



AGENDA

Audit Committee Meeting

Thursday, 4 November 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;">Deputations</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;">Presentations</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 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 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.

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, 4 November 2021** in the POD, 135 Canning Highway, East Fremantle commencing at 6.30pm and your attendance is requested.



GARY TUFFIN
Chief Executive Officer

AGENDA

- 1. DECLARATION OF OPENING OF MEETING/ANNOUNCEMENTS OF VISITORS**
- 2. APPOINTMENT OF PRESIDING MEMBER**
The Chief Executive Officer will call for nominations of Presiding Member. Nominations are to be provided in writing.
- 3. 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."
- 4. RECORD OF ATTENDANCE**
 - 4.1 Attendance**
 - 4.2 Apologies**
 - 4.3 Leave of Absence**
- 5. MEMORANDUM OF OUTSTANDING BUSINESS**
- 6. DISCLOSURES OF INTEREST**
 - 6.1 Financial**
 - 6.2 Proximity**
 - 6.3 Impartiality**
- 7. PUBLIC QUESTION TIME**
 - 7.1 Responses to previous questions from members of the public taken on notice**
 - 7.2 Public Question Time**
- 8. PRESENTATIONS/DEPUTATIONS**
 - 8.1 Presentations**
 - 8.2 Deputations**

9. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

9.1 Audit Committee (15 July 2021)

8.1 OFFICER RECOMMENDATION

That the minutes of the Audit Committee meeting held on Thursday, 15 July 2021 be confirmed as a true and correct record of proceedings.

10. ANNOUNCEMENTS BY THE PRESIDING MEMBER

11. REPORTS

11.1 Audit Committee – External Independent Appointments

File ref	F/AUD1
Prepared by	Peter Kocian, Executive Manager Corporate Services
Supervised by	Gary Tuffin, Chief Executive Officer
Meeting Date:	4 November 2021
Voting requirements	Simple Majority
Documents tabled	Nil
Attachments	1. Confidential – Advice regarding Payment to Audit Committee Members 2. Confidential – Application – Candidate A 3. Confidential – Application – Candidate B

Purpose

This report recommends that the Audit Committee:

1. Consider how payments can be provided to independent appointments to the Audit Committee.
2. Request that the Chief Executive Officer, the Chair of the Audit Committee, and the Executive Manager Corporate Services meet with the two candidates to assess suitably for appointment to the Audit 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.

The Committee subsequently endorsed amendments to its Terms of Reference at its July meeting to make provision for the appointment of two (2) external independent members.

Expressions of Interest were advertised on the Town's website and in the Fremantle Herald on 11 September 2021 and in Perth Now on 16 September 2021, with submissions closing on 30 September 2021. Two (2) Expressions of Interest were received, which are attached to this agenda 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 amended its Terms of Reference at its July 2021 meeting, making provision for the appointment of two (2) 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.*

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 and qualified members	Possible (3)	Moderate (3)	Moderate (5-9)	COMPLIANCE Minor regulatory or statutory impact	Accept Officer Recommendation

Risk Matrix

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

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

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

Comment

Before discussing the two expressions of interest received for appointment to the Audit Committee, it is recommended that the Audit Committee consider how payments to independent members can be administered, as this may have a bearing on the appetite of independent members to be appointed.

Payments to Independent Members

The Town recently received advice from the Town of Cambridge (Attachment 1) referencing legal advice obtained with respect to fees paid to independent Committee appointments. The legal advice summarises:

1. The Local Government Act 1995 (Act) provides for payments to members of Council and Committees.
2. Section 5.100 of the Act expressly provides that a person who is a committee member but is not a council member or an employee is not to be paid a fee for attending any meeting.
3. The legal advice discusses the clear distinction between a reimbursement of an expense and a payment in respect of attending a meeting. And concludes that there is no power to pay an independent member of an audit committee a fee for preparing for, attending or participating in an audit committee meeting.

The Town of Cambridge has sought support and assistance from all local governments to advocate to the Department of Local Government to provide a prompt resolution to this matter by making the necessary legislative amendments to enable independent Audit Committee members to be paid.

Under section 5.100(2), the Town may (subject to any maximum amounts determined under 5.98(3)(b)) reimburse an independent member of the Audit Committee 'an expense incurred in relation to a matter affecting the local government'. Typically, in the current context, an expense that is incurred by an independent Audit Committee member would involve the payment by the member to a third party – such as the payment of travel costs or childcare costs to enable the member to attend an Audit Committee meeting.

The legal advice also concludes that the payment of a fee for preparing for an Audit Committee (i.e. time spent in reading agenda papers) would not be authorised under section 5.100 (2), or under any other provisions of the Local Government Act of the Administration Regulations.

There are a number of local governments in WA that have external membership of their Audit Committee including Stirling, Belmont, Vincent, Canning, Fremantle, Joondalup, Perth, Wanneroo. Among these local governments there are, broadly, three approaches to 'remunerating' external members:

1. Allow for reimbursements only;
2. Take a broader view of allowable reimbursable expenses, such as attendance at an interstate conference that may be related to the functions of the Committee; or
3. Take a further view of 'expenses' whereby members are reimbursed for the time they put in.

With regards to point 3 above, some local governments have resolved that 'Council will remunerate by way of reimbursement of time of the Independent Member based on four hours for each meeting.' According to the legal advice provided to the Town of Cambridge, this does appear inconsistent with the Local Government Act.

Independent External Members

The skills and experience of the 2 applicants appear very strong on paper.

Candidate A

- Current Independent Audit and Risk Committee Chair of a large NFP
- Executive role as Principal – Risk and Governance Services
- Chartered Accountant
- Certified Internal Auditor
- Current member of City of Subiaco Audit and Risk Committee

Candidate B

- Local resident
- Certified Internal Auditor
- Chartered Accountant
- Certified Risk Management Assurance
- Independent Audit and Risk Committee Member at the City of Kwinana
- Previously worked as a Team Leader with the Office of Auditor General

It should be noted that the Town does not have an Internal Auditor, and that the Audit Work Plan is reflective of current resourcing. Given that both applicants have an Internal Audit background, should they be appointed, there may be an expectation of the Town to increase the scale and scope of its internal audit work plan. As a matter of course, all requests from the Committee to prioritise and undertake internal audit projects will be fully assessed, including resourcing implications.

11.1 OFFICER RECOMMENDATION

That the Audit Committee recommend to Council that:

- 1. only expenses are to be reimbursed to any independent members of the Audit Committee, as per the following schedule, with amounts specified in the Salaries and Allowances determination for Elected Members:**

Expense to be Reimbursed	Amount
Rental charges in relation to one telephone and one facsimile machine	Actual expense incurred
Child Care Costs incurred because of attendance at a Committee Meeting	Actual cost per hour or \$30 per hour, whichever is the lesser

<p>Travel Costs incurred because of attendance at a Committee Meeting</p>	<p>The actual cost for the person to travel from the persons place of residence or work to the meeting and back, to a maximum of 100km per round trip. The rate is to be calculated at the same rate contained in section 30.6 of the Local Government Officers (WA) Award 2021 (i.e. 93.97 cents per km for engine over 2600cc).</p>
<p>2. the Chief Executive Officer write to the Minister for Local Government requesting that the <i>Local Government Act 1995</i> be amended to allow independent persons appointed to Committees to be paid sitting fees in line with elected member entitlements.</p> <p>3. the Chief Executive Officer, the Chair of the Audit Committee, and the Executive Manager Corporate Services meet with the two candidates to assess suitably for appointment to the Audit Committee.</p>	

11.2 Risk Based Internal Audit Work Plan

File ref	F/AUD1
Prepared by	Peter Kocian, Executive Manager Corporate Services
Supervised by	Gary Tuffin, Chief Executive Officer
Meeting Date:	4 November 2021
Voting requirements	Simple Majority
Documents tabled	Nil
Attachments	1. Proposed Internal Audit Work Plan

Purpose

The Audit Committee is requested to endorse the proposed work plan and meeting schedule for the 2022 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:

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

Compliance Audit Return	Local Governments are required to complete a statutory compliance return (Compliance Audit Return) annually and have the return adopted by Council. The return is a checklist of 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

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 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*.

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 approved a budget of \$25,000 in 2020/21 and \$15,000 in 2021/22 for internal audit activities. Based on the activities proposed in the audit work plan, a budget of \$25,000 will be required in 2022/23.

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

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

Regulation 6 of the *Local Government (Financial Management) Regulations 1996* states that:

“A local government is to ensure that an employee to whom is delegated responsibility for the day to day accounting or financial management operations of a local government is not also delegated the responsibility for –

- (a) conducting an internal audit; or
- (b) reviewing the discharge of duties by that employee,

or for managing, directing or supervising a person who carries out a function referred to in paragraph (a) or (b).

So, functionally the performance of the internal audit function should be independent to the finance team. This is however problematic given the Town’s size and structure, which is highlighted by the fact that the majority of audit work plan in the last 3 years has been performed by the finance team. Of relevance, the Select Committee into Local Government recommended, as part of the recent review of the Local Government Act, that the Government give active consideration to facilitating, through the Department of Local Government, Sport and Cultural Industries, a shared internal audit service for the Local Government sector, particularly to assist small and medium councils.

Given the above constraints, a moderate work plan has been recommended for the 2022 calendar year, which is reflective of resourcing capacity.

11.2 OFFICER RECOMMENDATION

That the Audit Committee:

- 1. endorse the proposed meeting dates for 2022 as follows:**

Date	Time	Place
2 February 2022	6.30 pm	POD
6 July 2022	6.30 pm	POD
2 November 2022	6.30 pm	POD

- 2. endorse the Risk-Based Internal Audit Work Plan as presented in Attachment 1.**

Town of East Fremantle - 4 year Internal Audit Work Plan

Activity	Frequency	Risk Identified	Person Performing the Task	Consequence Rating	Likelihood rating	Risk Category	2019				2020				2021				2022				
							Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	
Compliance Audit Return	Annually	Breach of Legislation	EA/Governance Coordinator. Legal firms do provide a niche service to review the CAR and verify the responses, and this might be a service that the Audit Committee may wish to consider? Previous cost estimate circa \$10k	2	2	Low	█				█				█					█			
Procurement Process Review	As required	Inadequate Probity of Tender Processes	The WALGA Procurement Team completed an independent review of the Town's Tender processes in 2018	4	2	Moderate	█																
Review of Credit Card Policy	Every 2 - 3 years	Misappropriation of funds/breakdown in controls	Manager Finance	4	1	Low	█															█	
Establishment of Supplier Payments Policy and General Conditions of Contract for the Supply of Goods and Services under a Purchase Order	One-off	Late payment to suppliers	Executive Manager Corporate Services	2	2	Low	█																
Review of Investment Policy (Divestments)	Every 2 - 3 years	Not optimising return on investment	Executive Manager Corporate Services	2	2	Low			█														
Receival of Annual Financial Report	Annually	The Auditors Report is not received by the Statutory deadline of 31 December (s7.9 LGA) due to inadequate audit preparation	Executive Manager Corporate Services	4	3	High					█											█	
Information Systems Audit (Performance Audit OAG)	Every 3 years	The Towns General Computer Controls are inadequate impacting business continuity and security of information	OAG last performed a General Computer Control Audit in 2018. The Town has been advised that this audit may occur every 3 years as part of the financial audit	5	3	High					█												
Review of Financial Management and Risk and Internal Control Systems	Every 3 years	That key findings from the FMR/Reg 17 Review are not actioned resulting in control weaknesses	Moore Stephens last performed this independent review in December 2019. Next review due November 2022. Estimated cost \$20k	3	3	Moderate					█					█							█
Mid Year Budget Review	Annually	Indequate oversight of financial management resulting in material variances	Manager Finance/Executive Manager Corporate Services	3	3	Moderate					█											█	
Review of Significant Accounting Policies	Annually	Annual Budget and Annual Financial Report is not consistent with Significant Accounting Policies	Manager Finance	3	3	Moderate																█	
Audit of all purchase requisitions over \$5k for compliance with Purchasing Policy	Annually	Non-compliance with Purchasing Policy	Senior Finance Officer/Manager Finance	3	3	Moderate								█								█	
Application of New Accounting Standards	Annually	The application of new accounting standards may impact the net profit or loss of the Town	Manager Finance	2	2	Low						█										█	
Review of Controls pertaining to Payroll and the new Payroll Module	One-off	Payroll fraud	Senior Finance Officer/Manager Finance	3	1	Moderate										█							
Review of HR On-Boarding/Off-Boarding Process	Every 2 - 3 years	Inadequate controls regarding access to IT systems and custody of portable items	Coordinator Corporate Services/HR	4	2	Moderate										█							
Self Audit against Auditor General's Report 'Timely Payment of Suppliers'	Every 2 years	Late payment to suppliers	Senior Finance Officer	2	2	Low																█	
Independent Review of Structure of Risk Register and evaluation of implementation of Risk Treatments	Every 4 years	Failure to implement risk treatments resulting in greater likelihood	Recommended that this be outsourced to an external risk consultant. Estimated cost \$8k	4	3	High																	█

11.3 Self-Audit - Compliance with Supplier Payment Policy 2.1.6

File ref	F/AUD1
Prepared by	Natalie McGill, Senior Finance Officer
Supervised by	Peter Kocian, Executive Manager Corporate Services
Meeting Date:	4 November 2021
Voting requirements	Simple Majority
Documents tabled	Nil
Attachments	1. Supplier Payments Policy 2. WA Auditor General's Report – Timely Payment of Suppliers

Purpose

The purpose of this report is to provide the Audit Committee with an overview of compliance with the Town's Supplier Payments Policy, with a performance comparison to the WA Auditor General's Timely Payments of Supplier Report released June 2018 for the period 1 July 2021 to 30 September 2021.

Executive Summary

The Town's Supplier Payments Policy outlines the manner in which creditor payments are to be made to a supplier. The payment terms specified in the Policy are 30 days from the date of receipt of the invoice by the Town. This report will examine Creditor invoices received by the Town during the period 1 July 2021 to 30 September 2021.

It should be noted that this policy does not cover payments made via the use of a Corporate Purchasing Card.

Comment

The Town of East Fremantle processed a total of 778 individual Creditor invoices during the period 1 July 2021 to 30 September 2021, totalling \$2,471,379.03 in payments.

Of these 778 individual Creditor invoices, 693 were paid within 30 days of the date of receipt of the invoice, which complies with the terms as prescribed in the Supplier Payment Policy. There were however 85 invoices that were paid outside of the terms of the Supplier Payment Policy, which ranged from 31 days to 60+.



There could be any number of reason that the payment of the invoices fell outside of the prescribed 30 day payment terms. A few examples being

- Invoice may have been disputed
- Poor quality or late delivery of goods/services provided
- Invoice lost/misplaced
- Delay in staff authorisation

It should also be noted that large value invoices may be complex and require thorough examination prior to approval.

The WA Auditor General released a Timely Payments of Suppliers report in June 2018. The purpose of this report was to

“...assess whether Local Governments were making payments to suppliers in a timely basis in accordance with better practices”

This report concluded that

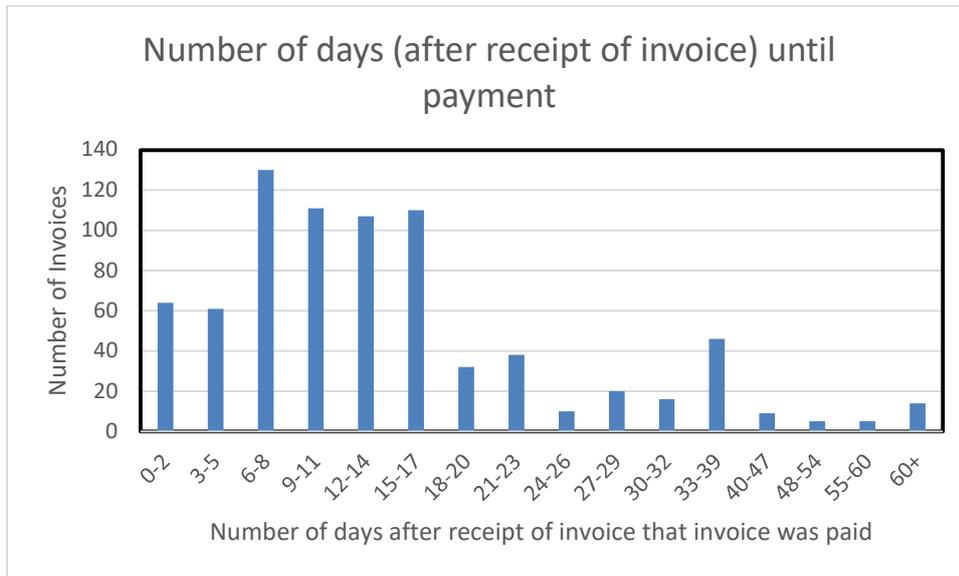
“...15% of payments were outside the timeframes in the policies...”

The results represented in the above chart, show that the Town is performing slightly better than the sample group, with 11% of payments being made outside the 30 days listed in our Policy.

This comparison will be monitored on an ongoing basis.

The report also states that 7 out of the 10 participatory Councils, did not have formal payment policies established. Council adopted the Supplier Payments Policy on 13/09/2019.

An overall breakdown of the number of days after receipt of the invoices is represented in the below graph



Consultation

Executive Management Group

Statutory Environment

This Supplier Payments Policy should be read in conjunction with section 6.5 of the *Local Government Act 1995* and *Local Government (Financial Management) Regulations 1996*, specifically:

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

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

Policy Implications

Policy 2.1.6 Supplier Payments is applicable.

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)
Late payment of invoices may lead to reputational issues for the Town of East Fremantle and may result in a breach of conditions of contract	Possible (3)	Moderate (3)	Moderate (5-9)	REPUTATIONAL Unsubstantiated, low impact, low profile or 'no news' item	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	9
Does this item need to be added to the Town's Risk Register	No
Is a Risk Treatment Plan Required	No

Comment

Finance Staff have implemented a Late Creditor Payments Register which details any invoices that have been paid after 30 days. The maintenance of this register will measure the number of invoices that are non-compliant and allows the Finance team to improve the performance of the Town of East Fremantle in paying its invoices.

The use of these registers will also assist in identifying any breaches of Council Policy.

11.3 OFFICER RECOMMENDATION

That the Audit Committee receives this overview of compliance against the Supplier Payment Policy, noting:

- **778 individual supplier invoices were assessed during the review period 1 July 2021 – 30 September 2021**
- **89% of invoices were paid within the 30 days terms of trade as established under the Town’s “General Conditions of Contract for the Supply of Goods and Services Under a Purchase Order:”**

2.1.6 Supplier Payments

Type:	Corporate Services – Financial Management
Legislation:	Local Government Act 1995 Local Government (Administration) Regulations 1996 Local Government (Functions and General) Regulations 1996
Delegation:	
Other Related Document:	Purchasing Policy 2.1.3 Corporate Purchasing Card Policy 2.1.8 General Conditions of Contract for the Supply of Goods & Services under a Purchase Order PRO2.1.6

Policy Statement

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

Policy Scope

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

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

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

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

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

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

Policy

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

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

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

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

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

Receipt of invoices for payment

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

Responsibilities of the Certifying Officer and Authorising Officer

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

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

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

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

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

Duties of the Finance Officer prior to making payment

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

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

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

Payment of Accounts Payable Invoices

Once the invoice has been duly certified and authorised, the Finance Officer enters the invoice into the finance system and matches the invoice to the authorised purchase order recorded against the

creditor that has been established in accordance with the Town of East Fremantle's *Purchasing Policy No. 4.2.4*.

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

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

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

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

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

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

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

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

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

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

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

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

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

Monthly Council Meetings - submission of accounts paid

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

Record Keeping

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

Measuring and monitoring the performance of supplier payments

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

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

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

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

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

Consequences of Breaching this Policy

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

Variation to this Policy

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

Responsible Directorate:	Finance and Administration
Reviewing Officer:	Executive Manager Corporate Services
Decision making Authority:	Council
Policy Adopted:	19/03/19
Policy Amended/Reviewed:	17/9/19
Former Policy No:	4.2.12

Attachment

General Conditions of Contract for the Supply of Goods and Services under a Purchase Order



GENERAL CONDITIONS OF CONTRACT FOR THE SUPPLY OF GOODS AND SERVICES UNDER A PURCHASE ORDER (PRO2.1.6)

1 SUPPLY OF GOODS AND SERVICES

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

2 CONTRACTOR'S OBLIGATIONS

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

3 RECEIPT, INSPECTION AND ACCEPTANCE OF GOODS AND SERVICES

- 3.1 The Contractor must deliver the Goods in full to the Delivery Point and perform the Services at the times stated in the Contract. In this respect, time will be of the essence of the Contract.
- 3.2 Acceptance of the Goods or Services by the Principal does not constitute approval of the Goods or Services or prejudice any claim the Principal may have in connection with the Goods or Services.
- 3.3 Acceptance of the Goods or Services occurs on the earlier of:
 - (a) a representative of the Principal notifying the Contractor in writing that the Goods or Services have been accepted; or
 - (b) the lapse of 14 days after delivery of the Goods to the Delivery Point without the Principal notifying the Contractor in writing that the Goods have been rejected.

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

4 TITLE AND RISK

4.1 Title in the Goods will pass from the Contractor to the Principal upon payment of the Contract Price. The Contractor warrants that title in the Goods will be transferred to the Principal without any encumbrances or liens.

4.2 Risk in the Goods will pass to the Principal on acceptance of the Goods in accordance with clause 3.3.

5 VARIATIONS

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

6 INVOICING AND PAYMENT

6.1 The Principal must pay the Contract Price to the Contractor for the Goods and the Services.

6.2 The Contract Price is inclusive of all costs and expenses including packaging, freight, delivery, insurance, the cost of any miscellaneous services, compliance with the Contract and Taxes and, subject to clause [5](#), no additional amounts will be payable by the Principal.

6.3 Subject to clause [6.4](#), on or promptly after the later of the Date of Delivery of the Goods or the Date of Completion of the Services (as applicable), the Contractor must submit an Invoice to the Principal for the amount due to the Contractor.

6.4 If agreed in writing by the Principal, the Contractor may submit an Invoice to the Principal at the end of each month for any Services performed during that or previous months provided those Services have not already been included in a previous Invoice issued to the Principal.

6.5 An Invoice must include:

- (a) the Purchase Order number;
- (b) a description of the Goods delivered, including the quantity of Goods and the Date of Delivery; or
- (c) a description of the Services performed;
- (d) the amount being claimed for the Goods and the Services;
- (e) the amount of any applicable GST;
- (f) if applicable, Include the Walga Preferred Supplier discount associated with the purchase and
- (g) any further information reasonably requested by the Principal.

6.6 If an Invoice does not contain the information required in clause 6.5, the Principal may, at its option, complete the missing details or return the incomplete Invoice to the Contractor, in which case the Contractor must submit a replacement Invoice compliant with clause 6.5.

- 6.7 Subject to the Contractor submitting an Invoice in accordance with clause 6.5 or a compliant Invoice in accordance with clause 6.6, the Principal must pay the amount payable within 30 days or as otherwise agreed by the parties.
- 6.8 Payment under this clause 6 will not be taken as proof or admission that all, or any part of, the Goods or the Services have been delivered or performed (as the case may be) to the satisfaction of the Principal, but will be taken to be payment on account only.
- 6.9 The Contractor agrees that the Principal may:
- (a) deduct from moneys due to the Contractor any money due or which may become due from the Contractor to the Principal under, or in connection with, the Contract; and
 - (b) withhold payment of any amounts payable under the Contract pending resolution of any dispute.

7 GOODS AND SERVICES TAX

- 7.1 If GST is imposed on any supply made by the Contractor in connection with the Contract, the Contractor may recover from the Principal, in addition to the Contract Price, an amount equal to the GST payable in respect of that supply.
- 7.2 The Contractor must first provide the Principal with an Invoice before the Principal will pay the GST amount to the Contractor.

8 QUALITY OF GOODS AND SERVICES

- 8.1 The Contractor must ensure that:
- (a) all Goods or Services conform to the description of the Goods or Services set out in the Contract;
 - (b) all Goods and Services are fit for their intended purpose and to the extent Services performed are design Services, the works being designed will be fit for their intended purpose;
 - (c) if the Contractor provided the Principal with a demonstration of the Services or represented that a result could be achieved by the Services before the Principles issues the Purchase Order, the Services correspond in nature and quality with the services demonstrated or the services that achieved that result (as the case may be); and
 - (d) any Goods are new and of merchantable quality.
- 8.2 The Contractor warrants that the Contractor's Personnel engaged to perform the Services have all the necessary skills, training and qualifications to carry out the Services in accordance with the Contract.
- 8.3 The Contractor must ensure that the Principal has the full benefit of any manufacturer's warranties that may be applicable to the Goods (and the Contractor must, at its cost, pursue any manufacturer's warranties on the Principal's behalf).

9 DEFECTS

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

10 CONFIDENTIAL INFORMATION

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

11 INTELLECTUAL PROPERTY

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

12 INSURANCE

- 12.1 Where the Contract is for Goods, the Contractor must effect and maintain with a reputable insurer *goods insurance* covering insurance of the Goods against all risks to the point of delivery at the Delivery Point and, if the Goods are rejected by the Principal, from the time the Contractor collects the Goods from the Principal, for an amount not less than the full replacement costs of the Goods.
- 12.2 Where the Contract is for Services, the Contractor must effect and maintain with a reputable insurer the following insurance policies for the entirety of the term of the Contract:
- (a) *public and products liability insurance* covering liability for damage to property and the death of or injury to any person (other than as covered under a workers compensation policy) in an amount of not less than \$10 million in respect of each and every claim, unlimited as to the number of occurrences for public liability;

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

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

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

13 INDEMNITY AND LIMITS OF LIABILITY

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

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

14 TERMINATION

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

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

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

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

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

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

15 NOTICES

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

16 DISPUTES

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

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

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

17 GENERAL

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

17.2 The Contract is governed by the law in force in Western Australia and each party irrevocably submits to the non-exclusive jurisdiction of courts exercising jurisdiction in Western Australia.

17.3 The Contractor must not assign or novate the Contract or assign any other right, benefit or interest under the Contract to any person or entity without the prior written consent of the Principal.

17.4 The Contractor must not, without the prior written consent of the Principal, which consent must not be unreasonably withheld, subcontract any of the Contractor's Obligations.

17.5 No term or provision of the Contract will be construed against a party on the basis that the Contract or the term or provision in question was put forward or drafted by that party.

17.6 The Contract is a non-exclusive contract for the supply of Goods or Services and it does not prevent the Principal from entering into other contracts for the supply or performance of the same or similar goods or services with other contractors.

17.7 Any provision of the Contract which is illegal, void or unenforceable will be ineffective to the extent only of that illegality, voidness or unenforceability without invalidating the remaining provisions. If the Principal is restructured by Law, then the rights and obligations of the Principal under the Contract are novated to and assumed by the appropriate legal entity as determined by the Principal or the successors of the Principal under the restructure.

17.8 Clauses 4, 6.8, 6.9, 10, 11, 12.2(f), 13, 14.4 and 17 survive the termination or expiry of the Contract.

18 DEFINITIONS

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

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

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

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

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

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

Contractor means the contractor specified in the Purchase Order.

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

- (a) is in existence before the date of the Contract or comes into existence after the date of the Contract other than in connection with the Contract, the Goods or the Services; and
- (b) which the Contractor makes available, contributes, brings to or uses in connection with the Contract.

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

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

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

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

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

Defects Liability Period means a period of 12 months commencing:

- (a) in respect of the Goods, on the Date of Delivery; and
- (b) in respect of the Services, on the Completion Date,

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

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

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

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

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

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

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

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

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

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

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

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

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

19 INTERPRETATION

In the Contract:

- (a) a reference to "Goods or Services" is to be read as "Goods or Services, or both of them, as applicable";
- (b) the singular includes the plural and the plural includes the singular;
- (c) a reference to a clause or party of the Contract is a reference to a clause of, and a party to, the Contract;

- (d) a reference to legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them;
- (e) the words 'include', 'includes' and 'including' must be construed without limitation as to what else might be included; and
- (f) Part 1F of the Civil *Liability Act 2002* (WA) does not apply to the Contract.

Western Australian Auditor General's Report



Timely Payment of Suppliers



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WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

Timely Payment of Suppliers

Report 12
June 2018



**THE PRESIDENT
LEGISLATIVE COUNCIL**

**THE SPEAKER
LEGISLATIVE ASSEMBLY**

TIMELY PAYMENT OF SUPPLIERS

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

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

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

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

CAROLINE SPENCER
AUDITOR GENERAL
13 June 2018

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Timely Payment of Suppliers

Background

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

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

Conclusion

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

What we did

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

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

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

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

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

Local governments included in our audit

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

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

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

Table 1: Volume and value of transactions

What did we find?

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

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

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

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

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

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

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

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

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

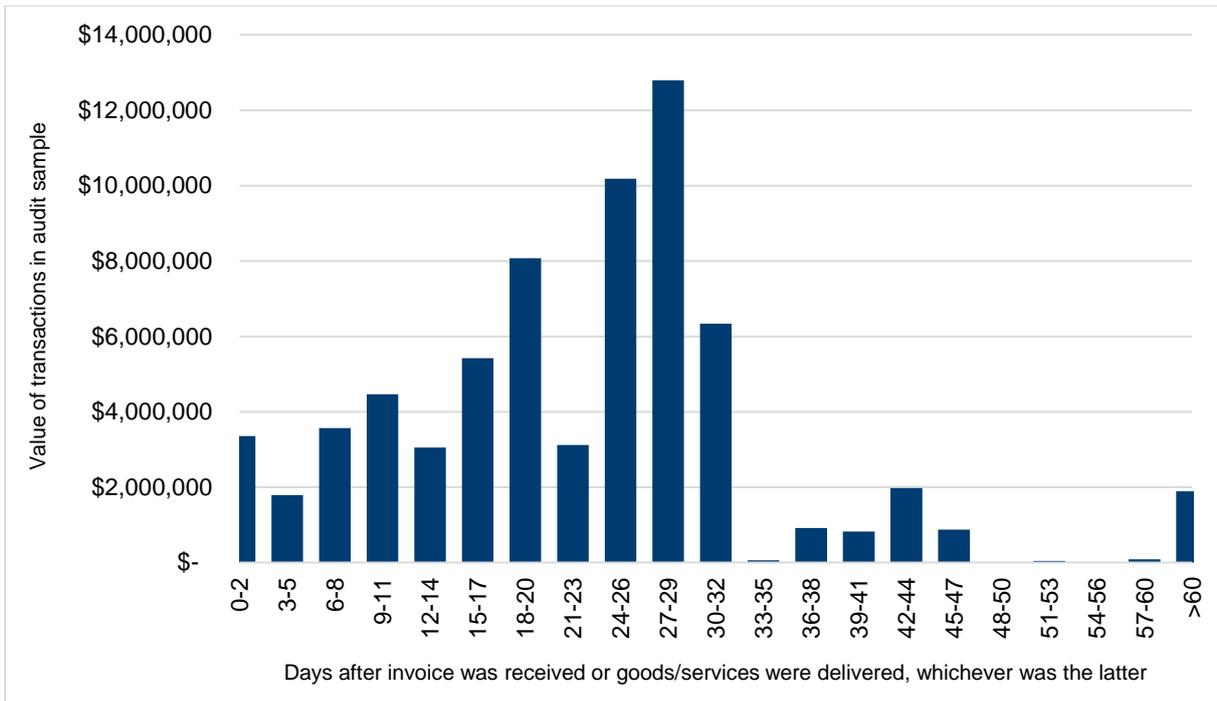


Figure 1: Timeline of all payments in our sample

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

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

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

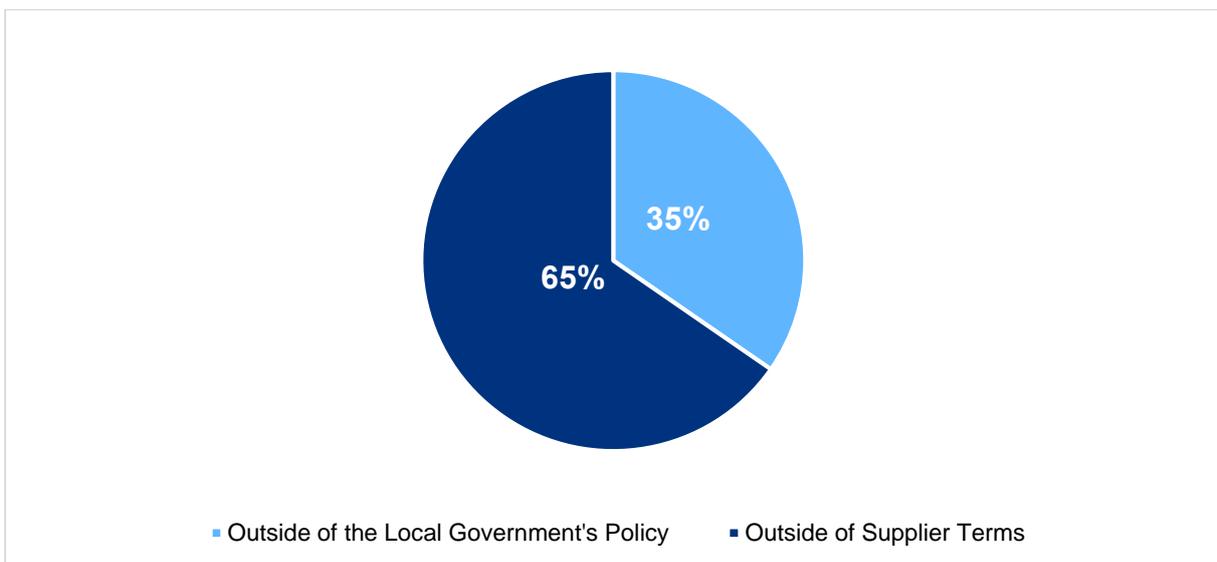


Figure 2: Analysis of payments later than 30 days without a valid reason

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

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

The main reasons for delays that we considered avoidable were:

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

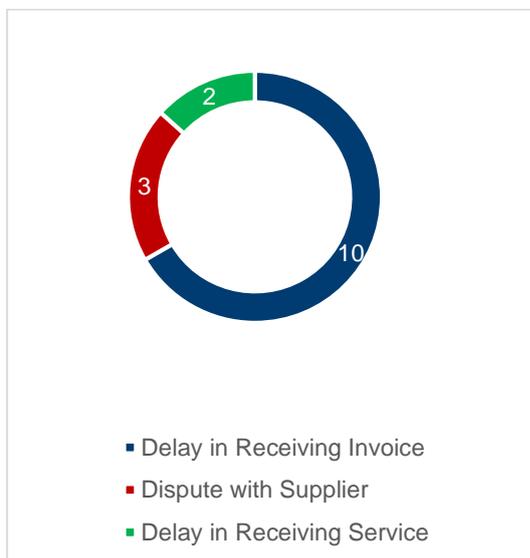


Figure 3: Valid reasons for delays

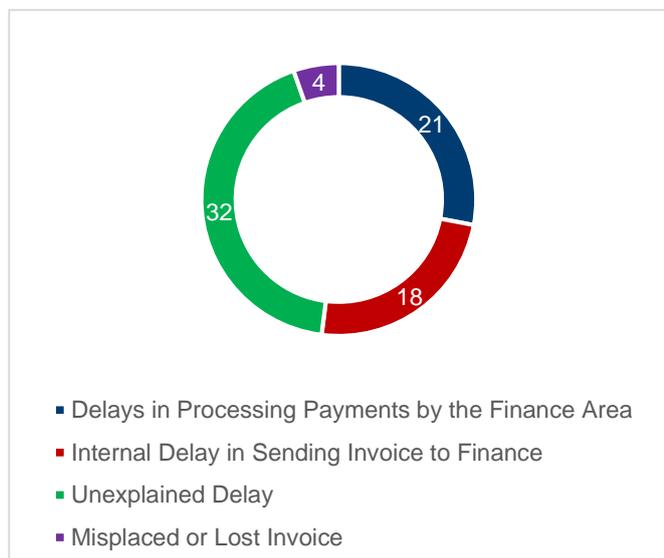


Figure 4: Invalid reasons for delays

Recommendations

Local governments should:

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

Response from local governments

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

Auditor General's reports

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



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11.4 Corporate Credit Card Policy - Amendment

File ref	F/AUD1
Prepared by	Sam Dolzadelli, Manager Finance
Supervised by	Peter Kocian, Executive Manager Corporate Services
Meeting Date:	04 November 2021
Voting requirements	Simple Majority
Documents tabled	Nil
Attachments	1. Amended Corporate Credit Card Policy

Purpose

The Audit Committee is requested to endorse the changes to the Town's Corporate Credit Card Policy as provided in attachment 1.

Executive Summary

The Town's Corporate Credit Card Policy is required to be updated as some of the terminology in the Policy is no longer accurate:

- The Town has issued two new corporate credit cards to staff who are not in an Executive Management position and the Policy previously referred specifically to cardholders in such a position.
- The Policy also needs to be updated to reflect the correct dollar-value limit of the credit cards.
- An amendment to the guideline on direct debits is also proposed.
- The amended Policy also includes terms for when supporting documentation is omitted for expenditure over \$50.

Background

The Town's Corporate Credit Card Policy was last reviewed and amended on 17 September 2019. In July and August of 2021 two new corporate credit cards were issued to two staff. This was done to streamline direct procurement from suppliers whereby the use of a credit card was required. Upon review of the Policy, management has noted a number of inaccuracies and propose amendments to the Policy.

Consultation

Management
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.

Policy Implications

Council's Corporate Credit Card Policy applies.

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)
Non-compliance with Corporate Credit Card Policy, giving rise to risk of the Town incurring expenditure which is not business related.	Rare (1)	Moderate (3)	Low (1-4)	Compliance/ Financial	Treat through monthly credit card reconciliations

Risk Matrix

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

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

Risk Rating	3
Does this item need to be added to the Town's Risk Register	No
Is a Risk Treatment Plan Required	No

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

New Corporate Credit Cards

The two staff members who were issued cards do not form part of the Executive Management Team. The unamended Corporate Credit Card Policy states “As the cardholders are part of the Executive Management Team of the Town of East Fremantle, and individual credit card limits are below their delegated purchasing authority limits, expenditure incurred via credit card is therefore in accordance with appropriate delegated authority.” This has been amended in the updated Policy, to remove the reference to the Executive Management Team.

Guidelines for credit card usage - Limits

The Policy states the guidelines for credit card usage, which included “The monthly limit assigned to each card holder is \$5,000”. This is required to be updated, as the monthly limit assigned to each cardholder is different and is not fixed at \$5,000 for all card holders. The Town’s total corporate credit card facility has a \$20,000 limit (this has not changed) and individual cardholders’ limits range from \$500 to \$8,000.

Guidelines for credit card usage – Direct Debits

The unamended Policy states that no direct debits are to be utilised. The Town has a number of direct debits which are charged to the corporate credit cards for subscriptions. The Town has implemented a register for all direct debits to record the supplier, the frequency of the direct debit and the dollar amount. This reduces officer processing time for these payments by having them paid as direct debits.

Cardholder responsibilities – Threshold for omission of invoice/receipt

The unamended policy states that if a cardholder cannot obtain a copy of the invoice or receipt they are required to immediately lodge a written explanation advising as to the reason. This has been updated to include the requirement for a statutory declaration for any expenditure over \$50 whereby an invoice or receipt is not provided. Any expenditure under \$50 will still require a written explanation from the cardholder.

11.4 OFFICER RECOMMENDATION

That the Audit Committee recommend to Council the adoption of the amended Corporate Credit Card Policy which includes the updating of terminology to reflect the Town’s actual credit card usage, including the officers who are a cardholder, the limits on each credit card, the use of direct debits and the requirement for a statutory declaration for purchases over \$50 whereby no invoice/receipt is provided.

2.1.8 Corporate Credit Card

Type:	Corporate Services – Financial Management
Legislation:	Local Government Act 1995 Local Government (Administration) Regulations 1996 Local Government (Functions and General) Regulations 1996
Delegation:	
Other Related Document:	Purchasing Policy 2.1.3 Supplier Payments Policy 2.1.6 Corporate Credit Card Procedures (PRO2.1.8) Request to use Town Credit Card Credit Card Acquittal

Policy Statement

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

Policy Scope

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

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

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

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

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

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

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

Policy

Eligibility

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

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

Guidelines for credit card usage

- The card must be used for Council business expenditure only. The monthly limit assigned to each cardholder ~~is \$5,000 and the~~ varies from \$500 to \$8,000, the cardholder must ensure there are sufficient funds in the budget prior to usage;
- The card must not be used for personal use;
- The card must not be used for the withdrawal of cash through any facility, whether it is a Bank, ATM or EFTPOS facility;
- The card must not be used by officers' other than the cardholder, unless the cardholder has given prior approval on the Credit Card Request form, ~~held by the Finance Officer;~~
- The card must not be used for fuel purchases in instances where the cardholder has a Fuel Card facility available;
- The cardholder must obtain all tax invoices and/or receipts from the Supplier and maintain any other records of their transactions to facilitate the reconciliation and costing of transactions for that card. These invoices/receipts must be handed to the Finance Officer as soon as they are received from the Creditor Supplier;
- The cardholder must practice due diligence and strict care to maintain the security of their card, ensuring that it is kept in their possession at all times;
- The card must be returned to the Manager Finance ~~and Administration~~, prior to leave periods in excess of four weeks. The card must also be returned if the cardholder is reassigned to a new position where the use is not required or where their employment is terminated;
- Cards must not be used to obtain personal rewards such as frequent flyer points or any other rewards, including flight point awards;
- The card shall not be used for payment of fines, for example a parking or a speeding offence which was incurred whilst on Council business;
- If ~~No~~ direct debits are to be ~~utilised~~utilised ;the direct debit will be recorded in the Direct Debit Register Maintained by the Manager Finance and Administration and approved by the Executive Manager Corporate Services.
- The card should only be used in limited circumstances when a Creditor Supplier will not accept payment via EFT or cheque, otherwise a purchase order must be raised and the Creditor Supplier paid in accordance with the Towns Supplier Payments Policy.
- The card is permitted to be used when payment is expected COD.
- No "tips" shall be paid using a Corporate Credit Card.
- Purchases through the internet should be restricted to trusted, secure sites.

Where an inappropriate expense occurs

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

Formal acknowledgement of procedure conditions

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

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

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

Cardholder responsibilities

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

- The Corporate Credit Card must be signed with the cardholder's signature immediately upon receipt;
- Cardholders are to ensure that the proposed transactions will not cause the credit limit to be exceeded;
- A compliant Tax Invoice/receipt must be obtained for all purchases and lodged with the Finance Officer~~;~~
- Should a cardholder fail to obtain a Tax Invoice or receipt, they must make all reasonable attempts to obtain a copy. If they cannot obtain a copy, the cardholder will be required to immediately lodge a written explanation advising as to the reason. If the expenditure is greater than \$50, the cardholder will be required to complete a statutory declaration;
- Tax invoices must be authorised with a Council stamp showing the general ledger account number, IE code, description of the purchase and the cardholder's signature; and
- The banks Credit Card Monthly Statements will be issued to the cardholders for review and signatory (must be returned within one business day) and for approval by the CEO.

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

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

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

Procedure for lost, stolen or damaged cards

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

- keep the Corporate Credit Card with them at all times. This will ensure the card is secure at all

times to safeguard against theft or loss;

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

Procedures for cessation of employment

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

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

Duties of the Finance Officer

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

Payment of Credit Card Balance

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

Monthly Council Meetings - submission of payments made via credit card

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

Record Keeping

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

Consequences of Breaching this Policy

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

Variation to this Policy

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

Responsible Directorate:	Finance and Administration
Reviewing Officer:	Executive Manager Corporate Services
Decision making Authority:	Council
Policy Adopted:	19/03/19
Policy Amended/Reviewed:	17 17 /09/ <u>2119</u>
Next Review Date:	<u>September 2023 4.3.6</u>



ATTACHMENT A

Corporate Credit Card Acknowledgment and Conditions of Use

To the CEO

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

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

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

Corporate Cardholder’s Signature.....

Date.....

CEO Signature.....Date.....



CORPORATE CREDIT CARD USE PROCEDURE (PRO2.1.8)

1.0 OBJECTIVE

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

2.0 RELATED POLICIES

- Purchasing Policy (No 2.1.3)
- Corporate Credit Card Policy (No 2.1.8)

3.0 ELIGIBILITY

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

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

4.0 GUIDELINES FOR CREDIT CARD USAGE

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

- If ~~No~~ direct debits are to be ~~utilised~~ utilised, the details of the Direct Debit will be recorded in the Direct Debit Register, maintained by the Manager Finance and approved by the Executive Manager Corporate Services.;
- The card should only be used when the Supplier will not accept payment via EFT or cheque. It is to be used when payment is expected COD.
- No “tips” shall be paid using a Corporate Credit Card.
- Purchases through the internet should be restricted to trusted, secure sites.

4.1 Where an Inappropriate Expense Occurs

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

5.0 FORMAL ACKNOWLEDGEMENT OF PROCEDURE CONDITIONS

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

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

6.0 CARDHOLDER RESPONSIBILITIES

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

- The Corporate Credit Card must be signed with the cardholder’s signature immediately upon receipt;
- Cardholders are to ensure that the proposed transactions will not cause the credit limit to be exceeded;
- A compliant Tax Invoice/receipt must be obtained for all purchases and lodged with the Finance Officer;
- Should a cardholder fail to obtain a Tax Invoice, they must make all reasonable attempts to obtain a copy. If they cannot obtain a copy, the cardholder will be required to immediately lodge a written explanation advising as to the reason. If the expenditure is greater than \$50, the cardholder will be required to submit a statutory declaration;
- Tax invoices must be authorised with a Council stamp showing the general ledger account number, IE code, description of the purchase and the card holder’s signature; and
- The banks Credit Card Monthly Statements will be issued to the cardholders for review and signatory (must be returned within one business day) and also approval by the CEO.

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

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

7.0 PROCEDURE FOR LOST, STOLEN OR DAMAGED CARDS

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

- keep the Corporate Credit Card with them at all times. This will ensure the card is secure at all times to safeguard against theft or loss;
- report the loss or theft of a card to the supplying bank immediately in accordance with the bank's terms and conditions, and notify the Manager ~~Administration and~~ Finance;
- not disclose or carry with the card any PIN that has been issued with the card.

8.0 PROCEDURES FOR CESSATION OF EMPLOYMENT

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

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

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

File ref	F/AUD1
Prepared by	Peter Kocian, Executive Manager Corporate Services
Supervised by	Gary Tuffin, Chief Executive Officer
Meeting Date:	4 November 2021
Voting requirements	Simple Majority
Documents tabled	Nil
Attachments	1. Confidential 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

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. In accordance with previous Audit Committee discussions, items that have been completed with no further comment provided have been omitted from the matrix.

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	17	3	1
Medium	38	31	6	1
Low	11	10	0	1
	70	58	9	3

11.5 OFFICER RECOMMENDATION

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

11.6 Operational and Strategic Risk Registers

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

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	5	Moderate (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
	4	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
	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 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.

11.6 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 October 2021

Executive Summary

Being the Town's first report under the introduced risk management framework , focus is on embedding and driving continual improvement. Future reports will continue to provide relevant insight and recommendations to assist governance activities for the Senior Management Team. It is supported by:

1. Risk Profiles for the 16 themes discussed.
2. Risk Management Policy and Procedures.

Recommendations

Embedding

1. Arrange for the attached Policy and Procedures to be endorsed and adopted appropriately.
2. Create a standard agenda for each Exec Team meeting to include the review of a risk profile (ensure coverage over an 18 month period)

Risk Profiles

1. Review and approve all initial Risk Profiles (from a Risk & Control perspective).
2. Confirm Current Issues / Actions / Treatments (Responsibility & Due Date) and ensure completion.

	Risk	Control
Providing inaccurate Advice / Information (All Ems)	Moderate	Adequate
Incomplete, inadequate or inaccuracies in advisory activities to customers or internal staff. Examples include; -Incorrect planning, development or building advice -Incorrect health or environmental advice -Inconsistent messages or responses from Customer Service Staff -Any advice that is not consistent with legislative requirements or local laws.		
Current Issues / Actions / Treatments	Due Date	Responsibility
Review of Online Services	Ongoing	TLCS
FAQ - for front line staff	Ongoing	EMCS/CCusS
Implementation of Communication Engagement Plan	Ongoing	CEO/MCO
Implementation of Customer Service Improvement Program	Ongoing	CEO/MCO
Develop Annual Staff training program as part of performance review process	Ongoing	HRC
Coordinator Customer Service has initiated a review of the Complaints Handling Process including a Complaints Policy	Ongoing	CCusS

	Risk	Control
Errors, omissions & delays (All staff)	Moderate	Adequate
Errors, omissions or delays in operational activities as a result of unintentional errors or failure to follow due process. This includes instances of; -Human error -Inaccurate recording, maintenance, testing or reconciliation of data. -Inaccurate data being used for management decision-making and reporting. -Delays in service to customers -Inaccurate data provided to customers This excludes process failures caused by inadequate / incomplete procedural documentation - refer "Inadequate Document Management Processes".		
Current Issues / Actions / Treatments	Due Date	Responsibility
Heritage Review and Municipal Heritage Inventory Review (create three new heritage precincts)	Dec-21	EMRS
Operational Information Sheets	Jun-21	OM
Delegation Review and Policies	May-22	CEO
Review of Complaints Handling process	Underway	CCusS
Monthly Customer Service Reporting	Ongoing	CCusS
Updating Delegation Register	Ongoing	ALL

Town of East Fremantle - Operational Risk Dashboard Report October 2021					
			Risk	Control	
<u>Asset Sustainability practices (EMTS/EMCS)</u>			Moderate	Adequate	
<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"> -Inadequate design (not fit for purpose) -Ineffective usage (down time) -Outputs not meeting expectations -Inadequate maintenance activities. -Inadequate financial management and planning (capital renewal plan). <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>Dec-21</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>			
<i>Develop Asset Management Plans for Parks,Ovals and Drainage</i>	<i>Ongoing</i>	<i>EMTS</i>			
<i>Annual revaluation of assets</i>	<i>Ongoing</i>	<i>EMTS</i>			
<i>Capture legacy issues with aged assets such as the Town's drainage infrastructure</i>	<i>Ongoing</i>	<i>EMTS</i>			
<i>Undertake an annual inspection of assets</i>	<i>Ongoing</i>	<i>EMTS</i>			
			Risk	Control	
<u>External theft & fraud (inc. Cyber Crime) (EMCS)</u>			Moderate	Effective	
<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"> -Fraud: benefit or gain by deceit -Malicious Damage: hacking, deleting, breaking or reducing the integrity or performance of systems -Theft: stealing of data, assets or information 					
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>CCuS</i>			
<i>Cyber Risk Health Assessment</i>	<i>Aug-21</i>	<i>EMCS</i>			
<i>Internal Audit Program</i>	<i>Ongoing</i>	<i>EMCS</i>			
<i>Online learning fraud, corruption, social engineering and cyber risks</i>	<i>Ongoing</i>	<i>HR</i>			
<i>Vulnerability Scan</i>	<i>Annually</i>	<i>FOCUS</i>			

Town of East Fremantle - Operational Risk Dashboard Report October 2021					
			Risk	Control	
Business & Community disruption (BCP)			Low	Effective	
<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. -Inadequacies in environmental awareness and monitoring of fuel loads, curing rates etc This does not include disruptions due to IT Systems or infrastructure related failures - refer "Failure of IT & communication systems and infrastructure".</p>					
Current Issues / Actions / Treatments		Due Date	Responsibility		
<i>Business Continuity Plan and IT Disaster Recovery Plan - review annually</i>		<i>Annual</i>	<i>CEO</i>		
<i>IT Disaster Recovery Plan - annual testing</i>		<i>Annual</i>	<i>EMCS</i>		
<i>Internal Emergency Management Plan - review annually</i>		<i>Annual</i>	<i>EHO</i>		
<i>Evacuation exercise to be undertaken - annual</i>		<i>Annual</i>	<i>OSH Committee</i>		
<i>Fire alarm/extinguishers/electrical tagging - check status - annual test</i>		<i>Annual</i>	<i>EHO</i>		
<i>Implementation of COVID safety plans as required</i>		<i>Ongoing</i>	<i>BCP</i>		
			Risk	Control	
Management of Facilities / Venues / Events (All staff)			Moderate	Adequate	
<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>					
Current Issues / Actions / Treatments		Due Date	Responsibility		
<i>Lease agreements with all tenants</i>		<i>Ongoing</i>	<i>EMCS</i>		
<i>Develop annual playground inspection program</i>		<i>Mar-22</i>	<i>EMTS</i>		
<i>Investigate digital access to all community buildings to replace the current key system</i>		<i>Underway</i>	<i>CSIM</i>		
<i>Audit of Gates/padlocks for facilities</i>		<i>Ongoing</i>	<i>EMCS</i>		
<i>Playground Condition Assessment - Annual Inspection report</i>		<i>Sep-21</i>	<i>EMTS</i>		

Town of East Fremantle - Operational Risk Dashboard Report October 2021				
			Risk	Control
<u>Failure to fulfil Compliance requirements (statutory, regulatory) (EAs)</u>			Low	Adequate
<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 & public domain legal documentation. It includes (amongst others) the Local Government Act, Planning & Development Act, Health Act, Building Act, Privacy Act and all other legislative based obligations for Local Government.</p>				
Current Issues / Actions / Treatments	Due Date	Responsibility		
<i>Compliance Audit Return</i>	<i>Annually</i>	<i>EACEO</i>		
<i>Corporate Calendar</i>	<i>Monthly</i>	<i>EACEO</i>		
<i>Develop standard operating procedures for each position</i>	<i>Ongoing</i>	<i>All staff</i>		
<i>Review procedures manual every 12 months</i>	<i>Jun-22</i>	<i>HR/Exe Managers/CEO</i>		
<i>Disability Access & inclusion plan</i>	<i>Jun-25</i>	<i>PEHO</i>		
<i>Development of an Internal Audit Plan</i>	<i>Nov-21</i>	<i>EMCS</i>		
<i>Improvement Plan - Aud Reg 17 & FMR</i>	<i>Dec-22</i>	<i>CEO</i>		
<i>Record Keeping Plan</i>	<i>Oct-22</i>	<i>EMCS</i>		
			Risk	Control
<u>Information Systems (EMCS)</u>			Moderate	Effective
<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"> -Hardware or software -Networks -Failures of IT Vendors <p>This also includes where poor governance results in the breakdown of IT maintenance such as;</p> <ul style="list-style-type: none"> -Configuration management -Performance monitoring <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"> •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. •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. •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. •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. •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. •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. 				
Current Issues / Actions / Treatments	Due Date	Responsibility		
<i>The Town to review and update The Information Technology Policy to appropriately address all relevant areas of Information security</i>	<i>Completed</i>	<i>EMCS</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>Aug-21</i>	<i>EMCS</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>Yearly 01/09/2022</i>	<i>EMCS</i>		
<i>The Town to implement an appropriate process to securely manage and configure network devices</i>	<i>Completed</i>	<i>EMCS</i>		
<i>Server replacement/cloud assessment</i>	<i>Nov-21</i>	<i>EMCS</i>		

Town of East Fremantle - Operational Risk Dashboard Report October 2021					
			Risk	Control	
Document Management processes (RO)			Low	Adequate	
<p>Failure to adequately capture, store, archive, retrieve, provide or dispose of documentation. This includes:</p> <ul style="list-style-type: none"> -Contact lists. -Procedural documents, personnel files, complaints. -Applications, proposals or documents. -Contracts. -Forms or requests. 					
Current Issues / Actions / Treatments	Due Date	Responsibility			
Undertake additional record training for all staff	Ongoing	HRC			
Fully utilise Synergy	Ongoing	CSIM			
Establish file sentencing structure for Y Drive, migrate records into EDRMS and disable File Server	Jun-22	CSIM			
Assess full digitisation of Town Records and Update Record Keeping Plan accordingly	TBD	CSIM			
Implementation of Project Plan for Names and Address Database	Ongoing	CSIM/CCusC/RO			
Implementation of Agenda and Minutes System	Nov-21	CEOEA/CRS/CCS			
Control Document Solution	Nov-21	CEOEA/CRS/CCS			
Prepare a project plan for SharePoint Online with a view of replacing the EDRMS in Synergy Soft	TBD	EMCS/CCS			
Misconduct (CEO)			Low	Adequate	
<p>Intentional activities in excess of authority granted to an employee, which circumvent endorsed policies, procedures or delegated authority. This would include instances of:</p> <ul style="list-style-type: none"> -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 <p>This does not include instances where it was not an intentional breach - refer Errors, Omissions or Delays, or Inaccurate Advice / Information.</p>					
Current Issues / Actions / Treatments	Due Date	Responsibility			
Internal Policy & Procedures	Ongoing	HRC			
Annual Licence Checks (develop form)	Ongoing	HRC			
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.	Ongoing	HRC			
Deployment of relevant policies and Code of Conduct via Definitiv	Ongoing	HRC			

Town of East Fremantle - Operational Risk Dashboard Report October 2021					
			Risk	Control	
Employment practices (CEO/HRC)			Low	Adequate	
<p>Failure to effectively recruit, manage and lead human resources (full-time, part-time, casuals, temporary and volunteers).</p> <p>This includes:</p> <ul style="list-style-type: none"> -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. 					
Current Issues / Actions / Treatments	Due Date	Responsibility			
<i>Embed Town Values</i>	<i>Ongoing</i>				
<i>Develop an Organisational Development and Training Plan</i>	<i>Ongoing</i>				
<i>Introduce new Online Learning & Induction Platform (LEARN RITE)</i>	<i>Ongoing</i>	<i>HRC</i>			
<i>Annual Review of Workforce Plan</i>	<i>Annual</i>	<i>HRC</i>			
<i>Review of CHSP</i>	<i>Nov-21</i>	<i>EMCS</i>			
<i>Finalisation of Code of Conduct</i>	<i>Aug-21</i>	<i>EACEO</i>			
			Risk	Control	
Project / Change management (All staff)			High	Adequate	
<p>Inadequate analysis, design, delivery and / or status reporting of change initiatives, resulting in additional expenses, time delays or scope changes. This includes:</p> <ul style="list-style-type: none"> -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 <p>This does not include new plant & equipment purchases. Refer "Inadequate Asset Sustainability Practices"</p>					
Current Issues / Actions / Treatments	Due Date	Responsibility			
<i>Project/Change Management Training</i>	<i>Commenced</i>	<i>HRC</i>			
<i>Development of PM Framework</i>	<i>Commenced</i>	<i>CEO</i>			
<i>Development of PM Workbook</i>	<i>Commenced</i>	<i>All Managers</i>			

Town of East Fremantle - Operational Risk Dashboard Report October 2021									
			Risk	Control					
Environment management (SO/EHO)			Moderate	Adequate	Supplier / Contract management (All Managers)				
<p>Inadequate prevention, identification, enforcement and management of environmental issues. The scope includes;</p> <ul style="list-style-type: none"> - 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 					<p>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:</p> <ul style="list-style-type: none"> • Concentration issues (contracts awarded to one supplier) • Vendor sustainability 				
Current Issues / Actions / Treatments		Due Date	Responsibility		Current Issues / Actions / Treatments		Due Date	Responsibility	
Implementation of Weed Management Plans (Foreshore Management/Neirgarup Track)		Dec-22	EMTS		Prepare RFQ Road Sweeping		Dec-21	EMTS	
Develop a foreshore/river erosion management plan (environmental project)		Dec-22	EHO		Prepare RFQ Electrical Services		Dec-21	EMTS	
Annual River Wall inspection program		Dec-21	OM		Prepare RFQ/RFT Annual Parks and Gardens Maintenance Program ie Weedspraying, fertilising...		Dec-21	EMTS	
Jerrat Drive foreshore - Develop Rehabilitation Plan in conjunction with key stakeholders - Subject to external funding		Dec-22	SO/EHO		Review existing purchasing practices - ie No. contracts		Ongoing	EMTS/EMCS	
Development of a Climate Action Plan		Dec-21	SO/EHO		Develop procurement handbook including templates for all RFQs/RFTs		Ongoing	EMCS/CSIM	
Sustainability Projects		Ongoing	SO/EHO		Prepare RFQ Managed ICT Services		Nov-21	EMCS	
Coastal Hazard Risk Management and Adaptation Plan (funding granted \$48,000)		Oct-21	SO/EHO		Ensure that Contract and Tender Register is up to date and meets statutory requirement		Ongoing	MF/CSIM	
Urban Forest Program - WALGA Funding		Oct-21	SO/EHO						

Town of East Fremantle Strategic Risk Dashboard

East Fremantle Oval Precinct Project (CEO)	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	Responsibility
Department Approval	Completed	EMS
Appointment of positions	Completed	CEO
Negotiation of Funding Agreement with State Government	Nov-21	CEO
Project Risk Workshop	Dec-21	CEO
Secure additional Federal Funding or alternatively reduce the scope of works	Jun 21 - Mar 22	CEO

Inadequate provision of facilities or services (Ems)	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	Responsibility
Implementation of Preston Point Master Plan	Ongoing	Exec Managers
Complete liability assessment for Camp Waller	Completed	Exec Managers
Complete site plan for Camp Waller	Completed	Exec Managers
Consultation Community Strategic Plan	Annually	Exec Managers
Bi-annual Community Survey	Jun-22	Exec Managers

Stakeholder Engagement (Reputation) (CCE/CMO/TLCS)	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
Refresh staff awareness of Community Engagement Plan & Corporate Branding Framework	Ongoing	PC
Facilitation of community information sessions	Ongoing	Exec Managers
Review and implement appropriate outcomes from the Technical Levels of Service Review	Dec-21	Services Manager
Configure service types within the Customer Service Module	Ongoing	TLCS

Waste Recycling (Sustainability Officer)	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
Ensure SMRC are meeting residual targets ie State Waste Strategy	Ongoing	Sustainability Officer
Ongoing review of SMRC's performance	Ongoing	CEO/EMCS/EMTS

Strategic Planning (EMRS)	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
Finalised Local Planning Strategy and submitted to WAPC	Jun-22	EMRS
Review Local Planning Scheme	Jul-23	EMRS
Public Advertising of Local Planning Strategy	Nov-21	EMRS
Submit Amendment 17 to July OCM for final endorsement	Completed	EMRS

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