



A G E N D A

**FOR CITY AUDIT COMMITTEE TO BE HELD IN THE COMMITTEE ROOM,
ADMINISTRATION CENTRE, 7 ORCHARD AVENUE, ARMADALE ON TUESDAY, 8
SEPTEMBER 2009 AT 5:30PM**

PRESENT:

APOLOGIES:

OBSERVERS:

IN ATTENDANCE:

DECLARATION OF MEMBERS' INTERESTS

PUBLIC QUESTION TIME

Note:

Meetings of the City Audit Committee are closed to the public on the basis that matters to be dealt with by Committee will generally be of a sensitive and confidential nature which, if disclosed, could reasonably be expected to impair the effectiveness of the audit process – Council resolution CS18/2001 refers.

DEPUTATION

Nil

CONFIRMATION OF MINUTES

RESOLVED

Minutes of the City Audit Committee Meeting held on 16 March 2009, be confirmed.

Moved Cr

Motion Carried/Lost (....)

I N D E X

CITY AUDIT COMMITTEE

8 SEPTEMBER 2009

INTERIM AUDIT REPORT	3
FINANCIAL MANAGEMENT REVIEW 2009.....	10

AUDITOR'S INTERIM AUDIT REPORT - 2008-2009 FINANCIAL YEAR

WARD ALL
DATE 27 August 2009
REF AFM/NC/ARB
RESPONSIBLE MANAGER EDCorpS

In Brief:

- This report presents the matters raised in Auditor's Interim Report together with Management's response to those matters; and
- The Report Recommendation is to note the Auditor's comments and support the Management Responses to those comments.

Tabled Items

Nil

Officer Interest Declaration

Nil

Strategic Implications

Effective governance and administration of the City's services.

Legislation Implications

Local Government Act 1995 (as amended) and associated Regulations
Australian Accounting Standards
International Financial Reporting Standards

Council Policy/Local Law Implications

Nil

Budget/Financial Implications

Nil

Consultation

Council's Auditor

BACKGROUND

Each year, as part of Council's audit process, an Interim Audit is undertaken to ascertain areas of potential review associated with Council's financial systems / processes. The advice received through the interim audit is then assessed by Management who note the comments and take action as required. The Interim Audit was undertaken in April 2009 and the findings, together with responses from Management, are now presented for Committee's consideration and recommendation to Council. The time difference between the Interim Audit and presentation of this report is primarily due to the time of year when the Interim Audit was done (i.e. coincided with budget, end of financial year, etc) as well as the need to carry out some internal testing at the request of the Auditors.

DETAILS OF PROPOSAL

As part of Council's committee structure, the Audit Committee has been established to review areas of an audit or compliance nature. The Interim Audit is summarised in the following report. It is to be noted that the Interim Audit is primarily concerned with a review of internal controls / practices / procedures and management's compliance with those controls. The Interim Audit reports on an exception basis those items that require management's attention and does not seek to point out all the strong internal controls in place.

COMMENT

Analysis

Matters raised by the Auditor, and Management's response to each, are as follows:

SUNDRY DEBTORS

Auditor's Comment

The sundry debtors system, including raising of invoices, was reviewed and testing conducted to ensure proper procedures have been followed.

As part of our audit process, we carried out a review of the sundry debtors aged trial balance report as at 8 April 2009, which indicated that \$112,005 (approx 21.60%) of the total outstanding debts of \$518,685 were in the 120 days and over category.

This is further analysed by category code as follows:

	Category	Amount \$	Percentage (to total debt)
1	Rangers	104,587	20.16 %
2	General	7,252	1.40 %
3	Employee Uniforms	166	0.04 %
	Total	112,005	21.60 %

We understand that there is an ongoing review process by management of outstanding accounts. We will be pleased to receive response from management in respect of the above outstanding debts.

Management's Response:

Management acknowledges the above analysis. The values presented as part of the Rangers category are associated with fines and infringements that have been forwarded to the State Fines Enforcement Registry and are not within the City's control for further management. The General and Employees categories whilst deemed immaterial on a \$value basis will of course be subject to standard debt recovery procedures.

PURCHASING AND PAYMENTS

Auditor's Comment

As part of our audit, we carried out a review of the purchasing and payments system. Our audit procedures have been designed to determine appropriate means for selecting items for testing so as to gather sufficient appropriate audit evidence to meet the objectives of the audit procedures. Professional judgement is used to assess the risk of material misstatement and to design and perform further audit procedures where necessary to reduce the risk to an acceptable low level.

Our audit procedures have been designed to also determine whether purchases of goods/services were in accordance with Council's purchasing policy / Management practice.

Generally the controls surrounding purchases, creditors and payments are appropriate to meet the Council's requirements.

However, the following matter was noted as requiring attention:

During our testing, we noted 2 instances (24 samples tested) where purchase orders were not placed for the purchase of goods and services.

We also noted 7 instances (24 samples tested) where the unit price and total purchase order value were not indicated on the purchase orders.

We recommend that purchase orders with all the detail be raised and forwarded to the suppliers to confirm the contractual obligation between the Council and suppliers to supply goods/services at the agreed quantity, quoted price, etc and to avoid future disputes due to misunderstanding of supply details.

Management's Response:

Whilst Management acknowledges the good sample return for purchases without purchase orders (2 out of 24), the subsequent issue raised - purchase order values to be indicated on purchase orders – requires attention. Council management practice (ADM 19 – Procurement of Goods and Services) requires all responsible officers to seek a quotation prior to the raising of any purchase order. In this manner there should be no reason why then the quoted price / value cannot be displayed on the purchase order when it is printed. Management will remind officers of their obligation with regards to Council policy and the Audit notation.

PAYROLL

Auditor's Comment

As part of our audit, we selected a few salaries and wages payments and tested to support documents and approval.

We noted a few instances where authorities for deductions, such as ASU (Australian Services Union), were not sighted on personnel files.

We recommend that such deductions be properly authorised and documentary evidence maintained on personnel files.

Management's Response:

Management agrees with this notation. The Payroll Officer will be altering process accordingly.

INVESTMENT OF FUNDS

Auditor's Comment

We conducted a review of the investment of funds by the City of Armadale as at 7 April 2009.

An investment policy and management practice document exists, which provides general guidelines as to the levels of risk and exposure for the various types of investments that can be placed.

Our review of the Council's policy and management practice document indicates that the policy has been prepared to ensure that all investments are made in accordance with:

- Local Government Act 1995 - Section 6.14.
- Local Government (Financial Management) Regulations 1996 – Regulation 19
- The Trustees Amendment Act 1997 – Part III Investments.

The following issues have been addressed:

- Council's investment objectives.
- Diversification/Credit risk – to ensure that Council's investments must be maintained within the investment parameters detailed in the policy at all times.
- Appropriate reporting arrangements - to ensure/confirm compliance i.e. documentary evidence of each investment and recording thereof.
- Monthly reporting to Council.

The Council maintains its own investments and utilises the services of an authorised financial advisor, when appropriate. All movements, such as transfers and redemption of investments, are controlled by and originated from the Council. All investments placed are appropriately documented, authorised and correctly recorded in the Council's Investment Register and monitored by the Manager Financial Services.

The following matter was noted and is brought to your attention.

The management practice document stipulates the maximum percentage that can be directly invested with any one institution.

We noted that the Council's investment of funds as at 7 April 2009 were not made within the percentage limits indicated in the management practice document.

Name of Institutions	\$	Percentage % to Total Investment	Maximum % Stipulated
Westpac Banking Corporation	13,506,000	27.84%	25.00%
National Australia Bank	31,000,000	63.91%	25.00%

We were advised by management that the investment funds will be invested across several financial institutions in the future.

We recommend that the Council's investments be made in line with Council policy and management practice.

Management's Response:

Management acknowledges the percentage allocations as presented above. A greater emphasis is now being placed on the appropriate percentages across institutions. The investment report that forms part of the monthly financial report will soon be expanded to include analysis of investments against the management practice. It should be noted that the digression from policy/practice in this instance, was a deliberate action in response to an uncertain investment market (in terms of security of invested funds) and tumbling interest rates at the time. The funds were invested in as secure an investment form as was possible at the time, that being the foremost imperative, and were attracting a higher rate of return (the second imperative) than was otherwise achievable. The policy/practice could never have contemplated the volatile financial market that was experienced at the time, and hence, the considered and prudent digression from policy.

TENDERS REGISTER

Auditor's Comment

As part of our audit procedures, we reviewed the tender register for compliance with the Local Government Act 1995 (as amended) and Local Government (Functions and General) Regulations 1996.

Our review indicated that generally, the tenders register conformed to the legislative requirements. The review covered the periods 2008 and 2009 financial years.

The following matter was noted as requiring attention:

Regulation 17 of the Local Government (Functions and General) Regulations 1996 requires, among other things, the tenders register should contain particulars of the making of the decision to invite tenders.

Our review of the tenders register indicated that this requirement was not contained in the register. On a previous occasion, we sought clarification and guidance from the Department of Local Government and Regional Development and were advised that, in order to fully comply with the regulation, the particulars of making of the decision is expected to take the form as a minimum, a copy of the Council resolution (extract of the minutes of the meeting at which the decision was made) or a copy of the exercise of the delegation, if one is given, to the CEO by the Council to make such a decision.

We recommend that the tenders register include the above particular to fully comply with the regulation.

Management's Response:

Management notes the comment made and will, for all future tenders, enter in the tender register the following standard authority to invite tenders in compliance with Local Government (Functions and General) Regulations 1996 - Regulation 17-

“The decision / authority to invite tenders is implicit in the adoption of the annual budget document and Council's policy / management practice ADM 19 – Procurement of Goods and Services”.

Conclusion

The Auditor's Interim Audit Report is considered to reflect favourably on the City's overall level of compliance which in turn demonstrates that the City's internal checks and controls are working well.

The matters commented on by the Auditor as requiring Management's review and attention:

- have in some instances already been addressed/actioned, or
- are in the process of being addressed/actioned as per Management's response presented in this Report.

RECOMMEND

That Council notes the comments arising from the Auditor's 2008-09 Interim Audit and supports the following Management Responses to those comments, ie.

Sundry Debtors

Management acknowledges the analysis. The values presented as part of the Rangers category are associated with fines and infringements that have been forwarded to the State Fines Enforcement Registry and are not within the City's control for further management. The General and Employees categories whilst deemed immaterial on a \$value basis will of course be subject to standard debt recovery procedures.

Purchasing and Payments

Whilst Management acknowledges the good sample return for purchases without purchase orders (2 out of 24), the subsequent issue raised - purchase order values to be indicated on purchase orders - requires attention. Council management practice (ADM 19 - Procurement of Goods and Services) requires all responsible officers to seek a quotation prior to the raising of any purchase order. In this manner there should be no reason why then the quoted price / value cannot be displayed on the purchase order when it is printed. Management will remind officers of their obligation with regards to Council policy and the Audit notation.

Payroll

Management agrees with this notation. The Payroll Officer will be altering process accordingly.

Investment of Funds

Management acknowledges the percentage allocations as presented above. A greater emphasis is now being placed on the appropriate percentages across institutions. The investment report that forms part of the monthly financial report will soon be expanded to include analysis of investments against the management practice. It should be noted that the digression from policy/practice in this instance, was a deliberate action in response to an uncertain investment market (in terms of security of invested funds) and tumbling interest rates at the time. The funds were invested in as secure an investment form as was possible at the time, that being the foremost imperative, and were attracting a higher rate of return (the second imperative) than was otherwise achievable. The policy/practice could never have contemplated the volatile financial market that was experienced at the time, and hence, the considered and prudent digression from policy.

Tender Register

Management notes the comment made and will, for all future tenders, enter in the tender register the following standard authority to invite tenders in compliance with Local Government (Functions and General) Regulations 1996 - Regulation 17-

“The decision / authority to invite tenders is implicit in the adoption of the annual budget document and Council’s policy / management practice ADM 19 – Procurement of Goods and Services”.

Moved Cr

Motion Carried/Lost (....)

REVIEW OF FINANCIAL MANAGEMENT SYSTEMS & PROCEDURES - 2009

WARD All
 DATE 27 August 2009
 REF AFM/NC/ARB
 RESPONSIBLE MANAGER EDCorpS

In Brief:

- This report, in accordance to the requirements of regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996, presents (i) the findings of an independent review of the City's financial management systems and procedures and (ii) Management's responses to those findings;
- The Report Recommendation is to note the independent review findings and support the Management Responses to those findings.

Tabled Items

Nil

Officer Interest Declaration

Nil

Strategic Implications

Effective governance and administration of the City's services.

Legislation Implications

Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996 states:-

5. *Financial management duties of the CEO*

(2) *The CEO is to —*

- (c) *undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 4 financial years) and report to the local government the results of those reviews.*

Council Policy/Local Law Implications

Nil

Budget/Financial Implications

Nil

Consultation

Grant Thornton Australia Limited

BACKGROUND

Not less than once every four years a review of the appropriateness and effectiveness of the financial management systems and procedures of the City must be undertaken (*Review*) and, the findings of such Reviews are to be reported to Council.

The independent Review was undertaken by Grant Thornton Australia Ltd in March 2009.

The findings and recommendations of the Review together with responses from Management, are now presented for Committee's consideration and recommendation to Council. The time difference between the Review and presentation of this report is primarily due to the time of year when the Interim Audit was done (i.e. coincided with budget, end of financial year, etc) as well as the need to carry out some internal testing at the request of the Auditors.

DETAILS OF PROPOSAL

The scope of the Financial Management Review included review of the following key financial management systems and procedures, ie.

- Purchases/Payments/Payables
- Receipts/Receivables/Cash Management
- Payroll
- Rates
- Fees and Charges
- Cost Allocations (Including Administration Allocations)
- Minutes and Meetings
- Financial Reports
- Budgets
- Plan for the Future
- Acquisition and Disposal of Property
- Registers
- General Compliance Issues

The Review Report provided by Grant Thornton Australia Limited has been forwarded to Councillors under separate cover.

COMMENT

Analysis

Hereunder are Grant Thornton's review findings and recommendations (as taken from their Report) together with Management's Responses where applicable.

Grant Thornton concluded their Report by making the following favourable comment, ie.

Based upon our work, we have concluded that the Financial Management Systems and Procedures currently adopted by the City of Armadale are operating effectively for the City's current level of operation. Our review identified some matters that need to be addressed as noted in this report.

A. Purchasing / Payments/Payables

Grant Thornton's Findings and Recommendations

Review Objective and Scope

The primary objectives of the review were:

- To ensure proper processes were followed with regards to the Purchasing Policy.
- To ensure payments have made in accordance with the Local Government (Financial Management) Regulations 1996.

Review Approach

We documented the Purchasing Cycle and reviewed invoices and accompany documentation paid from July 2008 to March 2009 to determine whether purchases were authorised/budgeted and payments were supported, authorised and allocated to the general ledger correctly.

In general, controls over payments and account payable are operating effectively.

During our review the following was noted:

- 1) The prescribed Form 2 as disclosed in the Purchasing Policy is not being used by the purchasing officer when purchasing goods/services.
- 2) There was one instance where no quotes were requested for the purchase.
- 3) There was one instance where the invoice was dated before the purchase order.

Recommendation

- 1) The prescribed Form 2 is used by the Purchasing Officer in accordance with the City's Purchasing Policy.
- 2) All purchases are processed in accordance with the Purchasing Policy which includes obtaining quotes.
- 3) All purchase orders be processed and approved before a purchase is initiated

Managements' Response

- *Form 2 is a cover sheet summarising the quotations received. Whilst the Review identified instances where a Form 2 was not completed, the supporting payment details in all those instances did include all quotations. Officers have since been requested to complete the required Form 2 pursuant to the City's Procurement Management Practice ADM 19;*
 - *The one instance identified by the Review as not having a quote was in regard to a procurement made from a supplier on WALGA's Preferred Supplier List where the pricing is already set by contract. The Management Practice will be amended to clarify those instances where a quote is not required.*
 - *There will be instances for practical reasons when the purchase order will be raised/dated after the invoice date, eg. when supervisors on-site order goods from contracted suppliers. No follow-up action on this matter is proposed.*
-

B. Receipts/Receivables/Cash Management***Grant Thornton's Findings and Recommendations****Review Objective and Scope*

The primary objectives of the review were:

- To ensure proper processes were followed with regards to the collection and control of cash and recording of financial information.

Review Approach

We documented the Receipts Cycle, including the review process of Accounts Receivable and Bank Reconciliations and reviewed the management of income received by the City from July 2008 to March 2009 to determine whether proper controls were implemented. In addition, testing of receipts was performed.

In general, controls over cash management and account receivable are operating effectively.

During our review the following was noted:
Voided Receipts were not being reviewed and authorised.

Recommendation

1) Voided Receipts be reviewed and authorised on a daily basis in order to eliminate misappropriation of assets. It is acknowledged that a report has been written to identify all voided receipts processed for the day and that this control has been implemented.

Managements' Response

The Review Recommendation is agreed and relevant procedures have been amended in line with the Recommendation.

C. Payroll

Grant Thornton's Findings and Recommendations

Review Objective and Scope

The primary objectives of the review were:

- To ensure proper processes were followed with regards to Payroll.
- That the process followed complied with the City's Policy and legislative requirements.

We documented the Payroll Cycle and reviewed the processing and balancing controls for the pay run dated 24/03/2009. Commencements, Termination and Annual Leave were also reviewed in the 2009 year.

In general, controls over payroll are operating effectively, except for item 2 reported below.

During our review the following was noted:

- 1) There was one instance where an employee authorised their own timesheet.
- 2) There was no evidence that payroll was being reviewed, in particular, termination payouts.
- 3) There were a number of employees that had exceeded the City's Policy on accrual of annual leave.

Recommendation

- 1) That all timesheets are authorised by a supervisor to ensure proper segregation of duties.
- 2) Pay runs be reviewed and authorised by an appropriate officer to ensure accuracy of pay run and to avoid overpayment of employees or misappropriation of assets.
- 3) The City to consider strategies to ensure excessive annual leave is not accrued.

Managements' Response

- ***The one reported instance of a timesheet not having been authorised by the employee's supervisor is considered an exception. Officers have been reminded of the requirement for all timesheets to be authorised by their supervisor;***
- ***There is a procedure for the checking and authorising of pay runs and it is followed. However the procedure would benefit from additional exception style reporting each pay run to assist authorising officers in identifying possible areas of concern. The procedure for authorising pay runs will be amended to include an exception/audit style report each pay run.***

- *The matter of leave accruals is considered more of an organisational/human resource nature rather than a financial management system/procedure issue, given that all leave accruals are quantified each year end and represented in the City's Balance Sheet as a fully cashed-back Reserve Account. The matter of strategies to manage staff leave accruals will be referred to the Human Resources section for follow-up.*
-

D. Rates

Grant Thornton's Findings and Recommendations

Review Objective and Scope

The primary objective of the review was:

- To ensure proper processes were followed with regards to processing and collection of rates and that compliance requirements were met.

Review Approach

We documented the Rates Cycle and reviewed the procedures to ensure rates were being charged to ratepayers correctly and is in compliance with legislation.

Rates charged to ratepayers of the City of Armadale were found to be in accordance with legislative requirements.

E. Fees and Charges

Grant Thornton's Findings and Recommendations

Review Objective and Scope

The primary objective of the review was:

- To ensure Fees and Charges imposed at the time of budget adoption were in compliance with legislative requirements.

Review Approach

Reviewed the City's Budget 2008-2009 for compliance with legislation.

Our review did not indicate any matters that require comment in this report. Fees and Charges appear to be in compliance with legislative requirements.

F. Cost Allocations (Including Administration Allocations)

Grant Thornton's Findings and Recommendations

Review Objective and Scope

The primary objective of the review was:

- To ensure the cost allocations (including administration costs) of the City are adequate for the City to achieve accurate reporting.

Review Approach

We documented the procedures for cost allocation and tested cost allocation under purchasing and payroll.

Cost allocation (including administration costs) appears adequate for the City to achieve their reporting requirements.

G. Minutes and Meetings

Grant Thornton's Findings and Recommendations

Review Objective and Scope

The primary objective of the review was:

- To ensure the City's minutes comply with procedures and legislative requirements.

Review Approach

The City's minutes were reviewed for compliance with procedures and legislative requirements.

The procedures and recording of minutes appears to be in compliance with legislative requirements.

H. Financial Reports

Grant Thornton's Findings and Recommendations

Review Objective and Scope

The primary objective of the review was:

- To ensure the Financial Reports are in compliance with legislative requirements.

Review Approach

Reviewed the City's procedures for Financial Reporting for compliance with legislation. We reviewed the Annual Financial Report and Monthly Financial Report (Statement of Financial Activity).

Our review did not indicate any matters that require comment in this report. Financial Reporting appears to be in compliance with legislative requirements.

I. Budgets

Grant Thornton's Findings and Recommendations

Review Objective and Scope

The primary objective of the review was:

- To ensure the Budget complies with the legislative requirements

Review Approach

Reviewed the City's Budget 2008-2009 for compliance with legislation.

Our review did not indicate any matters that require comment in this report. The Budget appears to be in compliance with legislative requirements.

J. Plan for the Future

Grant Thornton's Findings and Recommendations

Review Objective and Scope

The primary objectives of the review were:

- To ensure the Principal Activity Plan complies with the legislative requirements

Review Approach

Reviewed the City's Plan for the Future 2008 – 2023 for compliance with legislation.

Our review did not indicate any matters that require comment in this report. The Plan for the Future appears to be in compliance with legislative requirements.

K. Acquisition and Disposal of Property

Grant Thornton's Findings and Recommendations

Review Objective and Scope

The primary objectives of the review were:

- To ensure the acquisition and disposal of fixed assets are in compliance with the City's Policies.

Review Approach

We documented the Fixed Asset Cycle and reviewed addition and disposals for the period July 2008 to March 2009.

In general, controls over the acquisition and disposal of fixed assets were operating effectively.

During our review the following was noted:

It was noted that there was no formal policy for the disposal of fixed assets.

Managements' Response

The City's systems and procedures for the disposal of assets operate in accordance with the provisions of section 3.58 of the Local Government Act 1995 and the applicable Regulations. The legislation referring to the sale of assets is considered more than adequate for the effective and proper disposal of assets thereby precluding the need for a policy position on the matter. However, consideration will be given as to the merits of preparing an asset disposal management practice as a guide to officers to promote consistency of decision-making across the organisation.

L. Registers

Grant Thornton's Findings and Recommendations

Review Objective and Scope

The primary objective of the review was:

- To ensure the City's Registers are compliant with legislation and complete.

Review Approach

The Tender Register, Register of Financial Interest, Delegation Register, and Contracts and Legal Documents were reviewed for compliance with legislation and completeness.

The Registers appear to be complete and operating effectively.

M. General Compliance - Investments***Grant Thornton's Findings and Recommendations****Review Objective and Scope*

The primary objective of the review was:

- To ensure investment of the City's monies is in accordance with Policy.

Review Approach

Reviewed the investments held by the City as at 9th March 2009 for compliance with the City's policy.

During our review the following was noted:

- 1) The maximum exposure for a AA rating direct investments with any one Institution can be up to 20%. It was noted that investments with NAB amounted to 62% and Westpac amounted to 29%

Recommendation

- 1) That City diversify its investments with other institutions in accordance with the City's Investment Policy.

Managements' Response

This matter was also identified in the Auditor's Interim Report (as reported elsewhere in this agenda document) and accordingly the Management Response provided in that instance, is again provided here, ie.

Management acknowledges the percentage allocations as presented above. A greater emphasis is now being placed on the appropriate percentages across institutions. The investment report that forms part of the monthly financial report will soon be expanded to include analysis of investments against the management practice. It should be noted that the digression from policy/practice in this instance, was a deliberate action in response to an uncertain investment market (in terms of security of invested funds) and tumbling interest rates at the time. The funds were invested in as secure an investment form as was possible at the time, that being the foremost imperative, and were attracting a higher rate of return (the second imperative) than was otherwise achievable. The policy/practice could never have contemplated the volatile financial market that was experienced at the time, and hence, the considered and prudent digression from policy.

Conclusion

The findings of the independent Review reflect favourably on the appropriateness and effectiveness of the City's current financial management systems and procedures. Of the (13) areas reviewed, (8) were found to be operating effectively with no identified instances of non-compliance nor recommendations for improvement and whilst (5) were commented on as requiring review and improvement, they too were found to be operating effectively.

RECOMMEND

That Council notes the findings and recommendations arising from the Financial Management Review undertaken by Grant Thornton Australia Ltd in March 2009 and supports the following Management Responses to those findings and recommendations, ie.

Purchasing / Payments/Payables

- *Form 2 is a cover sheet summarising the quotations received. Whilst the Review identified instances where a Form 2 was not completed, the supporting payment details in all those instances did include all quotations. Officers have since been requested to complete the required Form 2 pursuant to the City's Procurement Management Practice ADM 19;*
- *The one instance identified by the Review as not having a quote was in regard to a procurement made from a supplier on WALGA's Preferred Supplier List where the pricing is already set by contract. The Management Practice will be amended to clarify those instances where a quote is not required.*
- *There will be instances for practical reasons when the purchase order will be raised/dated after the invoice date, eg. when supervisors on-site order goods from contracted suppliers. No follow-up action on this matter is proposed.*

Receipts/Receivables/Cash Management

The Review Recommendation (ie. voided receipts be reviewed and authorised on a daily basis) is agreed and relevant procedures have been amended in line with the Recommendation.

Payroll

- *The one reported instance of a timesheet not having been authorised by the employee's supervisor is considered an exception. Officers have been reminded of the requirement for all timesheets to be authorised by their supervisor;*
- *There is a procedure for the checking and authorising of pay runs and it is followed. However the procedure would benefit from additional exception style reporting each pay run to assist authorising officers in identifying possible areas of concern. The procedure for authorising pay runs will be amended to include an exception/audit style report each pay run.*
- *The matter of leave accruals is considered more of an organisational/human resource nature rather than a financial management system/procedure issue, given that all leave accruals are quantified each year end and represented in the City's*

Acquisition and Disposal of Property

The City's systems and procedures for the disposal of assets operate in accordance with the provisions of section 3.58 of the Local Government Act 1995 and the applicable Regulations. The legislation referring to the sale of assets is considered more than adequate for the effective and proper disposal of assets thereby precluding the need for a policy position on the matter. However, consideration will be given as to the merits of preparing an asset disposal management practice as a guide to officers to promote consistency of decision-making across the organisation.

Investments

This matter was also identified in the Auditor’s Interim Report (as reported elsewhere in this agenda document) and accordingly the Management Response provided in that instance, is again provided here, ie.

Management acknowledges the percentage allocations as presented above. A greater emphasis is now being placed on the appropriate percentages across institutions. The investment report that forms part of the monthly financial report will soon be expanded to include analysis of investments against the management practice. It should be noted that the digression from policy/practice in this instance, was a deliberate action in response to an uncertain investment market (in terms of security of invested funds) and tumbling interest rates at the time. The funds were invested in as secure an investment form as was possible at the time, that being the foremost imperative, and were attracting a higher rate of return (the second imperative) than was otherwise achievable. The policy/practice could never have contemplated the volatile financial market that was experienced at the time, and hence, the considered and prudent digression from policy.

All other areas covered by the Review, namely:

- Rates
- Fees and Charges
- Cost Allocations (Including Administration Allocations)
- Minutes and Meetings
- Financial Reports
- Budgets
- Plan for the Future
- Registers

were found to be operating effectively with no identified instances of non-compliance nor recommendations for improvement and accordingly there is no requirement for further follow-up by Management.

Moved Cr
Motion Carried/Lost (....)

Meeting Declared Closed