term Financial Plan includes ratio projections over 15 years. Depreciation expense will reduce significantly in 19/20 leading to an improvement in ratios.
That Council prepare a Disaster Recovery and Business Continuity Plan	FMR	High	Underway	IT Disaster Recovery Plan 2016 to be reviewed
That a Risk Register be presented to the Audit Committee	FMR	High	Underway	As above
All long service leave application forms are to be retained on the employee's personnel file	Management Letter	Medium	Completed	All leave forms are being saved in the H:drive under Payroll
Incorrect payment of long service leave to an employee on two occasions	Management Letter	Medium	Completed	The affected Officer agreed to accept the reduced accrual as there was no disadvantage
Large long service leave balances	Management Letter	Medium	Underway	As above

10.3 Procurement Process Review – Request for Quotations (RFQ) and Requests for Tender (RFT)

File ref	F/AUD1
Prepared by	Peter Kocian, Executive Manager Corporate Services
Supervised by	Gary Tuffin, Chief Executive Officer
Meeting Date:	26 February 2019
Voting requirements	Simple Majority
Documents tabled	Nil
Attachments	1. Procurement Process Review (under Confidential Cover)

Purpose

It is recommended that the Audit Committee receive the confidential review undertaken by the WALGA Procurement Service of the Town's procurement processes, and endorse the recommendations from this report.

Executive Summary

The WALGA Procurement Service has undertaken a review of the Town's procurement processes, specifically all Requests for Tender invited in 2017/18. The review considered the overall process undertaken by the Town, including key items of legislation, regulations, and relevant policies and procedures. Recommendations from this review are presented to the Audit Committee for endorsement to Council.

Background

The Office of the Auditor General (OAG) has assumed responsibility for the financial audit of local government. In addition, the OAG is conducting performance audits of local governments, with audit topics determined on the following criteria:

- Materiality
- Impact
- Risk
- Context
- Coverage
- Auditability/efficiency

At its meeting of 7 November 2018, the Audit Committee endorsed an Internal Audit Charter and work plan for 2019. The topics on the work plan are likely review areas for the OAG, including local government procurement processes and controls.

Consultation

Chief Executive Officer

Statutory Environment

Regulation 17 of the *Local Government (Audit) Regulations 1996* requires the CEO to review the appropriateness and effectiveness of a local government's systems and procedures in relation to risk management, internal control and legislative compliance separately or all at the one time, on the provision that each matter is reviewed at least once every three years. The CEO is also required to report the results of that review to Council.

Policy Implications

There are no Council Policies relevant to this item.

Financial Implications

The cost of the review was \$5,054 (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

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 Audit Committee do not endorse the recommendations stemming from the Procurement Review, which may impact the probity of tender processes	Rare (1)	Moderate (3)	Low (1-4)	COMPLIANCE Some temporary non-compliances	Accept Officer Recommendation

Risk Matrix

Consequence		Insignificant	Minor	Moderate	Major	Extreme	
		1	2	3	4	5	
Likelihood	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	3
Does this item need to be added to the Town's Risk Register	No
Is a Risk Treatment Plan Required	No

Comment

The scope of the procurement process review included:

- Review the Towns RFT and RFQ Register Summary
- Review the Towns Quotation and Tender Forms
- Review the Towns Tender Checklist
- Review the Towns Purchasing Policy
- Review the Towns Delegated Authority Register 2018
- Review the Towns RFQ and RFT templates
- Review RFT supporting documents
- Prepare an RFT advertising template

The full report is appended under confidential cover. The Executive Summary of the Report concludes that *'each tender process was consistent with a fair and equitable procurement process'*. However, there are a number of recommendations that are supported for implementation:

1. A Clarification Register Template be developed summarising all clarifications issued to tenderers
2. A Price Schedule be included in the Request for Quotation template
3. Qualitative criteria weighting be included in the Request for Quotation template
4. The relevant General Conditions of Contract should be included as part of the RFQ/RFT as a stand-alone heading (Goods and services, ICT, Minor Works, Grant Agreement)
5. A Respondents Offer Form be included in the Request for Quotation template
6. The Town utilise the WALGA e-tendering system for all tenders
7. A Requests for Clarifications heading be added within the Conditions of Tendering
8. The Tender Offer Form include the name and contact details of the Authorised Signatory
9. The Tender Advertisement template be adopted and used for all future tenders
10. Tender Briefings and/or Site Inspections be added within the Conditions of Tendering where applicable
11. Period of Contract Termination be included as a sub-heading within the General Conditions of Contract
12. Referee Checks are not to be included in the Qualitative Criteria
13. An Evaluation Report be prepared for all tenders, including those awarded by the CEO under delegated authority

10.3 OFFICER RECOMMENDATION

That the Audit Committee recommend Council:

- (1) receive the review of the Town's procurement processes undertaken by the WALGA Procurement Service.
- (2) note the recommendations detailed in the WALGA Procurement Review will be implemented by the administration.

10.4 Corporate Credit Card Policy

File ref	F/AUD1
Prepared by	Peter Kocian, Executive Manager Corporate Services
Supervised by	Gary Tuffin, Chief Executive Officer
Meeting Date:	26 February 2019
Voting requirements	Simple Majority
Documents tabled	Nil
Attachments	<ol style="list-style-type: none">1. Corporate Credit Card Use Policy (F8.6)2. Corporate Credit Card Use Policy (4.3.6)3. Corporate Credit Card Procedure (PRO4.3.6)4. WA Auditor General's Report – Control over Corporate Credit Cards

Purpose

It is recommended that the Audit Committee endorse the revised Corporate Credit Card Policy, as presented.

Executive Summary

Pursuant to the *Local Government (Financial Management) Regulations 1996*, the CEO is responsible for the financial management of the local government, and to ensure that efficient financial management systems and procedures are established. The revised Policy (4.3.6) provides for the authorisation for the incurring of liabilities and the making of payments via corporate credit card.

Background

The Office of the Auditor General (OAG) has assumed responsibility for the financial audit of local government. In addition, the OAG is conducting performance audits of local governments, with audit topics determined on the following criteria:

- Materiality
- Impact
- Risk
- Context
- Coverage
- Auditability/efficiency.

In light of the recent decision to issue three credit cards (\$5,000 limit each) to the senior managers (EMCS, EMRS & OM) it was appropriate to review and update the existing credit card policy.

At its meeting of 7 November 2018, the Audit Committee endorsed an Internal Audit Charter and work plan for 2019. The topics on the work plan are likely review areas for the OAG, with the OAG already completing an audit of eight local governments, assessing controls around the use of corporate credit cards. This Audit Report is attached for the Committee's information. The key recommendations in this Report are:

1. Local Government's should:
 - a. Ensure policies specify requirements for all key credit card processes
 - b. Keep adequate records of all card transactions, including information that describes the nature/purpose of the expenditure and evidence of review and approval
 - c. Cancel redundant cards in a timely manner to avoid loss and/or misuse of cards
 - d. Regularly monitor outstanding transactions to identify and follow up on long outstanding un-acquitted transactions

- e. Ensure senior management periodically reviews credit card use, to confirm compliance with policies and to identify any abnormal trends. The results of these reviews should be documented and retained.

Consultation

Internal

Statutory Environment

The *Local Government (Financial Management) Regulations 1996* outline the CEO's responsibilities with regards to the proper financial management of the local government.

Policy Implications

A new Policy is proposed – Corporate Credit Card Policy (this is to replace the existing Corporate Credit Card Policy F8.6).

The following existing Policies are also relevant:

1. 4.2.4 Purchasing Policy
2. 4.3.5 Internal Audit Charter Policy
3. Supplier Payments Policy

Financial Implications

There are no financial implications relative to this report.

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

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 Audit Committee not endorse the new Credit Card Policy giving rise to inadequate internal controls	Rare (1)	Moderate (3)	Low (1-4)	COMPLIANCE Some temporary non-compliances	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	3
Does this item need to be added to the Town's Risk Register	No
Is a Risk Treatment Plan Required	No

Comment

A number of internal processes and controls have been reviewed and documented. This has resulted in the conversion of the existing Corporate Credit Card Use Procedure into a Corporate Credit Card Policy.

The Corporate Credit Card Policy captures existing policy relating to the use of corporate credit cards. However, two new requirements have been incorporated into this Policy:

1. All card holders are to sign a Corporate Credit Card Acknowledgement and Conditions of Use form
2. The card allocated to the Executive Manager Corporate Services has been made available for whole of organisation use. A requisition form is required to be completed and approved by the Executive Manager prior to the card being released.

10.4 OFFICER RECOMMENDATION

That the Audit Committee recommend that Council:

1. receive the WA Auditor General's Report on the Control over Corporate Credit Cards.
2. revoke Policy F8.6 and endorse the attached Corporate Credit Card Policy (4.3.6).

SECTION: FINANCE – F8.6

**TOWN OF
EAST FREMANTLE**

**COUNCIL POLICY: CREDIT CARD USEAGE**Adopted: 18 March 2008

Introduction

Corporate credit cards are now a routine aspect of procurement for most councils. In March 2004, the Local Government Department issued Circular 04/04 recommending that Councils develop a clear and comprehensive policy to allow implementation of appropriate internal controls for the use of Council issued corporate credit cards.

Credit cards must be subject to appropriate controls to protect Council funds, maintain the integrity of governance processes and maintain public confidence in Council's operations. All local government councils are obliged to maintain an effective system of internal control under Financial Management Regulation 14, to address the significant risks of fraud and misuse of corporate credit cards.

Policy

The following will apply to the use of credit cards by Council employees:

1. Council will only use credit cards in circumstances where there is a clear business case to support their use (eg purchases from providers at which Council have no account facilities, payments of expenses, training expenditure in accordance with Council policy and budget applications.) Purchase Orders are to be raised for all purchases and appropriately authorised.
2. Credit limits on cards are to be a maximum of \$5,000. Each individual credit limit must be adhered to with no over expenditure.
3. Credit cards are not to be used for cash advances
4. Council credits are not to be used for any personal expenditure
5. Credit cards are to be maintained in a secure manner and guarded against improper use.
6. The CEO is to authorise the establishment of all credit cards, and determine the individual credit limits in accordance with 2 above. Applications for credit cards are to include details of the need for the facility and proposed use of the card.
7. Cardholders will be required to formally acknowledge policy conditions
8. Cardholders are to retain purchase/expenditure and tax invoices.
9. On an annual basis the Executive Manager Finance & Administration will review the credit card limit, useage patterns, internal controls and

risk management relating to credit card useage. A summary of the review is to be documented and referred to the CEO

10. Lost, stolen and or damaged cards are to be reported immediately to the issuing financial institution and the Executive Manager Finance & Administration.
11. Credit cards are to be returned to Council a minimum of two weeks prior to the cessation of employment of the card holder.
12. Use of credit cards is only to be in accordance with this policy and the issuing financial institutions conditions of use.

Misuse of Credit Cards

Any misuse of credit cards will result in future use by the cardholder being reviewed and possibly withdrawn. Credit cards are issued to staff who are in a position of trust in regard to public funds. Improper use of that trust may render the cardholder liable to disciplinary/legal action and/or criminal prosecution.

CORPORATE CREDIT CARD POLICY

Policy Number:	4.3.6
Type:	Governance – Financial Management
Legislation:	Local Government Act 1995 Local Government (Administration) Regulations 1996 Local Government (Functions and General) Regulations 1996
Delegation:	DA
Other Related Document:	Purchasing Policy 4.2.4 Supplier Payments Policy Corporate Credit Card Procedures (PRO4.3.6) Request to use Town Credit Card Credit Card Acquittal

Policy Statement

This Policy, which is **mandatory**, allows the CEO to pay for expenditure, incurred in carrying out the ordinary course of business for the Town of East Fremantle, via the use of a Corporate Credit Card.

Policy Scope

This Corporate Credit Card Policy outlines the manner in which the corporate credit card can be used and provides clear guidance and responsibilities of the card users and ensures protection of the Town of East Fremantle's funds. This policy should be read in conjunction with section 6.5 of the *Local Government Act 1995* and *Local Government (Financial Management) Regulations 1996*, specifically:

- regulation 5, which specifies the CEO's duties as to financial management
- regulation 11, which specifies that procedures are to be made for the correct authorisation and payment of accounts, and
- regulation 13, which specifies that a list of payments made is required to be presented at ordinary council meetings.

Local Government (Functions and General) Regulations 1996 are also complied with in relation to adhering to the Town of East Fremantle's Purchasing Policy (*Regulation 11A*).

A purchase order is not required when a corporate credit card is used. However, in order to adhere to the *Local Government Act and Regulations*, a *Request to Use Town Credit Card* form must be completed by staff members who are not cardholders. This form ensures that the expenditure is duly authorised, that a valid tax invoice is obtained, is within budget and the nominated general ledger account to be charged is correct. A reason must also be given as to why a purchase order has not been raised.

As the cardholders are part of the Executive Management Team of the Town of East Fremantle, and individual credit card limits are below their delegated purchasing authority limits, expenditure incurred via credit card is therefore in accordance with appropriate delegated authority.

Each month the cardholder is required to prepare a *Credit Card Acquittal* form. The acquittal ensures that the expenditure is duly authorised, valid tax invoices/receipts are attached, is within budget and the nominated general ledger account to be charged is correct.

Each month a listing of payments made via Corporate Credit Cards is required to be presented to Council for approval.

Policy

Eligibility

The provision of a Corporate Credit Card is a facility offered by Council to Management occupying certain positions which must be authorised by the CEO.

If a staff member is not an authorised cardholder and requires the use of a Corporate Credit Card for purchasing purposes, the staff member on approval from their Manager is required to complete a *Request to Use Town Credit Card* form, (held with the Finance Officer or Customer Service Officer) which includes showing the applicable general ledger account and IE code of the purchase. Once completed, the staff member must obtain the signature of the credit cardholder. Once authorised, the staff member can complete the purchase.

Guidelines for credit card usage

- The card must be used for Council business expenditure only. The monthly limit assigned to each card holder is \$5,000 and the card holder must ensure there are sufficient funds in the budget prior to usage;
- The card must not be used for personal use;
- The card must not be used for the withdrawal of cash through any facility, whether it is a Bank, ATM or EFTPOS facility;
- The card must not be used by officers' other than the cardholder, unless the cardholder has given prior approval on the Credit Card Request form, held by the Finance Officer;
- The card must not be used for fuel purchases in instances where the cardholder has a Fuel Card facility available;
- The cardholder must obtain all tax invoices and/or receipts from the Creditor and maintain any other records of their transactions to facilitate the reconciliation and costing of transactions for that card. These invoices/receipts must be handed to the Finance Officer as soon as they are received from the Creditor;
- The cardholder must practice due diligence and strict care to maintain the security of their card, ensuring that it is kept in their possession at all times;
- The card must be returned to the Manager Finance and Administration, prior to leave periods in excess of four weeks. The card must also be returned if the cardholder is reassigned to a new position where the use is not required or where their employment is terminated;
- Cards must not be used to obtain personal rewards such as frequent flyer points or any other rewards, including flight point awards;
- The card shall not be used for payment of fines, for example a parking or a speeding offence which was incurred whilst on Council business;
- No direct debits are to be utilised;
- The card should only be used in limited circumstances when a Creditor will not accept payment via EFT or cheque, otherwise a purchase order must be raised and the Creditor paid in accordance with the Towns Supplier Payments Policy.
- The card is permitted to be used when payment is expected COD.

- No “tips” shall be paid using a Corporate Credit Card.

Where an inappropriate expense occurs

Where an inappropriate expenditure occurs, the value of the expenditure shall be recovered from the cardholder. Should there be an accidental contravention, the Manager of Finance and Administration is to be notified and the Council reimbursed immediately.

Formal acknowledgement of procedure conditions

Managers issued with Corporate Credit Cards are in a position of trust with regard to the use of public funds. Improper use of that trust may render the cardholder liable to disciplinary action, legal action or criminal prosecution.

All Corporate Credit Card holders are to acknowledge receipt of their corporate credit card by signing a *Corporate Credit Card Acknowledgment and Conditions of Use* form (attachment A).

All Corporate Credit Cards issued will be recorded on the Credit Card holders Personnel file. (Human Resources)

Cardholder responsibilities

Cardholders are required to abide by the Town’s internal procedures as follows:

- The Corporate Credit Card must be signed with the card holder’s signature immediately upon receipt;
- Card holders are to ensure that the proposed transactions will not cause the credit limit to be exceeded;
- A compliant Tax Invoice/receipt must be obtained for all purchases and lodged with the Finance Officer;
- Should a cardholder fail to obtain a Tax Invoice, they must make all reasonable attempts to obtain a copy. If they cannot obtain a copy, the cardholder will be required to immediately lodge a written explanation advising as to the reason;
- Tax invoices must be authorised with a Council stamp showing the general ledger account number, IE code, description of the purchase and the card holder’s signature; and
- The banks Credit Card Monthly Statements will be issued to the cardholders for review and signatory (must be returned within one business day) and for approval by the CEO.

Each month the cardholder is required to prepare a *Credit Card Acquittal* form. The acquittal ensures that the expenditure is duly authorised, valid tax invoices/receipts are attached, is within budget and the nominated general ledger account to be charged is correct.

Repeat failure to acquit monthly statements in a timely manner may result in the Corporate Credit Card being cancelled.

Where cardholders fail to fulfil the above requirements, the CEO may cancel the card and revoke purchasing delegations.

Procedure for lost, stolen or damaged cards

Cardholders are personally responsible and accountable for the safe custody of the issued card. Cardholders must:

- keep the Corporate Credit Card with them at all times. This will ensure the card is secure at all times to safeguard against theft or loss;

- report the loss or theft of a card to the supplying bank immediately in accordance with the bank's terms and conditions, and notify the Manager Finance and Administration;
- not disclose or carry with the card any PIN that has been issued with the card.

Procedures for cessation of employment

Upon cessation of employment with the Town, the card holder must ensure that:

- all outstanding transactions are cleared and properly accounted for;
- the card is returned to the Manager Finance and Administration for cancellation and destruction; and
- sign off the return of the Credit Card from Human Resources.

Duties of the Finance Officer

The Finance Officer is responsible for the data entry of corporate credit card transactions into the finance system and checks the validity of all tax invoices attached to ensure that they are in accordance with ATO requirements.

Payment of Credit Card Balance

On a monthly basis the Commonwealth Bank draws on the Town's General Municipal Account to pay for the balance outstanding on the Corporate Credit Card.

Monthly Council Meetings - submission of payments made via credit card

Each month the Finance Officer prepares a listing of payments made by the Town of East Fremantle via credit card. The listing is reviewed by the Manager Finance & Administration and Executive Manager Corporate and Community Service and presented to Council for approval.

Record Keeping

On completion of monthly processing the Finance Officer attaches the invoices to the Credit Card Acquittal form and Credit Card Statement and files the batches sequentially in folders stored securely.

Consequences of Breaching this Policy

The policy constitutes a lawful instruction to staff members involved in administering corporate credit card transactions. Any breaches of the policy may lead to disciplinary action.

Variation to this Policy

This policy may be varied from time to time. All the organisation's employees will be notified of any variation to this policy by the normal correspondence method.

Responsible Directorate:	Finance and Administration
Reviewing Officer:	Executive Manager Corporate and Community Service
Decision making Authority:	Council
Policy Adopted:	xx/03/18
Policy Amended:	
Next Review Date:	March 2020



ATTACHMENT A

Corporate Credit Card Acknowledgment and Conditions of Use

To the CEO

I.....(position).....

acknowledge receipt of a Town of East Fremantle Corporate Credit Card and acknowledge that:

- 1. I am aware of my responsibilities and duties as a Corporate Credit Card holder;
2. I will only use the Corporate Credit Card within the approved financial limits and for approved purposes;
3. I am aware that transactions made with the card are subject to authorisation and audit procedures;
4. I will reimburse the Town of East Fremantle for the cost of purchases that are deemed not for the use of the Town, or Town related business;
5. I will keep the card safe from unauthorised use at all times;
6. I will return the card to the Manager of Administration and Finance:
(i) on request of the CEO;
(ii) if required by the CEO, prior to my assuming duties in another position within the Town of East Fremantle; or
(iii) on termination of employment with the Town of East Fremantle;
(iv) once it has been deemed by the CEO that I no longer require a Corporate Credit Card.
7. I will advise the Manager Administration and Finance and the Commonwealth Bank immediately if the Corporate Credit Card has been lost, mislaid, stolen or misused;
8. I am aware that when no documentation is available to support a particular transaction, I will provide a written explanation detailing the reason and detail the nature of the expense. I will also acknowledge that the expense is business related and also show the general ledger account and IE code for the purchase;
9. I will not use the Corporate Credit Card for any personal or private use;
10. I will not use the Corporate Credit Card to obtain cash;
11. I will not use the Corporate Credit Card for the purchase of fuel when I have been provided with a fuel card;
12. The card should only be used when a Creditor will not accept payment via EFT or cheque. It is to be used when payment is expected COD;
13. No direct debits are to be utilised.

Corporate Card holder's Signature.....

Date.....

CEO Signature.....

Date.....



CORPORATE CREDIT CARD USE PROCEDURE (PRO4.3.6)

1.0 OBJECTIVE

This procedure aims to create a sound framework for the use of Corporate Credit Cards and provides clear guidance and responsibilities of the card users and ensures protection of the Town's funds.

2.0 RELATED POLICIES

- Purchasing Policy (No 4.2.4)
- Corporate Credit Card Policy (No 4.3.6)

3.0 ELIGIBILITY

The provision of a Corporate Credit Card is a facility offered by Council to Management occupying certain positions which must be authorised by the CEO.

If you are not an authorised cardholder and require the use of a Corporate Credit Card for purchasing purposes, please advise your Manager and complete a Credit Card Request form, (held with the Finance Officer) which includes showing the applicable general ledger account and IE code of the purchase. Once completed, you must obtain the signature of the credit card holder of which you are using. Once authorised, you can complete the purchase.

4.0 GUIDELINES FOR CREDIT CARD USAGE

- The card must be used for Council business expenditure only. The monthly limit assigned to each card holder is \$5,000 and the card holder must ensure there are sufficient funds in the budget prior to usage;
- The card must not be used for personal use;
- The card must not be used for the withdrawal of cash through any facility, whether it is a Bank, ATM or EFTPOS facility;
- The card must not be used by officers' other than the cardholder, unless the cardholder has given prior approval on the Credit Card Request form, held by the Finance Officer;
- The card must not be used for fuel purchases in instances where the cardholder has a Fuel Card facility available;
- The cardholder must obtain all tax invoices and/or receipts from the Creditor and maintain any other records of their transactions to facilitate the reconciliation and costing of transactions for that card. These invoices/receipts must be handed to the Finance Officer as soon as they are received from the Creditor;
- The cardholder must practice due diligence and strict care to maintain the security of their card, ensuring that it is kept in their possession at all times;
- The card must be returned to the Manager Administration and Finance, prior to leave periods in excess of four weeks. The card must also be returned if the cardholder is reassigned to a new position where the use is not required or where their employment is terminated;
- Cards must not be used to obtain personal rewards such as frequent flyer points or any other rewards, including flight point awards;
- The card shall not be used for payment of fines, for example a parking or a speeding offence

which was incurred whilst on Council business;

- No direct debits are to be utilised;
- The card should only be used when the Creditor will not accept payment via EFT or cheque. It is to be used when payment is expected COD.
- No “tips” shall be paid using a Corporate Credit Card.

4.1 WHERE AN INAPPROPRIATE EXPENSE OCCURS

Where an inappropriate expenditure occurs, the value of the expenditure shall be recovered from the card holder. Should there be an accidental contravention, the Manager of Administration and Finance is to be notified and the Council reimbursed immediately.

5.0 FORMAL ACKNOWLEDGEMENT OF PROCEDURE CONDITIONS

Managers' issued with Corporate Credit Cards are in a position of trust with regard to the use of public funds. Improper use of that trust may render the cardholder liable to disciplinary action, legal action or criminal prosecution. All Corporate Credit Card holders are to acknowledge receipt of the Corporate Credit Card and instructions for use. The acknowledgement will include a signed agreement to abide by all Town of East Fremantle card supplier guidelines including conditions of use (attachment A).

All Corporate Credit Cards issued will be recorded on the Credit Card holders Personnel file. (Human Resources)

6.0 CARD HOLDER RESPONSIBILITIES

Card holders are required to abide by the Town's internal procedures as follows:

- The Corporate Credit Card must be signed with the card holder's signature immediately upon receipt;
- Card holders are to ensure that the proposed transactions will not cause the credit limit to be exceeded;
- A compliant Tax Invoice/receipt must be obtained for all purchases and lodged with the Finance Officer;
- Should a card holder fail to obtain a Tax Invoice, they must make all reasonable attempts to obtain a copy. If they cannot obtain a copy, the cardholder will be required to immediately lodge a written explanation advising as to the reason;
- Tax invoices must be authorised with a Council stamp showing the general ledger account number, IE code, description of the purchase and the card holder's signature; and
- The banks Credit Card Monthly Statements will be issued to the card holders for review and signatory (must be returned within one business day) and also approval by the CEO.

As part of the acquittal process (as per above), the card holder is to certify that all charges shown are correct. Repeat failure to acquit monthly statements in a timely manner may result in the Corporate Credit Card being cancelled.

Where card holders fail to fulfil the above requirements, the CEO may cancel the card and revoke purchasing delegations

7.0 PROCEDURE FOR LOST, STOLEN OR DAMAGED CARDS

Card holders are personally responsible and accountable for the safe custody of the issued card. Card holders must:

- keep the Corporate Credit Card with them at all times. This will ensure the card is secure at all times to safeguard against theft or loss;

- report the loss or theft of a card to the supplying bank immediately in accordance with the bank's terms and conditions, and notify the Manager Administration and Finance;
- not disclose or carry with the card any PIN that has been issued with the card.

8.0 PROCEDURES FOR CESSATION OF EMPLOYMENT

Upon cessation of employment with the Town, the card holder must ensure that:

- all outstanding transactions are cleared and properly accounted for;
- the card is returned to the Manager Administration and Finance for cancellation and destruction; and
- sign off the return of the Credit Card from Human Resources.



ATTACHMENT A

Corporate Credit Card Acknowledgment and Conditions of Use

To the CEO

I.....(position).....

acknowledge receipt of a Town of East Fremantle Corporate Credit Card and acknowledge that:

- 1. I am aware of my responsibilities and duties as a Corporate Credit Card holder;
2. I will only use the Corporate Credit Card within the approved financial limits and for approved purposes;
3. I am aware that transactions made with the card are subject to authorisation and audit procedures;
4. I will reimburse the Town of East Fremantle for the cost of purchases that are deemed not for the use of the Town, or Town related business;
5. I will keep the card safe from unauthorised use at all times;
6. I will return the card to the Manager of Administration and Finance:
(i) on request of the CEO;
(ii) if required by the CEO, prior to my assuming duties in another position within the Town of East Fremantle; or
(iii) on termination of employment with the Town of East Fremantle;
(iv) once it has been deemed by the CEO that I no longer require a Corporate Credit Card.
7. I will advise the Manager Administration and Finance and the Commonwealth Bank immediately if the Corporate Credit Card has been lost, mislaid, stolen or misused;
8. I am aware that when no documentation is available to support a particular transaction, I will provide a written explanation detailing the reason and detail the nature of the expense. I will also acknowledge that the expense is business related and also show the general ledger account and IE code for the purchase;
9. I will not use the Corporate Credit Card for any personal or private use;
10. I will not use the Corporate Credit Card to obtain cash;
11. I will not use the Corporate Credit Card for the purchase of fuel when I have been provided with a fuel card;
12. The card should only be used when a Creditor will not accept payment via EFT or cheque. It is to be used when payment is expected COD;
13. No direct debits are to be utilised.

Corporate Card holder's Signature.....

Date.....

CEO Signature.....

Date.....

Western Australian Auditor General's Report



Controls Over Corporate Credit Cards

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WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

Controls Over Corporate Credit Cards

Report 7
May 2018



**THE PRESIDENT
LEGISLATIVE COUNCIL**

**THE SPEAKER
LEGISLATIVE ASSEMBLY**

CONTROLS OVER CORPORATE CREDIT CARDS

This report has been prepared for submission to Parliament under the provisions of section 25 of the *Auditor General Act 2006*.

The report summarises the results of my first focus area audit in the local government sector.

The audit assessed whether 8 local governments have effective controls over the use of corporate credit cards. We found that they generally had satisfactory controls, but we did note various shortcomings and have made related recommendations for improvement.

I wish to acknowledge the cooperation of the staff at the local governments included in this audit.



COLIN MURPHY
AUDITOR GENERAL
9 May 2018

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Auditor General's overview

I am pleased to present my first local government audit report to Parliament, under the *Local Government Amendment (Auditing) Act 2017*.

This report reflects the results of a focus area audit on Controls Over Corporate Credit Cards. These audits have a narrow scope and normally focus on specific areas of financial controls. We audited 8 local governments, some big in size and some small, some metropolitan based and some regional, to give an idea of how local governments are performing in this area.



Given the huge diversity among local governments, the intent of these audits is not to compare, but to provide examples of better practice as well as opportunities for improvement.

Corporate credit cards offer significant benefits to entities. They can reduce costs and streamline business processes associated with authorising, tracking, purchasing, payment and reconciling purchases. But like all financial processes and tools, they can be misused if not properly managed.

I recognise the challenges that small local governments in particular experience with regard to matters such as segregation of duties and suitable arrangements while key staff are on leave. In saying that, the results of this audit are generally good. While we noted some areas that could be done better, the local governments mostly had satisfactory controls in place.

Importantly, the local governments were accepting of our findings and were open to change to address the issues we identified. And I encourage all local governments to follow suit – to assess their own management of corporate credit cards against the findings and recommendations of this report and to promptly act where required.

Parliament gave the Auditor General the mandate to audit local government to enhance accountability and transparency across the sector. For this to be a success we need to continue on the path we started with this audit. That is working together to recognise good practice as well as identify areas where things can and should be done better – in the public interest.

Controls over corporate credit cards

Background

Corporate credit cards are an important part of modern purchasing systems, offering significant benefits such as reduced costs and streamlined business processes. They are used for local government purchases including computing and other equipment, general consumables, hospitality and travel. While local governments generally use credit cards for a small proportion of their payments, it is important they are effectively managed to reduce the risk of improper or unauthorised use.

Local government employees and chief executive officers (CEOs) use corporate credit cards. However, the elected members that make up a local government Council cannot use these cards as the *Local Government Act 1995* (LG Act) does not allow them to incur debts. Instead, local governments pay allowances or reimburse expenses to an elected member.

The LG Act and associated regulations require:

- the Council to oversee allocation of the local government's finances and resources and to determine policies
- the CEO to ensure that proper accounts and records are kept in accordance with regulations
- local governments to develop procedures for the payment of accounts to ensure that there is effective security for, and properly authorised use of credit cards.

In conducting our audit, we considered the above requirements, *Local Government Operational Guidelines Number 11 – September 2006 Use of Corporate Credit Cards* and other accepted better practice guidance.

Conclusion

Local governments in our sample generally had satisfactory controls in place to manage the use of credit cards. We noted shortcomings however, of varying significance, in the policies and practices at most local governments we audited. We did not find any inappropriate use of credit cards.

Recommendations

1. Local governments should:
 - a. ensure policies specify requirements for all key credit card processes
 - b. keep adequate records of all card transactions, including information that describes the nature/purpose of the expenditure and evidence of review and approval
 - c. cancel redundant cards in a timely manner to avoid loss and/or misuse of cards
 - d. regularly monitor outstanding transactions to identify and follow up on long outstanding un-acquitted transactions
 - e. ensure senior management periodically reviews credit card use, to confirm compliance with policies and to identify any abnormal trends. The results of these reviews should be documented and retained.

What we did

The focus of this audit was to determine if the local governments in our sample have effective controls over the use of corporate credit cards. We also assessed if there was adequate independent review of the credit card use of CEOs.

We assessed the policies and practices at 8 local governments, over the period 1 January 2017 to 30 September 2017, using the following lines of inquiry:

1. Do local governments have appropriate policies and administrative systems in place for corporate credit cards?
2. Are suitable controls in place to monitor and manage the issue and use of cards and the timely approval of card transactions?
3. Do management periodically review their use of corporate credit cards and act on any identified shortcomings?

We conducted this audit under sections 18 of the *Auditor General Act 2006* and 7.12AJ of the *Local Government Act 1995* and in accordance with Australian Auditing and Assurance Standards.

Local governments included in our audit

Focus area audits assess local governments against common business practices to identify good practices, and control weaknesses and exposures so that local governments, including those not audited, can compare their own performance.

When deciding which local governments to include in this audit we aimed for a mix of different size local governments from diverse locations with varying budgets, resourcing and purchasing requirements. This allowed us to identify potential issues, better practice examples and improvement opportunities that are likely to be applicable across the broader local government sector.

We included the following local governments in this audit:

Local government	Number of credit cards	Number of credit card purchases made	Number of credit card purchases as a % of all purchases made	Value of credit card purchases	Value of credit card purchases as a % of all purchases made
City of Kalamunda	12	959	14%	\$159,585	0.34%
City of Rockingham	90	4,391	20%	\$1,213,175	0.89%
City of Wanneroo	54	3,199	4%	\$417,185	0.28%
Shire of Carnarvon	4	108	4%	\$17,144	0.17%
Shire of Cranbrook	2	293	16%	\$45,688	1.06%
Shire of Dandaragan	4	143	4%	\$41,249	0.43%
Shire of Denmark	4	122	6%	\$22,799	0.34%
Town of Port Hedland	8	553	12%	\$176,929	0.47%

Table 1: Key expenditure statistics from 1 January 2017 to 30 September 2017

What did we find?

Overall policies and administrative systems for managing corporate credit cards were appropriate

Good policies and procedures provide essential guidance for staff to manage credit cards in accordance with management’s expectations. They should cover matters such as controls over issuing and cancelling cards as well as approving and acquitting purchases.

We found that appropriate policies and administrative systems were generally in place for use of credit cards, however:

- at the Shire of Denmark and the City of Wanneroo we found that policies did not specify the timelines for acquitting and approving monthly credit card statements. Setting timelines is important as they help ensure timely acquittal and approvals, and also early identification of any unauthorised transactions
- at the City of Wanneroo, we found 2 instances where cardholders had not completed cardholder agreements. Cardholder agreements outline cardholder duties and responsibilities.

Suitable controls were generally in place for managing credit card use, however most local governments had opportunities for improvement

Strong controls assist in the early identification of erroneous, inappropriate or unauthorised transactions. It is good practice for transactions to be matched to invoices and vetted by the cardholder before being independently approved by the cardholder’s supervisor. These steps should be completed within a reasonable timeframe on a monthly basis.

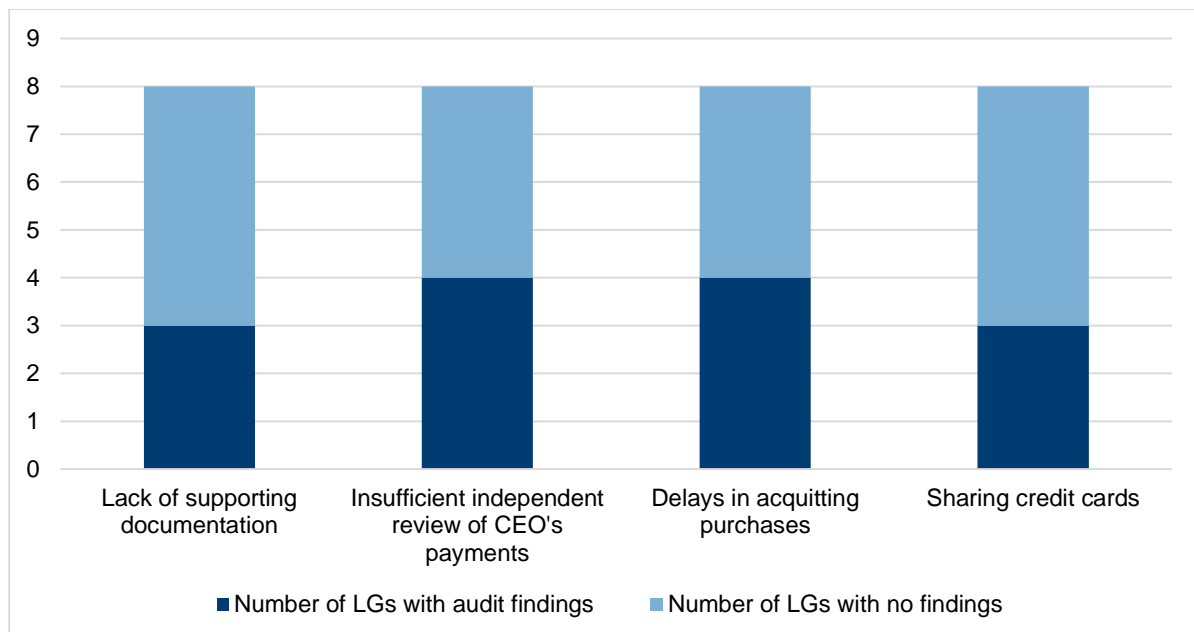


Figure 1: Audit findings by number of local governments (LGs)

We identified control weaknesses of varying significance at all local governments, except the Shire of Carnarvon:

- The City of Rockingham did not always have appropriate independent approval of credit card transactions. For 54% of cardholders, the coding and review of their transactions was performed by subordinates, and the cardholders thereafter approved their own transactions.

- CEO credit card transactions were approved by a subordinate, or were self-approved at 4 local governments. This process could be improved to increase transparency, without introducing additional approval processes, by periodically reporting the CEO's transactions to the Council, and clearly identifying them for noting.
- To ensure the person using the credit card is identifiable and accountable, staff should not share credit cards. We found sharing of cards at 3 local governments:
 - At the City of Kalamunda, we found that cardholders permitted staff within their departments to use their card. The monthly statement was then signed off by the cardholder and a subordinate. We were unable to determine who made the purchases and could not substantiate if approvals were independent. Staff at the City of Wanneroo and Shire of Dandaragan also shared cards but they were able to demonstrate independent approval and monitoring of these purchases.

We recognise the challenges of small local governments in this regard, however they should consider other arrangements to avoid sharing of cards.

- We found delays in cancelling cards when staff resigned, at the Shire of Denmark and the City of Wanneroo. The maximum delays were 4 months and 11 months respectively. If cards are not cancelled promptly, they may be used by other non-authorised staff.
- The City of Rockingham did not have adequate documentation for 20% of the transactions we audited. The Shire of Cranbrook and Shire of Denmark lacked adequate documents for a small number of transactions. This makes it difficult for management or auditors to determine the appropriateness of purchases.
- We found 4 local governments were not always acquitting their credit card transactions in a timely manner or in line with their own policy. The delays ranged from 7 business days later than required by the policy, to over 4 months. Timely acquittals help identify any erroneous or inappropriate payments.

While local governments were reviewing credit card usage, there was inconsistent reporting to Council

We found that all the local governments were reviewing the use of credit cards in some way, on a regular basis. We were pleased to note that the City of Rockingham and the Shire of Carnarvon recently audited their credit cards. Internal audits provide management with important insight into credit card usage and associated effectiveness of controls.

Reporting to Council on credit card expenditure was inconsistent as:

- half the local governments reported payment of the outstanding credit card balance
- the others reported individual purchases made on the credit card.

The latter approach clearly provides more transparent oversight of this expenditure as regular detailed review of all payments can help identify unusual card use. Councils interpreted Regulation 13 of the Local Government (Financial Management) Regulations 1996 inconsistently. This regulation requires local governments to present the details of all payments, including corporate credit card payments to Council on a monthly basis.

Response from local governments

Local governments in our sample generally accepted the recommendations and confirmed that, where relevant, they have amended policies and administrative systems or will improve practices for managing credit cards.

The City of Wanneroo agreed that in future credit cards will be cancelled when staff leave. The City advised that in the instances identified during our audit, although the cards had not been promptly cancelled with the bank, they had been promptly destroyed when the staff members resigned and that no transactions had been made using those cards.

Auditor General's Reports

Report number	2018 reports	Date tabled
6	Audit Results Report – Annual 2017 Financial Audits and Management of Contract Extensions and Variations	8 May 2018
5	Confiscation of the Proceeds of Crime	3 May 2018
4	Opinions on Ministerial Notifications	11 April 2018
3	Opinion on Ministerial Notification	21 March 2018
2	Agency Gift Registers	15 March 2018
1	Opinions on Ministerial Notifications	22 February 2018

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10.5 Supplier Payments Policy and General Conditions of Contract for the Supply of Goods and Services under a Purchase Order

File ref	F/AUD1
Prepared by	Peter Kocian, Executive Manager Corporate Services
Supervised by	Gary Tuffin, Chief Executive Officer
Meeting Date:	26 February 2019
Voting requirements	Simple Majority
Documents tabled	Nil
Attachments	1. Supplier Payments Policy 2. General Conditions of Contract for the Supply of Goods and Services under a Purchase Order 3. WA Auditor General's Report – Timely Payment of Suppliers

Purpose

It is recommended that the Audit Committee endorse the Supplier Payments Policy and General Conditions of Contract for the Supply of Goods and Services under a Purchase Order, as presented.

Executive Summary

Pursuant to the *Local Government (Financial Management) Regulations 1996*, the CEO is responsible for the financial management of the local government, and to ensure that efficient financial management systems and procedures are established. The attached documents provide for the proper authorisation for the incurring of liabilities and the making of payments.

Background

The Office of the Auditor General (OAG) has assumed responsibility for the financial audit of local government. In addition, the OAG is conducting performance audits of local governments, with audit topics determined on the following criteria:

- Materiality
- Impact
- Risk
- Context
- Coverage
- Auditability/efficiency

At its meeting of 7 November 2018, the Audit Committee endorsed an Internal Audit Charter and work plan for 2019. The topics on the work plan are likely review areas for the OAG, with the OAG already completing an audit of ten local governments, assessing whether suppliers are being paid on a timely basis. This Audit Report is attached for the Committee's information. The key recommendations in this Report are:

1. Local Governments should have policies or procedures that clearly require payment of invoices within specified periods after receiving the invoice or after the receipt of goods and services (whichever is later);
2. Local Governments should ensure they improve administrative processes so that all payments are made in accordance with their policies and procedures;
3. Local Governments should improve recordkeeping to ensure that for all payments there are records of the date that the invoice and goods or services were received. Ideally, this information should be recorded in the financial information management system and used as a key date for determining when payments should be made.

Consultation

Internal

Statutory Environment

The *Local Government (Financial Management) Regulations 1996* outline the CEO's responsibilities with regards to the proper financial management of the local government.

Policy Implications

A new Policy is proposed – Supplier Payments.

The following existing Policies are also relevant:

1. 4.2.4 Purchasing Policy
2. 4.3.5 Internal Audit Charter Policy

Financial Implications

There are no financial implications relative to this report.

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

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)
Not having a Supplier Payments Policy and Purchase Order Terms and Conditions, may lead to unfavourable terms of trade or in-turn untimely supplier payments.	Possible (3)	Moderate (3)	Moderate (5-9)	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	9
Does this item need to be added to the Town's Risk Register	No
Is a Risk Treatment Plan Required	No

Comment

A number of internal processes and controls have been reviewed and documented. This has resulted in the development of the attached Supplier Payments Policy and General Conditions of Contract for the Supply of Goods and Services under a Purchase Order.

The Supplier Payments Policy captures existing procedures relating to the processing of accounts for payment. However, two new requirements have been incorporated into this Policy:

1. Measuring and monitoring the performance of supplier payments (this is in line with the recommendations of the OAG)
2. Multiple authentication of creditor/supplier details including change to bank account details

The General Conditions of Contract for the Supply of Goods and Services under a Purchase Order is based on model conditions developed by the WA Local Government Association, and is closely aligned to the Australian Standards for the General Conditions of Contract. A copy of these conditions will be provided to all suppliers, and these conditions will be referenced on the Town's Purchase Orders and published on the website. The conditions effectively create the contractual basis between the Town (as Principal) and the Supplier (as Contractor) under which goods and services are to be provided under a Purchase Order arrangement.

10.5 OFFICER RECOMMENDATION

That the Audit Committee recommend that Council endorse the following attachments:

1. **Supplier Payments Policy**
2. **General Conditions of Contract for the Supply of Goods and Services under a Purchase Order**

SUPPLIER PAYMENTS POLICY

Policy Number:	4.2.12
Type:	Governance – Financial Management
Legislation:	Local Government Act 1995 Local Government (Administration) Regulations 1996 Local Government (Functions and General) Regulations 1996
Delegation:	DA
Other Related Document:	Purchasing Policy 4.2.4 Corporate Purchasing Card Policy 4.3.6

Policy Statement

This Policy, which is **mandatory**, allows the CEO to make payments to creditors in order to carry out the ordinary course of business with respect to the payment of accounts for the Town of East Fremantle.

Policy Scope

This Supplier Payments Policy outlines the manner in which creditor payments are to be made to a supplier. This policy should be read in conjunction with section 6.5 of the *Local Government Act 1995* and *Local Government (Financial Management) Regulations 1996*, specifically:

- regulation 5, which specifies the CEO's duties as to financial management
- regulation 11, which specifies that procedures are to be made for the correct authorisation and payment of accounts, and
- regulation 13, which specifies that a list of payments made is required to be presented at ordinary council meetings.

Local Government (Functions and General) Regulations 1996 are also complied with in relation to adhering to the Town of East Fremantle's purchasing policy (*Regulation 11A*).

This policy will also specify the manner in which creditors are to be established and to ensure that the payment of creditor invoices are made in a timely manner and in accordance with the Town of East Fremantle's terms of trade.

The policy will also specify how the timely payment of invoices will be measured and monitored.

This policy does not cover payments made via the use of a Corporate Purchasing Card. Please refer to Policy 4.3.6 for compliance with the Corporate Purchasing Card Policy.

Policy

Creation of a new creditor or the updating of an existing creditor

Before a creditor is paid, all staff members liaising with creditors must provide the creditor with a "New / Update Creditor Details" form. This form is completed by the creditor and returned to the Finance Officer so that the creditor master file can be established in the finance system. The Finance Officer will allocate the creditor with a new Creditor Code, which is a sequential

number that follows the creditor number file list. This form is also used when a change is required to a creditor's master file details.

This form details the creditor/supplier details, including their bank account details. Once entered by the Finance Officer into the finance system the form is reviewed by the Manager Finance and Administration, and authorised by the Executive Manager Corporate and Community Service.

The correct completion of the "New / Update Creditor Details" form will ensure that there is no delay in the payment of a creditor's invoice.

All creditors will also receive a *General Conditions of Contract for the Supply of Goods and Services Under a Purchase Order* document. This document details the terms and conditions that the Town of East Fremantle (the Principal) and the supplier (the Contractor) must adhere to in the provision of goods and services.

Receipt of invoices for payment

All invoices received for payment by the Town of East Fremantle are to be submitted to the Finance Officer. On receipt of an invoice the Finance Officer date stamps the invoice. The Finance Officer will then begin the process to ensure that an invoice is correctly certified and authorised, data entered correctly into the finance system, and paid within its credit terms or in accordance with any contractual agreement.

Responsibilities of the Certifying Officer and Authorising Officer

Once an invoice has been received, the Finance Officer stamps the invoice with the Certifying Stamp and delivers the invoice to the certifying officer for signing.

The invoice is then certified by the staff member incurring the expenditure on behalf of the Town of East Fremantle to ensure the following:

- that the receipt of the goods and services is in accordance with the conditions of the Town's purchase order/contract, and
- that any variations to works or price has been minor in nature.

The Finance Officer also stamps the invoice with the "Authorisation for Payment" stamp. The staff member responsible for authorising the payment signs the invoice to ensure the following:

- that the quantity and price per item match the quotation
- that the nominated account to be charged is valid, appropriate and that there are sufficient funds available to cover the allocation of costs associated with the invoice, and
- that the staff member is duly authorised to approve the expenditure.

Duties of the Finance Officer prior to making payment

The Finance Officer then checks the validity of the invoice to ensure that it is in accordance with ATO requirements, details of which are as follows:

- the invoice is addressed to The Town of East Fremantle
- the creditor's identity – their name and business address
- the creditor's Australian Business Number
- the date the invoice was issued
- a description of the goods and services, including the quantity (if applicable) and the price, and
- The GST amount (if any) payable.

Should the invoice received not be a valid tax invoice the Finance Officer is required to withhold 46.5% withholding tax from the payment of the creditor. An exception to this is where an ATO *Statement by a Supplier* form is completed and provided with the invoice.

Payment of Accounts Payable Invoices

Once the invoice has been duly certified and authorised, the Finance Officer enters the invoice into the finance system and matches the invoice to the authorised purchase order recorded against the creditor that has been established in accordance with the Town of East Fremantle's *Purchasing Policy No. 4.2.4*.

For invoices that do not have a purchase order, a *Creditor Processing Form* is required to be completed. This form ensures that invoice is duly certified and authorised, is a valid tax invoice, is within budget and the nominated general ledger account to be charged is correct.

The payment of utilities do not require a purchase order or a *Creditor Processing Form*, however, the payment of these expenditures is monitored against budget.

The Finance Officer ensures that Council purchase orders or "Creditor Processing Form" are signed only by Officers authorised by Council, namely the:

- Chief Executive Officer; (as per Budget)
- Executive Manager Corporate Services; Limit \$50,000
- Executive Manager Regulatory Services; Limit \$50,000
- Principal Environmental Health Officer; Limit \$1,500
- Operations Supervisor; Limit \$15,000
- Operations Manager; Limit \$50,000
- Manager Administration and Finance, Limit \$15,000
- Projects Coordinator; Limit \$5,000
- HR Coordinator; Limit \$5,000
- Economic and Community Development Officer; Limit \$1,500
- Executive Assistant to CEO; Limit \$1,000
- Coordinator Planning and Building; Limit \$500
- HACC Coordinator (HACC related purchases only); Limit \$1,500
- Operations Administrative Support Officer; Limit \$500

or those Officers acting in the positions from time to time.

The Town will comply with any agreed payment terms and endeavours to take advantage of discounts offered for prompt payment.

If no payment terms are specified on the invoice, the invoice will pay within 30 days of receipt.

EFT and cheque payments are processed fortnightly on Wednesdays, unless a prompt payment is required.

The Finance Officer prepares a batch of invoices for payment from the finance system together with the *Creditors to be Paid* listing, and an *Authorisation Form* that must be authorised by any two (2) of the following:

- (1) Chief Executive Officer
- (2) Executive Manager Corporate Service
- (3) Manager Finance

Once the batch is reviewed and authorised the payment of the invoices can be prepared. Payments are generally made via EFT or when required by cheque.

Two signatories are required to authorise an EFT and to sign a cheque.

Cheques are pre-printed on Council stationery, pre-numbered and issued in numerical sequence.

Unused cheques are stored securely.

Monthly Council Meetings - submission of accounts paid

Each month the Finance Officer prepares a listing of payments made by the Town of East Fremantle. The listing is reviewed by the Manager Finance & Administration and Executive Manager Corporate Services and presented to Council for approval.

Record Keeping

On completion of a payment run the Finance Officer attaches the invoices to the EFT remittance or plain paper copy of the cheque (as appropriate) and files the batches sequentially in folders stored securely.

Measuring and monitoring the performance of supplier payments

The Finance Officer maintains a *Creditors Non Compliance and Improvements Register*. This register monitors issues of non-compliance between the approval of purchase orders and the approval of invoices for payment. The following supplier payment issues are monitored:

- invoices that vary greater than 10% above the purchase order amount
- purchase orders that are dated after the invoice date
- purchase orders that do not follow the correct quote procedure in accordance with the Purchasing Policy
- the justification for a sole supplier arrangement
- purchase orders have a request for tender or a request for quote number state when applicable
- purchase orders have a WALGA or Common Use Arrangement contract number stated when applicable

On completion of a payment run the Finance Officer enters the details of any invoice which has been paid after 30 days or after its terms of trade (if less than 30 days) into the *Late Creditor Payments Register*.

The maintenance of these registers detail any non-compliance, measures the number of invoices that are non-compliant and allows the Finance team to improve the performance of the Town of East Fremantle in paying its invoices.

The use of these registers will also assist in identifying any breaches of this policy.

Consequences of Breaching this Policy

The policy constitutes a lawful instruction to staff members involved in administering accounts payable transactions. Any breaches of the policy may lead to disciplinary action.

Variation to this Policy

This policy may be varied from time to time. All the organisation's employees will be notified of any variation to this policy by the normal correspondence method.

Responsible Directorate:	Finance and Administration
Reviewing Officer:	Executive Manager Corporate and Community Service
Decision making Authority:	Council
Policy Adopted:	xx/03/18
Policy Amended:	
Next Review Date:	March 2020



GENERAL CONDITIONS OF CONTRACT FOR THE SUPPLY OF GOODS AND SERVICES UNDER A 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

- 2.1 The Contractor must ensure that it and the Contractor's Personnel, in performing the Contractor's Obligations under the Contract:
 - (a) 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;
 - (b) 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;
 - (c) 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;
 - (d) unless otherwise set out in the Contract, supply all plant, resources and equipment necessary to perform the Services; and
 - (e) 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:
- (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;

- (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 Principles 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.

- 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.

12 INSURANCE

- 12.1 Where the Contract is for Goods, the Contractor must effect and maintain with a reputable insurer *goods insurance* covering insurance of the Goods against all risks to the point of delivery at the Delivery Point and, if the Goods are rejected by the Principal, from the time the Contractor collects the Goods from the Principal, for an amount not less than the full replacement costs of the Goods.

12.2 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.

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.
- 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. 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.
- 17.8 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.

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

- (a) 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

- (b) 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
(b) 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.

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) a reference to “Goods or Services” is to be read as “Goods or Services, or both of them, as applicable”;
- (b) the singular includes the plural and the plural includes the singular;
- (c) a reference to a clause or party of the Contract is a reference to a clause of, and a party to, the Contract;
- (d) a reference to legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them;
- (e) the words ‘include’, ‘includes’ and ‘including’ must be construed without limitation as to what else might be included; and
- (f) Part 1F of the *Civil Liability Act 2002 (WA)* does not apply to the Contract

Responsible Directorate:	Office of the Chief Executive Officer
Reviewing Officer:	Chief Executive Officer
Policy Adopted:	
Policy Amended:	
Next Review Date:	

Western Australian Auditor General's Report



Timely Payment of Suppliers



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WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

Timely Payment of Suppliers

Report 12
June 2018



**THE PRESIDENT
LEGISLATIVE COUNCIL**

**THE SPEAKER
LEGISLATIVE ASSEMBLY**

TIMELY PAYMENT OF SUPPLIERS

This report has been prepared for Parliament under the provisions of section 25 of the *Auditor General Act 2006*.

This focus area audit assessed whether 10 local governments were making payments to suppliers on a timely basis in accordance with better practice.

I wish to acknowledge the cooperation of the staff at the local governments included in this audit.



CAROLINE SPENCER
AUDITOR GENERAL
13 June 2018

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Timely Payment of Suppliers

Background

Each year local governments spend hundreds of millions of dollars purchasing goods and services. To assist the continued viability of businesses in Western Australia and to help small businesses in particular to manage cash flow and administrative costs, it is important that local governments make timely payments to suppliers. In some instances, slow payments may impact the ability of suppliers to meet subsequent orders.

Due to the variety of factors affecting the circumstances under which local governments and their suppliers operate, we did not expect to find identical payment practices across the local governments included in our audit. Local government regulations do not specify payment timeframes and during this audit we have not regarded a particular payment period as the ideal. Rather, we have had regard mainly to the policies and practices of the sampled local governments and the payment terms of their suppliers. This audit therefore required significant judgement when identifying and investigating the timeliness of payments.

Conclusion

Most payments were made in a timely manner. However, 7 local governments did not have formal payment policies and practices that addressed the need to pay on time, which led to inconsistency in how quickly payments were made. For the 3 local governments with timely payment policies, 15% of payments were outside the timeframes in the policies without a valid reason.

What we did

The focus of the audit was to assess whether 10 sampled local governments were making payments to suppliers on a timely basis in accordance with better practice.

We assessed the policies and practices over an 11-month period from 1 January to 30 November 2017, using the following lines of inquiry:

1. Have local governments developed procedures and controls for ensuring that payments are made on a timely basis?
2. Are suppliers being paid on a timely basis?

We audited 600 transactions across 10 local governments with a total value of \$68.9 million. Where payments were not made in accordance with policies and procedures or suppliers' terms, we considered whether there were valid reasons for delays.

We conducted this audit under section 18 of the *Auditor General Act 2006* and in accordance with Australian Auditing and Assurance Standards. The approximate cost of undertaking this audit was \$170,000.

Local governments included in our audit

Focus area audits assess local governments against common business practices to identify good practices and control weaknesses and exposures so that local governments, including those not audited, can evaluate their own performance.

When deciding which local governments to include in this audit we aimed for a mix of different size local governments from diverse locations with varying budgets, resourcing and purchasing requirements. This allowed us to identify potential issues, better practice examples and improvement opportunities that are likely to be applicable across the broader local government sector. We included the following local governments in this audit:

Local government	Number of transactions 1 January – 30 November 2017	Value of transactions 1 January – 30 November 2017
City of Armadale	20,723	\$77,888,825
Shire of Bruce Rock	1,642	\$6,333,914
City of Cockburn	20,981	\$114,500,102
Shire of Cunderdin	2,774	\$6,171,374
Shire of Kellerberrin	1,489	\$7,929,003
Shire of Kojonup	2,977	\$8,596,354
Shire of Merredin	3,976	\$8,075,895
City of Swan	27,650	\$123,501,738
Shire of Tammin	970	\$2,634,177
Shire of York	1,974	\$9,229,998
Total	85,156	\$364,861,380

Table 1: Volume and value of transactions

What did we find?

Only 3 local governments had policies and procedures that addressed timely payment of suppliers

Good policies and procedures provide essential guidance for staff to manage payments in accordance with management's expectations and the needs of suppliers. They should specify timelines and where appropriate, circumstances where alternate timelines may be acceptable.

Only 3 metropolitan local governments in our sample had policies or procedures that addressed the timely payment of suppliers. Two of these required payment within 30 days, with the other requiring payment by the end of the month after the invoice is received. For these 3 local governments 15% of payments did not comply with their policies and procedures.

To enable management to monitor any payment delays it is important to record the dates when goods or services and the invoice are received. While 6 of the 10 local governments were recording on the invoices the date that they were received, only the cities of Cockburn and Swan were recording the date that goods and services were received in their financial system to enable effective monitoring.

For our audit, where the local government had not recorded the date of receipt, we have assumed that the invoice was received 3 days after the date on the invoice.

At 4 local governments there was no documented evidence that someone had checked that goods and services were received prior to payment. Invoices were approved and it is possible that someone checked whether goods or services were received as part of this approval. Some local governments advised that their 'OK to Pay' stamp implied that goods or services were received, however, we consider that an explicit signoff for receipt is better practice.

For 13% of payments there was no valid reason why payments were later than supplier requirements or management policy/procedures

Delays in paying invoices adversely affects the cashflow of suppliers. It may also result in late payment fees although we did not find any instances in this audit.

Figure 1 shows the timing of all payments by number of days and by value including those with valid reasons and no reason for delays. This table shows that most payments were made within 32 days.

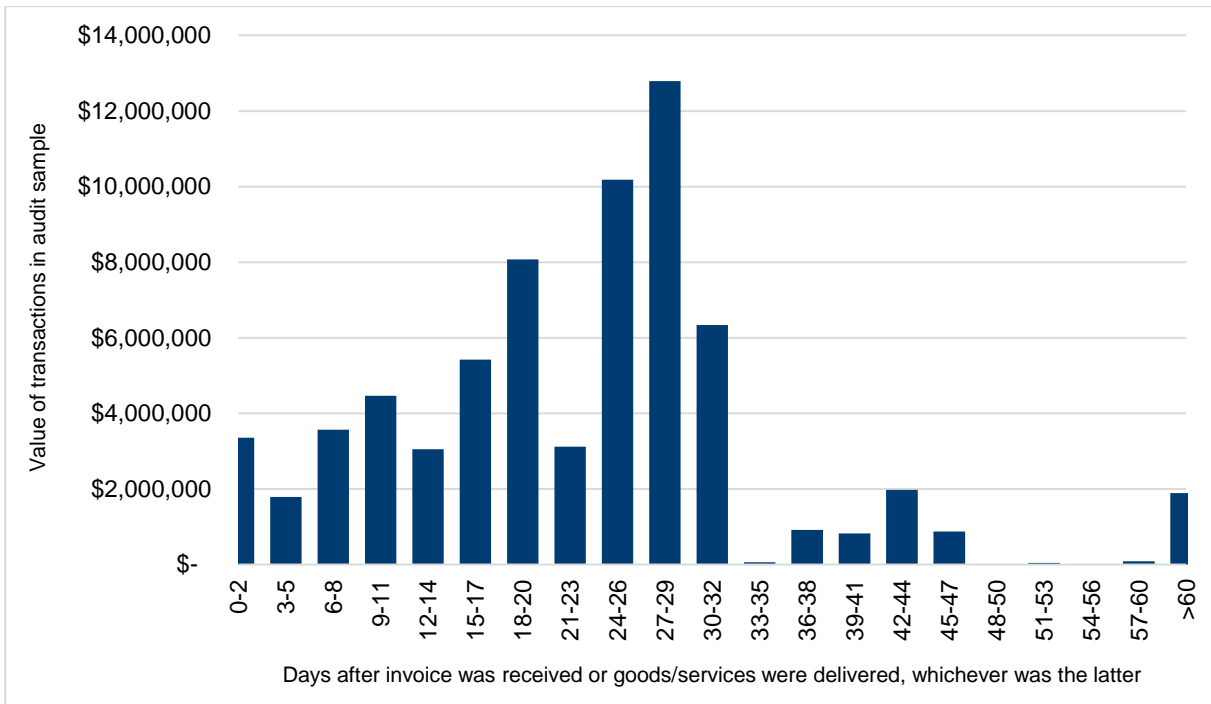


Figure 1: Timeline of all payments in our sample

The largest late payment to a state government agency with no valid reason was for \$5.2 million, paid 31 days after receipt of the invoice. This was 1 day later than the local government’s policy. The largest late payment to a private sector supplier was \$1.4 million, paid 29 days later than the local government’s policy.

The longest overdue payment, relating to the purchase of gym equipment, was paid 154 days after the invoice. There was no valid reason for the delay.

We regarded payments that, for no valid reason, did not meet supplier requirements or the local government’s own policies and procedures and were also later than 30 days to be of particular concern. There were 75 payments (13%) which were paid later than 30 days and were either outside of the suppliers’ terms or the local government’s policy, split as shown in Figure 2.

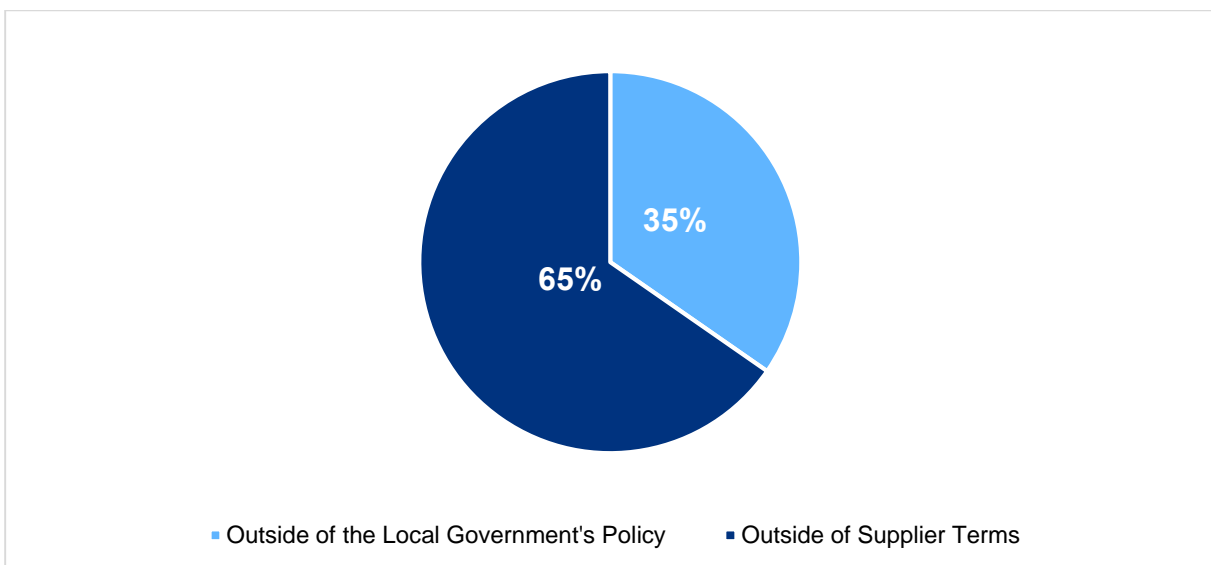


Figure 2: Analysis of payments later than 30 days without a valid reason

Figures 3 and 4 provide a breakdown of the main reasons for delays in paying invoices. Valid reasons for delays included:

- goods and services were received after the invoice was received
- dispute with the supplier
- delay in the supplier sending the invoice.

The main reasons for delays that we considered avoidable were:

- some larger local governments experienced internal delays in submitting invoices to the finance area for payment
- delays in processing payments in the finance area
- unable to provide an explanation for the delay
- misplaced or lost invoice.

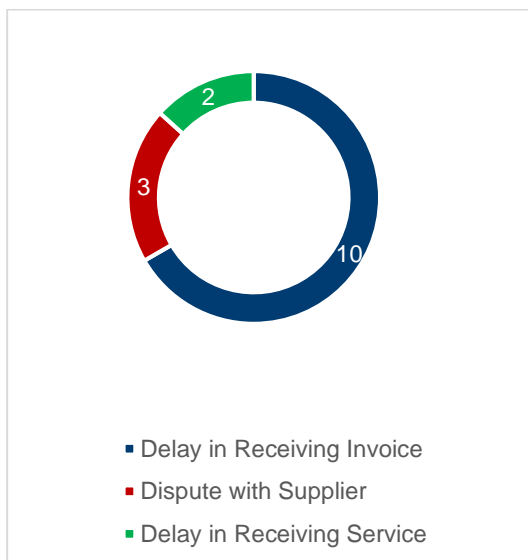


Figure 3: Valid reasons for delays

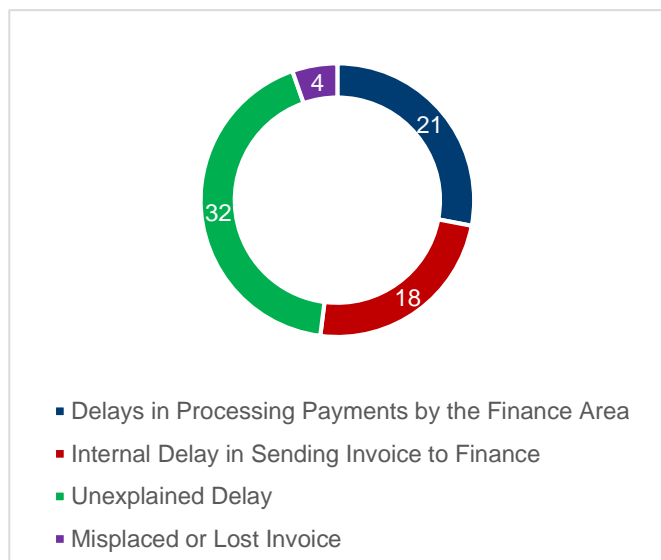


Figure 4: Invalid reasons for delays

Recommendations

Local governments should:

1. have policies or procedures that clearly require payment of invoices within specified periods after receiving the invoice or after the receipt of goods and services (whichever is later)
2. ensure they improve administrative processes so that all payments are made in accordance with their policies and procedures
3. improve recordkeeping to ensure that for all payments there are records of the date that the invoice and goods or services were received. Ideally, this information should be recorded in the financial information management system and used as a key date for determining when payments should be made.

Response from local governments

Local governments in our sample generally accepted the recommendations and confirmed that, where relevant, they have either amended policies, procedures or administrative systems or will improve practices for managing timely payments.

Auditor General's reports

Report number	2018 reports	Date tabled
11	WA Schools Public Private Partnership Project	13 June 2018
10	Opinions on Ministerial Notifications	24 May 2018
9	Management of the State Art Collection	17 May 2018
8	Management of Salinity	16 May 2018
7	Controls Over Corporate Credit Cards	8 May 2018
6	Audit Results Report – Annual 2017 Financial Audits and Management of Contract Extensions and Variations	8 May 2018
5	Confiscation of the Proceeds of Crime	3 May 2018
4	Opinions on Ministerial Notifications	11 April 2018
3	Opinion on Ministerial Notification	21 March 2018
2	Agency Gift Registers	15 March 2018
1	Opinions on Ministerial Notifications	22 February 2018



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- 11. MATTERS BEHIND CLOSED DOORS**
- 12. CLOSURE OF MEETING**