

TOWN OF COTTESLOE



AUDIT COMMITTEE MINUTES

AUDIT COMMITTEE
TO BE HELD IN THE
Mayor's Parlour, Cottesloe Civic Centre
109 Broome Street, Cottesloe
2.00pm Tuesday, 19 March 2019

MAT HUMFREY
Chief Executive Officer

20 March 2019

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1 DECLARATION OF MEETING OPENING/ANNOUNCEMENT OF VISITORS

The Presiding Member declared the meeting open at 2.03pm.

2 ANNOUNCEMENTS BY PRESIDING MEMBER WITHOUT DISCUSSION

The Presiding Member advised the Committee that the meeting will be recorded, solely for the purpose of the Administration confirming the correctness of the Minutes.

3 ATTENDANCE**Present**

Cr Mark Rodda	Presiding Member, Elected Member
Cr Lorraine Young	Elected Member
Cr Helen Sadler	Elected Member
Ms Vicky Van Heerden	Community Representative

Officers Present

Mr Mat Humfrey	Chief Executive Officer
Mr Garry Bird	Deputy Chief Executive Officer
Mr Wayne Richards	Finance Manager
Ms Elizabeth Nicholls	Senior Administration Officer

Apologies

Prof David Gilchrist	Community Representative
Ms Kellie Tonich	Office of the Auditor General
Ms Irene Au-Yeung	Assistant Finance Manager

4 DECLARATION OF INTERESTS

Nil

5 CONFIRMATION OF MINUTES

Moved Cr Young, seconded Ms Van Heerden

That the Minutes of the Audit Committee Meeting held on Tuesday 22 January 2019 be confirmed as a true and accurate record.

Carried 4/0

6 PRESENTATIONS

Nil

7 REPORTS**7.1 REPORTS OF OFFICERS****7.1.1 WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT - AUDIT RESULTS - ANNUAL 2017-18 FINANCIAL AUDITS OF LOCAL GOVERNMENT ENTITIES**

File Ref: SUB/2791
Applicant(s) Proponents: Nil
Attachments: 7.1.1(a) Report - Audit Results - Annual 2017/18 Financial Audits of Local Government Entities [under separate cover]
Responsible Officer: Mat Humfrey, Chief Executive Officer
Author: Garry Bird, Deputy Chief Executive Officer
Author Disclosure of Interest: Nil

SUMMARY

A report prepared by the Western Australia Auditor General summarising the results of the 42 local government audits undertaken by the Office of the Auditor General is provided for the consideration of Committee Members.

BACKGROUND

Issues specific to the Town of Cottesloe identified by the Office of the Auditor General were addressed in the 2017/18 Audit Report and Audit Concluding Memorandum and were subsequently considered by the Audit Committee. The attached Report is still of value however as it highlights issues identified in other local governments, which can be used by finance staff to review our own systems and make improvements as deemed necessary.

Further, the report makes a number of recommendations that have been provided to further improve the audit process and audit performance for future audits. In total, ten recommendations have been provided.

These recommendations are listed below with a response from Council staff;

#	Recommendation	Officer Comment
1.	LGs should ensure they maintain the integrity of their financial control environment by:	
1.a.	periodically reviewing and updating all financial, asset, human resources, governance, information systems and other management policies and procedures, and communicating these to staff.	Noted and is an ongoing process.

#	Recommendation	Officer Comment
1.b.	conducting ongoing reviews and improvement of internal control systems in response to regular risk assessments.	Noted and is an ongoing process.
1.c.	regularly monitoring compliance with relevant legislation.	Noted. Compliance with existing legislation is sound and staff are always monitoring for legislative changes which will impact on systems, reporting requirements etc.
1.d.	promptly addressing control weaknesses brought to their attention by our audits.	Supported. Staff have demonstrated a commitment to continuous improvement of systems and are quick to act on any recommendations provided as part of either the audit or financial management review process.
2.	In addition to compliance with legislation, management should promote a culture of applying better practice financial management and complying with internal policies.	Noted. Town staff have a demonstrated history of continuous improvement to financial systems and compliance as proven by recent Audits and Financial Management reviews.
3.	An in-depth audit exit meeting should be held with audit committees, in advance of council meetings. As far as is practicable, the audit committee should include a few council members, rather than the entire council.	Noted. The Town has convened Audit Committee meetings with the Auditors in attendance to discuss issues that have been identified.
4.	An audit entrance meeting should be held with the audit committee.	Noted. Audit Committee members are invited to attend the entrance meeting, although this is not a formally convened meeting of the Committee.
5.	Audit exit meetings should provide the auditor the opportunity to highlight the key audit issues, in a structured manner, and the CEO adequate opportunity to comment.	Noted and in place.
6.	LGs should not make interim audit findings public until they are received as part of our Audit Report on completion of the audit, unless specific urgent needs warrant earlier release.	Noted. Unfortunately this information was 'leaked' to local press during the 2017/18 audit. This is difficult if not impossible for staff to prevent and if can be proven, the responsible person/s would be subject to disciplinary action under the <i>Local Government Act 1995</i> .

#	Recommendation	Officer Comment
7.	The Department of Local Government, Sport and Cultural Industries (the Department) should re-assess the potential advantages if LGs are required to report equipment assets using the cost model.	Noted. Outside of the Town's control but agreed.
8.	LGs should robustly assess the assumptions and methodology of their valuers, in particular the approach for valuing land assets with restricted use.	Noted and agreed. The Town recently wrote to the WA Valuer General seeking advice on how best to perform these valuations and the comments provided by the auditor General are supported.
9.	LGs and the Department should monitor the progress of the Australian Accounting Standards Board and International Public Sector Accounting Standards Board public sector fair value projects.	Noted. Staff attend workshops annually with Moore Stephens Pty Ltd, respected local government accounting experts, where updates to standards and strategies to address are addressed.
10.	LGs should continue to make timely preparations for implementation of the upcoming accounting standards changes, and the new regulation requiring assets with a value at acquisition below \$5,000 to be expensed.	Noted. Staff attend workshops annually with Moore Stephens Pty Ltd, respected local government accounting experts, where updates to standards and strategies to address are addressed.

There were other related matters raised in the Report. Of specific interest were the '*observations that may improve audit outcomes*' on page 17 of the report. These included;

1. Compliance vs Better Practice

Staff are of the view that the internal systems used reflect best practice and where improvements are identified, either by Auditors or staff, staff are quick to implement.

2. Internal Audit

It was noted that only 11 of the 42 local governments audited had an internal audit function. This would include the Town of Cottesloe.

At present internal audits are undertaken by finance staff on an as required basis, who are not best placed to perform such a function. An internal audit would imply that it is undertaken by an independent person who has no day to day responsibility for the functions being audited.

The Town does not have the staffing or financial resources to implement a system of internal audits although it is understood that WESROC (Western Suburbs Regional Organisation of Councils) are soon to consider providing this service (for a yet to be determined fee) on behalf of member Councils.

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.

Consideration of the findings and recommendations provided by the Western Australian Auditor General are in keeping with this strategic objective.

POLICY IMPLICATIONS

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

STATUTORY ENVIRONMENT

Local Government Act 1995

Local Government (Financial Management) Regulations 1996

Local Government (Audit) Regulations 1996

FINANCIAL IMPLICATIONS

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

STAFFING IMPLICATIONS

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

ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS

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

CONSULTATION

Staff

Audit Committee

OFFICER COMMENT

See above.

VOTING REQUIREMENT

Simple Majority

OFFICER AND COMMITTEE RECOMMENDATION

Moved Cr Young, seconded Cr Sadler

That the Audit Committee recommends;

That Council NOTE the findings and recommendations contained within the Western Australian Auditor General's Report - Audit Results - Annual 2017-18 Financial Audits of Local Government Entities, including the Officer's response to the issues raised in the Report.

Carried 4/0

7.1.2 PURCHASING POLICY REVIEW

File Ref:	SUB/2791
Applicant(s) Proponents:	Nil
Attachments:	7.1.2(a) Purchasing Policy[under separate cover]
	7.1.2(b) Credit Payments Summary [under separate cover]
Responsible Officer:	Mat Humfrey, Chief Executive Officer
Author:	Garry Bird, Deputy Chief Executive Officer
Author Disclosure of Interest:	Nil

SUMMARY

A recommendation is made for the Town of Cottesloe Audit Committee to recommend to Council the adoption of a revised Purchasing Policy (attached).

BACKGROUND

The Town's Purchasing Policy was adopted in 2011, as a result of a fraud matter by a member of staff. The Policy is considered very restrictive in its application to minimise future acts of fraud.

The Policy was amended in 2015 to reflect changes to the *Local Government Act 1995* which increased the threshold for which a tender process needed to be undertaken (with exemptions).

The ability of staff to implement the Policy in practice is proving to be problematic, given the available staff resources and those required to comply with the Policy.

At the June 2017 Audit Committee Meeting the Committee recommended:

That the Report received from Moore Stephens Pty Ltd in regards to a review of specified purchases be noted and used to inform the review of the Purchasing Policy that include;

- 1. That staff undertake an immediate refresher course on the Town's updated Purchasing Policy*
- 2. That the staff be reminded of the specific requirements of the policy, particularly in regards to verbal quotes received.*
- 3. That the Administration in undertaking its review specifically address;*
 - a. thresholds and record keeping (verbal quotes)*
 - b. exemptions*
 - c. improved reporting back to Council and the Audit Committee about*
 - d. non-compliant/departures.*
- 4. Where the outcome of purchases or engagements are presented to Council, that compliance with the Purchasing Policy be noted in that Report.*

At the March 2018 Audit Committee Meeting the Committee recommended:

That Council defer consideration of this item pending further investigation by Officers to provide an analysis of transactions within the prescribed ranges in the Policy and give further consideration to these ranges and the requirement for verbal quotations above \$3,000.

It is intended to discuss this matter with the Audit Committee to either:

1. Endorse the existing Policy and allocating additional resources to ensure compliance, or
2. Review the Policy and relax its strict requirements to better reflect practices appropriate to the size of the Town of Cottesloe whilst still ensuring the objectives of the Policy are met.

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.

POLICY IMPLICATIONS

The current Purchasing Policy would be replaced with the attached updated Purchasing Policy.

The Purchase Orders Policy may need to be reviewed following the adoption of the updated Purchasing Policy.

STATUTORY ENVIRONMENT

Local Government Act 1995

Local Government (Functions and General) Regulations 1996

FINANCIAL IMPLICATIONS

There are no direct financial implications arising from the adoption of the Purchasing Policy, however significant staff resources are required to administer the existing Policy to its full intent.

The Policy itself is intended to ensure that the Town receives value for money in all purchasing matters.

STAFFING IMPLICATIONS

Staff resources to administer and implement the Policy are considered significant. The time taken to write a brief, seek quotations and assess responses is time consuming and can be quite complex.

ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS

The updated Purchasing Policy contains sustainability purchasing requirements.

CONSULTATION

Moore Stephen Pty Ltd

Audit Committee

Staff

OFFICER COMMENT

The existing Purchasing Policy is considered by staff to be an example of best practice and the requirement to obtain quotes for all purchases over \$250 and two quotes for purchases between \$250 and \$3,000 is difficult to question from a theoretical perspective.

Where staff find difficulties in implementing these objectives relate to those purchases of a frequent nature and include;

- Engaging trades to fix relatively minor problems.
- Difficulties in getting companies to provide quotes.
- Time taken to prepare briefs for relatively minor matters.
- Engaging specialist services such as legal services where the exact brief can be difficult to define in the first instance.
- Having preference for companies who are regular suppliers and provide a quality service.

The attached revised Purchasing Policy attempts to strike a balance between best practice in purchasing matters and striving to obtain the best possible value for money for all purchases and the administrative burden of complying with the Policy. The updated policy allows for the policy requirements to be varied where in the view of senior management there is a compelling reason to do so.

Following the March 2018 Audit Committee Meeting, staff undertook an analysis of creditors payments and the dollar value associated with these transactions which was presented to the July 2018 Audit Committee Meeting (see attached).

This summary shows there were approximately 2,685 transactions totalling \$9,664,086, with payments made to 310 creditors. This includes a number of payments where no discretion is available to staff, for example, remittance of the annual emergency service levies to the Department of Fire and Emergency Services.

Having reviewed this list of payments and taking into consideration comments from Committee Members at the March 2018 meeting, staff are of the view that the Draft Policy could be simplified and better targeted at the transactions between \$5,000 and \$50,000 which account for a large percentage of the total value and number of transactions.

Accordingly, the limits prescribed in the Draft policy could be amended as suggested below:

Amount of Purchase Quotation Requirements

Up to \$500 Direct purchase from suppliers requiring no quotations due to the minor and frequent nature of such goods.

\$501 to \$5,000 Direct purchase from suppliers requiring two verbal or written quotations.

\$5,001 to \$50,000 Obtain at least three written quotations.

\$50,001 to \$149,999 Obtain at least three written quotations using a specification or brief describing the goods and services with purchasing decision based on all value for money considerations.

\$150,000 and above Conduct a public tender process.

VOTING REQUIREMENT

Simple Majority

OFFICER RECOMMENDATION

THAT the Audit Committee recommends;

That Council ADOPT the updated Purchasing Policy.

COMMITTEE RECOMMENDATION

Moved Ms Van Heerden, seconded Cr Young

THAT the Audit Committee recommends;

1. That Council ADOPT the updated Purchasing Policy subject to:
 - a. Section 6. - The table on page 3 of the Policy be amended to include a requirement for a specification for the purchasing range \$50,001 to \$149,999
 - b. Section 6. – Change '\$250' to '\$500'
 - c. Section 6.1.5 – Insert the words '*Act 1995*'
 - d. Section 7.3 – By deleting the words after 'below' and replace with '*any purchasing thresholds contained in this policy*'.
2. The Administration review the Purchasing Authority Limits Policy with a view to:
 - a. Better defining the segregation of duties (or other control alternative) as far as is practical.
 - b. Make any necessary or consequential changes resulting from the adoption of the Purchasing Policy.
3. The Administration report back to the Audit Committee by November 2019 as to the effectiveness and efficiency of the changes to the Policy focussing on amounts less than \$500.

Carried 4/0

7.1.3 AUDIT COMMITTEE CHARTER

File Ref: SUB/2791
Applicant(s) Proponents: Nil
Attachments: 7.1.3(a) Audit Committee Charter v1.2018 [under separate cover]
Responsible Officer: Garry Bird, Deputy Chief Executive Officer
Author: Elizabeth Nicholls, Senior Administration Officer
Author Disclosure of Interest: Nil

SUMMARY

In order to properly define the role of all Council committees staff have prepared Charters relevant to each Committee for consideration.

The draft Audit Committee Charter is attached for the consideration of the Committee.

BACKGROUND

The Audit Committee Charter was previously adopted by Council on 21 February 2017. Following the October 2017 Council Elections, staff have reviewed the Charter's for all Council Committee's for consistency and clarity.

No significant amendments are recommended for the Audit Committee. There has been some clarification on some of the statutory obligations of a Council Committee, including the format of minutes to ensure compliance with the *Local Government Act 1995*.

The charter was presented at the Audit Committee meeting held 17 July 2018 and was resolved as follows.

COMMITTEE RECOMMENDATION

Moved Ms Van Heerden, Seconded Cr Young

That Council defer consideration of the Audit Committee Charter until the next Audit Committee meeting.

Carried 3/0

The item was not presented at the meeting held 22 January 2019 due to the large number of items included in the agenda.

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.

POLICY IMPLICATIONS

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

STATUTORY ENVIRONMENT

Local Government Act 1995

7.1A. Audit committee

- (1) *A local government is to establish an audit committee of 3 or more persons to exercise the powers and discharge the duties conferred on it.*
- (2) *The members of the audit committee of a local government are to be appointed* by the local government and at least 3 of the members, and the majority of the members, are to be council members.*
** Absolute majority required.*
- (3) *A CEO is not to be a member of an audit committee and may not nominate a person to be a member of an audit committee or have a person to represent him or her as a member of an audit committee.*
- (4) *An employee is not to be a member of an audit committee.*

FINANCIAL IMPLICATIONS

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

STAFFING IMPLICATIONS

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

ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS

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

CONSULTATION

Senior Staff

OFFICER COMMENT

The introduction of a Charter for all Council committees' will improve the efficiency of the committee system and standardise many of their processes. The role of the Audit Committee is defined by the *Local Government Act 1995* and in this respect is different to many of the other committee's of Council whose role is not so specific.

For the purposes of consistency across all Council committees' it is recommended that the Audit Committee also has a charter.

VOTING REQUIREMENT

Simple Majority

OFFICER RECOMMENDATION

That the Audit Committee recommends;

That Council ADOPT the Audit Committee Charter.

COMMITTEE RECOMMENDATION

Moved Cr Sadler, seconded Cr Young

That the Audit Committee recommends;

That Council ADOPT the Audit Committee Charter subject to:

1. Section 4. –Title be amended from ‘Vision’ to ‘Purpose’ and read:

The purpose of the Audit Committee is to:

- *guide and assist the local government in carrying out its financial management and audit functions;*
 - *monitor and advise the CEO in reviews conducted into financial management and audit systems and procedures;*
 - *oversee the implementation of any resulting Council recommendations;*
 - *so as to support better decision-making, greater accountability to the community and ensure a more efficient and effective Local Government.*
2. Section 5. – Replace with section 16 and 14(3A) of the *Local Government (Audit) Regulations 1996.*
 3. Section 6. – Delete the paragraph stating ‘*At the Ordinary Meeting of Council held 31 October 2017 it was resolved: That Council appoints Cr Rodda, Cr Young, and Cr Boulter as members and Mayor Angers as deputy member of the Audit Committee. Carried 9/0.*’

Carried 4/0

7.1.4 SIGNIFICANT AUDIT REPORT MATTERS

File Ref: SUB/2791
Applicant(s) Proponents: Nil
Attachments: Nil
Responsible Officer: Mat Humfrey, Chief Executive Officer
Author: Garry Bird, Deputy Chief Executive Officer
Author Disclosure of Interest: Nil

SUMMARY

Following the receipt of the 2017-18 Audit Report and Audit Concluding Memorandum, the Committee requested that the matters raised in these reports requiring further action be reported on an ongoing basis to the Committee as per the following Committee Recommendation (endorsed by Council at the Ordinary Meeting held 26 February 2019).

That the Audit Committee recommends;

That Council, by absolute majority:

1. *ADOPT the Financial Report and Audit Report for the 2017/18 year as attached.*
2. *INSTRUCT the Chief Executive Officer to submit to the Minister a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters.*
3. *INCLUDE the two matters raised on page 12 of the Audit Concluding Memorandum relating to the inspection schedule of all assets and the methodology of future valuations of freehold land in the Officer's report to Council and the actions to be taken in regards to these matters.*

In accordance with this instruction, an update on actions to address the matters raised is provided.

BACKGROUND

The matters raised in the Audit Report and Audit Concluding Memorandum were as follows;

1. Asset Sustainability Ratio (Note 30 of the Financial Report)

It was noted that the Asset Sustainability Ratio has been below the Department of Local Government and, Sport and Cultural Industries standard for the past three years.

Staff Comment

This matter has been brought to the attention of Elected Members previously and reflects the lack of capital investment in assets by the Town in recent years. The ongoing improvements to the foreshore and other capital works will address this in future years and the Long Term Financial Plan does show this trend reversing towards the end of the ten year life of the Plan.

2. Accounting Journal Entries

Accounting journal entries were posted by one employee, with no evidence of review by a second employee.

Staff Comment

Staff agree this is an effective control and implemented this immediately after it was raised during the interim audit. No further action required.

3. Physical inspection of all property, plant and equipment and infrastructure assets should be scheduled on a more regular basis to help ensure the existence and condition of all assets.

Staff Comment

Noted and agreed. Staff are waiting on legislative amendments that will change the revaluation requirement from three to five years and will prepare a procedure for staff to follow in regard to ongoing scheduling of asset inspections and condition ratings.

4. Future valuations of freehold land should take restrictions on use into account when determining the fair value.

Staff Comment

Noted and agreed. Correspondence has been sent to the Valuer General WA seeking clarification and/or advice of valuation requirements and future specifications will recognise the restricted nature of some freehold land assets.

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.

Ongoing oversight of actions identified in the 2017-18 Audit Report and Audit Concluding memorandum is in keeping with these strategic objectives and is an appropriate role of the Audit Committee.

POLICY IMPLICATIONS

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

STATUTORY ENVIRONMENT

Local Government Act 1995

FINANCIAL IMPLICATIONS

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

STAFFING IMPLICATIONS

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

ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS

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

CONSULTATION

Audit Committee

Staff

OFFICER COMMENT

Officer comment is provided above.

VOTING REQUIREMENT

Simple Majority

OFFICER AND COMMITTEE RECOMMENDATION

Moved Cr Rodda, seconded Cr Sadler

That the Audit Committee recommends;

That Council:

- 1. Note the information contained in this Report; and**
- 2. Endorse the actions undertaken by staff to address the issues raised.**

Carried 4/0

7.1.5 DELEGATION 2.1 POWER TO MAKE PAYMENTS FROM THE MUNICIPAL AND TRUST FUNDS

File Ref: SUB/2791
Applicant(s) Proponents: Nil
Attachments: Nil
Responsible Officer: Mat Humfrey, Chief Executive Officer
Author: Garry Bird, Deputy Chief Executive Officer
Author Disclosure of Interest: Nil

SUMMARY

To consider a proposed amendment from former Cr Sandra Boulter to Council Delegation 2.1 – Power to make payments from the Municipal and Trust Funds.

BACKGROUND

At the November 2018 ordinary Meeting of Council, a review of the Delegation Register was considered by Elected Members.

The Delegation Register is a register of powers conferred on Council by the *Local Government Act 1995* and other legislation that are delegated to the Chief Executive Officer.

At the November Meeting, Council resolved as follows;

That Council APPROVE the Delegations made to the Chief Executive Officer in the updated Delegated Authority Register 2018/2019;

- 1. With the exception of changes on page 62 "Delegation will not be exercised in the case that THREE Elected Members request the matter be determined by Council" which is to remain at TWO.*
- 2. subject to Delegation 2.1 including points 1 to 7 of Cr Boulter's amendment considered at the Ordinary Council Meeting of 27 November 2018 being referred to the Audit Committee.*

The amendment moved by former Cr. Boulter was as follows;

Subject to the Delegation 2.1 Power to Make Payments from the Municipal and Trust Funds being amended to include:

- 1. Inclusion of the text of the LG Act s5.41 exclusions in the Delegation Register.*
- 2. Two senior management signatures being required for any payment over \$20,000 including the total of payments for one project over \$20,000.*
- 3. The CEO must be one of the signatories on any payments over \$20,000.*
- 4. For any payment over \$40,000, the payment must relate to a specific (not general) budget item for that particular payment.*
- 5. Demonstrable documented searchable compliance with Council's Record Keeping Plan, and Council's Purchasing and Purchase Orders Policies for all payments.*

6. *Different staff members approve purchase orders, check goods and services had been received, and approves invoices to progress for payment.*
7. *All Councillors must be notified of and two Councillors can call in a draft brief for quote, tender or expressions of interest for projects over \$20,000.*

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.

POLICY IMPLICATIONS

Delegation Register

Delegation 2.1 currently reads as follows

2.1 Power to Make Payments from the Municipal and Trust Funds	
Function Delegated	The authority to make payments from the municipal or the trust funds.
Statutory Power Delegated	<i>Local Government (Financial Management) Regulations 1996</i> Section 12(1)(a) Payments From Municipal Fund or Trust Fund, Restrictions on Making
	<u>12. Payments from municipal fund or trust fund, restrictions on making</u> (1) <i>A payment may only be made from the municipal fund or the trust fund –</i> (a) <i>if the local government has delegated to the CEO the exercise of its power to make payments from those funds – by the CEO;</i>
Power Originally Assigned To	The Local Government
Statutory Power of Delegation	<i>Local Government Act 1995</i> Section 5.42 Delegation of some power or duties to the Chief Executive Officer Section 5.43 Limitations on delegation to the Chief Executive Officer Section 5.44 Chief Executive Officer may delegate powers and duties to other employees
Power Delegated To	Chief Executive Officer
Chief Executive Officer's Sub Delegation to	Manager Corporate Services Manager Engineering Services Finance Manager
Conditions on Delegations (if any)	To be exercised in accordance with the Town's policies and local laws.

STATUTORY ENVIRONMENT*Local Government Act 1995*

Sections 5.42, 5.43, 5.44 and 5.46 of the *Local Government Act 1995* (the Act) regulate the ability of a local government to delegate the exercise of its powers or discharge its duties under the Act.

5.42. Delegation of some powers and duties to CEO

- (1) *A local government may delegate* to the CEO the exercise of any of its powers or the discharge of any of its duties under —*
- (a) this Act other than those referred to in section 5.43; or*
 - (b) the Planning and Development Act 2005 section 214(2), (3) or (5).*

** Absolute majority required*

- (2) *A delegation under this section is to be in writing and may be general or as otherwise provided in the instrument of delegation.*

5.43. Limits on delegations to CEO

A local government cannot delegate to a CEO any of the following powers or duties —

- (a) any power or duty that requires a decision of an absolute majority or a 75% majority of the local government;*
- (b) accepting a tender which exceeds an amount determined by the local government for the purpose of this paragraph;*
- (c) appointing an auditor;*
- (d) acquiring or disposing of any property valued at an amount exceeding an amount determined by the local government for the purpose of this paragraph;*
- (e) any of the local government's powers under section 5.98, 5.98A, 5.99, 5.99A or 5.100;*
- (f) borrowing money on behalf of the local government;*
- (g) hearing or determining an objection of a kind referred to in section 9.5;*
- (h) the power under section 9.49A(4) to authorise a person to sign documents on behalf of the local government;*
- (i) any power or duty that requires the approval of the Minister or the Governor; (i) such other powers or duties as may be prescribed.*

5.44. CEO may delegate powers and duties to other employees

- (1) *A CEO may delegate to any employee of the local government the exercise of any of the CEO's powers or the discharge of any of the CEO's duties under this Act other than this power of delegation.*
- (2) *A delegation under this section is to be in writing and may be general or as otherwise provided in the instrument of delegation.*

- (3) *This section extends to a power or duty the exercise or discharge of which has been delegated by a local government to the CEO under section 5.42, but in the case of such a power or duty —*
- (a) *the CEO's power under this section to delegate the exercise of that power or the discharge of that duty; and*
- (b) *the exercise of that power or the discharge of that duty by the CEO's delegate, are subject to any conditions imposed by the local government on its delegation to the CEO.*
- (4) *Subsection (3)(b) does not limit the CEO's power to impose conditions or further conditions on a delegation under this section.*
- (5) *In subsections (3) and (4) — conditions includes qualifications, limitations or exceptions.*

5.46. Register of, and records relevant to, delegations to CEO and employees

- (1) *The CEO is to keep a register of the delegations made under this Division to the CEO and to employees.*
- (2) *At least once every financial year, delegations made under this Division are to be reviewed by the delegator.*
- (3) *A person to whom a power or duty is delegated under this Act is to keep records in accordance with regulations in relation to the exercise of the power or the discharge of the duty.*

FINANCIAL IMPLICATIONS

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

STAFFING IMPLICATIONS

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

ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS

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

CONSULTATION

Nil

OFFICER COMMENT

Staff comment on the proposed amendments are as follows:

1. Inclusion of the text of the LG Act s5.41 exclusions in the Delegation Register.

Staff Comment

No objection to this being included as general information in the Delegation Register

2. Two senior management signatures being required for any payment over \$20,000 including the total of payments for one project over \$20,000.

Staff Comment

This would effectively mean the Chief Executive Officer would need to make all payments as the majority of payments are made by Electronic Funds Transfer and include all payments due for that week, both large and small.

It is questioned whether this is an effective use of the Chief Executive Officers time.

3. The CEO must be one of the signatories on any payments over \$20,000.

Staff Comment

This would effectively mean the Chief Executive Officer would need to make all payments as the majority of payments are made by Electronic Funds Transfer and include all payments due for that week, both large and small.

It is questioned whether this is an effective use of the Chief Executive Officers time.

4. For any payment over \$40,000, the payment must relate to a specific (not general) budget item for that particular payment.

Staff Comment

This would generally be the case anyway however there would be times when large payments might come from a large maintenance line item i.e. if the town was undertaking a large amount of road patching, it would be costed to the road maintenance budget allocation (current budget being \$1,207,317).

It is unclear whether this would also apply to payroll payments which total approximately \$100,000 per fortnight.

5. Demonstrable documented searchable compliance with Council's Record Keeping Plan, and Council's Purchasing and Purchase Orders Policies for all payments.

Staff Comment

This is a requirement of staff already. The revised Purchasing Policy presented to this Audit Committee meeting deals with this matter.

6. Different staff members approve purchase orders; check goods and services had been received, and approves invoices to progress for payment.

Staff Comment

This is effectively in place already with the exception of purchases generated from the Corporate and community Services staff where the finance Manager and deputy Chief executive Officer authorise purchase orders but also process payments.

7. All Councillors must be notified of and two Councillors can call in a draft brief for quote, tender or expressions of interest for projects over \$20,000.

Staff Comment

It is the view of staff that this would be blurring the distinction between the role of staff and Elected Members and would not be an efficient process.

The current Financial Management review being undertaken by Butler Settineri Pty Ltd does address some of these issues. Unfortunately the review has not been finalised for consideration at this Audit committee Meeting but if any of the above areas of concern they could be further considered in the context of the review when it is presented to the next Audit committee meeting (date to be determined).

VOTING REQUIREMENT

Simple Majority

Absolute Majority required from Council if Delegation 2.1 is to be amended.

OFFICER RECOMMENDATION

That the Audit Committee recommends;

That Council NOTE the Officer Comments in relation to the proposed amendments to Delegation 2.1 – Power to make payments from the Municipal and Trust Funds and that the amendments be further considered of the current Financial Management Review once that report is received.

COMMITTEE RECOMMENDATION

Moved Cr Young, seconded Cr Sadler

That the Audit Committee recommends;

That Council NOTE the Officer Comments in relation to the proposed amendments to Delegation 2.1 – Power to make payments from the Municipal and Trust Funds and that the amendments be further considered following receipt of the Financial Management Review currently being undertaken.

Carried 4/0

7.1.6 AUDIT COMMITTEE - MEETING SCHEDULE 2019

File Ref:	SUB/2791
Applicant(s) Proponents:	Nil
Attachments:	7.1.6(a) Proposed Audit Committee Meeting Schedule 2019 [under separate cover]
Responsible Officer:	Garry Bird, Deputy Chief Executive Officer
Author:	Ann-Marie Donkin, Governance Officer
Author Disclosure of Interest:	Nil

SUMMARY

Under Section 5.8 of the *Local Government Act 1995* a Local Government may establish committees.

All Town of Cottesloe committees are open to the public unless closed due to confidentiality reasons under the parameters of the *Local Government Act 1995*.

BACKGROUND

Currently the Audit Committee meeting dates are determined on an ad hoc basis before the conclusion of a meeting, or by email after the meeting.

To ensure an equitable process, committee recommendations should follow the same due process as an officer's report, in that it is presented in a timely manner to Elected Members prior to an Agenda Forum or Ordinary Council Meeting, thus providing them with enough time to seek clarification, and/or seek guidance from the administration that will assist in their decision making.

To encourage best practice in governance and ensure actions from committee recommendations are not being undertaken prior to Council's endorsement, a set meeting schedule for 2019 has been prepared for the committee's consideration.

The meetings, where possible, have been scheduled to be held prior to an Agenda Forum meeting to allow time for committee minutes to be circulated and provided to all Elected Members for- due consideration at the monthly Ordinary Council Meeting.

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.

This report is consistent with the Town's *Corporate Business Plan 2017 – 2021*.

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.

POLICY IMPLICATIONS

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

STATUTORY ENVIRONMENT

Local Government Act 1995

FINANCIAL IMPLICATIONS

Resource requirements are in accordance with the existing budgetary allocation.

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

STAFFING IMPLICATIONS

Setting meeting dates for the year will allow for a more structured approach to allocating resources. It is the aim of the administration to ensure each committee is provided with the support it requires to meet agreed outcomes.

The current scheduling places an inordinate strain on resources. Several committee meetings can be scheduled on a day and often in conjunction with Agenda Forums, Special Meetings and Ordinary Council Meetings.

The staff responsible for meetings are required to meet deadlines in relation to agenda settlement, compilation and delivery undertaken Thursdays, Fridays and Mondays. Most committee meetings are held early in the week; Minutes preparation and distribution must be undertaken within 5 days of the meeting.

SUSTAINABILITY IMPLICATIONS

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

CONSULTATION

Transparency and accountability in decision making is a community expectation. Set meeting dates provides the Cottesloe community with an opportunity to plan to attend committee meetings, to be involved with or bear witness to that process.

OFFICER COMMENT

There are a number of matters that will need to be considered by the Audit Committee in 2019, including a number of policies that staff feel are appropriate to be considered by the Committee, prior to consideration by Council. These include a review of the investment policy, Credit Card policy and a new Budget Amendment Policy.

This will be in addition to the usual committee business and to ensure that the meetings do not become onerous affairs with a large number of items, it is recommended a more regular schedule of meetings occur, with the items of business to be 'evened out'.

These meetings can always be rescheduled if required.

VOTING REQUIREMENT

Simple Majority

OFFICER AND COMMITTEE RECOMMENDATION

Move Cr Rodda, seconded Cr Sadler

THAT the Audit Committee ADOPT the proposed meeting schedule as attached (with a changed start time of 2.00pm) for the 2019 meeting calendar and advertise the dates on the Town of Cottesloe website.

Carried 4/0

OFFICER RECOMMENDATION

That the Audit Committee recommends;

That Council ENDORSE the Audit Committee meeting schedule as follows;

- Tuesday 28 May at 3.00pm
- Tuesday 30 July at 3.00pm
- Tuesday 24 September at 3.00pm
- Tuesday 26 November at 3.00pm

COMMITTEE RECOMMENDATION

Move Cr Rodda, seconded Cr Sadler

That the Audit Committee recommends;

That Council ENDORSE the Audit Committee meeting schedule as follows;

- **Tuesday 28 May at 2.00pm**
- **Tuesday 30 July at 2.00pm**
- **Tuesday 24 September at 2.00pm**
- **Tuesday 26 November at 2.00pm**

Carried 4/0

7.2 ITEMS FOR DISCUSSION

Nil

8 GENERAL BUSINESS

8.1 COMMITTEE MEMBERS

Nil

8.2 OFFICERS

Nil

9 MEETING CLOSED TO PUBLIC

9.1 MATTERS FOR WHICH THE MEETING MAY BE CLOSED

9.2 PUBLIC READING OF RECOMMENDATIONS THAT MAY BE MADE PUBLIC

10 NEXT MEETING

Tuesday 28 May 2019 at 2.00pm

11 MEETING CLOSURE

The Presiding Member declared the meeting closed at 3.13pm.



APPENDICES

AUDIT COMMITTEE MEETING

19 MARCH 2019

- 7.1.1(a) Report - Audit Results - Annual 2017/18 Financial Audits of Local Government Entities
- 7.1.2(a) Purchasing Policy
- 7.1.2(b) Credit Payments Summary
- 7.1.3(a) Audit Committee Charter v1.2018
- 7.1.6(a) Proposed Audit Committee Meeting Schedule 2019

Western Australian Auditor General's Report



Audit Results Report – Annual 2017-18 Financial Audits of Local Government Entities



Report 15: March 2019

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WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

**Audit Results Report – Annual 2017-18
Financial Audits of Local Government Entities**

Report 15
March 2019



**THE PRESIDENT
LEGISLATIVE COUNCIL**

**THE SPEAKER
LEGISLATIVE ASSEMBLY**

**AUDIT RESULTS REPORT – ANNUAL 2017-18 FINANCIAL AUDITS OF LOCAL
GOVERNMENT ENTITIES**

Under section 24 of the *Auditor General Act 2006*, this report covers the first year of a 4-year transition for my Office to conduct the annual financial audits of the local government sector, following proclamation of the *Local Government Amendment (Auditing) Act 2017*.

The 2017-18 financial audits of 42 local government entities completed to date include:

- Results of the audits of local government entities' annual financial reports, and their compliance with applicable legislation for the financial year ending 30 June 2018.
- Issues identified during these annual audits that are significant enough to bring to the attention of the Parliament.

I wish to acknowledge the assistance provided by the councils, their chief executive officers, finance officers, and others including my dedicated staff and contract audit firms throughout the annual financial audit program and in finalising this report.

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

CAROLINE SPENCER
AUDITOR GENERAL
7 March 2019

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Auditor General's overview

This report summarises the results of 42 local government entities' annual financial report audits completed by my Office to date for the year ending 30 June 2018, following proclamation of the *Local Government Amendment (Auditing) Act 2017*. This was the first of a 4-year transition of local government financial auditing to the Office of the Auditor General.

In addition to reporting the results of the audits to Parliament, this report is intended to provide further insight for Parliament and the local government sector to our approach for performing and reporting on financial audits.



I recognise that we, together with the sector, have only just begun our journey in this new era of local government financial auditing. The 42 audits completed in 2017-18 represent approximately one third of all WA local government entity audits.

During our audits, in addition to routine but important audit findings, we have made other observations about what we found is working well in the sector, where improvements may be considered and where opportunities exist. One such stark governance-related opportunity relates to audit committees.

Audit committees play a key role in assisting boards, councils and chief executive officers with financial management, control, and reporting. In this report, I have included a few preliminary observations about the role of audit committees in the annual reporting and audit process. I recognise the challenges regional local government entities may have in appointing independent members with financial or audit expertise, and intend to report more broadly on the role of audit committees and internal audit in the future.

In our first year auditing local government entities, we were concerned that some local government staff considered an audit finding not worthy of formal reporting if the control weakness did not result in a breach of legislation or misstatement. My Office reports weaknesses in internal controls and governance, so that they can be remedied before they potentially lead to non-compliance with legislation including misstatement due to fraud or error.

We also identified the need for more emphasis on auditor independence. We noted it was often common practice for auditors to perform other work for local government entities, in addition to the annual financial audit. As this can impair an auditor's independence, we have tightened controls around our contracted local government auditors performing this work, as we do for state government, while recognising practical challenges - such as limited availability of alternate skills in some regional areas.

I wish to thank my staff, our contract auditors, and staff in the local government entities we audited who contributed and assisted during our first year of transition into the sector and our first annual financial audits.

I am looking forward to working with the sector over the coming years to deliver high quality audits that contribute to enhancing the financial management and performance of local governments for the benefit of the WA community.

Executive summary

This Audit Results Report contains findings from the annual financial audits of local government entities (LGs) that we audited for the 2017-18 financial year.

Following proclamation of the *Local Government Amendment (Auditing) Act 2017* (Amendment Act), the Auditor General assumed responsibility for the audits of the 2017-18 annual financial reports of 46 LGs. The annual financial audits of remaining LGs are due to transition to the Auditor General by 2021.

Under the Amendment Act, the Office of the Auditor General (OAG) also assumed responsibility for performance audits of the local government sector. These audits are reported in separate reports to Parliament when they are completed.

Key findings

- We issued auditor's reports for 42 LGs by 1 March 2019 relating to their 2017-18 financial year. (Page 10)
- All but 2 auditor's reports included clear (unqualified) audit opinions on the financial reports. We issued qualified auditor's reports on the financial reports of the Shire of Brookton and the Town of Cambridge. (Page 10)
- We reported 36 material matters of non-compliance with the *Local Government Act 1995*, *Local Government (Financial Management) Regulations 1996*, or other written law in 24 of our auditor's reports. (Page 11)
- In addition to material matters of non-compliance reported in auditor's reports, we reported 290 financial management and control matters of varying significance to management in our management letters. (Page 15)
- In accordance with the *Local Government (Audit) Regulations 1996*, we reported adverse trends in the financial position of 24 LGs. (Page 13)
- In our first year of performing annual financial audits in the local government sector, we have made some general observations and included these in the report, with a view to improving audit outcomes in the future. These relate mainly to audit committees and reporting practices. (Page 17)
- The report includes details of our response, in the context of auditor independence, to existing practices where audit firms performed other work at local governments they were auditing. (Page 19)
- We detail our concerns that valuation methodologies used by various valuers to fair value property, plant, equipment and infrastructure, often differ significantly, potentially affecting comparability of asset values across local governments. (Page 20)
- We recommend that LGs make timely preparations for upcoming changes to Australian Accounting Standards and a local government regulation. (Page 22)

Recommendations

1. LGs should ensure they maintain the integrity of their financial control environment by:
 - a. periodically reviewing and updating all financial, asset, human resources, governance, information systems and other management policies and procedures, and communicating these to staff.
 - b. conducting ongoing reviews and improvement of internal control systems in response to regular risk assessments.
 - c. regularly monitoring compliance with relevant legislation.
 - d. promptly addressing control weaknesses brought to their attention by our audits. (Page 16)
2. In addition to compliance with legislation, management should promote a culture of applying better practice financial management and complying with internal policies. (Page 18)
3. An in-depth audit exit meeting should be held with audit committees, in advance of council meetings. As far as is practicable, the audit committee should include a few council members, rather than the entire council. (Page 18)
4. An audit entrance meeting should be held with the audit committee. (Page 18)
5. Audit exit meetings should provide the auditor the opportunity to highlight the key audit issues, in a structured manner, and the CEO adequate opportunity to comment. (Page 18)
6. LGs should not make interim audit findings public until they are received as part of our Audit Report on completion of the audit, unless specific urgent needs warrant earlier release. (Page 18)
7. The Department of Local Government, Sport and Cultural Industries (the Department) should re-assess the potential advantages if LGs are required to report equipment assets using the cost model. (Page 21)
8. LGs should robustly assess the assumptions and methodology of their valuers, in particular the approach for valuing land assets with restricted use. (Page 21)
9. LGs and the Department should monitor the progress of the Australian Accounting Standards Board and International Public Sector Accounting Standards Board public sector fair value projects. (Page 21)
10. LGs should continue to make timely preparations for implementation of the upcoming accounting standards changes, and the new regulation requiring assets with a value at acquisition below \$5,000 to be expensed. (Page 23)

Introduction

Under the *Local Government Amendment (Auditing) Act 2017* (Amendment Act), proclaimed in October 2017, a staged transition has commenced for local government entities (LGs) annual financial audits to transition to the Auditor General as and when existing audit contracts between audit firms and LGs expire. The Office of the Auditor General (OAG) assumed responsibility for 46 audits from the 2017-18 financial year, with full take up of all financial audits by 2020-21.

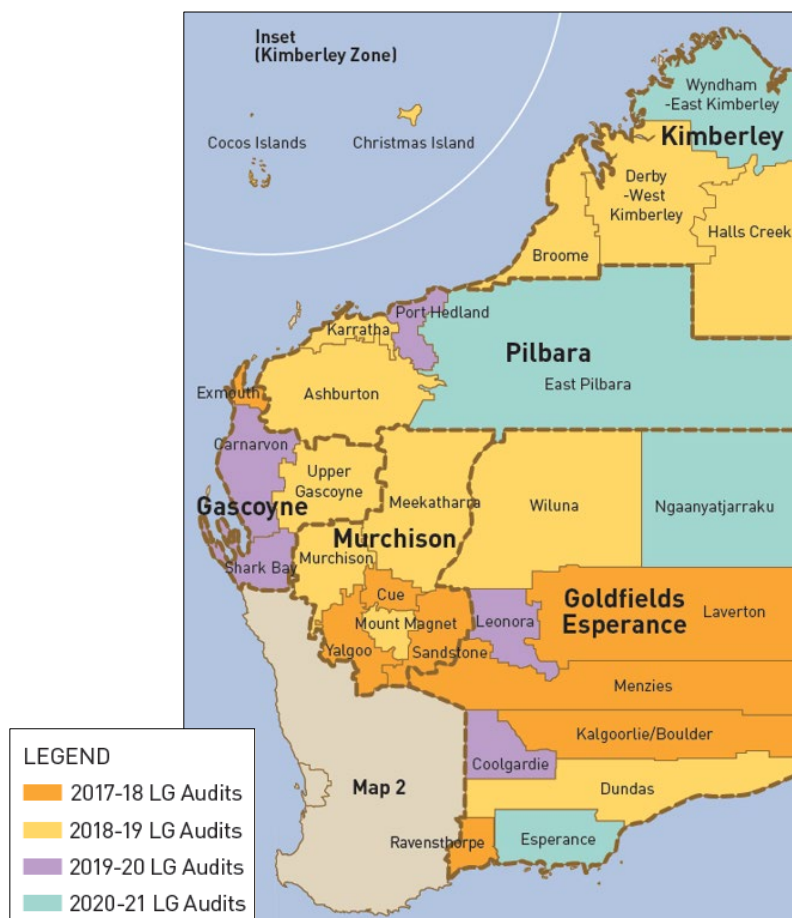
In 2017-18, OAG audit staff performed 3 of the 46 financial audits, with the others performed by contract audit firms on our behalf. Our oversight of these audits, coupled with in-house OAG audits, has provided our staff with valuable insight and understanding of the sector. From 2018-19, we will increase the number of audits performed using in-house audit teams.

For almost all of the contracted audits, we retained the existing audit firm for 2017-18 to maintain some continuity of the audit team. However, to provide open and fair competition and to ensure value for money, for 2018-19 we have now re-tendered most of these audits.

We are also committed to supporting local industry, and where possible and appropriate, we propose to use local financial auditing professionals in regional areas.

Local government entities audit program: 2017 onwards

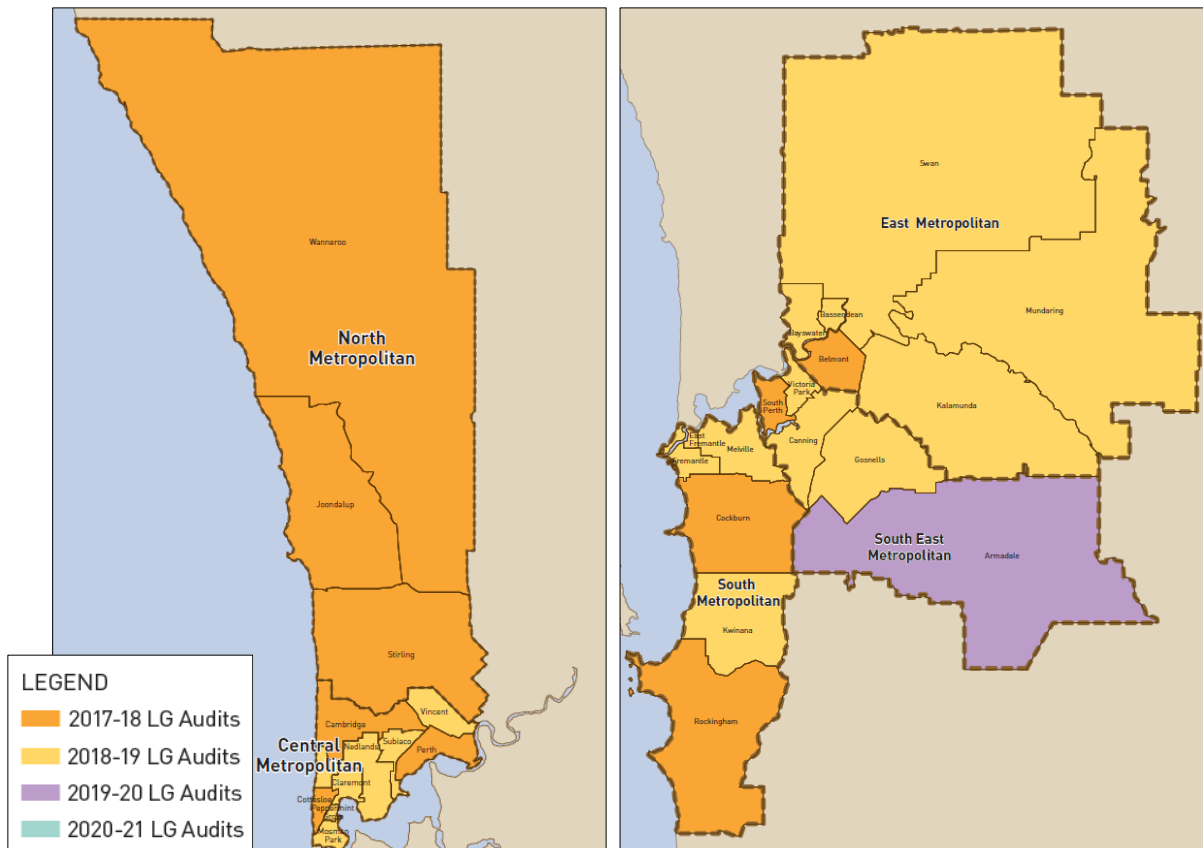
The following maps show the local governments where we performed annual financial audits for 2017-18 (these are also listed at Appendix 1) and the transitioning schedule for other local governments over the next 3 years:



Map 1: Regional WA showing Auditor General’s staged transition of audits



Map 2: South West region showing the Auditor General’s staged transition of audits



Maps 3 and 4: Metropolitan WA showing Auditor General’s staged transition of audits

Local government entity annual financial reporting framework and timeline

Each LG is required to prepare an annual financial report that includes:

- a Statement of Financial Position, Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity and Statement of Cash Flows
- a Rate Setting Statement
- seven financial ratios required under section 50(1) of the Local Government (Financial Management) Regulations 1996 (LG Financial Management Regulations), to be reported in the Notes to the financial report.

Under section 6.4(3) of the *Local Government Act 1995* (LG Act), a LG must submit its financial report for audit to the OAG by 30 September. Many of the 46 LGs we audited for 2017-18 submitted their financial reports for audit well in advance of this deadline. However, 10 submitted after 30 September 2018.

We completed 38 of the audits by 31 December 2018 as required by section 7.9 of the LG Act. A further 4 were completed after 31 December, and 4 are still being finalised, of which 3 were due to difficulties finalising asset balances.

Summary of auditor's reports issued

At 1 March 2019, we had issued auditor's reports for 42 LGs for the financial year ending 30 June 2018.

The auditor's report includes:

- the audit opinion on the annual financial report
- a description of significant non-compliance (if any) in relation to the financial report or other financial management practices
- an opinion whether there were any material matters that indicate significant adverse trends in the financial position of the LG.

Under the Amendment Act, the chief executive officer (CEO) is required to publish the annual report, including the audited financial report and the Auditor General's auditor's report, on the LG's website within 14 days of the annual report being accepted by the LG. A table of all auditor's reports issued by the Auditor General for 2017-18 is in Appendix 1.

Audit opinions on annual financial reports

An unqualified audit opinion in the auditor's report indicates the annual financial report was based on proper accounts and records, and fairly represented performance during the year and the financial position at year end. All but 2 LGs received unqualified (clear) audit opinions.

We issue a qualified opinion in our auditor's report on a LG's annual financial report if we consider it is necessary to alert readers to material inaccuracies or limitations in the financial report that could mislead readers. The following 2 LGs received a qualified opinion:

Shire of Brookton

We issued a qualified opinion as the Shire did not recognise the 2018-19 financial assistance grant of \$504,598 received from the Commonwealth Government in June 2018 as revenue in accordance with Australian Accounting Standard AASB 1004 'Contributions'.

Instead, the Shire advised that it intended to recognise the revenue in 2018-19, and recorded the grant as Trade and other payables at 30 June 2018.

This resulted in the Shire's net result for the year being understated by \$504,598 in its Statements of Comprehensive Income and its Trade and other payables in the Statement of Financial Position being overstated by the same amount.

In addition, this resulted in understatement of the current, debt service cover and operating surplus ratios disclosed in the Notes to their financial report.

Town of Cambridge

The opinion of the Town was qualified because in previous years the interest earned on invested trust funds was incorrectly recognised as income instead of being returned to the entitled recipients as required by the LG Act.

In 2017-18, to partially address this, the Town made a prior year adjustment to reduce income and cash balances, and also revised related Notes to the financial report.

The Town's best estimate of the cumulative effect of interest earned on trust funds at 30 June 2018 was approximately \$450,000, of which a portion that had not yet been determined should have already been paid back to entitled recipients.

Prior year qualified opinion – 2017-18 audit still in progress

In 2016-17 the Shire of Laverton received a qualified opinion on its financial report because the auditor was unable to confirm that land, buildings, plant and equipment, furniture and equipment tools and infrastructure assets were reported at fair value.

The 2017-18 audit is still in progress because key aspects of a valuation, performed during the year, are still being reviewed.

Material matters of non-compliance with legislation

Regulation 10(3)(b) of the Local Government (Audit) Regulations 1996 (LG Audit Regulations) requires the auditor to report, in the auditor's report, any matters indicating non-compliance with Part 6 of the LG Act, the Local Government (Financial Management) Regulations 1996 (LG Financial Management Regulations) or applicable financial controls in any other written law. These matters may relate to the financial report or to other financial management matters.

In determining which matters to report, we apply the principles of materiality, as required by Australian Auditing Standard ASA 320 *Materiality in Planning and Performing an Audit*. Factors that we consider include the extent and frequency of the non-compliance, and the effect or potential effect.

Some of the matters we have reported relate to non-compliance with specific sections of the LG Act or regulations. We consider regulation 5(1) of the LG Financial Management Regulations to be particularly important, because failure to effectively apply those requirements can result in significant financial loss, inefficiency, financial misreporting or fraud. Regulation 5(1) requires efficient systems and procedures to be established, including:

- for the proper maintenance and security of the financial records of the LG
- to ensure proper accounting for municipal or trust revenue, expenses, assets and liabilities
- to ensure proper authorisation for the incurring of liabilities and the making of payments
- for the maintenance of payroll, stock control and costing records
- to assist in the preparation of accounts and reports required by the Act or the regulations.

We considered many of the findings that we reported to represent non-compliance with this important section of the LG Financial Management Regulations.

Our individual findings were included in our auditor's reports which are included in annual reports on each LG's website. For the convenience of Parliament and the public, we have summarised the matters we reported in the following table:

Issue	Finding
Controls over accounting journal entries	At 12 LGs, we found that accounting journal entries were posted with no evidence of independent review and approval by another person. Accounting journals can represent significant adjustments to previously approved accounting transactions, and could result in, for example, one type of expenditure being re-coded to another type of expenditure. Journals should therefore be subject to independent review.
Quotes not obtained for purchases below the tender threshold	At 4 LGs, 26% to 57% of purchases we sampled below the \$150,000 tender threshold had inadequate or no evidence that a sufficient number of

	<p>quotations was obtained, to test the market. There was no documentation to explain why other quotes were not sought.</p> <p>This practice increases the likelihood of not receiving value for money in procurement. This could also result in favouring of certain suppliers, although our audits did not identify any instances.</p>
Review not performed of systems and procedures	At Bunbury-Harvey Regional Council, a review of the appropriateness and effectiveness of the Council's systems and procedures in relation to risk management, internal controls and legislative compliance was not completed at least once every two years as required by Regulation 17 of the LG Audit Regulations. The last review was in 2014.
Approval to make investments	At City of Cockburn, the officer sending communications to the City's investment advisor, instructing them to make investments, had not been delegated with authority to issue these instructions. Although management advised that another officer with delegation was consulted before making investment decisions, there was no evidence of consultation and no approval of the instructions to invest.
Inadequate recordkeeping for infrastructure assets	<p>A stocktake of infrastructure was conducted at the City of South Perth for the first time in a number of years, and the City found \$21 million of infrastructure assets that was not recorded on the asset register.</p> <p>The asset register has however now been appropriately updated.</p>
System access controls	<p>More employees than necessary at the Shire of Brookton had the ability to make modifications in the system to the rates used for fees and charges. The Shire did not have a system logging process to report and review changes made to fees and charges.</p> <p>In addition, a shared account could be used to modify creditor and debtor details in the system. This increased the risk of unauthorised changes to key information, although our audit sampling did not identify any.</p>
Financial ratio not reported	<p>The Shire of Bruce Rock did not report the Asset Renewal Funding Ratio in the annual financial report as required by regulation 50(1)(c) of the LG Financial Management Regulations, as planned capital renewals and required capital expenditure were not estimated in a long term financial plan and asset management plan respectively.</p> <p>The Shire has advised that the plans are currently being completed.</p>
Financial ratios not reported	<p>The Shire of Denmark did not report the Asset Renewal Funding Ratio in the annual financial report as required by regulation 50(1)(c) of the LG Financial Management Regulations, as planned capital renewals and required capital expenditure were not estimated in a long term financial plan and asset management plan respectively.</p> <p>The Shire also did not report the Asset Consumption Ratio for 2017 and 2016 in the annual financial report as required by regulation 50(1)(c) of the LG Financial Management Regulations, as current replacement cost of depreciable assets was not estimated in previous years.</p>
Financial ratio not reported	The Shire of Kondinin did not report the Asset Renewal Funding Ratio in the annual financial report as required by section 50(1)(c) of the LG Financial Management Regulations, as management considered the available information on planned capital renewals and required capital expenditure was unreliable.
No signed employment contracts for 3 staff	For 3 employees at the Shire of Koorda, there were no signed employment contracts or letters of employment in the Shire's records.

<p>Lack of policies, review not performed of systems and procedures, and financial ratio not reported</p>	<p>The Shire of Nungarin had not developed key policies and procedures, such as purchasing and risk management policies.</p> <p>A review of the appropriateness and effectiveness of the Council's systems and procedures in relation to risk management, internal controls and legislative compliance was not completed at least once every two calendar years as required by Regulation 17 of the LG Audit Regulations.</p> <p>The Shire has not reported the Asset Renewal Funding Ratio for 2016, as planned capital renewals and required capital expenditure were not estimated in a long term financial plan or asset management plan, as required by the LG Financial Management Regulations.</p>
<p>Bank reconciliation</p>	<p>Several monthly bank reconciliations at Shire of Perenjori were not completed in a timely manner, and some were not independently reviewed by management. In addition, one had alterations that were not explained, and one did not have schedules to support the reconciling items.</p>
<p>Review not performed of systems and procedures</p>	<p>A review of the appropriateness and effectiveness of the Council's systems and procedures in relation to risk management, internal controls, and legislative compliance was not completed by the Shire of Tammin at least once every two calendar years as required by Regulation 17 of the LG Audit Regulations.</p>
<p>Approval of payments, bank reconciliations and reporting to Council</p>	<p>For 19 of 26 payments we sampled at Shire of Yalgoo, there was no evidence of the signing officers examining supporting documentation to payments and documenting approval.</p> <p>Several monthly bank reconciliations were not completed in a timely manner, and some were not independently reviewed by management. In addition, the 30 June 2018 bank reconciliation included numerous uncleared payments and deposits in excess of 12 months old.</p> <p>Due to difficulties implementing new accounting software, four statements of financial activity were not presented at an ordinary meeting of Council within two months after the end of the month to which the statement relates, which is not in compliance with Regulation 34(4)(a) of the LG Financial Management Regulations.</p>
<p>Delegations, reporting of financial ratio, and reporting of a separate balance sheet for a trading undertaking</p>	<p>In April 2018 at the Town of Cambridge, Council approved a delegation to the CEO to make payments from the municipal fund. Management was however not able to provide evidence that these powers had been delegated prior to that date. Payments from the municipal fund were approved by the CEO or other staff prior to April 2018.</p> <p>The Town also did not report the Asset Renewal Funding Ratio for 2016 and 2017 as planned capital renewals and required capital expenditure were not estimated in the long term financial plan and asset management plan respectively, as required by the LG Financial Management Regulations.</p> <p>The Town did not report a balance sheet for its major trading undertaking, the Wembley Golf Course, in the Notes to the financial report, as required by regulation 45 of the LG Financial Management Regulations.</p>

Table 1: Material non-compliance with legislation reported in auditor's reports

Adverse trends in the financial position of local government entities

Regulation 10(3)(a) of the LG Audit Regulations requires the auditor to report, in the auditor's report 'any material matters that in the opinion of the auditor indicate significant adverse trends in the financial position or the financial management practices of the local government'.

A performance audit of adverse financial trends would typically consider numerous aspects of a LG's finances, and inter-relationships between financial ratios. However, for purposes of the annual financial audit process, we have limited our audit to a high level assessment of whether the 7 financial ratios reported in the notes to the financial report achieved the standards set by the Department of Local Government, Sport and Cultural Industries (the Department). When determining whether a trend was significant, in some instances we allowed for a ratio to be slightly lower than the Department's standard, in recognition that failing to meet some standards is more significant than failing to meet others.

LGs report these ratios for the current year and the preceding 2 years. Our trend analysis was limited to these 3 years of information.

The 7 ratios, defined in regulation 50(1) of the LG Financial Management Regulations are:

- current ratio
- asset consumption ratio
- asset renewal funding ratio
- asset sustainability ratio
- debt service cover ratio
- operating surplus ratio
- own source revenue coverage ratio.

We reported that 38 ratios at 24 LGs indicated adverse trends. It is important to note that although most of the ratios are useful indicators, further assessment would be necessary before concluding on the overall financial position of an entity.

Emphasis of Matter included in auditor's reports

Regulation 16(a) of the LG Financial Management Regulations requires that the financial report of a LG is not to include the value of certain types of land, including land under roads, that are managed by or under the control of the LG. The Department informed us that it considered that the benefits of reporting land under roads did not justify the cost of its periodic valuation. The exclusion of any land under roads acquired on or after 1 July 2008 is inconsistent with Australian Accounting Standard AASB 1051 *Land Under Roads*. Regulation 4(2) of the LG Financial Management Regulations provides that if a provision of the Australian Accounting Standards is inconsistent with a provision of a regulation, then the regulation prevails to the extent of the inconsistency.

We noted that this significant divergence from the accounting standards was not being clearly disclosed in the annual financial reports of LGs. As land under roads is reported for the WA State Government sector and some other LG jurisdictions, we considered it important to alert readers to this different method of reporting. We requested that LGs prominently disclose this in their accounting policy notes to their financial reports. Although we considered that this inconsistency between the regulations and the accounting standards did not warrant a qualified audit opinion, we included an Emphasis of Matter paragraph in our auditor's reports to highlight this accounting treatment for readers:

Regulation 16 of the Local Government (Financial Management) Regulations 1996 does not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report. My opinion is not modified in respect of this matter.

Financial and management controls

In addition to the material non-compliance matters reported in our auditor’s reports (see Table 1 on pages 11 to 13), we reported other matters to management, including less material non-compliance as well as financial management and information system control weaknesses identified in our audits. These management letters, together with the auditor’s report, form part of our overall audit report that we provide under section 7.12AD of the LG Act to the mayor, president or chairperson, the CEO and the Minister for Local Government on completion of the audit.

In our management letters, we provide a rating for each matter reported. We rate matters according to their potential impact, and base our ratings on the audit team’s assessment of risks and concerns about the probability and/or consequence of adverse outcomes if action is not taken. We consider the:

- quantitative impact – for example, financial loss
- qualitative impact – for example, inefficiency, non-compliance, poor service to the public or loss of public confidence.

Risk category	Audit impact
Significant	Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly.
Moderate	Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
Minor	Those findings that are not of primary concern but still warrant action being taken.

Table 2: Risk categories for matters reported to management

We give LG management the opportunity to review our audit findings and provide us comments prior to completion of the audit. When management responds to our draft management letters, we request them to set a time frame for remedial action to be completed. Often management improves policies, procedures or practices soon after we raise them and before the audit is completed. Other matters may take longer to remedy and we will follow them up during our subsequent annual audits.

During 2017-18, we alerted 40 LGs to control weaknesses that needed their attention. We reported 290 control weaknesses, of which 56 rated as significant and 186 as moderate.

Figure 4 shows a breakdown of the categories of control weaknesses identified in our 2017-18 management letters.

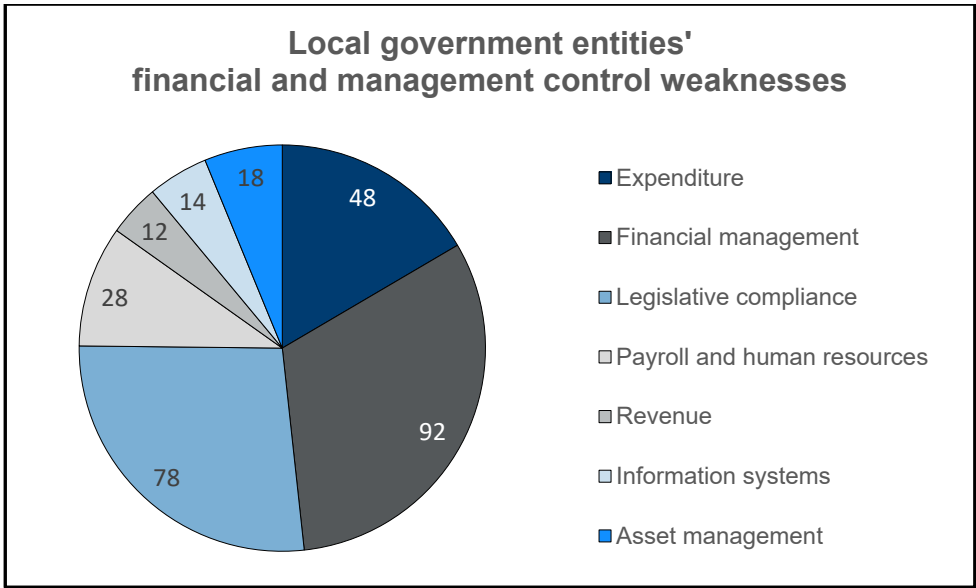


Figure 4: Financial and management control weaknesses reported to LGs

Recommendations

LGs should ensure they maintain the integrity of their financial control environment by:

- a. periodically reviewing and updating all financial, asset, human resources, governance, information systems and other management policies and procedures and communicating these to staff
- b. conducting ongoing reviews and improvement of internal control systems in response to regular risk assessments
- c. regularly monitoring compliance with relevant legislation
- d. promptly addressing control weaknesses brought to their attention by our audits.

Observations that may improve audit outcomes

The annual financial audit is focussed on providing assurance over a LG's annual financial report. During the audit we also make audit findings regarding compliance and financial and information system controls.

In this first year of auditing local government we have made some initial observations regarding opportunities for improving audit outcomes which would contribute to improved governance, financial management and performance for enhanced community satisfaction and confidence in LGs. It is important to note that each of the following issues was observed, with differing frequency across the LGs we audited.

Compliance vs better practice

At some LGs we noted an emphasis on minimum compliance (with the detailed regulations), rather than broader principles of good internal control and governance. In some instances, LG officers questioned why we were reporting their failure to comply with internal policies – it was apparent that some only regarded non-compliance with legislation to be an audit issue.

In our reporting we have made, and intend to continue making recommendations that not only address non-compliance, but which also assist to achieve better practice in financial management and control. This is aimed at remedying weaknesses before they contribute to potential breaches of legislation.

Internal audit

Only 11 of the 42 LGs we surveyed had an internal audit function. An effective internal audit function is important for ongoing maintenance and improvement of risk management, internal control and governance processes. The internal audit function acts as the independent eyes and ears for council on LG administration in key areas of risk. While recognising the difficulties for regional LGs to maintain an effective, independent internal audit function, we encourage LGs to collaborate with a view to effective internal audit assurance. We propose to cover this topic further in future performance audits.

Interaction with audit committees - audit entrance and exit meetings

Effective audit entrance and exit meetings are essential to good audit outcomes. These should facilitate informed, respectful and robust exchange between the auditors, management and the audit committee. This was the case for several of the 2017-18 audits.

On other audits however, the exit meeting was held with the entire council and this often hindered detailed discussion of the audit issues, due to the formality of proceedings and number of attendees. Section 7.12A of the LG Act requires the LG to meet with the auditor at least once each year, with the meeting typically occurring on completion of the audit. We strongly support this approach.

However, because of the number of attendees and time pressures at a full council meeting, it is preferable that, in advance of the council meeting, a more detailed exit meeting is held with the audit committee. The committee should preferably include a few council members only, with relevant skills/background in finance, risk management or auditing. We noted that 27 out of 42 LGs we surveyed had audit committees which included 5 or more council members. This is not considered better practice for facilitating effective entity-auditor communication, however we do recognise the potential challenges for regional entities in appointing members with specialist skills to their audit committees and the evident interest of councillors in audit-related matters.

We also made the following observations:

- In the past, it has generally not been common practice for audit entrance meetings to be held with the audit committee or council, and some exit meetings have also not been held with the audit committee or council. Australian Auditing Standard ASA 260 *Communication With Those Charged With Governance* requires the auditor to discuss certain key aspects of the audit planning and the audit results with those charged with governance. As a committee of council, the audit committee is the usual forum to enable effective audit communication.
- It is better practice for the auditors to highlight and explain the key elements of their entrance or closing report to the audit committee and management. Most of the meetings, especially exit meetings, did not follow a format that facilitated this but rather moved straight to councillors questioning the auditors. While this is important and as auditors we are happy to answer questions, as outlined above there are key matters that an auditor should directly communicate to those charged with governance.
- In some exit meetings, CEOs were, in our view, not given adequate opportunity to participate due to the formality of proceedings during audit meetings. CEOs and finance officers provide important information to those charged with governance, including updates on how audit findings have been prioritised and actioned.

At Appendix 3, we have briefly set out better practice guidelines for communications between auditors, management and councils.

Disclosure of audit communications

Sometimes during our planning or interim audit visit, we issue interim management letters to the CEO and council, to provide them early advice of our audit findings, to enable them to take timely remedial action.

However, these findings only form part of our report under section 7.12AD of the LG Act when we issue them as part of our report on completion of our audit. For this reason, our interim management letters advise that they may not be suitable for other purposes. They are not intended for public release until we issue them as part of our Audit Report, and indeed in our performance audit processes disclosure of draft findings is prohibited by the *Auditor General Act 2006* (AG Act).

Some LGs have made these interim management letters public. However, we regard them as 'working documents' until we issue them formally to the mayor, president or chairperson, the CEO and the Minister for Local Government as part of our final report.

Recommendations

1. In addition to compliance with legislation, management should promote a culture of applying better practice and complying with internal policies.
2. An in-depth audit exit meeting should be held with the audit committee, in advance of the council meeting. As far as is practicable, the audit committee should include a few council members, rather than the entire council.
3. An audit entrance meeting should be held with the audit committee.
4. Audit exit meetings should provide the auditor the opportunity to highlight the key audit issues, in a structured manner, and the CEO adequate opportunity to comment.
5. LGs should not make interim audit findings public until they are received as part of our Audit Report on completion of the audit, unless specific urgent needs warrant earlier release.

Auditor independence

OAG staff and contractors are required, by the AG Act, the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* and APES 320 *Quality Control for Firms*, and auditing standard ASQC1¹, to be independent of the entities we audit.

Prior to assuming responsibility for LG financial audits, we were aware that it was often common practice for the existing auditors to perform other work for LGs, in addition to the annual financial audit. This can impair an auditor's independence. We have therefore given careful consideration to this, taking into account factors including:

- limited access to alternate accounting firms in regional areas to perform these other tasks
- the efficiencies that can sometimes be achieved if, for example, the auditor of the annual financial report also audits grant acquittals
- the key principle that auditors should not audit financial reports that they have prepared, to avoid the 'self-review threat to independence'
- whether some of the "other" tasks should be performed as part of the annual financial audit rather than as a separate task.

In 2017-18, we approved our contract auditors to perform various other audit tasks, in addition to the annual financial audit. We require our contractors to seek our approval, in advance. This is mainly to ensure that the nature of the proposed task does not impair their independence, and also to ensure that their fee is not too high in comparison to the fee for the annual financial audit, as that could also impair auditor independence.

For grant acquittals, including Royalties for Regions or Roads to Recovery, we generally permitted our contract auditors to, after obtaining our approval, engage directly with LGs and complete the required acquittals.

We also noted that some other work performed by audit firms was being regarded as separate from the annual financial audit, with separate fees, whereas part of the work should be routinely performed during the annual financial audit. For example, audit firms have often performed reviews of systems and procedures for the CEO as required by regulation 17 of the LG Audit Regulations or regulation 5(2)(c) of the LG Financial Management Regulations. Much of this work should already be covered during the annual financial audit and included in that audit fee. In our view, this had the effect of under-stating the audit fees for annual financial audits. We have taken steps to ensure adequate review of systems and controls as part of our annual financial audit process.

Some LGs also inquired whether our contract auditors could provide training to LGs where they were performing audits on our behalf. It is OAG practice that our contract auditors may provide general training in areas such as accounting principles or new accounting standards to entities, provided the fees are not so high as to impair their audit independence.

Independence can also be impaired through auditors instructing accounting staff on specific accounting entries that the auditors would subsequently audit. All additional work must be considered on a case by case basis for threats to impairment of auditor independence.

¹ ASQC1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements

Financial reporting challenges relating to asset valuations

During our audits we noted a variety of valuation methodologies being used for property, plant, equipment and infrastructure in the WA LG sector. In this first year of our LG financial auditing, we noted several issues relating to these valuations. One issue was the timely completion of valuations – at least 3 audits were completed late because the LGs received their valuation reports too late.

Two other aspects were of particular concern:

- the cost of performing valuations
- inconsistent valuation methods.

The cost of performing valuations

Australian Accounting Standard 116 *Property, Plant and Equipment* requires entities to elect to measure property, plant and equipment, including infrastructure, using either a revaluation model (at fair value) or a cost model. In the public sector, it is common practice to measure assets such as land, buildings and infrastructure at fair value, requiring periodic valuations. However, it is more common for the public sector to measure assets such as equipment (including computing equipment), some plant, furnishings and motor vehicles at cost less accumulated depreciation, thereby avoiding the often significant expense and effort of periodically valuing the assets and auditing the valuations.

The WA State public sector measures these assets at cost, whereas local governments are required, by Regulation 17A of the LG Financial Management Regulations, to fair value the assets through periodic valuations. A recent revision to the LG Financial Management Regulations, effective 1 July 2018, will remove the requirement to value assets below \$5,000. However, we suggest consideration also be given to requiring local governments to report all assets in these asset sub-classes using the cost model.

Inconsistent valuation methods

Valuation methodologies used for property, plant, equipment and infrastructure in the LG sector sometimes vary significantly across the different valuers. Some revaluations performed in 2017-18 yielded significant increments or decrements compared to the values of the previous revaluations, which were generally performed between 2013 and 2015. We concluded that most of the revalued assets were reported at amounts that materially represented fair value. However, in some instances, we asked LGs and their valuers to revisit the estimated values, resulting in some amendments.

Of particular concern is the inconsistent approach across different LGs, for valuing land assets that have restricted use. These include sports grounds, parks, gardens, sumps, foreshore, or land reserved as 'bush forever'. One of the reasons for inconsistency is differing interpretations of the principles in Australian Accounting Standard AASB 13 *Fair Value Measurement*. In particular, the standard requires valuers to take into account the highest and best use to which a market participant could put the asset. However, the standard also specifies the need to take into account the characteristics of the asset, including any restrictions on sale or use.

Different valuers are applying different interpretations of these principles, resulting in significant differences in values attributed to these types of restricted use assets. This impacts comparability of the assets of local governments. Both the Australian Accounting Standards Board (AASB) and the International Public Sector Accounting Standards Board

(IPSASB) currently have projects under way relating to fair value of public sector assets, and it is anticipated that they will provide guidance that could then be consistently applied in the LG sector.

Recommendations

1. The Department should re-assess the potential advantages if LGs are required to report equipment assets using the cost model.
2. LGs should robustly assess the assumptions and methodology of their valuers, in particular the approach for valuing land assets with restricted use.
3. LGs and the Department should monitor the progress of the AASB and IPSASB public sector fair value projects.

Upcoming changes to accounting standards and the local government regulations

A number of significant changes to Australian Accounting Standards will be applicable over the next few years, some commencing in 2018-19. These, and a change to the LG Financial Management Regulations are expected to require close attention by entities' finance officers and our audit teams.

Expensing assets with a value at acquisition under \$5,000

Regulation 17A(5) of the LG Financial Management Regulations requires, with effect from 2018-19, assets with a value below \$5,000 at the time of acquisition, to be excluded from the assets reported in the financial report. These assets will instead be reported as an expense in the statement of comprehensive income in the year of acquisition.

Australian Accounting Standard AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, requires this amendment to the asset values to be treated as a change in accounting policy. The standard requires balances to be adjusted retrospectively, unless it is impracticable to determine the period-specific or cumulative effects of the change.

Future impact of changes to accounting standards

The following new and revised standards issued by the AASB are expected to impact LGs to varying extent:

- **AASB 9 – *Financial Instruments*** – This standard changed the classification and measurement of financial assets from 1 January 2018 and therefore applies to LGs for the 2018-19 reporting year. Another change is earlier recognition of provisions for bad/doubtful debts based on expected credit losses.
- **AASB 15 – *Revenue from Contracts with Customers*** – This standard requires revenue to be recognised by entities on the fulfilment of the performance obligations of an enforceable contract at a point in time or over time, as applicable. An example for LGs is receiving grant moneys. LGs need to allocate the grant amount to each performance obligation in the contract and recognise the revenue only when the related performance obligations are satisfied. This will be consistent with current practice for the private sector.

Also, authoritative implementation guidance has been issued for not-for-profit public sector licensors reporting transactions involving the issue of licences. This standard applied from 1 January 2018 reporting for for-profit entities, and from 1 January 2019 reporting for not-for-profit entities.

- **AASB 1058 – *Income of Not-for-profit Entities*** – This standard, in combination with AASB 15, establishes new principles for income recognition for not-for-profit entities from 1 January 2019 reporting and will therefore apply to LGs for the 2019-20 reporting year. AASB 1058 applies to transactions where assets are acquired at significantly less than fair value, including rates and grant moneys. It is anticipated that the implementation of these two standards will result in more delayed income recognition.
- **AASB 16 – *Leases*** – For lessees, this standard removes the distinction between operating leases and finance leases, and requires all leases (except short-term leases and leases of low-value assets) to be recognised as lease assets and lease liabilities on the balance sheet. This will result in the grossing-up of the balance sheet and higher expense in the early years of the lease term. Peppercorn lease assets can be elected to

be measured either at cost or at fair value. This standard applies from 1 January 2019 and will therefore apply to local governments for the 2019-20 reporting year.

- **AASB 1059 – *Service Concession Arrangements: Grantors*** – This standard is applicable to public sector entities (grantors) that enter into service concession arrangements with private sector operators. It requires grantors to recognise a service concession asset and, where applicable, a service concession liability on the balance sheet. The initial balance sheet accounting, as well as the ongoing income statement impacts, will have implications for grantors. AASB 1059 will apply for years beginning on or after 1 January 2020 and will apply to local governments for the 2020-21 reporting year.

We acknowledge that there are varying degrees of readiness and preparation for these new accounting standards. We are preparing and training financial audit staff in the new and revised requirements and updating relevant audit policies and procedures.

Recommendation

Local governments should continue to make timely preparations for implementation of the upcoming accounting standards changes, and the new regulation requiring assets with a value at acquisition below \$5,000 to be expensed.

Appendix 1: Local government entities audited

We have to date completed 42 of the 46 audits for 2017-18. The auditor's reports issued are listed in the table below.

LGs are listed alphabetically.

Local government	Opinion issued
Bunbury-Harvey Regional Council	29/10/2018
City of Belmont	31/10/2018
City of Bunbury	17/10/2018
City of Cockburn	27/11/2018
City of Joondalup	14/11/2018
City of Kalgoorlie-Boulder	29/11/2018
City of Perth	13/12/2018
City of Rockingham	09/11/2018
City of South Perth	29/11/2018
City of Stirling	09/11/2018
City of Wanneroo	15/11/2018
Eastern Metropolitan Regional Council	05/10/2018
Pilbara Regional Council	14/12/2018
Rivers Regional Council	11/12/2018
Shire of Brookton	13/12/2018
Shire of Bruce Rock	13/12/2018
Shire of Capel	29/11/2018
Shire of Cranbrook	01/03/2019
Shire of Cue	11/12/2018
Shire of Cunderdin	Not finalised
Shire of Dandaragan	07/12/2018
Shire of Denmark	18/12/2018
Shire of Exmouth	27/11/2018
Shire of Jerramungup	11/02/2019
Shire of Kellerberrin	05/12/2018
Shire of Kondinin	12/12/2018
Shire of Koorda	18/10/2018
Shire of Laverton	Not finalised
Shire of Menzies	Not finalised
Shire of Moora	30/11/2018
Shire of Morawa	05/12/2018
Shire of Narrogin	20/12/2018
Shire of Northampton	03/12/2018

Shire of Nungarin	31/01/2019
Shire of Perenjori	10/12/2018
Shire of Ravensthorpe	Not finalised
Shire of Sandstone	30/10/2018
Shire of Tammin	31/01/2019
Shire of Three Springs	11/12/2018
Shire of West Arthur	13/12/2018
Shire of Woodanilling	18/12/2018
Shire of Wyalkatchem	18/01/2019
Shire of Yalgoo	18/12/2018
Shire of York	27/11/2018
Town of Cambridge	17/12/2018
Town of Cottesloe	05/12/2018

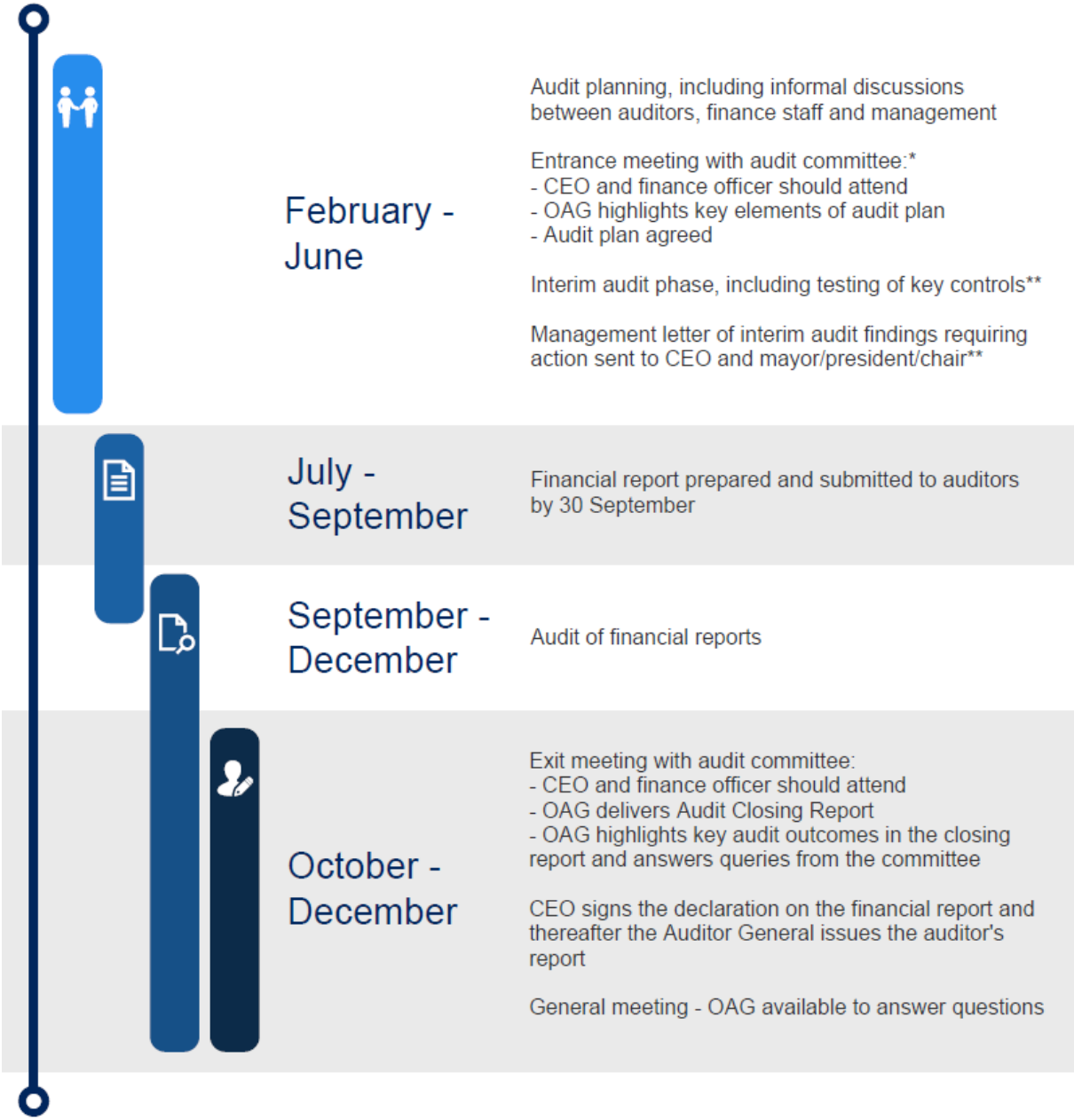
Appendix 2: Local government entity certifications issued

In addition to annual auditor's reports, some LGs needed to acquit moneys received from other sources under grant agreements or other legislation. We issued the following 3 certifications on statements of income and expenditure of LGs, to help them discharge their financial reporting obligations, some being for Commonwealth grants.

LGs are listed alphabetically.

Local government	Opinions issued
City of South Perth – <i>National Land Transport Act 2014</i> – Roads to Recovery Funding	25/10/2018
Shire of Brookton – Pensioner Deferments	13/12/2018
Town of Cambridge – <i>National Land Transport Act 2014</i> – Roads to Recovery Funding	10/12/2018

Appendix 3: Timeline of communications between auditors, management and council members



Source: OAG

Notes

Meetings with some remote LGs will be conducted by teleconference due to cost and logistical reasons.

* If it is not practicable for the audit committee to meet for an audit entrance meeting, we suggest at least one councillor attends the entrance meeting.

** For small regional LGs, there may not be an interim audit visit. This work is usually completed at the same time as the audit of the financial report, and findings are reported at that time. The extent and proposed timing of interim work will be outlined in the audit plan.

Glossary and acronyms

AASB	Australian Accounting Standards Board
AG Act	<i>Auditor General Act 2006</i>
Amendment Act	<i>Local Government Amendment (Auditing) Act 2017</i>
Auditor's Report	The Auditor General's Auditor's Report that is published in the local government's annual report by the CEO, in accordance with section 5.55A of the LG Act.
Audit Report	The overall report under section 7.12AD of the LG Act, formally issued to the Mayor, President or Chairperson, the CEO and the Minister for Local Government on completion of the audit, including the Auditor's Report and the management letter(s).
CEO	Chief executive officer
Clear opinion (or unqualified opinion)	Auditor General's opinion expressed when an annual financial audit concludes that in all material respects the financial report is presented fairly in accordance with the <i>Local Government Act 1995</i> and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.
Contract audit	Audit of a local government undertaken by an appropriately qualified individual or firm, on behalf of the Auditor General, appointed under a contract.
Department	Department of Local Government, Sport and Cultural Industries
Emphasis of Matter	A paragraph included in an auditor's report that refers to a matter that is appropriately presented or disclosed in the financial report but which, in the auditor's judgment, is of such importance that it should be emphasised in the auditor's report.
Financial audit	Work performed to enable an opinion to be expressed regarding a financial report prepared by the party who is accountable for the financial transactions.
IS	Information systems, primarily computerised systems
LG Act	<i>Local Government Act 1995</i>
LG Audit Regulations	Local Government (Audit) Regulations 1996
LGs	Local government entities, being Western Australian local governments and regional councils
LG Financial Management Regulations	Local Government (Financial Management) Regulations 1996
Management letter	A letter to management of a local government that conveys significant audit findings and results of the audit. On completion of the audit, the management letter forms part of the audit report sent to the CEO, to the Mayor, President or Chairperson, and to the Minister for Local Government.
Materiality	The characteristic based on the size and/or nature of an omission or misstatement of accounting or compliance information that, in the light of context or circumstances, has the potential to adversely affect the economic decisions of users of the information or the discharge of accountability by senior management.
OAG	Office of the Auditor General
Qualified opinion	Auditor General's opinion expressed when an audit identifies aspects of the annual financial report that are likely to be misleading to users, there was material conflict with applicable financial reporting frameworks or a limitation of scope on audit work.
Significance	Relative importance in the circumstances, in relation to audit objectives, of an item, event or information, or problem the auditor identifies.

Auditor General's Reports

Report number	Reports	Date tabled
14	Opinions on Ministerial Notifications	13 February 2019
13	Opinion on Ministerial Notification	23 January 2019
12	Managing Disruptive Behaviour in Public Housing	20 December 2018
11	Opinions on Ministerial Notifications	20 December 2018
10	Opinions on Ministerial Notifications	18 December 2018
9	Treatment Services for People with Methamphetamine Dependence	18 December 2018
8	Opinions on Ministerial Notifications	10 December 2018
7	Audit Results Report – Annual 2017-18 Financial Audits of State Government Entities	8 November 2018
6	Opinion on Ministerial Notification	31 October 2018
5	Local Government Procurement	11 October 2018
4	Opinions on Ministerial Notifications	30 August 2018
3	Implementation of the GovNext-ICT Program	30 August 2018
2	Young People Leaving Care	22 August 2018
1	Information Systems Audit Report 2018	21 August 2018

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PURCHASING

1. Objectives

- To provide compliance with the *Local Government Act 1995* and the *Local Government Act (Functions and General) Regulations 1996*.
- To deliver a best practice approach to all purchasing arrangements for the Town of Cottesloe and accompanying procedures to assist staff.
- To ensure consistency for all purchasing activities that integrates all of the Town of Cottesloe's operational areas.

2. Principles

The Town of Cottesloe is committed to having efficient, effective, economical and sustainable procedures in all purchasing activities. This policy:

- a. Provides the Town of Cottesloe with an effective way of purchasing goods and services.
- b. Ensures that purchasing transactions are carried out in a fair and equitable manner.
- c. Ensures integrity and confidence in the purchasing system, by providing appropriate records showing the basis for purchasing decisions.
- d. Ensures that the Town of Cottesloe receives value for money in its purchasing.
- e. Ensures that the Town of Cottesloe considers the environmental impact of the purchasing process across the life cycle of goods and services.
- f. Ensures the Town of Cottesloe is compliant with all regulatory obligations.
- g. Promotes effective governance and definition of roles and responsibilities.
- h. Uphold respect from the public and industry for the Town of Cottesloe's purchasing practices that withstands probity.
- i. It is an expectation of electors that their funds are used in a way that achieves the objectives of this Policy and prudent financial management

3. Ethics and Integrity

All officers and employees of the Town of Cottesloe shall observe the highest standards of ethics and integrity in undertaking purchasing activity and act in an honest and professional manner that supports the standing of the Town of Cottesloe.

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

- a. Full accountability shall be taken for all purchasing decisions and the efficient, effective and proper expenditure of public monies based on achieving the best value for money.
- b. All purchasing practices shall comply with relevant legislation, regulations, and requirements consistent with the Town of Cottesloe policies and Code of Conduct.
- c. Purchasing is to be undertaken on a competitive basis in which all potential suppliers are treated impartially, honestly and consistently.
- d. All processes, evaluations and decisions shall be transparent, free from bias and fully documented in accordance with applicable policies and audit requirements.
- e. Any actual or perceived conflicts of interest are to be identified, disclosed and appropriately managed.

- f. Any information provided to the Town of Cottesloe by a supplier shall be treated as commercial-in-confidence and should not be released unless authorised by the supplier or relevant legislation.

4. Value for Money

Value for money is an overarching principle governing purchasing that allows the best possible outcome to be achieved for the Town of Cottesloe. It is important to note that compliance with the specification is more important than obtaining the lowest price, particularly taking into account user requirements, quality standards, sustainability, life cycle costing, and service benchmarks.

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

- a. All relevant whole-of-life costs and benefits whole of life cycle costs (for goods) and whole of contract life costs (for services) including transaction costs associated with acquisition, delivery, distribution, as well as other costs such as but not limited to holding costs, consumables, deployment, maintenance and disposal.
- b. Preference will be given to Australian made and/or locally sourced and/or recycled products in the event that all other criteria are equal and the price of the local supplier is within 5% of the lowest quote.
- c. The technical merits of the goods or services being offered in terms of compliance with specifications, contractual terms and conditions and any relevant methods of assuring quality.
- d. Financial viability and capacity to supply without risk of default. (Competency of the prospective suppliers in terms of managerial and technical capabilities and compliance history).
- e. A strong element of competition in the allocation of orders or the awarding of contracts. This is achieved by obtaining a sufficient number of competitive quotations wherever practicable.

Where a higher priced conforming offer is recommended, there should be clear and demonstrable benefits over and above the lowest total priced, conforming offer.

5. Sustainable Purchasing

Sustainable Purchasing is defined as the purchasing of goods and services that have less environmental and social impacts than competing products and services.

The Town of Cottesloe is committed to sustainable purchasing and where appropriate shall endeavour to design quotations and tenders to provide an advantage to goods, services and/or processes that minimise environmental and negative social impacts. Sustainable considerations must be balanced against value for money outcomes in accordance with the Town of Cottesloe's sustainability objectives.

Practically, sustainable purchasing means the Town of Cottesloe shall endeavour at all times to identify and procure products and services that:

- a. Have been determined as necessary.
- b. Demonstrate environmental best practice in energy efficiency/and or consumption which can be demonstrated through suitable rating systems and eco-labelling.
- c. Demonstrate environmental best practice in water efficiency.
- d. Are environmentally sound in manufacture, use, and disposal with a specific preference for products made using the minimum amount of raw materials from a sustainable resource, that are free of toxic or polluting materials and that consume minimal energy during the production stage.
- e. Products that can be refurbished, reused, recycled or reclaimed shall be given priority, and those that are designed for ease of recycling, re- manufacture or otherwise to minimise waste.
- f. For motor vehicles: select vehicles featuring the highest fuel efficiency available, based on vehicle type and within the designated price range as per Council Policy Vehicle Fleet Administration.
- g. For new buildings and refurbishments: where available use renewable energy and technologies.

6. Purchasing Thresholds

Where the value of purchasing (excluding GST) for the value of the contract over the full contract period (including options to extend) is, or is expected to be:

Amount of Purchase	Quotation Requirements
Up to \$500	Direct purchase from suppliers requiring no quotations due to the minor and frequent nature of such goods.
\$501 to \$5,000	Direct purchase from suppliers requiring two verbal or written quotations*.
\$5,001 to \$50,000	Obtain at least three written quotations.
\$50,001 to \$149,999	Obtain at least three written quotations.
\$150,000 and above	Conduct a public tender process.

Appendix A to this Policy (Quotation Acceptance) should be completed for all purchase orders issued above \$250, with a summary of the verbal quotations received included in this form and/or a copy of all written quotations attached.

6.1 Exemptions

At times it may be necessary to vary from the requirements of this Policy for a number of reasons including:

- a. The need to engage short term staff to relieve existing staff when on leave.
- b. Legal expenses where a specific firm is considered to be the preferred provider of such services.
- c. Emergency situations.
- d. Urgent works such as electrical and plumbing repairs where immediate work is required to address a safety or operational issue.

In the instance where staff deems it necessary to vary from these policy requirements, the form attached as Appendix A should be completed and authorised by the Chief Executive Officer or Manager responsible for the employee.

Where it is considered beneficial, tenders may be called in lieu of seeking quotations for purchases under the \$150,000 threshold (excluding GST). If a decision is made to seek public tenders for Contracts of less than \$150,000, a Request for Tender process that entails all the procedures for tendering outlined in this policy must be followed in full.

6.1.1 Up to \$500

Where the value of purchasing of goods or services does not exceed \$500, no quotation is required, although depending on the nature of the goods, these may still be obtained to ensure good value.

This is to provide for the purchase of goods such as milk, minor refreshments and other sundry items that are best obtained on an ongoing basis from suppliers and to obtain quotations would be an inefficient and time consuming exercise, for no real benefit.

However, it is recommended that Officers use discretion and occasionally undertake market testing with a greater number of suppliers or more formal forms of quotation to ensure best value is maintained.

This purchasing method is suitable where the purchase is relatively small and low risk.

Record keeping requirements must be maintained in accordance with record keeping policies.

6.1.2 \$501 up to \$5,000

Where the value of purchasing of goods or services exceeds \$500 but does not exceed \$5,000, purchase on the basis of at least two verbal or written quotations is permitted. However, it is recommended that Officers use discretion and occasionally undertake market testing with a greater number of suppliers or more formal forms of quotation to ensure best value is maintained.

The general principles for obtaining verbal quotations are:

- Ensure that the requirement / specification is clearly understood by the Town of Cottesloe employee seeking the verbal quotations.
- Ensure that the requirement is clearly, accurately and consistently communicated to each of the suppliers being invited to quote.
- Read back the details to the Supplier contact person to confirm their accuracy.
- Written notes detailing each verbal quotation must be recorded.

In the event a verbal quotation is accepted, a purchase order shall only be issued after the provision of a written quote, confirming the verbal quote.

Record keeping requirements must be maintained in accordance with record keeping policies.

6.1.3 \$5,001 up to \$50,000

This category is for the purchasing of goods or services where the value of such purchasing ranges between \$5,001 and \$50,000.

At least three written quotations are required.

Where this is not practical, for example due to limited suppliers, it must be noted through records relating to the process (including Appendix A).

The general principles relating to written quotations are:

- An appropriately detailed specification should communicate requirement(s) in a clear, concise and logical fashion.
- The request for written quotation should include as a minimum:
 - Written Specification
 - Selection Criteria to be applied
 - Price Schedule
 - Conditions of responding
 - Validity period of offer
- Invitations to quote should be issued simultaneously to ensure that all parties receive an equal opportunity to respond.
- Offer to all prospective suppliers at the same time any new information that is likely to change the requirements.
- Responses should be assessed for compliance, then against the selection criteria, and then value for money and all evaluations documented.
- Respondents should be advised in writing as soon as possible after the final determination is made and approved.

Record keeping requirements must be maintained in accordance with record keeping policies.

6.1.4 \$50,000 to \$149,999

For the purchasing of goods or services where the value exceeds \$50,000 but is less than \$149,999, it is required to obtain at least three written quotes .

The responsible officer is expected to demonstrate due diligence seeking quotes and to comply with any record keeping and audit requirements. Record keeping requirements must be maintained in accordance with record keeping policies.

The general principles relating to written quotations are:

- An appropriately detailed specification should communicate requirement(s) in a clear, concise and logical fashion.
- The request for written quotation should include as a minimum:
 - Written Specification
 - Selection Criteria to be applied
 - Price Schedule
 - Conditions of responding
 - Validity period of offer

- Invitations to quote should be issued simultaneously to ensure that all parties receive an equal opportunity to respond.
- Offer to all prospective suppliers at the same time any new information that is likely to change the requirements.
- Responses should be assessed for compliance, then against the selection criteria, and then value for money and all evaluations documented.
- Respondents should be advised in writing as soon as possible after the final determination is made and approved.

For this purchasing range, the selection should not be based on price alone, and it is strongly recommended to consider some of the qualitative factors such as quality, stock availability, accreditation time for completion or delivery, warranty conditions, technology, maintenance requirements, organisation's capability, previous relevant experience and any other relevant factors as part of the assessment of the quote.

6.1.5 \$150,000 and above

Conduct a public tender as per the requirements of the Local Government and in keeping with the principles described above.

7. Regulatory Compliance

7.1 Tender Exemption

The *Local Government Act 1995* and the *Local Government Act (Functions and General) Regulations 1996* provides for purchases which are exempt from these requirements. These are:

- a. An emergency situation as defined by the *Local Government Act 1995*.
- b. The purchase is under a contract of WALGA (Preferred Supplier Arrangements), Department of Treasury and Finance (permitted Common Use Arrangements), regional council, or another local government.
- c. Within the last six months Council has invited tenders or expressions of interest and there was none received that met the tender specifications or satisfied the value for money assessment.
- d. The purchase is under auction which has been authorised by Council.
- e. The contract is for petrol, oil, or other liquid or gas used for internal combustion engines.
- f. Any of the other exclusions under Regulation 11 of the Functions and General Regulations apply.

7.2 Sole Source of Supply (Monopoly Suppliers)

The purchasing of goods and/or services available from only one private sector source of supply, (i.e. manufacturer, supplier or agency) is permitted without the need to call competitive quotations provided that there must genuinely be only one source of supply. Every endeavour to find alternative sources must be made. Written confirmation of this must be kept on file for later audit.

Note: The application of provision 'sole source of supply' should only occur in limited cases and purchasing experience indicates that generally more than one supplier is able to provide the requirements.

7.3 Anti-Avoidance

The Town of Cottesloe shall not enter two or more contracts of a similar nature for the purpose of splitting the value of the contracts to take the value of consideration below the level of \$150,000, thereby avoiding the need to publicly tender.

7.4 Tender Criteria

The Town of Cottesloe shall, before tenders are publicly invited, determine in writing the criteria for deciding which tender should be accepted.

The evaluation panel shall be established prior to the advertising of a tender and include a mix of skills and experience relevant to the nature of the purchase.

7.5 Advertising Tenders

Tenders are required to be advertised in a state wide publication for example, The West Australian newspaper, Local Government Tenders section, preferably on a Wednesday or Saturday.

The tender must remain open for at least 14 days after the date the tender is advertised. Care must be taken to ensure that 14 full days are provided as a minimum.

The notice must include:

- A brief description of the goods or services required.
- Information as to where and how tenders may be submitted.
- The date and time after which tenders cannot be submitted.
- Particulars identifying a person from who more detailed information as to tendering may be obtained.

Detailed information shall include.

- a. Such information as the Town of Cottesloe decides should be disclosed to those interested in submitting a tender.
- b. Detailed specifications of the goods or services required.
- c. The criteria for deciding which tender should be accepted.
- d. Whether or not the Town of Cottesloe has decided to submit a tender.
- e. Whether or not tenders can be submitted by facsimile or other electronic means, and if so, how tenders may so be submitted.

The above requirement is a minimum standard prescribed by the *Local Government Act 1995*. In addition, Council will place the above Notice on the Council Website, local newspapers circulating within the Town of Cottesloe and the Cottesloe Council News produced by the Town.

Depending on the nature of goods and services being purchased, other sources should also be considered to ensure the request is made known to as many potential suppliers as possible such as trade publications, direct mailing to known suppliers and others as may be appropriate to the specific purchase.

7.6 Issuing Tender Documentation

Tenders will not be made available (counter, mail, internet, referral, or other means) without a robust process to ensure the recording of details of all parties who acquire the documentation.

This is essential as if clarifications, addendums or further communication is required prior to the close of tenders, all potential tenderers must have equal access to this information in order for the Town of Cottesloe not to compromise its Duty to be Fair.

7.7 Tender Deadline

A tender that is not received in full in the required format by the advertised Tender Deadline shall be rejected.

7.8 Opening of Tenders

No tenders are to be removed from the tender box, or opened (read or evaluated) prior to the Tender Deadline.

In the event a tender is inadvertently opened prior to the close of the Tender period, then the Manager Corporate and Community Services or Chief Executive Officer is to be immediately notified. The following must also be done:

- The contents of the envelope, as well as the envelope the tender arrived in are to be completely placed in another envelope.
- A statement from the officer who opened the Tender is to be counter signed by the Manager Corporate and Community Services and sealed in the envelope. This statement shall include details as to how and why the Tender was opened. The statement shall be filed with the Tender in the Tender register. The statement shall be read aloud at the Tender opening.
- The sealed envelope is to be placed in the Tender box.

Tenders are to be opened in the presence of the Chief Executive Officer's delegated nominee and preferably at least one other Council Officer. The details of all tenders received and opened shall be recorded in the Tenders Register.

Tenders are to be opened in accordance with the advertised time and place. There is no obligation to disclose or record tendered prices at the tender opening, and price information should be regarded as commercial-in-confidence to the Town of Cottesloe. Members of the public are entitled to be present.

The Tenderer's Offer form, Price Schedule and other appropriate pages from each tender shall be date stamped and initialled by at least two Town of Cottesloe Officers present at the opening of tenders.

7.9 No Tenders Received

Where the Town of Cottesloe has invited tenders, however no compliant submissions have been received, direct purchases can be arranged on the basis of the following:

- A sufficient number of quotations are obtained.
- The process follows the guidelines for seeking quotations between \$40,000 up to \$149,999 (listed above).
- The specification for goods and/or services remains unchanged.
- Purchasing is arranged within six months of the closing date of the lapsed tender.

7.10 Tender Evaluation

Tenders that have not been rejected shall be assessed by the Town of Cottesloe by means of a written evaluation against the pre- determined criteria. The tender evaluation panel shall assess each tender that has not been rejected to determine which tender is most advantageous.

7.11 Addendum to Tender

If, after the tender has been publicly advertised, any changes, variations or adjustments to the tender document and/or the conditions of tender are required, the Town of Cottesloe may vary the initial information by taking reasonable steps to give each person who has sought copies of the tender documents notice of the variation.

7.12 Minor Variation

If after the tender has been publicly advertised and a successful tenderer has been chosen but before the Town of Cottesloe and tenderer have entered into a Contract, a minor variation may be made by the Town of Cottesloe.

A minor variation will not alter the nature of the goods and/or services procured, nor will it materially alter the specification or structure provided for by the initial tender.

7.13 Notification of Outcome

Each tenderer shall be notified of the outcome of the tender following Council resolution.

Notification shall include:

- The name of the successful tenderer
- The total value of consideration of the winning offer

The details and total value of consideration for the winning offer must also be entered into the Tenders Register at the conclusion of the tender process.

7.14 Records Management

All records associated with the tender process or a direct purchase process must be recorded and retained.

For a tender process this includes the recording of the following in the Tender Register:

- Tender documentation
- Internal documentation
- Evaluation documentation

- Enquiry and response documentation
- Notification and award documentation.

For a direct purchasing process this includes:

- Quotation documentation
- Internal documentation
- Order forms and requisitions

Record retention shall be in accordance with the minimum requirements of the *State Records Act 2000*, and the Town of Cottesloe’s internal records management policy.

8. Related Documents/Appendices

Purchase Orders Policy

Appendix A – Quotation Acceptance Template

Adopted	April 2003
Reviewed	23 April 2007
Reviewed	31 October 2011
Reviewed	2 November 2015
Expected date of review	

Quotation Acceptance



Town of Cottesloe

Quotations sought regarding: _____

Nature of the supply: _____

Name of supplier:	1.	2.	3.
Price (GST included):			

Project/General Ledger Code:	
Budgeted Allocation:	Financial Year:

Have you complied with the requirement of the **Purchasing Policy**? Yes/No
If no, please detail why the requirements of the Policy should be varied for this purchase. Please attach additional documentation if required.

Officer recommended supplier

Name of supplier:	
Supporting narration:	
Signed:	Date:

Manager recommended supplier

Name of supplier:	
Supporting narration:	
Signed:	Date:

Total Supplier Spend per Period

For Transactions in the 2018 Posting YEAR, All Creditor Categories Combined
Suppliers Where Spend is Below \$500.00 Have been Excluded

		\$	#
545	Department of Fire & Emergency Services	-\$ 1,418,544.79	4
602	WA Treasury Corporation	-\$ 744,428.08	9
55	Shire of Peppermint Grove	-\$ 685,758.90	6
2283	Department of Education	-\$ 550,000.00	1
2067	Solo Resource Recovery t/as Solo Waste Aust Pty Ltd	-\$ 549,876.39	11
85	Western Metropolitan Regional Council	-\$ 463,457.60	42
1903	Click Super	-\$ 433,366.99	261
656	Surf Life Saving Western Australia	-\$ 240,601.41	7
1576	Edinger Real Estate	-\$ 173,345.81	8
1398	LGIS	-\$ 166,968.51	11
600	Procott Incorporated	-\$ 123,566.30	1
610	Construction Training Fund	-\$ 123,054.74	16
88	Managed IT Pty Ltd	-\$ 119,141.80	54
645	Cobblestone Concrete	-\$ 109,299.37	22
2341	Electricity Generation and Retail Corporation	-\$ 105,419.85	25
1520	Department of Commerce Building Commission	-\$ 104,661.98	15
2124	West Tip Waste Control Pty Ltd	-\$ 96,927.18	3
2296	HiTech Security (WA) Pty Ltd	-\$ 91,776.60	7
1927	Michael Page International (Australia) Pty Ltd	-\$ 86,541.51	51
514	Shine Community Services	-\$ 84,550.00	2
1479	Environmental Wastewater C S Pty Ltd	-\$ 78,405.91	10
1915	Marketforce Pty Ltd	-\$ 77,101.76	87
1245	Nu-Trac Rural Contracting	-\$ 74,839.00	10
91	Claremont Asphalt	-\$ 64,735.00	32
1844	Blue Tang (WA) Pty Ltd atf The Reef Unit Trust T/As E	-\$ 61,518.35	11
110	Synergy	-\$ 61,299.55	13
1965	LSV Borrello Lawyers	-\$ 60,943.50	28
82	Civica Pty Ltd	-\$ 60,599.37	15
544	B M Pember	-\$ 59,688.75	15
22	Landgate - VGO	-\$ 58,818.50	12
1721	Business Fuel Cards Pty Ltd	-\$ 54,394.30	9
1340	F J Fitzsimmons & Co	-\$ 53,532.60	2
939	Sea View Golf Club	-\$ 52,800.00	1
159	John Parker Vactor Jet Rodding	-\$ 51,263.00	22
951	Melville Subaru	-\$ 48,449.36	3
118	Water Corporation	-\$ 46,152.13	129
122	Jackson McDonald Services Pty Ltd	-\$ 43,269.35	12
37	Winc Australia Pty Limited	-\$ 42,954.11	61
1758	Crest Personnel Pty Ltd	-\$ 42,521.62	29
210	Hays Specialist Recruitment (Aust.) P/L	-\$ 41,576.09	25
2023	Fines Enforcement Registry	-\$ 40,887.00	50
61	City of Nedlands	-\$ 38,486.80	6
19	McLeods Barristers & Solicitors	-\$ 37,261.63	37
1462	AD Engineering International Pty Ltd	-\$ 36,628.90	1
153	LGIS Insurance Broking	-\$ 36,172.32	5
84	West Australian Local Government Assoc.	-\$ 34,292.84	38
784	Western Australian Electoral Commission	-\$ 32,238.19	1
2486	Buick Holdings Pty Ltd	-\$ 31,844.20	1
505	Melville Mazda	-\$ 31,700.01	1
1719	P Angers	-\$ 31,024.77	3
128	Total Packaging (WA) Pty Ltd	-\$ 30,201.60	6
2401	Perth Auto Alliance Pty Ltd t/as Lynford	-\$ 29,861.78	1
2063	Arbor Carbon	-\$ 28,531.25	4
1115	Green Skills Inc	-\$ 28,043.40	5

2354	CSCH Pty Ltd t/as Charles Service Company	-\$	27,971.66	5
661	T-Quip	-\$	27,867.03	20
2066	Infocouncil Pty Ltd	-\$	27,119.44	4
2107	MEC 929 Pty Ltd T/A Murphy's Electrical Company	-\$	26,884.55	11
113	Telstra Corporation Limited	-\$	24,895.33	29
1485	Smart Parking Ltd	-\$	24,543.00	18
1464	D U Electrical Pty Ltd	-\$	24,417.47	7
1473	Eco Resources Pty Ltd	-\$	23,947.00	17
2462	Club Holdings Pty Ltd T/A Horizons West Bus & Coach	-\$	22,961.27	1
1131	Globe Australia Pty Ltd	-\$	22,728.20	10
67	Town of Cottesloe	-\$	22,221.10	27
695	Cardno (WA) Pty Ltd	-\$	22,063.25	11
1154	Burke Electrical Services Pty Ltd	-\$	22,027.50	4
574	Burgess Rawson (WA) Pty Ltd	-\$	21,321.48	3
706	ECOSCAPE	-\$	21,106.79	6
49	Charles Service Company	-\$	20,559.65	6
132	Landfill Gas & Power Pty Ltd	-\$	20,132.42	7
1098	National Australia Bank Business Visa	-\$	20,049.08	98
1597	Colgan Industries Pty Ltd	-\$	19,544.32	1
1924	TechnologyOne Ltd T/A Digital Mapping Solutions	-\$	19,424.90	3
1157	GHD Pty Ltd	-\$	18,282.00	3
46	Professional Tree Surgeons	-\$	18,023.40	21
139	Australia Post	-\$	17,986.46	12
89	Major Motors Pty Ltd	-\$	17,899.83	47
1391	Department of Transport	-\$	17,747.60	5
526	Zipform Pty Ltd	-\$	17,482.27	7
1542	Foreshore Rehabilitation & Landscaping	-\$	16,984.00	4
1933	Moore Stephens	-\$	16,775.00	4
733	J M Dawkins	-\$	16,584.66	1
2056	Scotts Scrubbing & Sweeping Services Pty Ltd	-\$	16,390.00	4
1946	M T Rodda	-\$	15,881.08	2
7	Western Chainwire	-\$	14,795.00	3
2188	Entco Australia Pty Ltd	-\$	14,541.09	2
1724	Jason Sign Makers	-\$	14,322.12	21
1931	Arthur D Riley & Co Ltd	-\$	13,815.00	3
1226	Ellenby Tree Farm Pty Ltd	-\$	13,623.50	5
1937	Assured Certification Services	-\$	13,521.75	4
1947	R J A Thomas	-\$	12,875.71	4
1490	S J Pyvis	-\$	12,825.00	2
1714	Jones Lange LaSalle Advisory Services Pty Ltd	-\$	12,801.25	5
1322	Wood & Grieve Engineers	-\$	12,760.00	4
1774	Express Salary Packaging Pty Ltd	-\$	12,658.00	40
29	Fuji Xerox Australia Pty Ltd	-\$	12,301.76	20
2355	Disabled Surfers Association of Australia Inc.	-\$	11,746.00	1
2190	Gather Consultancy	-\$	11,742.50	4
1480	IRIS Consulting Group Pty Ltd	-\$	11,725.00	6
2484	Inception WA Pty Ltd ATF Araminta Trust T/As Jacksc	-\$	11,254.10	1
1782	AECOM Australia Pty Ltd	-\$	11,158.40	2
791	Sculpture by the Sea	-\$	11,000.00	1
2006	Peter Baxendale Consulting Engineer	-\$	10,758.00	5
2280	GTA Consultants (WA) Pty Ltd	-\$	10,744.12	4
2426	Valmec Australia Pty Ltd	-\$	10,688.60	1
1848	Venturecorp Pty Ltd T/A Haefeli Lysnar Survey Equipm	-\$	10,274.00	6
2400	J H Computer Services Pty Ltd	-\$	10,230.00	2
79	Perth Irrigation Centre	-\$	10,146.65	35
100	Jaymar Pumps	-\$	10,118.90	6
561	Perth Region NRM	-\$	9,155.41	3
38	Veolia Environmental Services	-\$	8,840.66	19
1309	Scott Printers Pty Ltd T/A Scott Print	-\$	8,663.30	4

2148	DataCom IT	-\$	8,640.50	1
1959	S L Boulter	-\$	8,550.00	1
2248	Coastline Mowers	-\$	8,386.05	3
2339	M S Tucak	-\$	8,365.45	3
2282	Department of Local Government, Sport and Cultural I	-\$	7,774.80	1
720	MP Rogers & Associates Pty Ltd	-\$	7,769.30	2
1626	Young's Plumbing Service Pty Ltd	-\$	7,768.21	16
1997	Stone Supplies WA Pty Ltd T/A Creation Landscape S	-\$	7,628.34	29
2340	M Harkins	-\$	7,601.30	2
2346	H B Sadler	-\$	7,601.30	2
75	Safety Zone Australia Pty Ltd	-\$	7,596.26	12
3	Department of Human Services	-\$	7,595.84	20
1742	Onsite Rentals Pty Ltd	-\$	7,540.50	4
803	Natural Area Holdings PL T/A Envirowest	-\$	7,460.20	6
2165	Two Yacht Chefs Pty Ltd T/A Kirkwood Deli	-\$	7,314.10	22
47	Collisters Electrical	-\$	7,241.85	7
2083	StrataGreen	-\$	7,145.96	11
94	Insight CCS Pty Ltd	-\$	7,034.21	9
523	Local Government Professionals Australia WA	-\$	6,940.00	10
1993	RAMM Software Pty Ltd	-\$	6,722.99	1
1878	Syrinx Environmental Pty Ltd	-\$	6,550.50	5
2178	G D Riley	-\$	6,191.96	1
48	Cannon Hygiene Australia Pty Ltd	-\$	5,981.03	3
642	David Gray & Co Pty Ltd	-\$	5,974.80	12
1509	Mastec Australia Pty Ltd	-\$	5,943.52	2
716	Cottesloe Tennis Club	-\$	5,837.00	1
2438	J Gilmour	-\$	5,813.52	1
20	Hillmack Sales (Australia) Pty Ltd	-\$	5,597.05	14
201	The Environmental Printing Company	-\$	5,588.00	4
2195	Solaris Cancer Care	-\$	5,530.00	2
764	Pitney Bowes Australia Pty Ltd	-\$	5,507.70	3
1949	West Coast Shade Pty Ltd	-\$	5,489.00	3
21	Landgate	-\$	5,444.70	6
1361	Department of Transport	-\$	5,443.80	8
681	J S Birnbrauer	-\$	5,340.83	1
1468	K P Downes	-\$	5,340.83	1
1716	H I Burke	-\$	5,340.83	1
1099	O'Connor Lawnmower & Chainsaw Centre	-\$	5,308.00	20
188	Bob Jane T-Mart	-\$	5,284.00	11
2031	Connorsupa Pty Ltd T/A Harvey Norman O'Connor	-\$	5,229.60	10
52	Town of Claremont	-\$	5,100.00	1
1074	Freiberg Office Solutions Pty Ltd	-\$	5,079.44	1
62	Bunnings Group Ltd	-\$	5,046.98	76
215	Australian Red Cross Society	-\$	5,000.00	1
2	Australian Services Union	-\$	4,860.42	20
2034	ColleaguesNagels Pty Ltd	-\$	4,770.20	4
2132	Safeway Building and Renovations Pty Ltd	-\$	4,620.00	1
211	Apace Aid (Inc)	-\$	4,579.25	2
1458	Enware Australia Pty Ltd	-\$	4,505.60	2
2254	T & R Formwork Pty. Ltd	-\$	4,499.00	2
1503	Diamond Hire	-\$	4,418.48	16
742	Cottesloe Surf Life Saving Club Inc	-\$	4,400.00	1
1778	Western Heritage Pty Ltd	-\$	4,400.00	1
777	Audex Sound Pty Ltd	-\$	4,323.00	1
1950	Dickies Tree Service	-\$	4,246.00	3
45	Town of Mosman Park	-\$	4,244.50	2
2351	Hepworth Painting	-\$	4,191.00	1
1951	Larannark Pty Ltd T/A Corprahire	-\$	4,169.00	1
86	Statewide Line Marking	-\$	3,932.28	6

1820	Glowstix Australia Pty Ltd	-\$	3,904.50	1
1280	ICEA Ltd	-\$	3,850.00	1
1640	Bicycle Network Victoria	-\$	3,778.50	2
2463	Metal Sign & Label Pty Ltd	-\$	3,716.90	1
1654	Any Envelopes	-\$	3,690.50	1
1655	Landmark Products Ltd	-\$	3,663.00	1
2191	Air Concepts Pty Ltd TA Airflow Maintenance	-\$	3,635.19	6
183	Porter Consulting Engineers	-\$	3,575.00	2
2405	The Grid Trust t/as Heyder & Shears Catering	-\$	3,561.32	1
2465	Practical Products Pty Ltd	-\$	3,509.00	1
1174	Blackwell & Associates Pty Ltd	-\$	3,476.00	2
15	Poolegrave Engravers	-\$	3,454.00	3
2489	E Ntoumenopoulos	-\$	3,440.00	1
13	Shacks & Kerr Motors Pty Ltd	-\$	3,431.00	5
522	Dogs Refuge Home (WA) Incorporated	-\$	3,364.90	2
1817	Garage Sale Trail Foundation Ltd	-\$	3,359.40	1
2345	L Young	-\$	3,326.30	1
1235	Seaview Community Kindergarten	-\$	3,300.00	1
1620	WA Building Codes Consultancy	-\$	3,285.00	1
2466	TenderLink	-\$	3,245.00	4
540	Kerb Doctor	-\$	3,229.60	3
2322	Price Consulting Group Pty Ltd	-\$	3,185.60	1
2029	Yabrn Pty Ltd TA Snap Claremont	-\$	3,155.10	30
1239	One Fire Group	-\$	3,069.00	6
516	SAI Global Limited	-\$	3,064.17	4
2147	DN Construction Group Pty Ltd	-\$	3,057.37	3
2281	Adelphi Apparel	-\$	2,988.87	3
1457	Church of Christ	-\$	2,959.00	4
1093	DORMA Australia Pty Ltd	-\$	2,922.37	2
1558	Quality Press	-\$	2,842.40	4
1244	The Churches' Commission on Education (Inc) T/A Yc	-\$	2,750.00	1
1920	Surfing Western Australia	-\$	2,750.00	1
458	Cottesloe Primary School P & C Association	-\$	2,700.00	1
2250	The Wrought Iron Factory	-\$	2,640.00	4
1833	ACR No 1 Pty Ltd T/A Prestige Honda	-\$	2,623.35	4
2475	T Meegan	-\$	2,560.00	1
2249	1905 Catering & Blue Bean Cafe	-\$	2,522.00	11
557	Worldwide Online Printing	-\$	2,454.26	2
2485	S D Harben	-\$	2,442.10	1
2320	Comida Do Sul	-\$	2,420.00	3
390	North Cottesloe Surf Life Saving Club	-\$	2,408.50	3
1736	Matrix Productions	-\$	2,400.00	1
1663	General Lighting Services WA	-\$	2,352.35	2
2366	Market Creations Pty Ltd	-\$	2,288.00	1
1969	Fremantle Heritage Roofing Services	-\$	2,240.00	3
2219	Bright Beginnings	-\$	2,240.00	1
1229	The Planning Group WA Pty Ltd T/A TPG Town Plann	-\$	2,200.00	1
2193	Calm Holdings Pty Ltd	-\$	2,173.78	1
2052	Xorro Print & signage Specialists	-\$	2,156.00	8
539	Local Health Authorities Analytical Committee	-\$	2,120.07	1
103	Benara Nurseries	-\$	2,070.55	3
2089	Central Regional TAFE	-\$	2,022.07	2
1042	Iron Mountain Australia Group Pty Ltd	-\$	2,008.60	10
580	St John Ambulance Australia (WA) Inc	-\$	2,005.92	14
1427	Cottesloe Rugby Union Football Club Inc	-\$	2,000.00	1
1429	Westcoast Community Centre Inc	-\$	2,000.00	1
2122	Perth Pest Control Pty Ltd	-\$	1,991.00	1
2263	GK Creative Pty Ltd	-\$	1,990.00	1
2059	Dataworx Systems Australia Pty Ltd	-\$	1,980.00	1

1645	Swissclinical Australia Pty Ltd t/a SpotMe Drycleaners	-\$	1,974.00	10
2087	Australian Wide Taxation	-\$	1,870.00	2
2223	AAA Asphalt Surfaces	-\$	1,870.00	2
2469	Quercus Australia Pty Ltd ATFT Arbor Logic Unit Trus	-\$	1,859.00	1
2279	RTO Solutions Pty Ltd t/a Illuminate Group	-\$	1,820.00	3
1583	Information Proficiency	-\$	1,807.80	4
1680	Department of Fire & Emergency Services - Mon itorii-	-\$	1,794.14	1
2488	Institute of Public Works Engineering Australasia - W/	-\$	1,750.00	1
181	JR & A Hersey Pty Ltd	-\$	1,746.42	2
1914	Domus Nursery	-\$	1,722.21	1
1671	Work Clobber	-\$	1,712.50	12
35	Cottesloe IGA	-\$	1,662.92	52
77	Galvins Plumbing Supplies	-\$	1,626.48	11
1660	Access Unlimited International Pty Ltd	-\$	1,603.91	1
2436	Fire & Safety Australia Pty Ltd	-\$	1,600.00	1
24	ZircoDATA Pty Ltd	-\$	1,581.55	7
988	Securex Pty Ltd	-\$	1,548.50	5
738	Securepay Pty Ltd	-\$	1,540.00	1
33	Cottesloe Medical Centre	-\$	1,515.00	10
1062	Cottesloe Junior Football Club Inc	-\$	1,500.00	1
2324	Preferred Ceilings Pty Ltd	-\$	1,485.00	1
1943	Printline	-\$	1,479.84	3
1953	Australian Coastal Councils Association Inc	-\$	1,403.88	1
707	Planning Institute of Australia Ltd	-\$	1,395.00	1
2164	Plant Force Investments Pty Ltd T/A Plantrite	-\$	1,381.60	1
2472	The Grid Trust t/as Heyder and Shears Catering	-\$	1,375.00	1
1020	By Word of Mouth Pty Ltd	-\$	1,350.00	3
212	Osborne Park Volkswagon	-\$	1,331.00	1
2378	R Kendall	-\$	1,324.42	1
2272	Platinum Bags Pty Ltd	-\$	1,309.00	1
1982	Planot	-\$	1,300.00	1
1703	Photography Project Pty Ltd	-\$	1,291.40	2
2470	2 Sticks Digital Marketin Pty Ltd T/A net101	-\$	1,253.00	1
548	Keynote Conferences	-\$	1,240.00	1
80	Kennards Hire Pty Ltd	-\$	1,228.00	3
1863	Perth Aquatic, Seed, & Ecological Services Pty Ltd	-\$	1,220.00	4
2163	LYRECO Pty Ltd	-\$	1,201.74	9
1102	Betta Turf	-\$	1,166.00	2
622	Sunny Sign Company Pty Ltd	-\$	1,164.90	1
1902	Keith Heffernan Pty Ltd T/A Q Play	-\$	1,162.37	2
2028	Bug Busters	-\$	1,144.00	6
141	BOC Limited	-\$	1,133.82	3
759	Adshel Street Furniture Pty Ltd	-\$	1,122.00	2
1672	Environmental Health Australia (WA) Inc	-\$	1,117.00	3
194	Magnapower	-\$	1,112.71	1
121	Chubb Fire & Security Pty Ltd	-\$	1,074.37	2
1954	AusQ Training	-\$	1,017.00	1
2412	P A Martino	-\$	1,001.00	1
2172	S Price	-\$	1,000.00	1
1728	Pirtek (Fremantle) Pty Ltd	-\$	987.01	1
2247	Professionals The Wright Team	-\$	925.46	1
1835	Mustang Three T/A Key2Creative	-\$	913.00	1
1231	Guardian Tactile Systems	-\$	907.60	1
1842	Run, Mouse, Run	-\$	900.00	1
607	Turf Care WA Pty Ltd	-\$	880.00	1
1790	Altiform Pty Ltd	-\$	880.00	1
105	Active Transport & Tilt Tray Services WA	-\$	858.00	6
2362	CSM Fabrication	-\$	850.00	2
2399	Woodlands News	-\$	850.00	1

1684	Mondoluce (Aust) Pty Ltd	-\$	781.00	1
1897	HONMAZ	-\$	776.00	1
2424	Corsign WA Pty Ltd	-\$	770.00	1
741	Western Power	-\$	750.00	1
200	Paint Industries Pty Ltd	-\$	746.82	3
1070	Omartleb Pty Ltd T/A ENZED Perth	-\$	676.60	1
2266	P J Callaghan	-\$	665.71	1
1994	West Australian Newspaper Ltd	-\$	663.09	4
1956	Toolmart Australia Pty Ltd	-\$	638.90	2
650	Coates Hire Operations Pty Ltd	-\$	605.66	1
1610	Archival Survival Pty Ltd	-\$	601.76	1
931	Zurich Australian Insurance Limited	-\$	600.00	2
1185	Waterlogic Australia Pty Ltd	-\$	594.00	3
1584	Ozwashroom - R & R Dawood Trading Pty Ltd	-\$	560.00	1
1725	Rusted Solutions	-\$	557.30	1
515	Cottesloe Child Care Centre Inc	-\$	550.00	1
543	Australia Day Council of WA Inc T/As Auspire	-\$	550.00	1
2151	JK Foster & B Quinn T/A Whitford Marquee & Party Hi	-\$	550.00	1
2464	Stephanie Baily Paper Conservator	-\$	528.00	1
1845	E G Nicholls	-\$	503.59	4
2173	M J Wilson	\$	1,000.00	1
			-\$ 9,664,086.81	2685

This charter document defines the membership, authority, purpose, operational guidelines, responsibilities and resources of the Town of Cottesloe Audit Committee, established by Council pursuant to division 1A, section 7.1A of the *Local Government Act 1995* (the Act) and the *Local Government (Audit) Regulations 1996* (the Regulations).

1. Name

The name of this Committee is 'Town of Cottesloe Community Audit Committee'. All references to 'Committee' in this charter mean 'Town of Cottesloe Audit Committee'.

2. Establishment

This Committee is established under the provisions of the Act, particular division 1A, section 7.1A.

3. Guiding Principles

This Committee is established with the guiding principles prescribed in the Act, the Regulations and the *Local Government (Financial Management) Regulations 1996*.

4. Vision

The Vision of this Committee is to review the annual financial audit and other associated matters and ensure that Council's financial systems are able to produce all financial statements free of material error and without a qualified audit statement.

5. Terms of Reference

- a. Is to meet with the auditor at least once in every year.
- b. Is to review the annual Department of Local Government Compliance Audit Return and report to Council the results of that review

Under section 16 of the Regulations, the Audit Committee:

- (a) *is to provide guidance and assistance to the local government —*
 - (i) *as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act; and*
 - (ii) *as to the development of a process to be used to select and appoint a person to be an auditor.*

and
- (b) *may provide guidance and assistance to the local government as to —*
 - (i) *matters to be audited; and*
 - (ii) *the scope of audits; and*
 - (iii) *its functions under Part 6 of the Act; and*
 - (iv) *the carrying out of its functions relating to other audits and other matters related to financial management.*

- (c) *is 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.*

6. Membership

Pursuant to division 1A, section 7.1A of the Act:

- (2) *The members of the audit committee of a local government are to be appointed* by the local government and at least 3 of the members, and the majority of the members, are to be council members.*
** Absolute majority required.*
- (3) *A CEO is not to be a member of an audit committee and may not nominate a person to be a member of an audit committee or have a person to represent the CEO as a member of an audit committee.*
- (4) *An employee is not to be a member of an audit committee.*

At the Ordinary Meeting of Council held 31 October 2017 it was resolved:

That Council appoints Cr Rodda, Cr Young, and Cr Boulter as members and Mayor Angers as deputy member of the Audit Committee.

Carried 9/0

Any non-elected member (community representative) appointed to the Committee shall have qualifications and/or professional experience that will enhance the expertise available to Elected Members serving on the Committee.

Vacancies for the community representatives will be advertised in the local papers, the Town of Cottesloe webpage and notice boards. Council will then select and appoint new members.

Community representation is valid for two years, until the person resigns, the Committee is disbanded or the next Ordinary Council Election, which ever happens first. Nothing prevents an existing member re-nominating.

7. Meetings

7.1 Annual General Meeting

Nil

7.2 Committee Meetings

Meetings shall be held not more frequently than every two months, unless a special meeting of the Committee is called for a specified purpose.

7.3 Quorum

The quorum for any meeting of this Committee shall be 50 percent plus 1 members as endorsed by Council at the time of the meeting.

7.4 Voting

Shall be in accordance with section 5.21 of the Act, with all members endorsed as voting members entitled and required to vote, subject to the provisions of the Act which deal with Financial and Proximity Interests.

7.5 Minutes

The Minutes of the meeting shall be recorded and prepared as per the provisions of section 5.22 of Act.

The content of the minutes shall be in accordance with the *Local Government (Administration) Regulations 1996* section 11.

The content of minutes of a meeting of a council or a committee is to include —

- (a) the names of the members present at the meeting; and*
- (b) where a member enters or leaves the meeting during the course of the meeting, the time of entry or departure, as the case requires, in the chronological sequence of the business of the meeting; and*
- (c) details of each motion moved at the meeting, the mover and the outcome of the motion; and*
- (d) details of each decision made at the meeting; and*
- (da) written reasons for each decision made at the meeting that is significantly different from the relevant written recommendation of a committee or an employee as defined in section 5.70 (but not a decision to only note the matter or to return the recommendation for further consideration); and*
- (e) a summary of each question raised by members of the public at the meeting and a summary of the response to the question; and*
- (f) in relation to each disclosure made under section 5.65 or 5.70 in relation to the meeting, where the extent of the interest has also been disclosed, the extent of the interest.*

If the Committee resolves, the minutes may include a table of ‘action items’, summarising the agreed actions.

7.6 Who acts if the presiding member is unavailable

Shall be in accordance with section 5.14 of the Act.

7.7 Meetings

Meetings shall be generally open to the public as per the provisions of section 5.23 of the Act.

7.8 Public Question Time

As the Committee has no delegated powers (section 5.24 of the Act), there is no specific provision for public question time.

7.9 Members’ Conduct

Council Members of the Committee shall be bound by the following

- The provisions of section 5.65 of the Act;
- Town of Cottesloe *Standing Orders Local Law 2012*;
- Town of Cottesloe Code of Conduct;
- *Local Government (Rules of Conduct) Regulations 2007*; and
- Regulation 34C of the *Local Government (Administration) Regulations 1996*,

CHARTER – AUDIT COMMITTEE

with respect to their conduct at meetings and their duty of disclosure.

Elected Members and Officers of the Town of Cottesloe will be bound by these provisions, relating specifically to their participation in the Committee, at all times.

Any community member appointed to this Committee is not bound to declare impartiality interests, unlike Councillors and Employees of Local Government. Community members are not bound by the Rules of Conduct Regulations but will be bound by the Town of Cottesloe Code of Conduct.

7.10 Secretary

The Chief Executive Officer (or their nominated representative) shall undertake the following secretarial duties;

- Prepare and distribute meeting papers as required
- Attend and record the Minutes of the meeting
- Provide the administrative support required to present the outcomes of the meeting to Council for consideration where required.

7.11 Presiding Member

The members (voting) will elect a presiding member and deputy member at the first meeting after these positions become vacant for any reason. The voting on and appointment of the presiding member and deputy member shall be in accordance with the provisions of section 5.12 of the Act.

7.12 Meeting attendance fees

Nil

8. Delegated Authority

This committee has no delegated authority.

9. Endorsement

This Charter was endorsed by the Town of Cottesloe Audit Committee at its meeting on _____.

This Charter was endorsed by the Town of Cottesloe Council at its meeting on _____.

**AUDIT COMMITTEE MEETINGS 2019 (Bi Monthly)
COMMENCING AT 2:00PM – MAYOR’S PARLOUR
(Unless otherwise indicated)**

MEETING DATE	AGENDA AVAILABLE
Tuesday 28 May 2019	24 May 2019
Tuesday 30 July 2019	26 July 2019
Tuesday 24 September 2019	20 September 2019
Tuesday 26 November 2019	22 November 2019