



# Agenda

## Audit and Risk Management Committee

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Tuesday, 7 August 2018, 5.30 pm

**CITY OF FREMANTLE**

**NOTICE OF AN AUDIT AND RISK MANAGEMENT COMMITTEE MEETING**

Elected Members

An Audit and Risk Management Committee meeting of the City of Fremantle will be held on **Tuesday, 7 August 2018** in the Administration Building, located at the Fremantle Oval, 70 Parry Street, Fremantle commencing at 5.30 pm.

A handwritten signature in black ink, appearing to read 'Glen Dougall', written over a large, stylized circular flourish.

Glen Dougall  
**Director City Business**

3 August 2018

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**CITY OF FREMANTLE**

**Audit and Risk Management Committee**

**Agenda**

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**1. Official opening, welcome and acknowledgement**

We would like to acknowledge this land that we meet on today is the traditional lands of the Nyoongar people and that we respect their spiritual relationship with their country. We also acknowledge the Whadjuk people as the custodians of the greater Walyalup area and that their cultural and heritage beliefs are still important to the living Whadjuk people today.

**2. Attendance, apologies and leaves of absence**

There are no previously received apologies or approved leave of absence.

**3. Disclosures of interests**

Elected members must disclose any interests that may affect their decision-making. They may do this in a written notice given to the CEO; or at the meeting.

**4. Deputations**

**4.1 Special deputations**

A special deputation may be made to the meeting in accordance with the City of Fremantle Meeting Procedures Policy 2018.

There are no special deputation requests.

**4.2 Presentations**

Elected members and members of the public may make presentations to the meeting in accordance with the City of Fremantle Meeting Procedures Policy 2018.

**5. Confirmation of minutes**

**Officer's recommendation**

**That the minutes of the Audit and Risk Management Committee meeting dated 8 May 2018 be confirmed as a true and accurate record.**

**6. Announcements by presiding member**

The presiding member may make announcements to the meeting

**7. Questions or personal explanations by members**

Elected members may ask questions or make personal explanations on matters not included on the agenda.

## **8. REPORTS AND RECOMMENDATIONS**

### **ARMC1808-1 INTERNAL AUDIT PROGRAM UPDATE - PURCHASING AUTHORISATION, DELEGATION OF AUTHORITY, INFORMATION AND RECORDS MANAGEMENT**

<b>Meeting Date:</b>	7 August 2018
<b>Responsible Officer:</b>	Manager Governance
<b>Decision Making Authority:</b>	Council
<b>Agenda Attachments:</b>	Table of Issues and Action Taken – Purchasing Authorisation – Delegation of Authority – Information/Records Management

#### **SUMMARY**

**The purpose of this report is to provide an update to the Audit and Risk Management Committee on progress in addressing issues, or areas for concern, raised by the City's internal auditor in its report presented in January 2018, relating to the following areas:**

- **Purchasing Authorisation**
- **Delegation of Authority**
- **Information/Records Management**

**This report recommends that Council receive this update, reporting the progress in addressing issues, or areas for concern, raised by the City's internal auditor in its report presented in January 2018.**

#### **BACKGROUND**

In June 2016 the City appointed the Paxon Group Pty Ltd to undertake the City's internal audit services for a period of 3 years covering the 2016/2017, 2017/2018 and 2018/2019 financial years.

At the Ordinary Meeting of Council held on 23 November 2016, Council approved the internal audit of the following business processes to be undertaken between 1 December 2016 and 30 March 2017:

1. Asset Management
2. Purchasing Authorisation
3. Delegation of Authority
4. Information/Records Management.

The Asset Management portion of the above-mentioned audit was completed in March 2017. An audit of the City's following areas was undertaken in August 2017, with the subsequent report being presented on 12 January 2018:

- Purchasing Authorisation,
- Delegation of Authority; and
- Information/Records Management processes,

was undertaken in August 2017, with the subsequent report being presented on 12 January 2018

The auditor's report raised a number of areas that required development and the report with officer comment included was presented to the Audit and Risk Management Committee held on 13 February 2018 and subsequently to Ordinary Council Meeting on 28 February 2018.

The Audit and Risk Management Committee requested that an update be provided at its meeting to be held in August 2018.

## **FINANCIAL IMPLICATIONS**

There are no financial implications identified as a result of this report.

## **LEGAL IMPLICATIONS**

Part 7 of the *Local Government Act 1995* addresses the situation of audit in relation to the duties of the local government generally.

Regulation 17 of the *Local Government Act (Audit) Regulations 1996* requires the Chief Executive Officer to review the appropriateness and effectiveness of the local government's systems and procedures in relation to:

- risk management;
- internal control; and
- legislative compliance.

## **CONSULTATION**

No external consultation was undertaken.

## OFFICER COMMENT

Following the findings detailed in the report, City officers have been working on implementing the recommended actions. An update of progress made is detailed in the attached report (summarised in the table below).

Area of Audit	Status update
Delegated Authority	All auditors' recommendations acted on and <b>completed.</b>
Purchasing Authorisation	All auditors' recommendations acted on and <b>completed.</b>
Information/Records Management	<p><u>Record Keeping Procedures (RKP):</u></p> <ul style="list-style-type: none"> <li>• The City's RDP are still undergoing review and will be submitted to State Records for review.</li> <li>• Recommendations regarding State archives and retention periods are in progress.</li> </ul> <p><u>General disposal authority for State records/destruction of records:</u></p> <p>The City are currently working with the State Records Department and internal stakeholders to create a general disposal authority for source records. This should be completed by December 2018.</p> <p>All other auditor's recommendations completed.</p>

## VOTING AND OTHER SPECIAL REQUIREMENTS

Simple Majority Required

## OFFICER'S RECOMMENDATION

**Council:**

**Receive the attached update, reporting the progress in addressing issues, or areas for concern, raised by the City's internal auditor in its report presented in January 2018 relating to the following areas:**

- **Purchasing Authorisation**
- **Delegation of Authority**
- **Information/Records Management**



## **ARMC1808-2 INTERIM MANAGEMENT REPORT FOR 1819 AUDIT PERIOD**

**Meeting Date:** 7 August 2018  
**Responsible Officer:** Manager Finance  
**Decision Making Authority:** Council  
**Agenda Attachments:** Moore Stephens Interim Management Report

### **SUMMARY**

**The interim audit of the City of Fremantle has been completed by Moore Stephens and they have provided Council with an Interim Management Report for the audit period of 1 July 2017 – 30 June 2018.**

**This report is presented to the Audit and Risk Management Committee for review and recommends that the Interim Management report be received.**

### **BACKGROUND**

The City's auditors, Moore Stephens have conducted an interim audit for financial year ending 30 June 2018 to complete some of the tasks that are involved with the preparation of a final audit. The interim audit procedures undertaken covered a period of 9 months, from July 17 to March 18.

The results of the interim audit have been reported by Moore Stephens in the attached Management Report. This report documents the auditor's findings, rating, implications, recommendation and the City's management comment.

The City's management comments contained in the report outline the actions to be taken to resolve the issues identified by the auditor.

### **FINANCIAL IMPLICATIONS**

There is no direct financial implication with the requirement for this report.

### **LEGAL IMPLICATIONS**

Section 7.12A (2) of the Local Government Act 1995 and associated Audit regulations require a local government to meet with its auditor at least once in every year.

Section 7.2 of the Local Government Act 1995 states that, "the accounts and financial statements of a local government for each financial year are to be audited by an auditor appointed by the local government."

Section 7.9 (1) of the Local Government Act 1995 states, "An auditor is required to examine the accounts and annual financial report submitted for audit and, by 31 December next following the financial year to which the accounts and report relate or such later date as may be prescribed, to prepare a report thereon and forward a copy of the report to:

- a) The Mayor or President;
- b) The Chief Executive Officer of the local government; and
- c) The Minister.”

\*requires an absolute majority of Council.

## CONSULTATION

Nil

## OFFICER COMMENT

The interim audit report documented the following 5 findings:

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Noted instances where purchase orders did not precede the supplier invoice		√	
2. No independent review of the manual rolling reconciliation for rates valuation.			√
3. Noted instance where annual return was not lodged within the prescribed timeframe.			√
4. Noted instances where primary returns were not lodged within the prescribed timeframe.			√
5. Tender register was not properly maintained with required information.			√

## 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. A significant rating could indicate the need for a modified audit opinion in the current year, or in a subsequent reporting period if not addressed. However even if the issue is not likely to impact the audit opinion, it should be addressed 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.

There were no significant issues raised in the management report.

## **VOTING AND OTHER SPECIAL REQUIREMENTS**

Simple Majority Required

## **OFFICER'S RECOMMENDATION**

**Council receive the Interim Management Report from Moore Stephens for the audit period of 1 July 2017 to 30 June 2018.**

## **ARMC1808-3 OVERDUE DEBTORS REPORT AS AT 30 SEPTEMBER 2017**

<b>Meeting Date:</b>	7 August 2018
<b>Responsible Officer:</b>	Finance Manager
<b>Decision Making Authority:</b>	Council
<b>Agenda Attachments:</b>	Summary of Overdue Debts above Threshold (Confidential Report - under separate cover)

### **SUMMARY**

**This report with a confidential attachment is provided to the Audit and Risk Management Committee with details of overdue debts that exceed a threshold value of \$10,000.**

**This report recommends that Council note \$109,652.06 of overdue debts that were overdue in excess of ninety (90) days and the combined value those debt(s) exceed \$10,000 as at 30th June 2018.**

### **BACKGROUND**

The report provides details to the Audit and Risk Management Committee on overdue debtors. The following information is provided on a quarterly basis:

- The amount of total debtors outstanding for the period aged from current to over 90 days overdue with a comparison to the same period for the previous year.
- The value of debt that is overdue in excess of ninety (90) days and the combined value those debt(s) exceed \$10,000.
- All records of the uses of delegated authority, to waive or write off debts valued at \$1,000 or above per debtor, must be reported to the audit and risk management committee.
- A confidential report containing the individual debtor information in relation to the outstanding debtors exceeding 90 days with a combined value exceeding \$10,000 with comments, background and a comparison to the previous quarters report.

### **FINANCIAL IMPLICATIONS**

It is a requirement for completing annual financial statements that any potential bad debts are provisioned for and that is a cost to the budget in the year in which the provision is made.

As at year ending 30 June 2017 an amount of \$191,977 was held for bad debt provision. As at the 30 June 2018 the current balance held for bad debt provision is \$76,218 however final adjustments for end of financial year are still being processed and this provision will be adjusted.

During this financial year the following write-offs and waivers have been processed against this account:

Total Write-offs	\$28,696
Total Waivers	\$87,063

## LEGAL IMPLICATIONS

Section 6.12 (1) (c) of the Local Government Act 1995 provides authority for the Council to write off outstanding monies.

In accordance with section 5.42 and 5.44 of the Local Government Act 1995 the following delegated authority applies:

- The Chief Executive Officer has delegated authority to write off debts (not including rates or infringement) considered unrecoverable up to \$20,000 per account where in the opinion of the Chief Executive Officer all other reasonable avenues of recovery have been exhausted.
- Directors and Managers have various sub-delegated authority to write off debts (not including rates or infringement) considered unrecoverable up to \$10,000 per account where in the opinion of the Director or Manager all other reasonable avenues of recovery have been exhausted.

All records of the uses of this delegated authority, to waive or write off debts valued at \$1,000 or above per debtor, must be reported to the audit and risk management committee.

Any amount in excess of \$20,000 is to be written off by Council resolution. A council resolution authorising the write off of any bad debt does not prevent Council from reinstating the debt if the future circumstances change and the debt becomes collectable.

## CONSULTATION

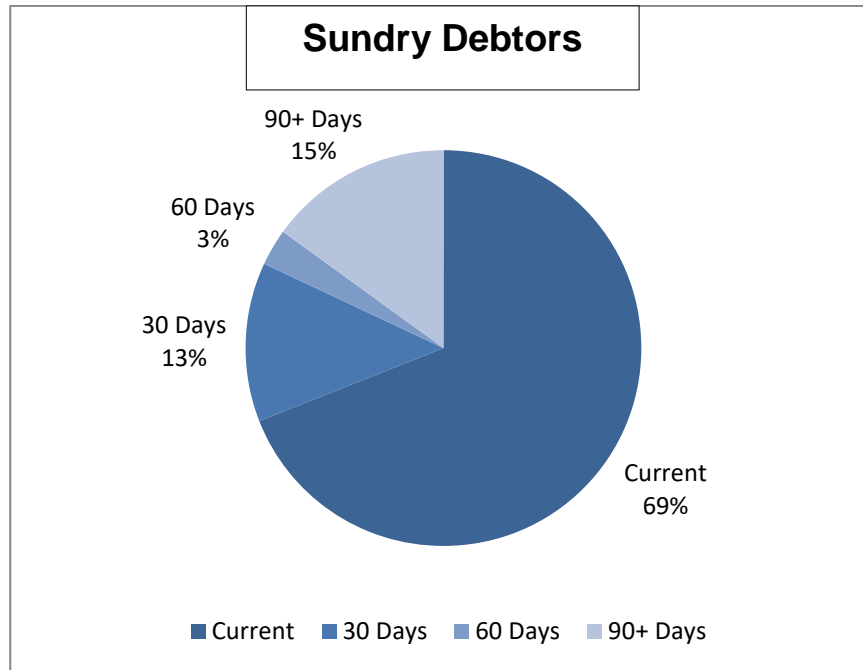
Nil

## OFFICER COMMENT

The amount of total debtors outstanding as at 30 June 2018 was \$749,886. A breakdown of aged debt for the current period compared to prior year for the same period is tabled below.

Period Ending	Current	30 Days	60 Days	90+ Days	Total
June 2018 - Current	521,447	97,205	19,424	112,110	749,886
June 2017 - Prior	552,998	104,966	42,375	127,601	827,940

Of the total debt balance the amount outstanding for 90+ days is \$112,110 or 15%. Below is a graph of the aged debt balances as at 30 June 18.



Compared to the report of overdue debts as at 31 March 2018, which was presented at the 8 May 2018 Audit and Risk Management Committee, the total value of outstanding debtors has decreased by \$119k. Outstanding debt over 90 days has decreased from \$229k in the previous report to \$120k this quarter. The number of debtors has decreased to 3. Currently \$62,759 is identified as possible write-off.

Since the last report there was no use of delegated authority to waive or write off debts valued at \$1,000 or above per debtor by officers. One debt waiver totalling \$86,562.51 which was adopted by Council in February 2018 was processed this quarter. Details of write-offs and waivers are listed below.

**Summary of Sundry Debtor’s Debts Written-off**

Debtor No.	Name	Amount	Business Unit	Delegated Officer or Council
	<b>TOTAL</b>	<b>NIL</b>		

**Summary of Sundry Debtor’s Debts Waived**

Debtor No.	Name	Amount	Business Unit	Delegated Officer or Council
2092585	Fly By Night Musicians Club	\$86,562.51	Commercial Property-Victoria Hall – 2016/17 & 2017/18	Council Resolution Debt waived at Council Meeting held on 28 February 18 to waive payment of the current tenant’s outstanding debt to the City
	<b>TOTAL</b>	<b>\$86,562.51</b>		

In accordance with delegated authority any debts over \$20,000 will be submitted to Audit and Risk Management Committee for approval and all uses of delegated authority by Chief Executive Officer, Directors and Managers will be reported to Audit and Risk Management Committee.

The confidential attachment contains debtor information in relation to the \$109,652.06 of outstanding debtors exceeding 90 days with a combined value exceeding \$10,000 with comments and background.

## **VOTING AND OTHER SPECIAL REQUIREMENTS**

Simple Majority Required

## **OFFICER'S RECOMMENDATION**

### **Council:**

- 1. Receives the overdue debts above threshold report with \$109,652.06 of outstanding debtors exceeding 90 days and the combined value exceeding \$10,000 as at 30 June 2018.**
- 2. Receives the summary of sundry debtors debt waived in the amount of \$86,562.51 for the quarter to June 2018.**

**ARMC1808-4 INFORMATION REPORT - PURCHASING POLICY EXEMPTIONS  
OCTOBER 2017**

**Responsible Officer:** Procurement Team Leader  
**Agenda Attachments:** Confidential Attachment

**BACKGROUND**

At the Ordinary Council Meeting of 27 September 2017, Council adopted a new purchasing policy. The policy contains a list of tender exemptions (exempt under Regulation 11(2) of the *Local Government (Functions and General) Regulations 1996*) and policy exemptions. Under this policy all exemptions used by the City are to be reported to the Audit and Risk Management committee.

**May 2018**

The total value of exemptions from the City of Fremantle Purchasing Policy is \$24,700 for the month of May 2018.

The value of exemptions by category is:

<b>Exemption Category</b>	<b>Value</b>
Artists Exemptions	\$24,700.00
<b>Total</b>	<b>\$24,700.00</b>

Details regarding individual exemptions can be found in the confidential attachment.

**June 2018**

The total value of exemptions used under the City of Fremantle Purchasing Policy is \$67,130.00 for the month of June 2018.

The value of exemptions by category is:

<b>Exemption Category</b>	<b>Value</b>
Specialist Consultant	\$18,000.00
Artists Exemptions	\$49,130.00
<b>Total</b>	<b>\$67,130.00</b>

Details regarding individual exemptions can be found in the confidential attachment.

**July 2018**

The total value of exemptions used under the City of Fremantle Purchasing Policy is \$7,460.00 for the month of July 2018.

The value of exemptions by category is:

<b>Exemption Category</b>	<b>Value</b>
Sole Source of Supply	\$1,860.00
Artists Exemptions	\$5,600.00
<b>Total</b>	<b>\$7,460.00</b>



The process for requesting Artist exemptions was amended to require exemptions before contracts or Purchase orders are awarded. This has resulted in the artists required for the Heritage Festival, being agreed in May 2018, at a cost of \$11,500 and in June at a cost of \$24,200. The artists required for the Bush Women exhibition at FAC were agreed in May at a cost of \$13,200. The costs for The Bush Women exhibition are covered by a grant from the Gordon Darling Foundation.

Details regarding individual exemptions can be found in the confidential attachment.

#### **OFFICER'S RECOMMENDATION**

**Council receive the purchasing policy exemptions information report for May 2018, June 2018 and July 2018.**

## **ARMC1808-5 AUDIT AND RISK UPDATE FOR ASSETS**

**Meeting Date:** 7 August 2018  
**Responsible Officer:** Manager Asset Management  
**Decision Making Authority:** Audit and Risk Management Committee

### **SUMMARY**

The purpose of this report is to update the Audit and Risk Committee on the City's progress in addressing the issues highlighted in the independent audit report received in March 2017, regarding the City's Corporate Asset Management Planning.

This report recommends that Council receive the update in relation to the City's current position and progress.

### **BACKGROUND**

The City is committed to improving the quality and extent of its asset management information. Officers are progressing a number of initiatives that were identified as requiring improvement through an extended audit report (received March 2017).

Officers have committed to and completed a program that ran through the course of the 2017/18 financial year. This report is the update to the Audit and Risk committee.

### **FINANCIAL IMPLICATIONS**

Budget provision was included in the 2017/18 budget to carry out the asset assessments / audit program.

### **LEGAL IMPLICATIONS**

Regulation 17 of the *Local Government Act (Audit) Regulations 1996* requires the Chief Executive Officer to review the appropriateness and effectiveness of the local government's systems and procedures in relation to;

- Risk management
- Internal control
- Legislative compliance

### **CONSULTATION**

Nil

## OFFICER COMMENT

Following the findings as detailed in the auditor's report, the City Assets Team is working on improving the City's position with respect to Corporate Asset Management. Audit programs are progressing on schedule.

### Asset Management – Activity Program

#	Key Action Areas	Activities	Risk	Officer Comment	Target Date
1	Asset Management Policy	New AM Policy has been approved by Council.	Med	The updated Asset Management Policy has been approved Council.	May 18
2	Asset Management Strategy	Develop an overarching Asset Management Strategy	Med	The Draft Corporate Asset Management Plan has been completed and with ELT for review. It encompasses the AM Strategy and reflects the data of the individual Asset Management Plans.	July 18
3	Asset Management Plans	AM Plans are to be developed in alignment with the City's asset classes.	Med	Asset Management Plans have been developed for the following asset classes: -Parks & Landscapes(completed) -Fleet & Plant (completed) -Stormwater Drainage(completed) -Buildings (completed) -Transport (completed)	July 18 April 18  June 18 Feb18 May 18
4	Business Process Manuals	Strategic Business Process Manuals are required for all asset classes.	Med	Existing documents have been reviewed and the relevant sections included in the updated Asset Management Plans.	As above
5	Asset Registers	Ensure one definitive Asset register linked to Asset Data (systems - Tech1 & Assetic).	Med	Assets Management and Finance have aligned and mapped the registers in Tech1 and Assetic. The mapping includes linkages through correct asset classes and groups for Assetic.	June 18
6	Asset Class Inspections	An annual program of asset inspections is required – aligned with the	Med	Asset inspections are programmed for all asset classes over a rolling three year period. All Parks & Landscapes and Transport assets have been	ongoing

		Asset register.		audited and Assetic updated.	
7	Inspections & Management of Data	Methodology shall be in place to manage data capture, reporting and actions.	Med	Methodology for data capture, management, reporting and actions has been developed as part of item 6 above. This will continue to be refined and improved as the inspection program progresses in the coming years.	ongoing
8	Data Migration risks	Controls and data alignment processes & guidelines required.	Med	Controls have been improved – to include a risk profile and a risk mitigation approach. Inc as part of new QMS and AMPs.	ongoing
9	Contingency Plans	Updated contingency planning and facility operational plans are required.	High	A gap analysis was completed by an external consultant.  Following the gap analysis, the development of a new Business Continuity Plan has been completed.	Mar 18  June 18
10	Long term Financial plans require updating with current financial data	The LTFP is required to take account of COF's actual financial position.	Low	Complete. (June 17).  Improved service level plans and AM modelling are progressing to better inform financial planning.	<i>ongoing</i>

The City Assets Team has made progression in the following areas:

- Contingency Plans – the City has developed a new Business Continuity Plan. The Plan comprises of a suite of three documents (System Description, Business Continuity Plan and Incident Management Plan) that provide a systematic approach for the management of disruptive events to the City's critical business and assets.  
The Business Continuity Plan covers the overall approach, identify critical business processes and provide processes and pro-forma documentation to deal with known and unknown incidents. The Plan aligns with the City's existing risk framework, IT Disaster Recovery Plan, Local Emergency Management Arrangements and other corporate documentation.
- Buildings – a new Buildings Asset Management Plan has been completed. It includes improved financial modeling based on the most recent valuation.

- Parks and landscapes - Officers have completed the audits and data upload of 5000+ parks and landscapes assets. The data has been used to produce the new Parks and Landscapes Asset Management Plan.
- Drainage systems – a contractor has completed \$40,000 worth of targeted drainage audits. This data has been used for producing the Stormwater Drainage Asset Management Plan.
- Transport - Officers have completed audits and data upload of the car parks, roundabouts and road furniture. The data has been used in the updated Transport Asset Management Plan.

## **VOTING AND OTHER SPECIAL REQUIREMENTS**

Simple Majority

## **OFFICER'S RECOMMENDATION**

**Council receive the Officer's update in relation to the City's current position and progress with respect to the City's Asset Management program**

## **ARMC1808-6 INFORMATION REPORT - OFFICE OF THE AUDITOR GENERAL PROCUREMENT PERFORMANCE AUDIT UPDATE**

**Responsible Officer:** Procurement Team Leader  
**Agenda Attachments:** None

### **BACKGROUND**

The *Local Government Amendment (Auditing) Act 2017* made legislative changes to the *Local Government Act 1995* to provide for the auditing of local governments by the Auditor General of WA (AG).

The Act allows the AG to undertake performance audits, which examine the economy, efficiency and effectiveness of any aspect of local government operations. The first performance audit in local government by the AG has focused on procurement.

In December 2017, the AG advised the city that it would be involved in the first procurement audit.

This report is to inform the Committee of the current status of that audit.

### **Audit Process**

In December 2017 the AG commenced the audit with a request for information which included:

- The City's Procurement (Purchasing) Policy, including procedures that sat underneath it
- Templates for undertaking procurement activities
- Codes of Conduct
- Organisational structure, including where the procurement function sits, size of team, roles etc
- Outline of any procurement training
- Transactional data and samples for purchases made in the 2016 / 2017 financial year
- Trial Balance as at 30 June 2017

During January 2018 the AG's representative attended site to discuss issues and understand the procurement processes and procedures of the city.

Following their attendance on site, the AG issued a draft report for city comment on 25 May 2018 containing 16 findings and recommendations. The city responded to the initial report on 30 May 2018 and requested the report be amended following clarification of a range of items and findings.

The AG issued a revised report for city comment on 11 July 2018 containing a reduced 12 findings and recommendations. The city responded again clarifying some anomalies and findings. To date no further communication has been received.

## Draft Preliminary Findings

The draft preliminary findings at the 12 July 2018 were:

AG Finding	CoF Comment
<b>Significant Issues</b>	
Single authorisation of payments from the municipal account	<p>The Electronic Funds Transfer payments authorisation process was reviewed in September 2017 and changes were made to the City's NAB online portal requiring all EFT payment files to be authorised by two signatories.</p> <p>The requirement of dual EFT payment authorisation came into effect from September 17</p>
Proof of payments not available	<p>Currently proof of payments (cheque and EFT runs) are printed for signed authorisation and stored as hard copies. These hard copies are filed and archived off site. The NAB portal can be used to access this information, however it only allows for up to 12 months prior.</p> <p>A new process will be introduced for all hard copy payment authorisations (cheques and EFT's) to be scanned and saved into the City's document management system. As part of the City's digitalisation project this process will be reviewed to further refine the procedure to be fully digital from production of payment report, signatures and filing into document management system</p>
Approving purchase orders outside of delegation limit	The city has amended the TechOne Finance System in October 2017, to ensure that PO's can only be approved by those with delegated authority
<b>Moderate Issues</b>	
Staff failing to seek, or record quotes as required by the CoF's policy	The AG reviewed purchases against the wrong purchasing policy and thresholds. However, the city accepted there were gaps in this area.
Purchase orders raised after invoices and not for the full amount	The city has introduced a monthly report to monitor PO and Invoice payment dates. A new process will be instigated where Invoices will not be paid without a valid PO number. This should lead to a reduction in the number of unmatched POs and reduce

	the number of issues.
Segregation of duties in the finance system	The City became aware of this issue in October 2017 and immediately rectified the issue within TechOne. Officers are now unable to raise and approve their own purchase orders
Reconciliations not performed, or not recorded prior to invoice payments	A procedure is to be investigated.
Recording conflict of interest declarations	The City's tender processes have been updated during 2017, to ensure all evaluators complete a declaration of conflict and interest and submit them at the commencement of the evaluation meeting. This is an area the city is looking to implement training for.
<b>Minor Issues</b>	
Review Purchasing Policy to improve clarity	The Purchasing Policy is due to be reviewed in September 2018. The updated policy will be brought to the Audit & Risk Committee for discussion and approval.
Verification of who is receiving goods and approving invoices for payment	Process and Tech One Finance System to be reviewed.
Timely payments of invoices	The City is looking at a policy where invoices from suppliers will not be paid without a valid City of Fremantle purchase order number. This should ensure invoices can quickly be matched to purchases and paid quicker.
Inconsistent start dates in a contract	Noted. Procurement Team to review process for entering in to contract.

As the city has rectified a number of these issues already, it is possible that the final report will be amended further to reflect the city's current position with regards these findings.

The final report is currently expected to be presented to Parliament in August 2018.

#### **OFFICER'S RECOMMENDATION**

**Council receive the Office of the Auditor General Procurement performance audit information report.**



## **9. Motions of which previous notice has been given**

A member may raise at a meeting such business of the City as they consider appropriate, in the form of a motion of which notice has been given to the CEO.

## **10. Urgent business**

In cases of extreme urgency or other special circumstances, matters may, on a motion that is carried by the meeting, be raised without notice and decided by the meeting.

## **11. Late items**

In cases where information is received after the finalisation of an agenda, matters may be raised and decided by the meeting. A written report will be provided for late items.

## **12. Confidential business**

Members of the public may be asked to leave the meeting while confidential business is addressed.

### **ARMC1808-7 RISK UPDATE REPORT - AUGUST 2018 (CONFIDENTIAL)**

<b>Meeting Date:</b>	Audit & Risk Committee 7 August, 2018
<b>Responsible Officer:</b>	Director City Business
<b>Decision Making Authority:</b>	Council
<b>Agenda Attachments:</b>	Nil

### **REASON FOR CONFIDENTIALITY**

This report is **CONFIDENTIAL** in accordance with Section 5.23(2) of the *Local Government Act 1995* which permits the meeting to be closed to the public for business relating to the following:

- (d) legal advice obtained, or which may be obtained, by the local government and which relates to a matter to be discussed at the meeting

## **13. Closure**