



Town of Cottesloe

I hereby certify that the minutes of the Audit Committee meeting
held on

Wednesday, 9 September 2020

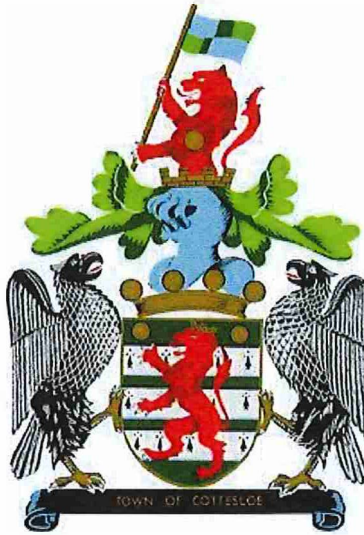
were confirmed as a true and accurate record by committee
resolution.

Signed: *Craig Murrain*

Presiding Member

Date: *23/3/2021*

TOWN OF COTTESLOE



AUDIT COMMITTEE MINUTES

AUDIT COMMITTEE
HELD IN THE

War Memorial Hall, Cottesloe Civic Centre, 109 Broome Street, Cottesloe
4:00pm Wednesday, 9 September 2020

A handwritten signature in black ink, appearing to read 'm', is written over a large, empty oval shape.

MATTHEW SCOTT
Chief Executive Officer

10 September 2020

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1 DECLARATION OF MEETING OPENING/ANNOUNCEMENT OF VISITORS

The Presiding Member announced the meeting opened at 4:01pm and read the Acknowledgement of Country.

1.1 ACKNOWLEDGEMENT OF COUNTRY

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

2 DISCLAIMER

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

3 ANNOUNCEMENTS BY PRESIDING MEMBER WITHOUT DISCUSSION

The Presiding Member announced that the meeting is being recorded, solely for the purpose of confirming the correctness of the Minutes.

4 ATTENDANCE

Members

Cr Craig Masarei	Presiding Member/Elected Member
Cr Kirsty Barrett	Elected Member
Ms Suzanne Tuite	Community Representative

Officers

Mr Matthew Scott	Chief Executive Officer
Mr Shane Collie	Executive Manager Corporate Services and Governance
Mr Wayne Richards	Finance Manager
Ms Irene Wai Shan Au-Yeung	Assistant Finance Manager
Ms Ann-Marie Donkin	Governance Officer

Visitors

Mr Michael Hoang	Ernst & Young
Ms Alveena Anthony	Ernst & Young

Apologies

Cr Paul MacFarlane	Elected Member
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5 DECLARATION OF INTERESTS

There were no declarations of interest made.

6 CONFIRMATION OF MINUTES

Moved Cr Barrett Seconded Ms Tuite

That the Minutes of the Audit Committee Meeting held on Wednesday 4 March 2020 be confirmed as a true and accurate record.

Carried 3/0

7 PRESENTATIONS

There were no presentations.

8 REPORTS

8.1 REPORTS OF OFFICERS

8.1.1 INTERIM AUDIT RESULTS FOR THE YEAR ENDING 30 JUNE 2020

File Ref: SUB/2791
Applicant(s) Proponents: Nil
Attachments: 8.1.1(a) Interim Audit Results For The Year Ending 30 June 2020 [under separate cover]
Responsible Officer: Shane Collie, Executive Manager Corporate Services and Governance
Author: Wayne Richards, Finance Manager
Author Disclosure of Interest: Nil

SUMMARY

The Interim Audit for the 2019/2020 financial year was undertaken remotely due to the Covid-19 pandemic during the final quarter of 2019/2020. The results of this Audit have now been received from the office of the Auditor General and are attached for Committee Members consideration.

BACKGROUND

The Interim Audit is a process whereby the appointed Auditors and their assistants undertake a review of various financial management and reporting matters. This essentially assists the Auditors with a forming a view of the accuracy etc. of the Annual Financial report, which is further scrutinised after its completion.

The 2019/2020 Interim Audit has identified one issue which is summarised below:

1. Lack of documentation of reasons for purchasing policy variations

Rating: Minor

There is a section on the purchase order form that requires the preparer to record the vendor names and prices for all quotations that were obtained in accordance with the purchasing policy. Where quotations are required by the purchasing policy but were not obtained, the preparer must document the reasons for the variation from the policy.

As a part of the audit test controls across the procurement to payables cycle, the interim audit tests observed 1 out of 40 instances in which a quotation was required by the policy however no quotation was obtained and no reason for the variation from the policy was recorded on the purchase order form.

Staff Comment

Management accepts this finding and has reminded staff to adhere to the policy.

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

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

- Town of Cottesloe staff
- Ernst & Young

OFFICER COMMENT

See 'Staff Comment' above.

Generally staff support the comments received during the interim audit process and view this feedback as an opportunity to improve systems wherever possible.

For Noting: The Executive Manager Corporate Services and Governance advised the Committee that the actions undertaken to obtain improvement in this area are as follows:

- An electronic Purchasing System is to be introduced in the coming months which will have an inbuilt check and balance mechanism to ensure compliance is achieved.
- Purchasing thresholds have been amended to reduce the number of quotes required to be obtained for relatively small purchases.

VOTING REQUIREMENT

Simple Majority

OFFICER AND COMMITTEE RECOMMENDATION

Moved Cr Barrett Seconded Ms Tuite

THAT the Audit Committee recommend to Council that Council:

1. **NOTE** the matters identified in the 2019/2020 Interim Audit Report; and,
2. **ENDORSE** the actions of staff in responding to the outlined issues.

Carried 3/0

8.1.2 AUDIT PLAN FOR THE YEAR ENDING 30 JUNE 2020

File Ref:	SUB/2791
Applicant(s) Proponents:	Nil
Attachments:	8.1.2(a) Audit Plan for the year ending 30 June 2020 [under separate cover]
Responsible Officer:	Shane Collie, Executive Manager Corporate Services and Governance
Author:	Wayne Richards, Finance Manager
Author Disclosure of Interest:	Nil

SUMMARY

Ernst and Young audit the financial statements of the Town of Cottesloe on behalf of the Office of the Auditor General. The audit plan for the year ended 30 June 2020 is presented.

BACKGROUND

The audit plan has been co-developed with management and is conducted in accordance with the Australian Auditing Standards and practices, to enable the formation of opinions by the Auditor General on the financial statements of the Town.

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

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

- Town of Cottesloe staff
- Ernst & Young
- Office of the Auditor General

OFFICER COMMENT

That the Audit Committee endorses the Audit Plan for the year ending 30 June 2020 report attached and forward it to Council for its consideration.

VOTING REQUIREMENT

Simple Majority

OFFICER AND COMMITTEE RECOMMENDATION

Moved Cr Masarei Seconded Cr Barrett

THAT the Audit Committee recommend to Council that Council ACCEPTS the Audit Plan for the year ending 30 June 2020 as attached.

Carried 3/0

8.1.3 CONTRACT MANAGEMENT PLAN

File Ref: SUB/2791
Applicant(s) Proponents:
Attachments: 8.1.3(a) Focus Audit - Local Government Management of Contract Renewals or Extensions and Variations [under separate cover]
Responsible Officer: Matthew Scott, Chief Executive Officer
Author: Shane Collie, Executive Manager Corporate Services and Governance
Author Disclosure of Interest: Nil

SUMMARY

This report responds to findings identified by the Office of the Auditor General (OAG) in respect of Contract Management.

BACKGROUND

The OAG raised three principal findings following visitation to the Town in December 2019. These are as follows:

- Contracts Register Maintenance
- Contractor Performance Evaluation
- Financial Parameters for Contract Renewals, Extensions and Variations

Work has been undertaken to address these findings which are set out on pages 2 and 3 of the attached letter from the OAG received in February 2020.

Additionally there were two other identified matters that were considered to require attention to develop best practice in the Contract and Procurement space. These are:

- Contract Variation Approval Process
- Procurement Conflict of Interest

STRATEGIC IMPLICATIONS

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

Priority Area 6: Providing open and accountable local governance

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

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.

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

- Office of the Auditor General.
- Executive Manager Engineering Services

OFFICER COMMENT

While the three areas of concern identified are operational matters it is important for the Audit Committee and Council to note that the processes in place for managing contracts at the Town is accountable, robust and transparent. The suggestions made by the OAG have all been taken on board and implemented to ensure that the management of contracts at the Town is industry best practice and that the likelihood of fraud or error is minimised as best possible.

In addressing the three findings the following has been implemented with detail contained in the attached documentation:

- Contracts Register Maintenance

The Contracts Register is regularly maintained including having a set limit as to when contracts are to be included in the Register.

- Contractor Performance Evaluation

A comprehensive Contractor Performance Evaluation Process has been introduced and is attached.

- Financial Parameters for Contract Renewals, Extensions and Variations

The OAG have recommended that the Delegated Authority Register be updated to include specific delegated authorisation limits for the approval of contract renewals or extensions and variations. Recommendation 2 to this reports seeks to confirm this.

- Contract Variation Approval Process

A Contract Variation Approval Process Template has been developed by the Executive Manager Engineering Services and is attached (last pages).

- Procurement Conflict of Interest

A Procurement Conflict of Interest form has been developed by the Executive Manager Engineering Services and is attached. All Tender or Request for Quotation (RFQ) Panel members will be required to complete this form prior to assessing any competitive Tender or RFQ.

VOTING REQUIREMENT

Absolute Majority

OFFICER AND COMMITTEE RECOMMENDATION

Moved Cr Barrett Seconded Ms Tuite

1. **THAT the Audit Committee note the findings of the Office of the Auditor General and the action taken in respect of Contracts Register Maintenance and Contractor Performance Evaluation.**
2. **THAT the Audit Committee recommend to Council that the Delegated Authority Register (item 1.13) be updated to include specific financial parameters for the approval of contract renewals or extensions and variations to be consistent with the Purchasing Authority limits as set out in Council's Purchasing Policy.**
3. **THAT the Audit Committee note the development of the Contract Variation Renewal Process and the Conflict of Interest form**

Carried by Absolute Majority 3/0

8.2 ITEMS FOR DISCUSSION

Nil

9 GENERAL BUSINESS**9.1 COMMITTEE MEMBERS**

Cr Barratt: Audit Committee Resolution Database – Updates and inclusion in the agenda.

- It was noted this had been omitted from the agenda, in explanation the Governance Officer advised the omission was an error and would be included in future meetings.
- The current Audit Committee Resolution Database is to be circulated with the Minutes for this meeting.

Cr Masarei: City of Perth Report – Tony Powers – Strategic Audit Plans.

Cr Masarei raised this matter and started discussion querying if there is a need for the Town to have a Strategic Audit Plan. This was discussed at some length by the Committee, with the following points made:

- There appears to be no requirement for these in the Local Government Act or Regulations.
- What benefit would such a plan have to a Council the size of Cottesloe?
Specifically:
 - Management and Internal Controls,
 - Risk Management,
 - External Audit,
 - Internal Audit Program.
- Resourcing concerns – could money be better spent?
- Acts and Regulations prescribe the minimum requirements.
- Requested a report back to the committee addressing the following:
 - What are other Local Governments (local/similar size)doing in this regard.
 - What is the Town doing currently to bolster internal reflection/continuous improvement (internal and external controls).
 - Flagging internal issues – which would be better? A spectrum of 3 to 4 options of what management would see as beneficial vs putting together a full 5 year plan.
 - As a starting point, it was agreed by the Committee that the Finance Manager would provide at the next meeting, a list of the different types of reviews/audit requirements that are currently undertaken by the Town, as well as a list of reports that are available.

9.2 OFFICERS

Nil

10 MEETING CLOSED TO PUBLIC

10.1 MATTERS FOR WHICH THE MEETING MAY BE CLOSED

11 NEXT MEETING

To be advised

12 MEETING CLOSURE

The Presiding Member announced the closure of the meeting at 4:55pm.

TOWN OF COTTESLOE



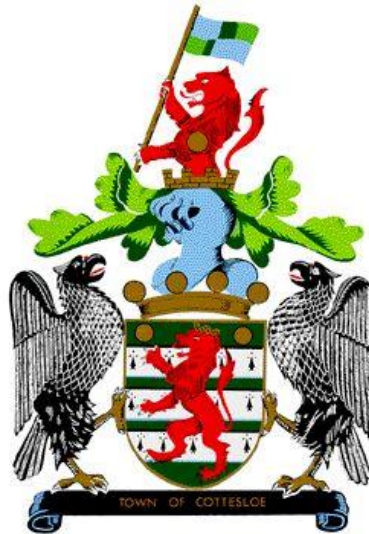
ATTACHMENTS

AUDIT COMMITTEE – 9 SEPTEMBER 2020

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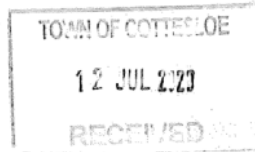
TOWN OF COTTESLOE



AUDIT COMMITTEE

ATTACHMENT

**ITEM 8.1.1A:
INTERIM AUDIT RESULTS FOR THE YEAR ENDING
30 JUNE 2020**



Our Ref: 7976

7th Floor, Albert Facey House
469 Wellington Street, Perth

Mr Neil Hartley
Chief Executive Officer
Town of Cottesloe
PO Box 606
COTTESLOE WA 6911

Mail to: Perth BC
PO Box 8489
PERTH WA 6849
Tel: 08 6557 7500
Fax: 08 6557 7600
Email: info@audit.wa.gov.au

Dear Mr Hartley

**ANNUAL FINANCIAL REPORT
INTERIM AUDIT RESULTS FOR THE YEAR ENDING 30 JUNE 2020**

We have completed the interim audit for the year ending 30 June 2020. We performed this phase of the audit in accordance with our audit plan. The focus of our interim audit was to evaluate your overall control environment, but not for the purpose of expressing an opinion on the effectiveness of internal control, and to obtain an understanding of the key business processes, risks and internal controls relevant to our audit of the annual financial report.

Management Control Issues

I would like to draw your attention to the attached deficiency in internal control that was identified during the course of the interim audit. This matter has been discussed with management and their comments have been included on the attachment. The matters reported are limited to those deficiencies that were identified during the interim audit that we have concluded are of sufficient importance to merit being reported to management. Some of the matters may be included in our auditor's report in accordance with section 7.9(2) of the *Local Government Act 1995* or regulation 10(3)(a) and (b) of the *Local Government (Audit) Regulations 1996*. If so, we will inform you before we finalise the report.

This letter has been provided for the purposes of your local government Town of Cottesloe and may not be suitable for other purposes.

We have forwarded a copy of this letter to the Mayor. A copy will also be forwarded to the Minister for Local Government when we forward our auditor's report on the annual financial report to the Minister on completion of the audit.

Feel free to contact me on 6557 7525 if you would like to discuss these matters further.

Yours faithfully

KELLIE TONICH
SENIOR DIRECTOR
FINANCIAL AUDIT
9 July 2020

Attach

ATTACHMENT

TOWN OF COTTESLOE

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Lack of documentation of reasons for purchasing policy variations			✓

KEY TO RATINGS

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

- 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.

ATTACHMENT

TOWN OF COTTESLOE

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

1. Lack of documentation of reasons for purchasing policy variations**Finding**

There is a section on the purchase order form that requires the preparer to record the vendor names and prices of all quotations that were obtained in accordance with the purchasing policy. Where quotations are required by the purchasing policy but were not obtained, the preparer must document the reasons for the variation from the policy.

As part of our test of controls across the procurement to payables cycle, we observed 1 out of 40 instances in which a quotation was required by the purchasing policy however no quotation was obtained and no reason for the variation from the policy was recorded on the purchase order form. From our further enquiries, we note that this was due to the chosen vendor being the sole supplier of the purchased items in the local region. However, it is not readily determinable from the purchase order form as to the reason why a written quote was not sourced or retained.

Rating: Minor**Implication**

Lack of documentation of control procedures being performed does not allow management, internal auditors and external auditors to monitor the proper execution of the control procedures.

If purchases are made without obtaining sufficient quotes or documenting the reason(s) why obtaining quotes is not necessary for particular purchases, there is a risk of favouritism of suppliers and not obtaining value for money.

Recommendation

The preparer of the purchase order form should document why the purchase of a good or service is not supported by a quotation, if applicable, in consideration of the exemptions available under the purchasing policy. An appropriate member of management should only authorise the purchase order prior to the initiation of purchase transaction to the extent they are satisfied that a quotation is not required to be obtained.

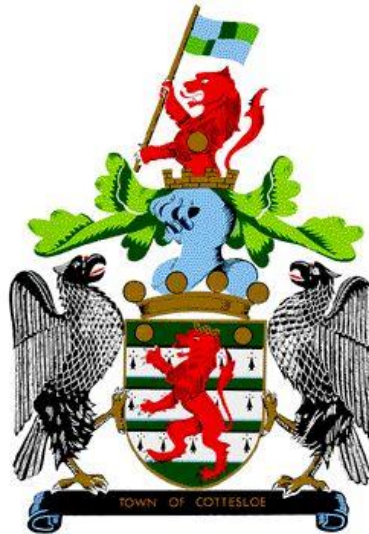
Management Comment

Management accepts this finding and has reminded staff to adhere to the policy.

Responsible Person: Wayne Richards

Completion Date: 30 June 2020

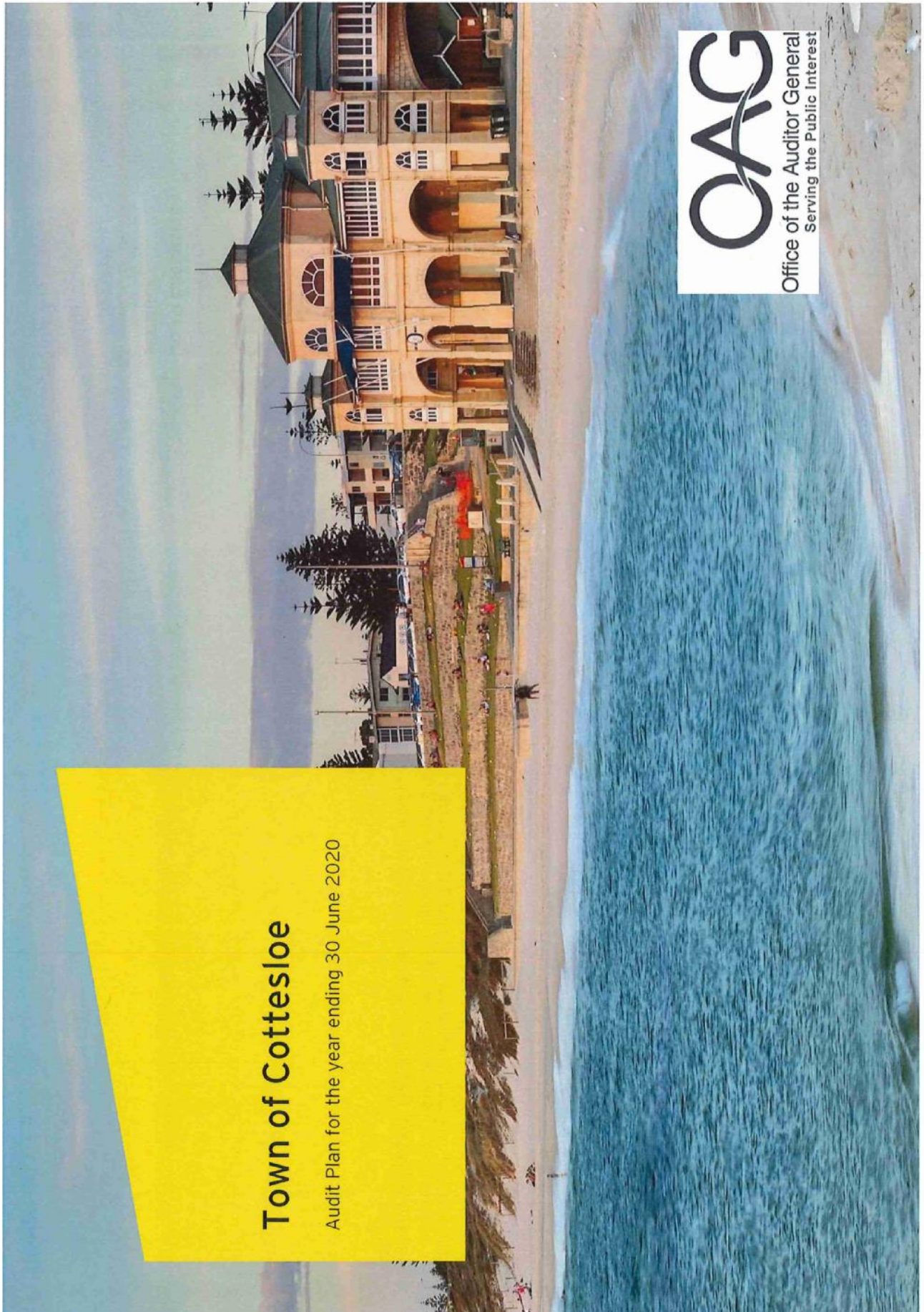
TOWN OF COTTESLOE



AUDIT COMMITTEE

ATTACHMENT

**ITEM 8.1.2A:
AUDIT PLAN FOR THE YEAR ENDING 30 JUNE
2020**



Town of Cottesloe

For the year ending 30 June 2020

Appendices

Engagement execution

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Welcome

Dear Audit Committee members

We are pleased to present our External Audit Plan (Audit Plan) for the Town of Cottesloe ("the Town") for the year ending 30 June 2020.

Ernst & Young audit the financial statements of the Town on behalf of the Office of the Auditor General ("Auditor General"). The audit will be conducted in accordance with Australian Auditing Standards and practices, to enable the formation of opinions by the Auditor General on the financial statements of the Town.

The Auditor General or her representative will be informed of all significant issues as they are identified during the course of the audit and will attend all formal meetings between the Town and Ernst & Young.

Our plan has been co-developed with management and we believe it is responsive to your needs in understanding and assessing the appropriateness of the procedures undertaken by us in forming our opinion on the Town's financial statements.

If you have any questions regarding our Audit Plan please reach out to Kellie Tonich at (08) 6557 7525 or Michael Hoang at (08) 9429 2241.





[Go to Executive summary](#)

Town of Cottesloe

For the year ending 30 June 2020

Executive summary	Areas of Audit Focus	Audit approach	Your team	Engagement execution	Appendices
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Executive summary

AREAS OF AUDIT FOCUS	PLANNING MATERIALITY	OUR AUDIT APPROACH
<p>10</p> <p>The Areas of Audit Focus and the level of complexity or management judgement to be applied are:</p> <ul style="list-style-type: none"> ▶ Compliance with operational procurement control requirements ▶ Grant contributions ▶ Revenue recognition for rates and parking infringements and the adoption of AASB 15 <i>Revenue from Contracts with Customers</i> and AASB 1058 <i>Income of Not-for-Profit Entities</i> ▶ Valuation of property, plant and equipment, including infrastructure assets ▶ Financial ratio compilation ▶ Analysis of cash backed reserves ▶ Analysis of employee benefits expense ▶ Analysis of related party transactions ▶ Adoption of AASB 16 <i>Leases</i> ▶ Impact of COVID-19 outbreak. 	<p>We apply a percentage of operating expenses as our quantitative materiality level of the Town of Cottesloe. Our audit procedures will be designed to assist in identifying errors or misstatements, which cumulatively exceed our materiality level. Any individual errors greater than our adjustment listing scope, which come to our attention, will be reported to management and the Audit Committee.</p>	<p>We seek to take a control based approach for the following processes:</p> <ul style="list-style-type: none"> ▶ Rates ▶ Fees and charges ▶ Capital expenditure management ▶ Payroll to cash disbursements ▶ Procurement to payables. <p>A substantive approach will be adopted for areas of significant management judgement, which includes the valuation of property, plant and equipment and infrastructure assets at fair value.</p>
	<p>DIGITAL AUDIT</p>  <p>We have included in this Audit Plan our planned digital audit approach for certain components of the 2020 audit.</p>	<p>INDEPENDENCE</p>  <p>We will confirm our independence throughout the audit and remain in compliance with APES 110 Code of Ethics for Professional Accountants independence requirements.</p>

Town of Cottesloe

For the year ending 30 June 2020

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Areas of Audit Focus

Set out below are the areas of significant audit focus and a description of our planned approach.

Compliance with operational procurement control requirements

Our Understanding

- ▶ Purchases of goods and services are subject to the operational procurement controls codified under regulation 11A of the *Local Government (Functions and General) Regulation 1996* as follows:
 - ▶ The Council must implement a purchasing policy in relation to contracts for the supply goods or services where the consideration under the contract is \$150,000 or more
 - ▶ A purchasing policy must make provision in respect of (a) the forms of quotations acceptable and (b) the retention of all written information in respect of quotations received and purchases made.
- ▶ Payments for goods and services are subject to the operational procurement controls codified under regulation 11 and 12 of the *Local Government (Financial Management) Regulations 1996* as follows:
 - ▶ A local government must implement a procedure for the authorisation and payment of outstanding accounts
 - ▶ A local government must develop procedures for the approval of accounts to ensure that before settlement, a determination is made that the related debt was incurred by a person with the appropriate delegated authority.

Our Perspective

- ▶ We will enquire of management and perform a walkthrough of the procurement to payables process to identify key controls for testing. The scope of our walkthrough will capture tendering and quotation, authorisation of purchases and payments and vendor masterfile maintenance
- ▶ We will evaluate the adequacy of key controls implemented by the Town in addressing the operational procurement control requirements under the FGR and FMR
- ▶ We will communicate control deficiencies or process improvement opportunities to the Audit Committee
- ▶ We will inspect the trade and other payables reconciliations and test material reconciling items, if any
- ▶ We will test a representative sample of trade payables to supporting documentation, such as vendor invoices, progress certificates and subsequent payments
- ▶ We will perform tests of unrecorded liabilities for payments after balance date
- ▶ We will perform substantive analytical review procedures by comparing significant trade payables at 30 June 2020 against the prior period and preparing a monthly fluctuation analysis on materials and contracts expenses to identify any anomalies or outliers.



Town of Cottesloe

For the year ending 30 June 2020

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Grant contributions

Background

- ▶ For the year ended 30 June 2019, the Town recognised contributions of \$0.866 million which are accounted for under AASB 1004 *Contributions* ("AASB 1004")
- ▶ AASB 1004 requires contributions to be recognised as income in the period across which control of the contribution is obtained, rather than across the period to match against the associated costs for which the grant was intended to compensate
- ▶ Pursuant to the terms of a grant contract, the funder may request a refund for (a) unspent grants or (b) in the situation where monies were expended for reasons other than the stated objective of the grant
- ▶ The Town carries an unspent grants reserve in equity to recognise the carry forward of available funding for incomplete grants in ensuing financial years.

Planned audit approach

- ▶ We will enquire of management and perform a walkthrough of grants, contributions and subsidies process to identify key controls for testing
- ▶ We will inspect the terms and conditions of material contracts to better understand the obligation, if any, to refund unspent monies
- ▶ We will obtain and review all new grant contracts and variations entered into for the year ended 30 June 2020
- ▶ We will test the receipt of material grants to supporting documentation, such as bank statements and contracts
- ▶ We will test the utilisation of the unspent grants reserve for the year ended 30 June 2020 to source documentation, such as vendor invoices and employee time writing
- ▶ We will evaluate the impact of the adoption of AASB 1058 Income of not-For Profit Entities ("AASB 1058") and ensure appropriate disclosure in the financial statements.

Town of Cottesloe

For the year ending 30 June 2020

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Revenue recognition for rates and parking infringements

Background

- ▶ For the year ended 30 June 2019, the Town recognised revenue of \$13.313 million. The composition of revenue is weighted to rates of \$10.210 million and parking infringements of \$0.852 million
- ▶ In FY19, the Town recognized revenue in line with AASB 1004. Under AASB 1004, contributions to a local government may be received in the form of involuntary transfers such as rates and parking infringements. Such contributions are recognised as income when the local government obtains control over them, irrespective of whether any restrictions or conditions are imposed on the use of the contributions
- ▶ Control over involuntary, non-reciprocal contributions is established when the underlying transaction or event giving rise to control of the future economic benefits occurs. For example, control over parking infringements is established when the fine is issued
- ▶ AASB 1058 is effective for financial years beginning on or after 1 January 2019 and is applicable for the Town for the 30 June 2020 financial year. AASB 1058 replaces most of the income recognition requirements in AASB 1004. The scope of AASB 1004 is now limited mainly to parliamentary appropriations, administrative arrangements and contributions by owners
- ▶ The purpose of AASB 1058 is to more closely recognise NFP income transactions that are not contracts with customers in accordance with their economic reality. AASB 1058 needs to be considered in conjunction with AASB 15 *Revenue from contracts with customers* ("AASB 15").

Planned audit approach

- ▶ We will discuss the impact of AASB 15 and AASB 1058 with management and review management's assessment of the impact on the Town
- ▶ We will review the draft pro-forma financial report to ensure the new accounting standards have been appropriately reflected
- ▶ We will enquire of management and perform a walkthrough of each material revenue stream to identify and test key controls
- ▶ We will perform tests of revenue cut-off about balance date
- ▶ With the assistance of EY GLASS, our digital journal entry selection tool, we will assess the reasonability of manual journal entries posted to revenue accounts
- ▶ We will perform substantive analytical procedures by comparing revenue streams against the prior period and budget to identify any unusual or unexpected trends
- ▶ We will perform substantive analytical procedures by recalculating rates revenue, benchmarked to gross rental valuations and unimproved valuations from Landgate and the budgeted rates approved by the Council
- ▶ We will test a representative sample of revenue transactions to source documentation; for example, rates notices, land valuation reports published by Landgate and bank statements
- ▶ We will review the reasonableness of management's expected credit loss model on infringement receivables.

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Valuation of property, plant and equipment, including infrastructure assets

Background

- ▶ At 30 June 2019, the Town carried property, plant and equipment and infrastructure assets of \$84.583 million and \$37.539 million on its balance sheet, respectively. No revaluation increments or decrements were recorded against other comprehensive income for the year ended 30 June 2019
- ▶ Management measures property, plant and equipment and infrastructure assets at fair value, less accumulated depreciation and impairment losses, recognised after the date of revaluation
- ▶ A revaluation surplus or deficit is recorded to other comprehensive income and credited to the asset revaluation reserve in equity
- ▶ The fair value of property, plant and equipment and infrastructure assets are determined with reference to valuations performed by accredited external valuers
- ▶ For the year ended 30 June 2020, furniture and equipment are scheduled for revaluation as follows:

Asset class	Latest revaluation	Planned revaluation
Furniture and equipment	30 June 2016	30 June 2020
Land and buildings	30 June 2017	30 June 2021
Infrastructure assets	30 June 2018	30 June 2022

Planned audit approach

- ▶ We will enquire of management and perform a walkthrough of the capitalisation of capital expenditure to work in progress and the transfer of work in progress to the appropriate asset class to identify key controls for testing
- ▶ We will obtain and review the latest revaluations performed by managements expert and perform assessments to corroborate and concur with managements experts' conclusions
- ▶ We will consider the existence of internal and external indicators of impairment which may trigger an impairment assessment
- ▶ We will discuss with management to understand how the impact of the COVID-19 pandemic will be factored into account in the valuation of the assets and management impairment assessment and consult with our valuation specialists for the reasonableness
- ▶ We will attend physical/virtual stock counts of property, plant and equipment and infrastructure assets
- ▶ We will evaluate the reasonability of the useful lives of depreciable assets against the accounting policies of the Town
- ▶ For a representative sample of depreciable assets, we will re-calculate the depreciation expense for the accounting period
- ▶ We will test a representative sample of additions and disposals to property, plant and equipment to supporting documentation; for example, quote, vendor invoices and bank statements.

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Financial ratio compilation

Background

Regulation 50 of the FMR requires the disclosure of the following financial ratios in the financial statements:

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

Regulation 10 of the *Local Government (Audit) Regulations 1996* requires the auditors to assess whether the asset consumption and asset renewal ratios are supported by verifiable information and reasonable assumptions

Regulation 10 of the *Local Government (Audit) Regulations 1996* requires the auditor to assess whether there are any significant adverse trends in the financial position of the Town of Cottesloe, benchmarked to the Department of Local Government, Sport and Cultural Industries ("DLGSCI") standard.

Planned audit approach

We will inspect the financial ratio calculations from management and test its clerical and computational accuracy

We will cross-check key inputs within the financial ratio calculations to supporting documentation

We will evaluate whether the calculation methodology complies with the requirements set out in the FMR

We will evaluate the reasonability of the assumptions adopted as part of the calculation of the asset consumption and asset renewal funding ratios

We will cross-check the financial ratios of the Town of Cottesloe to the DLGSCI standard to identify adverse trends, if any

We will perform a substantive analytical review by comparing financial ratios against the prior period to identify any unusual or unexpected trends.

Town of Cottesloe

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Analysis of cash backed reserves

Background

- ▶ At 30 June 2019, the Town carried cash backed reserves accounts in equity of \$9.699 million.
- ▶ Regulation 38.1 of the FMR defines the reserves disclosures to be included in the financial statement as follows:
 - ▶ The purpose for which the monies were set aside
 - ▶ The amounts set aside and expended for the reporting period
 - ▶ The opening and closing balances of the reserves at balance date
 - ▶ When the Council anticipates that the monies held in reserve will be expended
- ▶ If monies held with a financial institution were insufficient to match the corresponding restricted cash asset carried on the balance sheet:
 - ▶ The extent of the deficiency
 - ▶ The reason for the deficiency
 - ▶ When the Council anticipates that the deficiency will be remedied
- ▶ If the purpose of the reserves were changed or the monies set aside were used for another purpose:
 - ▶ The purpose for which the monies were used
 - ▶ The amount changed or used
 - ▶ The objects of, and the reasons for, the change or use.

Planned audit approach

- ▶ We will test material movements in cash backed reserves accounts to supporting documentation, such as vendor invoices and employee time-writing
- ▶ We will evaluate the appropriateness of amounts expended against reserve accounts in consideration of the stated objectives authorised by the Council
- ▶ We will test whether the cash backed reserve accounts are supported by restricted cash held with financial institutions and evaluate the extent of any insufficiency, if applicable
- ▶ We will evaluate the completeness and accuracy of the disclosures related to reserve accounts in consideration of regulation 38.1 of the FMR.

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Accuracy of employee benefits expense

Background

- ▶ At 30 June 2019, the Town carried provisions for annual leave and long service leave of \$0.574 million and \$0.478 million on its balance sheet, respectively.
- ▶ **Provision for long service leave**
- ▶ Long service leave entitlements are recognised as a liability based on the present value of the benefit obligation using the projected unit credit valuation method
- ▶ AASB 119 *Employee benefits* ("AASB 119") prescribes discount rates to be utilised in measuring long-term employee benefit obligations
- ▶ The discount rate should be determined with reference to government bond rates at balance date, consistent with the currency and term of the employment benefit.

Annual leave entitlements

- ▶ The definition of short-term employee benefits set out in AASB 119 was revised in a prior period
- ▶ The revised definition states that only benefits that are expected to be wholly settled within 12 months after balance are classified as a short-term employee benefit
- ▶ Should there be evidence to suggest that employees will not use their accrued annual leave within 12 months of balance date, the annual leave liability should be measured as a long-term benefit and measured using the projected unit credit valuation method
- ▶ Short-term benefits are recognised at the undiscounted amount of the benefit expected to be paid in exchange for services rendered.

Planned audit approach

- ▶ We will perform test of controls across the payroll to cash disbursements process to test the accuracy of employee benefits expense for the year
- ▶ We will perform substantive analytical procedures, such as an analysis of employee benefits expense disaggregated by month, to identify unusual trends or outliers
- ▶ We will evaluate the retention probabilities used in calculating the provision for long-service leave with reference to historical terminations
- ▶ We will confirm the discount rates used in discounting benefit obligations to present value to publicly available government bond rates
- ▶ We will re-calculate the calculation of gross employee entitlements with reference to source documents on a sample basis; for example, authorised leave request forms and employment contracts
- ▶ We will evaluate and recompute the discounting of annual leave entitlements which are not expected to be settled within 12-months of balance date to its present value
- ▶ We will cross-check the workers compensation accrual to the estimate provided by the Local Government Insurance Scheme in accordance with run-off insurance arrangements
- ▶ We will communicate control deficiencies or process improvement opportunities to the Audit Committee.

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Accuracy of related party transactions

Background

- ▶ At 30 June 2019, the Town identified related party relationships with key management personnel and joint arrangements, including the Western Metropolitan Regional Council and Grove Library
- ▶ Under AASB 124 Related Party Disclosures ("AASB 124"), if an entity has had related party transactions during the periods covered by the financial statements, it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements
- ▶ At a minimum, disclosures shall include:
 - ▶ the amount of the transactions
 - ▶ the amount of outstanding balances, including commitments
 - ▶ their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement
 - ▶ details of any guarantees given or received
- ▶ provisions for doubtful debts related to the amount of outstanding balances, and
- ▶ the expense recognised during the period in respect of bad or doubtful debts due from related parties.

Planned audit approach

- ▶ We will enquire of management as to the process to identify, appropriately account for and disclose related party relationships and transactions including necessary confirmations with key management personnel
- ▶ We will identify key controls, if any, over related party relationships and transactions, including how they are authorised and approved
- ▶ We will enquire of management as to the nature of relationships between the Town and identified related parties to understand their underlying business rationale and whether any transactions with related parties were outside of the ordinary course of business
- ▶ We will inspect bank confirmations, solicitor representation letters, the agenda and minutes to Council meetings and material contracts to evaluate the completeness of related party relationships disclosed by management.

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Adoption of AASB 16 Leases

Background

- ▶ AASB 16, effective for the Town from 1 July 2019, requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under the previous standard, AASB 117 Leases
- ▶ The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (i.e., personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset)
- ▶ Lessors will continue to account for leases as either operating or finance leases, consistent with current practice. For operating leases, the underlying asset remains on the lessor's balance sheet. For finance leases, the underlying asset is de-recognised and a lease receivable is recognised
- ▶ All existing and new contracts entered into on or before 1 July 2019 and not expiring before 30 June 2020 will be subject to the new Standard on the date of initial application
- ▶ Determination of an appropriate incremental borrowing rate is judgemental.

Planned audit approach

- ▶ We will review management's assessment of the impact on the adoption of AASB 16 and accounting for right of use assets and lease liabilities (if any). This will include a review of the calculations, and associated key assumptions, based on the terms and conditions of the underlying lease agreements
- ▶ We will review adequacy of the disclosures to ensure compliance with applicable accounting standards.

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The impact of COVID-19

Background

With the recent and rapid development of the coronavirus outbreak, many countries have required entities to limit or suspend business operations and implemented travel restrictions and quarantine measures. These measures and policies have significantly disrupted (or are expected to disrupt) the activities of many entities. Disruptions are more immediate and pronounced in certain industries such as tourism, hospitality, transportation, retail, and entertainment, while there are also anticipated knock-on effects on other sectors such as manufacturing and the financial sector. As the outbreak continues to progress and evolve, it is challenging at this juncture, to predict the full extent and duration of its business and economic impact. Consequently, these circumstances may present the Town with challenges when preparing financial statements and conducting an audit of those financial statements.

The ability of finance functions to report in a timely and accurate manner may be impacted due to staff shortages, the ability to work remotely, access to source documentation and deviations from established internal control processes.

Existing accounting requirements should be considered when addressing the financial effects of the outbreak when preparing financial statements for the year ended 30 June 2020.

Financial statement preparation considerations as a result of the Corona Virus include:

- ▶ The impact on internal controls
- ▶ The impact on the Going concern
- ▶ Fair value measurement of assets
- ▶ Expected credit loss assessment
- ▶ Other accounting estimates and financial disclosures
- ▶ Events after the reporting period.

What this means for you and your audit

EY has made the decision in Oceania to enforce a mandatory work from home policy for all partners and staff effective 18 March 2020, including restrictions on attending client sites. Given the evolving nature of the pandemic it is unclear the duration of this policy.

Importantly, our investments in audit tools and technology over recent years facilitate our ability to complete an EY audit remotely. These technologies include EY's assurance software platforms in use during previous Town audits and reviews, for example EY Canvas (audit documentation tool) and EY Portal (facilitates secure sharing of documents between our audit teams and our clients). The continued use of these tools is simply business-as-usual for us.

Of course, it's always more efficient to perform certain audit tasks in person and therefore, there will be challenges to work through in relation to certain aspects of this. The audit team and I are committed to working collaboratively with you, albeit remotely for now, to be flexible with our planning and make all adjustments necessary to ensure that the audit is completed within the required timeframe.

We will also tailor our audit procedures to address the additional financial reporting considerations that have arisen as a result of the Corona Virus outbreak including understanding the impact on your forecasts and budgets, valuations, other estimations and disclosures.

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Digital Audit

Each of the components of the EY Digital Audit work together to deliver a quality audit

The Client Portal

The Client Portal connects us directly to you. It enables you to securely provide supporting audit evidence, automated uploading the information to EY Canvas and gives you reporting of the status of the audit progress. This streamlines our communications with you and saves you time.

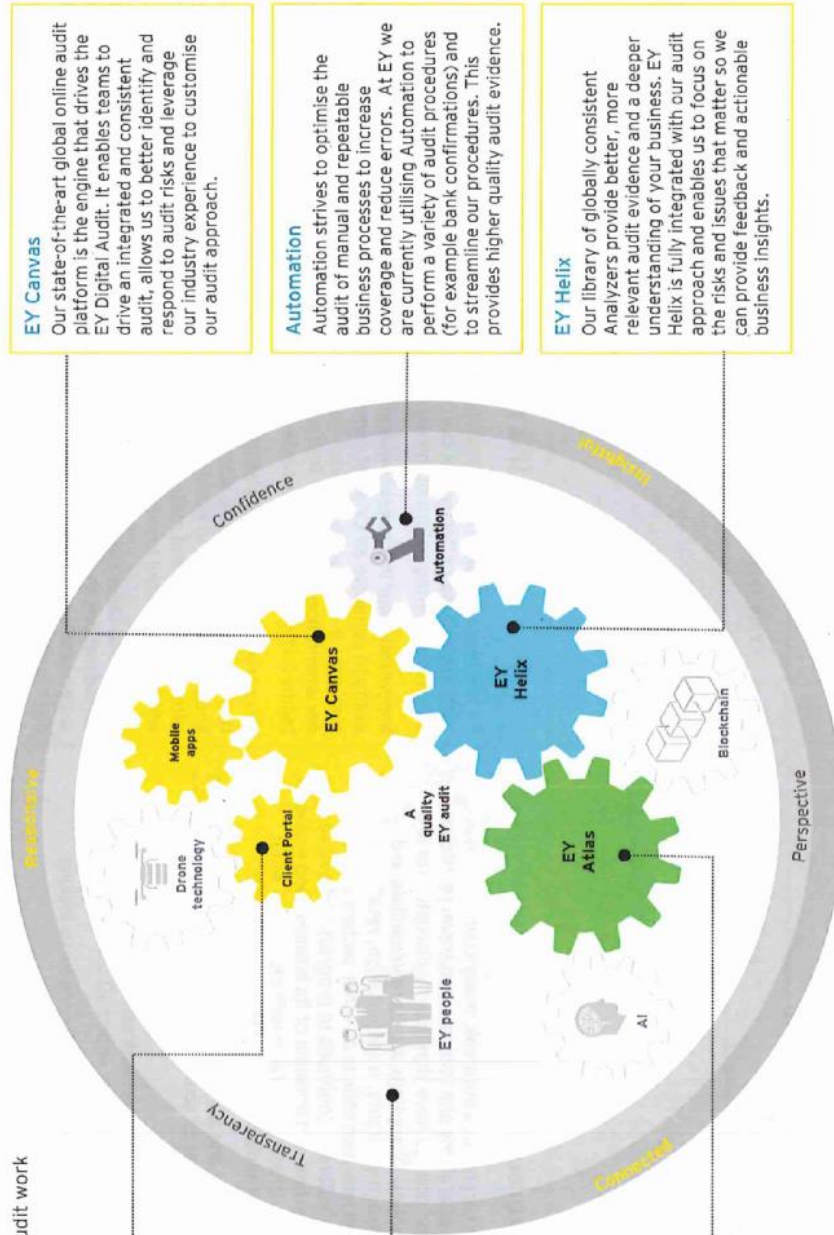
EY People

The EY engagement team is uniquely placed to appropriately execute a digital audit strategy.

EY Atlas

Our global accounting and financial reporting research platform, keeps our audit team up-to-date with the most relevant accounting, auditing and industry information globally. This enables us to share accounting precedents efficiently and deliver a more relevant audit.

EY Atlas Client Edition is the client version of EY Atlas allowing clients to keep up to date on accounting and reporting requirement.



EY Canvas

Our state-of-the-art global online audit platform is the engine that drives the EY Digital Audit. It enables teams to drive an integrated and consistent audit, allows us to better identify and respond to audit risks and leverage our industry experience to customise our audit approach.

Automation

Automation strives to optimise the audit of manual and repeatable business processes to increase coverage and reduce errors. At EY we are currently utilising Automation to perform a variety of audit procedures (for example bank confirmations) and to streamline our procedures. This provides higher quality audit evidence.

EY Helix

Our library of globally consistent Analyzers provide better, more relevant audit evidence and a deeper understanding of your business. EY Helix is fully integrated with our audit approach and enables us to focus on the risks and issues that matter so we can provide feedback and actionable business insights.

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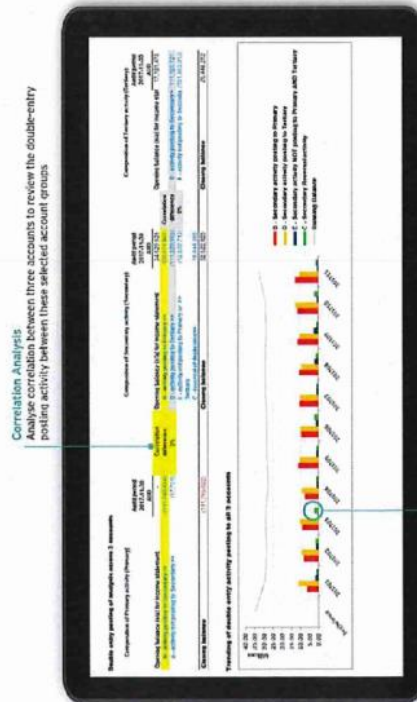
EY Helix

General Ledger Analyzer

General Ledger Analyzer uses general ledger data to assist in all phases of the audit.

This Analyzer (in conjunction with our journal entry sample selection tool - EY GLASS) enables us to deliver you a high-quality audit by:

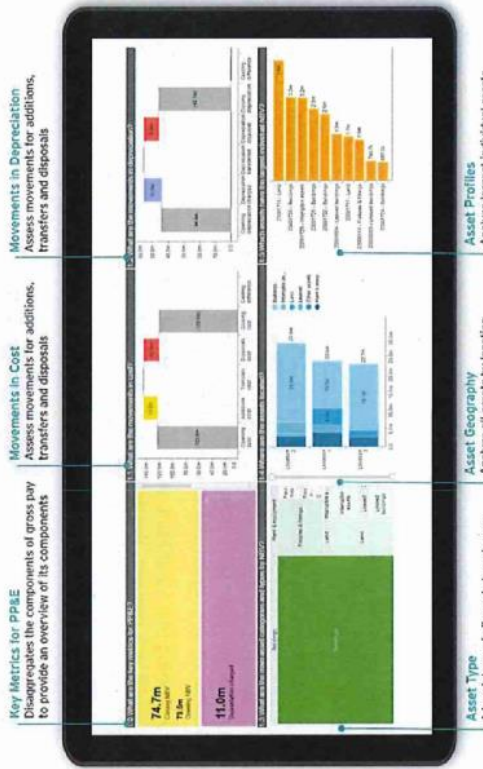
- ▶ Identifying business insights, hidden patterns, correlations and trends in 100 per cent of your general ledger data and direct our investigative effort in the right areas
- ▶ Allowing us a deeper understanding of your business by analysing larger populations of audit relevant data, to present a fuller picture of what happened and identify the risks that matter.



PP&E Analyzer

The Property Plant and Equipment Analyzer assists with organising and presenting subledger data when performing audit procedures over PP&E.

The Analyzer uses PP&E subledger data, including the fixed asset register to assist in assessing the opening and closing position along with additions, disposals, transfers and depreciation during the period.



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Assessment of internal control environment

The primary responsibility for the design and operating effectiveness of the internal control environment, including the prevention and detection of fraud and error, rests with those charged with governance and management.

We obtain an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit is not designed to express an opinion on the effectiveness of internal control we are required to communicate significant deficiencies in internal control to you.

Our assessment of internal controls covers:

- ▶ The control environment including entity level controls
- ▶ Your internal risk assessment procedures
- ▶ The design and operating effectiveness of internal controls (including IT general controls)
- ▶ Monitoring of controls (including internal audit and self-assessment).

We will report any deficiencies noted in internal controls to the Mayor and CEO via a formal management letter process.

Internal audit

We consider where we can place reliance on internal audit during our audit procedures to minimise duplication and to rely on their work wherever possible.

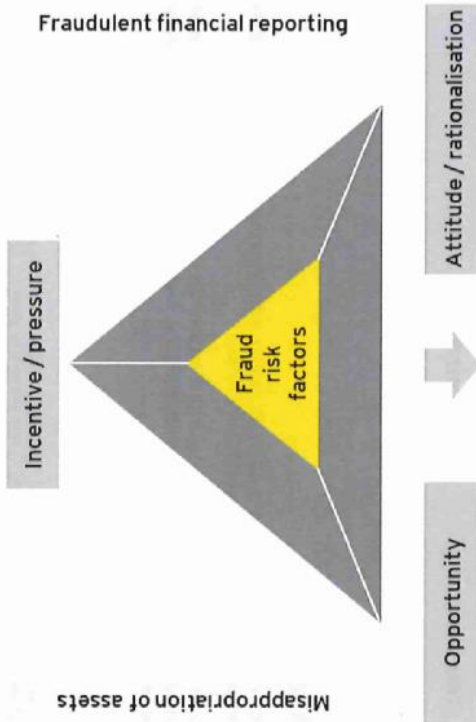
Where we rely on internal audit work, we will:

- ▶ Understand significant processes and perform walkthrough of a transaction through the entire process
- ▶ Retest a sample of the controls tested by internal audit
- ▶ Adjust substantive audit procedures at year end based upon the results of the testing.

The risk of fraud

Our responsibility as the external auditor is to consider the risk of fraud and the factors that are associated with it so as to provide reasonable assurance that the financial statements are free from material misstatement resulting from fraud. However, it is important to note that while our external audit work is not primarily directed towards the detection of fraud or other irregularities, we will report any matters identified during the course of our work.

When developing our Audit Plan, we use professional judgement in determining whether a fraud risk factor is present. We determine fraud risk factors in the context of the three conditions generally present when fraud occurs (i.e. incentive/pressure, opportunity and attitude/rationalisation).



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Controls reliance

We intend to place reliance on IT dependent manual and manual controls which operate across the financially significant processes of the Town. Set out below is the level of controls reliance we expect to achieve over the key financial statement processes.

Process	Internal controls	Inherent risk assessment
Revenue – Rates		Lower
Revenue – Fees and charges		Lower
Other income		Higher
Grant contributions and subsidies		Higher
CAPEX		Higher
Payroll to cash disbursements		Lower
Procurement to payables		Lower
Financial statement close		Higher
Compliance		Higher

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Your team

We understand that our team is the most important element of your relationship with us.

A team aligned to your business was selected by Michael and is comprised of individuals who have successfully worked together before. Your team are experienced auditors in government sector entities and bring their collective experiences from their current clients.

Furthermore, we incorporated our embedded specialists from our other services lines to support our planned audit procedures.

Caroline Spencer
Auditor General

Kellie Tonich
OAG Senior Director

Michael Hoang
Contract Audit Partner

Alveena Anthony
Manager

Audit Teams

Robert Kirkby
Quality Review Partner

Specialists

John Burger
Real Estate Advisory Services

John Virgo
Financial Accounting Advisory

Michael Crouch
IT Risk Assurance

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Independence

How we are meeting your independence requirements.



Data security and Privacy

Our digital audit is supported by a well-articulated data privacy and information security strategy.



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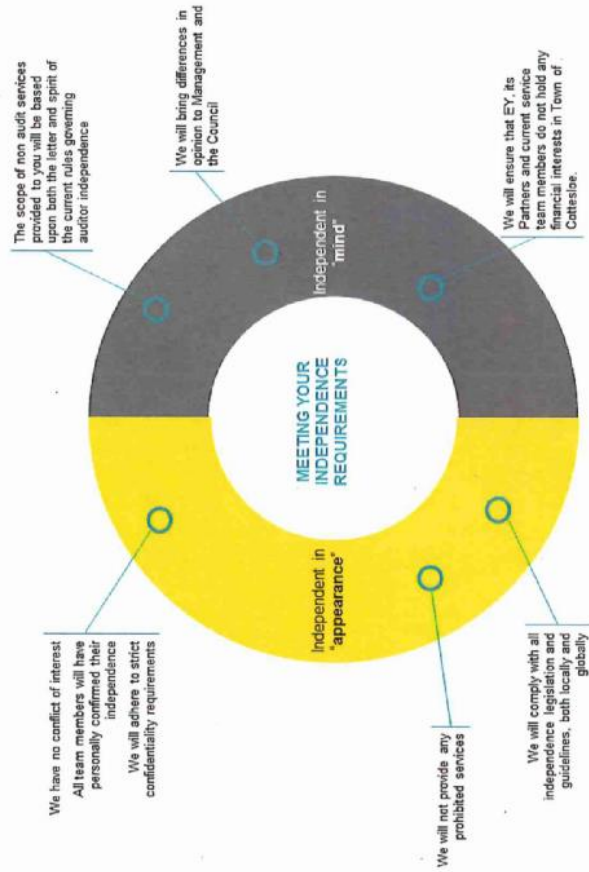
Independence

Independence is fundamental to EY as our ongoing reputation and success is connected to our ability to meet both the Town's and broader regulatory independence requirements.

We have consistently complied with all professional regulations relating to auditor independence, including those outlined in APES 110 Code of Ethics for Professional Accountants.

Accordingly, we ensure that there are controls in place and actions taken on a regular basis that mitigate any risks to our independence.

There are no matters that, in our professional judgement, bear on our independence which need to be disclosed to the Audit Committee.



Data security and privacy

Our ability to provide seamless, consistent, high-quality client service worldwide is supported by a well-articulated data privacy and information security strategy.

For the audit of the Town of Cottesloe, the following applies:

- ▶ Access to EY Canvas is restricted to members of the engagement team only
- ▶ Audit relevant information is transferred to EY securely via the EY Canvas Client Portal.



Our global data protection framework is based on principles, policies and controls to govern the integrity and security of client data.

- International intra-group data protection agreement
- Binding corporate rules
- Global code of conduct
- Global data privacy policy
- Awareness programs
- Information security and retention policy

Data will be securely transferred to and maintained in a secure EY environment



[EY's approach to data protection and information security](#)

EY | Assurance | Tax | Transactions | Advisory

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ED None

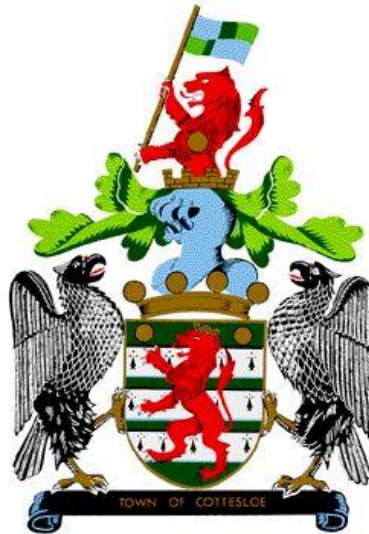
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TOWN OF COTTESLOE



AUDIT COMMITTEE

ATTACHMENT

**ITEM 8.1.3A:
FOCUS AUDIT - LOCAL GOVERNMENT
MANAGEMENT OF CONTRACT RENEWALS OR
EXTENSIONS AND VARIATIONS**



Our Ref: 8500

Mr Mat Humfrey
Chief Executive Officer
Town of Cottesloe
PO Box 606
COTTESLOE WA 6911

TRIMMED
Document Number
D2016529

TOWN OF COTTESLOE
25 FEB 2020
RECEIVED

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Serving the Public Interest

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PERTH WA 6849

Tel: (08) 6557 7500
Fax: (08) 6557 7600
Email: info@audit.wa.gov.au

Dear Mr Humfrey

FOCUS AUDIT – LOCAL GOVERNMENT MANAGEMENT OF CONTRACT RENEWALS OR EXTENSIONS AND VARIATIONS

As you would be aware, the Auditor General has been undertaking this audit in your Town and a sample of other local government entities. Audit findings for your Town are included in the attached management letter for your attention. These matters have been discussed with your relevant staff and their comments have been included on the attachment for your information.

This management letter will be used to prepare the draft report which will be sent to your Town in the next few months as part of our process for ensuring factual accuracy and contextual appropriateness before we finalise the report. The final report is scheduled for tabling in Parliament in April 2020.

An audit is not designed to identify all internal control deficiencies that may require management attention. It is possible that irregularities and deficiencies may have occurred and not been identified as a result of our audit.

I would like to take this opportunity to thank you, the management and the staff of your Town for their cooperation with the audit team during our audit.

A copy of this letter has also been sent to the Mayor. Please contact me on 6557 7574 if you have any queries.

Yours sincerely

Renuka V

RENUKA VENKATRAMAN
DIRECTOR FINANCIAL AUDIT
21 February 2020

Attach

ATTACHMENT

TOWN OF COTTESLOE

PERIOD OF AUDIT: 1 JANUARY 2018 TO DATE OF AUDIT

FINDINGS IDENTIFIED DURING THE FOCUS AUDIT- LOCAL GOVERNMENT
MANAGEMENT OF CONTRACT RENEWALS OR EXTENSIONS AND VARIATIONS

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Procurement Policy and Procedures	✓		
2. Contract Register	✓		
3. Contract Renewals or Extensions and Variations	✓		
4. Contract Documentation	✓		

KEY TO RATINGS

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

- 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.

ATTACHMENT

TOWN OF COTTESLOE

PERIOD OF AUDIT: 1 JANUARY 2018 TO DATE OF AUDIT

FINDINGS IDENTIFIED DURING THE FOCUS AUDIT- LOCAL GOVERNMENT
MANAGEMENT OF CONTRACT RENEWALS OR EXTENSIONS AND VARIATIONS

1. Procurement Policy and Procedures

Finding

We reviewed the Town's procurement policy and procedures and noted that they did not:

- include a requirement to maintain a contract register, or specify the value above which contracts are to be recorded in the register
- clearly define what constitutes a contract variation or when a separate procurement process is required
- outline the key processes for contract renewals or extensions, including a requirement for a formal assessment of current contractor performance before an existing contract is extended or renewed
- include a requirement for timely review of the contract register to identify contracts that are due to expire, with the view of commencing appropriate action well before the expiry of the contract.

We further noted that the Town's Delegated Authority Register and Purchasing Authority Limits Policy did not include specific delegation limits for approval of contract renewals or extensions and variations.

**Rating: Significant
Implication**

In the absence of comprehensive procurement policies and procedures, there is an increased risk that:

- appropriate procurement procedures may not be followed for contract variations
- contract renewals or extensions may not be effectively managed, potentially resulting in failure to achieve value for money, and
- contract renewals or extensions may not be approved in accordance with approved delegations of authority. This increases the likelihood of extensions or variations that are not justified.

Recommendation

The Town's procurement policy and procedures should be updated to include:

- a requirement to maintain a contract register, with details of the key information to be included in the register
- the dollar value above which contracts are to be recorded in the register and the custodian responsible for the regular review and update of the register
- guidance on the definition of contract variations (including clarification that when variations, considered cumulatively, significantly change the scope of the original contract, then a separate procurement process may be required)
- a requirement for the custodian of the contract register to regularly review the register for contracts nearing expiry, so that negotiations can commence well before the expiry of the contract. This will ensure continuity in the supply of goods and services as well as provide best value for money
- a requirement for the evaluation of current contractor performance to be performed to ensure poor performing contractors are identified and concerns are adequately addressed, prior to exercising the contract renewal or extension option.

ATTACHMENT

TOWN OF COTTESLOE**PERIOD OF AUDIT: 1 JANUARY 2018 TO DATE OF AUDIT****FINDINGS IDENTIFIED DURING THE FOCUS AUDIT- LOCAL GOVERNMENT
MANAGEMENT OF CONTRACT RENEWALS OR EXTENSIONS AND VARIATIONS**

The Delegated Authority Register should be updated to include specific delegated authorisation limits for the approval of contract renewals or extensions and variations. This will minimise the risk of extensions and variations being approved that are not justified.

Management comment

The Town will incorporate the recommended changes listed above into the purchasing policy and where required develop accompanying procedures for the modifications. Revisions to the delegated authority register will also be considered to mitigate the risk identified.

Responsible person: Shane Collie, Manager Corporate Services and Governance
Completion date: 30 June 2020 (approximated)

ATTACHMENT

TOWN OF COTTESLOE

PERIOD OF AUDIT: 1 JANUARY 2018 TO DATE OF AUDIT

FINDINGS IDENTIFIED DURING THE FOCUS AUDIT- LOCAL GOVERNMENT
MANAGEMENT OF CONTRACT RENEWALS OR EXTENSIONS AND VARIATIONS

2. Contract Register

Finding

An up-to-date and complete contract register was initially not available at the start of the audit. We were subsequently provided with a contract register and noted from our review that the following details were not included in the register:

- Value of contracts (including the value of any contract extensions and variations)
- Estimated dollar value of schedule of rate contracts
- Commencement, duration and end dates of contracts
- Detailed information on contract variations, such as the number and dollar value of individual variations
- Details of contract renewal or extension options available and the dates of options exercised
- Name and Position of contract manager
- Scheduling of contractor performance reviews.

Rating: Significant**Implication**

Lack of complete and accurate information in the contract register could potentially limit the Town's ability to effectively monitor its contractual obligations.

Recommendation

Management should regularly review and update the contract register to ensure that the above key information relating to all current contracts are included in the register.

Management comment

The Town will take the findings into consideration and implement the recommended changes accordingly.

Responsible person: Shane Collie, Manager Corporate Services and Governance
Completion date: 30 June 2020 (approximated)

ATTACHMENT

TOWN OF COTTESLOE

PERIOD OF AUDIT: 1 JANUARY 2018 TO DATE OF AUDIT

FINDINGS IDENTIFIED DURING THE FOCUS AUDIT- LOCAL GOVERNMENT
MANAGEMENT OF CONTRACT RENEWALS OR EXTENSIONS AND VARIATIONS

3. Contract Renewals or Extensions and Variations

Finding

We tested a sample of 2 renewals or extensions and 5 variations and found that:

- contracts were not available for all the renewals or extensions and variations sampled. As a result, we were unable to conclude if the contracts were extended per the terms of the original contract, or if the variations significantly altered the scope of the original contract
- one extension had no documented evidence that performance reviews of the contractors had been performed. We were therefore unable to conclude whether contractor performance was adequately reviewed before the extension options were exercised.

Rating: Significant**Implication**

- Inadequate documentation of contractual obligations reduces transparency in decisions relating to the renewal or extension and variation of contracts
- Without comprehensive contract performance reviews before an extension is granted, there is a risk that poor performing contractors are granted extensions.

Recommendation

Documentation of all contracts should be retained in accordance with the Town's Record Keeping Plan. This is essential to be able to demonstrate that contract extension options have been exercised only if permitted under the terms of the contract and that variations to the contract have not individually or cumulatively significantly altered the scope of the original contract.

The Town should also improve review processes relating to contract extensions, including adequate assessment of contractor performance, before exercising contract renewal or extension options.

Management comment

All executed contracts are stored within our record keeping system (TRIM) as per our records management policies and plan. Due consideration will be given to the development of a contracts management plan to cover the requirements identified.

Responsible person: Shaun Kan, Manager Engineering Services

Completion date: 30 June 2020 (anticipated)

ATTACHMENT

TOWN OF COTTESLOE

PERIOD OF AUDIT: 1 JANUARY 2018 TO DATE OF AUDIT

FINDINGS IDENTIFIED DURING THE FOCUS AUDIT- LOCAL GOVERNMENT
MANAGEMENT OF CONTRACT RENEWALS OR EXTENSIONS AND VARIATIONS

4. Contract Documentation

Finding

We tested a sample of 2 contract renewals or extensions and 5 contract variations and found that:

- 2 of 5 variations were not supported by proposals with detailed description of the nature of the variation with associated cost, time and scope implications
- for all our samples, the original contracts or other formal documentation of key contract terms was not available.

This is not in accordance with the requirements of the Town's Record Keeping Plan, Regulation 5(1)(c) of the Local Government (Financial Management) Regulations 1996 and the *State Records Act 2000*.

Rating: Significant**Implication**

In the absence of detailed variation proposals, there is a risk that inappropriate variations may be approved due to insufficient information provided to the approvers.

Without clear documentation of key contract information such as contract value, duration, extension options etc., there is a risk that contractual obligations may be more difficult to enforce in the event of disputes etc.

Further, without good record-keeping practices, the Town risks breaching its Record Keeping Plan, Local Government Regulations and the *State Records Act 2000*, while reducing accountability and transparency in decision making.

Recommendation

Contract variations should be supported by detailed proposals, to ensure that they are approved based on adequate analysis of their cost, time and scope implications.

Management should ensure that all key contract terms are adequately documented, clearly establishing mutual contractual obligations and expectations.

Important records (such as contracts, approvals and decision making correspondence) should be retained in accordance with the Town's Record Keeping Plan, to ensure compliance with the *State Records Act 2000* and promote accountability and transparency in decision making.

Management comment

A request for variation approval process has been adopted evident from the 3 out of the 5 samples tested. The outstanding 2 that could not be substantiated more than likely occurred prior to the adoption of this process. The contract management plan mentioned in item 3 will incorporate the work flow process.

The Town has contract agreements signed by all parties involved as part of the contract award. This is evident from documents recently provided.

Responsible person: Shaun Kan, Manager Engineering Services
Completion date: 30 June 2020 (anticipated)

ATTACHMENT

TOWN OF COTTESLOE

PERIOD OF AUDIT: 1 JANUARY 2018 TO DATE OF AUDIT

**FINDINGS IDENTIFIED DURING THE FOCUS AUDIT- LOCAL GOVERNMENT
MANAGEMENT OF CONTRACT RENEWALS OR EXTENSIONS AND VARIATIONS**

Further OAG Comment

The contracts referred to in our finding were requested at the time of our audit in July 2019 and could not be provided to us until the finalisation of this letter. It is important that documents such as contracts etc., are readily available and accessible by staff. Our finding therefore remains unchanged.



Town of Cottesloe

PROCUREMENT MANAGEMENT PLAN

PROCUREMENT MANAGEMENT PLAN

SUMMARY

This plan sets out the procurement processes required for the different purchasing thresholds to comply with the Town of Cottesloe's Purchasing Policy and Local Government Act requirements. It ensures fairness and probity for suppliers and transparency to the public when the Town procures goods and services.

OBJECTIVES

- Value for money outcomes
- Transparent, accountable and responsible purchasing practices
- Fairness and probity in decision making process

RELEVANT POLICIES AND LEGISLATION

- Town of Cottesloe Purchasing Policy
- Local Government Act 1995
- Local Government Regulations 1996
- Engineering Services Contract Management Plan

CORPORATE TEMPLATES

- Procurement Evaluation
- Request for Quotation
- Request for Tender
- Invitation to Tender
- Expression of Interest
- Approval to Proceed and Checklist
- Appendix A - Procurement Process

PROCUREMENT FRAMEWORK

The following provides a summary of the procurement framework for purchases for different thresholds within the Town's Purchasing Policy:

- Stage 1 - Approval to Proceed Form and Checklist
- Stage 2 – Procurement
 - 3 Quote Process (\$0 to \$49,999)
 - Request for Quotation (RFQ) (\$50,000 to \$149,999)
 - Request for Tender (RFT) (\$150,000 and over)
 - Preferred Suppliers (Appointed through RFQ or RFT)
 - Expressions of Interest
- Stage 3 – Requisitions and Purchase Orders
- Stage 4 – Invoice Approvals

Stage 1 - Approval to Proceed Form and Checklist

An approval to proceed form and checklist is to be filled out for all purchases through a Request for Quotation (RFQ) and Request for Tender (RFT). The document provides basic information required to complete both method of procurement.

This must be approved by a Senior Manager. This form must be signed by the Chief Executive Officer for all procurement through public tenders.

PROCUREMENT MANAGEMENT PLAN

Stage 2 - Procurement

3 Quote Process (\$0 to \$49,999)

The quote acceptance form within the purchase order books will be used to document all requisitions.

All purchases over \$2000 will require quotes. These must be trimmed and record keeping numbers reflected accordingly. Budgetary details are required to ensure that the approving manager is endorsing expenditure with either approved or available funding.

All suppliers must be asked to provide quotes at the same time and must provide a response within a specified timeframe. All submissions received outside this period will not be considered. Manager approval is required for such non-complying quotes to be considered. All correspondence leading to the purchase must be trimmed.

\$50,000 to \$149,999 – Request for Quotation (RFQ)

There are two RFQ documents that must be used depending on the risk (Low or Medium to High) of the project that provides a specification to the scope of works, technical parameters, supply requirements and evaluation framework will be prepared.

The following parameters provide a guide to assessing the risk category:

- Estimated Project Value
- Scope of works
- Safety, Quality and Environmental Implications
- Complexity of Works
- Contract Duration

A minimum of 3 suppliers must be invited to provide a formal bid for the works over a fixed quotation period. The minimum quotation period is 14 calendar days. This is to be evaluated by a 3 member panel. All medium to high risk invitations will be through Tenderlink. Low risk quotes can be sent directly to suppliers.

A memo summarising the RFQ process and recommending the preferred supplier is to be prepared prior to appointment, when requesting for a purchase order to be approved. A Senior Manager is the recommending officer for purchases over \$50,000 that requires the Chief Executive Officer's approval.

\$150,000 and Over – Request for Tender (RFT)

All projects over this value must be advertised through a RFT. A RFT template must be used for this method of procurement. The minimum tender period is 14 calendar days and must be advertised through Tenderlink and the news papers. This is to be evaluated by a 3 member panel. A Council report is required for Council to approve this method of procurement.

Preferred Suppliers

PROCUREMENT MANAGEMENT PLAN

Preferred supplier panels can be established for frequently used services and goods supply. This would need to be either through an RFQ or RFT process depending on the expected contract value over a 3 year period. An RFQ expires when \$150,000 is reached or at 3 years, whichever occurs first.

The use of a preferred supplier panels are an option but is only limited to the scope specified within each executed contract. A contract variation approval as per the process within the Contract Management Plan is required for works outside the agreement. The arrangement should not be used for projects over \$150,000 or as a method to avoid any formal tender process.

Expressions of Interest (EOIs)

EOIs can be used to for suppliers to provide a return brief. It allows for market sounding in determining the competitiveness and the Town's general requirements for the supply of goods and / or services. All EOIs must be advertised through Tenderlink and newspapers.

Upon the completion of the process, shortlisted suppliers will be invited to provide a formal submission through an Invitation to Tender. This will be administered as per the RFT process.

Stage 3 - Requisitions and Purchase Orders

Once a successful supplier has been identified, a purchase order would need to be raised prior to the commencement of any works or the supply of goods and services. Two different officers are to raise and approve a purchase order.

Purchase orders raised by an officer are to be approved by their direct supervisors. All approving officers are to comply with the Town of Cottesloe's Purchase Order Policy. All sections of the requisition form and purchase order are to be filled out and approved. No officer is to at any time raise and approve the same purchase order.

A Senior Manager is required to counter-sign a purchase orders over \$50,000 that is to be approved by the Chief Executive Officer.

This process will remain in place till the current paper copy purchase order is superseded by an electronic system.

Stage 4 - Invoice Approvals

Two officers are required to endorse an invoice for this to be processes by Accounts Payable. One signature would be required to confirm receipt of goods and services. The second signature would be for payment approval. All invoices within the Civic Centre are to be signed by Manager of Engineering Services. The Works Manager is responsible for this approval at the Operations Centre.

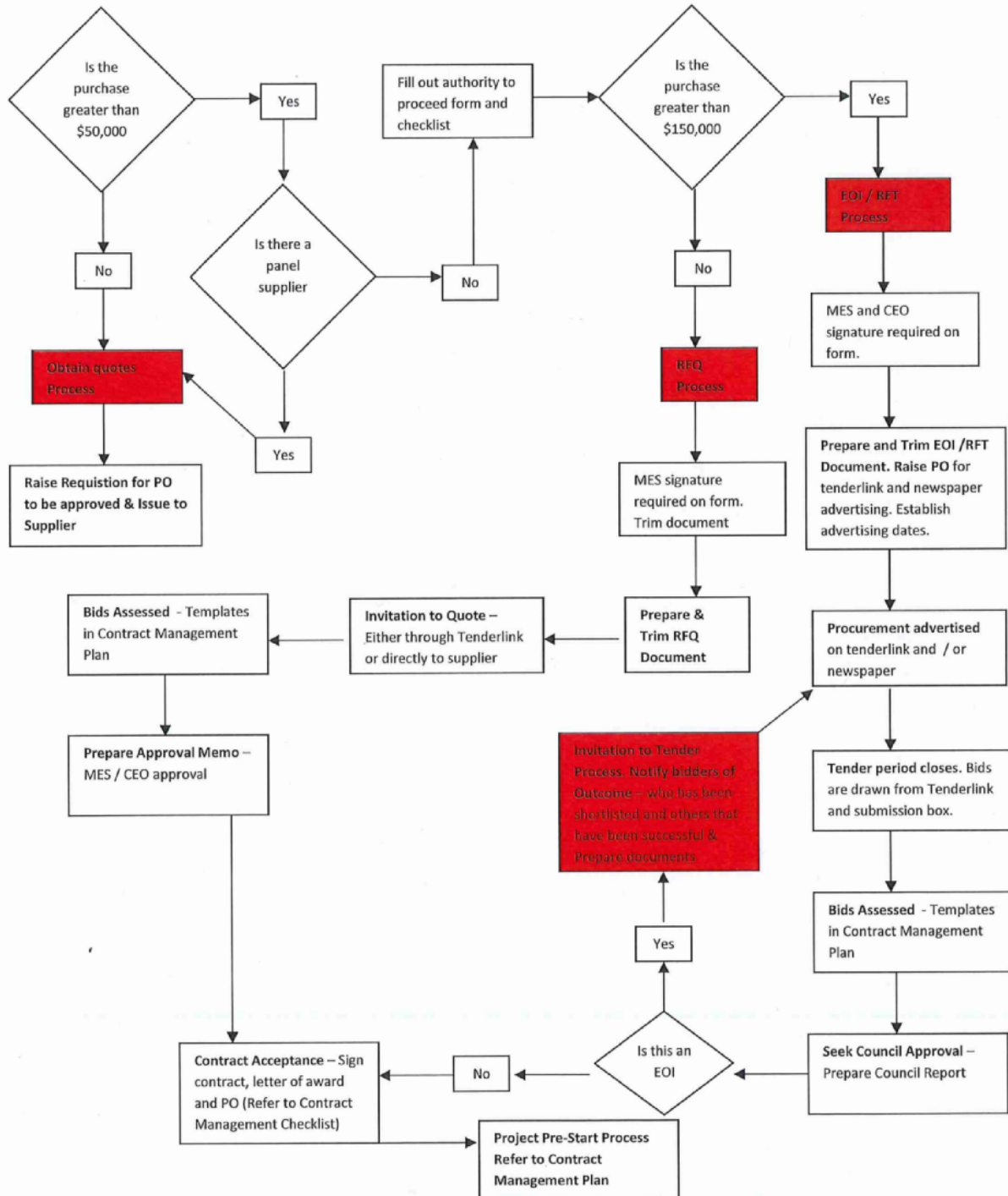
A Senior Manager is required to counter-sign an invoice over \$50,000 that is to be approved by the Chief Executive Officer.

**No officer is to at any time confirm good / services receipt and approve the same invoice.
No officer is to raise and approve the same purchase order.**

PROCUREMENT MANAGEMENT PLAN

All contract progress payments are to be administered as per the progress payment process within the Contracts Management Plan

APPENDIX A - PROCUREMENT PROCESS MAP



Conflict of Interest and Confidentiality Agreement



Anyone involved in a procurement activity must complete this declaration before developing tender documents, joining an evaluation panel or making a decision.

Name:	
Position:	
Tender:	
Role in the procurement activity:	

Do you have any actual, potential or perceived conflicts of interest?

Do you have any personal interest in the purchasing decision?

(e.g. you own shares in a supplier or related company)

Yes No Potentially (tick 'potentially' if others could perceive you have a conflict)

Are you a relative or close friend of someone with a personal interest in the goods or services being purchased or who could be personally affected by the purchasing decision?

(e.g. a family member is an employee or shareholder of a supplier)

Yes No Potentially (tick 'potentially' if others could perceive you have a conflict)

Do you have any personal obligations, loyalties or bias that could influence the way you evaluate offers and recommend purchases?

(e.g. a close friendship with an employee of a supplier)

Yes No Potentially (tick 'potentially' if others could perceive you have a conflict)

Have you recently been offered any special discounts, gifts, trips, hospitality, rewards or favours by suppliers of the goods or services being purchased?

(e.g. free travel; free samples for your own use)

Yes No Potentially (tick 'potentially' if others could perceive you have a conflict)

Are you aware of anything that could give the appearance that you might be biased towards or against a particular supplier?

(e.g. you have expressed strong views about a supplier; you worked for a supplier; you use a supplier's corporate box at a sports event)

Yes No Potentially (tick 'potentially' if others could perceive you have a conflict)

Conflict of Interest and Confidentiality Agreement



Confidentiality responsibilities

All of the procurement project's discussions, meetings and material (written and electronic) are confidential and I agree to keep this information safe. I will not give this information to anyone outside the immediate tender team without prior approval from the Project Manager.

Restrictions on contact with suppliers

I agree that my contact with potential suppliers is restricted during the period of the tender. I understand that until the successful supplier has been announced I will not:

- pass information or make comments to them about the tender
- receive any gift, gratuity, hospitality or any inducement from them
- meet them or have any discussion about the tender.

I will pass any requests for information and meetings from potential suppliers to the Project Manager.

Declaration of conflict of interest

<p>Actual conflict of interest is where you already have a conflict.</p> <p>Potential conflict of interest is where the conflict is about to happen or could happen.</p> <p>Perceived conflict of interest is where other people might reasonably think you are not being objective.</p>	<p>If you have answered 'Yes' or 'Potentially' to any of the above questions, please provide details here. Otherwise sign the declaration below.</p>
---	--

Your declaration

<p>Declaration – I confirm that the above details are correct to the best of my knowledge and I make this declaration in good faith.</p>		
Signature:		Date:
<p>Review by Project Manager – I confirm that I have received this declaration and noted the contents. Where a conflict of interest is declared, complete the next part of the form.</p>		
Name:		
Signature:		Date:



Town of Cottesloe

CONTRACT MANAGEMENT PLAN

CONTRACT MANAGEMENT PLAN

SUMMARY

This plan sets out the contract management and administration processes for awarded works to ensure continued compliance with the Town of Cottesloe's Purchasing Policy, Purchase Order Policy and Local Government Act requirements. It provides a consistent approach towards managing all contracts awarded by the Town of Cottesloe in accordance with executed agreements.

OBJECTIVES

- Proper administration of contracts in accordance with executed agreements to ensure fairness to both the Town and suppliers
- Best practice documentation in accordance with Office of the Auditor General Requirements
- Documentation of the decision making process

RELEVANT POLICIES AND LEGISLATION

- Town of Cottesloe Purchasing Policy
- Town of Cottesloe Purchase Order Policy
- Local Government Act 1995
- Local Government Regulations 1996
- Engineering Services Procurement Management Plan

CORPORATE TEMPLATES

- Letter of Acceptance
- Unsuccessful Letters
- Prestart Agendas and Minutes
- Progress and Final Payment Certificates
- Contract Variation Approvals
- Practical Completion Certificates
- Contract Management Checklist
- Contract Evaluation Proforma

CONTRACT MANAGEMENT AND ADMINISTRATION FRAMEWORK

STAGE 1 – CONTRACT AWARD

Contract Documents

Upon the acceptance of a recommended supplier by Council or a Request for Quotation (RFQ) by a delegated officer, the contract document must be signed by the successful proponent and the Chief Executive Officer. This include medium to high risk RFQ agreements. An email confirming acceptance of terms and conditions of the low risk RFQ mechanism would be sufficient.

Letter of Acceptance & Purchase Order

Once this has been completed together with the method of securities either confirmed or received, a letter of award and associated unsuccessful letter can then be issued for open tender and medium to high risk RFQ Contracts. An email accepting the low risk RFQ bid is acceptable. A purchase order is to be raised at the same time and number referenced in the letter of acceptance. Both documents are to be signed by the delegated officer at the same time.

CONTRACT MANAGEMENT PLAN

The method of administering purchases through obtaining 3 quotes (less than \$50,000) will be determine on a case by case basis depending on the associated risk.

All open tender and RFQ contracts must be placed on the tender register upon award.

Securities

Securities are required for all open tender and RFQ contracts and can be held in the form of bank guarantees or retentions.

Bank Guarantees - 2 guarantees each equivalent to 5% of the total contract value would be required. One will be returned upon successful practical completion and the other at final completion.

Retentions – 10% of each progress claim will be held. 50% of the total monies held will be returned upon successful practical completion. The remaining funds will be returned at final completion.

Practical and final completion would be certified by the Superintendent.

Prestart Meetings and Compliance

A prestart meeting is to be organised upon the completion of the contract award. In addition to the project team, the Manager of Compliance and Regulatory Services and the Town's OSH Officer is to be invited. Pre-start meeting templates have been provided.

STAGE 2 – COMPLIANCE AND REGULATORY REQUIREMENTS

Depending on the nature of the contract, various approvals covering building permits, workzone permits, parking bay reservations and material on verge permits are required prior to the commencement of works. Works not within standard business hours of 7am and 7pm Monday to Saturday and all day Sunday requires the approval of Manager Compliance and Regulatory Services. The contractor is responsible for the cost of arranging these approvals.

STAGE 3 – SAFETY MANAGEMENT

Upon establishment of site, a site pre-start is to be carried out prior to the commencement of works to ensure all project specific safety requirements have been met. This includes site signage and administration procedures highlighted within the Contract Management Checklist. Midway ad hoc site safety inspections are to be carried out. Non-conformance reports are to be issued to the contractor for any breaches. Such matters must be resolved within 48 hours of the notification. The Town will attempt to work with the contractor to make such improvements before a Work Improvement Notice is issued. The contract will then be suspended at the cost of the contractor.

STAGE 4 – PROJECT CLOSE OUT

Practical Completion

The contractor is to provide a minimum of 72 hours notification for a practical completion inspection meeting. Invitees comprise of Town officers that will be responsible for maintaining the assets. A practical completion certificate highlighting the defects requiring rectification will be issued by the Superintendent. Updated post construction drawings would need to be provided by the contractor. Securities will be returned after all defects are completed and required document submitted.

Final Completion

CONTRACT MANAGEMENT PLAN

The outstanding security will be returned after the 12 month defects liability period. It would be the responsibility of the contractor to contact the Town to arrange this final inspection. A final completion certificate would need to be provided upon satisfactory inspection. This will be done by the Works Manager or a delegate.

Asset Management

The post construction information would need to be provided to the Engineering Technical Officer for a close out report to be developed would need to be developed and the Town's GIS to be updated with the new assets created. The Asset Management System would also need to be updated accordingly.

The attached contract checklist must be completed and signed off by the relevant officers before progressing.

CONTRACT VARIATIONS & PROVISIONAL SUMS

Additional out of scope works or changes to contract conditions are required at times to allow for the works to be completed. Provisional sums are included in contracts to provide the financial resources to implement the required mitigation against planned risk.

Contract Value Variation

Any changes resulting in a variation to the original contract value must be approved by either the Manager of Engineering Services or the Chief Executive Officer depending on the magnitude of the change. The contractor must provide a variation request. A request for variation memorandum must be prepared by the Superintendent to document these variations and approved accordingly. A new purchase order must be raised and signed at the same time. The contractor will not be remunerated for any such works should they fail to seek such approval of the Superintendent.

Provisional Sums

These form part of scheduled items and cannot be claimed without the prior approval of the Superintendent. The contractor must provide a variation request seeking the approval of the Superintendent when the need arises to activate the provisional sums within the contract.

A variation register documenting all out of scope works and provisional sum expenditure must be maintained and included as part of the request for approval.

All variations exceeding the Town's approved budget of 15% and \$25,000 must be approved by the Chief Executive Officer.

Contract Condition Variations

Advice must be obtained from legal services for all contract condition changes prior to agreeing to such modifications with the contractor. Such changes must be approved by the Chief Executive Officer, the delegate accepting the contract on behalf of the Town. This is to be trimmed under the tender folder.

Contract Extension and Evaluation

CONTRACT MANAGEMENT PLAN

All contract extensions must be approved by the Chief Executive Officer and can only be done as an interim arrangement whilst a tender is being sought for a longer term arrangement (3 years or more).

When making such temporary extensions, an evaluation must be carried out on the existing contract. Such an assessment also applies to contracts that awarded over 12 months.

All documents must be trimmed and reference accordingly in request for contract changes approval memos



CONTRACT MANAGEMENT CHECKLIST

CONTRACT SUMMARY	
RFQ / Contract Number/Tender Number	
Has this been placed on the Contracts or RFQ Register?	SAO Initials:
Contract Description	
Project Sub Folder	
Approval Date and Trim Number (Council Resolution / RFQ Approval Date)	
Successful Contractor / Consultant	
Contract Signed Date and Trim Number	
Purchase Order Number	
Letter of Award Date and Trim Number	
Unsuccessful Letters Sent	SAO Initials:
Prestart Meeting Date and Minutes Trim Number	
Securities (Retentions / Bank Guarantees)	(1) Bank Guarantees Received Yes No (2) Location: (3) Trim Number:
Post Contract Award Documentation Complete. The contract can proceed to Permit Applications. TO BE APPROVED BY SENIOR ADMINISTRATION OFFICER (ENGINEERING SERVICES)	
Name:	
Position Title and Signature:	
Date:	
COMPLIANCE & REGULATORY SERVICES (Where Required)	
Building Permit	Date of Issue: Trim Number:
Workzone Permit	Date of Issue: Trim Number:
Parking Bay Reservation Permit	Date of Issue: Trim Number:
Material on Verge Permit	Date of Issue: Trim Number:
After Hours Permit	Date of Issue: Trim Number:
Compliance and Regulatory Requirements have been met. The contract can proceed to construction. TO BE APPROVED BY COMPLIANCE & REGULATORY SERVICES	
Name:	
Position Title and Signature:	
Date:	



CONTRACT MANAGEMENT CHECKLIST

SITE COMPLIANCE & STATUTORY REQUIREMENTS	
Site Specific Safety Inductions and Prestart Date and Minutes Trim Number	
Safety Management Plan (Sign In Register, Safe Work Method Statements & Licences)	
Incident Management Plan & Reporting	
Environmental Management Plan	
Complaints Management Plan	
Site Safety Audit Date and Assessment Trim	
<p>The above site complies with safety requirements. TO BE ENDORSED BY THE TOWN'S OCCUPATIONAL HEALTH AND SAFETY DELEGATE</p> <p>Name:</p> <p>Position Title and Signature:</p> <p>Date:</p>	
CONTRACT CLOSE OUT	
Practical Completion Inspection Date	
Practical Completion Certificate Date and Trim Number	
As Constructed Information Receipt and Trim Number	
Defects Rectification Completed	
Securities Release Date	
Close Out Report Completion Date & Trim Number	
GIS Updated Date	
Asset Management System Updated Date	
<p>The Project Close Out is Complete. TO BE CERTIFIED BY FINANCE MANAGER & PROJECT MANAGER</p> <p>Name: _____ Name: _____</p> <p>Position Title & Signature: _____ Position Title & Signature: _____</p> <p>Date: _____ Date: _____</p>	
Final Completion Date	
Final Completion Certificate	
Final Securities Release Date	

CONTRACT PERFORMANCE EVALUATION



Contract Details

Contract No:

Contract Title			
Description			
Original Contract Price	\$		
Date of Contract	/ / 20	Original Date for Completion	/ / 20

Contractor Details

Contractor's Company / Organisation name			
Contractor's Representative	Name		
	Position		
	Tel	Mobile	
	Email		

Reporting Period

This report to be delivered in 1st week Feb, May, Aug, Nov & as required in guidelines below

Report Date (date at end of reporting period)	/ / 20	Percentage of total contract completed (at the Report Date)	%
Report Reason	<input type="checkbox"/> Yearly Review	<input type="checkbox"/> Unsatisfactory performance	
	<input type="checkbox"/> Completion	<input type="checkbox"/> Extension	

Cost

Final Contract Price	\$
----------------------	----

Time

Total extensions of time approved	days	Extended Contractual Completion Date	/ / 20
Predicted Date for Completion	/ / 20	Actual Date of Completion	/ / 20

Contractor Performance Report

Evaluation Criteria	N/A	Unsat	Marginal	Acceptable	Good	Superior
Time Management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Standard of Work	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Quality Mgmt Systems	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Contractor's Personnel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Subcontractor Mgmt	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Contract Administration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Co-operative Relations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Work Health and Safety	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Industrial Relations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Environmental Mgmt	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Training Management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Contractor's Design	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Aboriginal Participation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Overall Comments on Performance

In my opinion:

I have attached further information

Consultation with Contractor

I confirm that I have consulted with the Contractor in the preparation of this report and that a copy of this completed report was sent to the Contractor on / / 20.....

The Contractor has advised that this report is: Accepted Not Accepted

Where the Contractor has not responded within 10 days, the report is to be deemed as accepted

When the Contractor and Reporting Officer are unable to resolve a disagreement as to the content of this report, the report is to be forwarded to the Contract Executive (for resolution). Please refer to details in the guidelines below.

Reporting Officer

I have completed the contract evaluation and deem the contract to be:

Satisfactory / Unsatisfactory

It is recommended that this contract be

extended / not further extended

If extended, the period shall be _____ months

Name _____	Signature _____	/ /20....
Title _____	_____	_____

Recommending Officer (Executive Manager)

The reporting Officer's recommendation is:

Supported / Not Supported

Name _____	Signature _____	/ /20....
Title _____	_____	_____

Approving Officer (Chief Executive Officer)

The contract extension is:

Approved / Not Approved

Name _____	Signature _____	/ /20....
Title _____	_____	_____

CONTRACT PERFORMANCE EVALUATION



Town of Cottesloe

Unsatisfactory	Marginal	Acceptable	Good	Superior
ANY ONE of the following occurred:	ANY ONE of the following applied	ALL of the following applied	In addition to the requirements for an 'Acceptable' grading ALL of the following applied:	In addition to the requirements for a 'Good' grading ALL of the following applied:
Time Management				
<ul style="list-style-type: none"> <input type="checkbox"/> The required program has not been submitted <input type="checkbox"/> The program was not updated within 10 business days after a request from the Principal <input type="checkbox"/> Work is not meeting scheduled progress AND it is unlikely that completion will be achieved by the approved completion date(s) <input type="checkbox"/> There was little or no activity on site in the last two weeks & the Contractor has not provided a reasonable explanation <input type="checkbox"/> The Contractor made no attempt to manage delays to mitigate their effects 	<ul style="list-style-type: none"> <input type="checkbox"/> The Contractor failed to meet one of the criteria required for an 'Acceptable' grading, but the failure did not attract an 'Unsatisfactory' grading 	<ul style="list-style-type: none"> <input type="checkbox"/> The program (including any updates submitted during the period) met contract requirements <input type="checkbox"/> The Contractor reviewed progress regularly, rescheduled work activities to meet the program and updated the program <input type="checkbox"/> Updated programs were submitted within the time specified or requested <input type="checkbox"/> Any updated programs accurately reflected actual progress <input type="checkbox"/> Work was managed in accordance with the program 	<ul style="list-style-type: none"> <input type="checkbox"/> The program (including any updates submitted during the period) met all contract requirements, including showing when action is required by the Principal <input type="checkbox"/> The Contractor submitted program updates when any milestone completion date changed, without waiting for a request from the Principal <input type="checkbox"/> Updated programs provided early warning of potential delays (if applicable) <input type="checkbox"/> The program(s) consistently demonstrated that approved completion date(s) would be met <input type="checkbox"/> The Contractor allocated resources based on project needs <input type="checkbox"/> The Contractor mitigated the effects of delays by 	<ul style="list-style-type: none"> <input type="checkbox"/> The Contractor strictly adhered to the program, updating & resubmitting it whenever the sequencing of tasks changed <input type="checkbox"/> The Contractor made outstanding efforts to maintain progress & avoid delays <input type="checkbox"/> The Contractor mitigated the effects of anticipated delays by rescheduling & reallocating resources

Unsatisfactory	Marginal	Acceptable	Good	Superior
ANY ONE of the following occurred:	ANY ONE of the following applied	ALL of the following applied	In addition to the requirements for an 'Acceptable' grading ALL of the following applied:	In addition to the requirements for a 'Good' grading ALL of the following applied:
			rescheduling & reallocating resources	

Unsatisfactory	Marginal	Acceptable	Good	Superior
ANY ONE of the following occurred:	ANY ONE of the following applied	ALL of the following applied	In addition to the requirements for an 'Acceptable' grading ALL of the following applied:	In addition to the requirements for a 'Good' grading ALL of the following applied:
Standard of Work				
<ul style="list-style-type: none"> <input type="checkbox"/> There was no evidence that the Contractor has a system for identifying & rectifying defects; the Contractor relied on the Principal to identify defects <input type="checkbox"/> At every site inspection the Principal identified defects that were not being addressed <input type="checkbox"/> The number of defects continued to increase as work progressed, with many outstanding for more than a month <input type="checkbox"/> The Contractor refused to acknowledge & rectify defects identified by the Principal 	<ul style="list-style-type: none"> <input type="checkbox"/> The Contractor failed to meet one of the criteria required for an 'Acceptable' grading, but the failure did not attract an 'Unsatisfactory' grading 	<ul style="list-style-type: none"> <input type="checkbox"/> The Contractor adhered to contract specifications <input type="checkbox"/> The Contractor consistently identified & rectified defects progressively as work proceeded <input type="checkbox"/> Whenever inspected, the work had only a few minor defects & rectifying them did not affect the progress of the work <input type="checkbox"/> The Contractor rectified defects identified by the Principal within the agreed timetable for rectification (unless prevented by circumstances beyond the Contractor's control) 	<ul style="list-style-type: none"> <input type="checkbox"/> The Contractor achieved better than specified tolerances & consistent high standards of workmanship <input type="checkbox"/> The Contractor provided detailed records of defect identification & rectification <input type="checkbox"/> The Contractor rectified defects identified by the Principal within 10 working days (unless prevented by circumstances beyond the Contractor's control) 	<ul style="list-style-type: none"> <input type="checkbox"/> The Contractor demonstrated that it considered defects to be unacceptable <input type="checkbox"/> During inspections, the Principal did not identify any defects that were not already being actioned <input type="checkbox"/> Defect-free Completion was achieved (or appears likely to be achieved) by the approved completion date(s)

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ANY ONE of the following occurred:	ANY ONE of the following applied	ALL of the following applied	In addition to the requirements for an 'Acceptable' grading ALL of the following applied:	In addition to the requirements for a 'Good' grading ALL of the following applied:
Quality Management System				
<ul style="list-style-type: none"> <input type="checkbox"/> The Contractor submitted a QMP that failed to meet many of the requirements in Appendix D of the Guidelines & required major amendments & additions <input type="checkbox"/> Work commenced on an activity before the required ITP was submitted <input type="checkbox"/> The work was not ready for inspection at the notified time & as a result, the Principal had to re-visit the site <input type="checkbox"/> Overall audit assessment was Unsatisfactory, OR <input type="checkbox"/> Overall audit assessment was Marginal & the Contractor did not address all non-conformances <input type="checkbox"/> The Contractor did not carry out its own inspections & audits but relied on the Principal to identify non-conformances <input type="checkbox"/> The same non-conformance occurred two or more times 	<ul style="list-style-type: none"> <input type="checkbox"/> The Contractor failed to meet one of the criteria required for an 'Acceptable' grading, but the failure did not attract an 'Unsatisfactory' grading 	<ul style="list-style-type: none"> <input type="checkbox"/> The QMP complied with Appendix D of the Guidelines. <input type="checkbox"/> The Contractor implemented the QMP <input type="checkbox"/> All ITPs were submitted on time <input type="checkbox"/> ITPs & checklists were used while activities were being carried out <input type="checkbox"/> Work was ready for inspection at notified times for witness points and hold points <input type="checkbox"/> If a 2nd or 3rd party quality audit was carried out, the overall audit assessment was Acceptable & the Contractor addressed all non-conformances <input type="checkbox"/> The Contractor carried out its own site quality audits & regular inspections and provided evidence, within 14 days after the date of the audit, of both the immediate response and any system improvements proposed to close out all audit non-conformances <input type="checkbox"/> The Contractor's quality system identified & dealt with most non-conformances without the Principal's input 	<ul style="list-style-type: none"> <input type="checkbox"/> The Contractor provided an internal audit schedule early in the contract period, updated it as necessary & adhered to the dates stated <input type="checkbox"/> If a 2nd or 3rd party quality audit was carried out, the overall audit assessment was Good and the Contractor addressed all non-conformances within 14 days 	<ul style="list-style-type: none"> <input type="checkbox"/> If a 2nd or 3rd party quality audit was carried out, the overall audit assessment was Superior & no non-conformances were identified <input type="checkbox"/> The Contractor demonstrated a quality-oriented culture through routine involvement by senior managers in quality management on site, independent of any request from the Principal

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ANY ONE of the following occurred:	ANY ONE of the following applied	ALL of the following applied	In addition to the requirements for an 'Acceptable' grading ALL of the following applied:	In addition to the requirements for a 'Good' grading ALL of the following applied:
Contractor's Personnel				
<ul style="list-style-type: none"> <input type="checkbox"/> Key personnel were not appropriately skilled <input type="checkbox"/> There was no supervisor on site and the Principal had to deal directly with workers on more than two (2) occasions <input type="checkbox"/> There were insufficient resources to manage the work <input type="checkbox"/> On more than one occasion, the Principal found it difficult to contact appropriate personnel to discuss matters of concern <input type="checkbox"/> Personnel were unfamiliar with the contract & rarely referred to it <input type="checkbox"/> The Contractor submitted RFIs when the information was in the contract; more than 3 times, the Principal's responses simply identified relevant contract requirements <input type="checkbox"/> Site rules and procedures have not been established <input type="checkbox"/> Workers provided statutory evidence of not being paid 	<ul style="list-style-type: none"> <input type="checkbox"/> The Contractor failed to meet one of the criteria required for an 'Acceptable' grading, but the failure did not attract an 'Unsatisfactory' grading 	<ul style="list-style-type: none"> <input type="checkbox"/> All personnel had appropriate skills for their tasks <input type="checkbox"/> The Contractor's personnel ensured that workers followed contract requirements, with minimal intervention required from the Principal <input type="checkbox"/> The level of resources was adequate for the work activities <input type="checkbox"/> The Contractor established & maintained effective lines of communication with the Principal, minimising delays & re-work <input type="checkbox"/> Key management personnel showed a good knowledge of contract requirements & followed specified procedures on most occasions <input type="checkbox"/> Site rules and procedures were established, together with measures to ensure they were followed <input type="checkbox"/> The Contractor did not rely on the Principal's expertise to inspect & verify specialist work <input type="checkbox"/> There was an appropriately skilled supervisor on site at all times 	<ul style="list-style-type: none"> <input type="checkbox"/> All the Contractor's personnel demonstrated knowledge and understanding of the parts of the contract relevant to their areas of responsibility requiring no intervention from the Principal <input type="checkbox"/> Site rules and procedures were in place & were followed without exception <input type="checkbox"/> The Contractor arranged for appropriate experts to inspect & verify specialist work, where the Contractor did not have the necessary expertise 	<ul style="list-style-type: none"> <input type="checkbox"/> All the Contractor's personnel demonstrated superior skills, more than adequate experience and a high level of professional courtesy when dealing with the Principal and the Client <input type="checkbox"/> The contract & the site were exceptionally well managed & the work proceeded efficiently, without any intervention from the Principal

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ANY ONE of the following occurred:	ANY ONE of the following applied	ALL of the following applied	In addition to the requirements for an 'Acceptable' grading ALL of the following applied:	In addition to the requirements for a 'Good' grading ALL of the following applied:
Subcontractor Management				
<ul style="list-style-type: none"> <input type="checkbox"/> Subcontractors & consultants were not competent to undertake the work, causing re-work & delays <input type="checkbox"/> There was no supervisor on site and the Principal had to deal directly with Subcontractors on more than two (2) occasions <input type="checkbox"/> The Contractor entered into subcontracts that did not include the specified provisions (eg for payment, dispute resolution, insurance) <input type="checkbox"/> The Contractor relied on the Principal to review documents prepared by Subcontractors <input type="checkbox"/> Poor Subcontractor coordination/ supervision caused delays or significant re-work or poor quality completed work <input type="checkbox"/> The quality systems of Subcontractors & the Contractor were inconsistent, causing poor work quality <input type="checkbox"/> Subcontractor(s) were unaware of the WHS, environmental, IR, Aboriginal participation & training objectives in the contract <input type="checkbox"/> A Subcontractor provided statutory evidence of not being paid entitlements 	<ul style="list-style-type: none"> <input type="checkbox"/> The Contractor failed to meet one of the criteria required for an 'Acceptable' grading, but the failure did not attract an 'Unsatisfactory' grading 	<ul style="list-style-type: none"> <input type="checkbox"/> All Subcontractors & consultants were suitably competent & experienced <input type="checkbox"/> All subcontracts reviewed by the Principal included the required provisions <input type="checkbox"/> Design & fabrication activities were well managed, with minimal- non-conformances required to be resolved by the Principal except for faults in the Principal's documents <input type="checkbox"/> The quality systems of the Subcontractors & the Contractor were integrated to achieve satisfactory work quality <input type="checkbox"/> Subcontractor coordination issues caused only minor re-work, with no impact on contract time or the quality of the completed work <input type="checkbox"/> The Contractor reviewed all claims from Subcontractors & established that there was an entitlement & that the amounts claimed were reasonable before passing them on to the Principal <input type="checkbox"/> The Contractor ensured that Subcontractors complied with the WHS, environmental, IR, Aboriginal participation & training objectives 	<ul style="list-style-type: none"> <input type="checkbox"/> All activities carried out by Subcontractors were well managed, with no coordination problems apparent to the Principal <input type="checkbox"/> The quality, safety and environmental management systems of the Contractor & all Subcontractors were seamlessly integrated <input type="checkbox"/> The Contractor ensured all Subcontractor claims were reviewed by people with relevant expertise; those passed on to the Principal were presented clearly & included all information required for assessment <input type="checkbox"/> Subcontractors demonstrated commitment to the quality, WHS, environmental, IR, Aboriginal participation & training objectives in the contract 	<ul style="list-style-type: none"> <input type="checkbox"/> All subcontracts reviewed included 'back to back' provisions with those in the contract <input type="checkbox"/> Subcontractor relationships were exceptionally harmonious & the Principal observed an open collaborative relationship and communication between Subcontractors, consultants & the Contractor

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ANY ONE of the following occurred:	ANY ONE of the following applied	ALL of the following applied	In addition to the requirements for an 'Acceptable' grading ALL of the following applied:	In addition to the requirements for a 'Good' grading ALL of the following applied:
Contract Administration				
<ul style="list-style-type: none"> <input type="checkbox"/> The Contractor did not notify a change to its authorised person for more than 2 days after the change occurred <input type="checkbox"/> Key contact personnel were changed without notifying the Principal <input type="checkbox"/> More than 2 RFIs notifying ambiguities were submitted too late to avoid delays <input type="checkbox"/> More than 2 claims for price or time adjustments were submitted more than a month after the related work was completed <input type="checkbox"/> More than 2 claims for adjustment did not include the required information, eg: <ul style="list-style-type: none"> <input type="checkbox"/> correct identification of the entitlement <input type="checkbox"/> updated program <input type="checkbox"/> evidence of costs <input type="checkbox"/> More than one payment claim did not include all the required information, including records of compliance <input type="checkbox"/> More than one progress report was received late or did not provide the required information 	<ul style="list-style-type: none"> <input type="checkbox"/> The Contractor failed to meet one of the criteria required for an 'Acceptable' grading, but the failure did not attract an 'Unsatisfactory' grading 	<ul style="list-style-type: none"> <input type="checkbox"/> The Contractor advised changes in contract personnel before they occurred (on the day they occurred if unforeseeable) <input type="checkbox"/> The Contractor provided proposals for variations by the specified time <input type="checkbox"/> 80% of RFIs notifying ambiguities were submitted within the specified time <input type="checkbox"/> The Contractor gave all notices (eg for adverse Site Conditions) within the specified times <input type="checkbox"/> All claims for adjustments were submitted by the specified times, identified the entitlement (by reference to applicable contract provisions) & included relevant information <input type="checkbox"/> Payment claims were made in accordance with the contract, supported by the required information <input type="checkbox"/> The Contractor provided the required compliance documents on time, with only minor omissions that were readily corrected <input type="checkbox"/> Progress reports included adequate information & were received on time 	<ul style="list-style-type: none"> <input type="checkbox"/> The Contractor consistently provided proposals for variations before the specified time <input type="checkbox"/> All RFIs notifying ambiguities were submitted within the specified time <input type="checkbox"/> Claims for adjustments were submitted within the specified time, correctly identified the source of the entitlement & included all the information required for assessment <input type="checkbox"/> Payment claims did not include claims for adjustments that had not been agreed 	<ul style="list-style-type: none"> <input type="checkbox"/> The Contractor did not submit any documentation later than the specified time <input type="checkbox"/> The Principal has not requested the Contractor to provide any additional information for any claim, including payment claims <input type="checkbox"/> All compliance documents were accurate & correct & none required amendment or resubmission

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ANY ONE of the following occurred:	ANY ONE of the following applied	ALL of the following applied	In addition to the requirements for an 'Acceptable' grading ALL of the following applied:	In addition to the requirements for a 'Good' grading ALL of the following applied:
Co-operative Relationships				
<ul style="list-style-type: none"> <input type="checkbox"/> The Contractor demonstrated an adversarial approach & was unwilling to cooperate or communicate openly <input type="checkbox"/> The Contractor communicated only at specified meetings & through formal RFIs & claims <input type="checkbox"/> The Contractor cancelled or deferred more than 2 scheduled meetings without a reasonable explanation OR refused to attend for sufficient time to discuss critical matters <input type="checkbox"/> The Contractor refused to comply with a direction of the Principal, including: <ul style="list-style-type: none"> <input type="checkbox"/> refusing to remove a person from the site when instructed, due to their inappropriate behaviour <input type="checkbox"/> The Contractor's senior executive refused to meet to discuss formal issues OR was unavailable to meet within the specified time without good reason <input type="checkbox"/> More than one payment claim was more than 20% above the value of work assessed by the Principal <input type="checkbox"/> 50% or more of the Contractor's claims for adjustment were more than 25% above an independent estimate <input type="checkbox"/> For more than one claim for 	<ul style="list-style-type: none"> <input type="checkbox"/> The Contractor failed to meet one of the criteria required for an 'Acceptable' grading, but the failure did not attract an 'Unsatisfactory' grading 	<ul style="list-style-type: none"> <input type="checkbox"/> The Contractor cooperated in all matters relating to the contract, eg accommodating the needs of the Principal, including those occupying the site <input type="checkbox"/> The Contractor acted within 1 day after any request to remove from the site a person who behaved inappropriately <input type="checkbox"/> Communication between Contractor & Principal was open & effective <input type="checkbox"/> The Contractor gave early warning of events significantly affecting the contract & worked with the Principal to achieve resolution <input type="checkbox"/> All payment claims were discussed with the Principal and a reasonable value agreed for the completed work <input type="checkbox"/> 80% of claims for adjustment were approved within 10% of the initial claim <input type="checkbox"/> The Contractor demonstrated commitment to informal dispute resolution processes, including a willingness of the senior executive to meet promptly to resolve issues 	<ul style="list-style-type: none"> <input type="checkbox"/> The Contractor notified the Principal as soon as practicable, of all events that could affect the contract or the work & worked with the Principal to resolve the matter with minimal effects on contract time & price <input type="checkbox"/> All payment claims were reasonable & were paid in full <input type="checkbox"/> All claims for price & time adjustments were reasonable; 90% were paid in full, as initially claimed, AND agreement was reached on the quantum of the remainder by negotiation within 3 months after receipt <input type="checkbox"/> The Contractor's senior executive took a pro-active approach to preventing formal issues from arising, including attending meetings as necessary & maintaining a good relationship with the Principal's senior executive <input type="checkbox"/> The Contractor showed commitment to informal dispute resolution processes; all issues & disputes were resolved within 3 months 	<ul style="list-style-type: none"> <input type="checkbox"/> The Contractor's cooperation with the Principal & the Client has been outstanding & the Client has not notified the Principal of a single complaint <input type="checkbox"/> The Contractor managed the work, including all changes & delays, to minimise additional costs to the Client <input type="checkbox"/> The Contractor's senior executive showed exemplary leadership by: <ul style="list-style-type: none"> <input type="checkbox"/> attending start up workshop and close out workshop (if applicable) <input type="checkbox"/> attending sufficient monitoring & contract administration meetings to maintain a good working relationship, <input type="checkbox"/> regularly visiting the site <input type="checkbox"/> maintaining frequent contact with the Principal's senior executive, & <input type="checkbox"/> initiating discussions to resolve emerging

Unsatisfactory	Marginal	Acceptable	Good	Superior
ANY ONE of the following occurred:	ANY ONE of the following applied	ALL of the following applied	In addition to the requirements for an 'Acceptable' grading ALL of the following applied:	In addition to the requirements for a 'Good' grading ALL of the following applied:
adjustment, the Contractor refused to provide additional justification OR refused to participate in negotiations <input type="checkbox"/> The Contractor initiated court action before specified issue resolution processes were implemented				issues

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ANY ONE of the following occurred:	ANY ONE of the following applied	ALL of the following applied	In addition to the requirements for an 'Acceptable' grading ALL of the following applied:	In addition to the requirements for a 'Good' grading ALL of the following applied:
Work Health and Safety (WHS)				
<ul style="list-style-type: none"> <input type="checkbox"/> Site work started before the WHS Management Plan was submitted <input type="checkbox"/> The Contractor submitted a WHS Management Plan with major omissions &/ or without site-specific risks or late <input type="checkbox"/> The Contractor failed to comply with WHS regulations <input type="checkbox"/> 2nd party site reviews identified a breach that put workers at serious risk <input type="checkbox"/> 2nd or 3rd party audit reports &/ or reviews showed major non-conformance(s) <input type="checkbox"/> The Contractor did not carry out its own audits & site safety reviews but relied on the Principal to identify non-conformances <input type="checkbox"/> A notifiable WHS incident occurred <input type="checkbox"/> A Prohibition Notice was imposed by regulatory authorities <input type="checkbox"/> WHS monthly reports were not provided 	<ul style="list-style-type: none"> <input type="checkbox"/> The Contractor submitted a WHS Management Plan with a few omissions that were readily rectified without causing delays <input type="checkbox"/> 2nd party site reviews showed minor breaches <input type="checkbox"/> 2nd or 3rd party audit reports showed minor non-conformances <input type="checkbox"/> WHS monthly reports were submitted late &/ or included incomplete information <input type="checkbox"/> An WHS incident was not reported to the Principal within 24 hrs after it occurred <input type="checkbox"/> An Improvement Notice was issued by a regulatory authority 	<ul style="list-style-type: none"> <input type="checkbox"/> The WHS Management Plan met all contract requirements <input type="checkbox"/> WHS management complied with the contract, including the relevant NSW Government Management Systems guidelines & legislative requirements <input type="checkbox"/> The site was kept clean & tidy & free of uncontrolled safety hazards <input type="checkbox"/> No non-conformances were identified during 2nd party site reviews <input type="checkbox"/> If a 2nd or 3rd party WHS audit was carried out the audit report showed satisfactory performance <input type="checkbox"/> There was no notifiable incident <input type="checkbox"/> WHS monthly reports were submitted on time & met contract requirements 	<ul style="list-style-type: none"> <input type="checkbox"/> There has been no lost time injury <input type="checkbox"/> The Contractor demonstrated commitment to the highest WHS standards & the safety of everyone on the site <input type="checkbox"/> The Contractor implemented a regular internal review process <input type="checkbox"/> The Contractor's project manager regularly conducts safety walks and was involved in safety events such as tool box talks, safety meetings 	<p>The Contractor has demonstrated safety leadership through:</p> <ul style="list-style-type: none"> <input type="checkbox"/> adopting a partnering approach with clients, Subcontractors & WorkCover <input type="checkbox"/> the Contractor's executive involvement in safety management on site <input type="checkbox"/> 2nd or 3rd party audits were conducted and there were no non-conformances identified <input type="checkbox"/> comprehensive WHS management reporting demonstrating a safety culture (nil harm)

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ANY ONE of the following occurred:	ANY ONE of the following applied	ALL of the following applied	In addition to the requirements for an 'Acceptable' grading ALL of the following applied:	In addition to the requirements for a 'Good' grading ALL of the following applied:
Industrial Relations				
<ul style="list-style-type: none"> <input type="checkbox"/> The Contractor has not submitted the required IR information / IR Plan <input type="checkbox"/> The Contractor submitted IR information / an IR Plan with major omissions OR that did not comply when resubmitted after the Principal's review <input type="checkbox"/> The Contractor did not comply with the IR Plan (if applicable) <input type="checkbox"/> The Contractor breached the Code of Practice for Procurement or the National Code of Practice (where applicable) <input type="checkbox"/> Non-compliance with employment law obligations was identified (including a non-compliance by a Subcontractor) <input type="checkbox"/> An IR incident, which could have been avoided if the Contractor had taken reasonable, timely action, caused delays 	<ul style="list-style-type: none"> <input type="checkbox"/> The Contractor failed to meet one of the criteria required for an 'Acceptable' grading <input type="checkbox"/> A minor IR incident occurred, which could have been avoided if the Contractor had taken reasonable, timely action 	<ul style="list-style-type: none"> <input type="checkbox"/> The required IR information / IR Plan was submitted on time <input type="checkbox"/> The IR information / IR Plan complied with the contract, including the IR Management Guidelines <input type="checkbox"/> The Contractor complied with the IR Plan (if required by the contract) & legal IR obligations <input type="checkbox"/> The Contractor maintained a cooperative workplace environment <input type="checkbox"/> The Contractor identified & resolved any IR issues within the Contractor's control 	<ul style="list-style-type: none"> <input type="checkbox"/> The Contractor promptly identified & resolved any IR issues, minimising delays to the work <input type="checkbox"/> The Contractor demonstrated an understanding & took practical steps towards building a productive workplace culture with cooperative relations, effective communication & consultation <input type="checkbox"/> No non-conformances were identified during 2nd and 3rd party audits (if applicable) 	<ul style="list-style-type: none"> <input type="checkbox"/> There have been no industrial relations issues <input type="checkbox"/> The Contractor has demonstrated leadership in industrial relations management through: <ul style="list-style-type: none"> <input type="checkbox"/> Senior management involvement on site for IR matters <input type="checkbox"/> a productive workplace culture with cooperative relations, effective communication and consultation <input type="checkbox"/> implementing a documented IR Management System demonstrating innovative functions & capability <input type="checkbox"/> maintaining a strong internal review process

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ANY ONE of the following occurred:	ANY ONE of the following applied	ALL of the following applied	In addition to the requirements for an 'Acceptable' grading ALL of the following applied:	In addition to the requirements for a 'Good' grading ALL of the following applied:
Environmental Management				
<ul style="list-style-type: none"> <input type="checkbox"/> The EMP was submitted late <input type="checkbox"/> The Contractor submitted an EMP with major omissions &/ or without site-specific risks <input type="checkbox"/> The Contractor failed to comply with environmental regulations <input type="checkbox"/> The Contractor did not carry out its own inspections & audits but relied on the Principal to identify non-conformances <input type="checkbox"/> Site reviews identified non-conformances with potential for regulatory intervention or Penalty Infringement Notices <input type="checkbox"/> 2nd or 3rd party audit reports &/or reviews showed major non-conformance(s) <input type="checkbox"/> A serious pollution incident occurred <input type="checkbox"/> A Penalty Infringement Notice was imposed by regulatory authorities <input type="checkbox"/> Monthly reports were not provided (if required) 	<ul style="list-style-type: none"> <input type="checkbox"/> The Contractor submitted an EMP with a few omissions that were readily rectified without causing delays <input type="checkbox"/> 2nd party site reviews showed minor infringements & /or room for improvements <input type="checkbox"/> 2nd or 3rd party audit reports showed minor non conformances <input type="checkbox"/> Monthly reports were submitted late &/or included incomplete information 	<ul style="list-style-type: none"> <input type="checkbox"/> The EMP met the requirements of the contract <input type="checkbox"/> The Contractor complied fully with the EMP & legislative requirements <input type="checkbox"/> The site was kept clean & tidy, with appropriate environmental controls, regularly maintained <input type="checkbox"/> No non-conformances were identified during 2nd party site reviews <input type="checkbox"/> If a 2nd or 3rd party Environmental audit was carried out the audit report showed satisfactory performance <input type="checkbox"/> There was no notifiable environmental incident <input type="checkbox"/> Monthly reports (if required) were provided on time & met contract requirements 	<ul style="list-style-type: none"> <input type="checkbox"/> There have been no environmental incidents <input type="checkbox"/> The Contractor demonstrated an understanding & took practical steps towards sustainability <input type="checkbox"/> The Contractor implemented a regular internal review process <input type="checkbox"/> The Contractor's project manager regularly conducts environmental inspections and was involved in increasing environmental awareness through tool box talks and meetings 	<ul style="list-style-type: none"> <input type="checkbox"/> The Contractor has demonstrated leadership in environmental management through: <ul style="list-style-type: none"> <input type="checkbox"/> a clear commitment to reaching new goals for environmental practices <input type="checkbox"/> achieving new levels of sustainability <input type="checkbox"/> senior management involvement in environmental matters on site <input type="checkbox"/> implementing innovative environmental controls <input type="checkbox"/> comprehensive environmental management reporting demonstrating an environmentally aware culture <input type="checkbox"/> 2nd or 3rd party audits were conducted and did not identify any non-conformances

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ANY ONE of the following occurred:	ANY ONE of the following applied	ALL of the following applied	In addition to the requirements for an 'Acceptable' grading ALL of the following applied:	In addition to the requirements for a 'Good' grading ALL of the following applied:
Training Management (if required by the contract)				
<ul style="list-style-type: none"> <input type="checkbox"/> The TMP was submitted late <input type="checkbox"/> The Contractor submitted a TMP that did not comply with the Guidelines <input type="checkbox"/> The TMP was not implemented <input type="checkbox"/> By a quarter of the way through the contract: <ul style="list-style-type: none"> <input type="checkbox"/> the training target was not achieved OR <input type="checkbox"/> the apprentice target was not achieved <input type="checkbox"/> For more than 25% of the part of the reporting period that fell between 25% & 90% completion, the Contractor did not achieve: <ul style="list-style-type: none"> <input type="checkbox"/> the training target OR <input type="checkbox"/> the apprentice target <input type="checkbox"/> The Contractor did not propose corrective action to remedy its failure to achieve the targets <input type="checkbox"/> The Contractor did not implement measures to monitor Subcontractor compliance with training & apprentice targets 	<ul style="list-style-type: none"> <input type="checkbox"/> The Contractor submitted a TMP with a few omissions that were rectified without delaying the work <input type="checkbox"/> The TMP was not implemented in a consistent or sustained manner <input type="checkbox"/> For up to 25% of the part of the reporting period that fell between 25% & 90% completion, the Contractor did not achieve: <ul style="list-style-type: none"> <input type="checkbox"/> the training target OR <input type="checkbox"/> the apprentice target was not achieved <input type="checkbox"/> The Contractor did not submit specified reports on training <input type="checkbox"/> The Contractor did not take corrective action to remedy its failure to achieve the training or apprentice targets <input type="checkbox"/> The Contractor did not consistently monitor & assess Subcontractor compliance with training & apprenticeship targets 	<ul style="list-style-type: none"> <input type="checkbox"/> The TMP complied with the Guidelines & specific contract requirements <input type="checkbox"/> The Contractor implemented the TMP in a consistent & sustained manner <input type="checkbox"/> For the part of the reporting period that fell between 25% & 90% completion: <ul style="list-style-type: none"> <input type="checkbox"/> no less than 20% of the total project workforce participated in structured training <input type="checkbox"/> apprentices undertook 20% of the trade work involved <input type="checkbox"/> The Contractor submitted the specified reports on training targets & outcomes <input type="checkbox"/> The Contractor implemented consistent & effective measures to monitor & assess Subcontractor compliance with training & apprentice targets 	<ul style="list-style-type: none"> <input type="checkbox"/> The Contractor has established a cooperative relationship with training providers, Subcontractors & employer organisations <input type="checkbox"/> The Contractor's senior management actively supported, training programs <input type="checkbox"/> For the part of the reporting period that fell between 25% & 90% completion: <ul style="list-style-type: none"> <input type="checkbox"/> More than 20% of the total project workforce participated in structured training <input type="checkbox"/> Apprentices undertook more than 20% of the trade work involved <input type="checkbox"/> The Contractor reported regularly on training outcomes & proposed improvements <input type="checkbox"/> The Contractor worked with Subcontractors to ensure they prepared & implemented their own effective TMPs 	<ul style="list-style-type: none"> <input type="checkbox"/> The Contractor's achievements in implementing training management initiatives are recognised by the community <input type="checkbox"/> For the part of the reporting period that fell between 25% & 90% completion: <ul style="list-style-type: none"> <input type="checkbox"/> More than 25% of the total project workforce participated in structured training <input type="checkbox"/> Apprentices undertook more than 25% of the trade work involved <input type="checkbox"/> The Subcontractors delivered training & apprenticeship employment exceeding their TMP targets

Unsatisfactory	Marginal	Acceptable	Good	Superior
ANY ONE of the following occurred:	ANY ONE of the following applied	ALL of the following applied	In addition to the requirements for an 'Acceptable' grading ALL of the following applied:	In addition to the requirements for a 'Good' grading ALL of the following applied:
Contractor's Design (if required by the contract)				
<ul style="list-style-type: none"> <input type="checkbox"/> The Contractor's design was submitted late & delayed the work <input type="checkbox"/> The Contractor submitted a design that had major non-compliances with the contract requirements, requiring significant input from the Principal <input type="checkbox"/> Revision of the submitted design after review by the Principal delayed the work <input type="checkbox"/> User groups were dissatisfied with the Contractor's consultation process, which did not identify their needs The Contractor's design did not take into account the identified needs of user groups <input type="checkbox"/> Constructability issues in the Contractor's design required redesign and caused delay during construction <input type="checkbox"/> The Contractor did not eliminate or minimise risk in the design, so far as practicable, for those who construct, use, maintain or demolish the structure 	<ul style="list-style-type: none"> <input type="checkbox"/> The Contractor failed to meet one of the criteria required for an 'Acceptable' grading, but the failure did not attract an 'Unsatisfactory' grading 	<ul style="list-style-type: none"> <input type="checkbox"/> The Contractor's design was submitted within the specified time <input type="checkbox"/> The Contractor's design was submitted in packages that facilitated review & minimised the risk of delay <input type="checkbox"/> The Contractor's design generally complied with the contract; only minor amendments were required following review by the Principal & these did not delay the work <input type="checkbox"/> No part of the Contractor's design needed to be revised after the Contractor responded to the Principal's initial review <input type="checkbox"/> The Contractor consulted sufficiently with user groups (where required) to ascertain their needs and minimise safety risks, so these groups requested only minor enhancements to the design initially submitted to the Principal <input type="checkbox"/> The Contractor provided evidence of the application of the principles of safe design and eliminated or minimised, so far as is reasonably practicable, the risk arising from the design 	<ul style="list-style-type: none"> <input type="checkbox"/> The Contractor's design was submitted in sufficient time to allow for review, comment & revision before it was required for construction <input type="checkbox"/> The Contractor engaged in an effective consultation & review process with user groups (where required), ensuring that they were satisfied that the Contractor's design met the Principal's design brief and safety risks were eliminated or minimised <input type="checkbox"/> The Contractor provided comprehensive documentation to communicate information on hazards and controls to everyone involved in the life cycle of the asset <input type="checkbox"/> Innovative design technology e.g BIM was used to ensure: <ul style="list-style-type: none"> <input type="checkbox"/> Constructability <input type="checkbox"/> Compliance with the Principal's design, and <input type="checkbox"/> Value for money <input type="checkbox"/> Safe design 	<ul style="list-style-type: none"> <input type="checkbox"/> The Principal's review of the design initially submitted by the Contractor identified no amendments necessary for compliance with the contract <input type="checkbox"/> The Contractor's design improved on the Principal's design, with the agreement of the Principal, for the Client's benefit (eg providing capital cost savings, operational efficiency or improved safety) <input type="checkbox"/> The Contractor showed initiative in identifying key user groups & developing an effective consultation process <input type="checkbox"/> User groups were very complimentary about the Contractor's consultation process

Unsatisfactory	Marginal	Acceptable	Good	Superior
ANY ONE of the following occurred:	ANY ONE of the following applied	ALL of the following applied	In addition to the requirements for an 'Acceptable' grading ALL of the following applied:	In addition to the requirements for a 'Good' grading ALL of the following applied:
Aboriginal Participation (if required by the contract)				
<ul style="list-style-type: none"> <input type="checkbox"/> The Contractor made no effort to implement Aboriginal participation <input type="checkbox"/> The local Aboriginal community complained about the Contractor's attitude <input type="checkbox"/> The Contractor submitted an Aboriginal Participation Plan that did not propose reasonable strategies or targets <input type="checkbox"/> The Contractor did not develop appropriate KPIs to measure Aboriginal participation <input type="checkbox"/> The Contractor achieved less than 50% of the proposed/ required targets for Aboriginal participation OR provided less than 50% of the proposed/ required training <input type="checkbox"/> The Contractor did not propose any corrective action, despite repeated requests to do so <input type="checkbox"/> The Contractor did not report on Aboriginal participation 	<ul style="list-style-type: none"> <input type="checkbox"/> The Contractor did not engage with the local Aboriginal community in seeking to develop strategies & meet Aboriginal participation targets <input type="checkbox"/> The Contractor submitted an Aboriginal Participation Plan that did not <ul style="list-style-type: none"> <input type="checkbox"/> meet the specific contract requirements OR <input type="checkbox"/> propose strategies likely to be effective OR <input type="checkbox"/> establish targets likely to be achieved <input type="checkbox"/> The Contractor established reasonable KPIs, but did not achieve more than 80% of the target participation levels or provide more than 80% of the proposed training <input type="checkbox"/> The Contractor did not implement corrective action to remedy its failure to achieve the targets for Aboriginal participation or training <input type="checkbox"/> The measures proposed by the Contractor to retain Aboriginal workers were not effective <input type="checkbox"/> The Contractor provided limited reporting, based only on the achievement of KPIs 	<ul style="list-style-type: none"> <input type="checkbox"/> The Contractor implemented Aboriginal participation requirements in a culturally sensitive manner <input type="checkbox"/> The Aboriginal Participation Plan met specific contract requirements, complied with the Guidelines & proposed reasonable strategies & targets for Aboriginal participation <input type="checkbox"/> The Contractor established reasonable KPIs to monitor Aboriginal participation & training <input type="checkbox"/> The Contractor achieved at least 90% of its commitments for Aboriginal participation & training OR provided a reasonable explanation & proposed corrective action that is likely to be effective <input type="checkbox"/> The Contractor established & implemented measures to retain Aboriginal workers <input type="checkbox"/> The Contractor reported against the KPIs & on the outcomes achieved & the measures undertaken to retain Aboriginal workers 	<ul style="list-style-type: none"> <input type="checkbox"/> The Contractor established a comprehensive set of KPIs & targets for Aboriginal participation & consistently met or exceeded those targets <input type="checkbox"/> The Contractor has established a cooperative relationship with Aboriginal representatives <input type="checkbox"/> The Contractor has established demonstrably effective measures to retain Aboriginal workers & increase Aboriginal participation 	<ul style="list-style-type: none"> <input type="checkbox"/> The Contractor always exceeded the targets for Aboriginal participation & training <input type="checkbox"/> The Contractor is actively developing more effective measures for increasing Aboriginal participation <input type="checkbox"/> The Contractor's achievements in ensuring Aboriginal participation are recognised by the community <input type="checkbox"/> The Contractor is committed to Aboriginal participation & extends implementation of these initiatives to contracts for other Clients when their contracts do not require it

END OF DOCUMENT

Memorandum



Town of Cottesloe

To: MANAGER <Name of Directorate> SERVICES / CHIEF EXECUTIVE OFFICE
(Select and Delete Accordingly)

From: <Position Title of Requesting Officer>

Date: <Day> <Month> <Year>

Subject: REQUEST FOR VARIATION APPROVAL – <Contractor Name> – <Contract Number and Description> - <Account Number and Description>

File Number: SUB/XXXX TRIM DXX / XXXXXX

RECOMMENDATION

That <Position Title of Approving Officer> approves the:

- (1) Approves Variation of \$<xxxxxx> exc. GST for <Description of Works e.g Marine Parade Resurfacing> for the following reasons:
 - a. VO1 <Description of Variation (\$xxxx) e.g Additional 200m2 of profiling and 10 tonnes of asphalt to resurface over existing service trenches(\$5000)>
 - b. VO2 <Description of Variation (\$xxxx)>
 - c. VO3 <Description of Variation (\$xxxx)>
- (2) Approves a New Contract Value of \$<xxxxxx> exc GST increased from \$<xxxxxx> ;
- (3) Notes that other project cost savings or from reserves;
- (4) Notes that subjected to (3) Account 40.1136.2 Napier Street (Curtin Avenue to Broome Street) will be **-\$12,089.29** in deficit and would need to be funded from either other project cost savings or from reserves;
- (5) Notes that the over spend is within the limits of the Town's approved material variance of 15% or \$25,000, whichever is less;

BACKGROUND

In January 2019, the Federal Government's Roads to Recovery Program after completing an audit on the Town's roads and drainage expenditure, informed us that we qualified for the 2015-2019 funding allocation. This was valued at \$443,164 that had to be spent by 30 June 2019. The Council would need to meet a benchmark expenditure from municipal budgets to qualify for this grant.

We have since completed all the grant funded projects and will be completing the last Town funded Clarendon Street Project, by close of business 28 June 2019 to conclude this program.

Roads2000 were awarded the 3 year asphalt contract by Council in December 2018 and have provided quotes for the works.

SUMMARY OF VARIATIONS

VO01 Additional 200m² of profiling and 10 tonnes of asphalt to resurface over existing service trenches

This additional work costing \$2884 was required to avoid continued rutting at the trench

VO02 Additional asphalt by Handworks required (\$2743)

As a result of variation VO1, additional manual asphalt works costing \$2743 were required around additional kerb length joints.

VO03 Contractor profiling quantities error (532m²) between actual and estimated quantities

During quotation, Roads 2000 had estimated quantities electronically to expedite the quotation process. This resulted in a discrepancy of 532m² and additional cost of \$3338.84. This was only noted when their profiling sub contractors had submitted invoices and supporting dockets to Roads2000.

VO04 Napier Street between Curtin Avenue and Broome Street for the supply of variable message signs providing advanced notification of road closures

Variable message boards costing \$5444.22 not included in the original quote were ordered by the Town to provide advanced notification to residents of road closures for the works.

FINANCIAL IMPLICATIONS

Contract Summary 40.1126.2 Marine Parade (Vera Slow Point to North Street)

Original Contract Value	\$63,985.00
Variations Previously Approved	\$0
New Contract Value	\$63,985.00
Variations Pending Approval (VO1 to VO3)	\$8965.84

Revised Contract Value	\$72,950.84
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Contract Summary 40.1136.2 Napier Street (Curtin Avenue to Broome Street)

Original Contract Value	\$167,901.12
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Variations Previously Approved	\$0
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New Contract Value	\$167,901.12
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Variations Pending Approval (VO4)	\$ 5444.22
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Revised Contract Value	\$173,345.34
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Budget Summary (40.1126.2 – Marine Parade)

Municipal Budget	\$11,485.00
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Roads to Recovery Grant	\$55,000.00
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Total Approved Budget	\$66,485.00
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Expenditure to Date (Including Commitments)	\$66,709.36
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Available Budget	-\$ 224.36
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Variation Pending Approval	\$ 8965.84
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Budget Remaining	-\$ 9190.20
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Budget Summary (40.1136.2 – Napier Street)

Municipal Budget	\$ 13,901.12
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Roads to Recovery Grant	\$ 154,000.00
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Total Approved Budget	\$167,901.12
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Expenditure to Date (Including Commitments)	\$174,546.19
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Available Budget	-\$ 6645.07
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Variation Pending Approval	\$ 5444.22
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Budget Remaining	-\$ 12,089.29
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The above includes some depot staff time for the reinstatement of verge reticulation following the completion of kerb works associated with the project. This will be transferred to the appropriate accounts in liaison with the Town's Finance section.

CERTIFICATION

The above variations are recommended for approval. I have examined the reasons provided by Roads 2000 (the Contractor). I am satisfied that:

- (1) Works identified within the variations are true under the terms and conditions of the executed contract
- (2) Additional scope of works are necessary and appropriate
- (3) Charges levied are reasonable and in accordance with the contract rates, where rates have been provided in the contract

Recommended for Approval

Shaun Kan
Manager Engineering Services
Date:

Approval

Mat Humfrey
Chief Executive Officer
Date:

Approved

Not Approved