

ATTACHMENTS

Under Separate Cover


Audit, Risk and Compliance Committee
Meeting
Wednesday, 10 March 2021

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INTERNAL AUDIT REVIEW OF PROCUREMENT AND CONTRACT MANAGEMENT DECEMBER 2020

This report, including management actions and implementation timeframes, was discussed, agreed and accepted by the Executive Leadership Team at the Executive Leadership Team Meeting held on 14 December 2020 and approved by:

Name:	Karren MacClure
Title:	Director Corporate Services, Town of Port Hedland
Date:	16-12-2020
Signature:	


Name:	Carl Askew
Title:	Chief Executive Officer, Town of Port Hedland
Date:	16.12.2020
Signature:	

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Executive Summary

Introduction

As part of the internal audit programme William Buck Consulting (WA) Pty Ltd was asked to conduct a review of controls implemented in respect of the effectiveness of the procurement and contract management processes in place at the Town of Port Hedland ("Town").

Scope

The scope of the audit covered the period 1 July 2019 to 31 May 2020.

The review focussed on the controls in place on a high level, to ensure the Town of Port Hedland, achieves the following business objectives:

- Policy and procedures are in place and adequately documented, designed and implemented;
- Documents are aligned with relevant Local Government Acts and Regulations;
- Segregation of duties exist, and conflicts of interest are considered, managed and resolved throughout the procurement and contract management processes;
- Testing of key controls within the following areas to ensure they are operationally effective:
 - Mechanisms for procurement to identify tender processes which should be followed;
 - Tendering, Expressions of Interest and Quotations;
 - Supplier's selection process (including composition of evaluation panels, selection criteria and the use of probity reviews);
 - Anti-avoidance and exemptions processes;
 - Approval processes;
 - Controls on Contracts, Negotiations and Contract Management Processes (Financial/Performance):
 - Contractor appointments and completions of prerequisite requirements (including inductions OHS, etc);
 - Completeness of the contract registers;
 - Contract Extensions and Variations processes; and
 - Controls on vendors and payments management.

- Monitoring/exception reporting processes by procurement, finance and on an operational level on purchase orders and invoices are in place to identify non-compliance with processes;
- Systems and processes for administering procurement processes are in place and the team is effectively managed;
- Hardcopy and electronic records are appropriately managed and stored and confidential information are appropriately secured; and
- Adequate training processes are implemented in respect of procurement, including staff responsible for procurement evaluations, and contract management processes.

Overall comment & findings

Overall, based on the work we have performed, we have identified 10 medium rated findings in relation to the basic design and operation of processes in respect to procurement and contract management which include the following:

- Improvement opportunities and deficiencies noted in respect of procurement and contract management related policies and procedures.
- Documented Insurance management processes for contracts not in place.
- Bank guarantees management processes for contracts are not documented
- Formal documented Quality Management System (QMS) is not in place.
- Tender Register maintenance require improvement to include details of contractors' performance reviews, schedule of rates of contracts, options of extensions available and exercised under the contracts. Further, policies and procedures require enhancements to include comprehensive guidance to staff on maintenance of contracts/ tenders register.
- Processes on extension of contracts require enhancements.
- Controls over contracts variation require improvements.
- Documented exception reporting processes not in place and a number of discrepancies noted in the vendor data available in the Town's accounting and operational system.
- Procurement record management system require improvements to include periodical follow up of the records not uploaded in the record management system.
- Training mechanism requires some strengthening.

We also noted an improvement opportunity for the Town to consider introduction of probity reviews covering the procurement process review for large and complex tenders. The process reinforces and enhance the transparency through independent review and reporting on the procurement process. The management has agreed to present this recommendation to the Executive Leadership team for consideration.

Area	Extreme	High	Medium	Total
Policies and Procedures	-	-	1	1
Contract Management	-	-	3	3
Contracts Register	-	-	1	1
Extensions & Variations	-	-	2	2
Monitoring & Exception Reporting	-	-	1	1
Procurement Records Management	-	-	1	1
Procurement Training	-	-	1	1
Total	-	-	10	10

Detailed findings can be found within the following section.

Detailed Findings

1. Adherence to and improvement opportunities to current policies and procedures in respect of Procurement and Contract Management

Rating Calculation
<i>Consequence = Moderate</i>
<i>Likelihood = Possible</i>

Overall Risk Rating		
Extreme	High	Medium

Observations

Although the Town has well developed policies and procedures which are reviewed on a regular basis, we noted some gaps as well as non-adherence to the current documented procurement and contract management related policies and/or procedures:

- a) **Procedures for Anti-Avoidance Reviews:** Section 6 of the Purchasing Policy requires performance of anti-avoidance reviews. The Senior Procurement Advisor confirmed that such reviews are carried out weekly, however, it was noted that formal documented guidelines were not in place to objectively perform such reviews. Formal documented records for these compliance reviews were furthermore not in place as evidence that these reviews took place. As noted in detailed finding 9, these reviews can be carried out more objectively with the implementation of approved and documented procedures which may include detective controls such as exception reporting to identify common variances and inconsistencies in relation to ABN, ACN, GST, supplier aggregation reports, payments to suppliers on the same date/amount/etc., suppliers with the same addresses/contact numbers/contact persons, duplicate suppliers on the supplier database, bank account details of suppliers versus employees, supplier information for supplier payments compared to suppliers on the contract register, etc.

We further noted as part of our sample testing, one instance, where the supplier information for supplier payments did not agree with the supplier information on the contract register due to a change in ownership. No evidence was provided/recorded that this supplier was appropriately vetted before the payment was made.

- b) **Exemptions, Identified Non-Compliances and Variations not reported to the Audit, Risk & Compliance Committee:** Section 14 of the Purchasing Policy require implementation of procedures to report any departures, non-compliances, and exemptions of procurement processes to the Audit, Risk & Compliance Committee on a Quarterly basis. Also, under the section 4 of the Internal operating procedure "Variations of Contracts with Suppliers" variations are required to be reported by the procurement to ARG/Council, showing when officers have undertaken their delegated authority. Evidence of compliance of these requirements was not presented to the audit team
- c) **Sustainable Procurement Policy requirement not implemented:** Section 9 of the Purchasing Policy require endeavouring, within the budgetary constraints, to implement sustainable procurement. This includes giving due consideration to suppliers operating with sustainable practices and identify and purchase products that supports these causes. The policy compliance status was discussed with the Senior Procurement Advisor and it was observed that procurement procedures requires update to ensure compliance of this policy requirement.
- d) **Procedures for Asset Receiving not in place:** Physical assets and goods are procured and received by the Town. A separate asset/ supplies receiving function exists and is managed by Co-ordinator Workshops & Fleet. It was noted that documented procedures were not in place to govern the operations of this function.
- e) **Approved Procedures for Contract Progress Payment Certifications are not formally documented:** Progress claims are billings by contractors based on completion of work as per agreed milestones and/or percentage of work. As a prescribed internal control procedure, such payments should be processed after ensuring that work has been completed as per the agreed qualitative and quantitative standards. This certification process has recently been introduced within the project management team. The project management team has developed internal templates and a process flow for this process; however, it is not guided by formally approved procedures.
- f) **Procedures for Emergency Procurements:** We noted that there are no formal internal procedures to follow in respect of emergencies except for section 4.4. of the Purchasing Policy which deals with the exemption from publicly inviting tenders which also include goods or services supplied in an emergency whereby it is authorised in advance by the Mayor.

We noted that there is no formal reference in the Town's Purchasing Policy/Procedures that guidelines issued by the Department of Fire and Emergency Services, be used for supplies under the Disaster Recovery Funding Arrangements (DRFA).

Recommendations

- a) **Procedures for Anti-Avoidance Reviews:** Formal procedures should be developed, approved and implemented to conduct the anti-avoidance reviews which may include detective controls such as exception reporting to identify common variances and inconsistencies in relation to ABN, ACN, GST, supplier aggregation reports, payments to suppliers on the same date/amount/etc., suppliers with the same addresses/contact/numbers/contact persons, duplicate suppliers on the supplier database, bank account details of suppliers versus employees, supplier information for supplier payments compared to suppliers on the contract register, etc.
- b) **Exemptions, Identified Non-Compliances and Variations not reported to the Audit, Risk & Compliance Committee:** A formal process should be developed to ensure all policy exempt procurements and non-compliances with procurement policies and procedures are recorded and escalated to the Audit, Risk & Compliance Committee on a quarterly basis. Further, the process of reporting variations should also be implemented and term ARG as specified under the section 4 of the Internal Operating Procedures for Variations should be updated to ARC. It is furthermore recommended that this should be a standing agenda item of the Audit, Risk & Compliance Committee and when no reportable items, a NIL report be noted in the Minutes of the Meeting.
- c) **Sustainable Procurement Policy Requirement not implemented:** Current procurement process should be updated to include the sustainable procurement requirements of the policy.
- d) **Documented Procedures for Asset Receiving not in place:** It is recommended that assets and supplies receiving process should be guided by formally approved procedures.

An effective Assets and goods receiving process shall ensure that:

- i. Receipt of assets/supplies is documented in the form of a standard goods receiving note (GRN) and processes exists to match the received assets/supplies with the Purchase Order and

- escalating differences/deviations for rectifications and or replacement.
- ii. Compliance of quantitative and qualitative aspect when receiving the assets/ supplies is ensured.
- iii. Appropriate segregation of duties exists between the procuring, receipting and payment of purchases.

- e) **Approved Procedures for Contract Progress Payment Certifications are not formally documented:** A formally approved procedure should be implemented to control and guide the process of contract progress payment certifications. The procedures should, amongst other, cover the certification process, review and recommending officials responsibilities, process for escalating and managing of exceptions, matching of work/purchase orders, inspections, procedures for ensuring compliance of qualitative and quantitative aspects of the service and work delivery and controls for preventing the duplicate processing etc.

Management Comment, Timeframe & Responsibility

a) Procedures for Anti-Avoidance Reviews:

Action agreed by management	Procurement shall review and incorporate procedures by the targeted date. Procurement currently carry out random Anti Avoidance reviews. Finance will provide ongoing reviews to ensure that all the parties and payments are the same.
Action Owner	Senior Procurement & Contracting Advisor. Finance Manager
Target Date	31 May 2021.

b) Departure from Purchasing Policies not reported to the Audit, Risk & Compliance Committee:

Action agreed by management	<p>Details of departures, variances and exemptions of procurement policy and procedures are currently reported to the Executive Leadership Team (ELT). However, as per the current policy, they are not required to be reported to the Audit, Risk & Compliance Committee.</p> <p>There appears to be some inconsistencies between the current policy and IOP, therefore Management agree to compare and review the policy and IOP and where appropriate make relevant adjustments.</p>
Action Owner	Senior Procurement & Contracting Advisor.
Target Date	31 May 2021

c) Sustainable Procurement Policy Requirement not implemented:

Action agreed by management	<p>The policy will be amended to include Sustainable Procurement, and the RFT and the RFQ will be updated to include a sustainability within the documents.</p> <p>Currently this is not included into any of the RFT/Q documents.</p>
Action Owner	Senior Procurement & Contracting Advisor.
Target Date	31 July 2021

d) Procedures for Asset Receiving not in place:

Action agreed by management	<p>a) The Town is investigating the feasibility of introducing an electronic stores inventory system when the new Store is constructed at the Wedgefield Depot.</p> <p>b) Receipt of assets / supplies is documented in the form of a delivery docket from the supplier.</p> <p>c) Purchaser or Requisitioning Officer does confirm whether assets / supplies received conform to Purchase Order, including quantity and quality.</p> <p>d) Management agrees that finance and procurement will review any current IOP/SOP and where appropriate amend as required. This will be an ongoing review process as we look to change to an electronic system.</p>
Action Owner	Senior Procurement & Contracting Advisor. Finance Manager
Target Date	30 June 2021 – Point B,C and D 30 June 2023 – Point A and D

e) Approved Procedures for Contract Progress Payment Certifications are not formally documented:

Action agreed by management	A draft IOP was not in place at the time of audit. Management agrees that it is required and drafting has commenced and will be formally adopted by the target date.
Action Owner	Director Infrastructure Services
Target Date	30 June 2021

2. Insurance Management Processes for Contracts not in place

Rating Calculation
<i>Consequence = Moderate</i>
<i>Likelihood = Possible</i>

Overall Risk Rating		
Extreme	High	Medium

Observation

Insurances provided by tenders/contractors is one of the key tools for managing risks in the management of contracts. Ensuring availability of appropriate insurance before award of tender is the responsibility of the procurement team. The insurance currency is for one year and it is necessary to ensure that insurance renewals are timely followed up and arranged to ensure that Town's risk is appropriately and timely covered especially in respect of term contracts. To ensure the timely renewals, a comprehensive process and a centralised data base of insurance is desirable, and we observed that no system was in place in this regard. The matter was discussed with the procurement and project teams and it was observed that responsibility for this process was not clearly defined.

Recommendations

It is recommended that appropriate processes should be implemented by the Town to ensure that a centralised database of insurances i.e. third party, products, public, worker compensation etc., liabilities exist for monitoring purposes. This could at least include the following:

1. Pre and Post award checks around timely input of insurance details in a system to ensure that all the insurances are accounted for and recorded.
2. The certificate of currency is timely followed up before renewals are due.
3. Escalation to appropriate management levels for updated certificates not timely received.
4. Updated certificates are renewed to adequately cover the risks in the contracts.

It is also recommended that insurance management process should be guided by formally approved procedures with a clear responsibility and accountability for the insurance management.

Management during the discussion informed that a separate function has been contemplated to take over this responsibility.

Management Comment, Timeframe & Responsibility

Action agreed by management	<p>The internal Operating Procedure (IOP) for Insurance Management Process for contracts was not in place at the time of audit. Management agrees that it is required and drafting has commenced and will be formally adopted by the target date.</p> <p>Management agrees that the contract register requires additional columns to record the insurance details, including expiry date. This action will be implemented by the target date.</p> <p>In reference to a process to capture the expiry of certificates of currency, Management confirm that at the time of audit there was no automated/electronic reminders to prompt staff of upcoming expiry dates with the process requiring manual weekly review and individual emails been sent to contractors to obtain updated certificates of currency. Management agrees to look at reviewing and improving the process through automation to reduce the risk of human error. Once the automated system is implemented, a relevant SOP will be developed.</p>
Action Owner	Legal Advisor / Senior Procurement and Contracting Advisor
Target Date	31 May 2021

3. Bank Guarantees Management Process for Contracts not in place

Rating Calculation
<i>Consequence = Moderate</i>
<i>Likelihood = Possible</i>

Overall Risk Rating		
Extreme	High	Medium

Observation

Bank guarantees are obtained from the tenderers/contractors to cover the risk attributed to procurement contract/project delivery. The availability of an appropriate bank guarantee before award of tender/ contract is the responsibility of the procurement team. Bank guarantees generally have a limited period of validity i.e. may expire at the end of the term of the contract. However, contracts may still be renewed or extended beyond the initial contract expiry date or varied over and above the initial approved amount. The effective management of bank guarantees require processes to ensure that bank guarantees are timely accounted for, recorded and monitored. This is to ensure that bank guarantees are timely and appropriately extended, varied or invoked to protect the risks of not having recourse in case the need arise.

We observed that no such systems were in place at the Town. The matter was discussed with the project and other teams and it was observed that responsibility for this process was not clearly defined.

Recommendations

It is recommended that appropriate processes be implemented to ensure that a centralised database of bank guarantees, exist for monitoring to ensure that:

1. Original bank guarantee received both at the time of award and post award legally protect the relevant risks and have no restrictive covenants otherwise.
2. In case of contract extensions, the guarantees are also extended accordingly, before the extension.
3. In case of contract variations bank guarantees are also varied timely, to cover the enhanced amount of contract.
4. Controls and triggers are in place to timely invoke the bank guarantees, if required.

Bank guarantees are released as per the policy and procedures.

It is also recommended that bank guarantees management process should be guided by formal and approved policies/procedures with a clear responsibility and accountability for the bank guarantees management. Management during the

discussion informed that a separate function has been contemplated to take over this responsibility.

Management Comment, Timeframe & Responsibility

Action agreed by management	The Internal Operating Procedure (IOP) for Securities has been drafted and is expected to be approved by the Executive Leadership Team. Bank guarantees at start of contract are arranged by Corporate Services. They are held in a safe. Current process is managed by Legal Services. Legal Services then inform Infrastructure Services when bank guarantees have been received and send Infrastructure Services a soft copy. The Town will ensure that bank guarantees do not have a fixed date of expiry – rather they be linked to award of practical completion and final completion. This will be written into contract documentation.
Action Owner	Director Corporate Services
Target Date	31 May 2021

4. Quality Management Systems for Contract Management not in place

Rating Calculation
<i>Consequence = Moderate</i>
<i>Likelihood = Possible</i>

Overall Risk Rating		
Extreme	High	Medium

Observation

Quality Management Systems (“QMS”) are designed to ensure that procurement contracts and projects are delivered in line with the specified standards. These systems also ensure that any deviations from the standards are timely identified, recorded, escalated and rectified. As part of our review we held discussions with the Senior Infrastructure Services and Projects team and Senior Procurement Advisor to identify the key controls under quality management systems surrounding the delivery of procurement contracts and projects. Through discussions the following was observed:

1. Separate Internal Quality Assurance procedures were not in place. At the time of audit, the quality assurance process was performed by the project managers. The qualitative aspect was stated to be ensured by different methods for instance, receipt of delivery docket through suppliers of vendors. However, no policy and procedures were available to guide this process.
2. The contractors/vendors/ supplier’s internal quality assurance systems were relied upon as well to ensure that qualitative aspects of the work are adhered to. Formal documented procedures around placement of reliance on contractor quality management system were not in place.

Management updated that this is being addressed and the Town shall be updating contractor preliminaries and specification documentation, especially for the larger (Major) projects. Management also specified that contracts have hold and witness points to allow for Town staff, or specialist contractors to conduct inspections on behalf of the Town.

Further management agreed that as the Town roll out documentation for larger contracts, clauses on the requirement for the contractor to have an accredited QMS will be included. Further, the Town will be requiring a Quality Plan from

the contractor so they can demonstrate how they intend to satisfy the quality (in particular) requirements of the contract.

Recommendations

It is recommended that:

1. A quality assurance policy with supporting procedures should be developed and implemented to develop the internal quality assurance capability across the procurement and contract management processes.
2. Internal operating procedures are important to set the benchmarks for vendor QMS evaluation and key to ensure that vital objectives are consistently considered, reported and used for timely corrective actions. Internal operating procedures for evaluating the vendors QMS should be introduced and implemented. The QMS capability of the contractors should be evaluated before the award of contracts and continuous monitoring, reporting and corrective mechanism should also be implemented throughout the currency of the contract.
3. Updating the contractor’s preliminaries and specification documentation and requirements for contractors to have accredited quality management system should be finalised expeditiously.

Management Comment, Timeframe & Responsibility

Action agreed by management	Senior Procurement & Contracting Advisor will prepare the Internal Operating Procedure (IOP) as part of Internal Audit and Risk Management role.
Action Owner	Senior Procurement & Contracting Advisor
Target Date	30 August 2021

5. Maintenance and Contents of Tender Register

Rating Calculation
<i>Consequence = Minor</i>
<i>Likelihood = Likely</i>

Overall Risk Rating		
Extreme	High	Medium

Observation

Local governments are required to maintain tender registers under regulation 17 of the Local Government (Functions & General) Regulations 1996 (the regulations). We performed tests on tenders' register and also reviewed the compliance status with reference to the Office of the Auditor General's report issued on Local Government Contract Extensions and Variations, which also covered Tenders Registers. The status of compliance of the regulatory requirements and the Office of the Auditor General recommendations were discussed with Senior Procurement Advisor of the Town and the following was observed:

1. Enhancement of procedures with comprehensive guidance to staff on maintenance of contract/tender registers is required. As per the Office of the Auditor General's recommendations this include the dollar value above which the contracts are to be included in the register and the custodian of register with responsibility for regular review and update of the contract register.
2. Register should include an estimated dollar value of Schedule of Rates contracts.
3. Contract/Tender register should include information on the number and duration of extension options available under each contract, extension options already exercised and details of remaining extension options.
4. Contract register to have details of scheduled performance review dates.

Management agreed to give this due consideration.

Recommendation

It is recommended that the tender register be updated to include all the contents as specified in the observation above. Further, procedures should be updated to include detailed guidance on the maintenance of tenders / contracts register.

Management Comment, Timeframe & Responsibility

Action agreed by management	<p>A contract register was established in June 2020.</p> <ol style="list-style-type: none"> a) A procedure will be put in place, concerning a dollar value above which contracts, are included in this contracts register. b) The column referred to also includes the contract value for goods & services contracts in which case the amount is obtained from the Evaluation Memo. c) All Extension of Contract documentation will be prepared by Legal, the Contracts Advisor will be responsible for ensuring a copy is saved to H drive and Synergy. d) Performance review dates specified in the contract itself will be included in the Register. <p>Procurement will send all newly executed contracts to the Contract Advisor. Once the contracts are received they will be uploaded into the contract register with all documents.</p>
Action Owner	Contracts Advisor / Senior Procurement and Contracting Advisor
Target Date	30 June 2021

6. Contractors Performance Assessments before Contract Extensions

Rating Calculation
<i>Consequence = Moderate</i>
<i>Likelihood = Possible</i>

Overall Risk Rating		
Extreme	High	Medium

Observation

Section 6.3 of the Internal Operating Procedures for Procurement specify the conditions under which a contract can be extended. Further, The Western Australian Auditor General, in its recent report on Local Government Contract Extensions and Variations, has also made certain recommendations on contract extensions. We observed that following were not explicitly covered under the existing policies and procedures of the Town for contract extensions:

1. Clause in the policy and procedure to ensure that extensions are approved before the expiration date of the original contract or previously extended terms, for continuity in the provision of services.
2. Ensuring that there is documented evidence that contractor performance has been assessed before a contract extension is approved.
3. Documents for approval of contract extensions are retained in accordance with record keeping plan, to promote accountability and transparency in decision making. It was observed during the review that no centralised record of the approvals for extensions was maintained.

Recommendation

It is recommended that policies and procedures should be enhanced to include the clause for extensions before the expiry of the contract, retention of documentary evidence of assessment of contractor performance and record keeping of the extension approvals and updating these details in the tenders/ contracts register. This would enhance the effectiveness of the extension process through documented procedures for review of extensions, documenting performance of contractors and timely extensions.

Management Comment, Timeframe & Responsibility

Action agreed by management	Management agrees with the observation and will undertake a full review of the current Extensions and Variations of Contracts IOP and Purchasing Policy, taking into account the auditors recommendations.
Action Owner	Legal Advisor / Senior Procurement and Contracting Advisor
Target Date	31 August 2021

7. Insufficient Controls over Contracts Variations: Moderate

Rating Calculation
<i>Consequence = Moderate</i>
<i>Likelihood = Possible</i>

Overall Risk Rating		
Extreme	High	Medium

Observation

As part of our review we also inspected the variations register. A sample of contracts with variations were selected, and the total number of variations recorded under a single procurement were inspected.

High number, values and percentage of variations were noted, and findings were shared with management for comments. The following is the summary of findings and management comments:

- Variations are required to be reported to the Audit, Risk & Compliance Committee, according to section 4 of Internal Operating Procedure for Variations. The trail of reporting of variations to the Audit, Risk & Compliance Committee and the Council was not provided.
- Confirmation on existence of procedures to investigate the reasons of the high number of variations and record of such findings for better outcome in the future was requested. Management confirmed that no formal process / procedure exists. Workshops and Information collection process on lessons learnt was also informal, however project managers write a project close out report which include lessons learnt. Management intends to roll out improved/revised project management documentation and to streamline the contract implementation process which includes to implement a Lessons Learnt Register, particularly for larger projects/programs.
- There were no specific restrictions on total value, number or percentage of minor variations under Internal Operating Procedure "Variations of Contracts with Suppliers", except variations above 10% of the initial quoted cost within the budget and requires approval by the CEO within his delegated limit. Further thresholds are also important to trigger progressively higher level of due diligence for variations above the prescribed threshold, for instance variations over a certain value or number of variations requiring more detailed justifications and probe than usually required in a standard variation approval form. Further, the under regulation 20 (3) of the Local Government (Functions and General)

Regulations 1996 define the minor variations having regard to total goods and services tenderers were invited to supply and not the project value as documented in the Internal Operating Procedures for Variances.

- Before the variation is approved, processes are not in place to consider the financial and operational capability of the contractor to handle resulting increased workload. Management generally makes an assumption that if the contractor is satisfactorily performing under the contract, proposed variation would be extremely unlikely to cause any financial stress, nor inhibit their ability to deliver the additional work.

Recommendations

We recommend that:

- A formal mechanism for identifying the reasons for variations and using the same for better outcomes in the future should be implemented along with the Lessons Learned Register.
- Management to consider introduction of a higher level of reasoning and justifications to be provided for variations exceeding a certain monetary and/or number of variations under a single contract. Monetary and other thresholds should also be implemented above which additional due diligence processes should be exercised before approving the variations.
- The process of approval of variations should be enhanced to include a formal performance and capability assessment of the contractor to perform the additional work.

Management Comment, Timeframe & Responsibility

Action agreed by management	Management agrees with the observation and will undertake a full review of the current Variation IOP and Purchasing Policy, taking into account the auditors recommendations.
Action Owner	Senior Procurement and Contracting Advisor / Finance Manager / Director Infrastructure Services
Target Date	30 September 2021

8. Discrepancies in Vendor Data and Lack of Monitoring Processes:

Rating Calculation
<i>Consequence = Moderate</i>
<i>Likelihood = Possible</i>

Overall Risk Rating		
Extreme	High	Medium

Observations

a) **Discrepancies in Vendor Data:** In order to perform accounting functions, including payments to contractors, a creditor file is required to be created in the Town's system, Synergy Soft. The task of opening a new creditor in the system rests with the finance function to ensure segregation of duties between procuring and payment functions. We obtained data of all creditors from finance and performed analysis on this data. Our analysis identified the following observations for 11,298 records:

- i. 5,433 records had no ABN (Australian Business Number) recorded in the system.
- ii. 5,135 records had no bank account details.
- iii. 50 records had no addresses.
- iv. 142 records had "10000000000" recorded in the field for ABN.
- v. 6,226 records for ABN were duplicates.
- vi. 5,492 records had duplicate bank accounts details.

Finance team also provided us with a copy of the Standard Operating Procedures for setting up new creditors in Synergy, however this document was still in draft form.

Controls in the form of periodical data base reviews to timely detect and correct the discrepancies were also not in place.

The Finance team advised that discrepancies in creditors/ vendors data shall be removed by 31 March 2021. The Office of Auditor General WA in its report on "Fraud Prevention in Local Governments" dated 15 August 2019 specified better practices by ensuring that supplier credentials are checked, particularly for high risk or high value purchases, including:

- Confirm ABN; and
- Confirm Directors are not bankrupt or disqualified.

b) **Monitoring and Exception Reporting Process on Purchase Orders:** No mechanism was in place to generate the exception reports based on the exceptions for instance on following exception areas:

- Potential PO Price Rounding;
- Order date raised after Invoice Date;
- Order date raised after Goods Received Date;
- Order raised on a Saturday/Sunday;
- Order raised after normal working hours.

There were no exception reporting processes implemented to identify and flag possible duplication or splitting of purchase orders anomalies such as orders raised for the same supplier on the same date or orders raised in the same month with the same value.

Current process has limited functionality to record and monitor exceptions. The process of invoice authorisation is governed by a Standard Operating Procedure which covers a limited functionality of recording discrepancies noted by the authorising officer. Invoices are received directly by the Finance Team which are then saved in the relevant authorising officer's folder to check the invoices. However, process for review, monitoring, resolution and escalation of queries is not covered in detail in the Standard Operating Procedure.

c) As part of our sample testing, we also noted that in one instance a purchase order was issued for a value above the budgeted amount. In another instance the purchase order was issue to the contractor before the evaluation report and authorisation memorandum was signed. Management accepted the fact that the purchase order was issued straight after the evaluation meeting and not when it was approved.

Standard Operating Procedures around processes to ensure receipt of service from the supplier/ vendor/ contractor were not sighted. Further, the cross matching of invoice with the payment certificates and purchase orders by finance is not specified in the form of a Standard Operating Procedure. As part of our sample testing, we noted that in eleven instances either evidence of invoice verification or verification of asset/service were not produced.

Recommendations

- a) **Discrepancies in Vendor Data:** Management should consider completing a creditors data cleansing exercise which are performed on a periodical basis. Standard Operating Procedures for setting up new creditors in Synergy System should furthermore be updated and get approved and regular review mechanism for data cleansing should be implemented.
- b) **Monitoring and Exception Reporting Process on Purchase Orders:** It is recommended that procedures should be developed and implemented to ensure that all the exceptions relating to verifications and certifications before payments are identified, recorded, escalated and followed up.

Management Comment, Timeframe & Responsibility

a) Discrepancies in Vendor Data:

Action agreed by management	Management agree with the recommendation. An Internal Operating Procedure (IOP) was not in place at the time of audit. Management agrees that it is required and drafting and formal adoption shall occur by the target date.
Action Owner	Finance Manager
Target Date	31 August 2021

b) Monitoring and Exception Reporting Process on Purchase Orders:

Action agreed by management	Management agree with the recommendation, however there are currently limitations with exemption reporting due to the legacy system (Synergy). The Town agree to further investigate manual processes and controls that can be put in place to work in with the current legacy system until such time as a new ERP system with automated exception reporting is implemented.
Action Owner	Finance Manager
Target Date	30 September 2021 – Working with legacy system (Synergy) 31 December 2022 – New ERP System

9. Records Management:

Rating Calculation
<i>Consequence = Minor</i>
<i>Likelihood = Likely</i>

Overall Risk Rating		
Extreme	High	Medium

Observation

The Record Management Synergy Soft System is used to create a Synergy file in which the records are uploaded in scanned form. As and when a new procurement is initiated, the procurement department through a standardised application, request the records department to open a new file in the Synergy Soft System which is communicated back by them through email with a file number. Once the procurement process is completed, the procurement team uploads all the relevant files in Synergy System under the file number. Physical documents are sent to the records department, who checks if those documents are uploaded in the record management system, if not they scan and upload it in the record management system. At the records department quality assurance is also performed by way of a peer review. It was observed that, no mechanism was in place to ensure that all the Synergy file numbers issued through Synergy Soft System have records uploaded there against. Further, no review mechanism existed to ensure that all the synergy files reference numbers against which approved records not uploaded are periodically followed up with the procurement department. This observation was discussed with the Senior Records Officer and it was agreed to implement a quarterly review and reconciliation mechanism to ensure that all the Synergy file reference numbers against which records are not updated in Synergy Soft are periodically followed up. In the absence of a reconciliation mechanism there is a risk that scanned records are not timely updated in Synergy Soft and physical records are not transferred to the records management department for quality assurance.

As part of our audit test we also selected 22 samples and requested the records management team to confirm the availability of records in scanned and physical form, however, the confirmation was not provided.

As part of our sample testing, we noted that in one instance procurement and contract supporting documents and clarifications requested were not provided. The Senior Procurement Advisor informed that this procurement was prior to the current procurement team. Hence, records were not completely available.

Recommendation

It is recommended that the current record management processes should be updated to include review and follow up mechanism for Synergy file reference numbers against which no records are created, updated or not sent to the records department. Further, it is to be ensured that all the past procurement documents and contracts are tracked and preserved in the Record Management System Synergy Soft, to ensure compliance of records management policies and procedures.

Management Comment, Timeframe & Responsibility

Action agreed by management	New process to be implemented whereby original hard copy of contracts and leases only are sent to Records with a "Receipt Memo" whereby Records are to sign an acknowledgement of the document and return the acknowledgement to the relevant officers
Action Owner	Senior Procurement & Contracting Advisor/Senior Records Officer
Target Date	31 May 2021

10. Insufficient Training on Procurement and Contract Management:

Rating Calculation
<i>Consequence = Minor</i>
<i>Likelihood = Possible</i>

Overall Risk Rating		
Extreme	High	Medium

Observation

Timely and comprehensive training are necessary to ensure that personnel responsible for procurement are updated on the latest regulations, trends, practices and efficiency opportunities that exist in the environment. Training also enhance the good governance and act as a tool for minimising the operational lapses as this keep the employees updated on the current policies, procedures, legislation and key risk in their operating areas. As part of our review we held discussions with management to assess if adequate training processes are implemented in respect of procurement, including staff responsible for procurement evaluations, and contract management process. We observed the following:

1. As per the Local Government Act Section 5.56, planning for the future is to be carried out. This is more specifically covered under the Local Government Act 1995. Local Government (Administration) Regulations 1996 Section 19DA (3) (c) also specify workforce planning. Analysis of workforce gaps, issues and risks also require situations analysis of training strategies as per the Department of Local Government Work Force Planning Essentials Toolkit. A work force plan 2012-2016 is available on the Towns website, however evidence of a recent situation analysis, particularly for procurement related staff, was not available.
2. A training calendar for the year 2019-2020 was in place with trainings scheduled for procurement. It was explained that this was not implemented due to COVID-19 related disruptions.
3. Procurement related training was also sourced through a subscription of ELMO training module which is an online training platform. This training is WALGA oriented. However, the subscription to ELMO was already expired at the time of our review, hence this training was not available at the time of review. Management, on request provided statistics for the trainings completed on procurements through ELMO and it was observed that only 37% i.e. 11 out of 30 enrolments completed the procurement course.

4. Two training courses were also designed by the procurement team internally. The Senior Procurement Advisor informed that procurement conducts these as one to one training, however a formal training calendar and record of trainings held was not provided.

Recommendation

It is recommended that a formal training need assessment be carried out and a training calendar be planned accordingly. Procurement related training should be conducted through a blend of internal and external training solutions covering systems, regulations, best practices, standards and management. This in turn would further improve governance, controls and skills set of the staff involved in the procurement process at all levels.

Management Comment, Timeframe & Responsibility

Action agreed by management	<p>Management confirms that the above recommendations are already in place as per below:</p> <p>Workforce Plan has been approved and uploaded on the Town's website.</p> <p>Procurement has been mandated to maintain an annual internal and external Training Register identifying the date and details of the proposed training.</p> <p>The register shall identify the proposed annual training for each staff member internally within Procurement. Another register to identify the training that Procurement gives to other directorates, shall also be maintained.</p> <p>Procurement conducts training sessions with internal staff and contractors, Procurement provides training as required for new staff in groups or one on one. Procurement also provide new contractor training as and when identified. When training is conducted all applicants are registered.</p> <p>There is an ELMO training module that covers the following</p> <ul style="list-style-type: none"> • Diploma of Government (Contracting & Procurement)
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	<ul style="list-style-type: none"> • Introduction to Procurement & Contracting Fundamentals • Introduction to Procurement in LG WALGA. • New & Revised Procurement Procedures Workshop • Procurement and Contract training
Action Owner	Senior Procurement & Contracting Advisor / Human Resource Manager
Target Date	Completed

Rating Criteria

Recommendations made in this report have been rated as Extreme, High or Medium based on an assessment of underlying issues. The assessment was made by Internal Audit using predetermined criteria as outlined below. An issue may display one, all or a combination of the example attributes listed against the relevant rating.

LEVEL	RATING	FORESEEABLE	DESCRIPTION
E	Excellent	Doing more than what is reasonable under the circumstances	Existing controls exceed current legislated, regulatory and compliance requirements, and surpass relevant and current standards, codes of practice, guidelines and industry benchmarks expected of this organisation
A	Adequate	Doing what is reasonable under the circumstances	Existing controls are in accordance with current legislated, regulatory and compliance requirements, and are aligned with relevant and current standards, codes of practice, guidelines and industry benchmarks expected of this organisation
I	Inadequate	Not doing some or all things reasonable under the circumstances	Existing controls do not provide confidence that they meet current legislated, regulatory and compliance requirements, and may not be aligned with relevant and current standards, codes of practice, guidelines and industry benchmarks expected of this organisation

MEASURES OF CONSEQUENCE

LEVEL	1	2	3	4	5
RATING	Insignificant	Minor	Moderate	Major	Catastrophic
HEALTH	Negligible injuries	First aid injuries	Medical type injuries or Lost time injury < 5 days	Lost time injury > 5 days	Fatality, permanent disability
FINANCIAL IMPACT	Less than \$3,000	\$3,000 - \$30,000	\$30,001 - \$300,000	\$300,001 - \$3M	More than \$3M
SERVICE INTERRUPTION	No material service interruption	Temporary interruption to an activity – backlog cleared with existing resources	Interruption to Service Unit(s) deliverables – backlog cleared by additional resources	Prolonged interruption of critical core service deliverables – additional resources; performance affected	Indeterminate prolonged interruption of critical core service deliverables – non-performance
COMPLIANCE	Occasional noticeable temporary non-compliances	Regular noticeable temporary non-compliances	Non-compliance with significant regulatory requirements imposed	Non-compliance results in termination of services or imposed penalties	Non-compliance results in criminal charges or significant damages or penalties
REPUTATION	Unsubstantiated, localised low impact on key stakeholder trust, low profile or no media item	Substantiated, localised impact on key stakeholder trust or low media item	Substantiated, public embarrassment, moderate impact on key stakeholder trust or moderate media profile	Substantiated, public embarrassment, widespread high impact on key stakeholder trust, high media profile, third party actions	Substantiated, public embarrassment, widespread loss of key stakeholder trust, high widespread multiple media profile, third party actions
ENVIRONMENT	Contained, reversible impact managed by on site response	Contained, reversible impact managed by internal response	Contained, reversible impact managed by external agencies	Uncontained, reversible impact managed by a coordinated response from external agencies	Uncontained, irreversible impact

MEASURES OF LIKELIHOOD

LEVEL	RATING	DESCRIPTION	FREQUENCY	PROBABILITY
5	Almost Certain	The event is expected to occur in most circumstances	More than once per year	Greater than 90% chance of occurrence
4	Likely	The event will probably occur in most circumstances	At least once per year	60% - 90% chance of occurrence
3	Possible	The event should occur at some time	At least once in 3 years	40% - 60% chance of occurrence
2	Unlikely	The event could occur at some time	At least once in 10 years	10% - 40% chance of occurrence
1	Rare	The event may only occur in exceptional circumstances	Less than once in 15 years	Less than 10% chance of occurrence

RISK MATRIX

Consequence Likelihood		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Almost Certain	5	MEDIUM (5)	HIGH (10)	HIGH (15)	EXTREME (20)	EXTREME (25)
Likely	4	LOW (4)	MEDIUM (8)	HIGH (12)	HIGH (16)	EXTREME (20)
Possible	3	LOW (3)	MEDIUM (6)	MEDIUM (9)	HIGH (12)	HIGH (15)
Unlikely	2	LOW (2)	LOW (4)	MEDIUM (6)	MEDIUM (8)	HIGH (10)
Rare	1	LOW (1)	LOW (2)	LOW (3)	LOW (4)	MEDIUM (5)

RISK ACCEPTANCE CRITERIA

RISK RANK	LEVEL OF RISK	DESCRIPTION	CRITERIA FOR RISK ACCEPTANCE	RESPONSIBILITY
EXTREME	17 - 25	Urgent Attention Required	Risk only acceptable with excellent controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority and subject to continuous monitoring	CEO / Council
HIGH	10 - 16	Attention Required	Risk acceptable with excellent controls, managed by senior management / executive and subject to monthly monitoring	Director / CEO
MEDIUM	5 - 9	Monitor	Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring	Operational Manager
LOW	1 - 4	Acceptable	Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring	Operational Manager



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Commercial Enterprises by Local Governments					
No	Reference	Question	Response	Comments	Respondent
1	s3.59(2)(a) F&G Regs 7,9,10	Has the local government prepared a business plan for each major trading undertaking that was not exempt in 2020?	N/A		Manager Financial Services
2	s3.59(2)(b) F&G Regs 7,8,10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2020?	N/A		Manager Financial Services
3	s3.59(2)(c) F&G Regs 7,8,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2020?	N/A		Manager Financial Services
4	s3.59(4)	Has the local government complied with public notice and publishing requirements for each proposal to commence a major trading undertaking or enter into a major land transaction or a land transaction that is preparatory to a major land transaction for 2020?	N/A		Manager Financial Services
5	s3.59(5)	During 2020, did the council resolve to proceed with each major land transaction or trading undertaking by absolute majority?	N/A		Governance Officer



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Delegation of Power/Duty					
No	Reference	Question	Response	Comments	Respondent
1	s5.16	Were all delegations to committees resolved by absolute majority?	Yes	Council resolved all delegations to Committee by Absolute majority on 27/05/2020 Decision number #CM201920/231	Governance Officer
2	s5.16	Were all delegations to committees in writing?	Yes	Delegation register presented to Council 27 May 2020. Decision #CM201920/231	Governance Officer
3	s5.17	Were all delegations to committees within the limits specified in section 5.17?	Yes		Governance Officer
4	s5.18	Were all delegations to committees recorded in a register of delegations?	Yes		Governance Officer
5	s5.18	Has council reviewed delegations to its committees in the 2019/2020 financial year?	Yes	Delegations to the committee were reviewed by Council on 27 May 2020 (Decision #CM201920/231).	Angelique
6	s5.42(1) & s5.43 Admin Reg 18G	Did the powers and duties delegated to the CEO exclude those listed in section 5.43 of the Act?	Yes		Governance Officer
7	s5.42(1)	Were all delegations to the CEO resolved by an absolute majority?	Yes		Governance Officer
8	s5.42(2)	Were all delegations to the CEO in writing?	Yes		Governance Officer
9	s5.44(2)	Were all delegations by the CEO to any employee in writing?	Yes		Governance Officer
10	s5.16(3)(b) & s5.45(1)(b)	Were all decisions by the council to amend or revoke a delegation made by absolute majority?	Yes		Governance Officer
11	s5.46(1)	Has the CEO kept a register of all delegations made under Division 4 of the Act to the CEO and to employees?	Yes		Governance Officer
12	s5.46(2)	Were all delegations made under Division 4 of the Act reviewed by the delegator at least once during the 2019/2020 financial year?	Yes	Reviewed and presented to Council on 27 May 2020 (Decision #CM201920/231)	Governance Officer
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record in accordance with Admin Reg 19?	Yes		Governance Officer



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Disclosure of Interest					
No	Reference	Question	Response	Comments	Respondent
1	s5.67	Where a council member disclosed an interest in a matter and did not have participation approval under sections 5.68 or 5.69, did the council member ensure that they did not remain present to participate in discussion or decision making relating to the matter?	N/A		Governance Officer
2	s5.68(2) & s5.69 (5) Admin Reg 21A	Were all decisions regarding participation approval, including the extent of participation allowed and, where relevant, the information required by Admin Reg 21A, recorded in the minutes of the relevant council or committee meeting?	N/A		Governance Officer
3	s5.73	Were disclosures under section sections 5.65, 5.70 or 5.71A(3) recorded in the minutes of the meeting at which the disclosures were made?	Yes		Governance Officer
4	s5.75 Admin Reg 22, Form 2	Was a primary return in the prescribed form lodged by all relevant persons within three months of their start day?	Yes		Governance Officer
5	s5.76 Admin Reg 23, Form 3	Was an annual return in the prescribed form lodged by all relevant persons by 31 August 2020?	Yes		Governance Officer
6	s5.77	On receipt of a primary or annual return, did the CEO, or the mayor/president, give written acknowledgment of having received the return?	Yes		Governance Officer
7	s5.88(1) & (2)(a)	Did the CEO keep a register of financial interests which contained the returns lodged under sections 5.75 and 5.76?	Yes		Governance Officer
8	s5.88(1) & (2)(b) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70, 5.71 and 5.71A, in the form prescribed in Admin Reg 28?	Yes		Governance Officer
9	s5.88(3)	When a person ceased to be a person required to lodge a return under sections 5.75 and 5.76, did the CEO remove from the register all returns relating to that person?	Yes		Governance Officer



No	Reference	Question	Response	Comments	Respondent
10	s5.88(4)	Have all returns removed from the register in accordance with section 5.88(3) been kept for a period of at least five years after the person who lodged the return(s) ceased to be a person required to lodge a return?	Yes	Checked internal register and with Records. All persons who ceased to require to lodge a return were removed from the register and hard copy documents were archived. Records hold the hard copy for 6 months as per GDA Reference NO. 3.4.2, and electronic copies are kept beyond 5 years.	Governance Officer
11	s5.89A(1), (2) & (3) Admin Reg 28A	Did the CEO keep a register of gifts which contained a record of disclosures made under sections 5.87A and 5.87B, in the form prescribed in Admin Reg 28A?	No	Checked internal register and it contains a record of all gift disclosure in the prescribed form. However, the address of the person who made the gift was not included. Internal form has been updated accordingly and going forward the register of gifts will now include the address of the person who made the gift.	Governance Officer
12	s5.89A(5) & (5A)	Did the CEO publish an up-to-date version of the gift register on the local government's website?	Yes		Governance Officer
13	s5.89A(6)	When a person ceases to be a person who is required to make a disclosure under section 5.87A or 5.87B, did the CEO remove from the register all records relating to that person?	Yes		Governance Officer
14	s5.89A(7)	Have copies of all records removed from the register under section 5.89A(6) been kept for a period of at least five years after the person ceases to be a person required to make a disclosure?	Yes		Governance Officer
15	Rules of Conduct Reg 11(1), (2) & (4)	Where a council member had an interest that could, or could reasonably be perceived to, adversely affect the impartiality of the person, did they disclose the interest in accordance with Rules of Conduct Reg 11(2)?	Yes		Governance Officer
16	Rules of Conduct Reg 11(6)	Where a council member disclosed an interest under Rules of Conduct Reg 11(2) was the nature of the interest recorded in the minutes?	Yes		Governance Officer
17	s5.70(2) & (3)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to council or a committee, did that person disclose the nature and extent of that interest when giving the advice or report?	Yes		Governance Officer



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No	Reference	Question	Response	Comments	Respondent
18	s5.71A & s5.71B (5)	Where council applied to the Minister to allow the CEO to provide advice or a report to which a disclosure under s5.71A(1) relates, did the application include details of the nature of the interest disclosed and any other information required by the Minister for the purposes of the application?	N/A	There were no requests made for ministerial approval.	Governance Officer
19	s5.71B(6) & s5.71B(7)	Was any decision made by the Minister under subsection 5.71B(6) recorded in the minutes of the council meeting at which the decision was considered?	N/A	There were no Relevant requests made to the Minister.	Governance Officer
20	s5.103 Admin Regs 34B & 34C	Has the local government adopted a code of conduct in accordance with Admin Regs 34B and 34C to be observed by council members, committee members and employees?	Yes		Governance Officer
21	Admin Reg 34B(5)	Has the CEO kept a register of notifiable gifts in accordance with Admin Reg 34B(5)?	Yes		Governance Officer



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Disposal of Property					
No	Reference	Question	Response	Comments	Respondent
1	s3.58(3)	Where the local government disposed of property other than by public auction or tender, did it dispose of the property in accordance with section 3.58(3) (unless section 3.58(5) applies)?	Yes	All proposed disposals of KSBP Lots were advertised in the Northwest Telegraph. Lot 3, Lot 417, Lot 421, Lot 422, Lot 423, Lot 433.	Governance Officer
2	s3.58(4)	Where the local government disposed of property under section 3.58(3), did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property?	Yes	Lot 3 Sold on 27/03/20 (advertised: 19/02/20) Lot 417 Sold on 06/07/20 (advertised: 17/06/20) Lot 421 Sold on 27/03/20 (advertised: 04/03/20) Lot 422 Sold on 27/03/20 (advertised: 04/03/20) Lot 423 Sold on 27/03/20 (advertised: 04/03/20) Lot 433 Sold on 19/08/20 (advertised: 29/07/20)	Governance Officer



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Elections					
No	Reference	Question	Response	Comments	Respondent
1	Elect Regs 30G(1) & (2)	Did the CEO establish and maintain an electoral gift register and ensure that all disclosure of gifts forms completed by candidates and donors and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the forms relating to each candidate?	Yes		Governance Officer
2	Elect Regs 30G(3) & (4)	Did the CEO remove any disclosure of gifts forms relating to an unsuccessful candidate, or a successful candidate that completed their term of office, from the electoral gift register, and retain those forms separately for a period of at least two years?	Yes		Governance Officer
3	Elect Regs 30G(5) & (6)	Did the CEO publish an up-to-date version of the electoral gift register on the local government's official website in accordance with Elect Reg 30G(6)?	Yes		Governance Officer



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Finance					
No	Reference	Question	Response	Comments	Respondent
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act?	No	On 4 November 2020, three (3) Elected Members were considered and appointed as members to the Audit, Risk and Compliance (ARC) Committee, following the Extraordinary Local Government Election, held on 17 October 2020. The Council Decision was carried by an absolute majority of 9-0. The report to Council stipulated that committee members were to be appointed by Absolute Majority vote. However, the officer's recommendation included an erroneous reference to a 'Simple Majority'. For the removal of doubt, a report was presented to Council at its Ordinary Council Meeting held on 24 February 2021, to formally re-confirm and appoint the members to the ARC committee by an Absolute Majority Vote. Decision CM202021/124. The ARC Committee has not yet convened, and is scheduled to do so on 10 March 2021.	Senior Governance Advisor
2	s7.1B	Where the council delegated to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority?	Yes	Delegation register was adopted by absolute majority on 27 May 2020. (Decision #CM201920/231)	Governance Officer



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No	Reference	Question	Response	Comments	Respondent
3	s7.3(1) & s7.6(3)	Was the person or persons appointed by the local government to be its auditor appointed by an absolute majority decision of council?	N/A	In February 2020, the OAG notified the Town of the planned appointment of an auditor (RSM) to review the 2019/2020FY financial statements. To date, the Town has not been notified of the auditor, and no Council decision will be required. This is in accordance with section 52 of the Local Government Act 1995.	Manager Financial Services
4	s7.3(3)	Was the person(s) appointed by the local government under s7.3(1) to be its auditor a registered company auditor or an approved auditor?	N/A	In February 2020, the OAG notified the Town of the planned appointment of an auditor to review the 2019/2020FY financial statements. To date, the Town has not been notified of the auditor, and no Council decision will be required. This is in accordance with section 52 of the Local Government Act 1995.	Governance Officer
5	s7.9(1)	Was the auditor's report for the financial year ended 30 June 2020 received by the local government by 31 December 2020?	No	Changes to Local Government (Financial Management Regulations) 1996 have delayed the issue of the auditor's report for the financial year 30 June 2020. As at 3 March 2021 this final report has not been received from the OAG	Manager Financial Services
6	s7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under s7.9 (1) of the Act required action to be taken, did the local government ensure that appropriate action was undertaken in respect of those matters?	Yes	Yes, the interim report was conducted in May 2020, and presented to Council on 26 August 2020. The final report has not been received to date. CM202021/033	Manager Financial Services



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No	Reference	Question	Response	Comments	Respondent
7	s7.12A(4)(a)	Where matters identified as significant were reported in the auditor's report, did the local government prepare a report that stated what action the local government had taken or intended to take with respect to each of those matters?	N/A	A final list of audit matters has not been received by the Town in relation to the 30 June 2020 financial year due to the delays described in item 5. There are no significant items in the draft report.	Manager Financial Services
8	s7.12A(4)(b)	Where the local government was required to prepare a report under s.7.12A(4)(a), was a copy of the report given to the Minister within three months of the audit report being received by the local government?	N/A	Audit report is yet to be received and will be provided to the Minister within 3 months of receipt	Manager Financial Services
9	s7.12A(5)	Within 14 days after the local government gave a report to the Minister under s7.12A(4)(b), did the CEO publish a copy of the report on the local government's official website?	N/A	Final report yet to be Received and will be published on the official website within the statutory timeframe under s7.12A(4)(b)	Manager Financial Services
10	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives and scope of the audit, a plan for the audit, details of the remuneration and expenses paid to the auditor, and the method to be used by the local government to communicate with the auditor?	Yes		Manager Financial Services
11	Audit Reg 10(1)	Was the auditor's report for the financial year ending 30 June received by the local government within 30 days of completion of the audit?	N/A	Due to the delays with amendments to the Local Government (Financial Management Regulations) 1996, the auditors report was not received 30 days after completion of the audit.	Manager Financial Services



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Integrated Planning and Reporting					
No	Reference	Question	Response	Comments	Respondent
1	Admin Reg 19C	Has the local government adopted by absolute majority a strategic community plan? If Yes, please provide the adoption date or the date of the most recent review in the Comments section?	Yes	The Council adopted the Corporate Business Plan 2018 - 2022 on 24 October 2018 by absolute majority (CM201819/067). A minor review was conducted at the 24 June 2020 OCM Decision #CM201920/256 and carried by the Commissioner.	Governance Officer
2	Admin Reg 19DA (1) & (4)	Has the local government adopted by absolute majority a corporate business plan? If Yes, please provide the adoption date or the date of the most recent review in the Comments section?	Yes		Governance Officer
3	Admin Reg 19DA (2) & (3)	Does the corporate business plan comply with the requirements of Admin Reg 19DA(2) & (3)?	Yes	The Town has a Corporate Business Plan covering the years 2018 – 2022. A yearly review was completed and adopted at OCM on 24 June 2020. Decision #CM201920/256 Quarterly reviews are also conducted and presented to Council. Recorded in meeting minutes (26/08/2020; 27/05/2020; 26/02/2020)	Governance Officer



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Local Government Employees					
No	Reference	Question	Response	Comments	Respondent
1	Admin Reg 18C	Did the local government approve a process to be used for the selection and appointment of the CEO before the position of CEO was advertised?	N/A	The CEO was appointed in 2019.	Governance Officer
2	s5.36(4) & s5.37 (3) Admin Reg 18A	Were all CEO and/or senior employee vacancies advertised in accordance with Admin Reg 18A?	Yes		Manager Human Resources
3	Admin Reg 18E	Was all information provided in applications for the position of CEO true and accurate?	N/A	The CEO was appointed in December 2019, and commenced in February 2020	Manager Human Resources
4	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position under section 5.36(4)?	N/A		Manager Human Resources
5	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss senior employee?	Yes		Governance Officer
6	s5.37(2)	Where council rejected a CEO's recommendation to employ or dismiss a senior employee, did it inform the CEO of the reasons for doing so?	N/A	Council did not reject CEO's recommendation to employ a senior employee; and no recommendations to dismiss an employee were brought to Council in 2020. The CEO recommended employment of a candidate for Director of Corporate Services at OCM on 23/09/2020 and Council approved by the commissioner. decision #CM202021/073	Governance Officer



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Optional Questions					
No	Reference	Question	Response	Comments	Respondent
1	Financial Management Reg 5 (2)(c)	Did the CEO review the appropriateness and effectiveness of the local government's financial management systems and procedures in accordance with Financial Management Reg 5(2)(c) within the three years prior to 31 December 2020? If yes, please provide the date of council's resolution to accept the report.	N/A	The CEO completed a Regulation 5(2)(c) review on 7 May 2019. This was presented to council at ARC on 14 May 2019 and the minutes and decisions were adopted by Council on 26 June 2019 (CM201819/237). This is included in the Town's internal audit plan for 2021/2022.	Manager Financial Services
2	Audit Reg 17	Did the CEO review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance in accordance with Audit Reg 17 within the three years prior to 31 December 2020? If yes, please provide date of council's resolution to accept the report.	No	Review commenced in December 2020 by William Buck. This is part of the three (3) year internal audit plan. The final Regulation 17 Audit Review report will be presented to Council at its May 2021 Audit ,Risk and Compliance (ARC) Committee meeting for adoption.	Governance Officer
3	s5.87C(2)	Where a disclosure was made under sections 5.87A or 5.87B, was the disclosure made within 10 days after receipt of the gift?	No	Checked internal gift register for employees & Councillors/CEO. All gifts were declared within 10 days of receiving the gift with the exception of the Senior Procurement Advisor who received a gift on 30/01/2020, and submitted a gift declaration form 12 days later on 11/02/2020.	AngeGovernance Officer rique



Department of
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No	Reference	Question	Response	Comments	Respondent
4	s5.87C	Where a disclosure was made under sections 5.87A or 5.87B, did the disclosure include the information required by section 5.87C?	No	Checked the disclosures and the Local Government Act (1995), and the declaration forms include the information required by section 5.87C with the exception the address of the person who made the gift. The Town's processes have now been updated accordingly to include address of the person who made the gift.	Governance Officer
5	s5.90A(2)	Did the local government prepare and adopt by absolute majority a policy dealing with the attendance of council members and the CEO at events?	Yes	Checked OCM minutes, and a "Attendance at Events" policy was adopted at the OCM on 16 December 2020 and was carried by an absolute majority. Decision #CM202021/103	Governance Officer
6	s.5.90A(5)	Did the CEO publish an up-to-date version of the attendance at events policy on the local government's official website?	Yes		Governance Officer
7	s5.96A(1), (2), (3) & (4)	Did the CEO publish information on the local government's website in accordance with sections 5.96A(1), (2), (3), and (4)?	Yes		Governance Officer
8	s5.128(1)	Did the local government prepare and adopt (by absolute majority) a policy in relation to the continuing professional development of council members?	N/A	Checked the Town's website and the latest version was adopted at the OCM held on 26 September 2018 after the last Ordinary Local Government Election, is available for viewing. The updated version of this policy was adopted by Council on 24 February 2021. A new Council was sworn in during October 2020.	Governance Officer
9	s5.127	Did the local government prepare a report on the training completed by council members in the 2019/2020 financial year and publish it on the local government's official website by 31 July 2020?	Yes		Governance Officer
10	s6.4(3)	By 30 September 2020, did the local government submit to its auditor the balanced accounts and annual financial report for the year ending 30 June 2020?	Yes	Was sent to RSM on 30 September 2020	Manager Financial Services



Port Hedland - Compliance Audit Return 2020

Optional Questions					
No	Reference	Question	Response	Comments	Respondent
1	Financial Management Reg 5 (2)(c)	Did the CEO review the appropriateness and effectiveness of the local government's financial management systems and procedures in accordance with Financial Management Reg 5(2)(c) within the three years prior to 31 December 2020? If yes, please provide the date of council's resolution to accept the report.	N/A	The CEO completed a Regulation 5(2)(c) review on 7 May 2019. This was presented to council at ARC on 14 May 2019 and the minutes and decisions were adopted by Council on 26 June 2019 (CM201819/237). This is included in the Town's internal audit plan for 2021/2022.	Manager Financial Services
2	Audit Reg 17	Did the CEO review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance in accordance with Audit Reg 17 within the three years prior to 31 December 2020? If yes, please provide date of council's resolution to accept the report.	No	Review commenced in December 2020 by William Buck. This is part of the three (3) year internal audit plan. The final Regulation 17 Audit Review report will be presented to Council at its May 2021 Audit ,Risk and Compliance (ARC) Committee meeting for adoption.	Governance Officer
3	s5.87C(2)	Where a disclosure was made under sections 5.87A or 5.87B, was the disclosure made within 10 days after receipt of the gift?	No	Checked internal gift register for employees & Councillors/CEO. All gifts were declared within 10 days of receiving the gift with the exception of the Senior Procurement Advisor who received a gift on 30/01/2020, and submitted a gift declaration form 12 days later on 11/02/2020.	Governance Officer



Department of
**Local Government, Sport
and Cultural Industries**

No	Reference	Question	Response	Comments	Respondent
4	s5.87C	Where a disclosure was made under sections 5.87A or 5.87B, did the disclosure include the information required by section 5.87C?	No	Checked the disclosures and the Local Government Act (1995), and the declaration forms include the information required by section 5.87C with the exception the address of the person who made the gift. The Town's processes have now been updated accordingly to include address of the person who made the gift.	Governance Officer
5	s5.90A(2)	Did the local government prepare and adopt by absolute majority a policy dealing with the attendance of council members and the CEO at events?	Yes	Checked OCM minutes, and a "Attendance at Events" policy was adopted at the OCM on 16 December 2020 and was carried by an absolute majority. Decision #CM202021/103	Governance Officer
6	s.5.90A(5)	Did the CEO publish an up-to-date version of the attendance at events policy on the local government's official website?	Yes		Governance Officer
7	s5.96A(1), (2), (3) & (4)	Did the CEO publish information on the local government's website in accordance with sections 5.96A(1), (2), (3), and (4)?	Yes		Governance Officer
8	s5.128(1)	Did the local government prepare and adopt (by absolute majority) a policy in relation to the continuing professional development of council members?	N/A	Checked the Town's website and the latest version was adopted at the OCM held on 26 September 2018 after the last Ordinary Local Government Election, is available for viewing. The updated version of this policy was adopted by Council on 24 February 2021. A new Council was sworn in during October 2020.	Governance Officer
9	s5.127	Did the local government prepare a report on the training completed by council members in the 2019/2020 financial year and publish it on the local government's official website by 31 July 2020?	Yes		Governance Officer
10	s6.4(3)	By 30 September 2020, did the local government submit to its auditor the balanced accounts and annual financial report for the year ending 30 June 2020?	Yes		Manager Financial Services



Department of
**Local Government, Sport
and Cultural Industries**

Port Hedland - Compliance Audit Return 2020

Tenders for Providing Goods and Services					
No	Reference	Question	Response	Comments	Respondent
1	F&G Reg 11A(1) & (3)	Does the local government have a current purchasing policy that complies with F&G Reg 11A(3) in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, \$250,000 or less or worth \$250,000 or less?	Yes	The Town has a Purchasing Policy which has been in place since 2009, with the latest version adopted by Council in May 2020. CM201920/229	Procurement Officer
2	F&G Reg 11A(1)	Did the local government comply with its current purchasing policy in relation to the supply of goods or services where the consideration under the contract was, or was expected to be, \$250,000 or less or worth \$250,000 or less?	Yes		Procurement Officer



Department of
**Local Government, Sport
and Cultural Industries**

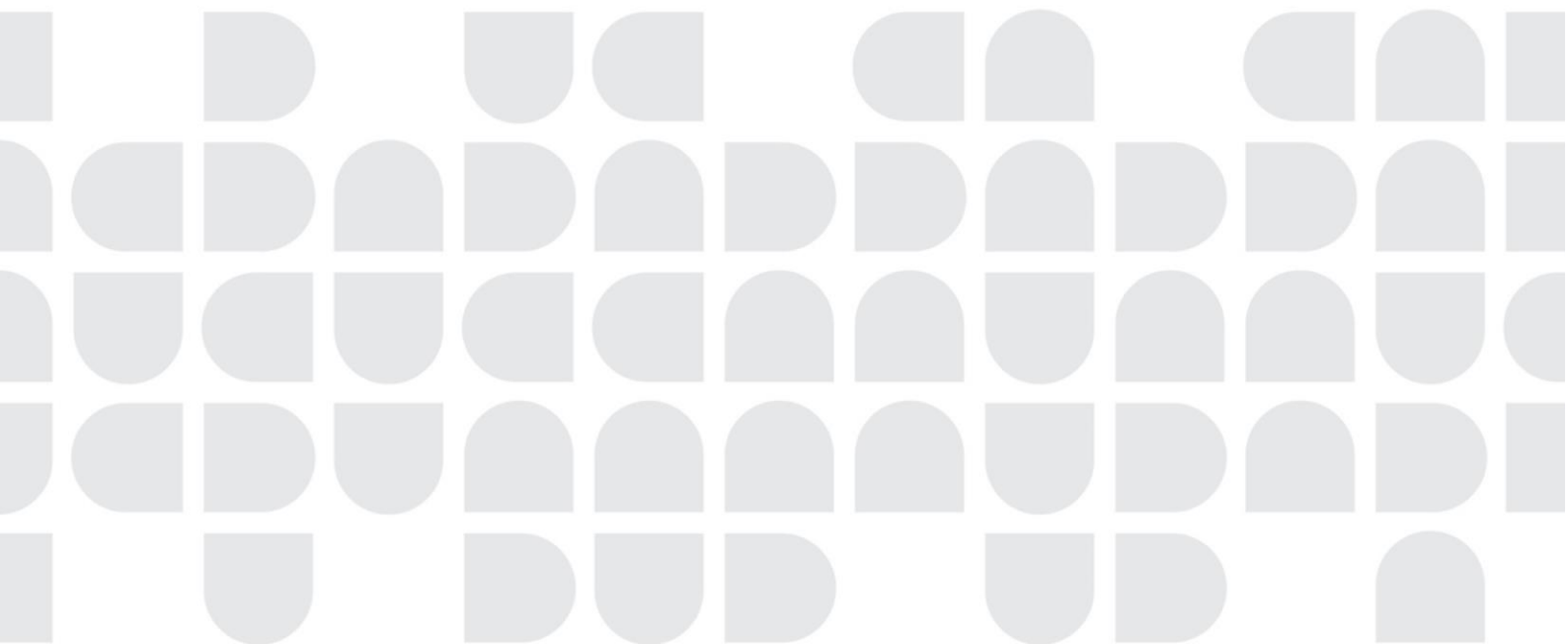
No	Reference	Question	Response	Comments	Respondent
3	s3.57 F&G Reg 11	Subject to F&G Reg 11(2), did the local government invite tenders for all contracts for the supply of goods or services where the consideration under the contract was, or was expected to be, worth more than the consideration stated in F&G Reg 11(1)?	Yes	Decision #ARC202021/014. A HVAC chiller was purchased for the JD Hardie centre through an existing tendered contract (head contractor). This tender included a provisional sum of \$170,000 for the purchase installation, commissioning and servicing. The purchase was initially reported to the Audit, Risk and Compliance Committee as being non-compliant due to the cost of the chiller exceeding the tender threshold (threshold at the time was \$150,000). The compliance issue arose when there was a commitment made by way of "letter of intent" to the supplier of the chiller (the equipment supplier to the head contractor) that the Town would purchase the plant irrespective of whether the head contractor required it for a quoted cost of \$160,000. This cost included Blygold treatment (\$11,000), commissioning and warranty servicing (\$10,650) however as the Town intended to dispose of the chiller then commissioning and warranty servicing would not be required reducing the price to \$149,850 (excluding GST). As the head contractor required the chiller the letter of intent never executed therefore no actual tender breach occurred.	Procurement Officer
4	F&G Regs 11(1), 12(2), 13, & 14(1), (3), and (4)	When regulations 11(1), 12(2) or 13 required tenders to be publicly invited, did the local government invite tenders via Statewide public notice in accordance with F&G Reg 14(3) and (4)?	Yes		Procurement Officer
5	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than a single contract?	Yes		Procurement Officer



Department of
**Local Government, Sport
and Cultural Industries**

No	Reference	Question	Response	Comments	Respondent
6	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer notice of the variation?	Yes		Procurement Officer
7	F&G Regs 15 & 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of F&G Regs 15 and 16?	Yes		Procurement Officer
8	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17 and did the CEO make the tenders register available for public inspection and publish it on the local government's official website?	Yes		Procurement Officer
9	F&G Reg 18(1)	Did the local government reject any tenders that were not submitted at the place, and within the time, specified in the invitation to tender?	Yes		Procurement Officer
10	F&G Reg 18(4)	Were all tenders that were not rejected assessed by the local government via a written evaluation of the extent to which each tender satisfies the criteria for deciding which tender to accept?	Yes		Procurement Officer
11	F&G Reg 19	Did the CEO give each tenderer written notice containing particulars of the successful tender or advising that no tender was accepted?	Yes		Procurement Officer
12	F&G Regs 21 & 22	Did the local government's advertising and expression of interest processes comply with the requirements of F&G Regs 21 and 22?	N/A	No expression of interests were released during this period	Procurement Officer
13	F&G Reg 23(1) & (2)	Did the local government reject any expressions of interest that were not submitted at the place, and within the time, specified in the notice or that failed to comply with any other requirement specified in the notice?	N/A	No expression of interests were released during this period	Procurement Officer
14	F&G Reg 23(3)	Were all expressions of interest that were not rejected assessed by the local government?	N/A	No expression of interests were released during this period	Procurement Officer
15	F&G Reg 23(4)	After the local government considered expressions of interest, did the CEO list each person considered capable of satisfactorily supplying goods or services as an acceptable tenderer?	N/A	No expression of interests were released during this period	Procurement Officer
16	F&G Reg 24	Did the CEO give each person who submitted an expression of interest a notice in writing of the outcome in accordance with F&G Reg 24?	N/A	No expression of interests were released during this period	Procurement Officer
17	F&G Regs 24AD(2) & (4) and 24AE	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice in accordance with F&G Reg 24AD(4) and 24AE?	Yes		Procurement Officer

Town of Port Hedland
Strategic 3 Year Internal Audit Plan
March 2021



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Preparation of the Strategic 3 Year Internal Audit Plan

Introduction

The Institute of Internal Auditors' International Professional Practices Framework requires Internal Audit to produce a risk-based plan, which takes into account the Town of Port Hedland's ("Town") risk management framework, knowledge of operations and internal controls derived from previous audits, its strategic objectives and priorities and the views of the Town's Management, the Audit, Risk and Compliance Committee ("ARC") and Council.

The objective of the Strategic 3 year and annual rolling plan is to direct audit resources in an efficient manner to provide assurance that key risks are being managed effectively.

This document addresses these requirements by setting out a proposed and detailed Annual Internal Audit Plan for the remainder of 2020/21 year and to realign the Strategic 3 Year Internal Audit Rolling Plan (the "Plan") for the period 1 July 2021 to 30 June 2023, where applicable, based on the changes on the Town's Risk Registers and in consultation with Senior Management for the consideration of the ARC.

This Annual Detailed and Rolling 3 year Internal Audit Plan is required to be reviewed and updated on an annual basis or when considered necessary by the ARC to ensure that Internal Audit Reviews are still aligned with any critical strategic, corporate and operational risks identified within the Town.

The nature, timing and extent of resources necessary to perform the engagements should be taken into account.

Role of Internal Audit Services

The aim of the Town's Internal Audit Service ("Internal Audit") is to assist the ARC and the Town's Management to manage risk by providing an innovative, responsive and effective value-added Internal Audit function. The objectives of Internal Audit are to:

- ✦ Provide independent consideration of risks, controls and processes across the Town;
- ✦ Promote mechanisms that encourage a culture, which is conscious of risk, control and processes; and
- ✦ Assist and support the Town in its drive for process improvement.

These objectives are achieved by:

- ✦ Assisting Management in evaluating their processes for identifying, assessing and managing the key operational, financial and compliance risks of the Town;
- ✦ Assisting Management in evaluating the effectiveness of internal control systems, including compliance with internal policies and their alignment with legislation and regulation;
- ✦ Recommending improvements in efficiency and effectiveness to the internal control systems established by Management;
- ✦ Keeping abreast of new developments affecting the Town's activities and in matters affecting Internal Audit; and
- ✦ Being responsive to the Town's changing needs and striving for continuous improvement.

Our internal audit activities typically include amongst others the following as guided by the Local Government Operational Guidelines Number 09 – Revised September 2013:

- ✦ the review of the internal control structure, monitoring the operations of the information system and internal controls and providing recommendations for improvements;
- ✦ a risk assessment with the intention of minimising exposure to all forms of risk on the local government;
- ✦ examination of financial and operating information that includes detailed testing of transactions, balances and procedures;
- ✦ a review of the efficiency and effectiveness of operations and services including non-financial controls of a local government;
- ✦ a review of compliance with management policies and directives and any other internal requirements;
- ✦ review of the annual Compliance Audit Return, if requested;

Preparation of the Strategic 3 Year Internal Audit Plan

- ✦ assist in the Chief Executive Officer's reviews of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance to ensure the CEO's compliance with Regulation 17 of the Local Government (Audit) Regulations 1996 within every 3 years; and
- ✦ other specific tasks requested by management and the ARC.

Review of the Current Internal Audit Plan and the future Strategic 3 Year Rolling Internal Audit Plan

The current Internal Audit Plan and Strategic 3 Year Rolling and Annual Internal Audit Plan was revised by William Buck in conjunction with the Town's Management through performance of the following steps:

- ✦ The Town's latest updated risk registers were reviewed to determine where the Town's current identified high rated risks are;
- ✦ The Town's Strategic Community Plan 2018-2028
- ✦ Corporate Business Plan 2018-2028;
- ✦ Audit, Risk and Compliance Committee Meetings for the past year as well as changes to it's members;
- ✦ Delays in the current Internal Audit Plan resulting from the COVID pandemic as well as the establishment of the new Council in October 2020;
- ✦ Changes in the current management structure and available resources, within the Town, to assist with reviews, yet effectively performing daily processes and tasks and implementing actions identified in internal and external audits;
- ✦ Alignment of Internal Audit Reviews with the Audit, Risk and Compliance Committee's calendar and reporting at least one internal audit review per quarter;

The 15 strategic risks identified, risk and control level, accordance with the Town's risk registers, as well as the suggested internal audit reviews to be performed were as follow:

Nr	Risks	Risk Level	Controls	Residual Risk	Number of the Suggested Internal Audit Reviews covering the Strategic Risks
1	Inadequate Asset Sustainability Practices	High	Adequate	Moderate	1
2	Inadequate Environmental Management	High	Adequate	Moderate	No planned internal audits in the current 3-year cycle
3	External Theft and Fraud (Inc. Cyber Crime)	Moderate	Adequate	Moderate	2 and 8
4	Fail to Fulfil Statutory, Regulatory or Compliance Requirements	Moderate	Effective	Low	3 and 4
5	Inadequate Record Management Processes	High	Inadequate	High	5
6	Ineffective Management of Facilities / Venues / Events	Moderate	Effective	Low	No planned internal audits in the current 3-year cycle
7	Inadequate Engagement Practices	High	Effective	Low	No planned internal audits in the current 3-year cycle
8	Misconduct	Moderate	Adequate	Moderate	2
9	Business and Community Disruption	High	Adequate	Moderate	6
10	Inadequate Supplier / Contract Management	High	Adequate	Moderate	7
11	Failure of ICT Systems and Infrastructure	High	Adequate	Moderate	No planned internal audits in the current 3-year cycle
12	Inadequate Safety and Security Practices	High	Inadequate	High	8
13	Ineffective Employment Practices	High	Adequate	Moderate	No planned internal audits in the current 3-year cycle

Preparation of the Strategic 3 Year Internal Audit Plan

Nr	Risks	Risk Level	Controls	Residual Risk	Number of the Suggested Internal Audit Reviews covering the Strategic Risks
14	Inadequate Project / Change Management	High	Adequate	Moderate	9
15	Errors, Omissions, Incorrect Advice and Delays	Moderate	Adequate	Moderate	4

Suggested Internal Audits		Recalculated Residual Risk for each Internal Audit Review
1	Strategic Asset Management and Maintenance Review	Moderate
2	Fraud Risk Management and Misconduct Review	Moderate
3	Regulation 17 Review (Including Governance, Risk Management, Internal Controls and Compliance Management) (At least once every 3 financial years)	Low
4	Finance Management Review (Key financial controls review)	Low
5	Records Management	High
6	Business Continuity and Disaster Recovery	Moderate
7	Procurement and Contract Management Review	Moderate
8	Safety and Security Management Review	High
9	Project Management Review	Moderate

Proposed Revised Internal Audit Plan for 2020/21

Internal Audit Reviews (Revised for the 2020/21 financial year)

With reference to our revision of the annual and 3 year rolling internal audit plan performed and discussions held, Management suggested to reduce the Internal Audit Reviews to three (3) reviews per year. This will ensure that the Town has resources available to respond to questions and information requested during these reviews yet still performing daily processes and tasks effectively. This will also give the Town the opportunity in implementing actions on findings and improvement opportunities identified in internal and external audits. Internal audit reviews originally identified in the 2020/21 Annual and 3 year Internal Audit Plan were reprioritised based on the residual risk and incorporated in the Strategic 3 Year Internal Audit Plan for the period 1 July 2021 to 30 June 2023. The six (6) projects removed from the Strategic 3 Year Internal Audit Plan, will be rolled over, together with additional projects identified during internal reviews, to future financial years and will form part of a proposed five (5) year Internal Audit Plan.

Internal Audits 2020/21

Description	Related Risks	Progress	Residual Risk Rating	20/21 (hours)
Procurement and Contract Management Review	10. Inadequate Supplier / Contract Management	Completed 2nd Quarter 2020/21	Moderate	80
Regulation 17 Review (Including Governance, Risk Management, Internal Controls and Compliance Management) (At least once every 3 financial years)	4. Failure to fulfil Statutory, Regulatory or Compliance Requirements.	Work in Progress 3rd Quarter 2020/21	Low	80
Records Management	5. Inadequate Record Management Processes	To commence 4th Quarter 2020/21	High	80
				240

Annual Internal Audit Administrative Services

Description	Frequency to be performed by William Buck	20/21 (hours)
Audit & Risk Committee Reporting & Attendance	Quarterly	16
Audit log (Biannually)	Biannually	60
Strategic 3 Year Rolling Internal Audit plan	Annually	20
Annual Internal Audit Plan	Annually	10
		106

Total Internal Audit Hours

Description	20/21 (hours)
Internal Audit Reviews	240
Annual Internal Audit Administrative Services	106
346	

Strategic 3 Year Rolling and Annual Internal Audit Plan

Proposed Internal Audit Reviews (2021/22 to 2022/23)

Description	Related Risks	Previous review performed by William Buck	Residual Risk Rating	21/22 (hours)	22/23 (hours)
Finance Management Review (Key financial controls review)	4.Fail to Fulfil Statutory, Regulatory or Compliance Requirements 15.Errors, Omissions, Incorrect Advice and Delays.	Not yet performed by William Buck	Low	100	
Safety and Security Management Review	3. External Theft and Fraud (Inc. Cyber Crime) 12.Inadequate Safety and Security Practices	Not yet performed by William Buck	High	60	
Project Management Review	14. Inadequate Project / Change Management	Not yet performed by William Buck	Moderate	80	
Fraud Risk Management and Misconduct Review	3. External Theft and Fraud (Inc. Cyber Crime) 8. Misconduct	Not yet performed by William Buck	Moderate		80
Strategic Asset Management and Maintenance Review	3.Inadequate Asset Sustainability Practices	Not yet performed by William Buck	Moderate		80
Business Continuity and Disaster Recovery	9. Business and Community Disruption	Not yet performed by William Buck	Moderate		80
				240	240

Annual Internal Audit Administrative Services

Description	Frequency to be performed by William Buck	21/22 (hours)	22/23 (hours)
Audit & Risk Committee Reporting & Attendance	Quarterly	16	16
Audit log (Biannually)	Biannually	60	60
Strategic 3 Year Rolling Internal Audit plan	Annually	10	10
Annual Internal Audit Plan	Annually	5	5
		91	91

Strategic 3 Year Rolling and Annual Internal Audit Plan

Total Internal Audit Hours

Description	21/22 (hours)	22/23 (hours)
Internal Audit Reviews	240	240
Annual Internal Audit Administrative Services	91	91
	331	331

Other administrative functions which include the review and updating of the Audit, Risk and Compliance Committee and Internal Audit Charters, Terms of References, the Internal Audit Methodology and Internal Audit Procedural Manuals are from time to time performed and were not budgeted for in this plan.

Ad-hoc internal audits can also be performed by William Buck based on requests from the Chief Executive Officer and/or Audit, Risk and Compliance Committee.

Planned and ad-hoc reviews as well as other services will not commence until a purchase order is in place for the specific review/service to be provided. Internal Audit aims to be responsive to the Town's needs, given the environment of change that exists both within and external to the Town.

Consequently, the Strategic 3 Year Rolling and Annual Internal Audit Plan are reviewed each year to meet the changing needs of the Town and any proposed changes will be re-presented.

The impact of newly identified strategic, corporate and operational risks will be considered throughout the financial year and the annual internal audit plan will be amended if required.

Indicative Scopes for each identified Internal Audit Area

Set out within the table below are indicative scopes for the proposed reviews for the current year and the follow 3 years. The scopes will be further refined through discussion with Management during the scoping process.

Area of Review	Timing & Status	Indicative Scope
Procurement and Contract Management Review <i>(Completed)</i>	1 st Quarter 2020/21	<ul style="list-style-type: none"> ✦ Policy and procedure are in place and adequately documented, designed and implemented; ✦ Documents are aligned with Local Government Act and Regulations; ✦ Segregation of duties exist and conflicts of interest are considered, managed and resolved; ✦ Testing of key controls within the following areas to ensure they are operationally effective: ✦ Mechanisms for procurement to identify tender processes which should be followed; ✦ Tendering, Expressions of Interest and Quotations; ✦ Supplier's selection process (including composition of evaluation panels and the use of probity reviews); ✦ Approval processes; ✦ High level controls on Contract Management Processes (Financial/Performance); and ✦ Completeness of the contracts register. ✦ Monitoring/exception reporting processes by procurement on purchase orders and invoices to identify noncompliance with processes; ✦ Systems and processes for administering procurement processes and the team are in place and effectively managed; ✦ Records management; and ✦ Adequate training processes implemented in respect of procurement and contract management processes.
Regulation 17 Review <i>(Work in Progress)</i>	3rd Quarter 2020/21	<ul style="list-style-type: none"> ✦ Processes implemented in relation to risk management. ✦ Reviewing processes to assess the effectiveness of internal controls. ✦ Appropriateness of processes implemented to ensure compliance with legislative compliance requirements; ✦ Appropriate reporting structures to identify instances of non-compliance with Legislation are escalated to management, the Audit, Risk and Compliance Committee and Council. ✦ Follow up on previous Internal Audit Reports on Regulation 17.
Records Management <i>(To Commence)</i>	4 th Quarter 2020/21	<ul style="list-style-type: none"> ✦ Documentation is aligned with the State Records Act "SRA" and has been reviewed and approved by the State Records Office; ✦ The relevant record keeping documents are in place to ensure compliance at a high level with the SRA including Record Keeping Plan, Metadata Management Policy, Thesaurus and Retention and Disposal Plan and key requirements are complied with, including archiving and disposal; ✦ Staff are aware of record keeping requirements and are adequately trained including the use of network drives and paper based versus online storing of records; ✦ Appropriate quality control processes are implemented in respect of records management; ✦ Access to records is appropriately controlled either through a system or hard copy records; and ✦ Record audits are performed by the records manager e.g. frequency, results and follow-up.

Indicative Scopes for each identified Internal Audit Area

Area of Review	Timing & Status	Indicative Scope
Finance Management Review (Key financial controls review)	1 st Quarter 2021/22	<p>Key controls are implemented around the following areas:</p> <ul style="list-style-type: none"> ✦ Revenue & receivables; ✦ Cash management; ✦ Accounts payables, commitments and accruals; ✦ Supplier database maintenance; ✦ Exception reporting processes within finance; ✦ Administration and maintenance and acquittals of purchase cards; ✦ Period end close processes including all reconciliations, journals, analytical review and review and approval of accounts; ✦ Stock processes for administering, counting, valuing and provisions; ✦ Segregation of duties within each of the identified processes; ✦ The accounting aspect of assets including additions, disposals, valuation and depreciation; and ✦ User access to the accounting systems.
Safety and Security Management Review	2 nd Quarter 2021/22	<ul style="list-style-type: none"> ✦ The Town's security measures are adequate; and ✦ Appropriate Occupational Safety and Health Processes are implemented, including appropriate Insurance. ✦ Policies and procedures are adequate to ensure risks are well managed.
Project Management Review	3 rd Quarter 2021/22	<ul style="list-style-type: none"> ✦ Project management framework and methodology; ✦ Preparation and approval of business cases; ✦ Project Plans; ✦ Project risk assessments and management; ✦ Communications plans; ✦ Reporting of progress of projects; ✦ Project handovers; and ✦ End-user acceptance testing and post-project reviews.
Fraud Risk Management and Misconduct Review	1 st Quarter 2022/23	<p>The objective of this assessment was to determine whether:</p> <ul style="list-style-type: none"> ✦ management have appropriate detective controls implemented on an operational level to identify fraud and fraud risks; ✦ preventative and responding controls are implemented which will lower or mitigate risks identified; and ✦ reporting mechanisms for identified fraud/misconduct and corruption to the respective delegates is as prescribed to the Town's respective reporting procedures.
Strategic Asset Management and Maintenance Review	2 nd Quarter 2022/23	<ul style="list-style-type: none"> ✦ Asset Management and Asset Maintenance Strategies; ✦ Management of infrastructure assets and condition assessments; ✦ Asset renewal modelling and development of an Asset Renewal Program; ✦ Development and approvals of strategic capital works programs and the maintenance of current infrastructure assets; ✦ Asset management accounting processes; ✦ Assets counts; ✦ Environmental approvals and compliance reporting for Town Assets; and ✦ Implementation of annual environmental offset, conservation and foreshore programs.
Business Continuity and Disaster Recovery	3 rd Quarter 2022/23	<ul style="list-style-type: none"> ✦ Roles and responsibilities for co-ordinating BCP development, maintenance and testing are clearly defined.

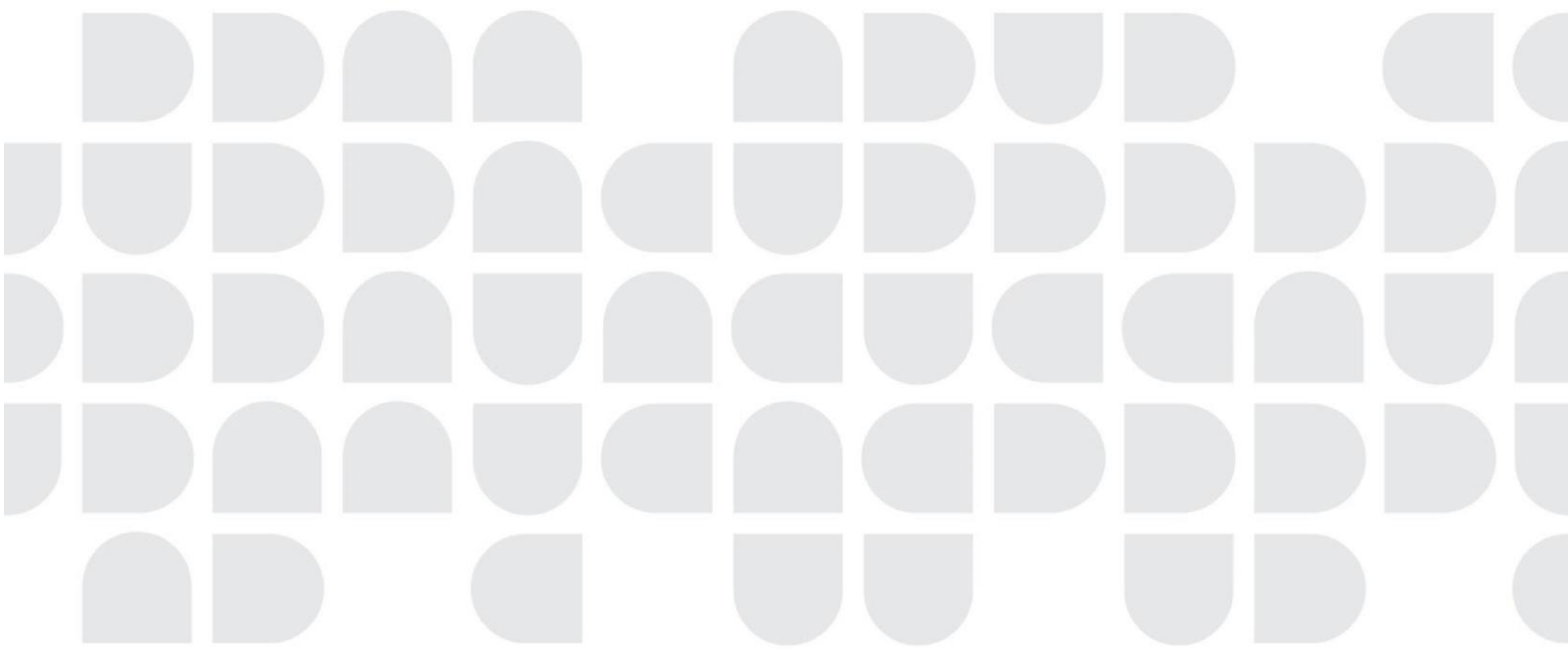
Indicative Scopes for each identified Internal Audit Area

Area of Review	Timing & Status	Indicative Scope
		<ul style="list-style-type: none"> ✦ A formal risk assessment has been completed to define potential events or incidents that could cause a disruption to the Town's business services. ✦ A formal Plan has been developed to define the Town's response to business continuity risks and is regularly reviewed and approved. ✦ BCP clearly defines contingencies to manage various stages of the BCP life-cycle including emergency, backup and recovery phases. ✦ BCP establishes a "chain of command" in the event of a crisis which defines who is responsible for decision making and how decisions should be made. ✦ BCP's are regularly tested, results of testing are documented and outcomes of testing are used to refresh and improve plans.

Other Suggested Areas of Reviews not covered in this plan

Other suggested reviews to be considered by Management and the Audit, Risk and Compliance Committee depending on the Town's risk rating for future Internal Audit Plans

Proposed Internal Audit
Environmental Management Review
Facilities and Events Management Review
Community Engagement and Stakeholders Relationship Review
IT General Controls Review (Including Cyber Security)
People, Culture and Payroll Management Review
Land Development and Strategic Land Use Planning and Environment
Budgeting and Long Term Financial Planning
Integrated Reporting
Customer Relationship and Complaints Management
Community and Place Management
Health and Compliance Review
Community Safety and Emergency Management Review
Asset Maintenance (incl. Parks, Buildings, Roads, Pathways and Storm Water Drains, Engineering, Conservation, Plant and Fleet)
Economic Development
Corporate Governance Review
Stakeholder Relationship Management
Media, Public Relations (Including Advocacy) and Communications
Fleet and Inventory Management
Approval Services



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