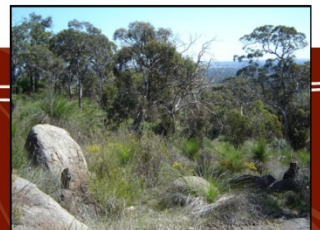


# Audit & Risk Committee Meeting

Agenda for Tuesday 8 March 2016



**shire of  
kalamunda**

## NOTICE OF MEETING AUDIT AND RISK COMMITTEE

Dear Councillors

Notice is hereby given that the next meeting of the Audit & Risk Committee will be held in the Council Chambers, Administration Centre, 2 Railway Road, Kalamunda on **Tuesday, 8 March 2016 at 6.00pm.**

**Dinner will be served from 5.15pm.**



Rhonda Hardy  
**Chief Executive Officer**  
2 March 2016

## Our Vision and Our Values

### Our Vision

The Shire will have a diversity of lifestyle and people. It will take pride in caring for the natural, social, cultural and built environments and provide opportunities for people of all ages.

### Our Core Values

**Service** – We deliver excellent service by actively engaging and listening to each other.

**Respect** – We trust and respect each other by valuing our difference, communicating openly and showing integrity in all we do.

**Diversity** – We challenge ourselves by keeping our minds open and looking for all possibilities and opportunities.

**Ethics** – We provide honest, open, equitable and responsive leadership by demonstrating high standards of ethical behavior.

### Our Aspirational Values

**Prosperity** – We will ensure our Shire has a robust economy through a mixture of industrial and commercial development.

**Harmony** – We will retain our natural assets in balance with our built environment.

**Courage** – We take risks that are calculated to lead us to a bold new future.

**Creativity** – We create and innovate to improve all we do.

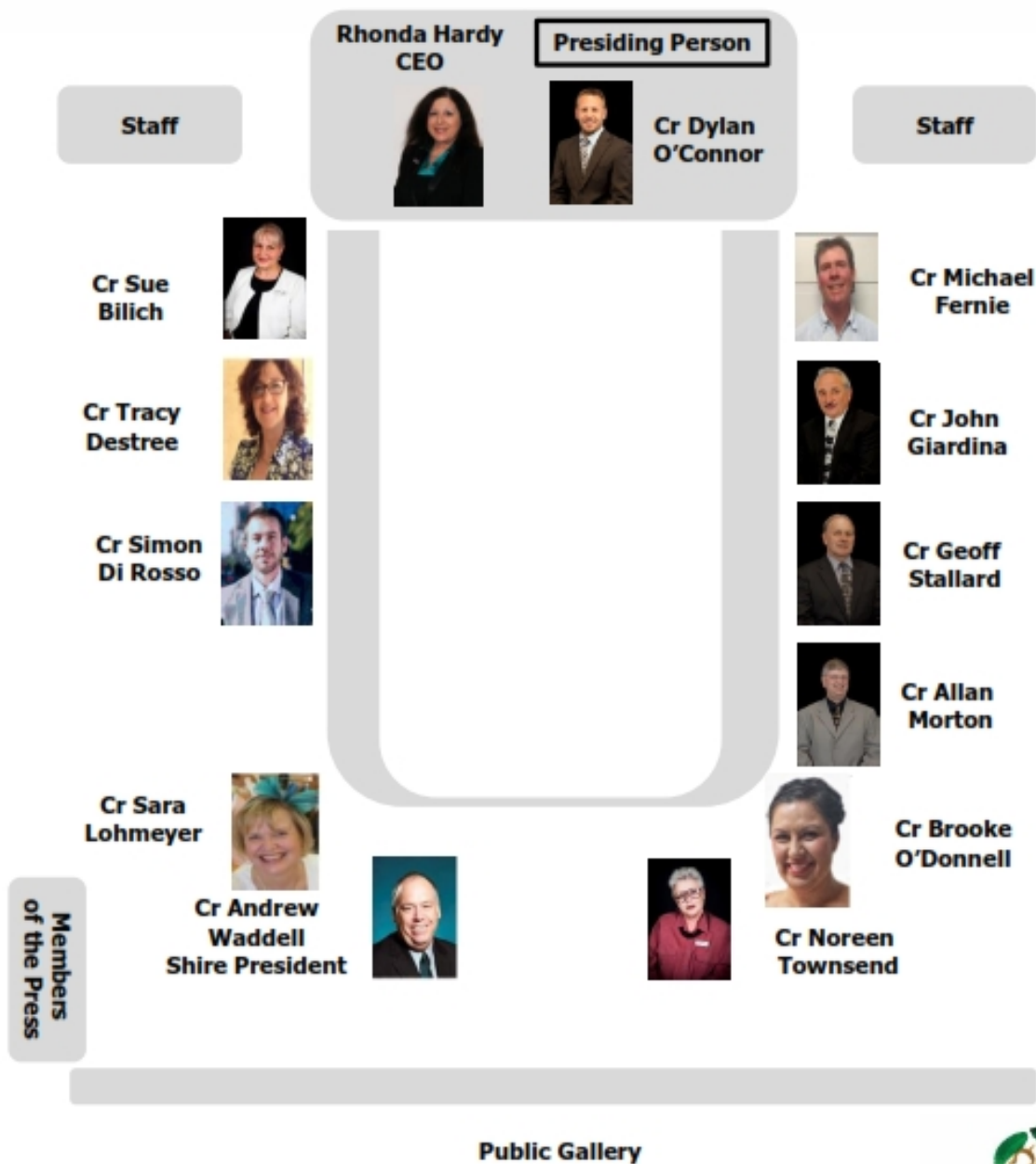


### Audit & Risk Committee Meeting Procedure

1. Audit & Risk Committee has a membership of all Councillors.
3. The Committee makes recommendations only to Full Council (held on the fourth Monday of each month at 6.30pm).
4. All other arrangements are in general accordance with Council's Audit & Risk Committee Terms of Reference February 2013.

# Council Chambers Seating Layout

## Council Chambers



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## AGENDA

### 1.0 OFFICIAL OPENING

### 2.0 ATTENDANCE, APOLOGIES AND LEAVE OF ABSENCE PREVIOUSLY APPROVED

### 3.0 CONFIRMATION OF THE PREVIOUS MINUTES

- 3.1 That the Minutes of the Audit and Risk Committee Meeting held on 16 November 2015, as published and circulated, are confirmed as a true and accurate record of the proceedings.

Moved:

Seconded:

Vote:

#### Statement by Presiding Member

“On the basis of the above Motion I now sign the Minutes as a true and accurate record of the meeting of 16 November 2015”.

### 4.0 CONFIDENTIAL ITEMS

- 4.1 Nil.

### 5.0 DISCLOSURE OF INTERESTS

#### 5.1 Disclosure of Financial and Proximity Interests

- a. Members must disclose the nature of their interest in matters to be discussed at the meeting. (Section 5.65 of the *Local Government Act 1995*.)
- b. Employees must disclose the nature of their interest in reports or advice when giving the report or advice to the meeting. (Section 5.70 of the *Local Government Act 1995*.)

#### 5.2 Disclosure of Interest Affecting Impartiality

- a. Members and staff must disclose their interest in matters to be discussed at the meeting in respect of which the member or employee had given or will give advice.

### 6.0 REPORTS TO COUNCIL

Please Note: declaration of financial/conflict of interests to be recorded prior to dealing with each item.

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**Declaration of financial / conflict of interests to be recorded prior to dealing with each item.**

**01. 2015 Compliance Audit Return**

Previous Items	N/A
Responsible Officer	Chief Executive Officer
Service Area	Governance
File Reference	FI-AUD-004
Applicant	N/A
Owner	N/A
Attachment 1	2015 Compliance Audit Return

**PURPOSE**

1. To consider and adopt the 2015 Compliance Audit Return (CAR) (Attachment 1).

**BACKGROUND**

2. Every local government in Western Australia is required, under section 7.13 (1) (i) of the *Local Government Act 1995* (the Act), to complete a CAR each year.
3. The CAR is produced by the Department of Local Government and Communities (DLGC) and, once presented to Council and adopted is to be submitted to the DLGC by 31 March.
4. The CAR is designed to be a tool for local government, allowing it to identify those areas where legislative requirements have not been met and then implement processes to ensure that such instances of non-compliance do not continue.

**DETAILS**

5. The Terms of Reference of the Audit and Risk Committee require the Committee to review and make recommendations to Council on the completed CAR.
6. The Terms of Reference state that *“the report presented to the Audit and Risk Committee should specifically highlight those cases of non-compliance which have reoccurred”*.
7. The 2015 CAR covered the nine specific topics and 78 questions as it did in the 2014 CAR.
8. No items of non-compliance were detected with respect to the items examined in the 2015 CAR.

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## **STATUTORY AND LEGAL CONSIDERATIONS**

9. Regulations 14 and 15 of the *Local Government (Audit) Regulations 1996* provide for the completion, adoption by Council and certification by the Shire President and Chief Executive Officer of the CAR. Additionally, the regulations require the certified return to be submitted to the DLGC by 31 March 2015.

## **POLICY CONSIDERATIONS**

10. There are no policy considerations related to the CAR.

## **COMMUNITY ENGAGEMENT REQUIREMENTS**

11. Public engagement is not required with respect to the CAR.

## **FINANCIAL CONSIDERATION**

12. There are no financial implications arising from the CAR.

## **STRATEGIC COMMUNITY PLAN**

### **Strategic Planning Alignment**

13. *Kalamunda Advancing: Strategic Community Plan to 2023*

OBJECTIVE 6.7: To provide a business environment that strives for continuous improvement through the use of highly effective business systems and processes.

Strategy 6.7.2 Regularly review services, business processes and standards offered by the Shire to ensure they meet community needs.

## **SUSTAINABILITY**

### **Social Implications**

14. Nil

### **Economic Implications**

15. Nil

### **Environmental Implications**

16. Nil

### RISK MANAGEMENT CONSIDERATONS

Risk	Likelihood	Consequence	Rating	Action/Strategy
17. That the Compliance Audit Return is not adopted by Council as required by the legislation.	Unlikely	Major	Medium	Information will need to be provided that will enable Council to

### OFFICER COMMENT

18. To improve the probity of the process for the 2015 CAR, the Internal Auditor has undertaken an assessment of the completed Return. The outcome of this assessment concluded that relevant information had been provided to support the completion of the CAR.

19. It is satisfying that the Shire continues to maintain its high standards of compliance with respect to those areas examined by the CAR.

**Voting Requirements: Simple Majority**

### OFFICER RECOMMENDATION A&R 01/2016

That Council:

1. Adopts the Compliance Audit return for the year ending 31 December 2015.

Moved:

Seconded:

Vote:



**Attachment 1**

Department of Local Government and Communities - Compliance Audit Return



Government of Western Australia  
 Department of Local Government and Communities

**Kalamunda - Compliance Audit Return 2015**

**Certified Copy of Return**

Please submit a signed copy to the Director General of the Department of Local Government and Communities together with a copy of section of relevant minutes.

<b>Commercial Enterprises by Local Governments</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s3.59(2)(a)(b)(c) F&G Reg 7,9	Has the local government prepared a business plan for each major trading undertaking in 2015.	N/A	The Shire did not create a major trading undertaking during the period covered by the Audit Return	Darrell Forrest
2	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2015.	N/A	The Shire did not undertake any major land transactions during the period covered by the Audit Return	Darrell Forrest
3	s3.59(2)(a)(b)(c) F&G Reg 7,10	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 2015.	N/A	Refer to comments for Q2	Darrell Forrest
4	s3.59(4)	Has the local government given Statewide public notice of each proposal to commence a major trading undertaking or enter into a major land transaction for 2015.	N/A	Refer to Comments for Q1 & Q2	Darrell Forrest
5	s3.59(5)	Did the Council, during 2015, resolve to proceed with each major land transaction or trading undertaking by absolute majority.	N/A	Refer to Comments for Q1 & Q2	Darrell Forrest

Department of Local Government and Communities - Compliance Audit Return



Government of Western Australia  
Department of Local Government and Communities

<b>Delegation of Power / Duty</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s5.16, 5.17, 5.18	Were all delegations to committees resolved by absolute majority.	N/A	No powers have been delegated to any committee.	Darrell Forrest
2	s5.16, 5.17, 5.18	Were all delegations to committees in writing.	N/A	Refer to comments for Q1.	Darrell Forrest
3	s5.16, 5.17, 5.18	Were all delegations to committees within the limits specified in section 5.17.	N/A	Refer to comments for Q1.	Darrell Forrest
4	s5.16, 5.17, 5.18	Were all delegations to committees recorded in a register of delegations.	N/A	Refer to comments for Q1.	Darrell Forrest
5	s5.18	Has Council reviewed delegations to its committees in the 2014/2015 financial year.	N/A	Refer to comments for Q1.	Darrell Forrest
6	s5.42(1), 5.43 Admin Reg 18G	Did the powers and duties of the Council delegated to the CEO exclude those as listed in section 5.43 of the Act.	Yes		Darrell Forrest
7	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO resolved by an absolute majority.	Yes		Darrell Forrest
8	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO in writing.	Yes		Darrell Forrest
9	s5.44(2)	Were all delegations by the CEO to any employee in writing.	Yes		Darrell Forrest
10	s5.45(1)(b)	Were all decisions by the Council to amend or revoke a delegation made by absolute majority.	Yes		Darrell Forrest
11	s5.46(1)	Has the CEO kept a register of all delegations made under the Act to him and to other employees.	Yes		Darrell Forrest
12	s5.46(2)	Were all delegations made under Division 4 of Part 5 of the Act reviewed by the delegator at least once during the 2014/2015 financial year.	Yes	OCM 25 May 2015 and by the CEO following that meeting	Darrell Forrest
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 as required.	Yes		Darrell Forrest

<b>Disclosure of Interest</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s5.67	If a member disclosed an interest, did he/she ensure that they did not remain present to participate in any discussion or decision-making procedure relating to the matter in which the interest was disclosed (not including participation approvals granted under s5.68).	Yes		Darrell Forrest
2	s5.68(2)	Were all decisions made under section 5.68(1), and the extent of participation allowed, recorded in the minutes of Council and Committee meetings.	N/A		Darrell Forrest

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Department of Local Government and Communities - Compliance Audit Return



Government of Western Australia  
Department of Local Government and Communities

No	Reference	Question	Response	Comments	Respondent
3	s5.73	Were disclosures under section 5.65 or 5.70 recorded in the minutes of the meeting at which the disclosure was made.	Yes		Darrell Forrest
4	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly elected members within three months of their start day.	Yes		Darrell Forrest
5	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly designated employees within three months of their start day.	Yes		Darrell Forrest
6	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all continuing elected members by 31 August 2015.	Yes		Darrell Forrest
7	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all designated employees by 31 August 2015.	Yes		Darrell Forrest
8	s5.77	On receipt of a primary or annual return, did the CEO, (or the Mayor/ President in the case of the CEO's return) on all occasions, give written acknowledgment of having received the return.	Yes		Darrell Forrest
9	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained the returns lodged under section 5.75 and 5.76	Yes		Darrell Forrest
10	s5.88(1)(2) 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 and 5.71, in the form prescribed in Administration Regulation 28.	Yes		Darrell Forrest
11	s5.88 (3)	Has the CEO removed all returns from the register when a person ceased to be a person required to lodge a return under section 5.75 or 5.76.	Yes		Darrell Forrest
12	s5.88(4)	Have all returns lodged under section 5.75 or 5.76 and removed from the register, been kept for a period of at least five years, after the person who lodged the return ceased to be a council member or designated employee.	Yes		Darrell Forrest
13	s5.103 Admin Reg 34C & Rules of Conduct Reg 11	Where an elected member or an employee disclosed an interest in a matter discussed at a Council or committee meeting where there was a reasonable belief that the impartiality of the person having the interest would be adversely affected, was it recorded in the minutes.	Yes		Darrell Forrest
14	s5.70(2)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to the Council or a Committee, did that person disclose the nature of that interest when giving the advice or report.	Yes		Darrell Forrest

Department of Local Government and Communities - Compliance Audit Return



Government of Western Australia  
 Department of Local Government and Communities

No	Reference	Question	Response	Comments	Respondent
15	s5.70(3)	Where an employee disclosed an interest under s5.70(2), did that person also disclose the extent of that interest when required to do so by the Council or a Committee.	Yes		Darrell Forrest
16	s5.103(3) Admin Reg 34B	Has the CEO kept a register of all notifiable gifts received by Council members and employees.	Yes		Darrell Forrest

**Disposal of Property**

No	Reference	Question	Response	Comments	Respondent
1	s3.58(3)	Was local public notice given prior to disposal for any property not disposed of by public auction or tender (except where excluded by Section 3.58(5)).	N/A	No property disposed of during this period	Darrell Forrest
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.	N/A		Darrell Forrest

**Elections**

No	Reference	Question	Response	Comments	Respondent
1	Elect Reg 30G (1)	Did the CEO establish and maintain an electoral gift register and ensure that all 'disclosure of gifts' forms completed by candidates 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 candidates.	Yes		Darrell Forrest

**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.	N/A	Committee has been established for some time.	Darrell Forrest
2	s7.1B	Where a local government determined to delegate to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority.	N/A		Darrell Forrest
3	s7.3	Was the person(s) appointed by the local government to be its auditor, a registered company auditor.	Yes		Darrell Forrest
4	s7.3, 7.6(3)	Was the person or persons appointed by the local government to be its auditor, appointed by an absolute majority decision of Council.	Yes		Darrell Forrest

Department of Local Government and Communities - Compliance Audit Return



Government of Western Australia  
 Department of Local Government and Communities

No	Reference	Question	Response	Comments	Respondent
5	Audit Reg 10	Was the Auditor's report for the financial year ended 30 June 2015 received by the local government within 30 days of completion of the audit.	Yes		Darrell Forrest
6	s7.9(1)	Was the Auditor's report for 2014/2015 received by the local government by 31 December 2015.	Yes		Darrell Forrest
7	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 by the local government, was that action undertaken.	Yes		Darrell Forrest
8	S7.12A (4)	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 by the local government, was a report prepared on any actions undertaken.	Yes		Darrell Forrest
9	S7.12A (4)	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 by the local government, was a copy of the report forwarded to the Minister by the end of the financial year or 6 months after the last report prepared under s7.9 was received by the local government whichever was the latest in time.	Yes		Darrell Forrest
10	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives of the audit.	Yes		Darrell Forrest
11	Audit Reg 7	Did the agreement between the local government and its auditor include the scope of the audit.	Yes		Darrell Forrest
12	Audit Reg 7	Did the agreement between the local government and its auditor include a plan for the audit.	Yes		Darrell Forrest
13	Audit Reg 7	Did the agreement between the local government and its auditor include details of the remuneration and expenses to be paid to the auditor.	Yes		Darrell Forrest
14	Audit Reg 7	Did the agreement between the local government and its auditor include the method to be used by the local government to communicate with, and supply information to, the auditor.	Yes		Darrell Forrest

Department of Local Government and Communities - Compliance Audit Return



Government of Western Australia  
 Department of Local Government and Communities

<b>Local Government Employees</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	Admin Reg 18C	Did the local government approve the process to be used for the selection and appointment of the CEO before the position of CEO was advertised.	N/A		Darrell Forrest
2	s5.36(4) s5.37(3), Admin Reg 18A	Were all vacancies for the position of CEO and other designated senior employees advertised and did the advertising comply with s.5.36(4), 5.37(3) and Admin Reg 18A.	Yes		Darrell Forrest
3	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position of CEO under section 5.36(4).	N/A		Darrell Forrest
4	Admin Regs 18E	Did the local government ensure checks were carried out to confirm that the information in an application for employment was true (applicable to CEO only).	N/A		Darrell Forrest
5	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss a designated senior employee.	Yes	Appointment of Director of Infrastructure Services approved by Council at OCM 28 April 2015	Darrell Forrest

Department of Local Government and Communities - Compliance Audit Return



Government of Western Australia  
 Department of Local Government and Communities

<b>Official Conduct</b>					
No	Reference	Question	Response	Comments	Respondent
1	s5.120	Where the CEO is not the complaints officer, has the local government designated a senior employee, as defined under s5.37, to be its complaints officer.	N/A		Darrell Forrest
2	s5.121(1)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that result in action under s5.110(6)(b) or (c).	Yes		Darrell Forrest
3	s5.121(2)(a)	Does the complaints register maintained by the complaints officer include provision for recording of the name of the council member about whom the complaint is made.	Yes		Darrell Forrest
4	s5.121(2)(b)	Does the complaints register maintained by the complaints officer include provision for recording the name of the person who makes the complaint.	Yes		Darrell Forrest
5	s5.121(2)(c)	Does the complaints register maintained by the complaints officer include provision for recording a description of the minor breach that the standards panel finds has occurred.	Yes		Darrell Forrest
6	s5.121(2)(d)	Does the complaints register maintained by the complaints officer include the provision to record details of the action taken under s5.110(6)(b) or (c).	Yes		Darrell Forrest

<b>Tenders for Providing Goods and Services</b>					
No	Reference	Question	Response	Comments	Respondent
1	s3.57 F&G Reg 11	Did the local government invite tenders on all occasions (before entering into 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 Regulation 11(1) of the Local Government (Functions & General) Regulations (Subject to Functions and General Regulation 11(2)).	Yes		Darrell Forrest
2	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than inviting tenders for a single contract.	N/A	No multiple contracts entered into	Darrell Forrest
3	F&G Reg 14(1) & (3)	Did the local government invite tenders via Statewide public notice.	Yes		Darrell Forrest
4	F&G Reg 14 & 15	Did the local government's advertising and tender documentation comply with F&G Regs 14, 15 & 16.	Yes		Darrell Forrest

Department of Local Government and Communities - Compliance Audit Return



Government of Western Australia  
Department of Local Government and Communities

No	Reference	Question	Response	Comments	Respondent
5	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		Darrell Forrest
6	F&G Reg 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of F&G Reg 16.	Yes		Darrell Forrest
7	F&G Reg 18(1)	Did the local government reject the tenders that were not submitted at the place, and within the time specified in the invitation to tender.	Yes		Darrell Forrest
8	F&G Reg 18 (4)	In relation to the tenders that were not rejected, did the local government assess which tender to accept and which tender was most advantageous to the local government to accept, by means of written evaluation criteria.	Yes		Darrell Forrest
9	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17.	Yes		Darrell Forrest
10	F&G Reg 19	Was each tenderer sent written notice advising particulars of the successful tender or advising that no tender was accepted.	Yes		Darrell Forrest
11	F&G Reg 21 & 22	Did the local governments's advertising and expression of Interest documentation comply with the requirements of F&G Regs 21 and 22.	Yes		Darrell Forrest
12	F&G Reg 23(1)	Did the local government reject the expressions of Interest that were not submitted at the place and within the time specified in the notice.	Yes		Darrell Forrest
13	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.	Yes		Darrell Forrest
14	F&G Reg 24	Was each person who submitted an expression of interest, given a notice in writing in accordance with Functions & General Regulation 24.	Yes		Darrell Forrest
15	F&G Reg 24AD(2)	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice.	Yes		Darrell Forrest
16	F&G Reg 24AD(4) & 24AE	Did the local government's advertising and panel documentation comply with F&G Regs 24AD(4) & 24AE.	Yes		Darrell Forrest
17	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of F&G Reg 16 as if the reference in that regulation to a tender were a reference to a panel application.	Yes		Darrell Forrest

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Department of Local Government and Communities - Compliance Audit Return



Government of Western Australia  
 Department of Local Government and Communities

No	Reference	Question	Response	Comments	Respondent
18	F&G Reg 24AD(6)	If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application, notice of the variation.	Yes		Darrell Forrest
19	F&G Reg 24AH(1)	Did the local government reject the applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time specified in the invitation for applications.	Yes		Darrell Forrest
20	F&G Reg 24AH(3)	In relation to the applications that were not rejected, did the local government assess which application(s) to accept and which application(s) were most advantageous to the local government to accept, by means of written evaluation criteria.	Yes		Darrell Forrest
21	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers, comply with the requirements of F&G Reg 24AG.	Yes		Darrell Forrest
22	F&G Reg 24AI	Did the local government send each person who submitted an application, written notice advising if the person's application was accepted and they are to be part of a panel of pre-qualified suppliers, or, that the application was not accepted.	Yes		Darrell Forrest
23	F&G Reg 24E	Where the local government gave a regional price preference in relation to a tender process, did the local government comply with the requirements of F&G Reg 24E in relation to the preparation of a regional price preference policy (only if a policy had not been previously adopted by Council).	N/A		Darrell Forrest
24	F&G Reg 24F	Did the local government comply with the requirements of F&G Reg 24F in relation to an adopted regional price preference policy.	N/A		Darrell Forrest
25	F&G Reg 11A	Does the local government have a current purchasing policy in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, \$150,000 or less.	N/A		Darrell Forrest

Department of Local Government and Communities - Compliance Audit Return



Government of Western Australia  
Department of Local Government and Communities

I certify this Compliance Audit return has been adopted by Council at its meeting on \_\_\_\_\_

\_\_\_\_\_  
Signed Mayor / President, Kalamunda

\_\_\_\_\_  
Signed CEO, Kalamunda

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**Declaration of financial / conflict of interests to be recorded prior to dealing with each item.**

**02. Internal Audit Report February 2016**

Previous Items	
Responsible Officer	Director Corporate Services
Service Area	Internal Audit
File Reference	
Applicant	Nil
Owner	Nil
Attachment 1	Internal Audit Plan
Attachment 2	Internal Audit Report February 2016
Attachment 3	Risk Audit Register

**PURPOSE**

1. To provide the Audit & Risk Committee with assurance that:
  - The financial and statutory functions of the Shire are being undertaken in accordance with the provisions of the *Local Government Act 1995*, associated regulations, Australian Accounting Standards; and
  - The local government processes and financial systems in relation to risk management, internal control and legislative compliance are appropriate.

**BACKGROUND**

2. In accordance with the adopted 2015/16 Internal Audit Plan (Attachment 1), the Internal Auditor conducted a review of a number of areas for compliance with legislative requirements and accounting policies. Items noted in this review were discussed with management and the responses included in the Report.
3. The Internal Audit Function reviewed a number of areas to assess their compliance with Financial and Statutory Functions and to assess the adequacy of the current control environments.
4. Details of each audit review is contained in the Internal Audit Report (Attachment 2).
5. As part of the Risk Management Review, the Audit & Risk Register has been updated and reviewed.

**DETAILS**

**Corporate Credit Cards**

6. A review was carried out of Corporate Credit Cards for the period May to September 2015.

### **Changes in Legislation**

7. Established whether management and procurement were aware of legislative changes and taken steps to update the tender documentation including the purchasing policy and procedures for increases in the tender threshold from \$100,000 to \$150,000.

### **Changes in Accounting Standards**

8. Established whether the Department of Local Government and Communities intended providing any guidance in terms of scope of disclosure, thresholds, and advice in the capture of information associated with Australian Accounting Standards – Related Party Transactions - AASB 124.

### **Quarterly Financial Statements for the Forrestfield Industrial Area Scheme Stage 1 for 6 months to 31 December 2015**

9. Reviewed the Quarterly Financial Statements for the Forrestfield Industrial Area Stage 1 for the 6 months to the 31 December 2015.

### **Confirmation of Permitted Use of a Shire Vehicle**

10. Reviewed a number of employees granted the use of a Shire vehicle to confirm whether there were letters on file granting permitted use, and whether each employee selected had signed a Condition of Use Form.

### **Compliance Audit Return for 2015**

11. Checked the accuracy of the Compliance Audit Return for 2015 and comments made in the document.

### **Review of Motor Vehicle Log Books for Fringe Benefits Tax (FBT) Compliance**

12. Reviewed motor vehicle log books for the period 1 April 2014 to August 2015 to ensure log books are completed correctly and substantiate the information required for FBT.

### **Capital Improvements to Shire Facilities by Clubs and Sporting Groups**

13. Established the reasons for not capturing capital improvements to Shire assets by clubs and sporting groups who lease these facilities from the Shire, and whether the capital improvements have been insured.

### **Insurances**

14. Attended an information session on the potential savings in Insurance Premiums payable each year by local governments, with significant savings made in Victoria and NSW.

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## **Audit and Risk Register Update**

15. A review and update of the Audit and Risk Register in February 2016 was conducted.

## **STATUTORY AND LEGAL CONSIDERATIONS**

16. *Local Government Act 1995*  
*Local Government (Financial Management) Regulations 1996*  
*Local Government Functions and General) Regulations 1996*  
*Australian Accounting Standards*  
*Fringe Benefits Tax Assessment Act 1986 and its regulations*

## **POLICY CONSIDERATIONS**

17. C-PP01 - Purchasing Policy  
C-ADM01 -Provision and Management of Light Vehicles Policy

## **COMMUNITY ENGAGEMENT REQUIREMENTS**

18. Nil.

## **FINANCIAL CONSIDERATIONS**

19. The implementation of the recommendations will reduce exposure to financial risk and any potential loss to the Shire, and ensure the Shire complies with legislative requirements.

## **STRATEGIC COMMUNITY PLAN**

### **Strategic Planning Alignment**

20. *Kalamunda Advancing: Strategic Community Plan to 2023*
- Strategy 6.3.3 Regularly review the organisations structure and procedures in response to changing circumstances.
- Strategy 6.8.4 Provide effective financial services to support the Shire's operations and to meet sustainable planning, reporting and accountability requirements.

## **SUSTAINABILITY**

### **Social Implications**

21. . Nil.

### **Economic Implications**

22. Nil.

**Environmental Implications**

23. Nil.

**RISK MANAGEMENT CONSIDERATIONS**

24.

<b>Risk</b>	<b>Likelihood</b>	<b>Consequence</b>	<b>Rating</b>	<b>Action/Strategy</b>
Failure to identify non business credit card transactions.	Possible	Minor	Medium	Regular independent checks of all credit card statements.
Failure to implement changes in legislation lifting tender threshold from \$100,000 to \$150,000.	Possible	Minor	Low	Staff involved in procurement made aware of changes from internal and external sources.
Failure in recognising changes to accounting standards.	Possible	Insignificant	Low	Staff receive regular updates and keep the appropriate staff informed/ Matter will be discussed with the external auditor.
Failure to address outstanding items in the Audit & Risk Register.	Possible	Minor	Medium	Audit & Risk Register regularly reviewed and updated.
Failure to access permitted use of shire vehicle.	Possible	Minor	Medium	Review authority for employees with a shire vehicle.
Failure to complete vehicle log books correctly.	Possible	Minor	Medium	Instructions issued to all staff with a Shire vehicle on how to complete vehicle log books correctly.
Failure to recognise capital improvement to Shire leased assets.	Possible	Minor	Medium	Regular reviews of assets held in asset register compared with physical assets.

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## **OFFICER COMMENT**

25. The issues identified and recommendations were discussed with management to mitigate risk, strengthen the internal control practices of the Shire and ensure the Shire was compliant with legislation. The items noted will be placed in the Audit & Risk Register for monitoring and actioning.
26. The establishment of an Audit & Risk Register provides the mechanism to ensure that audit findings are addressed in a satisfactory and timely manner.

<b>Voting Requirements: Simple Majority</b>
---

## **COMMITTEE RECOMMENDATION TO COUNCIL (A&R 02/2016)**

That Council:

1. Notes the following recommendations included in the Internal Audit Report for February 2016 (Attachment 2).

### **Corporate Credit Cards**

There continues to be regular monitoring of corporate credit card transactions by the Manager Financial Services.

### **Changes in Accounting Standards**

The effects of the changes to Australian Accounting Standard – Related Party transactions (AASB 124) is discussed with the external auditors to ensure there is proper compliance with this standard.

### **Confirmation of Permitted Use of a Shire Vehicle**

The personnel files for all employees allocated a Shire vehicle are reviewed to confirm whether there is a letter on file approving the allocation of a Shire vehicle, and where there is no letter, an assessment is made to continue granting a Shire vehicle to the person in accordance with policy.

All employees with a Shire vehicle are made to complete a Condition of Use Form.

The Condition of Use form is reviewed and amended to include a clause requiring all employees to comply with the Provision of Light Vehicle Policy and Procedures.

### **Compliance Audit Return for 2015**

The Compliance Audit Return for 2015 is adopted by Council and submitted to the Department of Local Government and Communities by 31 March 2016.

### **Review of Motor Vehicle Log Books for Fringe Benefits Tax Compliance**

All employees with a Shire vehicle are made aware of their obligations to complete log books correctly.

That instructions on how to complete log books are provided to all employees with a Shire vehicle.

The matter regarding the proper completion of log books is referred to the Fleet Steering Committee for their consideration.

### **Capital Improvements to Shire Facilities by Clubs and Sporting Groups**

A review of major assets leased to clubs and sporting institutions is carried out on a cyclic basis by comparing the information captured in the asset register with the physical assets to ensure all assets are accounted for and recognised in the asset register and for insurance purposes.

### **Insurances**

The Corporate Services team researches the subject of insurances of the Shire with the view to testing the market and reducing insurance premiums while improving the level of cover and identifying any missing gaps.

### **Audit & Risk Register**

There continues to be close monitoring of the Audit & Risk Register to ensure matters identified are being addressed.

Moved:

Seconded:

Vote:



Attachment 1

SHIRE OF KALAMUNDA  
 INTERNAL AUDIT PLAN FOR 2015/2016 Page 1

Internal Auditor	Date Report to A/Comm	2015						2016					
		July	Sept Qtr Aug	Sept	Oct	Dec Qtr Nov	Dec	Jan	Mar Qtr Feb	Mar	Apr	June Qtr May	June
<b>Corporate Services</b>													
<b>Financial Management Review (4 Yearly)</b> To be completed by Aug 2018													
Evaluation of Procedures , Key Controls and Assessment of Risk													
Conduct review of systems and controls as required under Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996													
Bank Reconciliations													
Petty Cash													
Rates													
Receipts and Receivables (front counter)													
Fees and Charges													
Investments													
Purchases, Payments and Payables													
Credit Card Procedures/Transactions													
Wages and Salaries													
Fixed Assets													
Record Keeping													
Receipting Administration Office													
Receipting Libraries													
Receipting Recreation Centres													
Receipting Health and Community Care (HACC)													
Contributions/Lessee Improvements													
Fringe Benefits Tax (FBT)													
Inventories													
Goods and Services Tax (GST) - Fees and Charges - Genesis/ PwC													
Grant Aquittals - reviewed 2013/2014													
HACC													
New Fees: Cat Act November 2013													
Interest Income													
Trust Funds - Cell 9 Developers Contributions													
Reserve Funds -New Industrial Land Contributions													
Trust Funds - Bonds													
Loan Borrowings													
Employee Provisions													
<b>Systems Improvement</b>													
Development of New Policies													
Review of Existing Policies													
Review of Novated leases													

SHIRE OF KALAMUNDA INTERNAL AUDIT PLAN FOR 2015/2016													
Internal Auditor	Date Report to A/Comm	2015						2016					
		July	Sept Qtr Aug	Sept	Oct	Dec Qtr Nov	Dec	Jan	Mar Qtr Feb	Mar	Apr	June Qtr May	June
<b>Risk Management Review (2 yearly) To be completed by Dec 2016</b> CEO of a local government is to undertake at least a biennial review of legislative compliance, internal control and risk management and present results to the Audit and Risk Committee and report to Council by the 31 December 2014 under recent amendments to the Local Government (Audit) Regulation.													
Key Control Activities													
Recommended Monitoring Activities													
<b>Human Resources</b> Review OHS Policies and Procedures													
<b>Information Technology</b> Records Management - compliance with legislation Existing IT Systems - Review of existing agreements IT Vision - Synergy CAMMS Products													
BMC Discontinued													
IPM Discontinued													
Interplan Retained													
PES Retained													
Risk Management Retained but not used													
<b>New Policies</b> Drafting of new policies													
<b>Staff training</b> Structured Training - AIM, WATC, ICA, LGMA, WALGA FBT /Log Book Training - Grant Thornton													
<b>Governance</b> Maintenance of Registers Compliance with Legislation: Agendas Minutes Other Statutory Documents - CAR 2015													
<b>Review of Key Control Activities</b>													
<b>Review of Recommended Monitoring Activities</b>													
<b>Audit Risk Register - Review and Update</b>													

SHIRE OF KALAMUNDA  
 INTERNAL AUDIT PLAN FOR 2015/2016 Page 3

Internal Auditor	Date Report to A/Comm	2015				2016			June Qtr				
		July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
Other													
Review of Waste Management with suppliers invoices and number of properties being serviced													
Review contracted suppliers charges with tender rates adopted by Council													
Review of New Policies and procedures Process Improvement Guidelines/Policy													
Review of Panel Suppliers - Tree Lopping Services, and Others													
Review of Tenders													
Review of e-Quotes													
Preparation of Papers for Fleet Management Steering Committee													
Bin Collections- Comparison of Qty charged to ratepayers with suppliers collections Invoiced													
Review charges by EMRC													
Audit of Compliance Audit Return January to December each year.													
Review of FBT Return for 2015/2016													
Attendance of E-Team meetings													
Attendance of Fleet Management Steering Team Meeting and dealing with actions													
Attendance of Cell 9 Meetings													
Support to Corporate Services and other directorates as and when required													

SHIRE OF KALAMUNDA INTERNAL AUDIT PLAN FOR 2015/2016													
Internal Auditor	Date Report to A/Comm	2015						2016					
		July	Sept Qtr Aug	Sept	Oct	Dec Qtr Nov	Dec	Jan	Mar Qtr Feb	Mar	Apr	June Qtr May	June
End of Financial Year Requirements (annually)													
Inventories - Conduct physical counts of closing inventory		■											
Review and test Bank reconciliations/ Cash on Hand			■										
Review Fair Value Treatment of Non-Current Assets for compliance with legislation and Australian Accounting Standards				■	■								
Review Creditors and Provisions for completeness and accuracy				■									
Check Accrued Interest				■									
Check Loan Borrowings			■										
Review of draft accounts and assist with preparation of notes to accounts		■											
Review cut-offs				■									
Review of Grant Acquittals													

## **Attachment 2**

# Internal Audit Report February 2016 Financial and Risk Management Review

## Objectives and Scope of the Internal Audit

The objectives and scope of the internal audit is to provide the CEO and the Audit and Risk Committee with surety that the financial and statutory functions of the Shire are being undertaken in accordance with the provisions of the Local Government Act 1995, associated regulations, the Australian Accounting Standards, any other legislation, and that key controls have operated effectively during the financial year.

Amendments in 2013 to the *Local Government (Audit) Regulations 1996*, now require all reports prepared for the CEO and the Audit and Risk Committee to examine the appropriateness of the local government's system in regard to risk management, internal control and legislative compliance.

The report covers areas examined in accordance with the Audit Plan and legislative requirements and includes:

- Corporate Credit Cards
- Changes in Legislation
- Changes in Australian Accounting Standards
- Review of Motor Vehicle Entitlements
- Review of 31 December Financial Statements for the Forrestfield Industrial Area Stage 1
- Confirmation of Permitted Use of a Shire Vehicle
- Compliance Audit Return for 2015
- Review of Log Books for Fringe Benefits Tax (FBT) Compliance
- Capital Improvements to Shire Facilities by Clubs and Sporting Groups
- Insurances
- Audit and Risk Register Update

## Corporate Credit Cards

### Background

Corporate credit cards are issued to cardholders for the payment of expenses associated with official Shire business activities and in accordance with the Corporate Credit Card Policy and Procedures.

Credit limits are placed on corporate credit cards in accordance with the Credit Card Policy and entered in a register maintained by Corporate Services.

When new cards are issued they are properly approved and the person holding a corporate credit card confirms they will comply with the policy and procedures.

### Work Performed

Confirmed that holders of corporate credit cards and credit limits have been entered in the register of corporate credit card holders.

Checked credit card limits with the credit card policy and procedures.

Tested register of credit card holders with approval forms authorised in accordance with policy.

Tested information recorded on credit card monthly statements with supporting information and ensured the statements were signed by the cardholder, coded and approved for payment.

Reviewed supporting invoices and vouchers to ensure the payment of expenses were associated with official shire business for the period May to September 2015.

### Findings

Corporate credit card payments are properly supported and appear to be for Shire business activities.

Noted one payment during the review that appeared to be of a non-business nature. This was picked up by management and action taken.

The credit card register is being kept up to date with 21 Corporate Credit Cards issued at the end of October 2015. Majority of these being for credit limits of between \$1,000 and \$3,000 for purchases by HACC, catering services and library employees.

### Risk

Risk is considered low as monthly credit card statements are being independently checked and approved and monitored by Corporate Services.

### Management Response

The one payment of a non-business nature was discussed with management who are fully aware of the matter and have taken the appropriate action.

### Recommendation

There continues to be regular monitoring of credit card transactions by the Director Corporate Services.



## Changes in Local Government Legislation

### Background

Amendments to the *Local Government (Functions and General) Regulations 1996* which took effect on 1 October 2015 was announced which increases the tender threshold from \$100,000 to \$150,000.

### Work Performed

Established whether management and procurement were aware of the legislative changes and are taking steps to update the tender documentation including the purchasing policy and procedures.

### Findings

Procurement and management are aware of the changes to the Function and General Regulations, and have updated the policy and procedures in relation to the calling of tenders and monitoring of suppliers accounts.

In house training on the changes was conducted by the procurement team for managers, senior officers and employees involved with procurement procedures. An annual certification process has commenced.

External training through WALGA was conducted for senior staff engaged in procurement and tendering.

### Risk

Risk is considered low as employees involved in procurement have or will be undertaking procurement training on legislation changes and compliance with the tender regulations.

### Management Response

There has been in house training for employees on the legislative changes, and the purchasing policy and procedures reviewed and updated.

WALGA training for employees engaged in procurement and the preparation of tender documentation was carried out in February 2016, to improve the understanding of processes required to comply with legislative requirements.

### Recommendation

The outcomes of the training is used to review and improve the current processes especially in relation to the calling of expressions of interest, the preparation of tender documentation and the calling of tenders.

## Changes in Accounting Standards

### Background

Changes have been made by the Australian Accounting Standards Board on Australian Accounting Standard - Related Party Transactions (AASB 124). Effective from 1 July 2016 local governments will be required to comply with the revised standard. Although a normal feature of commerce and business, it has now been extended to include government, government agencies and similar bodies whether local, national or international.

This Standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of a parent or investors with joint control of, or significant influence over, an investee presented in accordance with AASB 10 Consolidated Financial Statements or AASB 127 Separate Financial Statements. This standard also applies to individual financial statements.

### Work Performed

Contacted the Department of Local Government and Communities to establish whether the Department intended providing any guidance in terms of scope of disclosure, thresholds, and advice in the capture of this information.

### Findings

The Department of Local Government and Communities have not prepared any guidance notes at this time. The Department proposed that officers speak to their external auditors with the view to ensuring there is proper disclosure in the annual financial statements of local governments to meet the requirements of this standard.

### Management Response

The application of related party transactions will be discussed with the external auditors in order to comply with the changes effective for the 2015/2016 Financial Year.

### Recommendation

Ensure the effects of this standard on the financial statements is discussed with the external auditors and any further disclosure requirements for example such as an interest in the EMRC Regional Local Government, which is joint venture arrangement with other local governments, is suitably disclosed in the Shire's annual financial statements.

## Financial Statements for Forrestfield Industrial Area Scheme Stage 1 for 6 Months to 31 December 2015

### Background

Quarterly financial statements are prepared regularly for the Forrestfield Industrial Area primarily for property owners who own land in the area. These statements are required to be audited at the end of the financial year by the Shire's external auditors.

### Work Performed

Reviewed the Quarterly Financial Statements for the Forrestfield Industrial Area Scheme Stage 1 for the 6 months to the 31 December 2015 for completeness, compliance with legislation, and presentation and disclosure before the statements were forwarded to the Planning Department for review and distribution.

### Findings

The financial statements for the 6 months, although unaudited by the external auditors at this time, were found to reflect and properly disclose the movements in income and expenditure for the period and closing balance of cash and cash equivalents at the 31 December 2015. There is proper disclosure on the quarterly financial statements that they are unaudited.

Financial statements included:

- A Statement of Comprehensive Income
- A Statement of Financial Position
- A Statement of Changes in Equity
- A Statement of Cash Flows
- Notes to and Forming Part of the Financial Statements

These statements were distributed to property owners by the Planning Department.

### Risk

The risk of the financial statements being inaccurate is considered low as they reflect the movements in cash and cash equivalents in the period, and were prepared by a qualified accountant who understands local government accounting principles and reviewed by the internal auditor.

### Management Response

Nil

## Recommendation

The quarterly financial statements continue to be reviewed by either the Manager Financial Services or the internal auditor before being provided to planning and property owners.

## Confirmation of Permitted Use of a Shire Vehicle

### Background

A review of the Light Vehicle Policy and Procedures was carried out in 2014. The policy underwent significant change and renamed the Provision of Management of Light Vehicle Policy and Procedures, and the revised policy was adopted by Council in September 2014.

Since the policy adoption, all new staff provided with a Shire vehicle are required to complete a statement of Condition of Use Form based on the revised policy.

### Work Performed

A review carried out on 16 employees granted the use of a shire owned vehicle to confirm whether there were letters on employee's personal file granting permitted use of a Shire vehicle, and whether each employee had signed a Conditions of Use Form.

### Findings

Of the 16 employees records examined, there were five employees that had no information on file granting approved use, and there were seven employees with no signed Condition of Use Form.

Confirmed with Human Resources that employees with a Shire vehicle held prior to the review of the vehicle policy are not required to complete a statement of Condition of Use Form and no formal instructions to this effect has been issued.

### Risk

Employees granted a Shire vehicle may not have written authority to use a Shire vehicle.

Employees with a shire vehicle held prior to the change in policy, and who have not signed a Condition of Use Form, may be unaware of their responsibilities when they drive a shire vehicle and of the changes in the new vehicle policy.

Employees who have not completed and signed a Condition of Use Form may not be fully aware of their obligations in relation to the completion of log books and FBT.

### Management Response

That this matter will be referred to the Fleet Management Steering Committee for direction.

The Fleet Management Steering Committee meets regularly to discuss and develop strategies on the use of Shire vehicles and develop ways to reduce operating costs and FBT.

### Recommendation

1. The personnel files for all employees allocated a shire vehicle are reviewed to confirm whether an employee is entitled and should have a shire vehicle, and if there are no letters on file, then an assessment made on whether to continue granting a Shire vehicle in accordance with the revised policy.
2. All employees with a Shire vehicle are required to complete a Condition of Use Form to ensure they comply with the conditions of use.
3. The condition of use form is reviewed and amended to include a clause requiring all employees to comply with the Provision of Management of Light Vehicle Policy and Procedures.
4. The recommendations of the Fleet Management Steering Committee are considered by Executive before adoption.

## Compliance Audit Return for 2015

### Background

There is a statutory requirement under Section 7.13(1)(i) of the *Local Government Act 1995* (the Act) to complete a Compliance Audit Return (CAR) for the period 1 January 2015 to 31 December 2015.

The Terms of reference of the Audit and Risk Committee require the committee to review and make recommendations to Council on the completed CAR for 2015.

Once presented and adopted by Council, the adopted CAR is to be submitted to the Department of Local Government and Communities by 31 March 2016.

### Work Performed

Checked the accuracy of the CAR for 2015 and statements made in the document. Confirmed the answers completed by the Manager of Governance with supporting information on the accuracy of answers and comments made.

There were 87 questions in the document covering:

- Commercial Enterprises by Local Governments (5)
- Delegations of Power/Duty (13)
- Disclosure of Interest (16)
- Disposal of Property (2)
- Elections (1)
- Finance (14)
- Local Government Employees (5)
- Official Conduct (6)
- Tenders for Providing Goods and Services (25)

### Findings

The answers in the return were in the affirmative or not applicable. Although not required to disclose in the CAR, the only significant observation is the treatment of developer's contributions for the Forrestfield Industrial Area Stage 1 treated as Trust amount and not restricted funds and rectified by the 30 June 2015. There were no other significant issues of non-compliance reported by the external auditor in his reports or by the internal auditor for the period disclosed in the return.

The external auditors report on the annual financial statements for year ending 30 June 2015 and management report for that year were actioned by the Shire and copies provided to the Department of Local Government and Communities within 30 days of issue of the external auditors report.

## Risk

The risk of the statements made in the CAR for 2015 being inaccurate is considered low as the document was compiled by the Manager of Governance from information he maintains or received from various other senior officers of the organisation. This information was tested for accuracy and completeness by the Internal Auditor and with the answers disclosed in the return.

## Management Response

Nil.

## Recommendations

The draft Compliance Audit Return for 2015 is adopted by Council and submitted to the Department of Local Government by the 31st March 2016.



## Review of Motor Vehicle Log Books for Fringe Benefits Tax (FBT) Compliance

### Background

An employer is required to maintain a log book for 12 weeks if the operating cost method is used and then every five years under the *Fringe Benefits Tax Assessment Act 1986 (FBTAA)* and its regulations. The Shire requires a log book to be maintained for the full year and not just 12 weeks.

During the period a log book is maintained, an entry must be made to record each business journey in the car or vehicle concerned, detailing the date each journey began and ended, the various odometer readings and the purpose for each journey. Private journeys do not have to be recorded. However good practice requires the distance travelled to be recorded for private use.

Policy and procedure on the use of a Shire owned vehicle requires:

*"A staff member authorised to drive a Shire vehicle shall:*

*Familiarise themselves with the Policy and the provisions of this Management Procedure and ensure all documentation is completed in accordance with the Policy and Management Procedure, including the vehicle log book as per Attachment 1."*

### Work Performed

Reviewed a number of vehicle log books for the period 1 April to 31 August 2015 to ensure log books were being completed correctly and in accordance with policy and procedures in support of the information to be used for the 2015/2016 FBT Return.

### Findings

The review of log books indicates that a proportion of employees are still not completing their log books correctly as required by policy and the FBT requirements.

### Risk

Claims for FBT in terms of the FBT law and ATO guidelines and as per the vehicle policy and procedures may not validly support the substantiating requirements of the legislation and may result in additional FBT being paid.

There is the potential for a shire vehicles to be misused if log books are not completed accurately and in accordance with Shire policy and procedures.

## Management Response

The information should be referred to the Fleet Management Steering Team with the view that new instructions are circulated to all employees with a Shire owned vehicle to ensure they understand and comply with Shire policy and procedures and understand the FBT legislative requirements.

The transition to E-Log Books (Electronic Log Books) which are tracked via GPS is being trialled out on a number of Shire vehicles owned and leased. It is hoped the business rules, hierarchy set ups and recording and update functionality is ready for the 2016/17 FBT Year (commencing 1 April 2016).

## Recommendations

1. All employees with a Shire owned vehicle are made aware of their obligations to complete log books correctly and comply with the Provision of Management of Light Vehicles Policy and Procedures.
2. That instructions on how to complete log books are provided to all employees with a Shire owned or leased motor vehicle.
3. The matter is referred to the Fleet Management Steering Team for their consideration.

## Capital Improvements to Shire Facilities by Clubs and Sporting Groups

### Background

The Shire received a request from a sporting club whether specific assets were included and covered under the Shire's insurance policy.

The capital improvements related to land and buildings which under the terms and conditions of the clubs lease, required the club to notify the Shire of all capital improvements to Shire assets in order for the assets to be recorded and capitalised by the Shire.

### Work Performed

This matter was discussed with officers of the shire to ascertain how an improvement to Shire property had occurred without it being recorded, and whether the matter is a common problem, and whether there are procedures in place for picking up capital improvement by sporting clubs to Shire assets if there has been no formal notification.

### Findings

On investigation it was established that these improvements were not covered under the Shire's insurance policy and the asset register recoded in Synergy. It appears the club had not notified the Shire that it had made these improvements. Officers are unsure of the extent of this issue and will undertake further investigations. Regular revaluations of assets will capture all asset improvements.

### Risk

If the Shire fails to be notified of capital improvements to Shire assets by sporting clubs then the risk is the Shire will not capture this information early and assets belonging to the Shire will be understated and may end up being underinsured.

### Management Response

Capital improvements unless notified by sporting clubs, are only captured every three years when the Shire devalues its assets and undertakes a condition assessment of its assets.

These capital improvements were picked up as part of the revaluation of assets at fair value but needed to be included in the Shire's insurance policy.

## Recommendations

A review of major assets leased to clubs and sporting institutions is carried out on a cyclical basis by comparing the information captured in the asset register with the physical assets to ensure all assets are accounted for and there are no major improvements that need to be recognised and taken up in the asset register. This will also ensure all major asset additions are identified and included in the asset register.

In addition to the above, an asset handover checklist is created which is signed off at the end of the sporting code season changes.

## Insurances

### Background

Attended an insurance presentation with the Manager Financial Services by a public company that negotiates and facilitates contracts for the common use goods and services on behalf of its members. Its clients includes:

- Local Government
- Cemetery Trusts
- Trusts
- Water Corporations
- Libraries
- Universities & TAFE's
- Not for Profit

### Work Performed

Obtained information from this organisation who have launched into a division to assist members procure the most appropriate and cost effective insurance and risk management services for their needs.

The aim of the organisation is to see members save and gain substantially by helping them to access insurance and risk management strategies that best manages their risks and minimises their exposure and costs at the same time.

### Findings

The organisation is independent, does not receive any commissions from the insurance companies and has made considerable savings in insurance premiums for its clients in Victoria and New South Wales. There have been savings ranging from 25% to 50% in insurance premiums without compromising the current insurance covers while in many cases plugging any gaps in under-insurance and effectively transferring all insurable risks of the client.

### Risk

The insurance market is very competitive and without testing the market by using the services of an independent organisation, the Shire could be losing the opportunity of saving in the order of \$250,000 plus in insurance premiums without compromising its current coverage and insurable levels of risk.

### Management Response

This matter has been discussed with the Director Corporate Services who proposes a paper is prepared on the subject matter for Executive to consider with the view to testing the market for 2016/2017.

### Recommendations

The Corporate Services management team researches this subject and prepares a paper for Executive to consider before the preparation and adoption of the 2016/2017 Annual Budget.

## Audit and Risk Register Update

### Background

The Shire maintains and as part of the Internal Audit Plan, the Internal Auditor regularly updates reviews and its Audit and Risk Register to ensure the items identified are or have been actioned.

### Work Performed

Conducted a review of the Audit and Risk Register in February 2016 to establish whether items identified have been or are in the process of being actioned.

### Findings

Following the last review carried out in November 2015, the following items have been addressed:

- Rates
  - Rates R 3 Front counter staff having access to master file information and making unauthorised changes.  
  
Action R 3 Front counter staff still require access to master file information. However this is being monitored by IT and Rates staff.
- Purchases and Tendering
  - Purchases PU 1 Training is required for all staff involved in the procurement of goods and tendering to prevent breaches in legislation.  
  
Action PU 1. In house and external training has now been provided for all staff involved in the procurement of goods and tendering.
- Log Books
  - Log Books LG 2 Managers before approving and forwarding vehicle log books to Corporate Services should check them.  
  
Action LG 2 Managers have been requested to check log books, and testing shows some non-compliance is still being missed by Managers.
- New Code of Conduct
  - Training has been conducted on the new Code of Conduct.

## Management Response

Items in the Audit and Risk Register are gradually being addressed by management and the register updated.

## Recommendations

There will continue to be close monitoring of the Audit and Risk Register to ensure matters identified and recorded are being addressed.

That the Chief Executive Officer in writing to all Managers will require closer scrutiny of vehicle log books.



**Attachment 3**

Internal Audit Plan - Audit Risk Register

Risk ID	Audit Findings	Likelihood	Consequences	Risk Rating	Management Response	Business Owner	Est Date Actioned	Current Status
Financial								
Rates R1	Regular updating of rating documentation procedures for new staff to prevent errors in data entry.	Possible	Minor	Medium	Proper documentation of rates systems and procedures will be updated for new staff.	Manager Financial Services	30-Jun-15	Being addressed. There is user IT documentation.
Rates R2	No external training for new staff on rates system and legislative compliance requirements.	Possible	Minor	Medium	External training on the use of the Synergy rates system and on compliance with legislation will be conducted after completion of probation period of new rates officers.	Manager Financial Services	30-Jun-15	Actioned, staff undertaking Rates training online and externally.
Rates R3	Front counter having access to master file information and making unauthorised changes.	Possible	Minor	Medium	IT controls established to restrict front counter staff to master file information.	Manager Technology & Corporate Support.	Sep-14	Being investigated by IT. Counter staff still need access. IT monitoring access.
Assets A1	Asset management plans are up to date and support the Long Term Financial Plan (LTFP).	Unlikely	Minor	Medium	Asset management plans brought up to date in support of LTFP.	Manager Operations	30-Jun-15	Outstanding

Internal Audit Plan - Audit Risk Register								
Risk ID	Audit Findings	Likelihood	Consequences	Risk Rating	Management Response	Business Owner	Est Date Actioned	Current Status
Financial								
Payroll P1	There is no independent review performed when a person is entered in the payroll system to ensure information is entered accurately.	Likely	Minor	High	The proposed appointment of a new independent person to undertake this work will address this matter.	Manager Strategy & People Services	Oct-14	Completed
Payroll P2	Not accurately calculating novated lease contributions.	Possible	Minor	Medium	Template to be used to check quotes for pre and post-tax benefits.	Manager Strategy & People Services	Dec-15	Used by HR
Payroll P2	There is no independent review of audit trails for changes to master file information.	Likely	Minor	High	The proposed appointment of a new independent person to undertake this work will provide the independent support, and the manager will check and approve all changes to the master file.	Manager Strategy & People Services	Oct-14	Completed
Payroll P3	There is only one person in payroll that has a full understanding of the IT system. There is a risk if this person leaves there is no other person who fully understands the payroll system.	Likely	Minor	High	A second person is being taught on how to use the payroll system. A proposal has been developed to have an officer from Strategy and People Services trained in how to use the Synergy payroll system.	Manager Strategy & People Services	Dec-14	Completed

Internal Audit Plan - Audit Risk Register								
Risk ID	Audit Findings	Likelihood	Consequences	Risk Rating	Management Response	Business Owner	Est Date Actioned	Current Status
Financial								
Payroll P4	Not all managers confirm a person's leave entitlement with HR before granting approval on the leave application form.	Possible	Minor	Medium	System will not allow the processing of a leave application greater than a person's accrued entitlement. However to avoid disputes managers should check a person's entitlement with HR before approving leave entitlement forms.	All Managers	Dec-14	Completed
Purchases Tendering PU 1	Training is required for all staff involved in the procurement of goods and tendering to prevent breaches in legislation.	Likely	Minor	High	Suitable training will be organised.	Manager Financial Services	February 2016	Completed. External training with WALGA and in-house training.
Purchases Tendering PU 2	Despite controls being in place to monitor purchases from one supplier not exceeding the \$100,000 threshold, there were a small number of suppliers that exceeded this threshold.	Likely	Minor	High	Management considers the development of computer system blocks to prevent the raising of purchase requisitions once they get near to reaching the \$150,000 threshold to prevent the raising of a purchase order. Centralising the raising of purchase orders will reduce the risk of this happening.	Manager Financial Services	Sep-14	Being monitored by the procurement team. New threshold now \$150,000. Procurement function now centralised.
FBT on Motor Vehicles FBT 1	Staff with commuting rights are using shire vehicles for private use subjecting both commuting and private use to FBT.	Likely	Minor	High	All staff with commuting rights are made aware of their employment obligations when using a shire vehicle. The review and update of the Light Vehicle Policy will largely address this issue.	Manager Financial Services	Sep-14	Staff made aware of new vehicle policy and required to sign letter. Implementation of E Log Books which uses GPS Technology will improve the accuracy

Internal Audit Plan - Audit Risk Register								
Risk ID	Audit Findings	Likelihood	Consequences	Risk Rating	Management Response	Business Owner	Est Date Actioned	Current Status
Financial								
Journals J1	Lack of evidence that entries have been approved prior to being entered.	Likely	Minor	Medium	Carried out but not always being signed as evidence of approval. Reconciliation of accounts and budget reviews will pick up misallocations.	Manager Financial Services	Sep-14	Completed. All journals now require approval.
Annual Reports and Annual Budgets AR 1	Failure to meet statutory compliance requirements has occurred in the past by not lodging these documents on time.	Unlikely	Minor	Low	Having check lists to ensure statutory compliance in completing annual audited financial statements, annual reports and annual budgets on time and submitted on time with the Department.	Manager Financial Services	Jun-15	Completed. Check lists in place.
Financial Statement FS 1	Separate Financial Statements to be prepared for external audit for the Forrestfield Industrial Area at 30 June 2015 and every quarter thereafter and funds placed in a restricted reserve.	Unlikely	Minor	Medium	This will be undertaken and funds placed in a restricted reserve by	Manager Financial Services	Jul-15	Completed. Draft Financial Statements Prepared and funds placed in a restricted reserve.
Log Books LG 1	All staff with a Shire vehicle are reminded to complete their log books correctly.	Possible	Minor	Medium	Employees are reminded to complete their log books correctly.	All Managers will staff who use a Shire vehicle	Sep-15	Regular Reminders being sent by Corp Services

Internal Audit Plan - Audit Risk Register								
Risk ID	Audit Findings	Likelihood	Consequences	Risk Rating	Management Response	Business Owner	Est Date Actioned	Current Status
Financial								
LG 2	Managers before approving and forwarding log books to Corporate Services should check them	Possible	Minor	Medium	Managers checking log books before approving and forwarding them to Corporate Services	All Managers with staff who use a Shire vehicle	Sep-15	Being done. However gaps identified
MA & KCA	Regular monitoring required of Monitoring Activities and Key Control Activities.	Unlikely	Minor	Medium	There is continuous review of Monitoring Activities and Key Control Activities as part of the Internal Audit	Internal Auditor	Jun-16	In progress
A & R Register A&RR 1	There is regular review of the Audit and Risk Register	Unlikely	Minor	Medium	The audit and risk register is regularly reviewed and updated	Internal Auditor	Quarterly	Completed each Quarter

Internal Audit Plan - Audit Risk Register								
Risk ID	Audit Findings	Likelihood	Consequences	Risk Rating	Management Response	Business Owner	Est Date Actioned	Current Status
Records								
Records R1	Record Keeping Plan to be reviewed and submitted to the State Records Office by 2nd October 2014.	Unlikely	Minor	Low	Record Keeping Plan will be reviewed by records and submitted to Council for approval before the due date for submission.	Corporate Information Coordinator	Aug-14	Completed
Unbound Minutes R2	Unbound minutes not placed in fireproof strongroom with potential for loss during a fire	Possible	Major	High	This will be addressed with unbound minutes being placed in the fireproof strongroom	Corporate Information Coordinator	Feb 16	Completed. Now being placed in strongroom

Internal Audit Plan - Audit Risk Register								
Risk ID	Audit Findings	Likelihood	Consequences	Risk Rating	Management Response	Business Owner	Est Date Actioned	Current Status
Governance								
Policy PO1	The Record Keeping and Councillor Record Keeping Policy has not been reviewed in over 5 years	Unlikely	Minor	Low	These policies will be reviewed with other policies	Manager Governance	June 16	Outstanding. Will be reviewed with other policies in 2015/2016
New Code of Conduct	Training required for elected members and employees on new Code of Conduct.	Unlikely	Minor	Low	Training will be arranged.	Manager Governance	Mar-15	Training as required has been provided

Internal Audit Plan - Audit Risk Register								
Risk ID	Audit Findings	Likelihood	Consequences	Risk Rating	Management Response	Business Owner	Est Date Actioned	Current Status
Operations								
Stock S1	All consumable purchases used for road construction and road maintenance not being brought in as inventory	Possible	Minor	Medium	Will be reviewed	Operations Manager	Jun-16	Outstanding
Fleet Mgmt FM 1	Failure to understand the FBT principles resulting in payment of additional tax	Possible	Minor	Medium	Strategies being developed to improve employees understanding of FBT principles and improve business use	Operations Manager	Jun-16	Outstanding
Fleet Mgmt FM 2	Fleet Management Steering Team to provide strategies and actions for Executive to consider in improving the business use of Shire vehicles and reducing operating expenditure and FBT	Possible	Minor	Medium	Papers have been prepared for Fleet Management Steering Committee to consider and develop a strategy	Director Infrastructure Services	Jun-16	In progress



**7.0 URGENT BUSINESS APPROVED BY THE PERSON PRESIDING OR BY  
DECISION**

**8.0 CLOSURE**