
TOWN OF
EAST FREMANTLE



MINUTES

Audit Committee Meeting

Tuesday, 26 February 2019 at 6.30pm

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**MINUTES OF THE ORDINARY MEETING OF THE AUDIT COMMITTEE HELD IN THE COUNCIL CHAMBER,
135 CANNING HIGHWAY EAST FREMANTLE ON TUESDAY, 26 FEBRUARY 2019.**

1. DECLARATION OF OPENING OF MEETING/ANNOUNCEMENT OF VISITORS

The Presiding Member opened the meeting at 7.08pm.

2. ACKNOWLEDGEMENT OF COUNTRY

"On behalf of the Council I would like to acknowledge the Nyoongar people as the traditional custodians of the land on which this meeting is taking place."

3. RECORD OF ATTENDANCE

3.1 Attendance

The following members were in attendance:

Cr M McPhail	Presiding Member
Mayor J O'Neill	
Cr A McPhail	
Cr T Natale	
Cr T Watkins	
Cr A White	

The following staff were in attendance:

Mr G Tuffin	Chief Executive Officer
Mr P Kocian	Executive Manager Corporate Services
Ms J May	Minute Secretary

There were no members of the gallery in attendance

3.2 Apologies

Nil.

3.3 Leave of Absence

Nil.

4. MEMORANDUM OF OUTSTANDING BUSINESS

5. DISCLOSURES OF INTEREST

5.1 Financial

Nil.

5.2 Proximity

Nil.

5.3 Impartiality

Nil.

6. PUBLIC QUESTION TIME

6.1 Responses to previous questions from members of the public taken on notice

Nil.

6.2 Public Question Time
Nil.

7. PRESENTATIONS/DEPUTATIONS

7.1 Presentations
Nil.

7.2 Deputations
Nil.

8. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

8.1 Audit Committee (7 November 2018)

8.1 OFFICER RECOMMENDATION

Moved Cr A McPhail, seconded Cr Natale

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

(CARRIED UNANIMOUSLY)

9. ANNOUNCEMENTS BY THE PRESIDING MEMBER
Nil.

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/COMMITTEE RESOLUTION A010219

Moved Cr Natale, seconded Cr A McPhail

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

(CARRIED UNANIMOUSLY)

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/COMMITTEE RESOLUTION A020219

Moved Cr White, seconded Mayor O'Neill

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

(CARRIED UNANIMOUSLY)

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/COMMITTEE RESOLUTION A030219

Moved Cr Natale, seconded Cr White

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.**

(CARRIED UNANIMOUSLY)

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		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

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/COMMITTEE RESOLUTION A040219

Moved Cr Natale, seconded Cr White

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).

(CARRIED UNANIMOUSLY)

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/COMMITTEE RESOLUTION A050219

Moved Cr White, seconded Cr Natale

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**
(CARRIED UNANIMOUSLY)

11. **MATTERS BEHIND CLOSED DOORS**

Nil.

12. **CLOSURE OF MEETING**

There being no further business, the Presiding Member declared the meeting closed at 7.43pm.

*I hereby certify that the Minutes of the ordinary meeting of the **Audit Committee** of the Town of East Fremantle, held on **26 February 2019**, Minute Book reference **1 to 12** were confirmed at the meeting of the Committee on*

3 JULY 2019.....



Presiding Member