

# TOWN OF COTTESLOE



## AUDIT COMMITTEE

# UNCONFIRMED MINUTES

AUDIT COMMITTEE

HELD IN THE

Mayor's Parlour, Cottesloe Civic Centre, 109 Broome Street, Cottesloe

4:00 PM Wednesday, 8 June 2022

A handwritten signature in blue ink, appearing to read 'Matthew Scott', is positioned above the printed name.

**MATTHEW SCOTT**  
Chief Executive Officer

14 June 2022

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**1 DECLARATION OF MEETING OPENING/ANNOUNCEMENT OF VISITORS**

The Presiding Member announced the meeting opened at 4:00pm.

**1.1 ACKNOWLEDGEMENT OF COUNTRY**

I would like to begin by acknowledging the Whadjuk Nyoongar people, Traditional Custodians of the land on which we meet today, and pay my respects to their Elders past and present. I extend that respect to Aboriginal and Torres Strait Islander peoples here today.

**2 DISCLAIMER**

The Presiding Member drew attention to the Town’s Disclaimer.

**3 ANNOUNCEMENTS BY PRESIDING MEMBER WITHOUT DISCUSSION**

Nil.

**4 ATTENDANCE**

**Members**

Cr Paul MacFarlane	Elected Member
Cr Craig Masarei	Elected Member, Presiding Member
Mr Andrew Dimsey	Community Representative
Mr Ian McKenzie	Community Representative

**Officers**

Mr Matthew Scott	Chief Executive Officer
Mr Shane Collie	Director Corporate Services and Governance
Ms Lauren Davies	Finance Manager
Ms Irene Wai Shan Au-Yeung	Assistant Finance Manager
Ms Kate Saunders	Executive Services Officer

**Visitors**

Mr Michael Hoang	Ernst and Young (Consultants)
Ms Alveena Anthony	Ernst and Young (Consultants)
Ms Nayna Raniga	Director – Financial Audit, Office of the Auditor General for Western Australia.

**Apologies**

Cr Brad Wylynko	Elected Member
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**5 DECLARATION OF INTERESTS**

Nil.

**6 CONFIRMATION OF MINUTES**

AC005/2022

Moved Mr McKenzie

Seconded Mr Dimsey

That the Minutes of the Audit Committee Meeting held on Wednesday 2 February 2022 be confirmed as a true and accurate record.

Carried 4/0

**7 PRESENTATIONS****7.1 AUDIT PLAN**

**Attachments: 7.1(a) Audit Plan 2022 [CONFIDENTIAL] [UNDER SEPARATE COVER]**

The 2022/23 Audit Plan was provided as a confidential Attachment and was presented by the following representatives from the Town's auditors, Ernst & Young:

- Mr Michael Hoang, Assurance Partner; and
- Ms Alveen Anthony, Senior Manager - Assurance.

The Audit Committee discussed the recommendation from the Audit Plan 2022 to perform a fair value review for infrastructure assets under care and control of the Town. This is in light of known material increases to construction and material costs and probable gaps in value.

The Audit Committee noted that WALGA have provided a recommendation to the Minister in relation to revising the financial ratios that underpin performance indicators for local government authorities.

The Audit Plan presented was to the satisfaction of the Committee.

Mr Hoang, Ms Raniga, Ms Anthony left the meeting at 4.25pm.

**8 REPORTS****8.1 REPORTS OF OFFICERS****8.1.1 2022 FINANCIAL MANAGEMENT REVIEW**

**Directorate:** Corporate and Community Services  
**Author(s):** Shane Collie, Director Corporate and Community Services  
**Authoriser(s):** Matthew Scott, Chief Executive Officer  
**File Reference:** D22/25432  
**Applicant(s):** Internal  
**Author Disclosure of Interest:** Nil

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**SUMMARY**

To consider a report into the financial systems of the Town undertaken by Butler Settineri, prepared in accordance with Local Government (Financial Management) Regulation 5(2).

**OFFICER RECOMMENDATION IN BRIEF**

For the Audit Committee to recommend to Council that it NOTES the matters identified in the 2022 Financial Management Review and ENDORSES the actions of staff in responding to these matters.

**BACKGROUND**

A Financial Management Review is required to be undertaken not less than once in every 3 financial years in accordance with Clause 5(2) of the Local Government (Financial Management) Regulations 1996.

Following a competitive quotation process, the Town administration engaged the services of Butler Settineri to undertake this review in January 2022 which was subsequently carried out in March 2022 based on the financial systems in place as at 31 December 2021.

**OFFICER COMMENT**

The Report identified seventeen matters for further consideration during the Review which are broadly listed into 3 categories:

- Items for attention/action
- Items that are minor and are reflective of the size or the organisation and the limited resources available
- Items that are anticipated to be addressed in conjunction with improved technology and systems

There were no disputes as to the matters raised and none were considered to be extreme or of a substantial risk to the Town.

Officer comment regarding the seventeen issues are contained in the Review which is attached including the associated action on each matter.

**ATTACHMENTS**

- 8.1.1(a) **Audit Committee Attachment - 2022 Financial Management Review [under separate cover]**

**CONSULTATION**

Finance Staff and Butler Settineri

**STATUTORY IMPLICATIONS**

Local Government Financial Management Regulation 5(2) states that the CEO is to

- (c) undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.

**POLICY IMPLICATIONS**

There are no perceived policy implications arising from the officer's recommendation.

**STRATEGIC IMPLICATIONS**

This report is consistent with the Town's *Strategic Community Plan 2013 – 2023*.

Priority Area 6: Providing open and accountable local governance

Major Strategy 6.2: Continue to deliver high quality governance, administration, resource management and professional development.

**RESOURCE IMPLICATIONS**

The cost associated with undertaking the Review was included as part of the 2021/22 Budget Review at an amount of \$9,570.

**ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS**

There are no perceived sustainability implications arising from the officer's recommendation.

**VOTING REQUIREMENT**

Simple Majority

**AC006/2022**

**OFFICER AND COMMITTEE RECOMMENDATION**

Moved Cr MacFarlane                      Seconded Mr Dimsey

**THAT the Audit Committee RECOMMENDS to Council that the matters identified in the 2022 Financial Management Review be noted, and the actions of staff in responding to these matters endorsed.**

**Carried 4/0**

AC007/2022

**COUNCILLOR MOTION**

Moved Mr Dimsey

Seconded Cr MacFarlane

**THAT the Administration provides a progress report to the Audit Committee on the actions recommended in the 2022 Financial Management Review.**

**Carried 4/0**

COUNCILLOR RATIONALE:

The Committee added a new motion requesting an update on action taken to address the recommendations outlined in the 2022 Financial Management Review.

**8.2 ITEMS FOR DISCUSSION**

**8.2.1 COMPLIANCE CALENDAR**

**Attachments: 8.2.1(a) Compliance Calendar [under separate cover]**

The Compliance Calendar – June 2022 was provided for the information of the Audit Committee. Actions are underway on matters outstanding.

**8.2.2 AUDIT COMMITTEE RESOLUTION DATABASE**

**Attachments: 8.2.2(a) Audit Committee Resolution Database [under separate cover]**

The Audit Committee Resolution Database – June 2022 provided an update on Council resolutions put forward by the Audit Committee.

**8.2.3 ENTERPRISE RESOURCE PLANNING SYSTEM UPDATE**

Mr Collie highlighted the Enterprise Resource Planning (ERP) system is an essential and resource intensive project to advance the organisation and bring about operational efficiencies. The ERP system encompasses multiple modules including compliance, bookings, accounting, amongst many others.

**8.2.4 AUDIT REGULATION 17 REVIEW**

Mr Darren Long from DL Consultants has been engaged to undertake the Audit Regulation 17 Review as required by legislation below. The Review has commenced and it is anticipated to be complete in time for the next Audit Committee meeting.

*Local Government (Audit) Regulations 1996**17. CEO to review certain systems and procedures*

- (1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —
  - (a) risk management; and*
  - (b) internal control; and*
  - (c) legislative compliance.**
- (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.*
- (3) The CEO is to report to the audit committee the results of that review.*

**9 GENERAL BUSINESS**

**9.1 COMMITTEE MEMBERS**

**9.2 OFFICERS**

**10 MEETING CLOSED TO PUBLIC**

**10.1 MATTERS FOR WHICH THE MEETING MAY BE CLOSED**

**11 NEXT MEETING**

The next meeting is scheduled for Wednesday, 7 September 2022.

**12 MEETING CLOSURE**

The Presiding Member announced the meeting closed at 4:45pm.

# TOWN OF COTTESLOE



## AUDIT COMMITTEE

# ATTACHMENT

**ITEM 8.1.1A:  
AUDIT COMMITTEE ATTACHMENT - 2022  
FINANCIAL MANAGEMENT REVIEW**

# BUTLER SETTINERI

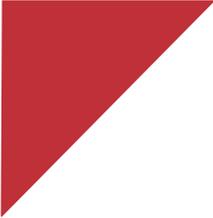
*Real People. Better Business.*



## FINANCIAL MANAGEMENT REVIEW

TOWN OF COTTESLOE

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## DISCLAIMER

This report is provided in accordance with the agreed upon procedures engagement letter dated 19 January 2022 and is subject to its terms and conditions.

Our work was limited to that described in this report and was performed in accordance with ASRS 4400 as issued by AUASB. It did not constitute an examination or a review in accordance with generally accepted auditing standards or assurance standards. Accordingly, we provide no opinion or other form of assurance with respect to our work or the information upon which our work was based. We did not audit or otherwise verify the information supplied to us in connection with this review, except to the extent specified in this report.

Our work was based only on the information made available up to the date of the review. Accordingly, changes in circumstances after this date or the availability of other information could affect our findings

This report is intended solely for Town of Cottesloe's internal use and benefit and may not be relied on by any other party. We accept no liability or responsibility to any other party who gains access to this report.

## EXECUTIVE SUMMARY

### 1.1 Background

As outlined in our engagement letter dated 19 January 2022, you engaged us to perform a review of the Town's compliance with Local Government laws and regulations and the review of the appropriateness and effectiveness of the Town's systems and procedures in relation to risk management and internal control.

The Town of Cottesloe is a local government based in Western Australia. It is governed by a Mayor, eight (8) Councilors, three (3) Directors and the CEO of the Town. Council is responsible for planning and making decisions on policies and developments affecting the area.

At the time of the review, the Town employed approximately seventy one (71) staff to implement the Council's decisions, run its day-to-day operations and provide a range of programs and services for the community.

As required by Regulation 5(2) of the Local Government (Financial Management) Regulations 1996, the Chief Executive Officer ("CEO") is to review the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly. The CEO is also required to report to the audit committee the results of this review.

The CEO outsourced the above review and engaged Butler Settineri (Audit) Pty Ltd to conduct the reviews on his behalf. We were engaged on 19 January 2022 and we performed the engagement in February 2022 and have included the result of review in this report.

### 1.2 Review objectives and scope

The objective of this review is to assess the Town's compliance with Local Government laws and regulations through enquiry, inspection and observation and review the appropriateness and effectiveness of the Town's system and procedures in relation to risk management, internal control and financial management systems by performing system walkthroughs, enquiry, inspection and observation.

The scope included review of the policies, procedures and plans in the areas and cycles described in Appendix B to this report.

### 1.2.1 Risk Management, Legislative Compliance and Internal Controls Review

We applied the following methodology:

- Conducted onsite interviews with key personnel involved in risk management, financial management and legislative compliance;
- Risk Management:
  - review policies, procedures and plans;
  - assess the adequacy of management's risk identification process;
  - review the adequacy of the Town's frameworks for monitoring and reporting;
  - review business continuity policies and processes;
  - assess whether the Town's has insurance cover; and
  - review the Town's policies and processes in relation to fraud identification and misconduct risk management.
- Internal controls:
  - review of the Town's documented procedures;
  - assessment of segregation of duties;
  - review of the adequacy of the Town's delegation of authority;
  - assess the effectiveness and adherence to policies; and
  - assess the Town's control environment in relation to information technology.
- Legislative Compliance – review the Shires processes in relation to:
  - monitoring and capturing of compliance issues;
  - updates of information;
  - information and data management; and
  - complaints management.

### 1.2.2 Financial Management Review

As agreed in our engagement letter, our examination covered the period 1 January 2019 to 31 December 2021. We examined the following financial systems and procedures of the Town:

- Revenue – Rates, Fees and Charges and Receivables;
- Expenditure – Procurement, Payments, Credit Cards, EFT's, Cost Control, and Salaries and Wages;
- Assets – Asset Register Maintenance, Additions and Disposals, Depreciation and Safe Guarding of Assets;
- General – General Journals, Bank Reconciliations, Record Keeping, Authorisations and Delegations;
- Compliance – GST, FBT, Minute and Meetings, Registers, Delegations and Audit Committee;
- Statutory Documents – Annual Budget, Financial Report and Policies and Procedures.

We applied the following methodology:

- We obtained a list of all the policies and procedures as documented by the Town;
- We compared this listing and the relevant areas covered by these policies to the Local Government Act and Regulations, in particular the Local Government (Financial Management) Regulations, as amended from time to time;
- We noted areas of concern, in particular where we identified a lack of documented policies and procedures, or where documented policies and procedures deviated from the requirements of the Regulations;
- We performed walkthroughs of all significant transaction cycles. Our decision to perform a walkthrough was based on the significance of a particular cycle in terms of either the dollar value it represented in the annual financial statements (reference year 2020/21) or the strategic importance as noted in the Regulations or discussions from management;
- From these walkthroughs we noted areas of concern for discussion with management. Areas of concern include any significant deviation from the documented framework, or where the current framework did not address key risk areas;
- From the work performed above, we prepared a draft report to identify specific key risk areas and potential improvement recommendations.

## Outcomes

### 1.2.1 Risk Management, Legislative Compliance and Internal Controls Review

We found that the Town has adequate policies and procedures in place that ensure that the Town has an effective risk management framework which identifies risks and improvements throughout the Town's key business areas, however we do have some recommendations for improvements.

The Town also has adequate policies and procedures in place for internal controls and compliance with legislation; however, we do have some recommendations for improvements.

### 1.2.2 Financial Management Review

From the work performed during our review, we note that the financial management framework is generally in good order.

In particular, we found that all major controls in relation to financial controls for the receipting of monies, control over expenditure, revenue and record keeping are in place and functional.

Therefore, most of our findings in relation to these areas are categorised as "Moderate" or "Minor", which indicate a generally good system of internal control.

Our detailed recommendations for improvement identified during our review can be found in Appendix A of this report.

These recommendations have been discussed with management and action plans to address these risks within acceptable timeframes were agreed on.

We would like to take this opportunity to thank all staff involved in this review for their courteous assistance, in particular Lauren and the rest of the administration and finance team.

BUTLER SETTINERI (AUDIT) PTY LTD



Robert Hall CA  
Director

Date: 21 March 2022

## APPENDIX A: RECOMMENDED IMPROVEMENTS

### RISK RATINGS

The Ratings in this Appendix are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

Risk ratings have been assigned to issues raised in this report as follows:

<b>Control is Inadequate</b>	<b>Extreme</b>	Can be expected to occur in most circumstances; more than 75% chance of occurring; complex process with minimal checks & balances; impacting factors outside the control of the organisation. Those findings where there is potentially an extreme risk to the entity should the finding not be addressed by the entity promptly.
	<b>Significant</b>	Will probably occur in most circumstances; 50-75% chance of occurring; complex process with some checks & balances; impacting factors outside the control of the organisation. Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly.
	<b>Moderate</b>	Might occur at some time; 25 – 50% chance of occurring; previous audits/reports indicate non-compliance; complex process with extensive checks & balances; impacting factors outside control of organisation. Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
<b>Control is Adequate</b>	<b>Minor</b>	Could occur at some time; less than 25% chance of occurring; non-complex process &/or existence of checks and balances. Those findings that are not of primary concern but still warrant action being taken.

## 2019 FMR FINDINGS THAT REMAIN UNRESOLVED AT 31 DECEMBER 2021

Number	Accounting Cycle	Audit Findings/Comment	Rating	Recommendation	Management comment
1.1	Cash & Banking	<p>We noted that the Administration Officer is responsible for receipting and the preparation of the Daily Receipt Listing at the end of each day.</p> <p>We further note that the till at reception is counted by the Front Officer in-charge for the day without a second employee being present.</p>	Moderate	We recommend that the daily cash count be performed in the presence of a second employee.	Our staff performs three checks of the float each working day, one at the start of the day, another mid-afternoon and the final count at the end of each working day. We don't disagree with the recommendation however current staffing levels do not allow having a second person at each cash count. And also this would not prevent a staff member from taking cash over the counter and not receipting it at all. Please note that this area is monitored by CCTV.
1.2	Rates	<p>We understand that the End of Year Summary of Tasks is performed by the Assistant Finance Manager and Finance Manager with the assistance of an external consultant.</p> <p>However, we noted that there is a risk of breach of confidentiality in that residents' personal details are made available to the external consultant through the rates system.</p>	Moderate	<p>We recommend that the End of Year Summary of Tasks be performed entirely by the Town's own staff without the assistance of the external consultant to minimise the risk of breach of confidentiality.</p> <p>Alternatively, the Town should conclude a signed confidentiality agreement with the external consultant to mitigate the risk.</p>	The end of year tasks are complex in nature and can have far reaching consequences if not performed appropriately. We take a team approach to these tasks which include both internal staff and an external consultant. It is not practical for this consultant not to have access to the system however we accept that a signed confidentiality agreement should be in place to mitigate the risk.
1.3	Fees and charges – Building & Development Applications	<p>In respect of Private Works Orders relating to Building and Development Applications, we understand that residents complete an Application Form which is submitted to the Secretary of the Planning Department.</p> <p>Residents may choose to pay upfront via cash, cheque or credit card or choose to pay on completion of the works.</p> <p>As fees &amp; charges revenue is only recorded on a receipts basis and no invoices are issued, the income in respect of those instances when residents elect to pay on completion of the works may not be recorded in the period to which the revenue relates.</p>	Moderate	<p>We recommend recognising revenue on approval of final works completion reports by issuing invoices via Civica Authority instead of recognising revenue on the receipt of payment in order to ensure the complete and timely recording of Fees &amp; Charges revenue.</p> <p>Further, we recommend that this process be included in the Town policy manual.</p>	Unfortunately, BA's and DA's and the fees and bonds payable are not able to be raised via an invoice as payment is required in advance and also trust amounts cannot be raised by invoice.
1.4	Fees and charges – Building & Development Applications	<p>We understand that the Statutory Planning Coordinator obtains the completed Building or Development Application Forms submitted by the residents with their credit card details for payment.</p> <p>As the resident supplied their credit card details in the Application Form, the Town's officers have access to these details and there is a risk that these officers use the credit card details fraudulently.</p>	Moderate	We recommend that credit card details are not provided by residents as a means of payment, but an invoice is issued instead via Civica Authority. The invoice serves as a requirement to settle the final balance of fees and an ageing of customer invoices be reviewed to action the follow up and recovery of fees.	We are endeavouring to put in place processes and procedures to minimise the occasions whereby credit card details are taken manually by officers. However, we feel that the risk of an officer using these details to commit a fraud is low.

## 2022 FINANCIAL MANAGEMENT REVIEW (FMR) FINDINGS

### Governance and Risk Management

Number	Policy/Plan	Audit Findings/Comment	Rating	Implication	Recommendation	Management Comment
2.1	Risk Register	During our audit we noted that the Town had not updated the Risk Register since September 2019.	Moderate	<p>Risk Management is a framework of culture, processes and structures directed towards effective risk management. This includes consideration of both potential opportunities and adverse effects on existing operations. As all actions and transactions involve risk, effective risk management involves the anticipating, understanding and monitoring of risk. It contributes to good corporate governance by providing reasonable assurance to Council, Executive Management and the community that the organisational objectives will be achieved within a tolerable degree of residual risk.</p> <p>Circumstances change frequently, therefore without an updated Risk Register, the Town has exposure to risks that if unmanaged, may have an adverse impact on the achievement of organisational objectives.</p>	The Town should update the Risk Register frequently and present this to the Audit committee and where appropriate to the Council on a regular basis.	It appears that the Town commenced a review of its Risk Management Processes in 2019 but it was not finalised with the turnover of staff, principally the CEO and DCEO. The Town has a Risk Management Policy in place and this will be reviewed over the coming months as well as picking up on the 2019 work commenced but not concluded. Scheduled for the June of October Audit Committee meeting.

2.2	Risk Management Policy	During the audit, we noticed that the Town does not have an updated Risk Management Policy and framework. The Council adopted the previous Risk Management Policy on 23 November 2015 and has not been reviewed or updated thereafter.	Moderate	<p>The Policy of Risk Management at the Town is to ensure an enterprise wide risk management framework is implemented that:</p> <ul style="list-style-type: none"> <li>• identifies, manages and monitors key strategic and operational risk;</li> <li>• documents, monitors and reviews risk appetite;</li> <li>• fosters a risk mature environment where Council and Officers take responsibility for risk management through integrated practices;</li> <li>• safeguards the Town's people, assets, property, reputation and information;</li> <li>• promotes an environment where risk management principles and practices are the tools to the achievement of organisational goals;</li> <li>• provides the resources required to execute controls and minimise adverse reaction to risks;</li> <li>• guides decision making and manages potential opportunities;</li> <li>• outlines roles and responsibilities</li> </ul> <p>Without a regular review of the risk management policy, the Town may be exposed to new risks arising that are not covered by the policy and that if unmanaged, may have an adverse impact on the achievement of organisational objectives.</p>	The Risk Management Policy and framework should be reviewed regularly for continued relevance and improvements should be made as required.	See above.
2.3	Procurement Policy	During our audit we noticed that the Town does not raise a purchase order for purchases where a contract or agreement is in place i.e: utility bills etc. However, we noted that the exemption to not issue a purchase order in these circumstances is not stated in the Procurement Policy.	Minor	A lack of clear stated policy contained within the Procurement Policy can lead to confusion amongst staff and possibly result in financial loss to the Town should the policy not be followed.	We recommend that the Town updates the Procurement Policy to clearly state the circumstances under which purchase orders are not required to be issued.	Agreed. It is common practice in local government to not issue Purchase Orders for utilities, insurance premiums or similar ongoing and regular day to day expenses which are budgeted for. An amendment to the Town's Purchasing Policy to identify the specific situations where this applies will be undertaken.
2.4	Review of systems and procedures	The Local Government (Audit) Regulations 1996 paragraph 17 requires the CEO to undertake a review of the appropriateness and effectiveness of a local government's system and procedures in relation to risk management, internal control and legislative compliance, no less than every three financial years. The Town was unable to provide evidence of the last review or when this was conducted.	Significant	The Town has not complied with regulation 17(2) of the Local Government (Audit) Regulations 1996.	We recommend that the review as required by The Local Government (Audit) Regulations 1996 paragraph 17 is undertaken by the CEO as soon as possible.	The Review is presently underway.

## Safeguarding of Assets

Number	Policy/Plan	Audit Findings/Comment	Rating	Implication	Recommendation	Management Comment
3.1	Safeguarding of keys to the key box	<p>During our audit, we observed that the key box is located near the Admin Officer's desk and is left open throughout the day and only locked at the end of the day.</p> <p>We also noticed that the key to the key box is kept in the Admin Officer's drawer which is locked by a key. However, the key to this drawer is kept randomly in another unlocked adjacent drawer. The key to this drawer is easily accessible to all the admin and finance staff in the office.</p>	Moderate	The keys could be accessed by unauthorised persons and sensitive or confidential information could be compromised	We recommend that access to the master key to the key box is limited to authorised personal only and stored in a secure location with sufficient access controls.	<p>The main key box for the Town is situated in the Rangers Office.</p> <p>Previously up to 2-3 months ago there was no key box at the front counter. All keys were kept in the drawer – which was locked.</p> <p>Implementing the key box has resulted in an improved storage system, and an extra step in the previous step to locate a key to open it has been implemented with the steps that you have in your findings.</p> <p>Management will implement an extra step in the 3 part process, &amp; hide the key in another location. Management believes this is a Minor risk, as it is already a 3 part process. As someone would have to know that a key existed at the front counter, in the unlocked drawer, that then opens the locked drawer, which has the key in it that then unlocks the locked key box, and then find the key for the server room</p>

## System and IT Controls

Number	Policy/Plan	Audit Findings/Comment	Rating	Implication	Recommendation	Management Comment
4.1	Server cabinet not located in a restricted area	<p>We observed that the IT server room is easily accessible to all the employees without any restrictions. We noted that the key to the server cabinet is left in the cabinet door and not stored securely.</p> <p>We further noted that the key to the server room is kept in the key box located in the admin office.</p> <p>The key to the key box is kept in the Admin Officer's drawer which is locked by a key. However, the key to this drawer is kept randomly in another unlocked adjacent drawer. The key to this drawer is easily accessible to all the admin and finance staff in the office.</p>	Significant	The server and records could be accessed by unauthorised persons and sensitive or confidential information could be compromised.	<p>We recommend that the key to the server cabinet be securely stored and not left on the door to the server cabinet and that the server room is locked at all times with access restricted to authorised employees.</p> <p>We further recommend that access to the master key to the key box is limited to authorised personal only and stored in a secure location with sufficient access controls.</p>	The servers are in the process of being moved off site. Data is already stored offsite.
4.2	Masterfile Amendments Policy	We noted one instance where a former Accounts Payable Officer now employed as a Service Administration Officer, continues to have access rights to change the supplier bank account details in the Authority system.	Moderate	Supplier details and records, including banking details, could be accessed by unauthorised persons and altered.	We recommend removing the access rights to change the supplier bank account details in the Authority system for those employees who do not warrant such access.	<p>Noted, and this employee has now been removed from all AP functions in Authority.</p> <p>However this is minor – each week before the AP run, a report is run which identifies changes made to supplier details, and additions. This file is checked by the AFM &amp; FM &amp; is signed off weekly. This one employee who still has these rights would be identified in that check if they made changes.</p>

## Cash and Banking

Number	Policy/Plan	Audit Findings/Comment	Rating	Implication	Recommendation	Management Comment
5.1	Safeguarding of cash and cheques.	<p>During the audit, we observed that the cash and cheques for the next day's banking is kept in the safe and the key to the safe is stored in the key box.</p> <p>We noticed that the key to the key box is kept in the Admin Officer's drawer which is locked by a key. However, the key to this drawer is kept randomly in another unlocked adjacent drawer. The key to this drawer is easily accessible to all the admin and finance staff in the office.</p>	Significant	The safe could be accessed by unauthorised persons and could lead to loss of cash.	We recommend that access to the master key to the key box is limited to authorised personal only and stored in a secure location with sufficient access controls to limit the loss of cash.	<p>As per comments above in 3.1 – the ability to gain access to that key is not a simple one, and do not believe this is a significant risk.</p> <p>As per comment in 3.1, an extra step will be implemented in process to further hide the key. Only Finance personnel who are responsible for counting of cash, plus AFM &amp; FM will know the whereabouts of this "hidden" key.</p>
5.2	Long Outstanding Items on Bank Reconciliations	During our review of municipal bank reconciliations, we noted many outstanding cheque payment dating back to May 2019.	Minor	Long outstanding reconciling items past their expiry dates are reflected on bank reconciliations without any possibility of being honoured and thus affect the accuracy of the bank balance. Review of bank reconciliations represent a key control and if not performed adequately may result in errors or omissions in the accounting records going undetected.	We recommend that the identification of stale cheques and long outstanding transactions for follow up be prioritised as part of the review of monthly bank reconciliations. Where cheques have become stale, we recommend these are cancelled, reversed and re-issued with correct details when these become known.	LD Comments – agree we will change this process at month end.

## Payroll

Number	Policy/Plan	Audit Findings/Comment	Rating	Implication	Recommendation	Management Comment
6.1	Leave forms not completed	We found that a leave form in respect of 3 hours of annual leave processed through the payroll was not completed on 1 occasion.	Moderate	Leave processed within the system is not supported by an authorised leave form.	We recommend that leave forms are completed for all forms of leave and are duly authorised by the appropriate manager before leave is processed to the payroll system.	<p>In this circumstance, one of the depot staff took a few hrs of AL and the auditor required a signed form for the 3 hrs. Both payroll officer &amp; AFM explained that a form is not required in this circumstance as:</p> <p>(1) line manager/supervisor authorises the timesheet which is a form of authorisation.</p> <p>(2) we use AL if staff have insufficient SL hrs after obtaining employee and manager approval</p> <p>In this instance, there will not be a form.</p>
6.2	No incremental letters to employees	We noted that when an employee had received an increase in pay, there was no correspondence on file to evidence that the increase had formerly been communicated to the employee.	Minor	The absence of a formal increment letter makes it difficult to resolve any potential pay disputes with employees.	We recommend that management ensure increment letters are issued to employees to formerly communicate pay increment events and that these are placed on employee files as evidence of the communication.	Management agrees and will make this change.
6.3	Safeguarding of pay slips	We noticed that the payslips for casual employees are kept in a tray near the account officer's desk for the casual employees to manually collect.	Significant	<p>Payslips contain confidential information about an employee and their pay.</p> <p>The Town could be liable for a breach of confidentiality should the payslips be accessed by</p>	For casual staff we recommend that either the payslips are stored securely in a locked drawer with sufficient access controls to ensure payslips are not accessible to all staff and that casual staff sign on	<p>We will change the process, to either be hand delivered in person, or posted for casual staff.</p> <p>Depot staff – we will designate a senior management staff member to hand deliver those.</p>

		<p>We further note that the payslips for depot staff are placed in a manual file and also placed in the tray near the account officer's desk for the staff to manually collect.</p> <p>The tray and is easily accessible to all the staff who work at the Town.</p>		<p>those other than the staff member to whom the payslip relates.</p>	<p>collection of their payslip or the payslips are e-mailed or posted to the casual employees.</p> <p>For depot staff we recommend that a dedicated member of senior management is tasked to hand deliver payslips to the staff or that the payslips are either e-mailed or posted to the employees.</p>	<p>When the new ERP system is live from 1/7/23 payslips will be deliverable via app or online for all staff.</p>
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**Procurement and Purchase**

Number	Policy/Plan	Audit Findings/Comment	Rating	Implication	Recommendation	Management Comment
7.1	Delegation of authority for payments	<p>According to section 2.1 of the Delegated Authority Register, the authority to make payments from the Municipal and Trust Funds rest with the CEO. This power is sub delegated to the Director of Corporate and Community Services and the Finance Manager.</p> <p>We noted that the Assistant Financial Manager and the other directors can act as a signatory to these bank accounts, and we note one instance where the Assistant Finance Manager acted as the first signatory to a payment.</p>	Significant	<p>Payments are being authorised without the required delegation of authority approved by Council.</p>	<p>We recommend that the Delegated Authority Register is updated to include the sub delegation to the Assistant Finance Manager to act as a signatory to approve payments and that this is approved by Council.</p>	<p>The AFM is never an authoriser of a payment run. The AFM can only operate as the device operator, and approve the payment run in the bank – only because 2 authorised staff have co-signed the payment.</p> <p>The 2 other directors are able to authorise payments (authorise payments &amp; approve the payment in NAB if signed by 2 authorisers). They are not listed on the delegated authority Register, and management agree that this needs to be rectified.</p>

## APPENDIX B: LIST OF POLICIES AND PROCEDURES COVERED BY THIS REVIEW

### A. Town Policies

- Risk Management Policy
- Purchasing & Procurement Policy
- Purchasing Authority Limits Policy
- Rate Recovery Policy
- Delegation Authority Register
- Management of Investments Policy
- Differential Rating Policy
- Corporate Credit Card Policy
- Asset Management Policy
- Asset Management Plan
- Vehicle Fleet Administration Policy
- Sale of Fixed Assets with Realisable Value Policy
- Civic Centre Hall Booking Policy
- Record Management Policy
- Recordkeeping Plan
- Hardship Policy
- 

### B. Town Procedures

- Internal Control Procedure
- 

### C. Legislative Compliance

- Local Government (Audit) Regulations 1996
  - Regulation 7, Regulation 10 and Regulation 17
- Section 7 of the Department of Local Government Accounting Manual
- Local Government (Elections) Regulation 1996
  - Part 5A Disclosure of gifts-30G Register
- Local Government (Administration) Regulation 1996
  - Part 4 Local Government Employees-Regulation 18A to 18G
- Local Government Act 1995
  - Section 6.4
  - Section 5.16 to 5.18A
  - Section 5.36 to 5.37
  - Section 5.45 to 5.46
  - Section 5.67 to 5.68
  - Section 5.73 to 5.77
  - Section 5.88
  - Section 5.103
  - Section 5.120 to 5.121
  - Section 3.57 to 3.58
  - Section 7.1A to 7.1C
  - Section 7.3
  - Section 7.9
  - Section 7.12
- Local Government (Functions and General) Regulations 1996
  - Part 4 Provision of goods and services-Regulation
  - Part 3 Commercial enterprises by local governments
- Local Government (Financial Management) Regulations 1996
  - Regulation 5 to Regulation 13
  - Regulation 34

Please provide us with feedback to help us improve our service and offering in the future by answering the following questions:

1. Do you feel that we have listened to you during the audit engagement?
2. Do you feel that we responded to your requests in a timely manner?
3. Do you feel that we understood your needs during the engagement?

Ways in which you can provide feedback to us:



In person



Email



Our website



Google + review

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Unit 16, First Floor  
Spectrum Offices  
100 Railway Road (Cnr Hay Street)  
SUBIACO WA 6008

**Postal Address**

Locked Bag 18  
Subiaco WA 6904

**Phone**

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# TOWN OF COTTESLOE



## AUDIT COMMITTEE

# ATTACHMENT

## ITEM 8.2.1A: COMPLIANCE CALENDAR

**Compliance Calendar 2021/22 - Town of Cottesloe**  
Updated June 2022

Responsibility for each

	Compliance Action	Compliance Requirement	Section / Ref	Good Practice Resources and LG Operational Procedures	Compliance Frequency	Position Title Officer Responsible for Action Compliance	Date Completed	Records Ref (Evidence of completion)	Comments. If Action not completed, report on plan to rectify non-compliance
	<b>March - Take Action</b>								
Mar	<b>Monthly Financial Report</b> LG is to prepare each month a statement of financial activity reporting on the revenue and expenditure as set out in the annual budget under FM.Reg.22(1)(d). Presented at an Ordinary Council meeting within 2-months after the end of the month to which the statement relates.	Local Government Act 1995	s.6.4 FM.Reg.34	<b>DLGSC</b> WA Local Government Accounting Manual	Monthly	Finance Manager			Complete
Mar	<b>Primary Returns</b> - Request Primary Return from any new employee who is a Designated Employee. Return must be received by CEO within <b>3 months</b> of the person's start day	Local Government Act 1995	s.5.75	<b>WALGA</b> Guideline - Primary and Annual Returns Management <b>DLGSC</b> Operational Guideline No.21 Disclosure of Financial Interests in Returns	Bi-monthly	Executive Officer			No new Designated Employees
Mar	<b>Financial Interests Register - Review</b> Review register to remove Primary and Annual Returns (not other interest disclosures) from the Financial Interest Register that relate to persons who are no longer Designated Employees (resigned or changed roles) or for Elected Members who have resigned. Returns that are removed are to be kept by the CEO as LG Record for at least <b>5 years</b> after the person ceased to be a Designated Employee.	Local Government Act 1995	s.5.88(3)(4)		Bi-monthly	Executive Officer			Complete
Mar	<b>Emergency Services Levy - Option B Payment</b> <b>Due Due by: 21 March</b> and ESL Assessment Profile Return Form A	DFES - ESL Manual of Operating Procedures		<b>DFES</b> -ESL Manual of Operating Procedures	Quarterly	Finance Manager			Complete
Mar	<b>Compliance Audit Return - Report to Audit Committee</b> Compliance Audit Return, report considered by Audit Committee, with recommendations to Council. <b>Note</b> - Schedule Committee / Council consideration with sufficient time to enable submission to DLGSCI by <b>31 March</b>	Local Government Act 1995	s.7.13(1)(i) Audit.Reg. 13, 14 and 15		Annual	Director Corporate and Community Services			Complete
Mar	<b>Compliance Audit Return - Report to DLGSCI</b> Compliance Audit Return certified by CEO and President / Mayor. Copy of Compliance Audit Return and Council report / minutes provided to Executive Director of DLGSCI <b>DUE: 31 March</b>	Local Government Act 1995	s.7.13(1)(i) Audit.Reg. 13, 14 and 15		Annual	Director Corporate and Community Services			Complete
Mar	<b>Other - Complete Budget Review</b>					Finance Manager			Complete
Mar	<b>Other - Commence Budget 2022/23</b>					Finance Manager			Underway

## Compliance Calendar 2021/22 - Town of Cottesloe

Updated June 2022

Responsibility for each

	Compliance Action	Compliance Requirement	Section / Ref	Good Practice Resources and LG Operational Procedures	Compliance Frequency	Position Title Officer Responsible for Action Compliance	Date Completed	Records Ref (Evidence of completion)	Comments. If Action not completed, report on plan to rectify non-compliance
	<b>April - Take Action</b>								
Apr	<b>Monthly Financial Report</b> LG is to prepare each month a statement of financial activity reporting on the revenue and expenditure as set out in the annual budget under FM.Reg.22(1)(d). Presented at an Ordinary Council meeting within 2-months after the end of the month to which the statement relates.	Local Government Act 1995	s.6.4 FM.Reg.34	<b>DLGSC</b> WA Local Government Accounting Manual	Monthly	Finance Manager			Complete
Apr	<b>Elections - Enrolment Eligibility Claims (Owners and Occupiers) Register</b> - Prepare for Elections - Review register and take action re expired Eligibility Claims (no longer property owner / claim based on occupation or nominee expired)	Local Government Act 1995	s.4.35 Elections Regs. 14 and 15 Form 6 and 7	<b>WALGA</b> Template Enrolment Eligibility Claims Register	Biannual (Apr & Nov)	Director Corporate and Community Services & Corporate Services and Engagement Officer			Remains outstanding
Apr	<b>Audit - Compliance Audit Return Action Plan</b> Prepare a Compliance Audit Return Action Plan that assigns responsibility and timeframes for implementing outcomes / actions arising from the Compliance Audit Return. Provide Compliance Audit Return Action Plan to Council via Audit Committee for endorsement.	n/a	n/a	Operational Practice	Annual or as required	Director Corporate and Community Services			Actions complete
Apr	<b>Audit - Compliance Audit Return Action Plan</b> Prepare an Compliance Audit Return Action Plan <b>progress report</b> that details progress to completing outcomes / actions arising from the Audit Report. Provide Compliance Audit Return Action Plan Progress Report to Council via Audit Committee for endorsement.	n/a	n/a	Operational Practice	Annual or as required	Director Corporate and Community Services & Finance Manager			Actions complete
Apr	<b>Public Access to Information - Audit</b> Check LG website, Library and LG office to ensure all information listed in s.5.94 and Admin. Reg.29 is publicly accessible (see s.5.96 too) and that customer service staff are trained to provide access accordingly. Audit to note limitations: s.5.95 and Admin. Regs. 29A and 29B	Local Government Act 1995	s.5.94 Admin. Reg.29 s.5.95 s.5.96 Admin. Regs 29A and 29B	<b>WALGA</b> Guideline - Schedule of Public Information Access	Annual	Director Corporate and Community Services & Finance Manager			Remains outstanding
Apr	<b>Other - Check Regulation 17 Review</b>					Director Corporate and Community Services			Underway
Apr	<b>Other - ANZAC Day Ceremony</b>					Events Coordinator			Complete

## Compliance Calendar 2021/22 - Town of Cottesloe

Updated June 2022

Responsibility for each

	Compliance Action	Compliance Requirement	Section / Ref	Good Practice Resources and LG Operational Procedures	Compliance Frequency	Position Title Officer Responsible for Action Compliance	Date Completed	Records Ref (Evidence of completion)	Comments. If Action not completed, report on plan to rectify non-compliance
	<b>May - Take Action</b>								
May	<b>Monthly Financial Report</b> LG is to prepare each month a statement of financial activity reporting on the revenue and expenditure as set out in the annual budget under FM.Reg.22(1)(d). Presented at an Ordinary Council meeting within 2-months after the end of the month to which the statement relates.	Local Government Act 1995	s.6.4 FM.Reg.34	DLGSC WA Local Government Accounting Manual	Monthly	Finance Manager			Complete
May	<b>Primary Returns</b> - Request Primary Return from any new employee who is a Designated Employee. Return must be received by CEO within 3 months of the person's start day	Local Government Act 1995	s.5.75	WALGA Guideline - Primary and Annual Returns Management DLGSC Operational Guideline No.21 Disclosure of Financial Interests in Returns	Bi-monthly	Executive Officer			No new Designated Employees
May	<b>Financial Interests Register - Review</b> Review register to remove Primary and Annual Returns (not other interest disclosures) from the Financial Interest Register that relate to persons who are no longer Designated Employees (resigned or changed roles) or for Elected Members who have resigned. Returns that are removed are to be kept by the CEO as LG Record for at least 5 years after the person ceased to be a Designated Employee.	Local Government Act 1995	s.5.88(3)(4)		Bi-monthly	Executive Officer			Complete
May	<b>Elected Members</b> - Review Meeting Attendance Register - check EMs have not been absent for 3 consecutive meetings without Leave of Absence being granted	Local Government Act 1995	s.2.25		Quarterly	Executive Officer			Complete
May	<b>Other - Review Delegations Register</b>					Director Corporate and Community Services	May-22		Complete May 2022
May	<b>Other - Complete Insurance Renewal</b>					Director Corporate and Community Services			Complete
May	<b>Other - Check Performance Appraisals</b>					Director Corporate and Community Services			All up to Date

Chief Executive Officer: Matthew Scott  
 Director Engineering Services: Shaun Kan  
 Director Development & Regulatory Services: Freya Ayliffe  
 Director Corporate and Community Services: Shane Collie  
 Finance Manager: Lauren Davies  
 Planning Manager: Wayne Zimmerman  
 Project Manager (Engineering): David Lappan  
 Executive Officer (CEO): Yvonne Livingston  
 Corporate Services & Engagement Officer:  
 Executive Services Officers: Rachel Cranny, Janet Boyle & TBA  
 Governance Coordinator: Mary-Ann Winnett  
 Human Resources Coordinator: Samantha Hornby  
 Communications & Marketing Coordinator: Lisa Mattiske  
 Statutory Planning Coordinator: Ed Drewett

Compliance Calendar Sources:  
 Compliance items, see also:WALGA Guideline for Implementing a Compliance Calendar  
 Department of Local Government, Sporting and Cultural Industries (DLGSCI)

# TOWN OF COTTESLOE



## AUDIT COMMITTEE

# ATTACHMENT

### ITEM 8.2.2A: AUDIT COMMITTEE RESOLUTION DATABASE

## Audit Committee Resolution Database

Updated June 2022

Council Meeting Date	Item Number	Item Title	Resolution	Complete (Y/N)	Comments
22-Mar-22	10.1.3	Budget Review 2021/22	<b>OFFICER RECOMMENDATION AND COUNCIL RESOLUTION</b> <b>THAT Council:</b> <b>1. RECEIVES the Budget Review for the Financial Year 2021/22;</b> <b>2. ADOPTS the amendments contained within the attached Budget Review document;</b> <b>3. SETS the materiality levels of \$25,000 for the monthly reporting of significant variances of income and expenditure in the Statement of Financial Activity;</b> <b>4. TRANSFERS an amount of \$250,000 to the Public Open Space Reserve.</b> <b>5. NOTES the predicted closing surplus of \$40,509 to be carried forward to 2022/23.</b>	N	Budget Review to be loaded in due course. Reserve Transfer to be done at 30622. OCM051/2022 Actions to be closed at EOFY 22.
26-Apr-22	10.1.2	CORPORATE BUSINESS PLAN REVIEW	<b>OFFICER RECOMMENDATION AND COUNCIL RESOLUTION</b> <b>1. THAT Council NOTES the Review undertaken of its Corporate Business Plan for 2021/22 confirming that no change to the Plan is necessary.</b> <b>2. THAT Council INCLUDES as part of the Draft Budget development for 2022/23 costs associated with the development of including Community Engagement for a new Strategic Community Plan.</b>	N	The 2022/23 Budget is under development and is tracking to schedule.