



City of Nedlands

Minutes

Audit and Risk Committee Meeting

19 July 2011

Attention:

These minutes are subject to confirmation.

Prior to acting on any resolution/recommendation of this Committee contained in these minutes, a check should be made of the Minutes of the next meeting of this Committee, to ensure that there has not been a correction made to any resolution / recommendation.

N.B. Committee recommendations that require Council's approval will be presented to Council for approval (via the relevant departmental reports)

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City of Nedlands

Minutes of a meeting of the Audit and Risk Committee held in the Committee Room at 71 Stirling Highway, Nedlands Building on Tuesday 19 July at 6 pm.

Declaration of Opening

The Presiding Member declared the meeting open at 6 pm and drew attention to the disclaimer below.

(NOTE: Council at its meeting on 30 August 2004 resolved that should the meeting time reach 11.00 p.m. the meeting is to consider an adjournment motion to reconvene the next day).

Present and Apologies and Leave Of Absence (Previously Approved)

Committee Members	Councillor I S Argyle	(Presiding Member)
	Her Worship the Mayor	S A Froese
	Councillor K E Collins (from 6.04 pm)	Coastal Districts Ward
	Councillor B G Hodsdon (from 6.07pm)	Hollywood Ward
	Councillor M L Somerville-Brown	Melvista Ward

Staff	Mr G T Foster (from 6.20pm)	Chief Executive Officer
	Mr M Cole	Director Corporate Services
	Mr R Senathrajah	Manager Finance

Guests	Mr C Ansell	Grant Thornton
	Mr R James	Grant Thornton

Press The Post Newspaper representative.

Leave of Absence (Previously Approved) Nil.

Apologies Nil.

Absent Nil.

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1. Public Question Time

Nil.

2. Addresses By Members of the Public (only for items listed on the agenda)

Nil.

3. Disclosures of Financial Interest

The Presiding Member reminded Councillors and Staff of the requirements of Section 5.65 of the *Local Government Act* to disclose any interest during the meeting when the matter was discussed.

There were no disclosures of financial interest.

4. Disclosures of Interests Affecting Impartiality

The Presiding Member reminded Councillors and Staff of the requirements of Council's Code of Conduct in accordance with Section 5.103 of the *Local Government Act*.

There were no disclosures of interest affecting impartiality.

5. Declarations by Members that they had not given due Consideration to Papers

Nil

6. Confirmation of Minutes

6.1 Audit and Risk Committee Meeting 15 November 2010

Moved – Councillor Somerville-Brown
Seconded – Mayor Froese

That the minutes of the Audit and Risk Committee held 15 November 2010 are confirmed.

CARRIED UNANIMOUSLY 3/-


7. Items for Discussion

Note: Regulation 11(da) of the *Local Government (Administration) Regulations 1996* requires written reasons for each decision made at the meeting that is significantly different from the relevant written recommendation of a committee or an employee as defined in section 5.70, but not a decision to only note the matter or to return the recommendation for further consideration.

Councillor Collins joined the meeting at 6.04 pm. Councillor Collins declared that he had no financial interest or interest affecting impartiality to disclose and that he had given due consideration to the papers.

Councillor Hodsdon joined the meeting at 6.07 pm. Councillor Hodsdon declared that he had no financial interest or interest affecting impartiality to disclose and that he had given due consideration to the papers.

7.1 Internal Audit Report – Parks Services

Applicant	City of Nedlands
Owner	City of Nedlands
Officer	Steve Crossman - Manager Parks Services
Director	Michael Cole - Director Corporate Services
Director Signature	
File ref.	FIN/006-05
Previous Item No's	Nil
Disclosure of Interest	No officer involved in the preparation of this report had any interest which required it to be declared in accordance with the provisions of the Local Government Act (1995).

Regulation 11(da) – Not applicable – Recommendation adopted.

Moved - Councillor Somerville-Brown
Seconded – Councillor Collins

That the Recommendation to Committee is adopted.

(Printed below for ease of reference)

CARRIED UNANIMOUSLY 5/-

Committee Recommendation / Recommendation to Committee

Committee notes the inclusion of Management Action, Responsible Officer and Action in the internal audit report on Parks Services.

Purpose

At their meeting of 15 November 2010, the Audit and Risk Committee resolved that the Internal Audit report on Parks Services lay on the table pending finalisation of report with the inclusion of Management Action, Responsible Officer and Action date. The purpose of this report is to reconsider this Internal Audit report now that this action has been completed

To receive the internal audit report from Grant Thornton on Parks Services.

Strategic Plan

KFA 5: Governance

- 5.4 Monitor and review business processes, systems, structure and policies to ensure effective service delivery and organisational performance.
- 5.9 Identify, manage and seek to minimise risk.

Background

The City of Nedlands has engaged the services of Grant Thornton to conduct the Audit Plan for 2009/2010. This assignment relates to Parks Services. At their meeting of 15 November 2010, the Audit and Risk Committee resolved that the Internal Audit report on Parks Services lay on the table pending finalisation of report with the inclusion of Management Action, Responsible Officer and Action date. The purpose of this report is to reconsider this Internal Audit report now that this action has been completed.

Proposal Detail

In order to evaluate whether the City has adequate and effective management practices for park services, the internal audit focused on the policies, procedures, roles and responsibilities for this function. The

aim of the audit was to provide an independent opinion to the City on whether park service management was adequate and effective.

5 issues were identified during this Audit. The issue raised, recommendation and management response are summarised as follows:

Issue 1: Asset Condition - The City does not have a framework or guidelines in place to identify the reason and scope for the key auditable areas of Parks Services.

Recommendations:

1. Develop and establish a framework that clearly outlines the nature, the scope and the risk assessment and identification of the auditable areas. This will enable the City to manage the key risk areas and conduct audits effectively and consistently.
2. Maintain a register of officers and consultants who are qualified to undertake the audits. This would clearly identify the contact of the qualified person or consultant and their roles and responsibilities.

Management Response: Parks Services has just released an RFQ for a complete audit of all of the Parks Assets (not including buildings) to assess their condition and recommend an ongoing audit program.

Management Action: Implement Audit Report recommendations upon receipt.

Responsible Officer: Manager Parks Services

Action Date: March 2011 for inclusion in draft budget for 2011/12.

Issue 2: Audit Forms - Our review of the sample of audits of parks' assets noted that the audit forms for park lights for July 2009, November 2009 and January 2010 had not been reviewed and signed off by the relevant supervisor at the time the audits were undertaken.

Recommendation:

We recommend that supervisors review and sign off the audit forms at the time when the audit was undertaken.

Management Response: On receipt of the report, the process for audit forms and their signing off have now been included in the City's Performance Manager database. This now means that before a step in Performance Manager can be closed out, the audit documentation must be registered in Trim and recorded in Performance Manager.

Management Action: Implement Audit Report recommendations upon receipt.

Responsible Officer: Manager Parks Services

Action Date: March 2011 for inclusion in draft budget for 2011/12.

Issue 3: Asset Identification - The City cannot determine the location of all assets within the parks as the park asset register is not complete.

Recommendation: We recommend that the City develop and establish a mechanism for tracking and recording the location of parks' assets.

Management Response: As mentioned above, Parks Services has just released an RFQ for a complete audit of all of the Parks Assets (not including buildings) to assess their condition and recommend and ongoing audit program. This will then be recorded in the Public Open Space Inventory located in Trim.

Management Action: Include asset details in GIS.

Responsible Officer: Manager Parks Services

Action Date: March 2011.

Issue 4: Capturing Customer Complaints - Our discussions with the Parks Services Manager noted that there were instances where there was no record of notes within the TRIM system for the actions undertaken by the relevant officer to resolve a customer complaint.
Recommendations:

1. The City consider implementing a functionality within TRIM to mandate the requirement of notes for the corrective measures undertaken by an officer prior to closing off a customer complaint; and
2. Educate and encourage staff to capture the details within the TRIM system.

Management Response: The City is currently updating Trim to include graphical workflow, this graphical workflow, once implemented, will force officers to record actions in notes.

Management Action: Details included in TRIM.

Responsible Officer: Manager Parks Services

Action Date: Completed - Implemented October 2010,

Issue 5: Customer Satisfaction - Our discussions with the Parks Services Manager indicated that he does not receive a summary of customer complaints related to different categories within park services.

Recommendation:

We recommend that a monthly report detailing customer complaints be provided to the Parks Services Manager as it provides a tool for addressing areas of concern from members of the public and enhancing the quality of services.

Management Response: To date, this has not been attended to. However, the Executive receive and review a monthly summary of customer complaints.

Management Action: N/A

Responsible Officer: N/A

Action Date: N/A

Consultation

Administration has now formally considered the issues raised by Grant Thornton and provided appropriate responses.

Legislation

Regulation 5 of the Local Government (Financial Management) Regulations 1996 requires the Chief Executive Officer to 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.

Budget/Financial Implications

Budget:

Funds are included in the Budget to undertake internal audits.

Within current approved budget:	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Requires further budget consideration:	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

Financial:

There are no financial implications arising from this report.

Risk Management

Parks Services have well documented processes and procedures for the management of risks associated with the City's parks infrastructure.


Conclusion

The issues identified in this report have been addressed by the City of Nedlands. It is recommended the Committee receive the report.

Attachments

1. Internal Audit Report – Parks Services (As amended)

7.2 Internal Audit Report – Rates

Applicant	City of Nedlands
Owner	City of Nedlands
Officer	Rajah Senathirajah – Manager Finance
Director	Michael Cole - Director Corporate Services
Director Signature	
File ref.	FIN/006-05
Previous Item No's	Nil
Disclosure of Interest	No officer involved in the preparation of this report had any interest which required it to be declared in accordance with the provisions of the Local Government Act (1995).

Regulation 11(da) – Not applicable – Recommendation adopted.

Moved - Councillor Somerville-Brown
 Seconded – Councillor Collins

Committee notes the Internal Audit Report on Rates.

CARRIED UNANIMOUSLY 5/-

Committee Recommendation

Committee notes the Internal Audit Report on Rates.

Recommendation to Committee

Committee accepts the Internal Audit Report on Rates.

Purpose

The purpose of this report is to receive the internal audit report from Grant Thornton on Rates

Strategic Plan

KFA 5: Governance

- 5.4 Monitor and review business processes, systems, structure and policies to ensure effective service delivery and organisational performance.
- 5.9 Identify, manage and seek to minimise risk.

Background

The City of Nedlands has engaged the services of Grant Thornton to conduct the Audit Plan for 2011. This assignment relates to Rates.

Proposal Detail

The City of Nedlands requires the payment of rates from individuals owning any residential, vacant, or commercial property within the City and each ratepayer contributes towards the cost of providing facilities and services to the Community.

The aim of this internal audit was to evaluate if the controls over the City's rate setting process are adequate and effective, and to assess that the City is compliant with policies, procedures and legislative requirements.

2 Issues were identified during the Audit. The issue raised, recommendation and management response are summarised as follows:

Issue 1: Data should be locked once inputted into The Authority System to restrict unauthorised changes. During discussions with the Rates Officer it was revealed that once the rates parameters and Gross Rental Valuations are inputted or uploaded in the Authority System, the data can be amended retrospectively.

Examinations on the system revealed that there are other users not involved in the rate setting process who have the ability to access and amend the rate parameters inputs and Gross Rental Valuations.

Recommendations

- 1 That Authority system fields should be locked after the rate parameters and Gross Rental Values are inputted or uploaded, so that officers cannot alter data retrospectively.
- 2 The Manager, Finance should have the access rights to amend the rates data and Gross Rental Valuations once the data is locked.
- 3 The City should limit the accessibility of the rates modules within Authority to those involved in the rate setting process.

Management Response

Access to the Rates module is given to the Rates Officer, other members of the Finance Team who act as backup officers, the Manager of Finance and Director Corporate Services.

The rate model parameters are agreed with the Manager Finance before they are entered for the rate run by the Rates Officer. The verified output file from the rate run is sent to the printers for the

printing of Rates Notices. The parameters are verified each time a new batch of rates notices are to be printed, ie interim rates notices.

The GRVs are changed when interim values are received from Landgate. The system records an audit trail of all persons changing rate records.

Management Action

The access to the Rates Module will be reviewed at regular intervals. The locking of data once entered will be investigated.

Issue 2: Discussions with Management revealed that the Rates Officer conducted a self-review on the inputted rates data and interim Gross Rental Valuations.

Recommendation

1. The Rates Officer's role for processing and reviewing the rate parameters and interim Gross Rental Valuation should be segregated such that the review is undertaken by the Manager Finance.
2. Evidence of a sign off for the processing and review of the rate parameters and interim Gross Rental Valuations should be retained.
3. In the event that the Manager Finance is unavailable and cannot sign a review, that the review requirement be escalated to the Director Corporate Services.

Management Response

The review of individual entries will be undertaken by another Finance Officer. The Manager will reconcile change totals after each batch has been entered (Source Valuation Report). Procedures to review the above will be developed.

Consultation

Administration has now formally considered the issues raised by Grant Thornton and provided appropriate responses.

Legislation

Regulation 5 of the Local Government (Financial Management) Regulations 1996 requires the Chief Executive Officer to 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.

Budget/financial implications

Budget:

Funds are included in the 2010/11 Budget to undertake internal audits.

Within current approved budget: Yes ☒ No ☐
 Requires further budget consideration: Yes ☐ No ☒

Financial:

There are no financial implications arising from this report.

Risk Management

Administration have well documented processes and procedures for the management of risks associated with the rates setting process.


Conclusion

The issues identified in this report have been addressed by the City of Nedlands. It is recommended the Committee receive the report.

Attachments

1. Internal Audit Report – Rates

7.3 Internal Audit Report – Public Events and Swimming Pool Applications & Approvals

Applicant	City of Nedlands
Owner	City of Nedlands
Officer	Marion Granich – Manager Community Development Matthew Deal – Manager Property Services
Director	Michael Cole - Director Corporate Services
Director Signature	
File ref.	FIN/006-05
Previous Item No's	Nil
Disclosure of Interest	No officer involved in the preparation of this report had any interest which required it to be declared in accordance with the provisions of the Local Government Act (1995).

Regulation 11(da) – Not applicable – Recommendation adopted.

Moved - Councillor Hodsdon
Seconded – Councillor Collins

Committee receives the Internal Audit Report on Public Event and Swimming Pool Application & Approvals.

CARRIED UNANIMOUSLY 5/-

Committee Recommendation

Committee receives the Internal Audit Report on Public Event and Swimming Pool Application & Approvals.

Recommendation to Committee

Committee accepts the Internal Audit Report on Public Event and Swimming Pool Application & Approvals.

Purpose

The purpose of this report is to receive the internal audit report from Grant Thornton on the Public Event and Swimming Pool Application & Approvals.

Strategic Plan

KFA 5: Governance

5.4 Monitor and review business processes, systems, structure and policies to ensure effective service delivery and organisational performance.

5.9 Identify, manage and seek to minimise risk.

Background

The City of Nedlands has engaged the services of Grant Thornton to conduct the Audit Plan for 2011. This assignment relates to the Public Event and Swimming Pool Application & Approvals.

Proposal Detail

The City of Nedlands (the “City”) is responsible for both the monitoring and management of swimming pool and public events applications. The aim of this internal audit was to evaluate the adequacy and effectiveness of the City’s system for monitoring and managing swimming pool and public events applications and to determine whether the City’s practice is compliant with policies, procedures and legislative requirements.

4 issues were identified during this Audit. The issue raised, recommendations and management responses are summarised as follows:

Issue 1: The City does not have a documented framework for the assessment, coordination and monitoring of the public event application and approval process.

Recommendations

1. We recommend that the City develop and establish a framework for the public events application and approval process that clearly outlines:
 - Coordination aspects of the public event application and approval process;
 - The classification and assessment criteria for public events;
 - Responsibility and accountability matrix for the assessment and approval process for public events including events that require Council approval;
 - Identification of legislation applicable to public events;
 - Exempted events; and
 - Inspection and monitoring requirements prior and during public events.

Management Response

The recommendation is accepted and is due to be completed by 30 June 2011

Issue 2: In the absence of the Administration and Events Officer, there was not another officer within the Community Development to undertake the tasks involved in the coordination of the public events application and approval process.

Recommendations

1. The City should train other suitable officers to be able to undertake the coordination of the public event application and approval process and thereby increasing workforce flexibility.

Management Responses

The recommendation is accepted and training of another staff member will be scheduled once the framework and procedures have been finalised.

Issue 3: During the examination of swimming pool applications, there were 3 instances where the Building Licence Outstanding Requirement Checklists for swimming pool applications were incomplete

Recommendation

That the requirements for the checklists to be completed and signed off be re-enforced to all administration officers.

Management Responses

The recommendation is accepted. Administration Officers have been reminded of the requirements to complete and sign off Building Licence Checklist.

Issue 4: It was noted during the examination of swimming pool applications that the Building Confirmation of Planning Conditions Check List for BA10/718 applications was not completed and signed off.

Recommendation

Building Surveyors be reminded to complete and sign off the Building Confirmation of Planning Conditions Check List.

Management Responses

The recommendation is accepted. Administration Officers have been reminded of the requirements to complete and sign off Building License Checklist.

Consultation

Administration has now formally considered the issues raised by Grant Thornton and provided appropriate responses.

Legislation

Regulation 5 of the Local Government (Financial Management) Regulations 1996 requires the Chief Executive Officer to 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.

Budget / Financial Implications

Budget:

Funds are included in the 2010/11 Budget to undertake internal audits.

Within current approved budget:	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Requires further budget consideration:	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

Financial:

There are no financial implications arising from this report.

Risk Management

The operational risks associated with the Public Event and Swimming Pool Application & Approvals have been reviewed and addressed in this report.


Conclusion

The issues identified by in this have been noted and where appropriate have been implemented. Where recommendations are not supported, reasons for not doing so have been given. It is recommended the Committee receive the report.

Attachments

1. Public Event and Swimming Pool Application and Approvals

7.4 Internal Audit Report – Investments 6 April 2011

Applicant	City of Nedlands
Owner	City of Nedlands
Officer	Rajah Senathirajah – Manager Finance
Director	Michael Cole - Director Corporate Services
Director Signature	
File ref.	FIN/006-05
Previous Item No's	Nil
Disclosure of Interest	No officer involved in the preparation of this report had any interest which required it to be declared in accordance with the provisions of the Local Government Act (1995).

Regulation 11(da) – Not applicable – Recommendation adopted.

Moved - Councillor Somerville-Brown
Seconded – Councillor Hodsdon

That the Recommendation to Committee is adopted.
(Printed below for ease of reference)

CARRIED UNANIMOUSLY 5/-

Committee Recommendation / Recommendation to Committee

Committee receives the Internal Audit Report on Investments.

Purpose

The purpose of this report is to receive the final internal audit report from Grant Thornton on Investments

Strategic Plan

KFA 5: Governance

5.4 Monitor and review business processes, systems, structure and policies to ensure effective service delivery and organisational performance.

5.9 Identify, manage and seek to minimise risk.

Background

The City of Nedlands has engaged the services of Grant Thornton to conduct the Audit Plan for 2011. This assignment relates to Investments.

Proposal Detail

In accordance with Section 6.14 of the Local Government Act 1995 and its own Investment Policy, the City examines opportunities to invest surplus funds in financial institutions that provide the best rate of return. The aim of this internal audit was to evaluate the effectiveness of the management of the City's investments of surplus funds.

The scope of the engagement included:

- Evaluation of the adequacy of the City's Investment policy;
- Determining the City's compliance with its internal and external policies, procedures and guidelines; and
- Provision of appropriate recommendations for any matters identified through the audit review.

Only one issue was identified during the Audit as follows:

Issue: Sound investment practice suggests that balance for "on-call" investments should be kept at a minimum unless appropriate reasoning exists.

Testing revealed one investment with a significant on-call balance. Investment 16, held with AMP has had an on-call balance in excess of \$250,000 since July 2010.

Recommendation

1. That the City should monitor all "on-call" balances above \$40,000 to assess whether more suitable alternatives exist.

2. For any balances above \$40,000, the City should provide some form of documentation that acknowledges and provides reasoning for the balance.

Management Response

The recommendation was noted. The reasons for leaving \$268,200 of Reserve Funds in the AMP on-call account at the end of June 2010 where:

1. The on-call account of AMP was yielding a better rate of interest than a TD for 3 months from AMP.
2. The need to spread the investments across the financial institutions approved by the Audit and Risk Committee.
3. The rate of 5.25% was within the range of 4.95% to 6.05% obtained for TDs with other financial institutions as at the end of June 2010, and the City was told that the rate was to be reviewed from the end of August 2010. Current rate of interest is 5.60% which is comparable to the 5.65% offered by NAB for 90 days Term Deposit.

Consultation

Administration has now formally considered the issues raised by Grant Thornton and provided appropriate responses.

Legislation

Regulation 5 of the Local Government (Financial Management) Regulations 1996 requires the Chief Executive Officer to 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.

Budget/financial implications

Budget:

Funds are included in the 2010/11 Budget to undertake internal audits.

Within current approved budget:	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Requires further budget consideration:	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

Financial:

There are no financial implications arising from this report.

Risk Management

The operational risks associated with the investment of surplus funds have been reviewed and addressed in this report.


Conclusion

The issue identified in this report is minor and has been addressed. It is recommended the Committee receive the report.

Attachments

1. Internal Audit Report – Investments

7.5 Procurement 20 April 2011

Applicant	City of Nedlands
Owner	City of Nedlands
Officer	Rajah Senathirajah – Manager Finance
Director	Michael Cole - Director Corporate Services
Director Signature	
File ref.	FIN/006-05
Previous Item No's	Nil
Disclosure of Interest	No officer involved in the preparation of this report had any interest which required it to be declared in accordance with the provisions of the Local Government Act (1995).

Mr G Foster, Chief Executive Officer joined the meeting at 6.20 pm.

Regulation 11(da) – Not applicable – Recommendation adopted.

Moved - Councillor Collins

Seconded – Councillor Somerville-Brown

That the Recommendation to Committee is adopted.

(Printed below for ease of reference)

CARRIED UNANIMOUSLY 5/-

Committee Recommendation / Recommendation to Committee

Committee receives the Internal Audit Report on Procurement.

Purpose

The purpose of this report is to receive the final internal audit report from Grant Thornton on Procurement

Strategic Plan

KFA 5: Governance

5.4 Monitor and review business processes, systems, structure and policies to ensure effective service delivery and organisational performance.

5.9 Identify, manage and seek to minimise risk.

Background

The City of Nedlands has engaged the services of Grant Thornton to conduct the Audit Plan for 2011. This assignment relates to Procurement.

Proposal Detail

The Local Government Act 1995 and the Local Government (Functions and General Regulations) 1996 provides guidelines and requirements in which City of Nedlands (the "City") can make purchases of goods and services.

The objectives of the internal audit were to assess:

- The adequacy and effectiveness of the City's controls surrounding the procurement process; and
- Whether procurement activities complied with established internal and external policies, procedures and guidelines.

The Scope of the engagement included:

- Evaluation of the adequacy and effectiveness of the controls surrounding the procurement process;
- Review and evaluate the City's procurement policies and procedures compliance with legislative requirements;
- Sample based testing to ensure compliance with documented internal and external policies, procedures and guidelines; and
- Provision of appropriate recommendations for any matters identified through the audit review.

8 issues were identified during this Audit. The issues raised, recommendations and management responses are summarised as follows:

Issue 1: Procurement Documentation Non-Compliance

Council Policy Manual – KFA 5 Governance states that "All processes, evaluations and decisions shall be transparent, free from bias and fully documented in accordance with applicable policies and audit requirements".

Discussion with staff and sample based testing of procurement files revealed that procurement records were not retained in accordance with the City's Procurement Procedures.

Observations of procurement files maintained by the City's staff revealed inconsistent practices towards procurement quotation document retention.

Review of the City's electronic document record management system indicated that procurement related document were not stored in accordance with the City's record keeping requirements.

Recommendation

1. That the City's record retention requirements be reinforced to all staff involved in procurement activities
2. That a regular monitoring or review process over procurement records be implemented.

Management Response

1. Due to staff turnover it is possible that some of the officers who carry out procurement activities are not fully conversant with the need to obtain adequate number of quotations and the documentation of the quotations and other relevant information.
2. Lack of resources have prevented regular monitoring of the proper maintenance of quotations and other relevant documents.

Issue 2: Lack of segregation of procurement duties

Good business practice suggest that staff who prepares their own requisitions should not be approving the invoice payment.

Interviews with Divisional Managers and Coordinators revealed that Purchase Authorising officers were raising their own requisitions and approving the invoices for payment.

Sample based payment testing revealed two instances where the officer who raised the requisition order, authorised the payment of invoices.

Recommendation

That the duties for ordering, receiving, incurring and authorising should be segregated.

Management Response

While agreeing that it is desirable to have the level of segregation recommended, it is not practical with some of the Business Units due to resource constraints. Managers and Co-ordinators are encouraged to train other staff in their areas to raise Requisitions, which they would subsequently authorise.

The person raising the Requisition should be the appropriate person to receive the goods/ services as she/he will best know if what has been delivered is what was requested. Only persons with delegated authority can approve payment of invoices, and this is independently verified before payments are made to suppliers.

Issue 3: Invoices not paid in a timely manner

Good business practice suggest that invoices should be paid within a timely manner.

Sample based testing found that 7 out of 21 invoices were not paid to the vendor within the due dates specified on the invoice. In addition 9 out of 21 invoices that did not specify the payment date were not paid within 30 days of the invoice date.

Also found were three invoices where early payments discounts were not taken advantage of.

Recommendation

1. To ensure that staff purchasing are familiar with their applicable cost codes / centre. Communicate the instruction to Authorising Officers for the need to approve invoices for payment in a timely manner.
2. Where practicable that invoices eligible for early payment discounts are identified and be given the higher priority in approval and processing.

Management Response

Agree with the recommendations. These have been brought to the attention of relevant staff from time to time, but staff turnover coupled with inadequate monitoring have led to the situation noted by the Internal Auditor.

Issue 4: Goods/services control non-compliance

Purchasing Procedures – 2.6 Authorising Payment of Accounts states that “The receiving officer must certify that all goods or service ordered have been received”.

Sample based testing found that 6 out of 16 invoice transactions the receiving officer did not certify the receipt of the goods and or service.

Recommendation

1. Accounts Payable should not proceed for payment if the invoice is not certified for the goods or service received.
2. That the requirement for Authorising officers to certify the receipt of goods or services should be reinforced.

Management Response

Agree with the recommendations.

Issue 5: Signatory Authority List not updated

Good business practice suggests that the authorisation register be regularly reviewed.

Our review of the City's authorisation register indicated that the register had not been maintained. The last identifiable review date for the Technical Service Division of the Parks and Engineering Services register was 5th June 2008.

Discussion with the City's management revealed that there have been staff attrition since this period, some of whom had been identified on the delegation register.

Recommendation

1. That the authorisation register be reviewed on a more frequent basis for example, once a month.
2. That Human Resources informs Corporate Services of staff movements to facilitate the review process of the authorisation register.

Management Response

The Register of Authorised Signatories for approving of payments was being updated at the time of the Audit, as there had been a number of staff changes recently.

Issue 6: Lack of market testing to ensure value for money

Council Policy Manual – KFA 5 Governance states that the City “Ensures value for money when purchasing goods and services”.

Interviews with Divisional Managers and Coordinators revealed that there exist standing orders and or regular purchases from preferred suppliers exceed periods up to ten years without further market testing since initial engagement.

Recommendation

1. Where applicable, management should obtain prior to requisition approval to obtain value for money.
2. That the requisition review checklist to include enquires into the validity of the reason for not obtaining quotations where necessary.

Management Response

Lack of resources have prevented the regular monitoring of compliance with “value for money” requirements of the City. Managers are being encouraged to carry out market testing on an annual basis for services and products purchased regularly. Recent tenders called for plumbing services, electrical services and after hours building maintenance are a result of this review.

Issue 7: Incomplete Purchasing Procedures, and the non existence of Petty Cash Policy and or Procedures

Council Policy Manual – KFA 5 Governance that the City “Promotes effective governance and definition of roles and responsibilities”.

1. Through discussions, it was noted that the procurement procedures were incomplete, for example the incomplete parts included.
 - a) Section 2.8 – Maintenance of the preferred supplier list; and
 - b) Forms and guidelines specified in the procedures.
2. It was noted that the City did not have a documented Petty Cash Policy and Procedures. However, through sample based testing and the walkthrough of petty cash purchases, we have identified that staff have a good local knowledge of the petty cash purchase process.

Recommendation

1. That Corporate Services complete the Procurement Procedures.
2. That Corporate Services develop Petty Cash Purchasing Policy and Procedures

Management Response

1. The City utilises WALGA's list of “Preferred Suppliers for Products and Services” list whenever possible. Finalisation of the Forms and Guidelines was deferred pending the de-bugging of the On Line Requisitions process. This will now be completed.

2. Petty Cash procedures have been in the form of Guide Lines / Instructions issued by the Director of Corporate Services from time to time. These need to be collated, reviewed and documented as Petty Cash Policy and Procedures.

Issue 8: Tender Register non- compliance

The Tender Register must have the elements or information specified under the Local Government (Function and General) Regulations 1996, Part 4, Division 2, Reg 17.

Inspection of the City's Tender Register found that it did not include particulars of the decision made to invite tenders and if applicable the decision to seek expressions of interest under Regulation 21(1), of the Local Government Regulations 1996.

Recommendation

That Management ensure through regular review that all relevant details on the Tender Register is complete and accurate.

Management Response

This arose due to the earlier interpretation by Management that projects approved by Council during budget process, and included in the adopted budget, implied a decision to call for tenders if the value of the project exceeded \$100,000.

It has since been clarified that a separate decision has to be made for each tender, either by Council or by Management under Delegated Authority, and particulars of this decision need to be recorded in the Tender Register.

Consultation

Administration has now formally considered the issues raised by Grant Thornton and provided appropriate responses.

Legislation

Regulation 5 of the Local Government (Financial Management) Regulations 1996 requires the Chief Executive Officer to 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.

Budget/financial implications

Budget:

Funds have been allocated in the 2010/11 budget for Internal Audits.

Within current approved budget:	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Requires further budget consideration:	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

Financial:

As noted above.

Risk Management

The operational risks associated with Procurement have been reviewed and addressed in this report.

Conclusion

The issues identified in this report is minor and has been addressed. It is recommended the Committee receive the report.

Attachments

1. Internal Audit Report – Procurement

8. Date of next meeting

The date of the next meeting of this Committee is to be advised.

Declaration of Closure

There being no further business, the Presiding Member declared the meeting closed at 6.31 pm.



City of Nedlands

Internal Audit - Park Services

24 August 2010



This report has been prepared for distribution to the addressee for the purpose of our engagement. We disclaim any assumption of responsibility for any reliance on this report to any person other than the addressee, or for any purpose other than that for which it was prepared.



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Grant Thornton

Executive Summary

Overview

The City of Nedlands' (the "City") Parks Services Department is responsible for maintaining and upgrading when necessary, all infrastructure, flora and fauna in parks, reserves and verges.

In order to evaluate whether the City has adequate and effective management practices for park services, the internal audit focused on the policies, procedures, roles and responsibilities for this function. The aim of the audit was to provide an independent opinion to the City on whether park service management was adequate and effective.

This audit was conducted in compliance with the International Standards for the Professional Practice of Internal Audit.

Objective

To review the adequacy and effectiveness of the "auditable process" of park services in particular for playgrounds, sporting areas, public open space and parks to determine whether best business practice applications have been applied.

Scope

The scope of the internal audit included the following:

- Identification of the policy and procedures and business practices;
- Reviewing and evaluating of the City's compliance with external and internal policies and procedures; and
- Providing appropriate recommendations for any matter identified.

Methodology

During the fieldwork phase, we undertook interviews, enquiries and examination of documents to gain an insight into the City's processes for managing park services. Our evaluations assessed the adequacy and effectiveness of the City's policies and procedures for park services.



Summary of Key Opportunities

Findings	Risk Rating	Recommendation
<p>The City does not have a framework or guidelines in place to identify the reason and scope for the key auditable areas of Parks Services.</p> <p>The Parks Services Manager represented that the audits were primarily driven by maintenance requirements and their knowledge of assets within parks.</p>		<p>We recommend that the City's Parks Services Department:</p> <ol style="list-style-type: none">1. Develop and establish a framework that clearly outlines the nature, the scope and the risk assessment and identification of the auditable areas. This will enable the City to manage the key risk areas and conduct audits effectively and consistently.2. Maintain a register of officers and consultants who are qualified to undertake the audits. This would clearly identify the contact of the qualified person or consultant and their roles and responsibilities.
<p>Our review of the sample of audits of parks' assets noted that the audit forms for park lights for July 2009, November 2009 and January 2010 had not been reviewed and signed off by the relevant supervisor at the time the audits were undertaken.</p> <p>The audit forms were reviewed and signed off by the supervisor towards the conclusion of our enquiries. We noted that the audit for park lights was completed on 19 July 2009, 26 November 2009 and 27 January 2010, however, the audit form for 19 July 2009 was signed off by the supervisor on 10 June 2010 and the audit forms for 26 November 2009 and 27 January 2010 were signed off by the supervisor on 8 June 2010.</p> <p>In the absence of a timely review and sign off of the audit forms by the supervisor:</p> <ol style="list-style-type: none">1. Audits may not be undertaken by		<p>We recommend that supervisors review and sign off the audit forms at the time when the audit was undertaken.</p>



Findings	Risk Rating	Recommendation
<p>the relevant officer; and</p> <p>2. Audits may not be undertaken diligently and in accordance with Parks Services Department's standards.</p>		
<p>The City cannot determine the location of all assets within the parks as the park asset register is not complete.</p> <p>Our discussions with Parks Services Manager noted that they are aware of the assets in the park in order to undertake maintenance and audits of asset conditions.</p> <p>This knowledge is not documented to identify the reason for undertaking maintenance and audits of asset conditions.</p>		<p>We recommend that the City develop and establish a mechanism for tracking and recording the location of parks' assets.</p>
<p>Our discussions with the Parks Services Manager noted that there were instances where there was no record of notes within the TRIM system for the actions undertaken by the relevant officer to resolve a customer complaint.</p> <p>Further, our examination of TRIM showed that it allows the completion of a job without recording notes for the corrective action undertaken by the relevant officer to resolve a complaint.</p> <p>In the absence of notes there may be customer frustration from subsequent contacts as result of insufficient records and also there is an inability to verify the actions taken by the relevant officer to resolve the complaint.</p>		<p>We recommend that:</p> <ol style="list-style-type: none">1. The City consider implementing a functionality within TRIM to mandate the requirement of notes for the corrective measures undertaken by an officer prior to closing off a customer complaint; and2. Educate and encourage staff to capture the details within the TRIM system.



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Findings	Risk Rating	Recommendation
<p>Our discussions with the Parks Services Manager indicated that he does not receive a summary of customer complaints related to different categories within park services.</p> <p>Without a periodic customer complaint report for the Parks Services Manager it may be difficult to deploy the relevant resources to provide the required quality of service to the public.</p>		<p>We recommend that a monthly report detailing customer complaints be provided to the Parks Services Manager as it provides a tool for addressing areas of concern from members of the public and enhancing the quality of services.</p>

Auditor's Opinion

In our opinion, based on the interviews and evidence obtained, except for the matters identified above, that the systems and controls associated with City's park service management are adequate and effective.

Overall Management Comments

STEVE CROSSMAN
Manager, Park Services

IAN HAMILTON
Director, Technical Services

1. Background

The City's Parks Services Department is responsible for maintaining and upgrading when necessary, all infrastructure, flora and fauna in parks, reserves and verges.

As a local government, the City should ensure that risks associated with public or employee injury, poor asset condition or non compliance with standards and legislation are managed for all matters of operation.

The internal audit focused on the policies, procedures, roles and responsibilities of park services in order to evaluate whether the City had adequate and effective management practices for park services.

The aim of the audit was to provide an independent opinion to the City on whether park service management was adequate and effective to appropriately safeguard the City from risk such as litigation or adverse public image.



2. Objectives

The audit objective was to review the adequacy and effectiveness of the "auditable process" of park services in particular for playgrounds, sporting areas, public open space and parks to determine whether best business practice applications have been applied to ensure that:

- Maintenance plans were in place;
- Suitable maintenance policies and procedures were in place;
- Appropriate management reviews and follow up were in place;
- Incident reporting were captured and recorded appropriately; and
- "Duty of care" were addressed in relation to maintenance work.



3. Link to Risk Assessment

The financial, business and operating system processes subject to this internal audit are associated with the following risks:

- Possible litigation brought forward against the City;
- Negative public relation; and
- Resident protests.

4. Scope

The scope of the audit is detailed below.

Scope	
Scope Inclusions	<p>Operational audit – We focused on the effectiveness and adequacy of controls used by the City of Nedlands in relation to park services.</p> <p>Specifically:</p> <ul style="list-style-type: none">• Identified the policy and procedures and business practices;• Reviewed and evaluated the City of Nedlands compliance with external and internal policies and procedures; and• Provided appropriate recommendations for any matter identified.
Scope Exclusions	<p>Strategic business advice in relation to the implementation of any best practices or audit recommendations.</p>

5. Methodology

Our internal audit process was conducted on a risk based approach which focused on obtaining sufficient evidence to evaluate the risk and provide recommendations to mitigate the risk to an appropriately low level. Complete risk elimination is neither practical nor economically feasible. Rather, the goal is to reduce risks to levels that are sensible and acceptable to management. An important internal control principle is that the cost of controls should not exceed their benefits.

Our approach in this regard included:

- Reviewing documentation provided by the City pertaining to playgrounds, sporting areas, public open space and parks with reference to:
 - Maintenance plans;
 - Suitable management policies;
 - Appropriate management reviews and follow up;
 - Incident reporting policy and records; and
 - “Duty of Care” policy and requirements.
- Conducting meetings with City’s management with respect to the audit process;
- Documenting the process used by staff in respect to park services; and
- Selecting and obtaining relevant samples to evaluate compliance with the documented policies, processes and guidelines.

6. Risk Rating of Audit Findings

Findings resulting from our internal audit have been rated in accordance with the risk ratings as detailed below.

Risk Rating	Risk Description
	Major strategic risk of high impact which threatens the organisation's objective and should be addressed immediately.
High	Significant strategic risk should be addressed as a matter of high priority. Controls are deficient or ineffective and require attention.
	The risk has limited strategic impact but it is of sufficient concern and should be addressed as soon as possible.
	The risk has minimal operational and strategic impact but exposure in the identified areas is undesirable.
Low	Inconsequential impact. The risk is not a primary concern but opportunity to improve the systems and processes that should be addressed as a matter of course.



7. Inherent Limitations

Due to the inherent limitations of any internal control structure it is possible that errors or irregularities may occur and not be detected. An internal audit is not designed to detect all weaknesses in control procedures or all compliance failures as it is not performed continuously throughout the period and the tests performed are on a sample basis. As such, except to the extent of the sample testing performed, it is not possible to express an opinion on the effectiveness of the internal control structure or its compliance.

Any projection of the evaluation of control and compliance procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

The internal audit findings expressed in this report have been formed on the above basis.

8. Detailed Findings

Audit of Asset Conditions	
Criteria	Good business practice suggests that an overarching framework should be established for determining the nature and the extent of the audits within park services.
Condition	The City does not have a framework or guidelines in place to identify the reason and scope for the key auditable areas for Parks Services.
Risk Rating	Medium
Cause	The Parks Services Manager represented that the audits were primarily driven by maintenance requirements and their knowledge of assets within parks.
Effect	In the absence of a framework for undertaking audits, the City may not undertake the audits effectively and consistently and the audits may not be in line with the City's objectives or requirements. Furthermore, the City may not be able to set priorities for key risk areas.
Recommendation	<p>We recommend that the City's Parks Services Department:</p> <ol style="list-style-type: none"> 1. Develop and establish a framework that clearly outlines the nature, the scope and the risk assessment and identification of the auditable areas. This will enable the City to manage the key risk areas and conduct audits effectively and consistently. 2. Maintain a register of officers and consultants who are qualified to undertake the audits. This would clearly identify the contact of the qualified person or consultant and their roles and responsibilities.
Management Comments	
Management Comment	Parks Services has just released an RFQ for a complete audit of all of the Parks Assets (not including buildings) to assess their condition and recommend and ongoing audit program.



Management Action	Implement Audit Report recommendations upon receipt of report.
Responsible Officer	Manager Parks Services
Action Date	March 2011 for inclusion in draft budget for 2011/12

Audit Forms	
Criteria	Completed audit forms of assets should be reviewed and signed off by the supervisor at the time of the audit.
Condition	<p>Our review of the sample of audits of parks' assets noted that the audit forms for park lights for July 2009, November 2009 and January 2010 had not been reviewed and signed off by the relevant supervisor at the time the audits were undertaken.</p> <p>The audit forms were reviewed and signed off by the supervisor towards the conclusion of our enquiries. We noted that the audit for park lights was completed on 19 July 2009, 26 November 2009 and 27 January 2010, however, the audit form for 19 July 2009 was signed off by the supervisor on 10 June 2010 and the audit forms for 26 November 2009 and 27 January 2010 were signed off by the supervisor on 8 June 2010.</p>
Risk Rating	Medium
Cause	Oversight.
Effect	<p>In the absence of a timely review and sign off of the audit forms by the supervisor:</p> <ol style="list-style-type: none"> 1. Audits may not be undertaken by the relevant officer; and 2. Audits may not be undertaken diligently and in accordance with Parks Services Department's standards.
Recommendation	We recommend that supervisors review and sign off the audit forms at the time when the audit was undertaken.
Management Comments	
Management Comment	On receipt of the report, the process for audit forms and their signing off have now been included in the City's Performance Manager database. This now means that before a step in Performance Manager can be closed out, the audit documentation must be registered in TRIM and recorded in Performance Manager.
Management Action	Implement recommendations contained in audit report
Responsible Officer	Manager Parks Services
Action Date	March 2011 for inclusion in draft budget for 2011/12



Asset Identification	
Criteria	Good business practice suggests that asset records or registers contain sufficient information to enable asset identification and location.
Condition	<p>The City cannot determine the location of all assets within the parks as the park asset register is not complete.</p> <p>Our discussions with Parks Services Manager noted that they are aware of the assets in the park in order to undertake maintenance and audits of asset conditions.</p> <p>This knowledge is not documented to identify the reason for undertaking maintenance and audits of asset conditions.</p>
Risk Rating	Medium
Cause	There was no previous requirement to record all park assets.
Effect	In the absence of records for the location of assets, it may be difficult to track and monitor the physical location of the City's park assets.
Recommendation	We recommend that the City develop and establish a mechanism for tracking and recording the location of parks' assets.
Management Comment	As mentioned above, Parks Services has just released an RFQ for a complete audit of all of the Parks Assets (not including buildings) to assess their condition and recommend an ongoing audit program. This will then be recorded in the Public Open Space Inventory located in TRIM.
Management Action	Include asset details in GIS
Responsible Officer	Manager Parks Services
Action Date	March 2011

Capturing Customer Complaints	
Criteria	Good business practice provides that resolution of customer complaints should be recorded and retained adequately.
Condition	<p>Our discussions with the Parks Services Manager noted that there were instances where there was no record of notes within the TRIM system for the actions undertaken by the relevant officer to resolve a customer complaint.</p> <p>Further, our examination of TRIM showed that it allows the completion of a job without recording notes for the corrective action undertaken by the relevant officer to resolve a complaint.</p> <p>All customer complaints are captured within the TRIM system. The Customer Service Officer would capture the complaint within the system and create a "workflow". This would be nominated to the relevant area and officer. The relevant officer will undertake the corrective action in the field to resolve the complaint. Once the job is completed the "workflow" is closed.</p>
Risk Rating	Medium
Cause	<ol style="list-style-type: none"> 1. Officers in the field that undertake the corrective actions do not complete the notes section within the "workflow". 2. The information system permits the completion of a "workflow" without notes.
Effect	<ol style="list-style-type: none"> 1. Inability to verify the actions taken by the relevant officer to resolve the complaint. 2. There may be customer frustration from subsequent contacts as result of insufficient records.
Recommendation	<p>We recommend that:</p> <ol style="list-style-type: none"> 1. The City consider implementing a functionality within TRIM to mandate the requirement of notes for the corrective measures undertaken by an officer prior to closing off a customer complaint; and 2. Educate and encourage staff to capture the details within the TRIM system.
Management Response	
Management Comment	The City is currently updating TRIM to include graphical workflow, this graphical workflow, once implemented, will force officers to record actions in notes.



Management Action	Details to be recorded in TRIM
Responsible Officer	Manager Parks Services
Action Date	Implemented Oct 2010

Monthly Reporting – Customer Satisfaction	
Criteria	Good business practice suggests that a report on customer complaint information should be provided on a monthly basis to the Divisional Manager to enable planning and allocation of resources.
Condition	Our discussions with the Parks Services Manager indicated that he does not receive a summary of customer complaints related to different categories within park services.
Risk Rating	Medium
Cause	There was no requirement for the Parks Services Manager to receive customer complaint reports to determine customer satisfaction.
Effect	Without a periodic customer complaint report for the Parks Services Manager it may be difficult to deploy the relevant resources to provide the required quality of service to the public.
Recommendation	We recommend that a monthly report detailing customer complaints be provided to the Parks Services Manager as it provides a tool for addressing areas of concern from members of the public and enhancing the quality of services.
Management Response	
Management Comment	To date, this has not been attended to, but having said that, I am unaware if Executive receive a summary of customer complaints.
Management Action	Not applicable
Responsible Officer	Not applicable
Action Date	Not applicable

Appendix A – Audit Evidence

The following documents and information were examined as part of this review.

Documents Examined
Technical Services – Level of Service – Parks 2010
Park Service Hours – Budget
City of Nedlands Budget Submission
Park Services Annual Maintenance Program 2009/2010
City of Nedlands – Standards Operations Manual For All Parks Services Staff (Work in Progress)
Council Policy Manual – Street Trees
Council Policy Manual – Lighting of Playing Surfaces
Council Policy Manual – Naming of Parks and Reserves and Features Within Them
Council Policy Manual – Memorial Park Furniture
Performance Indicators – Exception Report
Quarterly Summary Report – Manager Parks Services
Technical Services – Mowing – Broadacre
Technical Services – BBQ Cleaning Schedule
City of Nedlands Park Asset Register (Work in Progress)
Audit – River Wall (11 September 2009)
Audit – River Wall (17 September 2009)
Audit – River Wall (29 September 2009)
Audit – River Wall (2 October 2009)
Audit – River Wall (23 October 2009)
Audit – River Wall (12 November 2009)
Audit – River Wall (30 April 2010)
Audit – River Wall (23 April 2010)
Audit – River Wall (9 April 2010)
Audit – Park Lights (14 September 2009)
Audit – Park Lights (21 June 2009)



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Documents Examined
Audit – Park Lights (19 July 2009)
Audit – Park Lights (26 November 2009)
Audit – Park Lights (27 January 2010)
Audit – Park Lights (31 March 2010)
Audit – Park Lights (2 June 2010)
Audit – Goal Safety – Hockey (14 August 2009)
Audit – Goal Safety – Rugby (14 August 2009)
Audit – Goal Safety – Soccer (14 August 2009)
Audit – Playground Equipment (5 May 2010)
Audit – Playground Equipment (24 February 2010)
Audit – Playground Equipment (4 November 2010)
Audit – Artworks (29 July 2009)
Audit – Artworks (30 September 2009)
Audit – Skateboard Facilities (8 December 2009)
Audit – Skateboard Facilities (16 February 2010)
Audit – Skateboard Facilities (7 January 2010)
Playground Inspection Repairs Record (19 August 2009)
Playground Inspection Repairs Record (27 October 2009)
Playground Inspection Repairs Record (4 November 2009)
Playground Inspection Repairs Record (Blank Sheet)
Audit – Park Lights (Blank Sheet)
Audit – Goal Post Safety – Rugby (Blank Sheet)
Audit – Goal Safety – Hockey (Blank Sheet)
Audit – Goal Post Safety – Soccer (Blank Sheet)
Audit – River Wall (Blank Sheet)
Audit – Annual Visual Tree Assessment (25 September 2008)
Audit – Annual Visual Tree Assessment (22 January 2008)
Audit – Annual Visual Tree Assessment (13 December 2008)
SLA Sports Ground Upgrades
Light Pole Inspections Allen Park City of Nedlands
Light Pole Inspections Mevilsta Oval and Lawler Park Tennis Courts City of Nedlands
Light Pole Inspections Mt Claremont Oval and Tennis Courts City of Nedlands
Skateboard Facilities – Public Safety Checklist (Blank Sheet)
2009 Street Tree – Verge and Reserves Planting List
Occupational Health and Safety Policy Statement
Hazard/Near Miss/Injury Report
Hazardous Substances Register Contents List



Documents Examined
Job Safety Analysis Worksheet – Broadacre Mower (Work in Progress)
Request for Quotation – Garden Maintenance
Capital Works Program for Parks Services
Usage Report
Request for Tender 2009/10.25 – Upgrade of Sports Lighting at Highview Park
Organisational Chart – Technical Services
Standard Operating Procedures – Emergency Incidents (Draft)
Complaint Letters
Screenshot of “workflows”
E-mail notification of outstanding “workflow”
Customer Complaints Actions and “workflow”
Parks Services – Parks Staff Meeting – Action List
Toolbox Meeting Minutes
Job Description Forms – Manager Parks Services
Job Description Forms – Projects Coordinator
Job Description Forms – Arboriculture Officer
Job Description Forms – Horticulture Technical Officer
Job Description Forms – Parks Coordinator (Arboriculture)
Job Description Forms – Infrastructure Maintenance Officer
Job Description Forms – Irrigation Fitter
Job Description Forms – Broadacre Mower Operator
Job Description Forms – Mower Operator
Job Description Forms – Landscape Maintenance Officer
OSH-POL-002 – Hazard Identification & Reporting
OSH-POL-004 – Job Safety Analysis
OSH-POL-007 – Hazard, Near Miss and Accident Investigation
OSH-POL-003 – Monthly Workplace Inspection
OSH-POL-008 – Personal Protective Equipment
OSH-POL-010 – Safety Training



Appendix B – Personnel Who Assisted with the Audit

The following City of Nedlands personnel assisted with the audit:

- Mr Steve Crossman; and
- Mr Daniel Lewis



City of Nedlands

Rates

31 March 2011



This report has been prepared for distribution to the addressee for the purpose of our engagement. We disclaim any assumption of responsibility for any reliance on this report to any person other than the addressee, or for any purpose other than that for which it was prepared.



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Executive Summary

Overview

The City of Nedlands (the “City”) requires the payment of rates from individuals owning any residential, vacant, industrial or commercial property within the City and each ratepayer contributes towards the cost of providing facilities and services to the Community.

The aim of this internal audit was to evaluate if the controls over the City’s rate setting process are adequate and effective, and to assess that the City is compliant with policies, procedures and legislative requirements.

This audit was conducted in compliance with the Internal Standards for the Professional Practice of Internal Audit.

Objective

The objectives of the internal audit were:

- to evaluate the adequacy and effectiveness of controls over the City’s rate setting process; and
- to determine whether the City is compliant with internal and external policies, procedures and guidelines.

Scope

The scope of the internal audit included the following:

- Evaluation the adequacy and effectiveness of the City’s policies and procedures surrounding the rate setting process;
- Examination of whether there were sufficient processes in place to enable the correct calculation and recording of annual rates;
- Sample based testing to evaluate compliance with the documented internal and external policies, procedures and guidelines; and
- Provision of appropriate recommendations for any matter identified through the audit review.

Methodology

During the fieldwork phase, we undertook interviews, enquiries and examination of documents to gain an insight into the City’s rate setting process. Our evaluations assessed the adequacy and effectiveness of the City’s policies and procedures for setting rates.

Summary of Key Findings

Findings	Risk Rating	Recommendation
<p>Our discussions with the Rates Officer revealed that once the rates parameters and Gross Rental Valuations are inputted or uploaded in the Authority System, the data can be amended retrospectively.</p> <p>Further, our examinations on the system revealed that there are other users not involved in the rate setting process who have the ability to access and amend the rate parameters inputs and Gross Rental Valuations of properties.</p>	Medium	<ol style="list-style-type: none"> 1. That Authority system fields should be locked after the rate parameters and Gross Rental Values are inputted or uploaded, so that officers cannot alter data retrospectively. 2. The Manager, Finance should have the access rights to amend the rates data and Gross Rental Valuations once the data is locked. 3. The City should limit the accessibility of the rates modules within Authority to those involved in the rate setting process.
<p>Our discussions with Management revealed that the Rates Officer conducted a self-review on the inputted rates data and interim Gross Rental Valuations.</p>	Medium	<ol style="list-style-type: none"> 1. The Rates Officer's role for processing and reviewing the rate parameters and interim Gross Rental Valuation should be segregated such that the review is undertaken by the Manager, Finance. 2. Evidence of a sign off for the processing and review of the rate parameters and interim Gross Rental Valuations should be retained. 3. In the event that the Manager, Finance is unavailable and cannot sign a review, that the review requirement be escalated to the Director, Corporate Services.

Auditor's Opinion

In our opinion, based on the interviews and evidence obtained, except for the matters identified, the City of Nedlands' had adequate and effective controls over the rate setting process.

Overall Management Comment

Management is satisfied with the findings in this report. Comments have been provided and actions scheduled for completion by 1 May 2011.

RAJAH SENATHIRAJAH
Manager, Finance

MICHAEL COLE
Director, Corporate Services



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1. Background

The City of Nedlands (the “City”) requires the payment of rates from individuals owning any residential, vacant, industrial or commercial property within the City and each ratepayer contributes towards the cost of providing facilities and services to the Community.

In accordance with the Valuation of Land Act 1978, property rates are imposed on the basis of valuations supplied by the Valuer General, known as Gross Rental Values. The Valuer General’s office conducts revaluations of Gross Rental Value rated properties every three years.

The aim of this internal audit was to evaluate if the controls over the City’s rate setting process are adequate and effective and to assess that the City is compliant with policies, procedures and legislative requirements.



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2. Objective

The objectives of the internal audit were:

- to evaluate the adequacy and effectiveness of controls over the City's rate setting process; and
- to determine whether the City is compliant with internal and external policies, procedures and guidelines.



3. Link to Risk Assessment

The following risks are associated with inadequate or ineffective practice or policy relating to rate setting process:

- Non-compliant with Local Government Act 1995;
- Inaccurate calculation of rates; and
- Negative public relation.

4. Scope

The scope of this internal audit included:

Scope	
<p>Scope Inclusions</p>	<ul style="list-style-type: none"> • Evaluation of the adequacy and effectiveness of the City's policies and procedures surrounding the rate setting process; • Examination of whether there were sufficient processes in place to enable the correct calculation and recording of annual rates; • Sample based testing to evaluate compliance with the documented internal and external policies, procedures and guidelines; and • Provision of appropriate recommendations for any matter identified through the audit review.
<p>Scope Exclusions</p>	<p>The period subject to audit was from 1 July 2010 to 31 January 2011.</p>
<p>Scope Exclusions</p>	<p>Strategic business advice in relation to the implementation of any best practices or audit recommendations.</p>

5. Methodology

Our internal audit process was conducted on a risk based approach which focused on obtaining sufficient evidence to evaluate the risk and provide recommendations to mitigate the risk to an appropriately low level. Complete risk elimination is neither practical nor economically feasible. Rather, the goal is to reduce risks to levels that are sensible and acceptable to management. An important internal control principle is that the cost of controls should not exceed their benefits.

Our approach in this regard included:

- Reviewing the Local Government Act 1995 requirements relating to rates;
- Reviewing valuation information received from the Valuer General's office;
- Reviewing the City's established policies, procedures and guidelines pertaining to the rate setting process;
- Examining and documenting the relevant processes used by City staff in respect to the rate setting process;
- Determining the roles, responsibilities and accountability framework for the rate setting process;
- Assessing the adequacy and effectiveness of the controls surrounding the setting of rates;
- Testing the accuracy and recording of the rates charged;
- Selecting and obtaining relevant samples to evaluate compliance with the documented internal and external policies, processes and guidelines;
- Formulating conclusions on whether there are appropriate system of controls to govern the rate setting process; and
- Developing appropriate recommendations for any matter identified through the review.

6. Risk Rating of Audit Findings

Findings resulting from our internal audit have been rated in accordance with the risk ratings as detailed below.

Risk Rating	Risk Description
	Major strategic risk of high impact which threatens the organisation's objective and should be addressed immediately.
High	Significant strategic risk should be addressed as a matter of high priority. Controls are deficient or ineffective and require attention.
Moderate	The risk has limited strategic impact but it is of sufficient concern and should be addressed as soon as possible.
Medium	The risk has minimal operational and strategic impact but exposure in the identified areas is undesirable.
Low	Inconsequential impact. The risk is not a primary concern but opportunity to improve the systems and processes that should be addressed as a matter of course.



7. Inherent Limitations

Due to the inherent limitations of any internal control structure it is possible that errors or irregularities may occur and not be detected. An internal audit is not designed to detect all weaknesses in control procedures or all compliance failures as it is not performed continuously throughout the period and the tests performed are on a sample basis. As such, except to the extent of the sample testing performed, it is not possible to express an opinion on the effectiveness of the internal control structure or its compliance.

Any projection of the evaluation of control and compliance procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

The internal audit findings expressed in this report have been formed on the above basis.

8. Detailed Findings

Authority System	
Criteria	Data should be locked once inputted into the Authority System to restrict unauthorised changes.
Condition	<p>Our discussions with the Rates Officer revealed that once the rates parameters and Gross Rental Valuations are inputted or uploaded in the Authority System, the data can be amended retrospectively.</p> <p>Further, our examinations on the system revealed that there are other users not involved in the rate setting process who have the ability to access and amend the rate parameters inputs and Gross Rental Valuations of properties.</p>
Risk Rating	Medium
Cause	Management advised that the system data were not locked as the system had restricted access. Further, the Rate Officer advised that other users had no knowledge in operating or making changes within the rates module.
Effect	Alterations of the rates data within in the rates module of the system may impact on the accuracy of the rate notices to the property owners within the City.
Recommendation	<ol style="list-style-type: none"> 1. That Authority system fields should be locked after the rate parameters and Gross Rental Values are inputted or uploaded, so that officers cannot alter data retrospectively. 2. The Manager, Finance should have the access rights to amend the rates data and Gross Rental Valuations once the data is locked. 3. The City should limit the accessibility of the rates modules within Authority to those involved in the rate setting process.
Management Response	
Management Comment	Access to the Rates module is given to the Rates Officer, other members of the Finance Team who act as back-up officers, the

	<p>Manager of Finance and Director Corporate Services.</p> <p>The rate model parameters are agreed with the Manager Finance before they are entered for the rate run by the Rates Officer. The verified output file from the rate run is sent to the printers for the printing of Rates Notices. The parameters are verified each time a new batch of rates notices are to be printed, ie interim rates notices.</p> <p>The GRVs are changed when interim values are received from Landgate. The system records an audit trail of all persons changing rate records.</p>
Management Action	<p>The access to the Rates Module will be reviewed at regular intervals.</p> <p>The locking of data once entered will be investigated.</p>
Responsible Officer	Manager Finance
Action Date	1 May 2011

Segregation of Duty	
Criteria	Sound business practice suggests that a segregation of duties should exist between processing and reviewing officer.
Condition	Our discussions with Management revealed that the Rates Officer conducted a self-review on the inputted rates data and interim Gross Rental Valuations.
Risk Rating	Medium
Cause	The Rates Officer advised that she would be the responsible officer to cross check the inputted rates data and the interim Gross Rental Valuation with the system source report to ensure the accuracy of data.
Effect	In the absence of segregation of duty between a processing officer and a reviewing officer, an error may not be detected.
Recommendation	<ol style="list-style-type: none"> 1. The Rates Officer's role for processing and reviewing the rate parameters and interim Gross Rental Valuation should be segregated such that the review is undertaken by the Manager, Finance. 2. Evidence of a sign off for the processing and review of the rate parameters and interim Gross Rental Valuations should be retained. 3. In the event that the Manager, Finance is unavailable and cannot sign a review, that the review requirement be escalated to the Director, Corporate Services.
Management Response	
Management Comment	<p>The review of individual entries will be undertaken by another Finance Officer.</p> <p>The Manager will reconcile change totals after each batch has been entered (Source Valuation Report).</p>
Management Action	Procedures to review the above to be developed.
Responsible Officer	Manager Finance
Action Date	1 May 2011

Appendix A – Audit Evidence

The following documents and information were examined as part of this review.

Documents Examined
User List of Authority
Job Description Form – Rates Officer
Job Description Form – Manager Finance
City of Nedlands – Rates Notice
City of Nedlands – Rubbish Bins Report
City of Nedlands – Levy Transaction Report
City of Nedlands – Interim Rate Notice
City of Nedlands – Advertisement of Intention to Levy Differential General Rates
City of Nedlands – Memorandum of Intention to Levy Differential General Rates
Rates – Information Sheet
Emergency Services Levy 2010/11 Rates and Billing Parameters
City of Nedlands – Annual Budget 2010-11
City of Nedlands – Agenda of Special Council Meeting 21/06/2010
Rates Categories & Input Screenshot
Valuation Exception Report
Rates Parameters Input Screenshot
FESA Exception Report
Rates Trial Balance
Rates Revenue Report For 2011
Declaration of Annual Emergency Services Levy Billing
Rates Book Report
Rates Preparation Task 2010/2011 Year Checklist
Interim Rate Source Valuation Report
Pensioner Application Form
Property Sub Division Memorandum
Property Building Plan
Pensioner Rebate Letter



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Rates Notice Examined

102699
104091
106872
165969
167981
168989
169482
170381
171116
186031
111427
166900
129643
144345
177238
116558
119644
159210
131672
140095
111872
128009
105429
132134
132282
133991
141598
142281
142380
142620
142687
142976
164814
170282
181537
181800
191643
191932
168054
179085
159152
192419
191171
163584
114967
112730
103465
109876
104711
108076
115246
105247



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Rates Notice Examined	
	162859
	174383
	112458
	118083
	171330
	171652
	172171
	172379
	143958
	114850
	148668
	160937
	181453



Appendix B – Personnel Who Assisted with the Audit

The following City of Nedlands personnel assisted with the audit:

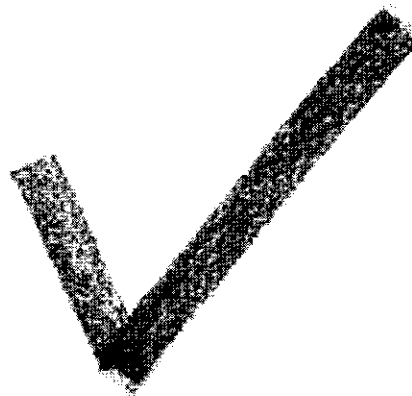
- Mr Rajah Senathirajah; and
- Ms Natalie Wilson.



City of Nedlands

Internal Audit – Public Event and Swimming Pool Applications and Approvals

31 March 2011



This report has been prepared for distribution to the addressee for the purpose of our engagement. We disclaim any assumption of responsibility for any reliance on this report to any person other than the addressee, or for any purpose other than that for which it was prepared.



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Executive Summary

Overview

The City of Nedlands (the “City”) is responsible for both the monitoring and management of swimming pool and public events applications.

The aim of this internal audit was to evaluate the adequacy and effectiveness of the City’s system for monitoring and managing swimming pool and public events applications and to determine whether the City’s practice is compliant with policies, procedures and legislative requirements.

This audit was conducted in compliance with the Internal Standards for the Professional Practice of Internal Audit.

Objective

The objectives of the internal audit were:

- to evaluate the adequacy and effectiveness of the City’s processes for monitoring and managing swimming pool and public events applications; and
- to determine whether the City was compliant with internal and external policies and procedures in relation to swimming pool and public event applications.

Scope

The scope of the internal audit included the following:

- Evaluated adequacy and effectiveness of controls used by the City to monitor and manage swimming pool and public events applications;
- Reviewed and evaluated the City’s compliance with internal and external policies, procedures and guidelines; and
- Provided appropriate recommendations for any matter identified through the audit review.

Methodology

During the fieldwork phase, we undertook interviews, enquiries and examination of documents to gain an insight into the City’s processes for applications concerning public event and swimming pool licences. Our evaluations assessed the adequacy and effectiveness of the City’s policies and procedures for public events and swimming pool licence applications.

Summary of Key Findings

Findings	Risk Rating	Recommendation
Our review identified that the City did not have a documented framework for the assessment, coordination and monitoring of the public event application and approval process.	High	<p>We recommend that the City develop and establish a framework for the public events application and approval process that clearly outlines:</p> <ul style="list-style-type: none"> • Coordination aspects of the public event application and approval process; • The classification and assessment criteria for public events; • Responsibility and accountability matrix for the assessment and approval process for public events including events that require Council approval; • Identification of legislation applicable to public events; • Exempted events; and • Inspection and monitoring requirements prior and during public events.
Our discussions with the Administration and Events Officer identified that in the event that she was absent, there is not another officer within the Community Development to undertake the tasks involved in the coordination of the public events application and approval process.	Medium	The City should train other suitable officers to be able to undertake the coordination of the public event application and approval process and thereby increasing workforce flexibility.
Through our examination of swimming pool applications, we noted that there were 3 instances where the Building Licence Outstanding Requirement Checklists for swimming pool applications were incomplete.	Low	That the requirements for the checklists to be completed and signed off be re-enforced to all administration officers.



Findings	Risk Rating	Recommendation
Through our examination of swimming pool applications, we noted that the Building Confirmation of Planning Conditions Check List for BA10/718 applications was not completed and signed off.	Low	Building Surveyors be reminded to complete and sign off the Building Confirmation of Planning Conditions Check List.

Auditor's Opinion

In our opinion, based on the interviews and evidence obtained, except for the matter identified, the City of Nedlands' had adequate and effective controls over the processing of public events and swimming pool licence applications.

Overall Management Comment

The recommendations in the report are noted and accepted. With regard to events approvals processes, this has been an evolving process and the findings in this report reflect that. A new framework will be developed as recommended and training of other officers will be undertaken.

MATTHEW DEAL

Manager, Property Services

MICHAEL COLE

Director, Corporate Services

ANDREW MELVILLE

Manager, Sustainable Nedlands

MARION GRANICH

Manager, Community Development



Grant Thornton

1. Background

The City of Nedlands (the “City”) is responsible for both the monitoring and management of swimming pool and public events applications.

Residents of the City are required to submit an application for planning approval if they intend to construct a swimming pool or extend an existing swimming pool. Residents are also required to submit an application for approval for public event activities they plan to undertake.

The aim of this internal audit was to evaluate the adequacy and effectiveness of the City’s system for monitoring and managing swimming pool and public events applications and to determine whether the City is compliant with policies, procedures and legislative requirements.



2. Objective

The objectives of the internal audit were:

- to evaluate the adequacy and effectiveness of the City's processes for monitoring and managing swimming pool and public events applications; and
- to determine whether the City was compliant with internal and external policies and procedures in relation to swimming pool and public event applications.



3. Link to Risk Assessment

The following risks are associated with inadequate or ineffective practice or policy relating to swimming pool and public event applications:

- Swimming pools that are non-compliant with Regulations 1989 and Building Code of Australia;
- Public events are non-compliant with applicable legislative requirements;
- Possible litigation brought forward against the City; and
- Negative public relations.

4. Scope

The scope of this internal audit included:

Scope	
Scope Inclusions	<ul style="list-style-type: none"> • Evaluated adequacy and effectiveness of controls used by the City to monitor and manage swimming pool and public events applications; • Reviewed and evaluated the City's compliance with internal and external policies, procedures and guidelines; and • Provided appropriate recommendations for any matter identified through the audit review.
Time Period	The period subject to audit was from 1 July 2010 to 31 January 2011.
Scope Exclusions	Strategic business advice in relation to the implementation of any best practices or audit recommendations.

5. Methodology

Our internal audit process was conducted on a risk based approach which focused on obtaining sufficient evidence to evaluate the risk and provide recommendations to mitigate the risk to an appropriately low level. Complete risk elimination is neither practical nor economically feasible. Rather, the goal is to reduce risks to levels that are sensible and acceptable to management. An important internal control principle is that the cost of controls should not exceed their benefits.

Our approach in this regard included:

- Review of the City's established policies, procedures and guidelines pertaining to swimming pool and public events applications; and
- Review of Building Regulations 1989 and Building Code of Australia relating to swimming pools;
- Review of Environmental Protection (Noise) Regulations 1997;
- Document the process used by staff in respect to swimming pool and public event applications;
- Assess the adequacy and effectiveness of the controls surrounding the processing, monitoring and management of swimming pool and public event applications, in particular:
 - Inspections;
 - Enforcement;
 - Recording and reporting (including incident reporting) process; and
 - Follow up action procedures.
- Select and obtain relevant samples to evaluate compliance with the documented internal and external policies, processes and guidelines.
- Develop appropriate recommendations for any matter identified through testing.

6. Risk Rating of Audit Findings

Findings resulting from our internal audit have been rated in accordance with the risk ratings as detailed below.

Risk Rating	Risk Description
	Major strategic risk of high impact which threatens the organisation's objective and should be addressed immediately.
High	Significant strategic risk should be addressed as a matter of high priority. Controls are deficient or ineffective and require attention.
Moderate	The risk has limited strategic impact but it is of sufficient concern and should be addressed as soon as possible.
Medium	The risk has minimal operational and strategic impact but exposure in the identified areas is undesirable.
Low	Inconsequential impact. The risk is not a primary concern but opportunity to improve the systems and processes that should be addressed as a matter of course.



7. Inherent Limitations

Due to the inherent limitations of any internal control structure it is possible that errors or irregularities may occur and not be detected. An internal audit is not designed to detect all weaknesses in control procedures or all compliance failures as it is not performed continuously throughout the period and the tests performed are on a sample basis. As such, except to the extent of the sample testing performed, it is not possible to express an opinion on the effectiveness of the internal control structure or its compliance.

Any projection of the evaluation of control and compliance procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

The internal audit findings expressed in this report have been formed on the above basis.

8. Detailed Findings

Public Events – Framework and Methodology	
Criteria	Good business practice suggests that a framework be established for the identification and processing of applications.
Condition	<p>Our review identified that the City did not have a documented framework for the assessment, coordination and monitoring of the public event application and approval process.</p> <p>Through our discussions with the Administration and Events Officer revealed that there was varying requirements for documentation for an event. The requirements for documentation and approval of a public event were based on the outcome of the risk assessment of the event and the nature of the event.</p> <p>The differing requirements were identified through our testing of public event applications, specifically:</p> <ul style="list-style-type: none"> • The Commercial Events Factsheet stated that a brief Risk Management Plan is required for weddings and small events of 50 -100 attendees and a detailed Risk Management Plan for large events of 100. Our testing identified that the following event applications did not have a risk management plan: <ul style="list-style-type: none"> o D10/24458 – Sports Event (250 attendees); o D10/19790 – Sports Event (90 attendees); and o D10/16504 – Wedding (30 attendees). • There were 3 instances where event application forms were not completed by the event holder. Under existing processes any event with over 99 attendees requires an event application form. The Administration and Events Officer advised that in some cases the event details were obtained from e-mail correspondence or through the Ground Booking (Casual Use) Forms, which may not capture the same requirements of an Event Application Form. In other circumstances it depended on the nature and risk of the event.

	<ul style="list-style-type: none"> We identified 3 events where a letter of approval was not issued. The Administration and Events Officer noted that in some cases it depended on the nature of the event and therefore only required e-mail correspondence for approval.
Risk Rating	Moderate
Cause	<ol style="list-style-type: none"> The decision of the event applications were primarily driven by previous legacy processes; and The Administration and Events Officer advised that the public events were being processed by their knowledge and experience of assessing applications.
Effect	<p>In the absence of a framework for coordinating, assessing and monitoring public event applications, the City:</p> <ul style="list-style-type: none"> May not establish a coordinated and consistent approach for facilitating event approvals; May not classify application consistently and identify events that require a more rigorous assessment. May increase exposure to liability risk from large public events at Council venues; May comprise the safety of event patrons and increase the adverse impacts on local residents and businesses; and May not be able to ensure that all applications for public events meet statutory requirements.
Recommendation	<p>We recommend that the City develop and establish a framework for the public events application and approval process that clearly outlines:</p> <ul style="list-style-type: none"> Coordination aspects of the public event application and approval process; The classification and assessment criteria for public events; Responsibility and accountability matrix for the assessment and approval process for public events including events that require Council approval; Identification of legislation applicable to public events; Exempted events; and Inspection and monitoring requirements prior and during public events.
Management Response	
Management Comment	The recommendation is accepted.



Management Action	Legislative requirements will be downloaded and a framework developed to remedy issues raised in the audit report.
Responsible Officer	Hannah Aason (officer) – Marion Granich (manager)
Action Date	To be completed by 30 June 2011.

Public Events – Process Knowledge	
Criteria	Good business practice provides that in the absence of key personnel there should be appropriate contingency plans to ensure that the normal course of business is not disrupted.
Condition	Our discussions with the Administration and Events Officer identified that in the event that she was absent, there is not another officer within the Community Development to undertake the tasks involved in the coordination of the public events application and approval process.
Risk Rating	Medium
Cause	The City had not recognised training requirements for other officers to perform the role of the Administration and Events Officer.
Effect	In the absence of key personnel involved in the coordination of the public event application and approval process, public event applications may not be evaluated and approved in a timely manner.
Recommendation	The City should train other suitable officers to be able to undertake the coordination of the public event application and approval process and thereby increasing workforce flexibility.
Management Response	
Management Comment	The recommendation is accepted.
Management Action	Time will be scheduled to train another staff member identified by the Manager on the framework and procedures, once these have been finalised.
Responsible Officer	Hannah Acaon (Officer) – Marion Granich (Manager)
Action Date	To be completed by 30 June 2011.

Swimming Pool - Building Confirmation of Planning Conditions Check List

Criteria	ES18 Property Services Building Control Procedures requires the Building Surveyor to confirm planning conditions, complete the Building Confirmation of Planning Conditions Check List before the approval of a building license.
Condition	Through our examination of swimming pool applications, we noted that the Building Confirmation of Planning Conditions Check List for BA10/718 applications was not completed and signed off.
Risk Rating	Low
Cause	Oversight.
Effect	<ol style="list-style-type: none"> 1. Non-compliance with internal policies and procedures; and 2. There is no evidence that the planning conditions are checked with the planning approvals.
Recommendation	Building Surveyors be reminded to complete and sign off the Building Confirmation of Planning Conditions Check List.
Management Response	
Management Comment	The recommendation is accepted.
Management Action	Building Surveyors have been reminded to complete and sign off the Building Confirmation of Planning Conditions Check List.
Responsible Officer	Manager Property Services
Action Date	N/A – already actioned.

Swimming Pool - Check List	
Criteria	Good business practice suggests that, where an approval is to be provided, the responsible party expresses such approval by signing the document.
Condition	Through our examination of swimming pool applications, we noted that the following Building Licence Outstanding Requirement Checklists for swimming pool applications were incomplete: <ul style="list-style-type: none"> • BA10/811; • BA10/819; and • BA10/595
Risk Rating	Low
Cause	The requirement to complete the Building Licence Outstanding Requirement Checklist were not priorities.
Effect	Non compliance with internal policies and procedures.
Recommendation	That the requirements for the checklists to be completed and signed off be re-enforced to all administration officers.
Management Response	
Management Comment	The recommendation is accepted.
Management Action	Administration Officers have been reminded of the requirements to complete and sign off Building Licence Outstanding Requirement Checklist.
Responsible Officer	Manager Property Services
Action Date	N/A – already actioned.

Appendix A – Audit Evidence

The following documents and information were examined as part of this review.

Documents Examined
ES18 Property Services Building Control Procedures
Commercial Events Factsheet Events
Events Application Checklist Events
Event Planning Guide
Street Trading Application Events
Certificate of Electrical Compliance
Application to Consume Alcohol on Council Premises Events
Risk Management Plan Events
Filming Application Events
Wedding Ceremony Factsheet
Community and Not for Profit Event Factsheet
Structural Certificate Events
Event Application Process
Draft Procedure for External Events
City of Nedlands – Hall Hire Application
Ground Booking Form (Casual Use)
Public Buildings Inspection Report
Application for Certificate of Approval
Certificate of Electrical Compliance
Checklist – Health Department
City of Nedlands – Code of Conduct
Organisational Chart
Job Description Form – Environmental Health Officer
Job Description Form – Administration and Events Officer
Job Description Form – Manager Community Development
Job Description Form – Senior Customer Service Officer
Job Description Form – Senior Building Surveyor
ECU External Event Assessment Form
Fireworks in the City of Nedlands
Road Closure Approval



Swimming Pools Examined	
	BA10/468
	BA10/401
	BA10/719
	BA10/718
	BA10/561
	BA10/811
	BA10/819
	BA10/595

Public Events Applications Examined	
	D11/294
	D10/23448
	D10/24485
	D10/14508
	D10/19790
	D10/16504
	D10/18670



Appendix B – Personnel Who Assisted with the Audit

The following City of Nedlands personnel assisted with the audit:

- Matthew Deal;
- Hannah Aclason;
- Andrew Melville;
- Chris Hammond; and
- Judy Denton.



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City of Nedlands

Investments

6 April 2011



Private and Confidential

Mr Michael Cole
Director, Corporate Services
City of Nedlands
71 Stirling Hwy
NEDLANDS WA 6009

6 April 2011

Dear Mr Cole

INTERNAL AUDIT - INVESTMENTS

I refer to the Audit Strategy Statement dated 8 March 2011, which outlined the scope of the internal audit of the City of Nedlands' Investments

The matters raised in this report came to our attention during the course of our review. Testing was conducted on a sample basis over a specific period of time. Therefore our report provides assurance regarding the operation effectiveness of the actual controls tested. However, the possibility exists that our report may not include all weaknesses that exist or improvements that may be made where these relate to controls not tested as part of this review.

Management is responsible for maintaining adequate controls over all levels of operations. The City of Nedlands should therefore not rely solely on our report to identify all weaknesses that may exist. Our comments should be read in the context of the scope of our work as detailed in the Audit Strategy Statement. Suggestions for improvement should be assessed by the City of Nedlands to their full commercial impact before they are implemented.

Chartered Accountants

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This report has been prepared solely for the use of the City of Nedlands and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose.

We would like to thank City of Nedlands' personnel for their assistance during this review. Should you have any queries please do not hesitate to contact Henry Vu or myself on 9480 2000.

Yours faithfully

C G ANSERLL
DIRECTOR

Enclosure

Glossary

City	City of Nedlands
LGA	Local Government Act

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Section 1

Executive summary

1. Executive summary

2. Findings

Executive Summary

Overview	<p>In accordance with Section 6.14 of the LGA 1995 and its own Investment Policy, the City examines opportunities to invest surplus funds in financial institutions that provide the best rate of return.</p> <p>To minimise the risks associated with the investment of funds, the City's policy limits the amount of funds that can be held in any single financial institution to 30%, and outlines certain criteria which must be met in order for a financial institution to be considered.</p> <p>Currently, the City only holds term deposits in its investment portfolio, upon maturity the balances of these deposits are either rolled-over or drawn down against as required.</p>
Objective	<p>The aim of this internal audit was to evaluate the effectiveness of the management of the City's investments of surplus funds.</p>
Link to Risk Assessment	<p>The risks associated to inadequate and ineffective Investment Policy include:</p> <ul style="list-style-type: none">• Loss of invested funds; and• Ineffective investment of funds.
Scope	<p>The scope of the engagement included:</p> <ul style="list-style-type: none">• Evaluation of the adequacy of the City's Investment policy;• Determining the City's compliance with its internal and external policies, procedures and guidelines; and• Provision of appropriate recommendations for any matters identified through the audit review.
Methodology	<p>Our approach included:</p> <ul style="list-style-type: none">• Familiarising ourselves with the City's internal Investment Policy and external requirements;• Review of the investment portfolio and associated documentation; and• Assessing the adequacy and effectiveness of the City's investment policy.

Executive Summary (Cont.)

Auditors Opinion	In our opinion, based on the interviews and evidence obtained, except for the matter identified, the City's Finance Department has adequate and effective controls to govern the management of the City's investment of surplus funds.
Overall Management Comment	Overall, Management is satisfied the that effective controls are in place for the management of the City's investment of surplus funds in accordance with the Council's Investment Policy.

Rajah Senathirajah
Manager, Finance

Michael Cole
Director, Corporate Services

Section 2

Findings

1. Executive summary

2. Findings

Findings

Significant On-Call Balance

Criteria	Risk Rating	Recommendation
Sound investment practice suggests that balance for "on-call" investments should be kept at a minimum unless appropriate reasoning exists.		1. That the City should monitor all "on-call" balances above \$40,000 to assess whether a more suitable alternatives exist.
Condition		2. For any balances above \$40,000, the City should provide some form of documentation that acknowledges and provides reasoning for the balance.
Testing revealed one investment with a significant on-call balance. Investment 16, held with AMP has had an on-call balance in excess of \$250,000 since July 2010.		Management Comment
The balance is a residual amount from a term deposit that was drawn down upon for other use. The residual balance was not rolled to another term deposit and remained on-call. The interest rate of the on-call balance has not moved from 5.2% since July 2010, although management has indicated that AMP has provided them with notification of an impending rate rise.		The reasons for leaving \$268,200 of Reserve Funds in the AMP on-call account at the end of the June 2010:
Management could not provide an explanation as to the rationale behind the balance.		1. The on-call account of AMP was yielding a better rate of interest than a TD for 3 months from AMP.
Cause		2. The need to spread the investments across the financial institutions approved by the Audit and Risk Committee.
Management oversight.		3. The rate of 5.25% was within the range of 4.95 % to 6.05% obtained for TDs with other financial institutions as at the end of June 2010, and the City was told that the rate was to be reviewed from the end of August 2010. Current rate of interest is 5.60 %, which is comparable to the 5.65% offered by NAB for 90 days Term Deposit.
Effect		Management Action
The possibility exists that the surplus funds could have been invested in an alternate financial institution that provided a better effective rate to the City.		Documentation with reasoning for retaining substantial balances in on-call accounts to be kept on file.
		Responsible Officer
		Manager Finance
		Action Date
		1 April 2011

Appendices

- A. Scope
- B. Methodology
- C. Risk Rating of Audit Findings
- D. Inherent Limitations
- E. Audit Evidence
- F. Personnel Who Assisted with the Audit

A. Scope

For clarity in terms of the deliverables, set out below were the matters concerning the scope of the internal audit:

Scope Inclusions
<ul style="list-style-type: none">• Evaluation of the adequacy of the City's Investment policy;• Determining the City's compliance with its internal and external policies, procedures and guidelines; and• Provision of appropriate recommendations for any matters identified through the audit review.
Scope Exclusions
Specific strategic advice in relation to the implementation of any best practices or audit recommendations.

B. Methodology

The approach for the audit was as follows:

Familiarisation, Planning
<ul style="list-style-type: none">• Reviewed the relevant sections of the LGA; and• Obtained and reviewed the City's internal investment policy.
Fieldwork
<ul style="list-style-type: none">• Conducted meetings with the City's management with respect to the investment process;• Reviewed the City's investment portfolio to ensure compliance with internal and external policies procedures and guidelines; and• Assessed the adequacy and effectiveness of the controls surrounding the monitoring and management of the City's investments of surplus funds, in particular:<ul style="list-style-type: none">◦ Appropriate delegation of authority; and◦ Reporting.
Reporting
Developed appropriate recommendations for any matter identified through testing.

C. Risk Rating of Audit Findings

Findings resulting from our internal audit have been rated in accordance with the risk ratings as detailed below

Risk Rating	Risk Description
Extreme	Major strategic risk of high impact which threatens the organisation's objective and should be addressed immediately.
High	Significant strategic risk should be addressed as a matter of high priority. Controls are deficient or ineffective and require attention.
Moderate	The risk has limited strategic impact but it is of sufficient concern and should be addressed as soon as possible.
Medium	The risk has minimal operational and strategic impact but exposure in the identified areas is undesirable.
	Inconsequential impact. The risk is not a primary concern but opportunity to improve the systems and processes that should be addressed as a matter of course.

D. Inherent Limitations

Due to the inherent limitations of any internal control structure it is possible that errors or irregularities may occur and not be detected. An internal audit is not designed to detect all weaknesses in control procedures or all compliance failures as it is not performed continuously throughout the period and the tests performed are on a sample basis. As such, except to the extent of the sample testing performed, it is not possible to express an opinion on the effectiveness of the internal control structure or its compliance.

Any projection of the evaluation of control and compliance procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

The internal audit findings expressed in this report have been formed on the above basis.

E. Audit Evidence

The following documents and information were examined as part of this review.

Documents Examined
Council Policy Manual: Investment of Council Funds
Investment Report : 30 June 2010 – 28 Feb 2011

F. Personnel Who Assisted with the Audit

The following City of Nedlands' personnel assisted with the audit:

Contact Persons
Michael Cole
Bianca Jones
Rajah Senathirajah



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City of Nedlands

Procurement
20 April 2011



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Private and Confidential

Mr Michael Cole
Director, Corporate Services
City of Nedlands
71 Stirling Hwy
NEDLANDS WA 6009

20 April 2011

Dear Mr Cole

INTERNAL AUDIT - PROCUREMENT

I refer to the Audit Strategy Statement dated 8 March 2011, which outlined the scope of the internal audit of the City of Nedlands' procurement processes.

The matters raised in this report came to our attention during the course of our review. Testing was conducted on a sample basis over a specific period of time. Therefore our report provides assurance regarding the operation effectiveness of the actual controls tested. However, the possibility exists that our report may not include all weaknesses that exist or improvements that may be made where these relate to controls not tested as part of this review.

Management is responsible for maintaining adequate controls over all levels of operations. The City of Nedlands should therefore not rely solely on our report to identify all weaknesses that may exist. Our comments should be read in the context of the scope of our work as detailed in the Audit Strategy Statement. Suggestions for improvement should be assessed by the City of Nedlands to their full commercial impact before they are implemented.

Chartered Accountants
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This report has been prepared solely for the use of the City of Nedlands and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose.

We would like to thank City of Nedlands' personnel for their assistance during this review. Should you have any queries please do not hesitate to contact me on 9480 2000.

Yours faithfully

**C G ANSERLL
DIRECTOR**

Enclosure

Glossary

City	City of Nedlands
LGA	Local Government Act 1995

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Section 1

Executive summary

1	Executive summary
2	Findings

Executive Summary

Overview	<p>The Local Government Act 1995 and the Local Government (Functional and General Regulations) 1996 provides guidelines and requirements in which City of Nedlands (the “City”) can make purchases of goods and services.</p> <p>The City is to ensure that purchases are carried out in a fair and equitable manner and that value for money is obtained when purchasing goods and services.</p> <p>The Corporate Services Division is responsible for the City’s procurement activities and maintenance of the procurement policy.</p>
Objective	<p>The objectives of the internal audit were to assess:</p> <ul style="list-style-type: none">•The adequacy and effectiveness of the City’s controls surrounding the procurement process; and•Whether procurement activities complied with established internal and external policies, procedures and guidelines.
Link to Risk Assessment	<p>The procurement process subject to this internal audit were associated with the following risks:</p> <ul style="list-style-type: none">•Authority for payments has not been provided;•Payments have not been made correctly;•Duplication of payments made; and•Inappropriate use of organisation’s resources.
Scope	<p>The scope of the engagement included:</p> <ul style="list-style-type: none">•Evaluation of the adequacy and effectiveness of the controls surrounding the procurement process;•Review and evaluate the City’s procurement policies and procedures compliance with legislative requirements;•Sample based testing to ensure compliance with documented internal and external policies, procedures and guidelines; and•Provision of appropriate recommendations for any matters identified through the audit review.
Methodology	<p>The audit was conducted in accordance with the Standards for the Professional Practice of Internal Auditing and included the undertaking of a desktop review, sample testing, and the conducting of interviews and site visits.</p>

Executive Summary (Cont.)

Auditors Opinion	In our opinion, based on the interviews and evidence obtained, except for the matters identified, the City's Corporate Services Department has adequate and effective controls to govern the procurement process of the City's purchases of goods and services.
Overall Management Comment	Management has reviewed the matters identified for improvement, and notes that in general they are due to new staff not being fully conversant with the procurement and tendering procedures or resource constraints. Action will be taken over the next two months to address the issues, including the assessment of the need for Procurement/Compliance Coordinator.

Rajah Senathirajah
Manager, Finance

Michael Cole
Director, Corporate Services

Section 2

Findings

1. Executive summary

2. Findings

Findings

Findings

1. Procurement Documentation Non-Compliance

Criteria	Risk Rating	Recommendation
Council Policy Manual – KFA 5 Governance states that “All processes, evaluations and decisions shall be transparent, free from bias and fully documented in accordance with applicable policies and audit requirements”.	MODERATE	<ol style="list-style-type: none"> 1. That the City’s record retention requirements be reinforced to all staff involved in procurement activities. 2. That a regular monitoring or review process over procurement records be implemented.
Condition		Management Comment
Discussion with staff and sample based testing of procurement files revealed that procurement records were not retained in accordance with the City’s Procurement Procedures.		<ol style="list-style-type: none"> 1. Due to staff turnover it is possible that some of the officers who carry out procurement activities are not fully conversant with the need to obtain adequate number of quotations and the documentation of the quotations and other relevant information. 2. Lack of resources have prevented regular monitoring of the proper maintenance of quotations and other relevant documents.
Observations of procurement files maintained by the City’s staff revealed inconsistent practices towards procurement quotation document retention.		Management Action
Review of the City’s electronic document record management system indicated that procurement related documents were not stored in accordance with the City’s record keeping requirements.		<ol style="list-style-type: none"> 1. Issue Guidelines on Obtaining Quotations and Procurement Documentation to all relevant staff. 2. Monitor compliance with Guidelines at regular intervals.
Cause		Responsible Officer
Staff were unaware of the City’s record retention requirements in regards to procurement.		Manager Finance
Effect		Action Date
In the absence of procurement records to substantiate purchase decisions, it would be difficult for the City and its staff to demonstrate that the correct procurement process was undertaken.		23 May 2011

Findings

2. Lack of segregation of procurement duties

Criteria	Risk Rating	Recommendation
Good business practice suggest that staff who prepares their own requisitions should not be approving the invoice for payment.	MODERATE	That the duties for ordering, receiving, incurring and authorising should be segregated.
Condition		Management Comment
Interviews with Divisional Managers and Coordinators revealed that Purchase Authorising officers were raising their own requisitions and approving the invoices for payment. Sample based payment testing revealed two instances where the officer who raised the requisition order, authorised the payment of invoices.		While agreeing that it is desirable to have the level of segregation recommended, it is not practical with some of the Business Units due to resource constraints. Managers and Co-ordinators are encouraged to train other staff in their areas to raise Requisitions, which they would subsequently authorise. The person raising the Requisition should be the appropriate person to receive the goods/services as she/he will best know if what has been delivered is what was requested. Only persons with delegated authority can approve payment of invoices, and this is independently verified before payments are made to suppliers.
Cause		Management Action
Purchasing Authorisation officers were unaware of the requirement for the segregation of ordering and authorising duties.		Review the segregation of procurement and payment activities of the City.
Effect		Responsible Officer
Inadequate segregation of duties provides for an opportunity to commit and conceal fraudulent activities.		Director Corporate Services
		Action Date
		1 June 2011

Findings

Findings

3. Invoices not paid in a timely manner

Criteria	Risk Rating	Recommendation
<p>Good business practice suggest that invoices should be paid within a timely manner.</p> <p>Condition</p> <p>Sample based testing found that 7 out of 21 invoices were not paid to the vendor within the due dates specified on the invoice. In addition 9 out of 21 invoices that did not specify the payment date were not paid within 30 days of the invoice date.</p> <p>We also found three invoices where early payments discounts were not taken advantage of.</p>	MEDIUM	<p>1. To ensure that staff purchasing are familiar with their applicable cost codes/centre. Communicate the instruction to Authorising Officers for the need to approve invoices for payment in a timely manner.</p> <p>2. Where practicable that invoices eligible for early payment discounts are identified and be given the higher priority in approval and processing.</p>
		Management Comment
		Agree with the recommendations. These have been brought to the attention of relevant staff from time to time, but staff turnover coupled with inadequate monitoring have led to the situation noted by the Internal Auditor.
		Management Action
		Managers to be reminded of the need for timely payment of invoices, and of the steps to be taken to minimise the causes for delay.
Cause		Responsible Officer
<p>1. Division delays in invoice payment authorisation.</p> <p>2. Incorrect account numbers used.</p> <p>3. Invoices with early payment discounts were not readily identified.</p>		Director Corporate Services
Effect		Action Date
<p>1. Inability to capture early payment discounts.</p> <p>2. Risk of overdue payment penalties.</p>		1 May 2011

Findings

Findings

4. Goods/services control non-compliance

Criteria	Risk Rating	Recommendation
Purchasing Procedures – 2.6 Authorising Payment of Accounts states that "The receiving officer must certify that all goods or service ordered have been received".	MEDIUM	1. Accounts Payable should not proceed for payment if the invoice is not certified for the goods or service received.
Condition		2. That the requirement for Authorising officers to certify the receipt of goods or services should be reinforced.
Sample based testing found that for 6 out of 16 invoice transactions the receiving officer did not certify the receipt of the goods and or service.		Management Comment
		Agree with the recommendations.
Cause		Management Action
Staff oversight.		Implement the recommendations.
		Responsible Officer
Effect		Manager Finance
1. Payment authorised for goods or services not yet received.		Action Date
2. Non compliance with internal policies and procedures.		Immediate

Findings

5. Signatory Authority List not updated

Criteria	Risk Rating	Recommendation
Good business practice suggest that the authorisation register be regularly reviewed.	MEDIUM	1. That the authorisation register be reviewed on a more frequent basis for example, once a month.
Condition		2. That Human Resources informs Corporate Services of staff movements to facilitate the review process of the authorisation register.
Our review of the City's authorisation register indicated that the register had not been maintained. The last identifiable review date for the Technical Services Division of the Parks and Engineering Services register was 5 th June 2008.		Management Comment
Discussion with the City's management revealed that there have been staff attrition since this period, some of whom had been identified on the delegation register.		The Register of Authorised Signatories for approving of payments was being updated at the time of the Audit, as there had been a number of staff changes recently.
Cause		Management Action
The maintenance of the authorisation register was not deemed a high priority.		Implement the recommendations.
Effect		Responsible Officer
In the absence of a maintained delegations register, there is a risk that staff who are no longer authorised to approve expenditure may still do so.		Manager, Finance and Manager Human Resources
		Action Date
		1 May 2011

Findings

Findings

6. Lack of market testing to ensure value for money

Criteria	Risk Rating	Recommendation
Council Policy Manual – KFA 5 Governance states that the City “Ensures value for money when purchasing goods and services”.	Low	1. Where applicable, management should obtain quotations prior to requisition approval to obtain value for money.
Condition		2. That the requisition review checklist to include enquiries into the validity of the reason for not obtaining quotations where necessary.
Interviews with Divisional Managers and Coordinators revealed that there exist standing orders and or regular purchases from preferred suppliers exceed periods up to ten years without further market testing since initial engagement.		Management Comment
		Lack of resources have prevented the regular monitoring of compliance with “value for money” requirements of the City.
		Management Action
Cause		Encourage Managers to carry out market testing on an annual basis for services/products purchased regularly.
Existing long term relationships with suppliers.		Responsible Officer
Effect		Manager Finance
1. The City may not be achieving the best value for money.		Action Date
2. Non compliance with the quotation system.		1 May 2011

Findings

Findings

7. Incomplete Purchasing Procedures, and the non existence of Petty Cash Policy and or Procedures

Criteria	Risk Rating	Recommendation
Council Policy Manual – KFA 5 Governance that the City “Promotes effective governance and definition of roles and responsibilities”.	LOW	1. That Corporate Services complete the Procurement Procedures.
Condition		2. That Corporate Services develop Petty Cash Purchasing Policy and Procedures.
1. Through discussions, we noted that the procurement procedures were incomplete, for example the incomplete parts included. a) Section 2.8 – Maintenance of the preferred supplier list; and b) Forms and guidelines specified in the procedures.		Management Comment
2. We noted that the City did not have a documented Petty Cash Policy and Procedures. However, through sample based testing and the walkthrough of petty cash purchases, we have identified that staff have a good local knowledge of the petty cash purchases process.		1. The City utilises WALGA’s list of “Preferred Suppliers for Products and Services” list whenever possible. Finalisation of the Forms and Guidelines was deferred pending the de-bugging of the OLR process. This will now be completed.
Cause		2. Petty Cash procedures have been in the form of Guide Lines / Instructions issued by the Director of Corporate Services from time to time. These need to be collated, reviewed and documented as Petty Cash Policy and Procedures.
1. Low priority given to Procurement Procedures completion.		Management Action
2. Management oversight of Petty Cash Policy.		Implement the recommendations.
Effect		Responsible Officer
1. Inconsistent application of procurement processes.		Manager Finance
2. In the absence of documented policy and procedures the local knowledge may not be retained in the City.		Action Date
		1 June 2011

Findings

8. Tender Register non-compliance.

Criteria	Risk Rating	Recommendation
The Tender Register must have the elements or information specified under the Local Government (Function and General) Regulations 1996, Part 4, Division 2, Reg 17.	Low	That Management ensure through regular review that all relevant details on the Tender Register is complete and accurate.
Condition		Management Comment
Inspection of the City's Tender Register found that it did not include particulars of the decision made to invite tenders and if applicable the decision to seek expressions of interest under Regulation 21(1), of the Local Government Regulations 1996.		This arose due to the earlier interpretation by Management that projects approved by Council during the budget process, and included in the adopted budget, implied a decision to call for tenders if the value of the project exceeded \$100,000. It has since been clarified that a separate decision has to be made for each tender, either by Council or by Management under Delegated Authority, and particulars of this decision need to be recorded in the Tender Register.
Cause		Management Action
Tender Register completion deemed to be a low priority.		Remind all Managers and officers involved in calling for tenders of the above requirement.
Effect		Responsible Officer
Non compliance with the legislation.		Manager Finance
		Action Date
		1 May 2011

Appendices

- A. Scope
- B. Methodology
- C. Risk Rating of Audit Findings
- D. Inherent Limitations
- E. Audit Evidence
- F. Personnel Who Assisted with the Audit

A. Scope

For clarity in terms of the deliverables, set out below were the matters concerning the scope of the internal audit:

Scope Inclusions
<ul style="list-style-type: none">• Evaluation of the adequacy and effectiveness of the controls surrounding the procurement process;• Reviewed and evaluated the City's procurement policies and procedures compliance with legislative requirements;• Sample based testing to ensure compliance with documented internal and external policies, procedures and guidelines; and• Provision of appropriate recommendations for any matters identified through the audit review
Scope Period
The period under view was 1 July 2010 to 28 February 2011.
Scope Exclusions
Strategic business advice in relation to the implementation of any best practice or audit recommendations.

B. Methodology

The approach for the audit was as follows:

Familiarisation, Planning
<ul style="list-style-type: none">• Reviewed the City's procurement policies, procedures and guidelines;• Reviewed the Local Government Act 1995; and• Reviewed the Local Government (Function and General) Regulations 1996.
Fieldwork
<ul style="list-style-type: none">• Conducted meetings with staff in the Corporate Service Division with respect to the audit process;• Observed and documented relevant procedures used by personnel in the City in respect of the procurement process;• Development and applications of a testing program which includes detailing controls and substantive testing in relation to the City's procurement process; and• Selected and obtained a sample of contracts and purchases to evaluate compliance with documented internal and external policies, procedures and guidelines.
Reporting
<ul style="list-style-type: none">• Formulated conclusions on the adequacy of controls over the procurement function; and• Developed appropriate recommendations for any matters identified through review.

C. Risk Rating of Audit Findings

Findings resulting from our internal audit have been rated in accordance with the risk ratings as detailed below

Risk Rating	Risk Description
Extreme	Major strategic risk of high impact which threatens the organisation's objective and should be addressed immediately.
High	Significant strategic risk should be addressed as a matter of high priority. Controls are deficient or ineffective and require attention.
Moderate	The risk has limited strategic impact but it is of sufficient concern and should be addressed as soon as possible.
Medium	The risk has minimal operational and strategic impact but exposure in the identified areas is undesirable.
Low	Inconsequential impact. The risk is not a primary concern but opportunity to improve the systems and processes that should be addressed as a matter of course.

D. Inherent Limitations

Due to the inherent limitations of any internal control structure it is possible that errors or irregularities may occur and not be detected. An internal audit is not designed to detect all weaknesses in control procedures or all compliance failures as it is not performed continuously throughout the period and the tests performed are on a sample basis. As such, except to the extent of the sample testing performed, it is not possible to express an opinion on the effectiveness of the internal control structure or its compliance.

Any projection of the evaluation of control and compliance procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

The internal audit findings expressed in this report have been formed on the above basis.

E. Audit Evidence

The following documents and information were examined as part of this review.

Documents Examined
Reviewed the Local Government Act 1995
Local Government (Function and General) Regulations 1996
Notes to the City of Nedlands Compliance Review 2010
City of Nedlands Council Policy Manual
City of Nedlands Purchasing Procedures
Finance Operation of Corporate Credit Cards Policy

F. Personnel Who Assisted with the Audit

The following City of Nedlands' personnel assisted with the audit:

Contact Persons
Michael Cole – Director of Corporate Services
Rajah Senathirajah – Manager of Corporate Services
Marcus Sinden – Building Services Coordinator
Andrew Dickson – A/Manager, Parks
Maria Hulls – Engineering Projects Coordinator
Wayne Mo – A/Manager, Engineering
Despina Swain – Library Services Coordinator
Nana Kurosaki – Graduate Accountant
Bianca Jones – Graduate Accountant
Lynn Abbott – Finance Officer