



# AGENDA

## Audit Committee Meeting

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Thursday, 15 July 2021 at 6.30pm

### **Disclaimer**

The purpose of this Council meeting is to discuss and, where possible, make resolutions about items appearing on the agenda.

Whilst Council has the power to resolve such items and may in fact, appear to have done so at the meeting, no person should rely on or act on the basis of such decision or on any advice or information provided by a member or officer, or on the content of any discussion occurring, during the course of the meeting.

Persons should be aware that the provisions of the Local Government Act 1995 (section 5.25 (e)) establish procedures for revocation or rescission of a Council decision. No person should rely on the decisions made by Council until formal advice of the Council decision is received by that person.

The Town of East Fremantle expressly disclaims liability for any loss or damage suffered by any person as a result of relying on or acting on the basis of any resolution of Council, or any advice or information provided by a member or officer, or the content of any discussion occurring, during the course of the Council meeting.

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## Procedure for Deputations, Presentations and Public Question Time at Council Meetings

Council thanks you for your participation in Council Meetings and trusts that your input will be beneficial to all parties. Council has a high regard for community input where possible, in its decision-making processes.

<p style="text-align: center;"><b>Deputations</b></p> <p>A formal process where members of the community request permission to address Council or Committee on an issue.</p>	<p style="text-align: center;"><b>Presentations</b></p> <p>An occasion where awards or gifts may be accepted by the Council on behalf of the community, when the Council makes a presentation to a worthy recipient or when agencies may present a proposal that will impact on the Local Government.</p>
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### Procedures for Deputations

The Council allows for members of the public to make a deputation to Council on an issue related to Local Government business.

Notice of deputations need to be received by 5pm on the day before the meeting and agreed to by the Presiding Member. Please contact Executive Support Services via telephone on 9339 9339 or email [admin@eastfremantle.wa.gov.au](mailto:admin@eastfremantle.wa.gov.au) to arrange your deputation.

Where a deputation has been agreed to, during the meeting the Presiding Member will call upon the relevant person(s) to come forward and address Council.

A Deputation invited to attend a Council meeting:

- (a) is not to exceed five (5) persons, only two (2) of whom may address the Council, although others may respond to specific questions from Members;
- (b) is not to address the Council for a period exceeding ten (10) minutes without the agreement of the Council; and
- (c) additional members of the deputation may be allowed to speak with the agreement of the Presiding Member.

Council is unlikely to take any action on the matter discussed during the deputation without first considering an officer's report on that subject in a later Council agenda.

### Procedure for Presentations

Notice of presentations being accepted by Council on behalf of the community, or agencies presenting a proposal, need to be received by 5pm on the day before the meeting and agreed to by the Presiding Member. Please contact Executive Support Services via telephone on 9339 9339 or email [admin@eastfremantle.wa.gov.au](mailto:admin@eastfremantle.wa.gov.au) to arrange your presentation.

Where the Council is making a presentation to a worthy recipient, the recipient will be advised in advance and asked to attend the Council meeting to receive the award.

All presentations will be received/awarded by the Mayor or an appropriate Councillor.

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### Procedure for Public Question Time

The Council extends a warm welcome to you in attending any meeting of the Council. Council is committed to involving the public in its decision-making processes whenever possible, and the ability to ask questions during 'Public Question Time' is of critical importance in pursuing this public participation objective.

Council (as required by the *Local Government Act 1995*) sets aside a period of 'Public Question Time' to enable a member of the public to put up to three (3) questions to Council. Questions should only relate to the business of Council and should not be a statement or personal opinion. Upon receipt of a question from a member of the public, the Mayor may either answer the question or direct it to a Councillor or an Officer to answer, or it will be taken on notice.

Having regard for the requirements and principles of Council, the following procedures will be applied in accordance with the *Town of East Fremantle Local Government (Council Meetings) Local Law 2016*:

1. Public Questions Time will be limited to ten (10) minutes.
2. Public Question Time will be conducted at an Ordinary Meeting of Council immediately following "Responses to Previous Public Questions Taken on Notice".
3. Each member of the public asking a question will be limited to two (2) minutes to ask their question(s).
4. Questions will be limited to three (3) per person.
5. Please state your name and address, and then ask your question.
6. Questions should be submitted to the Chief Executive Officer in writing by 5pm on the day before the meeting and be signed by the author. This allows for an informed response to be given at the meeting.
7. Questions that have not been submitted in writing by 5pm on the day before the meeting will be responded to if they are straightforward.
8. If any question requires further research prior to an answer being given, the Presiding Member will indicate that the "question will be taken on notice" and a response will be forwarded to the member of the public following the necessary research being undertaken.
9. Where a member of the public provided written questions then the Presiding Member may elect for the questions to be responded to as normal business correspondence.
10. A summary of the question and the answer will be recorded in the minutes of the Council meeting at which the question was asked.

**During the meeting, no member of the public may interrupt the meetings proceedings or enter into conversation.**

**Members of the public shall ensure that their mobile telephone and/or audible pager is not switched on or used during any meeting of the Council.**

**Members of the public are hereby advised that use of any electronic, visual or audio recording device or instrument to record proceedings of the Council is not permitted without the permission of the Presiding Member.**

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**NOTICE OF MEETING**

Elected Members

An Ordinary Meeting of the Audit Committee will be held on **Thursday, 15 July 2021** in the Council Chamber, 135 Canning Highway, East Fremantle commencing at 6.30pm and your attendance is requested.



GARY TUFFIN  
Chief Executive Officer

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**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, present and emerging."*
- 3. RECORD OF ATTENDANCE**
  - 3.1 Attendance**
  - 3.2 Apologies**
  - 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**

**8. CONFIRMATION OF MINUTES OF PREVIOUS MEETING**

**8.1 Audit Committee (8 March 2021)**

**8.1 OFFICER RECOMMENDATION**

**That the minutes of the Audit Committee meeting held on Monday, 8 March 2021 be confirmed as a true and correct record of proceedings.**

**9. ANNOUNCEMENTS BY THE PRESIDING MEMBER**

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TOWN OF  
EAST FREMANTLE

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# MINUTES

## Audit Committee Meeting

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Monday, 8 March 2021 at 6.30pm

### **Disclaimer**

Whilst Council has the power to resolve such items and may in fact, appear to have done so at the meeting, no person should rely on or act on the basis of such decision or on any advice or information provided by a member or officer, or on the content of any discussion occurring, during the course of the meeting.

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**MINUTES OF THE ORDINARY MEETING OF THE AUDIT COMMITTEE HELD IN THE POD, 135 CANNING HIGHWAY EAST FREMANTLE ON MONDAY, 8 MARCH 2021.****1. DECLARATION OF OPENING OF MEETING/ANNOUNCEMENTS OF VISITORS**

The President opened the meeting at 6.29pm.

**2. ACKNOWLEDGEMENT OF COUNTRY**

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

**3. RECORD OF ATTENDANCE****3.1 Attendance**

The following members were in attendance:

Cr A Natale	Presiding Member
Mayor Jim O'Neill	
Cr A McPhail	
Cr M McPhail	
Cr A Watkins	

The following staff were in attendance:

Mr G Tuffin	Chief Executive Officer
Mr P Kocian	Executive Manager Corporate Services
Ms Bron Browning	Minute Secretary

**3.2 Apologies**

Cr J Harrington

**3.3 Leave of Absence**

Nil

**4. MEMORANDUM OF OUTSTANDING BUSINESS**

Nil

**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**Jeff Sweetman, Office of Auditor General  
Aram Madnack, Office of Auditor General**8. CONFIRMATION OF MINUTES OF PREVIOUS MEETING****8.1 Audit Committee (4 November 2020)****8.1 OFFICER RECOMMENDATION/COMMITTEE RESOLUTION A010321**

Moved Cr M McPhail, seconded Mayor O'Neill

That the minutes of the Audit Committee meeting held on Wednesday 4 November 2020 be confirmed as a true and correct record of proceedings.

(CARRIED UNANIMOUSLY)**9. ANNOUNCEMENTS BY THE PRESIDING MEMBER**

Cr Natale advised he had recently attended the Audit Chairs Forum and heard an excellent presentation from Dianne Smith-Gander AO. Cr Natale advised he will forward the presentation on to Audit Committee Members.

**10. REPORTS****10.1 Attendance of Office of Auditor General**

<b>File ref</b>	F/AUD1
<b>Prepared by</b>	Peter Kocian, Executive Manager Corporate Services
<b>Supervised by</b>	Gary Tuffin, Chief Executive Officer
<b>Meeting Date:</b>	8 March 2021
<b>Voting requirements</b>	Simple Majority
<b>Documents tabled</b>	Nil
<b>Attachments</b>	1. Audit Opinion <b>Confidential Attachment</b> 2. Final Audit Findings for the year ended 30 June 2020 <b>Confidential Attachment</b> 3. Interim Audit Findings for the year ended 30 June 2020 <b>Confidential Attachment</b>

**Purpose**

The Audit Committee is being requested to note that representatives (Mr Jeff Sweetman – Audit Manager; Mr Aram Madnack – Director) from the Office of Auditor General will be attending the March meeting.

**Executive Summary**

The Town has requested attendance by the Office of Auditor General to this meeting. This presents an opportunity for the Committee to meet with the Audit Team to discuss the Audit Plan and any matters relating to the external audit.

**Background**

On 24 August 2017, amendments to the *Local Government Act 1995* were passed by State Parliament that enables the Auditor General to audit Council finances and performance. The reforms will change the way local government audits are conducted.

The Auditor General will take over responsibility for financial audits on a transitional basis as existing audit contracts expire. The Town of East Fremantle fell under the audit remit of the Office of Auditor General from the 2018/19 financial year.

**Consultation**

Office of Auditor General

**Statutory Environment**

Part 7 of the *Local Government Act 1995* and the *Local Government (Audit) Regulations 1996* addresses the situation of audit. In relation to the duties of the local government with respect to audits

- a. the local government is to do everything in its power to –
  - i. assist the auditor to conduct an audit and carry out his or her other duties under the Act; and
  - ii. ensure that audits are conducted successfully and expeditiously;
- b. a local government is to meet with its auditor at least once in every year;**
- c. a local government is to examine the report of the auditor and is to –
  - i. determine if any matters raised require action to be taken by the local government; and
  - ii. ensure that appropriate action is taken in respect of those matters;

- d. local government is to –
- i. prepare a report on any actions taken in respect of any matters raised in the report of the auditor; and
  - ii. forward a copy of that report to the Minister by the end of the next financial year, or six months after the last report prepared by the auditor is received by the local government, whichever is the latest in time.

**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

**Comment**

The Independent Auditor's Report is appended to this report. The Auditor has provided the opinion that the financial report of the Town of East Fremantle:

- (i) Is based on proper accounts and records; and
- (ii) Fairly represents, in all material respects, the results of the operations of the Town for the year ended 30 June 2020 and its financial position at the end of that period in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

The Auditor has however raised two (2) 'significant' matters that meet the review and reporting requirements of section 7.12A (3)(4) of the *Local Government Act 1995*. These matters are listed below, along with management comment.

**Significant Finding 1**

The following material matter indicates a significant adverse trend in the financial position of the Town:

- a. The Operating Surplus Ratio as reported in Note 34 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries' standard for the past three financial years.

**Management Comment**

This material matter was also reported in the independent auditor's report for last year. Management comment is repeated below.

Council adopted a 15-year Strategic Resource Plan (combined asset management and long-term financial plan) at its ordinary meeting of May 2019. Section 5.11 of this document discusses the forecast operating ratios from 2019-2034. The Operating Surplus Ratio is not projected to meet the Department's standard of 1.00% until the 2028-29 financial year. Council is aware of this, with the following comment provided in the agenda report of May 2019:

**MINUTES OF AUDIT COMMITTEE MEETING  
MONDAY, 8 MARCH 2021**

*Council has a legislative requirement to comply with the principles of sound financial management, of which a key component is the preparation of a Long-Term Financial Plan. The Office of Auditor General is also required to undertake a performance audit of adverse financial trends in the financial position or the financial management practices of the local government. This will be limited a high-level assessment of whether the 7 financial ratios reported in the notes to the financial report achieved the standards set by the Department of Local Government, Sport and Cultural Industries. Council therefore needs to be cognizant of the ratio analysis included in the Forecast Financial Statements as 3 of the ratios are below benchmark.*

A number of assumptions underpin the Strategic Resource Plan, including a 3% annual rate increase. Every endeavour will be made to ensure operating revenue grows at a faster rate than operating expenditure in order to achieve an improved Operating Surplus Ratio.

Additional Comment: A local government working group has been established to review the rationale and calculations of each of the statutory ratios and provide recommendations to the Department. Changes are being proposed to each of the ratios including the Operating Surplus Ratio. The working group consensus is that the ratio is flawed as it excludes recurrent grants that are tied to expenditure. This is the case for the Town of East Fremantle whereby we are required to include operating expenditure associated with the delivery of CHSP services in the numerator of the ratio but exclude the annual grant revenue in the denominator. This results in an unfavourable ratio.

The following are material matters identified by the Auditor indicating non-compliance with Part 6 of the *Local Government Act 1995*, the *Local Government (Financial Management) Regulations 1996* or applicable financial controls of any other written law.

**Significant Finding 2**

Access controls over a key application of the Town were inadequate to contribute to appropriate segregation of duties. This could lead to inappropriate use of the application; however, our audit testing did not identify any such instances.

**Management Comment**

1. A review of user access has been completed and new permissions implemented. Screen shots of all changes have been provided to the Office of auditor General.
2. New user groups have been established to inform access levels. The 'New User' IT form now includes a check box to assign permission levels.

Regulations require the auditor, where appropriate, to prepare a management report to accompany the auditor's report. Although there is no legislative requirement for the auditor to prepare a management report unless deemed appropriate, local governments may wish to require the auditor to prepare a report on all issues identified during the audit.

The audit findings from interim and final audit is presented as attachment 2 and 3 to this report and will be incorporated into the standing status report that is presented to the Audit Committee for ongoing monitoring.

**10.1 OFFICER RECOMMENDATION/COMMITTEE RESOLUTION A020321****Moved Cr M McPhail, seconded Cr A McPhail****That the Audit Committee note that representatives from the Office of Auditor General attended the March Meeting to discuss the Audit Opinion and Audit Findings for the year ended 30 June 2020.****(CARRIED UNANIMOUSLY)**

NB The Auditors advised that the Audit process had gone very well and thanked staff for their efforts. Queries were raised by Audit Committee members in relation to access controls and timing of responses to queries. The Auditors advised they were satisfied with the explanations from Management.

Cr A McPhail queried whether the \$41,000 cost for the Audit included GST. Peter Kocian, Executive Management Corporate Services took the question on notice and advised he would check and provide a response to Audit Committee members.

The Auditors advised that moving forward some local government audits would be contracted out from the Office of Auditor General to approved consultancy firms. The Town of East Fremantle will remain in-house and will continue to be conducted by the Auditor-General's office.

Cr M McPhail raised a query in regard to the IT Policy with particular reference to Social Engineering testing. Peter Kocian, Executive Management Corporate Services took the question on notice and advised he would discuss with the Town's IT Consultants, Focus Networks and report back to Audit Committee Members.

**PROCEDURAL MOTION/COMMITTEE RESOLUTION A030321****Moved Cr M McPhail, seconded Cr Watkins****That there be a change to the order of business, with item 10.5 to be discussed, to allow for discussion with the Auditors.****(CARRIED UNANIMOUSLY)**

**10.5 2021 Audit Work Plan and Meeting Schedule**

<b>File ref</b>	F/AUD1
<b>Prepared by</b>	Peter Kocian, Executive Manager Corporate Services
<b>Supervised by</b>	Gary Tuffin, Chief Executive Officer
<b>Meeting Date:</b>	8 March 2021
<b>Voting requirements</b>	Simple Majority
<b>Documents tabled</b>	Nil
<b>Attachments</b>	Nil

**Purpose**

The Audit Committee is requested to endorse the proposed work plan and meeting schedule for the 2021 calendar year.

**Executive Summary**

This report provides an overview of the local government audit framework. It also recommends an internal audit work plan, which includes items that are traditionally considered “high-risk”, with items having been identified in external audit management letters and the previous financial management review, as well as subject matter of performance audits undertaken by the Office of Auditor General. The development of an internal audit work plan is also recommended in the internal audit framework detailed in section 7 of the WA Local Government Accounting Manual.

**Background**

The Department of Local Government has prepared operational guidelines on audit in local government. The guidelines outline audit requirements including the establishment of an audit committee and key functions.

The Guidelines define the role of the Audit committee “to support Council in fulfilling its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, internal and external audit functions and ethical accountability”.

The Guidelines also state that the Audit committee needs to form an opinion of the local governments internal audit requirements and recommend a course of action that ensures that any internal audit processes adopted are appropriate, accountable and transparent.

**Legislative Audit Framework:**

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

<b>Item</b>	<b>Requirements</b>	<b>Legislation</b>
External Audit Report	The Auditor is to provide a report (annually) giving an opinion on the financial position of the local government and the results of the operations of the local government. Where it is considered by the auditor appropriate to do so, the audit is to	Regulation 10 of the <i>Local Government (Audit) Regulations 1996</i>

MINUTES OF AUDIT COMMITTEE MEETING  
MONDAY, 8 MARCH 2021

	prepare a management report to accompany the auditor's report.	
Compliance Audit Return	Local Governments are required to complete a statutory compliance return (Compliance Audit Return) annually and have the return adopted by Council. The return is a checklist of a local government's compliance with the requirements of the Act and its Regulations, concentrating on areas of compliance considered 'high risk'. The audit committee is to review the Compliance Audit Return and report to the Council the results of that review.	Regulation 14 of the <i>Local Government (Audit) Regulations 1996</i>
Risk Management/Internal Controls/Legislative Framework	The CEO is to review the appropriateness and effectiveness of a local governments and procedures in relation to risk management, internal control and legislative compliance at least once every three years and report to the audit committee the results of that review.	Regulation 17 of the <i>Local Government (Audit) Regulations 1996</i>
Financial Management Review	The CEO is review the appropriateness and effectiveness of the financial management systems and procedures of the local government at least once every years and reports the results of that review.	Regulation 5 of the <i>Local Government (Financial Management) Regulations 1996</i>

**External Audit Framework:**

Pursuant to section 7.2 of the *Local Government Act 1995*, the accounts and annual financial report of a local government for each financial year are required to be audited. The Act and Regulations prescribe the scope of the external audit of the annual financial statements of the local government. The operational guidelines also include a minimum standard audit specification.

The critical matters for audit are:

- Revenue – rates revenue, government grants, fees and charges
- Expenditure – salaries and wages, depreciation, materials and contract expense, insurance
- Current Assets – bank and short-term assets, receivables, inventory
- Non-Current Assets – property, plant, furniture and equipment, infrastructure and depreciation
- Liabilities – creditors and accruals, loan borrowings, provision for annual and long service leave entitlements
- Reserve Funds
- Contingent Liabilities
- Capital Commitments
- Accounting Policies
- Cash Flow Statement
- Financial Ratios



On 24 August 2017, amendments to the *Local Government Act 1995* were passed by State Parliament that enables the Auditor General to audit council finances and performance. The Auditor General will take over responsibility for financial audits on a transitional basis as existing audit contracts expire. The Town of East Fremantle has fallen under the audit remit of the Office of Auditor General from the 2018/19 financial year.

Following commencement of the new legislation, a local government cannot appoint a person to be its auditor. The Auditor General will be able to contract out some or all of the financial audits but all audits will be done under the supervision of the Auditor General.

#### **Internal Audit Framework:**

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the effectiveness of risk management, control, and governance processes. Establishing a formal internal audit function is not a legislative requirement but the development of appropriate internal controls will enhance risk management processes. The internal audit function can either be resourced internally or contracted out.

All internal audit reports must be referred to the Audit Committee for consideration. Internal auditor's activities should typically include the following:

- Examination of financial and operating information that includes detailed testing of transactions, balances and procedures;
- A risk assessment with the intention of minimizing exposure to all forms of risk on the local government;
- A review of the efficiency and effectiveness of operations and services including non-financial controls of a local government;
- A review of compliance with management policies and directives and any other internal requirements;
- Review of the annual Compliance Audit Return;
- Assist in the CEOs biennial reviews of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance.

The internal auditor should report functionally to the audit committee and administratively to the CEO. It should be remembered that pursuant to section 5.41 of the Act, the CEO is responsible for the day to day management of local government activities including the direction of staff and implicitly the internal audit function. The CEO may choose to delegate this responsibility.

#### **Consultation**

Chief Executive Officer

Manager Administration and Finance

#### **Statutory Environment**

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

MINUTES OF AUDIT COMMITTEE MEETING  
MONDAY, 8 MARCH 2021



Regulation 12 of the *Local Government (Administration) Regulations 1996* requires a local government to give local public notice of the dates on which and the time and place at which Council and Committee Meetings are to be held in the next 12 months.

### Policy Implications

Council has adopted an Internal Audit Charter, which outlines a number of objectives with respect to internal audit activities.

### Financial Implications

Council has approved a budget of \$25,000 in 2020/21 for internal audit activities.

### 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)
Lack of resourcing to support an Internal Audit function	Possible (3)	Moderate (3)	Moderate (5-9)	Compliance	Manage by ensuring adequate budget allocation

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

**MINUTES OF AUDIT COMMITTEE MEETING  
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### Strategic Implications

Strategic Priority 5 – Leadership and Governance

5.1 Strengthen organisational accountability and transparency

5.3 Strive for excellence in leadership and governance

### Comment

The Audit Committee Terms of Reference requires the Audit Committee to meet at least three times per year, with the dates to be set each year by Council, with authority to convene additional meetings, as circumstances require.

Clause 6.7 of the Terms of Reference also requires the Audit Committee to develop a forward meeting schedule that includes the dates, location, and proposed work plan for each meeting for the forthcoming year, that cover all the responsibilities outlined. These responsibilities include:

- Risk Management
- Business Continuity
- Internal Control
- Review of Annual Financial Statements
- Internal/external performance audits

#### 10.5 OFFICER RECOMMENDATION/ COMMITTEE RESOLUTION A040321

Moved Cr M McPhail, seconded Cr Watkins

That the Audit Committee:

**1. endorse the proposed meeting dates for 2021 as follows:**

Date	Time	Place
8 March 2021	6.30 pm	Council Chambers
15 July 2021	6.30 pm	Council Chambers
4 November 2021	6.30 pm	Council Chambers

**2. endorse the following work plan for 2021 with items to be presented to the Audit Committee:**

Date	Items
March 2021	<ul style="list-style-type: none"> <li>- Compliance Audit Return</li> <li>- Strategic and Operational Risk Register</li> <li>- Standing Status report</li> <li>- Meeting with Office of Auditor General</li> </ul>
July 2021	<ul style="list-style-type: none"> <li>- Interim Audit Management Letter</li> <li>- Close out report on implementation of recommendations from the General Computer Control Audit</li> <li>- Review of controls pertaining to Payroll and the new Payroll Module</li> <li>- Review of onboarding/offboarding process for employees</li> <li>- Standing Status report</li> <li>- Strategic and Operational Risk Register</li> </ul>
November 2021	<ul style="list-style-type: none"> <li>- Draft Annual Financial Statements</li> </ul>

	<ul style="list-style-type: none"> <li>- Self-Audit against Auditor General’s Report ‘Timely Payment of Suppliers’ and recommendations</li> <li>- Self-Audit against Auditor General’s Report ‘Controls over Corporate Credit Cards’ and recommendations</li> <li>- Standing status report</li> <li>- Risk Based Internal Audit Plan</li> <li>- Strategic and Operational Risk Register</li> </ul>
<p><b>3. recommend to Council that the Chief Executive Officer be requested to prepare a risk based internal audit plan for submission to the November 2021 Audit Committee Meeting.</b></p> <p><b>4. note that a funding request will be made to resource the risk based internal audit plan, as internal audit activities are required to be independent as detailed in Council’s Internal Audit Charter, and therefore appropriate resources need to be allocated.</b></p> <p style="text-align: right;"><u>(CARRIED UNANIMOUSLY)</u></p>	

NB: Cr Natale raised a query in regard to considering having an independent expertise role for a community member on the Audit Committee. Audit Committee members were in favour of the idea and asked Peter Kocian, Executive Manager Corporate Services to place the matter on the July agenda.

**10.2 Compliance Audit Return 2020**

<b>Applicant</b>	Town of East Fremantle
<b>File ref</b>	A/DLG1
<b>Prepared by</b>	Janine May, EA to CEO
<b>Supervised by</b>	Peter Kocian, Acting Chief Executive Officer
<b>Date of Meeting</b>	8 March 2021
<b>Voting requirements</b>	Simple Majority
<b>Documents tabled</b>	Nil
<b>Attachments</b>	1. Compliance Audit Return 2020

**Purpose**

To facilitate the adoption of the Compliance Audit Return 2020 for submission to the Department of Local Government, Sport and Cultural Industries (DLGSC) by 31 March 2021.

**Executive Summary**

The statutory Compliance Audit Return runs on a calendar year basis and is for the period 1 January to 31 December 2020.

The statutory Compliance Audit Return has been completed by self-assessment by the Executive Assistant to the Chief Executive Officer, Executive Manager Corporate Services and Chief Executive Officer.

**Background**

The Compliance Audit Return is required 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 DLGSC by 31 March 2021.

**Statutory Environment**

Section 7.13(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* specify requirements with respect to the compliance audit.

**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.*

**Site Inspection**

N/A

**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)
Non compliance with statutory requirements	Rare (1)	Major (4)	Low (1-4)	COMPLIANCE Short term non-compliance but with significant regulatory requirements imposed	Manage by self-assessment tools such as the Compliance Audit Return

**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.

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Risk Rating	4
Does this item need to be added to the Town's Risk Register	No
Is a Risk Treatment Plan Required	No

**Comment**

The statutory Compliance Audit Return has been completed.

Council complied in almost all areas of the Return with only the two following questions requiring explanation:

Finance

*Question 7* Where matters identified as significant were reported in the auditor's report, did the local government prepare a report that stated what action the local government had taken or intended to take with respect to each of those matters?

*Yes. Two significant matters were reported. These were considered at the Special Council Meeting on 27 January 2021, and a report provided to the Minister as required. One of the findings has been fully addressed whilst the other finding relates to an adverse trend in the Town's Operating Surplus Ratio.*

Tenders for Providing Goods and Services

*Question 2* Did the local government comply with its current purchasing policy in relation to the supply of goods or services where the consideration under the contract was, or was expected to be, \$250,000 or less or worth \$250,000?

*No. The Office of Auditor General identified instances where the requisite number of quotations were not obtained for purchases between the value of \$5,000 and \$20,000.*

*During the Auditor's procurement testing, 6 purchases were identified in this range, out of a sample of 8, where there was insufficient documentation to indicate that the requisite number of quotations had been obtained.*

*Extended security permissions, including a purchasing requisition system, were implemented in June 2019. Staff are now required to upload evidence of quotations for purchases in excess of \$5,000 against a requisition request, which is converted into a purchase order only after it has been reviewed and approved by a Manager.*

*A procurement review of all purchases over \$5k, for the period 1 July 2019 to 22 May 2020, for assessment of compliance against Council's Purchasing Policy was presented to the Audit Committee Meeting of 29 June 2020. Of 111 purchase orders reviewed, 97 were deemed compliant with the Purchasing Policy. Staff education and constructive reinforcement of purchasing requirements has been implemented.*

**10.2 OFFICER RECOMMENDATION/ COMMITTEE RESOLUTION A050321**

**Moved Cr A McPhail, seconded Mayor O'Neill**

**That the Audit Committee endorse the submission of the 2020 Compliance Audit Return to Council for adoption.**

**(CARRIED UNANIMOUSLY)**

It was determined that the response to question 8 under Tenders for Providing Goods and Services is to be changed from a 'no' to a 'yes' as the Town complied with the first 2 parts of the question, but failed to publish the tender register on the website. This will be annotated in the Compliance Audit Return to Council. The Tender Register has since been published on the website.



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

<b>File ref</b>	F/AUD1
<b>Prepared by</b>	Peter Kocian, Executive Manager Corporate Services
<b>Supervised by</b>	Gary Tuffin, Chief Executive Officer
<b>Meeting Date:</b>	8 March 2021
<b>Voting requirements</b>	Simple Majority
<b>Documents tabled</b>	Nil
<b>Attachments</b>	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;

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- 
- 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

Manager Finance and Administration

**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.

## 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 key findings are not actioned within a timely manner	Possible (3)	Moderate (3)	Moderate (5-9)	Compliance	Control through oversight by the Audit Committee and ensuring adequate budget allocation for resourcing

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

## Strategic Implications

Strategic Priority 5 – Leadership and Governance

5.1 Strengthen organisational accountability and transparency

5.3 Strive for excellence in leadership and governance

## Comment

The status sheet has been updated accordingly.

The following summary of completion is provided:

Risk Category	No. Issues	Completed	Underway	Not Commenced
High	21	16	4	1
Medium	38	29	6	3
Low	11	9	1	1
	<b>70</b>	<b>54</b>	<b>11</b>	<b>5</b>

**10.3 OFFICER RECOMMENDATION/ COMMITTEE RESOLUTION A060321**

**Moved Mayor O'Neill, seconded Cr Watkins**

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

(CARRIED UNANIMOUSLY)

**10.4 Operational and Strategic Risk Registers**

<b>File ref</b>	F/AUD1
<b>Prepared by</b>	Peter Kocian, Executive Manager Corporate Services
<b>Supervised by</b>	Gary Tuffin, Chief Executive Officer
<b>Meeting Date:</b>	8 March 2021
<b>Voting requirements</b>	Simple Majority
<b>Documents tabled</b>	Nil
<b>Attachments</b>	1. Operational Risk Register 2. Strategic Risk Register

**Purpose**

It is recommended that the Audit Committee receive the attached Operational and Strategic Risk Register.

**Executive Summary**

The Town's most recent Financial Management Review identified the requirement for a comprehensive Risk Register to be developed and presented to the Audit Committee as a standing item. This project has now been completed, with an Operational Risk Register and Strategic Risk Register appended to this report.

**Background**Operational Risk Register

A report providing background to the Town's Risk Management Governance Framework was considered by the Audit Committee at its meeting of 7 November 2019. A risk assessment tool has since been adopted by Council, and features in all Council agenda items. Any item with a risk rating over 16 is required to be included in the attached Operational Risk Register.

The 2019 General Computer Control (GCC) Audit also included a finding that *"a register to track and record the Town's information risks does not exist"*. An Information Systems risk profile has now been incorporated into the Operational Risk Register and includes all findings from the GCC Audit.

Strategic Risk Register

Local Government Insurance Services (Risk Management Team) was engaged to assist the Town to identify potential strategic risks, facilitate the assessment and development of mitigation activities for prioritised strategic risks, and to provide a documented format for the ongoing management and reporting of strategic risks.

The above project work has resulted in the development of a Strategic Risk Dashboard Report (see attached Strategic Risk Register). Five key strategic risks have been identified by the Executive Team:

- Waste Recycling
- Inadequate provision of facilities or services
- East Fremantle Oval Precinct Project
- Strategic Planning
- Stakeholder Engagement

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The inherent risk (risk prior to implementation of any controls) is considered to be high or extreme for all of the aforementioned. A number of actions and timeframes have been attached to each of the Strategic Risks, the status of which will be reported to the Audit Committee on a reoccurring basis.

**Consultation**

Executive Team

**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**

Council has adopted Policy 2.2.4 Risk Management.

**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)
A major function of the Audit Committee is to oversee the treatment/management of extreme risks. Failure to do so may result in adverse consequences.	Unlikely (2)	Major (4)	Moderate (5-9)	SERVICE INTERRUPTION Prolonged interruption of services - additional resources; performance affected < 1 month	Manage by actively monitoring

## 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	8
Does this item need to be added to the Town's Risk Register	No
Is a Risk Treatment Plan Required	No

## Comment

The Dashboard reports from the Risk Registers identify a number of actions to be completed within the next 12-months. The Committee's attention is drawn to these items and any queries/concerns/prioritised actions will be documented in the minutes from this meeting and reported against by staff at the next meeting.

**10.4 OFFICER RECOMMENDATION/ COMMITTEE RESOLUTION A070321**

**Moved Cr M McPhail, seconded Cr A McPhail**

**That the Audit Committee receives the Operational Risk Register and Strategic Risk Register as appended to this report and note that the current actions and timeframes contained within this document will be reviewed by the Committee on a reoccurring basis.**

**(CARRIED UNANIMOUSLY)**

NB: Cr M McPhail suggested the following:

1. that the Stakeholder Engagement Plan needs to be added as a treatment to the Stakeholder Engagement Strategic Risk Dashboard.
2. That the risk profile for Asset Sustainability Practices be updated to capture legacy issues with aged assets such as the Town's drainage infrastructure.
3. That the Cyber Crime risk profile be updated to include an action to roll out staff training on social engineering and cyber risks.

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11. **MATTERS BEHIND CLOSED DOORS**  
Nil.

12. **CLOSURE OF MEETING**  
Meeting closed at 7.45pm.

*I hereby certify that the Minutes of the ordinary meeting of the **Audit Committee** of the Town of East Fremantle, held on **8 March 2021**, Minute Book reference **1. to 12.** were confirmed at the meeting of the Council on*

.....

\_\_\_\_\_  
*Presiding Member*



## 10. REPORTS

### 10.1 Interim Audit Management Letter

<b>File ref</b>	F/AUD1
<b>Prepared by</b>	Peter Kocian, Executive Manager Corporate Services
<b>Supervised by</b>	Gary Tuffin, Chief Executive Officer
<b>Meeting Date:</b>	15 July 2021
<b>Voting requirements</b>	Simple Majority
<b>Documents tabled</b>	Nil
<b>Attachments</b>	1. Interim Audit Management Letter for Year Ended 30 June 2021 (to be sent out as a late attachment)

#### Purpose

The purpose of this report is for the Audit Committee to receive the Audit Management Letter from the 2021 interim audit.

#### Executive Summary

Interim Audit results for the year ended 30 June 2021 are presented to the Audit Committee in the attached management letter. The focus of the interim audit was to evaluate the Town's overall control environment and to obtain an understanding of the key business processes, risks and internal controls relevant to the audit of the annual financial report.

#### Background

In accordance with section 7.2 of the *Local Government Act 1995*, the accounts and annual financial report of a local government for each financial year are required to be audited by an Auditor.

Part 7 of the *Local Government Act 1995* and the *Local Government (Audit) Regulations 1996* addresses the situation of audit. In relation to the duties of the local government with respect to audits –

- a. *the local government is to do everything in its power to –*
  - i. *assist the auditor to conduct an audit and carry out his or her other duties under the Act; and*
  - ii. *ensure that audits are conducted successfully and expeditiously;*
- b. *a local government is to meet with its auditor at least once in every year;*
- c. *a local government is to examine the report of the auditor and is to –*
  - i. *determine if any matters raised require action to be taken by the local government; and*
  - ii. *ensure that appropriate action is taken in respect of those matters;*
- d. *local government is to –*
  - i. *prepare a report on any actions taken in respect of any matters raised in the report of the auditor; and*
  - ii. *forward a copy of that report to the Minister by the end of the next financial year, or six months after the last report prepared by the auditor is received by the local government, whichever is the latest in time.*

The primary role of the Audit Committee is to support Council in fulfilling its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, internal and external audit functions and ethical accountability. The Committee should critically

examine the audit and management reports provided by the external auditor and then determine if matters raised in the reports require action to be taken by the local government administration.

### Consultation

Chief Executive Officer

### Statutory Environment

Part 7 of the *Local Government Act 1995* and the *Local Government (Audit) Regulations 1996* applies to audit in local government.

### Policy Implications

The Department of Local Government has published Operational Guideline No. 9 Audit in Local Government that covers the appointment, functions and responsibilities of Audit Committees.

### Financial Implications

The annual budget includes an allocation of \$25,000 for internal audit project work. There may be a cost associated with implementing some of the audit findings.

### 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)
Key findings from the interim and annual audits are not actioned	Possible (3)	Moderate (3)	Moderate (5-9)	Compliance	Control through Audit Committee monitoring of status report

### 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.

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

### Strategic Implications

Strategic Priority 5 – Leadership and Governance

5.1 Strengthen organisational accountability and transparency

5.3 Strive for excellence in leadership and governance

### Comment

All of the key findings from the interim and annual audit will be incorporated into the standing Status Report and will be presented to the Audit Committee for ongoing monitoring.

### 10.1 OFFICER RECOMMENDATION

That the Audit Committee recommend Council:

1. receive the Audit Management Letter from the Interim Audit for the Year Ended 30 June 2021, as presented as attachment 1 to this report.
2. note that the key audit findings will be incorporated into the standing Status Report and will be presented to the Audit Committee for ongoing monitoring.

## 10.2 Terms of Reference – Audit Committee

<b>File ref</b>	F/AUD1
<b>Prepared by</b>	Peter Kocian, Executive Manager Corporate Services
<b>Supervised by</b>	Gary Tuffin, Chief Executive Officer
<b>Meeting Date:</b>	15 July 2021
<b>Voting requirements</b>	Simple Majority
<b>Documents tabled</b>	Nil
<b>Attachments</b>	1. Terms of Reference (with tracked changes)

### Purpose

It is recommended that the Audit Committee endorse the attached Terms of Reference, which makes provision for the appointment of up to two (2) independent external members to the Committee.

### Executive Summary

At the March 2021 Audit Committee, the Chair Cr Natale requested that a report be submitted to the July meeting considering the appointment of independent external members to the Committee. Amendments have been made to the Committee's Terms of Reference to make provision for the appointment of external members, as contained in attachment 1 to this report.

### Background

The Audit Committee is established under section 7.1A of the *Local Government Act 1995*. Regulation 16 of the Local Government (Audit) Regulations 1996 outlines the Audit Committee functions:

#### 16. **Functions of audit committee**

*An audit committee has the following functions —*

- (a) to guide and assist the local government in carrying out —*
  - (i) its functions under Part 6 of the Act; and*
  - (ii) its functions relating to other audits and other matters related to financial management;*
- (b) to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;*
- (c) to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to —*
  - (i) report to the council the results of that review; and*
  - (ii) give a copy of the CEO's report to the council;*
- (d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —*
  - (i) regulation 17(1); and*
  - (ii) the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);*
- (e) to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;*
- (f) to oversee the implementation of any action that the local government —*
  - (i) is required to take by section 7.12A(3); and*

- (ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and
- (iii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and
- (iv) has accepted should be taken following receipt of a report of a review conducted under the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);
- (g) to perform any other function conferred on the audit committee by these regulations or another written law.

The Audit Committee last reviewed its Terms of Reference in July 2019.

### Consultation

Chief Executive Officer

### Statutory Environment

Part 7 of the *Local Government Act 1995* deals with the audit of the financial accounts of local governments including the conduct of audits. Division 1A deals with Audit Committees.

The Department of Local Government, Sport and Cultural Industries has published Operational Guideline Number 09 – The appointment, function and responsibilities of Audit Committees.

### 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)
The Audit Committee may not be able to adequately meet its functions without skilled	Possible (3)	Moderate (3)	Moderate (5-9)	COMPLIANCE Minor regulatory or statutory impact	Accept Officer Recommendation

and qualified members					
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### 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.

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

### Comment

The attached Terms of Reference outline the responsibilities and functions of the Audit Committee, as specified in the *Local Government Act 1995*, *Local Government (Audit Regulations) 1996*, and Departments Operational Guideline No 9.

The following insertions to the Terms of Reference have been made to make provision for the appointment of two (2) independent external members:

- 5.2 *The Audit Committee will comprise of up to two (2) external independent members. An external member will be a person independent to the local government and will not have provided paid services to the Town either directly or indirectly.*
- 5.3 *External independent members will be selected based on the following criteria:*
  - a) *A demonstrated high level of expertise and knowledge in financial management, reporting, governance and audit; and*
  - b) *Relevant skills and experience in providing independent expert advice.*
- 5.4 *Appointments of external independent members will be made following a public advertisement. The Chief Executive Officer will evaluate potential members and make a recommendation to Council.*
- 5.5 *External members shall be appointed for a period of up to two (2) years terminating on the day of the Local Government Ordinary Elections, unless Council resolves otherwise.*

**10.2 OFFICER RECOMMENDATION**

**That the Audit Committee:**

- 1. Endorse the amended Terms of Reference as presented as Attachment 1.**
- 2. Recommend that Council adopt the amended Terms of Reference as presented as Attachment 1, with the Town to subsequently invite expressions of interest from independent external members for appointment to the Audit Committee.**

**Town of East Fremantle**

**Audit Committee**

**Terms of Reference**

DRAFT



## Audit Committee Terms of Reference

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### 1. Purpose of the Terms of Reference

The purpose of the terms of reference is to facilitate the operation of the Audit Committee.

### 2. Introduction

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

The Audit Committee objective is to assist the Town of East Fremantle Council in liaising with the auditor and overseeing the external audit function and promoting the transparency and accountability of the Town's financial management systems and reporting. The role of the Committee is to report to the Council and provide appropriate advice and recommendations on matters relevant to its terms of reference in order to facilitate decision making by the Council in relation to the discharge of its responsibilities.

### 3. Objectives

The objectives of the Audit Committee are to oversee council's obligations under the *Local Government Act 1995*, and *Local Government (Audit) Regulations 1996*, more specifically;

- 3.1 The integrity of external financial reporting, including accounting policies.
- 3.2 The scope of work, objectivity, performance and independence of the external and internal audit charter.
- 3.3 Ensure the Town has established effective controls and systems to safeguard the Town's financial and physical resources.
- 3.4 The systems or procedures that are designed to ensure that the Town and its subsidiaries comply with relevant statutory and regulatory requirements.
- 3.5 The process for recognising risks arising from the Town's operations and strategies, and consider the adequacy of measures taken to manage those risks.
- 3.6 The process and systems which protect the Council against fraud and irregularities.

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

### 4. Authority

The Audit Committee has the authority to:

- 4.1 Review the internal and external auditor's annual audit plans and the outcomes/results of all audits undertaken.
- 4.2 Formally meet with the Town's appointed external auditors as necessary.
- 4.3 Seek resolution on any disagreements between management and the external auditors on financial reporting.
- 4.4 Advise Council on any or all of the above as deemed necessary.

## Audit Committee Terms of Reference

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### 5. Composition

- 5.1 The Audit Committee will comprise ~~of a minimum of six (6) elected members~~ and a maximum of 8 elected members in total inclusive of the external independent members.
- 5.2 The Audit Committee will comprise of up to two (2) external independent members. An external member will be a person independent to the local government and will not have provided paid services to the Town either directly or indirectly.
- 5.3 External independent members will be selected based on the following criteria:
- a) A demonstrated high level of expertise and knowledge in financial management, reporting, governance and audit; and
  - b) Relevant skills and experience in providing independent expert advice.
- 5.4 Appointments of external independent members will be made following a public advertisement. The Chief Executive Officer will evaluate potential members and make a recommendation to Council.
- 5.5 External members shall be appointed for a period of up to two (2) years terminating on the day of the Local Government Ordinary Elections, unless Council resolves otherwise
- 5.26 In accordance with 7.1A (3) of the Local Government Act, “A CEO is not to be a member of an audit committee and may not nominate a person to be a member of an audit committee or have a person to represent the CEO as a member of an audit committee.”
- 5.37 The Council will appoint Audit Committee members. Voting requirement of Council is an *Absolute Majority*.
- 5.48 The Presiding Member and Deputy Presiding Member will be appointed by the Audit Committee, biennially by election by all committee members after the Ordinary Local Government Election.
- 5.59 The members, taken collectively, will have a broad range of skills and experience relevant to the operations of the Town. At least one member of the committee will have accounting or related financial management experience with an understanding of accounting and auditing standards in a public sector environment.
- 5.610A quorum will be a minimum of 50% of the membership.
- 5.711 Audit Committee members are required by the *Local Government Act 1995* and Code of Conduct in observing the requirements of declaring any proximity, financial or impartiality interests that relate to any matter to be considered at each meeting.
- 5.712 New members will receive relevant information and briefings on their appointment to assist them to meet their committee responsibilities.

### 6. Meetings

- 6.1 The Audit Committee will meet at least three (3) times per year, with the dates to be set each year by Council, with authority to convene additional meetings, as circumstances require.
- 6.2 Meetings may be called by the Presiding Member of the Audit Committee, or at the request of the Mayor or Chief Executive Officer.
- 6.3 The Audit Committee meetings are generally open to the public unless the Presiding

## Audit Committee Terms of Reference

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Member or Chief Executive Officer deem it necessary to proceed behind closed doors pursuant to Section 5.23 of the Local Government Act 1995.

- 6.4 All Elected Members are invited to attend each Audit Committee meeting.
- 6.5 All Audit Committee members are expected to attend each meeting in person.
- 6.6 The Chief Executive Officer will facilitate the meetings of the Audit Committee and invite members of management, internal and external auditors or others to attend meetings as observers and to provide pertinent information, as necessary.
- 6.7 The Audit Committee will develop a forward meeting schedule that includes the dates, location, and proposed work plan for each meeting for the forthcoming year, that cover all the responsibilities outlined in this terms of reference.
- 6.8 Meeting agendas will be prepared and provided at least one week in advance to members, along with appropriate briefing materials.
- 6.9 A decision of the Audit Committee is to be made by a simple majority.
- 6.10 Minutes will be taken at each meeting and presented to the subsequent meeting for confirmation.

## 7. Responsibilities

The Audit Committee will carry out the following responsibilities:

### 7.1 Risk management

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

### 7.2 Business continuity

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

### 7.3 Internal Control

- 7.3.1 Review whether management has in place relevant policies and procedures and that they are periodically reviewed and updated.
- 7.3.2 Review whether appropriate policies and supporting procedures are in place for the management and exercise of delegations.

### 7.4 Financial Report

## Audit Committee Terms of Reference

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- 7.4.1 Review with management and the external auditors the results of the audit, including any difficulties encountered.
  - 7.4.2 Review the annual financial report and performance report of the Town of East Fremantle and its subsidiaries, and consider whether it is complete, consistent with information known to Audit Committee members, and reflects appropriate accounting principles.
  - 7.4.3 Review the process for the consolidation of financial information of the Town related entities into the financial reports of the Town.
  - 7.4.4 Review with management and the external auditors all matters required to be communicated to the Audit Committee under the Australian Auditing Standards.
  - 7.4.5 Review the draft Annual Financial Statements and recommend the adoption of the Annual Financial Statements to Council.
- 7.5 Compliance
- 7.5.1 Keep informed of the findings of any examinations by regulatory agencies and any auditor (external) observations and monitor management's response to these findings.
  - 7.5.2 Obtain regular updates from management about compliance matters.
- 7.6 Internal Audit Charter
- 7.6.1 Review and recommend the annual internal audit plan for approval by the Council and all major changes to the plan.
  - 7.6.2 Monitor that the internal annual plan is linked with and covers the material business risks.
  - 7.6.3 Review all audit reports and provide advice to the Council on significant issues identified in audit reports and action to be taken on issues raised, including identification and dissemination of good practice.
  - 7.6.4 Monitor management's implementation of audit recommendations.
- 7.7 External Audit
- 7.7.1 Note the external auditor's proposed audit scope and approach for financial performance audits, including any reliance on internal auditor activity.
  - 7.7.2 Consider the findings and recommendations of relevant Performance Audits undertaken by the external auditor and ensure the Town implements relevant recommendations.
  - 7.7.3 Provide an opportunity for the Audit Committee to meet with the external auditors to discuss any matters that the Audit Committee or the external auditors believe should be discussed privately.
  - 7.7.4 Annually review the performance of external audit including the level of satisfaction with external audit function.
  - 7.7.5 Monitor management's implementation of external audit recommendations.

## Audit Committee Terms of Reference

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### 7.8 Reporting Responsibilities

- 7.8.1 Report regularly to the Council about Audit Committee activities, issues, and related recommendations through circulation of minutes.
- 7.8.2 Monitor that open communication between the external auditors, and the Town's management occurs.
- 7.8.3 To review a report given to it by the CEO under regulation 17(3) of the Local Government (Audit) Regulations and is to —
  - (i) report to the council the results of that review;  
and
  - (ii) give a copy of the CEO's report to the council.

### 7.9 Other Responsibilities

- 7.9.1 Perform other activities related to this terms of reference as requested by the Council or as required by *Local Government Act 1995* or *Local Government (Audit) Regulations 1996*.
- 7.9.2 Annually review and assess the adequacy of the Audit Committee terms of reference, request Council approval for proposed changes, and ensure appropriate disclosure as might be required by legislation or regulation.

### 10.3 Onboarding/Offboarding Process for Employees

<b>File ref</b>	F/AUD1
<b>Prepared by</b>	Bron Browning, Corporate Services Co-ordinator
<b>Supervised by</b>	Peter Kocian, Executive Manager Corporate Services
<b>Meeting Date:</b>	15 July 2021
<b>Voting requirements</b>	Simple Majority
<b>Documents tabled</b>	Nil
<b>Attachments</b>	<ol style="list-style-type: none"><li>1. Onboarding/Offboarding processes</li><li>2. Onboarding/Offboarding User Account Access Form (<b>Confidential Attachment</b>)</li><li>3. Employee Items Check List</li></ol>

#### **Purpose**

It is recommended that the Audit Committee receive the attached Onboarding/Offboarding Process and User Account Access Form for employees.

#### **Executive Summary**

The Town's 2019 General Computer Control (GCC) Audit identified the requirement for a comprehensive Onboarding/Offboard process for employees to ensure appropriate controls are executed.

#### **Background**

The 2019 GCC audit identified limited controls in relation to the access to IT systems including physical access to hardware. Some levels of permissions had been established to network access to software and data, however, the level of documentation to support these restrictions was varied across the organisation.

The Town has undertaken a comprehensive IT security review, articulated current practices and has implemented new controls to meet the findings of the review. This has included the implementation of new permissions, and the establishment of new user groups to inform access levels.

#### **Consultation**

Human Resource Co-ordinator

#### **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**

Council has adopted Policy 2.2.4 Risk Management.

#### **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)
A major function of the Audit Committee is to oversee the treatment/management of extreme risks. Failure to do so may result in adverse consequences.	Unlikely (2)	Major (4)	Moderate (5-9)	SERVICE INTERRUPTION Prolonged interruption of services - additional resources; performance affected < 1 month	Manage by actively monitoring

### 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	8
Does this item need to be added to the Town's Risk Register	No
Is a Risk Treatment Plan Required	No

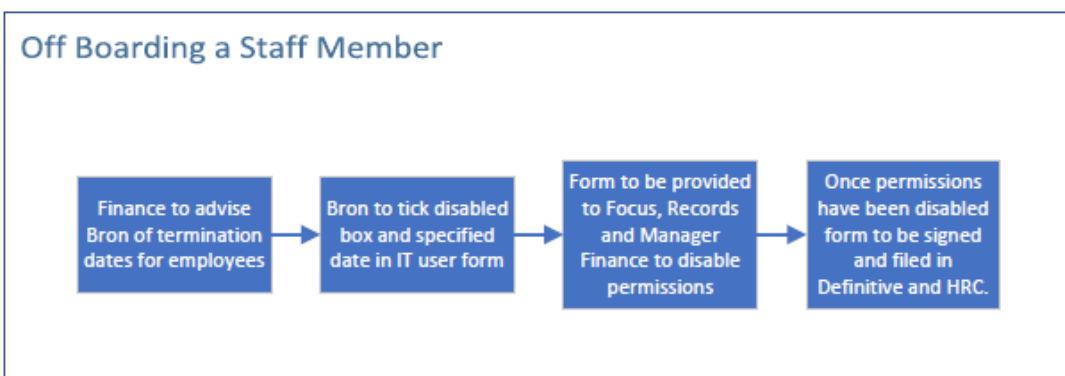
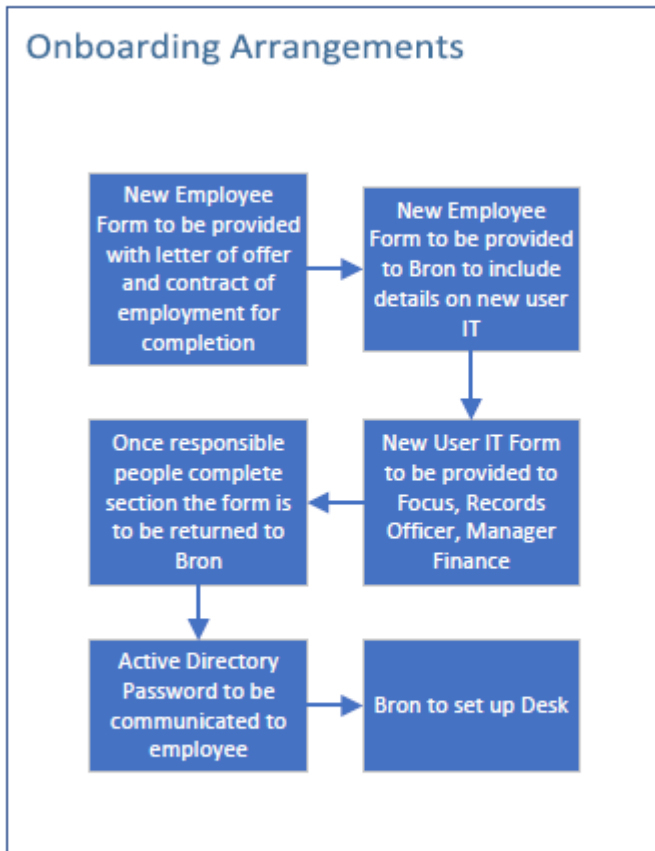
**Comment**

This revised process will ensure that appropriate internal controls are implemented to manage access to IT systems. Permission levels and full documentation has now been established to manage network access to software and data, and this audit finding is now considered to be closed.

**10.3 OFFICER RECOMMENDATION**

**That the Audit Committee receives the Onboarding/Offboarding process and the User Account Access form for employees.**





OUR REF: Personnel Record



**Employee Name:** \_\_\_\_\_

**Employee Payroll Number:** \_\_\_\_\_

**Commencement Date:** \_\_\_\_\_

**Termination Date:** \_\_\_\_\_

I certify that the items shown below were transferred to my possession on commencement / during my employment at the Town of East Fremantle and returned to Council on my termination of employment.

PARTICULARS	TOWN OF EAST FREMANTLE ITEMS HELD BY EMPLOYEE (please comment below if applicable)	TOWN OF EAST FREMANTLE ITEMS RETURNED ON TERMINATION (please comment below if applicable)
Office Keys/FOB/Depot Gate		
Council Vehicle / Keys		
Fuel Card		
Credit Card		
Trade Card		
Mobile Phone / Charger		
Tablet / Body Worn Camera		
Laptop		
Security Alarm Code		
CommBizz etoken/Deposit Card		
Town Security USB		
Ranger ID Wallet and Authorisation Card		

\_\_\_\_\_  
Employee Signature Date

\_\_\_\_\_  
Manager's Signature Date

#### 10.4 Operational and Strategic Risk Registers

<b>File ref</b>	F/AUD1
<b>Prepared by</b>	Peter Kocian, Executive Manager Corporate Services
<b>Supervised by</b>	Gary Tuffin, Chief Executive Officer
<b>Meeting Date:</b>	15 July 2021
<b>Voting requirements</b>	Simple Majority
<b>Documents tabled</b>	Nil
<b>Attachments</b>	1. Operational Risk Register 2. Strategic Risk Register

#### **Purpose**

It is recommended that the Audit Committee receive the attached Operational and Strategic Risk Registers.

#### **Executive Summary**

The Town's most recent Financial Management Review identified the requirement for a comprehensive Risk Register to be developed and presented to the Audit Committee as a standing item. This project has now been completed, with an Operational Risk Register and Strategic Risk Register appended to this report.

#### **Background**

##### Operational Risk Register

A report providing background to the Town's Risk Management Governance Framework was considered by the Audit Committee at its meeting of 7 November 2019. A risk assessment tool has since been adopted by Council, and features in all Council agenda items. Any item with a risk rating over 16 is required to be included in the attached Operational Risk Register.

The 2019 General Computer Control (GCC) Audit also included a finding that *"a register to track and record the Town's information risks does not exist"*. An Information Systems risk profile has now been incorporated into the Operational Risk Register and includes all findings from the GCC Audit.

##### Strategic Risk Register

Local Government Insurance Services (Risk Management Team) was engaged to assist the Town to identify potential strategic risks, facilitate the assessment and development of mitigation activities for prioritised strategic risks, and to provide a documented format for the ongoing management and reporting of strategic risks.

The above project work has resulted in the development of a Strategic Risk Dashboard Report (see attached Strategic Risk Register). Five key strategic risks have been identified by the Executive Team:

- Waste Recycling
- Inadequate provision of facilities or services
- East Fremantle Oval Precinct Project
- Strategic Planning
- Stakeholder Engagement

The inherent risk (risk prior to implementation of any controls) is considered to be high or extreme for all of the aforementioned. A number of actions and timeframes have been attached to each of the Strategic Risks, the status of which will be reported to the Audit Committee on a reoccurring basis.

### Consultation

Executive Team

### 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

Council has adopted Policy 2.2.4 Risk Management.

### 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)
A major function of the Audit Committee is to oversee the treatment/management of extreme risks. Failure to do so may result in adverse consequences.	Unlikely (2)	Major (4)	Moderate (5-9)	SERVICE INTERRUPTION Prolonged interruption of services - additional resources; performance affected < 1 month	Manage by actively monitoring

**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.

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

**Comment**

The Dashboard reports from the Risk Registers identify a number of actions to be completed within the next 12-months. The Committees attention is drawn to these items and any queries/concerns/prioritised actions will be documented in the minutes from this meeting and reported against by staff at the next meeting.

**10.4 OFFICER RECOMMENDATION**

**That the Audit Committee receives the Operational Risk Register and Strategic Risk Register as appended to this report and note that the current actions and timeframes contained within this document will be reviewed by the Committee on a reoccurring basis.**

# Town of East Fremantle Operational Risk Dashboard Report June 2021

**Executive Summary**

**Recommendations**

<u>Providing inaccurate Advice / Information (All Ems)</u>	Risk	Control
	<b>Moderate</b>	<b>Adequate</b>
<p>Incomplete, inadequate or inaccuracies in advisory activities to customers or internal staff.</p> <p>Examples include;</p> <ul style="list-style-type: none"> <li>-Incorrect planning, development or building advice</li> <li>-Incorrect health or environmental advice</li> <li>-Inconsistent messages or responses from Customer Service Staff</li> <li>-Any advice that is not consistent with legislative requirements or local laws.</li> </ul>		
Current Issues / Actions / Treatments	Due Date	Responsibility
<i>Review of Online Services</i>	<i>Ongoing</i>	<i>TLCS</i>
<i>FAQ - for front line staff</i>	<i>Ongoing</i>	<i>EMCS/CCusS</i>
<i>Implementation of Customer Service Improvement Program</i>	<i>Ongoing</i>	<i>CEO/MCO</i>
<i>Develop &amp; Document complaints process</i>	<i>Ongoing</i>	<i>TLCS</i>

<u>Asset Sustainability practices (EMTS/EMCS)</u>	Risk	Control
	<b>Moderate</b>	<b>Adequate</b>
<p>Failure or reduction in service of infrastructure assets, plant, equipment or machinery. These include fleet, buildings, roads, playgrounds, boat ramps and all other assets during their lifecycle from procurement to disposal. Areas included in the scope are;</p> <ul style="list-style-type: none"> <li>-Inadequate design (not fit for purpose)</li> <li>-Ineffective usage (down time)</li> <li>-Outputs not meeting expectations</li> <li>-Inadequate maintenance activities.</li> <li>-Inadequate financial management and planning (capital renewal plan).</li> </ul> <p>It does not include issues with the inappropriate use of the Plant, Equipment or Machinery. Refer Misconduct.</p>		
Current Issues / Actions / Treatments	Due Date	Responsibility
<i>Review all asset management plans/policies</i>	<i>Ongoing</i>	<i>OM/CEO</i>
<i>Consultant to undertake ROMANS 2 desk top assessment (Oct ) annually and every 3 years road inspection audit</i>	<i>Ongoing</i>	<i>EMTS</i>

<u>Errors, omissions &amp; delays (All staff)</u>	Risk	Control
	<b>Moderate</b>	<b>Adequate</b>
<p>Errors, omissions or delays in operational activities as a result of unintentional errors or failure to follow due process. This includes instances of;</p> <ul style="list-style-type: none"> <li>-Human error</li> <li>-Inaccurate recording, maintenance, testing or reconciliation of data.</li> <li>-Inaccurate data being used for management decision-making and reporting.</li> <li>-Delays in service to customers</li> <li>-Inaccurate data provided to customers</li> </ul> <p>This excludes process failures caused by inadequate / incomplete procedural documentation - refer "Inadequate Document Management Processes".</p>		
Current Issues / Actions / Treatments	Due Date	Responsibility
<i>Heritage Review and Municipal Heritage Inventory Review</i>	<i>Dec-21</i>	<i>EMRS</i>
<i>Operational Information Sheets</i>	<i>Jun-21</i>	<i>OM</i>
<i>Delegation Review and Policies</i>	<i>Annually</i>	<i>CEO</i>
<i>Review of Complaints Handling process</i>	<i>Underway</i>	<i>CCusS</i>
<i>Monthly Customer Service Reporting</i>	<i>Ongoing</i>	<i>CCusS</i>

<u>External theft &amp; fraud (inc. Cyber Crime) (EMCS)</u>	Risk	Control
	<b>Moderate</b>	<b>Effective</b>
<p>Loss of funds, assets, data or unauthorised access, (whether attempted or successful) by external parties, through any means (including electronic), for the purposes of;</p> <ul style="list-style-type: none"> <li>-Fraud: benefit or gain by deceit</li> <li>-Malicious Damage: hacking, deleting, breaking or reducing the integrity or performance of systems</li> <li>-Theft: stealing of data, assets or information</li> </ul>		
Current Issues / Actions / Treatments	Due Date	Responsibility
<i>Ensure doors are locked at all times for the Computer Server Room and Records Room</i>	<i>Ongoing</i>	<i>CCS</i>
<i>Cyber Risk Health Assessment</i>	<i>Aug-21</i>	<i>EMCS</i>

## Town of East Fremantle Operational Risk Dashboard Report June 2021

<i>Develop Asset Management Plans for Parks, Ovals and Drainage</i>	<i>Ongoing</i>	<i>EMTS</i>		<i>Internal Audit Program</i>	<i>Ongoing</i>	<i>EMCS</i>	
<i>Annual revaluation of assets</i>	<i>Ongoing</i>	<i>EMTS</i>		<i>Online learning fraud, corruption, social engineering and cyber risks</i>	<i>Ongoing</i>	<i>HR</i>	
<i>Capture legacy issues with aged assets such as the Town's drainage infrastructure</i>	<i>Ongoing</i>	<i>EMTS</i>					
<b><u>Business &amp; Community disruption (BCP)</u></b>		<b>Risk</b>	<b>Control</b>	<b><u>Management of Facilities / Venues / Events (All staff)</u></b>		<b>Risk</b>	<b>Control</b>
		<b>Low</b>	<b>Effective</b>			<b>Moderate</b>	<b>Adequate</b>
<p>Failure to adequately prepare and respond to events that cause disruption to the local community and / or normal Town business activities. This could be a natural disaster, weather event, or an act carried out by an external party (e.g. sabotage / terrorism). This includes; -Lack of (or inadequate) emergency response / business continuity plans. -Lack of training for specific individuals or availability of appropriate emergency response. -Failure in command and control functions as a result of incorrect initial assessment or untimely awareness of incident.</p>				<p>Failure to effectively manage the day to day operations of facilities, venues and / or events. This includes; -Inadequate procedures in place to manage quality or availability. -Poor crowd control -Ineffective signage -Booking issues -Stressful interactions with hirers / users (financial issues or not adhering to rules of use of facility) Inadequate oversight or provision of peripheral services (eg. cleaning / maintenance)</p>			
<b>Current Issues / Actions / Treatments</b>		<b>Due Date</b>	<b>Responsibility</b>	<b>Current Issues / Actions / Treatments</b>		<b>Due Date</b>	<b>Responsibility</b>
<i>Business Continuity Plan and IT Disaster Recovery Plan - review annually</i>		<i>Annual</i>	<i>CEO</i>	<i>Staff Training register</i>		<i>Ongoing</i>	<i>HR</i>
<i>IT Disaster Recovery Plan - annual testing</i>		<i>Annual</i>	<i>EMCS</i>	<i>Lease agreements with all tenants</i>		<i>Ongoing</i>	<i>EMCS</i>
<i>Internal Emergency Management Plan - review annually</i>		<i>Annual</i>	<i>EHO</i>	<i>Develop annual playground inspection program</i>		<i>Mar-21</i>	<i>TSM</i>
<i>Evacuation exercise to be undertaken - annual</i>		<i>Annual</i>	<i>OSH Committee</i>	<i>Investigate On-line booking system</i>		<i>Mar-21</i>	<i>TLCS</i>
<i>Fire alarm/extinguishers/electrical tagging - check status - annual test</i>		<i>Annual</i>	<i>EHO</i>	<i>Investigate digital access to all community buildings to replace the current key system</i>		<i>Underway</i>	<i>CCS</i>
<i>Implementation of COVID safety plans as required</i>		<i>Ongoing</i>	<i>BCP</i>	<i>Playground Condition Assessment - Annual Inspection report</i>		<i>Sep-21</i>	<i>EMTS</i>

# Town of East Fremantle Operational Risk Dashboard Report June 2021

<u>Failure to fulfil Compliance requirements (statutory, regulatory) (EAs)</u>	Risk <b>Low</b>	Control <b>Adequate</b>	<u>Information Systems (EMCS)</u>	Risk <b>Moderate</b>	Control <b>Effective</b>
<p>Failure to correctly identify, interpret, assess, respond and communicate laws and regulations as a result of an inadequate compliance framework. This includes, new or proposed regulatory and legislative changes, in addition to the failure to maintain updated internal &amp; public domain legal documentation. It includes (amongst others) the Local Government Act, Planning &amp; Development Act, Health Act, Building Act, Privacy Act and all other legislative based obligations for Local Government.</p>			<p>Instability, degradation of performance, or other failure of IT or communication system or infrastructure causing the inability to continue business activities and provide services to the community. This may or may not result in IT Disaster Recovery Plans being invoked. Examples include failures or disruptions caused by:</p> <ul style="list-style-type: none"> <li>-Hardware or software</li> <li>-Networks</li> <li>-Failures of IT Vendors</li> </ul> <p>This also includes where poor governance results in the breakdown of IT maintenance such as;</p> <ul style="list-style-type: none"> <li>-Configuration management</li> <li>-Performance monitoring</li> </ul> <p>The Office of the Auditor General recently performed a General Computer Control Audit of the Town of East Fremantle (July 2019). The following is a summary of the audit methodology:</p> <p>Scope: the audit focused on:</p> <ul style="list-style-type: none"> <li>•Policies and procedures – The entity should ensure that they have appropriate policies and procedures in place for key areas such as IT risk management, information security, business continuity and change control.</li> <li>•Management of IT risks - The entity need to ensure that IT risks are identified, assessed and treated within appropriate timeframes and that these practices become a core part of business activities.</li> <li>•Information security - The entity should ensure good security practices are implemented, up-to-date and regularly tested and enforced for key computer systems. Agencies must conduct ongoing reviews for user access to systems to ensure they are appropriate at all times.</li> <li>•Business continuity - The entity should have a business continuity plan, a disaster recovery plan and an incident response plan. These plans should be tested on a periodic basis.</li> <li>•Change control - change control processes should be well developed and consistently followed for changes to computer systems. All changes should be subject to thorough planning and impact assessment to minimise the likelihood of problems. Change control documentation should be current, and approved changes formally tracked.</li> <li>•Physical security – The entity should develop and implement physical and environmental control mechanisms to prevent unauthorised access or accidental damage to computing infrastructure and systems.</li> </ul>		
Current Issues / Actions / Treatments	Due Date	Responsibility	Current Issues / Actions / Treatments	Due Date	Responsibility
<i>Corporate Calendar</i>	<i>Monthly</i>	<i>EACEO</i>	<i>The Town to review and update The Information Technology Policy to appropriately address all relevant areas of Information security</i>	<i>Jun-21</i>	<i>EMCS</i>
<i>Develop standard operating procedures for each position</i>	<i>Ongoing</i>	<i>All staff</i>	<i>The Town to establish an appropriate information security awareness program to make sure individuals are aware of the Town's Information Security Policy, risks and personal requirements for protecting information</i>	<i>Jun-21</i>	<i>EMCS</i>
<i>Review procedures manual every 12 months</i>	<i>Jun-21</i>	<i>HR/Exe Managers/CEO</i>	<i>The Town to document and implement an appropriate vulnerability management process. This process should ensure all relevant known software and security vulnerabilities are identified. These vulnerabilities along with remediation to address them should be appropriately assessed and tested. Following successful testing the relevant actions and updates should be applied to the IT Systems within a timely manner.</i>	<i>Jun-21</i>	<i>EMCS</i>



## Town of East Fremantle Operational Risk Dashboard Report June 2021

<i>Review purchasing history (tender compliance)</i>	<i>Completed</i>	<i>EMCS</i>	<i>The Town to develop, document and implement appropriate ICT change management procedures. This should include the use of a suitable change management system to maintain records of change details and authorisations.</i>	<i>Completed</i>	<i>EMCS</i>
<i>Improvement Plan - Aud Reg 17 &amp; FMR</i>	<i>Dec-22</i>	<i>CEO</i>	<i>Server replacement/cloud assessment</i>	<i>Jun-21</i>	<i>EMCS</i>

# Town of East Fremantle

## Operational Risk Dashboard Report

### June 2021

<b>Document Management processes (RO)</b>			<b>Risk</b>	<b>Control</b>
			<b>Low</b>	<b>Adequate</b>
Failure to adequately capture, store, archive, retrieve, provide or dispose of documentation. This includes: -Contact lists. -Procedural documents, personnel files, complaints. -Applications, proposals or documents. -Contracts. -Forms or requests.				
<b>Current Issues / Actions / Treatments</b>	<b>Due Date</b>	<b>Responsibility</b>		
<i>Undertake additional record training for all staff</i>	<i>Ongoing</i>	<i>HRC</i>		
<i>Fully utilise Synergy</i>	<i>Ongoing</i>	<i>RO</i>		
<i>Establish file sentencing structure for Y Drive, migrate records into EDRMS and disable File Server</i>	<i>Jun-22</i>	<i>RO</i>		
<i>Assess full digitisation of Town Records and Update Record Keeping Plan accordingly</i>	<i>TBD</i>	<i>RO</i>		
<i>Prepare a project plan for SharePoint Online with a view of replacing the EDRMS in Synergy Soft</i>	<i>TBD</i>	<i>RO</i>		
<b>Employment practices (CEO/HRC)</b>			<b>Risk</b>	<b>Control</b>
			<b>Low</b>	<b>Adequate</b>
Failure to effectively recruit, manage and lead human resources (full-time, part-time, casuals, temporary and volunteers). This includes: -Not having appropriately qualified or experienced people in the right roles. -Insufficient staff numbers to achieve objectives. -Breaching employee regulations. -Discrimination, harassment & bullying in the workplace. -Poor employee wellbeing (causing stress). -Key person dependencies without effective succession planning in place. -Industrial activity.				
<b>Current Issues / Actions / Treatments</b>	<b>Due Date</b>	<b>Responsibility</b>		
<i>Embed Town Values</i>	<i>Ongoing</i>	<i>HRC</i>		
<i>Develop an Organisational Development and Training Plan</i>	<i>Ongoing</i>	<i>HRC</i>		
<i>Introduce new Online Learning &amp; Induction Platform (LEARN RITE)</i>	<i>Ongoing</i>	<i>HRC</i>		
<i>Annual Review of Workforce Plan</i>	<i>Annual</i>	<i>HRC</i>		

<b>Misconduct (CEO)</b>			<b>Risk</b>	<b>Control</b>
			<b>Low</b>	<b>Adequate</b>
Intentional activities in excess of authority granted to an employee, which circumvent endorsed policies, procedures or delegated authority. This would include instances of: -Relevant authorisations not obtained. -Distributing confidential information. -Accessing systems and / or applications without correct authority to do so. -Misrepresenting data in reports. -Theft by an employee -Inappropriate use of plant, equipment or machinery -Inappropriate use of social media. -Inappropriate behaviour at work. -Purposeful sabotage This does not include instances where it was not an intentional breach - refer Errors, Omissions or Delays, or Inaccurate Advice / Information.				
<b>Current Issues / Actions / Treatments</b>	<b>Due Date</b>	<b>Responsibility</b>		
<i>Internal Policy &amp; Procedures</i>	<i>Ongoing</i>	<i>HR</i>		
<i>Annual Licence Checks (develop form)</i>	<i>Ongoing</i>	<i>HRC</i>		
<i>Staff to complete Online Learning Module on Public Interest Disclosure and Whistle Blower Policy, Fraud and Corruption Awareness, Accountable and Ethical Decision Making and Discrimination and EEO.</i>	<i>Ongoing</i>	<i>HRC</i>		

<b>Project / Change management (All staff)</b>			<b>Risk</b>	<b>Control</b>
			<b>High</b>	<b>Adequate</b>
Inadequate analysis, design, delivery and / or status reporting of change initiatives, resulting in additional expenses, time delays or scope changes. This includes: -Inadequate change management framework to manage and monitor change activities. -Inadequate understanding of the impact of project change on the business. -Failures in the transition of projects into standard operations. -Failure to implement new systems -Inadequate handover process This does not include new plant & equipment purchases. Refer "Inadequate Asset Sustainability Practices"				
<b>Current Issues / Actions / Treatments</b>	<b>Due Date</b>	<b>Responsibility</b>		
<i>Project/Change Management Training</i>	<i>Commenced</i>	<i>HRC</i>		
<i>Development of PM Framework</i>	<i>Commenced</i>	<i>CEO</i>		

# Town of East Fremantle Operational Risk Dashboard Report June 2021

<i>Review of CHSP</i>	<i>Jul-21</i>	<i>EMCS</i>	
<i>Finalisation of Code of Conduct</i>	<i>Aug-21</i>	<i>EACEO</i>	
<b>Engagement practices (CCE/CMO)</b>		<b>Risk</b>	<b>Control</b>
		<b>Moderate</b>	<b>Adequate</b>
<p>Failure to maintain effective working relationships with the Community (including local Media), Stakeholders, Key Private Sector Companies, Government Agencies and / or Elected Members. This includes activities where communication, feedback or consultation is required and where it is in the best interests to do so. For example;</p> <ul style="list-style-type: none"> <li>-Following up on any access &amp; inclusion issues.</li> <li>-Infrastructure Projects.-</li> <li>-Local planning initiatives.</li> <li>-Strategic planning initiatives</li> </ul> <p>This does not include instances whereby Community expectations have not been met for standard service provisions such as Community Events</p>			
<b>Current Issues / Actions / Treatments</b>	<b>Due Date</b>	<b>Responsibility</b>	
<i>Community Consultations Plan and Policies</i>	<i>Commenced</i>	<i>CEO</i>	
<i>Implementation of Community Engagement Calendar</i>	<i>Ongoing</i>	<i>CCE/CMO</i>	

<b>Safety and Security practices (OSH Committee)</b>		<b>Risk</b>	<b>Control</b>
		<b>Moderate</b>	<b>Adequate</b>
<p>Non-compliance with the Occupation Safety &amp; Health Act, associated regulations and standards. It is also the inability to ensure the physical security requirements of staff, contractors and visitors. Other considerations are: negligence or carelessness.</p>			
<b>Current Issues / Actions / Treatments</b>	<b>Due Date</b>	<b>Responsibility</b>	
<i>Updated OHS management framework</i>	<i>Ongoing</i>	<i>OSH Committee</i>	
<i>Updated Annual OSH Training Plan</i>	<i>Jul-21</i>	<i>OSH Committee</i>	
<i>Staff Training Register</i>	<i>Ongoing</i>	<i>HRC</i>	
<i>Review of safework method statements and regular staff inductions</i>	<i>Ongoing</i>	<i>HRC</i>	

# Town of East Fremantle Operational Risk Dashboard Report June 2021

<u>Environment management (SO/EHO)</u>			Risk	Control	<u>Supplier / Contract management (All Managers)</u>			Risk	Control	
			Moderate	Adequate				Moderate	Adequate	
Inadequate prevention, identification, enforcement and management of environmental issues. The scope includes; - Lack of adequate planning and management of foreshore erosion issues. - Failure to identify and effectively manage contaminated sites (including groundwater usage). - Waste facilities (landfill / transfer stations)- former sites - Weed & mosquito / Vector control. - Removal, damage to trees in the public domain - Illegal dumping. - Microbiological water quality						Inadequate management of external Suppliers, Contractors, IT Vendors or Consultants engaged for core operations. This includes issues that arise from the ongoing supply of services or failures in contract management & monitoring processes. This also includes: • Concentration issues (contracts awarded to one supplier) • Vendor sustainability				
Current Issues / Actions / Treatments	Due Date	Responsibility				Current Issues / Actions / Treatments	Due Date	Responsibility		
<i>Implementation of Weed Management Plans (Foreshore Management/Neirgarup Track)</i>	<i>Dec-22</i>	<i>OM</i>				<i>Prepare RFQ Road Sweeping</i>	<i>Aug-21</i>	<i>EMTS</i>		
<i>Develop a foreshore/river erosion management plan (environmental project)</i>	<i>Dec-22</i>	<i>EHO</i>				<i>Prepare RFQ Electrical Services</i>	<i>Aug-21</i>	<i>EMTS</i>		
<i>Annual River Wall inspection program</i>	<i>Dec-21</i>	<i>OM</i>				<i>Review existing purchasing practices - ie No contracts</i>	<i>Ongoing</i>	<i>EMTS/EMCS</i>		
<i>Jerrat Drive foreshore - Develop Rehabilitation Plan in conjunction with key stakeholders - Subject to external funding</i>	<i>Dec-22</i>	<i>SO/EHO</i>				<i>Develop procurement handbook including templates for all RFQs/RFTs</i>	<i>Ongoing</i>	<i>EMCS/CSIM</i>		
<i>Development of a Climate Action Plan</i>	<i>Dec-21</i>	<i>SO/EHO</i>				<i>Prepare RFQ Managed ICT Services</i>	<i>Jul-21</i>	<i>EMCS</i>		
<i>Sustainability Projects</i>	<i>Ongoing</i>	<i>SO/EHO</i>				<i>Ensure that Contract and Tender Register is up to date and meets statutory requirement</i>	<i>Ongoing</i>	<i>MFA/CSIM</i>		
<i>Coastal Hazard Risk Management and Adaptation Plan (funding granted \$48,000)</i>	<i>Oct-21</i>	<i>SO/EHO</i>								

### Town of East Fremantle Strategic Risk Dashboard

<u>East Fremantle Oval Precinct Project (CEO)</u>	Extreme	High
	High	Adequate
Inability to deliver the redevelopment of East Fremantle Oval Precinct project within an acceptable timeframe, within budget and meeting community expectations.		
Current Actions	Due Date	
<i>Department Approval</i>	<i>Jun-21</i>	<i>EMS</i>
<i>Appointment of positions</i>	<i>June-Sept 21</i>	<i>CEO</i>
<i>Negotiation of Funding Agreement with State Government</i>	<i>Sep-21</i>	<i>CEO</i>
<i>Project Risk Workshop</i>	<i>Jul-Aug 21</i>	<i>CEO</i>
<i>Secure additional Federal Funding or alternatively reduce the scope of works</i>	<i>Jun 21 - Mar 22</i>	<i>CEO</i>
<u>Inadequate provision of facilities or services (Ems)</u>	Extreme	High
	Moderate	Adequate
Inability to continually provide and adapt services to meet community needs. Our capacity to provide facilities does not meet the growing demand.		
Current Actions	Due Date	
<i>Implementation of Preston Point Master Plan</i>	<i>Ongoing</i>	<i>Exec Managers</i>
<i>Complete liability assessment for Camp Waller</i>	<i>August</i>	<i>Exec Managers</i>
<i>Complete site plan for Camp Waller</i>	<i>September</i>	<i>Exec Managers</i>
<u>Stakeholder Engagement (Reputation) (CCE/CMO/TLCS)</u>	High	High
	High	Adequate
Loss of the Town's reputation due to the inability to manage stakeholders' perception. This focusses on residential and commercial stakeholders who either live in, operate a business or use the Town's facilities.		
Current Actions	Due Date	Responsibility
<i>Refresh staff awareness of Community Engagement Plan &amp; Corporate Branding Framework</i>	<i>Ongoing</i>	<i>PC</i>
<i>Facilitation of community information sessions</i>	<i>Ongoing</i>	<i>Exec Managers</i>
<i>Review and implement appropriate outcomes from the Technical Levels of Service Review</i>	<i>Jun-21</i>	<i>Services Manager</i>
<i>Configure service types within the Customer Service Module</i>	<i>Ongoing</i>	<i>TLCS</i>

<u>Waste Recycling (Sustainability Officer)</u>	Risk Ratings		Risk Factors	
	Inherent	High	Influence	High
	Residual	Moderate	Controls	Adequate
Inability to meet State Government recycling rates. Failure of Waste Energy Facility (Avertas) to be operational within agreed time frames				
Current Actions	Due Date	Responsibility		
<i>Ensure SMRC are meeting residual targets ie State Waste Strategy</i>	<i>Ongoing</i>	<i>Sustainability Officer</i>		
<i>Ongoing review of SMRC's performance</i>	<i>Ongoing</i>	<i>CEO/EMCS/EMTS</i>		

<u>Strategic Planning (EMRS)</u>	Risk Ratings		Risk Factors	
	Inherent	Extreme	Influence	High
	Residual	Moderate	Controls	Adequate
Inadequate or failed strategic development activity. Inadequate/failed community engagement				
Current Actions	Due Date	Responsibility		
<i>Finalised Local Planning Strategy and submitted to WAPC (awaiting)</i>	<i>Jun-21</i>	<i>EMRS</i>		
<i>Review Local Planning Scheme</i>	<i>Jul-21</i>	<i>EMRS</i>		
<i>Public Advertising of Local Planning Strategy</i>	<i>Jun-21</i>	<i>EMRS</i>		
<i>Submit Amendment 17 to July OCM for final endorsement</i>	<i>Jul-21</i>	<i>EMRS</i>		

## 10.5 Procurement Review – Requisitions/Purchase Orders over \$5k

<b>File ref</b>	F/AUD1
<b>Prepared by</b>	Sam Dolzadelli, Finance Project & Business Improvement Officer
<b>Supervised by</b>	Peter Kocian, Executive Manager Corporate Services
<b>Meeting Date:</b>	15 July 2021
<b>Voting requirements</b>	Simple Majority
<b>Documents tabled</b>	Nil
<b>Attachments</b>	<ol style="list-style-type: none"> <li>1. Procurement Review (Confidential Attachment)</li> <li>2. Amended Purchasing Policy</li> </ol>

### Purpose

The Audit Committee is requested to receive the assessment of all supplier purchases greater than \$5k for the period 1 July 2020 to 24 June 2021, for compliance against Council's Purchasing Policy.

### Executive Summary

Between the period 1 July 2020 and 24 June 2021, the Town released 110 purchase orders over \$5k. Full information is provided as confidential attachment 1, and is summarised as follows:

Amount	Purchasing Requirement	No. Purchase Orders	No. Compliant with Purchasing Policy or Exempt i.e. Sole Supplier	% Compliant
Over \$5,001 and up to \$20,000	Attempt to obtain 2 written quotes	84	79	94%
Over \$20,001 and up to \$50,000	Attempt to obtain 3 written quotes	17	15	88%
Over \$50,001 and up to \$250,000	Attempt obtain 3 written quotes under a Request for Quotation	8	8	100%
Over \$250,000	Request for Tender unless exempt	1	1	100%
<b>Total</b>		110	103	94%

### Background

The Independent Auditors Report dated 13 December 2019 (attachment 2) included the following significant audit finding:

For 75% of purchases we sampled below the tender threshold, there was inadequate or no evidence that a sufficient number of quotations was obtained to test the market, and no documentation to explain why other quotes were not sought. This practice increases the likelihood of not receiving value for money in procurement. This could also result in favouring certain suppliers, although our audit did not identify any instances.

In response to the above finding, management provided the following comment, extracted from the minutes of the Special Council Meeting dated 4 February 2020 (attachment 3):

*The Town's purchasing policy states that where the value of a purchase is between \$5,001 and \$20,000 (ex. GST), efforts should be made to obtain at least two written quotes.*

*During the Auditor's procurement testing, 6 purchases were identified in this range, out of a sample of 8, where there was insufficient documentation to indicate that the requisite number of quotations had been obtained.*

*A purchase requisition system implemented in June 2019. Staff are now required to upload evidence of quotations for purchases in excess of \$5,000 against a requisition request, which is converted into a purchase order only after it has been reviewed and approved by a Manager.*

*The Internal Audit Work Plan for 2020 also proposes that an internal audit of all requisitions over \$5,000 be completed, and presented to the Audit Committee in July 2020. This will ensure a complete sample and identify all instances of non-compliance. Findings will then inform areas for improvement, education, and if deemed appropriate, removal of financial delegation.*

**Consultation**

Finance team

**Statutory Environment**

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

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

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

**Policy Implications**

Council's Purchasing Policy applies.

The following requirements apply for purchases over \$5,001:

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

**Financial Implications**

There are no financial implications relevant to this item.

**Risk Implications**

<b>Risk</b>	<b>Risk Likelihood (based on history &amp; with existing controls)</b>	<b>Risk Impact / Consequence</b>	<b>Risk Rating (Prior to Treatment or Control)</b>	<b>Principal Risk Theme</b>	<b>Risk Action Plan (Controls or Treatment proposed)</b>

Non-compliance with Purchasing Policy, giving rise to risk of not receiving value for money or favouring certain suppliers.	Possible (3)	Moderate (3)	Moderate (5-9)	Compliance/ Financial	Treat through regular review/audit
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### 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

### Strategic Implications

Strategic Priority 5 – Leadership and Governance

5.1 Strengthen organisational accountability and transparency

5.3 Strive for excellence in leadership and governance

### Comment



An internal audit of all purchases greater than \$5k has been completed. Of 110 purchase orders, 103 or 94% demonstrated compliance with Council's Purchasing Policy by having a copy of the requisite number of quotes uploaded into the financial system or a proper explanation as per the table below.

Of the 7 purchase orders that did not demonstrate compliance with the requisite number of quotes, 5 required 2 quotes and 2 required 3 quotes.

No Purchase Orders	Explanation
85	Compliant
3	Inter-government transaction (i.e. Regional Council)
11	Sole Supplier Exemption
3	Supplier listed on WALGA preferred supplier panel or State Supply Commission Common User Agreement
0	Supplier is sole local provider registered in the Town of East Fremantle
1	Donation/Funding Agreement
7	Non-compliant
<b>110</b>	<b>Total</b>

In order to address the non-compliance, staff education and constructive reinforcement of purchasing requirements will be implemented.

The Purchasing Policy has also been reviewed to provide greater flexibility to take into account the aforementioned explanations. Specific exemptions to the requirements for the requisite number of quotes has been made, as per the tracked changes in attachment 2, including the following supply categories:

#### **Procurement of labour hire**

The Town of East Fremantle will ensure due diligence is carried out when procuring labour hire from recognised personnel providers in the market. The Town will undertake to ensure the most qualified and suitable person is hired under an arrangement with the labour hire provider. Whilst cost will be considered as part of the evaluation of suppliers, the most important criteria will be that the hired person is best fit for the Town and someone who will carry out their duties and responsibilities in-line with the Town's ethos. This does not preclude the value for money section of the Town's purchasing policy. All purchases will be in accordance with Council's adopted budget and within the financial delegation limit of Purchasing Officer's.

#### **Purchasing from Uniform Providers**

Purchasing for Corporate Uniforms and Protective Clothing is exempt from the general requirements of this Policy, and only requires one quote be obtained. All purchases are still subject to a value for money judgement prior to issuing a Purchase Order.

#### **Purchasing from Stationery Suppliers**

The Town of East Fremantle will utilise the WALGA preferred supplier contract for stationery purchases. The Town will endeavour to ensure value for money is realised as well as purchasing sustainable office supplies where possible.

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**Purchasing of Rates Notices/Instalment Notices - ZipForm**

Council has identified and declared ZipForm as a sole provider, therefore, purchasing from this entity is exempt from the general requirements of this policy, and only requires a quote be obtained. All purchase are still subject to a value for money judgement prior to issuing a Purchase Order.

**Purchasing of Accounting and Strategic Financial Services**

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

**10.5 OFFICER RECOMMENDATION**

**That the Audit Committee:**

- 1. receive the procurement review of all purchases over \$5k, as detailed in the confidential attachment, for assessment of compliance against Councils Purchasing Policy.**
- 2. Recommend to Council the adoption of the amended Purchasing Policy which includes exemption from quote for the following supply categories; labour hire, uniform, stationery, rates notice production, and accounting and strategic financial advice.**

### 2.1.3 Purchasing

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

#### Objective

The objectives of this Policy are to ensure that all purchasing activities:

- demonstrate that best value for money is attained for the Town;
- are compliant with relevant legislations, including the Act and Regulations;
- are recorded in compliance with the State Records Act 2000 and associated records management practices and procedures of the Town;
- mitigate probity risk, by establishing consistent and demonstrated processes that promotes openness, transparency, fairness and equity to all potential suppliers;
- ensure that the sustainable benefits, such as environmental, social and local economic factors are considered in the overall value for money assessment; and
- are conducted in a consistent and efficient manner across the Town and that ethical decision making is demonstrated.

#### Policy Scope

This policy will affect all staff members.

#### Policy

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

#### Ethics and Integrity

##### *Code of Conduct*

All officers and employees of the Town undertaking purchasing activities must have regard for the Code of Conduct requirements and shall observe the highest standards of ethics and integrity. All officers and employees of the Town must act in an honest and professional manner at all times which supports the standing of the Town.

### *Purchasing Principles*

The following principles, standards and behaviours must be observed and enforced through all stages of the purchasing process to ensure the fair and equitable treatment of all parties:

- full accountability shall be taken for all purchasing decisions and the efficient, effective and proper expenditure of public monies based on achieving value for money;
- all purchasing practices shall comply with relevant legislation, regulations, and requirements consistent with the Town's policies and Code of Conduct;
- purchasing is to be undertaken on a competitive basis where all potential suppliers are treated impartially, honestly and consistently;
- all processes, evaluations and decisions shall be transparent, free from bias and fully documented in accordance with applicable policies, audit requirements and relevant legislation;
- any actual or perceived conflicts of interest are to be identified, disclosed and appropriately managed; and
- any information provided to the Town's by a supplier shall be treated as commercial-in-confidence and should not be released unless authorised by the supplier or relevant legislation.

### **Value for Money**

#### *Policy*

Value for money is determined when the consideration of price, risk and qualitative factors that are assessed to determine the most advantageous outcome to be achieved for the Town.

As such, purchasing decisions must be made with greater consideration than obtaining lowest price, but also to incorporate qualitative and risk factors into the decision.

#### *Application*

An assessment of the best value for money outcome for any purchasing process should consider:

- all relevant Total Costs of Ownership (TCO) and benefits including transaction costs associated with acquisition, delivery, distribution, as well as other costs such as but not limited to holding costs, consumables, deployment, maintenance and disposal;
- the technical merits of the goods or services being offered in terms of compliance with specifications, contractual terms and conditions and any relevant methods of assuring quality, including but not limited to an assessment of levels and currency of compliances, value adds offered, warranties, guarantees, repair and replacement policies, ease of inspection, ease of after sales service, ease of communications etc.
- financial viability and capacity to supply without risk of default (competency of the prospective suppliers in terms of managerial and technical capabilities and compliance history);
- a strong element of competition in the allocation of orders or the awarding of contracts. This is achieved by obtaining a sufficient number of competitive quotations wherever practicable;
- the safety requirements associated with both the product design and specification offered by suppliers and the evaluation of risk when considering purchasing goods and services from suppliers;
- purchasing of goods and services from suppliers that demonstrate sustainable benefits and good corporate social responsibility; and
- providing opportunities for businesses within the Town's boundaries to be given the opportunity to quote for providing goods and services wherever possible.

## Purchasing Requirements

### *Legislative / Regulatory Requirements*

The requirements that must be complied with by the Town, including purchasing thresholds and processes, are prescribed within the Regulations, this Policy and associated purchasing procedures in effect at the Town.

Purchasing that is \$250,000 or below in total value (excluding GST) must be in accordance with the purchasing requirements under the relevant threshold as defined under section 7 of this Purchasing Policy.

Purchasing that exceeds \$250,000 in total value (excluding GST) must be put to public Tender when it is determined that a regulatory Tender exemption, as stated under section 8 of this Policy is not deemed to be suitable.

### *Purchasing Value Definition*

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

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

### *Purchasing from Existing Contracts*

Where the Town has an existing contract in place, it must ensure that goods and services required are purchased under these contracts to the extent that the scope of the contract allows. When planning the purchase, the Town must consult its Contracts Register in the first instance before seeking to obtain quotes and tenders on its own accord.

## Purchasing Thresholds

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

Purchase Value Threshold	Purchasing Requirement
Up to \$5,000 (exc GST)	Purchase directly from a supplier using a Purchasing or Corporate Credit Card issued by the Town, or obtain at least one (1) oral or written quotation from a suitable supplier, either from: <ul style="list-style-type: none"><li>• an existing panel of pre-qualified suppliers administered by the Town; or</li><li>• a pre-qualified supplier on the WALGA Preferred Supply Program (e-Quotes) or State Government Common Use Arrangement (CUA); or</li></ul>

	<ul style="list-style-type: none"> <li>• from the open market.</li> </ul> <p>The purchasing decision is to be based upon assessment of the suppliers response to:</p> <ul style="list-style-type: none"> <li>• a brief outline of the specified requirement for the goods; services or works required; and</li> <li>• value for money criteria, not necessarily the lowest price.</li> <li>• The procurement decision is to be represented using the Brief Evaluation Report Template.</li> </ul>
<p>Over \$5,001 and up to \$20,000 (exc GST)</p>	<p>Request at least two (2) written quotations from suppliers following a brief outlining the specified requirement, either from:</p> <ul style="list-style-type: none"> <li>• an existing panel of pre-qualified suppliers administered by the Town; or</li> <li>• a pre-qualified supplier on the WALGA Preferred Supply Program (e-Quotes) or State Government CUA; or</li> <li>• from the open market.</li> </ul> <p>The purchasing decision is to be based upon assessment of the suppliers response to:</p> <ul style="list-style-type: none"> <li>• a written brief outline of the specified requirement for the goods; services or works required; and</li> <li>• value for money criteria, not necessarily the lowest price.</li> </ul> <p>The procurement decision is to be represented using the Brief Evaluation Report Template.</p>
<p>Over \$20,001 and up to \$50,000</p>	<p>Request at least three (3) written quotations from suppliers following a brief outlining the specified requirement, either from:</p> <ul style="list-style-type: none"> <li>• an existing panel of pre-qualified suppliers administered by the Town; or</li> <li>• a pre-qualified supplier on the WALGA Preferred Supply Program or State Government CUA; or</li> <li>• from the open market.</li> </ul> <p>The purchasing decision is to be based upon assessment of the suppliers response to:</p> <ul style="list-style-type: none"> <li>• a written brief outline of the specified requirement for the goods; services or works required; and</li> <li>• value for money criteria, not necessarily the lowest price.</li> </ul> <p>The procurement decision is to be represented using the Brief Evaluation Report Template.</p>
<p>Over \$50,001 and up to \$250,000 (exc GST)</p>	<p>Request at least three (3) written quotations from suppliers by formal invitation under a Request for Quotation, containing price and detailed specification of goods and services required. The procurement decision is to be based on pre-determined evaluation criteria that assesses all value for money considerations in accordance with the definition stated within this Policy.</p> <p>Quotations within this threshold may be obtained from:</p>

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

**Requirement for Contracts**

Purchases over \$50,000 ex GST will require a written contract for the following supply categories:

- Consultants (General Conditions of Contract AS4122-2010)
- Minor Works
- General Goods and Services
- Building and Construction Services
- ICT Services
- Waste Services

A copy of the executed contract must be provided to the Executive Assistant Corporate Services prior to the Purchase Order being released. The contract details will be entered into the Contract Register which has been prepared in accordance with Treasurers Instruction 820 'Register of Contracts'.

Contract Reviews – all contracts established by the Town shall contain a requirement to review the performance of the Contractor/Supplier/Consultant at least annually and prior to the extension, if any, of the Contract term.

### **Strategic Purchasing Value Assessments**

The Town will periodically review recent past purchasing activity across its operations to identify categories of supply for which the Town will have continuing need and which can be aggregated into single contract arrangements in order to achieve best value for money and efficiency in future purchasing activity.

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

### **Quotation Exemptions**

An exemption to Request for Quotations may apply in accordance with Regulation 11 of the Local Government (Functions & General) Regulations 1996.

### **Insufficient Suppliers / Waiver of Quotation**

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

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

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

### **Purchasing from Legal Service Providers**

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



### **Procurement of labour hire**

The Town of East Fremantle will ensure due diligence is carried out when procuring labour hire from recognised personnel providers in the market. The Town will undertake to ensure the most qualified and suitable person is hired under an arrangement with the labour hire provider. Whilst cost will be considered as part of the evaluation of suppliers, the most important criteria will be that the hired person is best fit for the Town and someone who will carry out their duties and responsibilities in-line with the Town's ethos. This does not preclude the value for money section of the Town's purchasing policy.

### **Purchasing from Uniform Providers**

Purchasing for Corporate Uniforms and Protective Clothing is exempt from the general requirements of this Policy, and only requires one quote be obtained. All purchases are still subject to a value for money judgement prior to issuing a Purchase Order.

### **Purchasing from Stationery Suppliers**

The Town of East Fremantle will utilise the WALGA preferred supplier contract for stationery purchases. The Town will endeavour to ensure value for money is realised as well as purchasing sustainable office supplies where possible.

### **Purchasing of Rates Notices/Instalment Notices - ZipForm**

Council has identified and declared ZipForm as a sole provider, therefore, purchasing from this entity is exempt from the general requirements of this policy, and only requires a quote be obtained. All purchases are still subject to a value for money judgement prior to issuing a Purchase Order.

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

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

### **Buying Local**

Where possible, suppliers operating with the Town of East Fremantle and neighbouring local government areas are to be given the opportunity to quote for goods and services required by the Town. Officers are required to review the local Business Directory when determining possible suppliers. However, it is recognised that not every category of goods or services required by the Town will lend itself to supply by local businesses.

### **Standing Offer Agreement**

This is an agreement where a supplier(s) agrees to provide specified goods (which are considered commodities off the shelf which are readily available from multiple suppliers and frequently purchased), at an agreed price fixed for a set period of time (usually for one year). Standing Offers are a commitment by suppliers to provide agreed products at the fixed price on receipt of a Town Purchase Order. Standing offers do not commit the Town to any minimum volume. A standing offer once accepted by the Town is deemed to have met the quotation process.

### **Tendering Exemptions**

An exemption to publicly invite tenders may apply in the following instances:

- the supply of the goods or services is associated with a State of Emergency which has been declared in accordance with section 3 of the Emergency Management Act 2005;
- the purchase is obtained from a pre-qualified supplier under the WALGA Preferred Supply Program or State Government Common Use Arrangement;
- the purchase is from a Regional Local Government or another Local Government;
- the purchase is acquired from a person registered on the WA Aboriginal Business Directory, as published by the Small Business Development Corporation, where the consideration under contract is worth \$250,000 or less and represents value for money;
- the purchase is acquired from an Australian Disability Enterprise and represents value for money;
- within 6 months of no tender being accepted;
- where the contract is for petrol, oil, or other liquid or gas used for internal combustion engines;
- the purchase is from a pre-qualified supplier under a Panel established by the Town; or
- any of the other exclusions under Regulation 11 of the Regulations apply.

### **Inviting Tenders under the Tender Threshold**

Where considered appropriate and beneficial, the Town may consider publicly advertising Tenders in lieu of undertaking a Request for Quotation for purchases under the tender threshold. This decision should be made after considering the benefits of this approach in comparison with the costs, risks, timeliness and compliance requirements and also whether the purchasing requirement can be met through the WALGA Preferred Supply Program or State Government CUA.

If a decision is made to undertake a public Tender for contracts expected to be \$250,000 or less in value, the Town's tendering procedures must be followed in full.

### **Sole Source of Supply**

Where the purchasing requirement is over the value of \$5,000 and of a unique nature that can only be supplied from one supplier, the purchase is permitted without undertaking a tender or quotation process. This is only permitted in circumstances where the Town is satisfied and can evidence that there is only one source of supply for those goods, services or works. The Town must use its best endeavours to determine if the sole source of supply is genuine by exploring if there are any

alternative sources of supply. Once determined, the justification must be endorsed by the Chief Executive Officer, prior to a contract being entered into.

From time to time, the Town may publicly invite an expression of interest to effectively determine that one sole source of supply still genuinely exists.

### **Anti-Avoidance**

The Town shall not enter into two or more contracts or create multiple purchase order transactions of a similar nature for the purpose of "splitting" the value of the purchase or contract to take the value of the consideration of the purchase below a particular purchasing threshold, particularly in relation to Tenders and to avoid the need to call a public Tender.

### **Emergency Purchases**

An emergency purchase is defined as an unanticipated and unbudgeted purchase which is required in response to an emergency situation as provided for in the *Local Government Act 1995*. In such instances, quotes and tenders are not required to be obtained prior to the purchase being undertaken.

An emergency purchase does not relate to purchases not planned for due to time constraints. Every effort must be made to anticipate purchases required by the Town in advance and to allow sufficient time to obtain quotes and tenders, whichever may apply.

### **Record Management**

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

For each procurement activity, such documents may include:

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

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

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

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

1. Environmental

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

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

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

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

2. Social

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

3. Local Economy (with boundaries of the South West Group)

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

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

Examples of criteria include the following:

- 1. The Tenderer must provide details of the benefits to the local community from their involvement in this contract. Examples may include, but should not be limited to things such as:
  - Local employment
  - Use of local service providers
  - Use of local food and beverage providers
  - Sourcing of materials and consumables locally

2. Community Participation and Benefits – provide commentary on initiatives to support Aboriginal business and indigenous community, local trade support, Australian manufacturing, and community benefit (i.e. corporate philanthropy or employment development programs for Corporate Social Responsibility such as disability enterprise or special needs)

### **Local Economic Benefit**

The Town encourages the development of competitive local businesses within its boundary and as much as practicable, the Town will:

- where appropriate, consider buying practices, procedures and specifications that do not unfairly disadvantage local businesses;
- consider buying practices, procedures and specifications that encourage the inclusion of local businesses and employment of local residents;
- consider indirect benefits that have flow on benefits for local suppliers (i.e. servicing and support);
- ensure that procurement plans, and analysis is undertaken prior to developing Requests to understand local business capability and local content availability where components of goods or services may be sourced from within the district for inclusion in selection criteria;
- explore the capability of local businesses to meet requirements and ensure that Requests for Quotation and Tenders are designed to accommodate the capabilities of local businesses;
- avoid bias in the design and specifications for Requests for Quotation and Tenders;
- provide adequate and consistent information to potential suppliers.

### **Purchasing from Disability Enterprises**

Pursuant to Part 4 of the Local Government (Functions and General) Regulations 1996, the Town is not required to publicly invite tenders if the goods or services are to be supplied from an Australian Disability Enterprise, as registered on [www.ade.org.au](http://www.ade.org.au). This is contingent on the demonstration of value for money.

Where possible, Australian Disability Enterprises are to be invited to quote for supplying goods and services under the tender threshold. A qualitative weighting may be afforded in the evaluation of quotes and tenders to provide advantages to Australian Disability Enterprises.

### **Purchasing from Aboriginal Businesses**

Pursuant to Part 4 of the Local Government (Functions and General) Regulations 1996, the Town is not required to publicly invite tenders if the goods or services are to be supplied from a person registered on the Aboriginal Business Directory published by the Small Business Development Corporation on [www.abdwa.com.au](http://www.abdwa.com.au), where the expected consideration under contract is worth \$250,000 or less. This is contingent on the demonstration of value for money.

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

### **Panels of Pre-Qualified Suppliers**

In accordance with Regulation 24AC of the Local Government (Functions and General) Regulations 1996, a Panel of Pre-qualified Suppliers ("Panel") may be created where most of the following factors apply:

- the Town determines that a range of similar goods and services are required to be purchased on a continuing and regular basis;
- there are numerous potential suppliers in the local and regional procurement-related market sector(s) that satisfy the test of 'value for money';
- the purchasing activity under the intended Panel is assessed as being of a low to medium risk;
- the Panel will streamline and will improve procurement processes; and
- the Town has the capability to establish, manage the risks and achieve the benefits expected of the proposed Panel.

The Town will endeavour to ensure that Panels will not be created unless most of the above factors are firmly and quantifiably established.

#### *Establishing a Panel*

Should the Town determine that a Panel is beneficial to be created, it must do so in accordance with Part 4, Division 3 the Local Government (Functions and General) Regulations 1996.

Panels may be established for one supply requirement, or a number of similar supply requirements under defined categories within the Panel.

Panels may be established for a minimum of two (2) years and for a maximum length of time deemed appropriate by the Town.

Evaluation criteria must be determined and communicated in the application process by which applications will be assessed and accepted.

Where a Panel is to be established, the Town will endeavour to appoint at least three (3) suppliers to each category, on the basis that best value for money is demonstrated. Where less than three (3) suppliers are appointed to each category within the Panel, the category is not to be established.

In each invitation to apply to become a pre-qualified supplier (through a procurement process advertised through a state-wide notice), the Town must state the expected number of suppliers it intends to put on the panel.

Should a Panel member leave the Panel, they may be replaced by the next ranked Panel member determined in the value for money assessment should the supplier agree to do so, with this intention to be disclosed in the detailed information set out under Regulation 24AD(5)(d) and (e) when establishing the Panel.

#### *Distributing Work Amongst Panel Members*

To satisfy Regulation 24AD(5) of the Regulations, when establishing a Panel of pre-qualified suppliers, the detailed information associated with each invitation to apply to join the Panel must either prescribe whether the Town intends to:

- i. obtain quotations from each pre-qualified supplier on the Panel with respect to all purchases, in accordance with Clause 20; or

- ii. purchase goods and services exclusively from any pre-qualified supplier appointed to that Panel, and under what circumstances; or
- iii. develop a ranking system for selection to the Panel, with work awarded in accordance with Clause 19 (b).

In considering the distribution of work among Panel members, the detailed information must also prescribe whether:

- a) each Panel member will have the opportunity to bid for each item of work under the Panel, with pre-determined evaluation criteria forming part of the invitation to quote to assess the suitability of the supplier for particular items of work. Contracts under the pre-qualified panel will be awarded on the basis of value for money in every instance; or
- b) work will be awarded on a ranked basis, which is to be stipulated in the detailed information set out under Regulation 24AD(5)(f) when establishing the Panel. The Town is to invite the highest ranked Panel member, who is to give written notice as to whether to accept the offer for the work to be undertaken. Should the offer be declined, an invitation to the next ranked Panel member is to be made and so forth until a Panel member accepts a Contract. Should the list of Panel members invited be exhausted with no Panel member accepting the offer to provide goods/services under the Panel, the Town may then invite suppliers that are not pre-qualified under the Panel, in accordance with the Purchasing Thresholds stated in section 5.5 of this Policy. When a ranking system is established, the Panel must not operate for a period exceeding 12 months.

In every instance, a contract must not be formed with a pre-qualified supplier for an item of work beyond 12 months, which includes options to extend the contract.

#### *Purchasing from the Panel*

The invitation to apply to be considered to join a panel of pre-qualified suppliers must state whether quotations are either to be invited to every member (within each category, if applicable) of the Panel for each purchasing requirement, whether a ranking system is to be established, or otherwise.

Each quotation process, including the invitation to quote, communications with panel members, quotations received, evaluation of quotes and notification of award communications may be made through eQuotes, or any other electronic quotation facility or otherwise must all be captured on the Town's electronic records system. A separate file is to be maintained for quotation processes made under each Panel that captures all communications between the Town and Panel members.

#### *Recordkeeping*

Records of all communications with Panel members, with respect to the quotation process and all subsequent purchases made through the Panel, must be kept.

For the creation of a Panel, this includes:

- the Procurement initiation document such as a procurement business case which justifies the need for a Panel to be created;
- procurement Planning and approval documentation which describes how the procurement is to be undertaken to create and manage the Panel;
- request for Applications documentation;
- copy of public advertisement inviting applications;

- copies of applications received;
- evaluation documentation, including clarifications sought;
- negotiation documents such as negotiation plans and negotiation logs;
- approval of award documentation;
- all correspondence to applicants notifying of the establishment and composition of the Panel such as award letters;
- contract Management Plans which describes how the contract will be managed; and
- copies of framework agreements entered into with pre-qualified suppliers.

The Town is also to retain itemised records of all requests for quotation, including quotations received from pre-qualified suppliers and contracts awarded to Panel members. A unique reference number shall be applied to all records relating to each quotation process, which is to also be quoted on each purchase order issued under the Contract.

Information with regards to the Panel offerings, including details of suppliers appointed to the Panel, must be kept up to date, consistent and made available for access by all officers and employees of the Town.

#### **Authorisation of Expenditure**

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

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

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

Issuing Purchase Orders where a quotation or tender process has been undertaken will be required to be released by the Manager Finance and Administration , who is required to ensure that all details in the Register of Contracts have been complied with, and that the required number of quotes and the contract have been attached to the purchase requisition.

Responsible Directorate:	Corporate Services
Reviewing Officer:	Chief Executive Officer
Decision making Authority:	Council
Policy Adopted:	16/8/16
Policy Amended/Reviewed:	19/6/18, 17/9/19, 19/11/19, 10/12/19, 19/5/20, 15/9/20, 8/12/20, 22/6/21
Former Policy No:	4.2.4

Attachment  
Purchasing Procedures



### PURCHASING PROCEDURES (PRO2.1.3)

1. Council purchase orders are to be signed only by Officers authorised by Council, namely the:
  - Chief Executive Officer; (unlimited)
  - Executive Manager Corporate Services; Limit \$50,000
  - Executive Manager Regulatory Services; Limit \$50,000
  - Executive Manager Technical Services; Limit \$50,000
  - Operations Supervisor; Limit \$15,000
  - Supervisor Infrastructure and Assets, Limit \$15,000
  - Manager Administration and Finance, Limit \$15,000
  - HR Coordinator; Limit \$5,000
  - Coordinator Corporate Services; Limit \$5,000
  - Executive Assistant to CEO; Limit \$5,000
  - Coordinator Regulatory Services; Limit \$5,000
  - Coordinator – Operations; Limit \$5,000
  - Coordinator CHSP (CHSP related purchases only); Limit \$5,000
  - Coordinator Communications & Marketing; \$5,000
  - Senior Ranger; Limit \$2,000
  - Principal Environmental Health Officer; Limit \$1,500
  - Community Engagement Officer; Limit \$1,500

or those Officers acting in the positions from time to time.
2. Authority limitations apply to any purchase including signing of contracts in accordance with Delegation DA8 and DA9;
3. An official purchase order must be placed for all goods or services (including consultants' opinions, eg legal, engineering, town planning, etc) ordered;
4. Standing Purchase Order – these are commitments made against a particular supplier for good or services that are regularly procured over a specified period, usually one financial year. The full value of the commitment is restricted to the amount in the approved budget, allowing for a spread over more than one supplier. Standing order numbers will need to be quoted to the supplier for inclusion in their invoice. Do not provide a printed copy of “Standing Purchase Orders” to suppliers. Standing orders will be expedited by Finance at the end of each financial year and will need to be re-established in the new financial year.
5. Emergency Order – emergency orders can only be processed outside the procurement process when any of the following events are likely to occur:
  - Possible cause of injury or loss of life
  - Potential to result in destruction of property
  - Possible loss or disruption to the Town’s stakeholders or core functions
  - Will seriously impair the reputation of the Town in the local or wider community

In such cases, the purchaser will initially make a purchase commitment with a third party without following all the processes in this procedure. The purchase order is to be raised as soon as possible following the initial commitment.
6. When ordering by telephone a purchase order number must be quoted and the original of the order to be forwarded to the supplier endorsed “Confirmation of Telephone Order on “(date)”;

7. All Officers are to ensure that when issuing a Council order for goods or services that a current account number (which will reflect the Budget estimate for those goods or services) be quoted on the Council order. This will ensure that:-
  - 7.1 expenditure is allocated to the correct Budget item (with the job number account being noted on the Council order); and
  - 7.2 that sufficient funds are identified against the job number account before expenditure is authorised.
8. In order that costs are adequately controlled before issuing a Council purchase order Officers must check against their current Budget estimates for the current financial year and monthly expenditure reports to ensure that there are sufficient funds to cover the cost of the goods or services being ordered;
9. Roles of Finance:
  - Finance Officers will provide initial training and support to Authorised Purchasing Officer;
  - Finance staff will review purchase orders prior to paying invoices to ensure compliance with the Purchasing Policy including ensuring that all relevant quotes are attached. Should there be any non-compliance, payment of the invoice will be placed on hold. An email will be sent to the Purchaser seeking a valid reason which will need to be confirmed by the CEO. Once this has been received, payment will be processed.
  - Goods receipt amounts will be matched to supplier's invoice and processed for payment in line with their terms. Any variance greater than 10% will be referred back to the Purchaser.
  - Purchase orders will be reviewed every three months to ensure obsolete orders are expedited.
10. Where possible, Council use environmentally friendly paper products including recycled paper;
11. All purchases must also comply with Policy 2.1.3 – Purchasing Policy.

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## 10.6 Audit Schedule for the Year Ended 30 June 2021

<b>File ref</b>	F/AUD1
<b>Prepared by</b>	Peter Kocian, Executive Manager Corporate Services
<b>Supervised by</b>	Gary Tuffin, Chief Executive Officer
<b>Meeting Date:</b>	15 July 2021
<b>Voting requirements</b>	Simple Majority
<b>Documents tabled</b>	1. Audit Results Report – Annual 2019-20 Financial Audits of Local Government Entities
<b>Attachments</b>	1. ToEF Planning Summary 30 June 2021 (Confidential Attachment) 2. Project Plan – Annual Financial Report (Confidential Attachment)

### Purpose

This report presents the Audit Committee the audit plan and schedule for the completion of the Annual Financial Report and the receipt of the Audit Opinion for the year ended 30 June 2021.

### Executive Summary

The Office of Auditor General (OAG) released the “Audit Results Report – Annual 2019-20 Financial Audits of Local Government Entities” on 16 June 2021. OAG completed 65 of 132 audits by 31 December 2020. The main reason for the delay was that entities could not submit their finalised financial reports for audit on time. This was in part due to the late gazettal of regulation amendments (6 November 2020).

By 31 May 2021, OAG had completed a further 52 of the 67 audits that were incomplete as 31 December 2020, with 15 still outstanding.

It is therefore imperative that the Town is fully prepared for audit, to ensure timely audit clearance.

### Background

Under section 6.4(3) of the *Local Government Act 1995*, entities must submit their annual financial reports to OAG by 30 September.

The Town has prepared a project plan to ensure preparedness for the timely completion of the Annual Financial Report, appended as attachment 2, with a scheduled lodgement date of 31 August with OAG. The Town will meet the requirements under section 6.4 (3) of the *Local Government Act 1995*.

The Town received its Audit Opinion for the year ended 30 June 2020 on the 22 December 2020. The following is the proposed audit schedule for the year ended 30 June 2021:

	Date
Audit planning	June 2021
Interim audit	14 June to 18 June
Interim management letter	By 16 July
Final trial balance	By 30 September
Receipt of annual financial report	By 30 September
Roads to Recovery certification audit (week ending)	8 October
Final audit	8 November to 3 December
Exit meeting (week ending)	10 December
Receipt of signed financial statements and management representation letter	10 December
Audit opinion issued	By 17 December (within 5 working days of the receipt of signed financial statements and management representation letter)

### Consultation

Office of Auditor General – Entrance Meeting 1 July 2021

### Statutory Environment

Part 7 of the *Local Government Act 1995* and the *Local Government (Audit) Regulations 1996* applies to audit in local government.

### Policy Implications

The Department of Local Government has published Operational Guideline No. 9 Audit in Local Government that covers the appointment, functions and responsibilities of Audit Committees.

### Financial Implications

The audit fee for the 2020/21 financial year will be \$44,300.

### 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)
Lack of preparedness for audit will result in a significant delay for audit sign off	Possible (3)	Major (4)	High (10-16)	Compliance	Manage by preparing a Project Plan identifying key activities and dates associated with the preparation of the Annual Financial Report
Not having access to qualified and experienced staff leading to poor quality of financial reports	Possible (3)	Major (4)	High (10-16)	Compliance	Manage by continued professional development of all staff

Changes in accounting standards or legislation impacting reporting requirements	Possible (3)	Major (4)	High (10-16)	Compliance	Manage by preparing a management assessment of new standards and determine whether the standard has been applied correctly and ensure that the AFR complies with the requirements of the new standard.
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### 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	12
Does this item need to be added to the Town's Risk Register	No
Is a Risk Treatment Plan Required	No

### Strategic Implications

Strategic Priority 5 – Leadership and Governance

5.1 Strengthen organisational accountability and transparency

5.3 Strive for excellence in leadership and governance

### Comment

The Audit Committee's attention is drawn to the Audit Planning Summary (attachment 1) which explains OAGs approach to the audit of the annual financial report. Significant issues and risks that could impact the timeliness of audit are detailed on page 5 and 6 of the planning summary

The Town is undertaking a fair value assessment of infrastructure assets as at 30 June 2021, and this accounting estimate will receive specific audit attention. The changes to the Australian Accounting Standards will not have a significant impact on the Town's accounts, and management will complete a formal assessment of these standards in a discussion paper for OAG.

Management is confident that the timelines will be met as per the proposed audit schedule, and the Audit Opinion will be issued before 31 December 2021.

**10.6 OFFICER RECOMMENDATION**

**That the Audit Committee receive:**

- 1. the Audit Planning Summary for the Town of East Fremantle as appended as attachment 1 to this report.**
- 2. the Project Plan for the completion of the Annual Financial Report for the year ended 30 June 2021 as appended as attachment 2 to this report.**

## 10.7 New Payroll Module - Definitiv

<b>File ref</b>	F/AUD1
<b>Prepared by</b>	Natalie McGill, Senior Finance Officer
<b>Supervised by</b>	Peter Kocian, Executive Manager Corporate Services
<b>Meeting Date:</b>	15 July 2021
<b>Voting requirements</b>	Simple Majority
<b>Documents tabled</b>	Nil
<b>Attachments</b>	1. Issues Log

### Purpose

The purpose of this report is to provide the Audit Committee with a closing report on the implementation of the Altus Payroll project (Definitiv).

### Executive Summary

The Town's draft Business Improvements Plan identified the need for a new automated payroll system to gain efficiencies in not only the payroll process, but also provide a positive change to the organisations culture with a time saving benefit to all staff. The Definitiv payroll solution was chosen as the best fit for purpose solution.

### Background

The following matrices were applied when undertaking due diligence to assess the appropriateness of the Definitiv payroll solution:

Altus Payroll - Timesheet			
Governance/Oversight	Compliance	Customer Services	Efficiency
<ul style="list-style-type: none"> <li>Improved employee accountability</li> <li>Management being held to account for all timesheets they approve</li> <li>Clearer reporting and oversight especially on over and under hour variations</li> <li>Easier management for allowances, overtime and conditions of employment</li> </ul>		<ul style="list-style-type: none"> <li>A far easier interface for staff to use, where staff can use swipe cards, an app or a web interface</li> <li>Easy to select jobs and reduce miss keying/misallocations</li> </ul>	<ul style="list-style-type: none"> <li>a streamlined interface that enables staff to easily change duties and record the associated times. Staff only see the jobs and duties assigned to them, reducing the likelihood of miss keying jobs</li> <li>Approval of timesheets are performed electronically where managers are provided a daily summary</li> <li>Through business rules of the solution, timesheet can be easily approved and reviewed performed on exceptions only</li> </ul>

Altus Payroll – Payment Processing

Governance/Oversight	Compliance	Customer Services	Efficiency
<ul style="list-style-type: none"> <li>Improved employee and manager accountability</li> <li>Ability to report on under and over hours (variance reporting)</li> </ul>	<ul style="list-style-type: none"> <li>Accounting standards</li> </ul>		<ul style="list-style-type: none"> <li>Current state;                             <ul style="list-style-type: none"> <li>-Timesheets management 1.5 hours/day (payroll officer)</li> <li>- Pay day takes a full day (fortnightly)</li> <li>- Management reporting after each pay – 2 hours</li> </ul> </li> <li>Estimated future state                             <ul style="list-style-type: none"> <li>-timesheet management 1/2 hour/day</li> <li>- Pay day to take 3 hours</li> <li>- Management Reporting less than 1 hour</li> </ul> </li> </ul>

Altus Payroll – Leave Management

Governance/Oversight	Compliance	Customer Services	Efficiency
<ul style="list-style-type: none"> <li>Improved reporting and monitoring of leave applications and balances</li> <li>Auditing on leave can be easily managed</li> <li>Single source of truth for leave management</li> </ul>		<ul style="list-style-type: none"> <li>The customer service team can easily access an availability calendar, helping ensure that they direct a customer to staff member who is available.</li> <li>Internal staff can raise and submit a request at any time of their choosing.</li> <li>Through the <u>self service</u> portal employee can view their leave accruals at any time and their balance of accrual on forward dates.</li> </ul>	<ul style="list-style-type: none"> <li>staff currently ask the payroll office for their future leave balances. This is no longer required in Altus Payroll as the solution forward calculates the balance.</li> <li>When booking leave staff can see what colleagues have taken leave on their requested day(s)</li> <li>Managers can easily approve or reject a leave application</li> <li>It is estimated that over 300 request are made per year and each request take 30 minutes to process (request balance, confirm no conflict in coverage, submit form, management review and approve, central calendar updated.</li> <li>Future state – leave request take less than 10 minutes to complete.</li> </ul>



### Altus Payroll – Payroll & People Management

Governance/Oversight	Compliance	Customer Services	Efficiency
<ul style="list-style-type: none"> <li>Improved alignment to the Town's policies</li> </ul>	<ul style="list-style-type: none"> <li>EEO and OHS Acts and regulations</li> </ul>		<ul style="list-style-type: none"> <li>The solution can easily enable management to issue out policies and gain acceptance through the app or web interface. Previously this was a manual process and policies like the 'Work Place Surveillance' policy took over 6 weeks to be distributed and accepted.</li> <li>This policy function can also be used for refresher training or notifications including matters relating to EEO and work safe. This use will be performed with implementation of ELMO.</li> </ul>

### Altus Payroll – Employee Self Service

Governance/Oversight	Compliance	Customer Services	Efficiency
<ul style="list-style-type: none"> <li>Management have a clear insight of resourcing</li> </ul>	<ul style="list-style-type: none"> <li>Local Government Industry Awards requires that all staff are rostered on for a minimum of 2 hours, which can be better managed through the Altus payroll rostering solution.</li> </ul>	<ul style="list-style-type: none"> <li>Staff have 24/7 access to update their rosters</li> </ul>	<ul style="list-style-type: none"> <li>with the increasing flexible work arrangements staff, casual and part time staff need to be able to update their availability easily.</li> <li>This solution provides staff the ability to update their available times via the app or web interface</li> </ul>

#### Consultation

Executive Management Group

#### 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

Procurement of the payroll solution was exempt from requirements for quote as it was deemed to be a sole supplier arrangement. The Town has legal advice on file which confirms that any add ons to our existing ERP, fits within the scope of sole supplier.

### Financial Implications

Purchase Order 37554 was release for this project with a total cost of \$45,903.77 (inclusive of GST). The project was delivered on budget and on time.

### 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)
The Audit Committee is responsible to exercise oversight of managements processes for identifying and responding to the risks of fraud in the Town and the internal controls that management has established to mitigate these risks. The risk of payroll fraud is deemed to extremely low.	Unlikely (2)	Moderate (3)	Moderate (5-9)	FINANCIAL IMPACT Less than \$10,000	Treat through appropriate payroll controls.

### 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.

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

### Comment

#### 1 – Implementation

The implementation of Definitiv was a 12-week project timeline (as per attachment 1). A Project Plan and Change Management Plan were also prepared.

The Town and ItVision worked closely together to build the Award engine and fully customise the system to our specific requirements. Three parallel payroll runs were processed in the both Definitiv and Synergysoft to ensure the integrity of output. This is an extra parallel run than is usually included in the implementation process, but it was only when the 3<sup>rd</sup> parallel run was 100% accurate, that the Town chose to 'go live' with Definitiv. Staff training was undertaken with both group and individual demonstrations and training sessions.

#### 2 – Efficiencies

The primary drivers for implementing Definitiv, was to automate the time sheets and leave application processes for all staff. Payroll by exception was implemented for a majority of staff, thus eliminating the need for fortnightly timesheets, with the exception of those staff who are Casual employees, those who work variable or overtime hours and our Operations staff.

Town Staff took the opportunity to revise costings for our Operations staff and work through a very collaborative process to develop a new Works Costings Matrix (attachment 2), to better understand the distribution of costs across our job's accounts.

Tablets were purchased for Operations staff to enable them to enter time sheets whilst in the field. Opportunity also exists for these tablets to be used for other purposes, including maintenance requests using Snap, Send, Solve and also inspection of Council assets.

All staff are able to access the web based Definitiv platform from their laptops, or smart phones and tablets through the Definitiv App.

One of the main benefits of the implementation of the Definitiv system, is the amount of time saved across the organisation, but specifically the time reclaimed by the Senior Finance Officer. Prior to the implementation of Definitiv, payroll processing was a time intensive process over each fortnight, requiring daily processing of timesheets and leave forms, with an additional 2 whole days each fortnight required for payroll review and payday processing and reporting. This process has been reduced down to 2 half days (one full day) per fortnight. This includes all reviews, pay day processing and reporting. This massive time saving has allowed the Senior Finance Officer to concentrate on other areas, including Balance Sheet controls, supervision of staff members and more project based and reporting work.

### 3- Payroll Controls

The Town was recently subject to interim audit by Office of Auditor General; a large focus of which was testing the controls of the new Definitiv system. This included assessment of leave balances taken up as well as an assessment of the Award Engine and Organisation Structure. We will await the outcome of this year's audit in due course, however, at this point in time the OAG has not advised of any weaknesses in the controls of the payroll system.

Payroll processes are outlined in the procedure document that was created by the Senior Finance Officer. A copy of this document was provided to the OAG as part of their recent Audit. It should be noted that this document now forms the basis of procedures given to other Local Governments by ITVision.

### 4 – Issues Log

Whilst it has delivered significant benefits, Staff have identified several improvements that can be implemented to the Definitiv system. These are contained in the issues log (attachment 3). With the main area where issues have occurred, being the integration of a third-party software solution with our existing ERP. The Town is working proactively with the vendor for an appropriate solution.

### 5- Business Improvement program

It is the view of staff that the implementation of the new payroll solution was a great success and the transition from the existing payroll solution to the new one was relatively seamless. Staff have made comment on the ease of use of the new platform and the convenience of being able to submit information such as leave requests anytime, using the mobile app.

Town staff are committed to improving our business systems and to this end, an assessment of our existing ERP will be undertaken in the 21/22 financial year with a view of identifying a road map and priorities for investment in our business systems.

### Summary

The implementation of a new payroll system resulted in the Town undertaking a full health check of the payroll system including an audit of all leave balances and pay rates, allowances and deductions.

Payroll expenses account for approximately 40% of the Towns operating cash expenses, and therefore it is critical that the Audit Committee receives an assurance that the appropriate internal controls exist to ensure the accuracy of payments to employees and to negate the risk of any fraud.

## **10.7 OFFICER RECOMMENDATION**

**That the Audit Committee receives the closing report on the implementation of the Altus Payroll project (Definitiv).**

PAYROLL ISSUES WITH ALTUS

ISSUES IDENTIFIED	CURRENT STATUS	REFERENCE # (IF APPLICABLE)	PRIORITY
UNIVERSAL JOURNAL NOT UPDATING	MATT WESTACOTT ORIGINALLY ADVISED THAT THE ISSUE WOULD BE FIXED WHEN WE UPDATED TO THE LATAEST VERSION OF SYNERGYSOFT - IT WASN'T	IVH-17374	1
	26/02/21 - MATT WESTACOTT HAS NOW ADVISED THAT THE PROBLEM IS A BUG WITH THE SYNERGYSOFT IMPORT PROCESS. HE HAS RAISED THE ISSUE WITH THE DEVELOPMENT TEAM AND HE WILL USE CASE IVH-17374, THAT I CREATED TO KEEP US INFORMED OF THE PROGRESS. HE HAS BEEN PROVIDING ME WITH A DATA FILE AFTER PAYROLL IS RUN THAT I CAN USE TO UPDATE SYNERGY. (SEE ATTACHED TAB)		
	ISSUE HAS BEEN RESOLVED		
OVERHEAD JOURNALS NOT PROCESSING	MATT WESTACOTT ORIGINALLY ADVISED THAT THE ISSUE WOULD BE FIXED WHEN WE UPDATED TO THE LATAEST VERSION OF SYNERGYSOFT - IT WASN'T		2
	03/03/21 - SAM HAS CONTACTED MATT AND REQUESTED THE HE PROCESS MANUAL JOURNALS - WAITING FOR FURTHER INFORMATION FROM MATT REGARDING REQUIRED CHANGES TO THE SYSTEM		
	ISSUE NOT RESOLVED		
SUPERANNUATION DIRECT CREDIT BATCH NOT CREATING AUTOMATICALLY	MATT WESTACOTT ORIGINALLY ADVISED THAT THE ISSUE WOULD BE FIXED WHEN WE UPDATED TO THE LATAEST VERSION OF SYNERGYSOFT - IT WASN'T		3
	26/02/21 MATT ADVISED HE IS LOOKING INTO WHY THIS ISNT HAPPENING		
	ISSUE NOT RESOLVED		
FORTNIGHTLY PAYROLL REC - NOT RECONCILING RDO BALANCES WITH GL	10/02/21 JOHN LODGED AN SR IN RELATION TO THE FACT THAT THE GL DOES NOT BALANCE WITH PAYROLL REPORTS FROM DEFINITIV. A RESPONSE WAS RECEIVED FROM NATALIE JAHN WHO REVIEWED THE PROCESS AND ADVISED THAT "I have reconciled the TIL movements through Altus Payroll and checked that these reconcile with the TIL GL transactions that have been exported out of Altus and uploaded to GL account 10001290. They reconcile."	IVH-17019	4
	JOHN AND I REVIEWED THE GL AND THE DEFINITIVE REPORTS EXTENSIVELY AND WERE NOT ABLE TO BALANCE. THIS ISSUE IS NOT YET RESOLVED		
	ISSUE NOT LIKELY TO BE RESOLVED		
ABILITY FOR STAFF TO CANCEL LEAVE APPLICATIONS AFTER LEAVE HAS BEEN TAKEN	MATT WESTACOTT HAS ADVISED THAT HE HAS RAISED THIS ISSUE WITH DEFINITIV AND THEY DO NOT SEE THIS AS A PRIORITY ISSUE.		5
	I HAVE DEVELOPED A REPORT TEMPLATE TO COMPARE LEAVE TAKEN TO CANCELED LEAVE APPLICATIONS AS A WORKAROUND		
	WILL NOT BE RESOLVED IN THE NEAR FUTURE - SOFTWARE ISSUE - WORKAROUND ESTABLISHED		
LEAVE CALENDAR SHOWS WITHDRAWN LEAVE - CLOGS UP CALENDAR AND PROVIDES NO VALUE	GARY QUERIES WHY WITHDRAWN LEAVE APPLICATION REMAIN ON THE LEAVE CALENDAR. SAM RAISED A SR WITH ITV AND HE WAS ADVISED BY GRACE THAT THEY HAVE LODGED A TICKET TICKET WITH DEFINITIV AND HOPEFULLY IT WILL BE INCLUDED IN A FUTURE UPDATE, IF NOT ITV WILL LODGE AN INDEPENDNET DEVELOPMENT REQUEST.	IVH-15852	6
	WILL NOT BE RESOLVED IN THE NEAR FUTURE - SOFTWARE ISSUE		

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

<b>File ref</b>	F/AUD1
<b>Prepared by</b>	Peter Kocian, Executive Manager Corporate Services
<b>Supervised by</b>	Gary Tuffin, Chief Executive Officer
<b>Meeting Date:</b>	15 July 2021
<b>Voting requirements</b>	Simple Majority
<b>Documents tabled</b>	Nil
<b>Attachments</b>	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  
Manager Finance and Administration

**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.

**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 key findings are not actioned within a timely manner	Possible (3)	Moderate (3)	Moderate (5-9)	Compliance	Control through oversight by the Audit Committee and ensuring adequate budget allocation for resourcing
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### 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. In accordance with previous Audit Committee discussions, items that have been completed with no further comment provided have been omitted from the matrix.

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

### Strategic Implications

Strategic Priority 5 – Leadership and Governance  
5.1 Strengthen organisational accountability and transparency  
5.3 Strive for excellence in leadership and governance

### Comment

The status sheet has been updated accordingly.

The following summary of completion is provided:

Risk Category	No. Issues	Completed	Underway	Not Commenced
High	9	5	3	1
Medium	11	2	6	3
Low	4	2	1	1
	<b>24</b>	<b>9</b>	<b>10</b>	<b>5</b>



**10.8 OFFICER RECOMMENDATION**

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

Audit Finding	Risk Assessment Category	Risk Identified	Date of initial risk identification	Source of Audit Finding (FMR/Audit Reg 17/GCC Audit/Audit Management Letter/Internal)	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Responsible Officer	Progress Update	
3	Risk Issue and Failure Modes	Deposits recorded through the Trust Fund are deposited through the municipal bank account and transferred electronically the day after the funds appear in the municipal bank account. Regulations 8 & 10 of the Local Government (Financial Management) Regulations 1996 requires money received to be deposited into the established account where it is required to be held.	Lack of probity. Internal control or compliance breach.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Medium	Planned action required	Deposit funds required to be held in the Trust Fund directly into the Trust bank account established to account those funds.	Corporate Services	Daily receipting and bank deposit procedure to be reviewed. It is not practical to receipt occasional bonds to the trust fund. Periodic transfers are completed to transfer receipts between the municipal fund and the trust fund. <b>Legislation pertaining to the Development and Planning Act changed on 5th July 2020. The Town may only be required to maintain in Trust the Proceeds from the Sale of Abandoned Motor Vehicles. Trust funds held for Developer Cash in Lieu will be transferred to Reserves in 21/22. Awaiting further advice from the Department and the OAG.</b>
4		Through limited testing of payments, an instance was noted where a purchase order did not pre-date the invoice.	Lack of probity. Fraud risk	1/12/2019	FMR/Audit Reg 17 Review - December 2019	High	Prioritised action required	All procurement of goods or services should be undertaken in accordance with legislative requirements and the Purchasing Policy. Any instances where a purchase pre-dates a purchase order should be documented, reviewed and authorised to demonstrate controls have been developed to comply and ensure the purchasing policy has been adhered to.	Corporate Services	A payment requisition form has been implemented to authorise payments in instances where a purchase order has not been released. <b>The process to be followed is where a purchase order had not been completed or if a purchase order is completed after the invoice is received (which should not occur) is to prepare a "Creditor Request for Payment Form" for Certification and Authorisation.</b>
15		Changes to Supplier Master File		1/12/2019	2019 Audit Management Letter	High	Prioritised action required	"New/update creditor details form" to be completed by the supplier and entered into the Supplier Master File by the Finance Officer, which is then reviewed by the Manager Finance & Administration, then approved by Exec Manager Corporate & Community Services.  Finance Officer also checks the Supplier Details to the ABN lookup to ensure correct ABN provided.  Creation of a "Bank Audit Update Report" for suppliers. Automatic report generated fortnightly to verify suppliers who have been paid and their details.	Corporate Services	Ongoing. New/update creditors form has been implemented for all changes to the supplier master file. An ABN and ASIC search is undertaken on all new suppliers. <b>(The Town is currently considering and in consultation with EFTSURE . It is a web based software solution which has two basic functions being vendor management and payment protection. Implementing this solution will enhance the integrity of the Supplier Master File.)</b>
23		Cash count - lack of segregation of duties		1/12/2019	2019 Audit Management Letter	Low	Planned action required	One of the Customer Service Officers will do an initial cash count at end of day and then a member of the Finance team will re-count the cash takings for the day. Two officers to sign the "Daily Receipting Bank Deposit Listing" and the "Daily Settlement Checklist" reports, one of which will be a member of the Finance team.	Corporate Services	Completed <b>(Manager Finance and Administration to perform a spot check of daily reports to ensure this is being undertaken on an ongoing basis.</b>
25		Absence of a risk-based internal audit plan		1/12/2019	FMR/Audit Reg 17 Review - December 2019	Low	Planned action required	We will raise the absence of a risk-based internal audit plan with the Audit Committee and plan to recommend the appointment of Risk Management/Internal Audit Consultant to ensure that there is a risk-based internal audit plan implemented.	Office of CEO	An internal audit charter has been adopted by the Audit Committee. An annual work plan is endorsed by the Audit Committee at the beginning of each calendar year. This register is in fact a risk based internal audit plan. <b>(The Town is in discussions with other Local Governments to implement a shared service for the internal audit function that will form assurance for the OAG to rely on the work undertaken).</b>

Audit Finding	Risk Assessment Category	Risk Identified	Date of initial risk identification	Source of Audit Finding (FMR/Audit Reg 17/GCC Audit/Audit Management Letter/Internal)	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Responsible Officer	Progress Update	
43	Risk Issue and Failure Modes	We noted limited controls in relation to the access to IT systems including physical access to hardware. Some levels of permissions have been established to network access to software and data, however the level of documentation to support these restrictions is varied across the organisation.	Loss of IT System. Internal control.	1/12/2019	2019 GCC Audit	High	Prioritised action required	Undertake a comprehensive IT security review, articulate current practices and implement findings of the review.	Corporate Services	1. A review of user access has been completed and new permissions implemented. Screen shots of all changes have been provided to the Office of Auditor General. 2. New user groups have been established to inform access levels. The 'New User' IT form includes a check box to assign permission levels within Synergy Soft. The new Onboarding/Offboarding IT Access Form has been developed and will be presented to the July 2021 Audit Committee Meeting.
44		End of month processes exist in the form of a month end audit file, and from staff representations are routinely performed, however we noted for the months July 2019 to October 2019, evidence of the review of supporting reconciliations by an authorised officer independent of their preparation was not available.	Compliance breach.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	High	Prioritised action required	Review of reports prepared each month is a useful mechanism to detect and rectify errors or anomalies which may exist. It also provides an opportunity to ensure staff are performing and reporting duties as required. Management are strongly encouraged to adhere to documented checklists and procedures to demonstrate appropriate controls and reviews are in place with monthly reporting and procedures.	Corporate Services	Completed. End of Month Reconciliation checklists and supporting reconciliations are up to date as at May 2021. Year end June 2021 will be more comprehensive and include annual reconciliations required for final audit. The Finance Team is aware of the requirement to perform month end reconciliations on an ongoing basis.
46	Access Management	Increased risk of inappropriate or unauthorised access to the Town's IT systems and information		1/12/2019	2019 GCC Audit	Medium	Planned action required	The scope of the existing New User Account form will be expanded to include several new areas: - Account expiry date to allow for automatic account disablement - Date of Birth for account verification during password resets etc - Remove the option to copy existing account details Password controls will be reviewed and audited to ensure the limited use of "Password Never Expires" is reduced to a minimum. The account creation procedure will be modified to ensure generic passwords are not provided during initial logon. In addition, new users will be required to call support in order to set their initial password and login details.	Corporate Services	Completed. The new Onboarding/Offboarding IT Access Form has been developed and will be presented to the July 2021 Audit Committee Meeting.
51	The Trust Fund currently includes several bonds and contributions.	Lack of probity. Internal control or compliance breach.		1/12/2019	FMR/Audit Reg 17 Review - December 2019	High	Prioritised action required	Remove all funds which are not required by law to be held in the Trust Fund, and transfer to the Municipal Fund, in line with the Office of the Auditor General (OAG) position paper on Accounting for Work Bonds, Building Bonds and Hire Bonds released in July 2019.	Corporate Services	A review of all trust payees has occurred. Working bonds and deposits have been transferred to the balance sheet. A report of Unclaimed monies have been submitted to State Treasury 31 Jan 21. Funds to be remitted to State Treasury once advised by them @ July 2021.
58	Workflow diagrams have not been compiled for undocumented procedures.	Breakdown of internal controls. Controls reliant on the capability and honesty of staff.		1/12/2019	FMR/Audit Reg 17 Review - December 2019	Medium	Planned action required	In conjunction with, or as an alternative to, the development of documented procedures and checklists, update and development of workflow process diagrams may assist in clearly identifying controls and processes to be followed where procedures or checklists do not exist.	Whole Entity	This project is underway. Staff have been provided with Visio Licences and process mapping has commenced.
59	Creditors invoices are processed and entered only at the time where a routine creditors payment run is scheduled resulting in month end creditor balances being nil in certain months.	Lack of probity. Fraud risk. Internal control or compliance breach. Financial loss.		1/12/2019	2019 Audit Management Letter	High	Prioritised action required	Supplier invoices should be processed in a timely fashion and entered through the Town's ERP system as soon as practicable after receipt to provide a more accurate representation of the Town's liabilities at any given time.	Corporate Services	Invoices are filed according to their payment date being 7 days, 14 days, 28 days or greater. This process is currently under review. The AP process has been mapped and will be converted into a Visio Flowchart. (Control Weakness still exists - process change needs to occur - will be improved on implementation of Share Point - late payment or omitted payment risk is low as follow-up would be instigated by the creditor).
61	Contractors' insurances are not always assessed prior to award of contracts in all cases. Reliance is placed on contract managers to ensure copies of insurances are provided.	Lack of probity. Financial loss. Breakdown in internal controls.		1/12/2019	FMR/Audit Reg 17 Review - December 2019	High	Prioritised action required	To help ensure all contractors have the relevant licences and have adequate insurance cover for the works they undertake for the Town, procedures should be developed, and records maintained to ensure copies of contractor's insurances are held on file.	Operations	A Register of Contractor Insurance is to be developed. In progress

Audit Finding	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Date of initial risk identification	Source of Audit Finding (FMR/Audit Reg 17/GCC Audit/Audit Management Letter/Internal)	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Responsible Officer	Progress Update
62	Develop Contract Register and Contract Management System		1/12/2019	FMR/Audit Reg 17 Review - December 2019	High	Prioritised action required	A review of vital records has commenced.	Corporate Services	A contract register has been developed in line with the Treasury's instructions. The Town is required to formalise a performance based ICT contract with Focus Networks and IT Vision. <b>As at the time of the interim audit in June 2021 this register required updating, and will be needed to be updated for final audit in November 2021. The OAG advise that Procurement Act and Regulations will replace the State Supply Act, and that we should consider the Procurement Act for best practice.</b>
63	We noted the practice of credit card transactions and acquittals being reviewed by an independent officer, however the policy does not require this practice to occur.	Internal control or compliance breach.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Low	Planned action required	Update the policy to require independent review and authorisation of credit card transactions and acquittals, as well as acknowledging transactions as having been made and authorised by the CEO. The practice of separately highlighting transactions made on the CEO's credit card for presentation to Council should continue.	Corporate Services	Credit Card Policy to be updated. The credit card conditions of use is also being reviewed to ensure that no direct debits are entered into for repeat subscriptions. <b>(Manager Finance and Administration to review the Credit Card Policy)</b>
64	Privileged Access Rights	Increased risk of unauthorised access to, or modification of the Town's IT systems and information	1/12/2019	2019 GCC Audit	Medium	Planned action required		Corporate Services	The IT Service Provider will no longer utilise a single generic Domain Administrator account and implement individual named accounts. A scheduled call will be created to change the Domain Administrator accounts. Similar options will be explored with IT Vision and the maintenance and administration of SynergySoft.
65	Unauthorised Network Devices	Without appropriate controls in place to restrict the use of unauthorised devices on the network, there is an increased risk that they could be used to attack internal systems.	1/12/2019	2019 GCC Audit	Medium	Planned action required	The recently implement 802.1X / RADIUS authentication for wireless networks at all sites, will be extended to wired / network switches at all sites. Non-Windows devices that do not support this function will be locked down to MAC addresses.	Corporate Services	Partially resolved. The following still require attention: 1. Shared generic account is used to manage the firewall. 2. The Town has commenced regular reviews of firewall rules however this can be further enhanced by including inbound and outbound rules.
66	Planned staff training needs for employees are currently identified and recorded in a training matrix. Further value from this initiative can be added through refining the current matrix toward a more formal required staff training structure, applied throughout the organisation.	Internal control or compliance breach.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Medium	Planned action required	Refine the current staff training matrix to identify staff training needs relevant to their role, ensuring it is co-ordinated across the organisation and monitors currency of required licences and qualifications.	Office of CEO	Each business unit is developing a training and development plan which is linked to the staff performance development framework. Corporate Services have finalised a template which will be shared with the Organisation.

Audit Finding	Risk Assessment Category	Risk Identified	Date of initial risk identification	Source of Audit Finding (FMR/Audit Reg 17/GCC Audit/Audit Management Letter/Internal)	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Responsible Officer	Progress Update
67	Through our limited testing, we noted several instances where evidence of correspondence on employee files to support the current rate of pay applied through the payroll varied from the information recorded on employee files.	Failure to identify risks or adequately treat identified risks.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Medium	Planned action required	Undertake a review of all personnel to reconcile documentation relating to conditions of employment, remuneration, roles and responsibilities.	Office of CEO	The HR Coordinator is to undertake a review of all personnel records to ensure completeness. It appears to be a historical issue. New employee information will be verified by the HR Co-ordinator
68	Information Risk	Register to track and record information risk does not exist	1/12/2019	2019 GCC Audit	Medium	Planned action required	The Town will create an Information Risk Management Register, which will be presented to the Audit Committee as a standing item. The 12 key findings in the GCC Management Letter will form the basis of this Register, which will be continually updated based on management assessment as well as the key findings from future internal/external audit work.	Corporate Services	The Operational Risk Register now has a risk profile titled Information Risks. Findings from the GCC Audit have been incorporated into this Register.
69	Currently, no policy on internal legislative compliance has been adopted by Council.	Lack of strategic direction for strategic compliance.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Medium	Planned action required	Development and adoption of an internal legislative compliance policy may help formalise Council's commitment to legislative compliance.	Office of CEO	Not commenced.
70	Process for amending or changing procedures are not formalised. This creates opportunities for unilateral undocumented changes to procedures and a breakdown in key controls.	Failure to identify risks or adequately treat identified risks.	1/12/2019	2019 GCC Audit	High	Prioritised action required	Establish a process for the development, review, amendment and authorisation of procedures, checklists and other internal control documentation, throughout the organisation to assist with managing changes to procedures.	Corporate Services	Not commenced.
71	Review the Municipal Heritage Inventory		1/12/2019	FMR/Audit Reg 17 Review - December 2019	Low	Planned action required	Scheduled in the Corporate Business Plan for 2021/22	Regulatory Services	Not Commenced. Project is scheduled in the Corporate Business Plan for 2021/22. Due to Budgetary constraints a full review cannot be undertaken in the 20/21 financial year, however the MHI will be updated as part of any ongoing development assessments. Note the Town in 19/20 also implemented the Heritage Area Precinct for George Street.
72	A register of health inspections undertaken is not routinely maintained.	Breakdown of internal control. Compliance breach.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Medium	Planned action required	Maintain a register to record details a central record of health inspections undertaken, registered premises within the district, and to ensure inspections are undertaken within required timeframes.	Regulatory Services	Co-ordinator Reg Services discussed with PEHO and determined that a more accurate register for record keeping of health inspections, incorporating Synergy will be developed.
73	Develop Project Management Framework		1/12/2019	FMR/Audit Reg 17 Review - December 2019	Medium	Planned action required	A Project Plan template has been implemented.	Office of CEO	A project governance framework and project approval workflow is to be developed.

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