



City of Nedlands

Agenda

Audit & Risk Committee Meeting 31 August 2020

ATTENTION

This Agenda has yet to be dealt with by the Committee.

The Administration Recommendations, shown at the beginning of each item, have yet to be considered by the Committee and are not to be interpreted as being the position of either the Committee or Council.

The Minutes of the meeting held to discuss this Agenda should be read to ascertain the decision of the Committee.

Before acting on any recommendation of the Committee a check must also be made in the Ordinary Council Minutes following the Committee Meeting to ensure that Council did not make a decision at variance to the Committee Recommendation.

A Livestream link for the public is available on the City's website.

The public can continue to participate by submitting questions and addresses via the required online submission forms at:

<http://www.nedlands.wa.gov.au/intention-address-council-or-council-committee-form>

<http://www.nedlands.wa.gov.au/public-question-time>

Mark Goodlet
Chief Executive Officer
26 August 2020

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City of Nedlands

Notice of a meeting of the Audit & Risk Committee to be held on Monday 31 August 2020 at 5.30 pm online via teams. Committee Members and invited guests only, are permitted to attend in person in the Council Chamber, at 71 Stirling Highway, Nedlands.

To facilitate COVID-19 restrictions public attendance is via the livestream only until further notice.

Audit & Risk Committee Agenda

Declaration of Opening

The Presiding Member will declare the meeting open at 5.30 pm and will draw attention to the disclaimer below.

Present and Apologies and Leave of Absence (Previously Approved)

Leave of Absence (Previously Approved) None at distribution of agenda.

Apologies None at distribution of agenda.

Disclaimer

Members of the public who attend Council meetings should not act immediately on anything they hear at the meetings, without first seeking clarification of Council's position. For example by reference to the confirmed Minutes of Council meeting. Members of the public are also advised to wait for written advice from the Council prior to taking action on any matter that they may have before Council.

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1. Public Question Time

A member of the public wishing to ask a question should register that interest by notification in writing to the CEO in advance, setting out the text or substance of the question. Questions tabled at the meeting may be unable to be answered due to the requirement for technical research and will therefore be answered directly afterwards.

Questions must relate to a matter contained within the agenda of this meeting.

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

Addresses by members of the public who have completed Public Address Session Forms will be invited to be made at this point.

3. Disclosures of Financial and/or Proximity Interest

The Presiding Member to remind 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 is discussed.

A declaration under this section requires that the nature of the interest must be disclosed. Consequently a member who has made a declaration must not preside, participate in, or be present during any discussion or decision making procedure relating to the matter the subject of the declaration.

However, other members may allow participation of the declarant if the member further discloses the extent of the interest. Any such declarant who wishes to participate in the meeting on the matter, shall leave the meeting, after making their declaration and request to participate, while other members consider and decide upon whether the interest is trivial or insignificant or is common to a significant number of electors or ratepayers.

4. Disclosures of Interests Affecting Impartiality

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

Councillors and staff are required, in addition to declaring any financial interests to declare any interest that may affect their impartiality in considering a matter. This declaration does not restrict any right to participate in or be present during the decision-making procedure.

The following pro forma declaration is provided to assist in making the disclosure.

"With regard to the matter in item x I disclose that I have an association with the applicant (or person seeking a decision). This association is (nature of the interest).

As a consequence, there may be a perception that my impartiality on the matter may be affected. I declare that I will consider this matter on its merits and vote accordingly."

The member or employee is encouraged to disclose the nature of the association.

5. Declarations by Members That They Have Not Given Due Consideration to Papers

Members who have not read the business papers to make declarations at this point.

6. Confirmation of Minutes

6.1 Audit & Risk Committee Meeting 8 June 2020

The minutes of the Audit & Risk Committee held 8 June 2020 are to be confirmed.

7. Matters for Which the Meeting May Be Closed

Council, in accordance with Standing Orders and for the convenience of the public, is to identify any matter which is to be discussed behind closed doors at this meeting, and that matter is to be deferred for consideration as the last item of this meeting.

8. 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.

8.1 Moore Stephens Update

Committee	31 August 2020
Applicant	City of Nedlands
Employee Disclosure under section 5.70 Local Government Act 1995	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).
Director	Lorraine Driscoll – Director Corporate & Strategy
Attachments	<ol style="list-style-type: none"> 1. PowerPoint Presentation 2. Effective Internal Auditing in the Public Sector – A Good Practice Guide (Mark 2020) 3. OAG Report-26 WA Public Sector Audit Committees – Better Practice Guide
Confidential Attachments	Nil.

Moore Stephens will present this update at the meeting.

CITY OF NEDLANDS AUDIT & RISK COMMITTEE

31 August 2020



1. Internal Audit Activity
 - Business Continuity Plan Review (Completed)
 - Payroll Audit (Draft Report with Management)
 - Reviewed Audit Log and validated closed items.
2. Planned Audits
 - FY 2019/2020 - Revenue
 - FY 2020/2021 – Annual Audit Plan to be agreed
3. Publications
 - IIA – Effective Internal Auditing in the Public Sector
 - OAG – WA Public Sector Audit Committees Better Practice Guide

Final Report issued May 2020

Key Recommendations

- Full testing of the BCP and the Disaster Recovery Plan needs to be done.
- Identification of critical business functions to enable the BCP to inform the Disaster Recovery Plan i.e. which are the critical systems that need to be restored as priority.
- Review and update of the associated documentation to ensure the BCP is an efficient and effective working document.

Revenue Audit – Proposed Scope

- To focus on end to end processes and key controls associated with revenue generating activities, fees and charges.
- Assess the appropriateness in the establishment of fees including the annual review process.
- Assess the fee setting process against legislative compliance requirements (where applicable).

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Effective Internal Auditing in the Public Sector

A good practice guide

Bruce Turner AM and Stephen Horne

First Edition, March 2020

Acknowledgements

IIA-Australia acknowledges the contributions to this publication generously provided by:

- > the Australian National Audit Office (ANAO) for excerpts from Better Practice Guide 2012;
- > audit offices in other jurisdictions across Australia;
- > IIA-Global for insights gained from their Global Advocacy Platform; and
- > Andrew Cox for allowing the use of the various Maturity Assessment Models (which he developed, and which are not in the public domain) and Ken Robertson, who initially developed the inter-jurisdiction analysis (updated in Appendix J).

About the Institute of Internal Auditors

The Institute of Internal Auditors (IIA) is the global professional association for Internal Auditors, with global headquarters in the USA and affiliated Institutes and Chapters throughout the world, including Australia (IIA-Australia).

As the chief advocate of the Internal Audit profession, the IIA serves as the profession's international standard-setter, sole provider of globally accepted internal auditing certifications, and principal researcher and educator.

The IIA sets the bar for Internal Audit integrity and professionalism around the world with its 'International Professional Practices Framework' (IPPF), a collection of guidance that includes the 'International Standards for the Professional Practice of Internal Auditing' and the 'Code of Ethics'.

Production, Editing and Design

Tony Rasman and Tess Borges (IIA-Australia), Tricia Dearborn, and Toni Middendorf (patterntwo).

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Foreword

The public sector plays a major role in society and in most jurisdictions, and the resulting public expenditure forms a significant part of gross domestic product (GDP).

In 2011 APEC (Asia-Pacific Economic Cooperation)¹ encouraged its member economies (which includes Australia) to explore how the audit profession could be advanced, reflecting ‘in all sectors internal audit can contribute to stronger organizations, more efficient and effective performance of organizations, organizations being better able to safeguard their assets, the reduction of the likelihood and severity of fraud and corruption, and the prevention of unexpected market shocks.’

The International Federation of Accountants (IFAC) and the Chartered Institute of Public Finance and Accountancy (CIPFA)² acknowledge that internal auditors working in the public sector face complex challenges to satisfy a complex range of political, economic, social and environmental objectives over the short, medium and longer term.

The Institute of Internal Auditors – Australia has developed this publication, *Effective Internal Auditing in the Public Sector: A good practice guide*, primarily for department heads, chief executives or their equivalents in local councils, boards and other governing bodies, members of audit committees, managers with responsibility for internal audit, and internal audit staff.

There is no comparative publication which addresses the complex range of issues faced by internal auditors practising in the Commonwealth, State or Local Government jurisdictions.

This publication focuses on those elements which are applicable to each sector, such as the role and mandate of the internal audit function, independence, resourcing and reporting lines, and conformance to the International Standards for the Professional Practice of Internal Auditing (‘the Standards’).

1 Policy Setting for Public Sector Auditing in Absence of Government Legislation, IIA Global 2014, p19 (citing an excerpt from APEC Business Advisory Council (ABAC) Report to Leaders).

2 International Framework: Good Governance in the Public Sector (July 2014), published by the International Federation of Accountants (IFAC) and Chartered Institute of Public Finance and Accountancy (CIPFA).

A 2015 global survey³ of 2824 public sector practitioners from 107 countries conducted by the Institute of Internal Auditors analysed the conditions of public sector internal audit worldwide. The survey found that among the respondents worldwide, one in four internal auditors work in the public sector. Of these, 86 percent of respondents say they use some or all of the Standards. But in the Asia-Pacific region only 43 percent use the Standards.

There is sporadic adoption of the Standards across the public sector, even in Australia.

The Standards apply globally, and are the only applicable set of internal auditing standards in Australia (the Australian Auditing and Assurance Standards Board (AUASB) only sets standards for external auditors).

The survey also found that the public sector has fewer audit committees than other sectors, and the composition and expertise of the members vary.

Authors Bruce Turner AM and Stephen Horne are both experienced senior public sector internal audit practitioners and global leaders in the profession, and their combined expertise covers Commonwealth, State and Local Government sectors.

They make the point there is an urgent need for a uniform approach across the public sector to improve governance within departments, and across agencies at all levels of Government in Australia.

The authors rightly point out that the UK public sector, particularly HM Treasury, adopted a common set of Public Sector Internal Audit Standards (PSIAS) in April 2017. Yet in Australia, there has been little interest at Commonwealth level, in some States and in many Local Government jurisdictions.

As the authors point out, public sector entities must establish protections to ensure the head of internal audit is empowered to report significant issues directly to the audit committee of accountable authorities.

They must also have the resources and a degree of independence that ensures that the internal auditor has a direct reporting line to the audit committee, together with unfettered access to information to effectively perform their role.

As the IFAC publication⁴ states, 'Good governance in the public sector encourages better informed and longer-term decision-making as well as efficient use of resources. It strengthens accountability for the stewardship of those resources.'

Internal audit is the key to more robust governance and that can only be good news for politicians, department heads, audit committee members and public servants, and the taxpayers of Australia.

I commend this publication to you.



Stephen Coates
President & Chair of the Board
Institute of Internal Auditors – Australia

January 2020

3 Arthur Piper, *Auditing the Public Sector: Managing expectations, Delivering Results*, published by the Institute of Internal Auditors Research Foundation (IIARF) Page 19 2015.

4 *International Framework: Good Governance in the Public Sector* (July 2014).

Preface

The unique challenges faced by internal auditors in the public sector

Internal auditors working in the public sector face a unique set of challenges, being accountable to internal and external stakeholders. Many of these internal auditors operate in a legislative and regulatory void: there are guidance documents (but no legislation) which recommend or reference internal audit standards in the Commonwealth; there is legislation and guidance in some States and some Local Governments; but there is no consistency in legislation, regulations or guidance documents regarding internal auditing across the three levels of Government in Australia. This situation exists in Australia despite the internal auditing profession having a single set of global standards, covering all countries, jurisdictions and sectors.

This publication draws on the experience of public sector internal audit experts across the Commonwealth, State and Local Government public sectors to deliver guidance that can be applied across all levels of Government in Australia. The content is relevant for key decision-makers and influencers in the public sector, audit committee chairs and members, chief executives, chief audit executives, internal auditors and members of IIA-Australia.

The Institute's Public Sector Guidance Committee recently issued a Practice Guide titled "Unique Aspects of Internal Auditing in the Public Sector" which explains how the internal audit activity may be affected by the purpose and governance structures of public sector organisations in democratic political system, as well as the legal/regulatory compliance and public scrutiny and accountability to which those organisations are subject. The general principles described in that supplemental guidance are complemented by the discussion and analysis in this publication, which focuses our situation and experience here in Australia on key issues for internal auditing in our specific public sector context.

The six chapters of this publication have been designed to reflect the recognised pillars of good governance in relation to internal audit:⁵

- 1 Governance is essential to organisational success and requires an open, trusting relationship among the board, management and internal audit.
- 2 Internal audit is essential to governance and fosters trust, transparency and accountability.
- 3 Internal audit contributes to success, positive change and innovation by delivering assurance, insight and advice.
- 4 Internal audit is most effective when its resource level, competence and structure are aligned with organisational strategy, and follow IIA standards.
- 5 Internal audit contributes the most value when it is relevant, objective, attentive to risk and opportunity, and future-focused.
- 6 Internal audit must be free from undue influence and demonstrate its independence by reporting functionally to the board.

The detailed 'how to' of internal auditing is contained in a complementary publication produced by IIA-Australia called *Internal Audit in Australia*.

The following diagram illustrates the flow from the six pillars and the critical linkages between publications.

⁵ IIA-Global, Global Advocacy Platform, 2016

IIA-Australia Policy Agenda

Structured on the six pillars of good governance

The Why

The rationale for establishing a policy framework aligned to the six pillars

The How

Applying the six pillars in practice: essential guidance for internal auditors

The Publication

*Effective Internal Auditing in the Public Sector:
A good practice guide*

Complementary Publication

Internal Audit in Australia

Internal audit practices should align with the policies reflected in the Australian Inter-jurisdictional Comparison

Internal audit work should be compliant with the International Professional Practices Framework

Contemporary Reference Materials for 'Why' and 'How'

Includes white papers, factsheets, 20 critical questions series, supplemental guidance, etc.

In some Australian jurisdictions, legislation is yet to be enacted in relation to internal audit activities, or the legislation that is in place is relatively narrow in its scope. In these cases, internal audit practitioners and their key public sector stakeholders can benefit from insights contained in Appendix B, which covers an approach to structuring appropriate policies for their jurisdiction or entity.

The IIA-Global Practice Guide 'Unique Aspects of Internal Auditing in the Public Sector' was issued in late-2019. The guide describes the characteristics that distinguish public sector organizations from those in the private sector including the purpose, governance structures, legal/regulatory compliance, public scrutiny, and accountability.

Meaning of 'the board'

In the context of this publication, 'the board' refers to 'those charged with governance of the organisation'. That is, the highest level of a governing body assigned the responsibility to direct and/or oversee the activities and management of the organisation.

Typically, this includes an independent group of directors (for example, a board of directors, a supervisory board, or a board of governors or trustees), or in the Local Government sector the elected council.

If such a group does not exist, the board will likely refer to the head of the organisation, which, in the public sector, would be the secretary, director-general, chief executive or their equivalents in local councils.

The board, as the governing body, may delegate certain governance, risk, compliance and audit oversight functions to an audit committee (or audit and risk committee).

Introduction

The legislative and regulatory challenges across public sectors in Australia

Across each level of Government in Australia, there is a need for a uniform approach to the establishment of internal audit. This includes the internal audit function complying with the International Professional Practice Framework of Internal Auditing.

As mentioned in the Preface, there currently isn't consistency in legislation, regulations or guidance documents at any level that mandate the treatment of the internal audit function; there are guidance documents (but no legislation) which recommend or reference internal audit standards in the Commonwealth, and legislation and guidance in some States and Local Governments.

For example, most State Governments mandate the internal audit function, but only New South Wales, Tasmania and Western Australia require mandatory conformance to the International Standards for the Professional Practice of Internal Auditing (contained in the International Professional Practices Framework – IPPF). At the Local Government level, all states mandate the internal audit function except for South Australia and New South Wales (where it is currently voluntary but will be mandatory from 2021), with New South Wales, Queensland, Tasmania and Western Australia recommending (though not mandating) the use of the Standards (though there are movements in New South Wales to mandate the IPPF).

Australia may well be falling behind other jurisdictions, especially those of 'developed' countries.

The UK public sector, particularly HM Treasury, adopted a common set of Public Sector Internal Audit Standards (PSIAS) from April 2017. The PSIAS include the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), which includes a definition of internal auditing, a Code of Ethics and the International Standards for the Professional Practice of Internal Auditing.

In Canada, there is a Directive on Internal Auditing (2012) and Internal Auditing Standards for the Government of Canada (2012). On 1 April 2017 the Canadian Treasury Board, pursuant to sections 7 and 11.1 of the Financial Administration Act, approved \$300 million (Canadian) to establish an internal audit function. The requirements also ensure that chief audit executives must have an internal audit certification or professional accounting designation, and that they follow the IPPF.

In South Africa, the Public Finance Act, Act 1 1999 and Treasury regulations make it compulsory for national Governments in South Africa to establish an 'effective and efficient' internal audit function. These requirements also apply to Local Government under the Municipal Finance Management Act 2003.

In the Organisation for Economic Co-operation and Development (OECD), the audit architecture is enshrined in Financial Regulations, the highest form of legal instrument under the organisation's founding Treaties. Included is the internal audit function under Regulation 30, which has been established since 2003. Audit committees within the OECD monitor the 'independence and effectiveness of the internal and external audit functions'.

All the jurisdictions named above follow the IPPF, and outline qualifications required by internal auditors to undertake the function.

The same cannot be said of Australia.

Appendix J contains an inter-jurisdiction comparison of audit committees and internal audit across the different public sector jurisdictions in Australia.

Leading policy arrangements

It is worth noting that the potential effectiveness of internal audit arrangements is impacted by the extent to which risk management practices are sufficiently robust and established to provide internal audit with the appropriate assurance framework. Similar to internal audit requirements, requirements for the establishment and good operation of a risk management function varies across jurisdictions and are still under development in some levels of Government.

The choice of resourcing model for internal audit is also an important consideration. The IIA has outlined the relative generic advantages and challenges of different models in IIA-Australia Factsheet: Internal Audit Resourcing Models, 2018 (online), and in the public sector resourcing options may bring in specific skill sets unavailable to generalist auditors and may also help to alleviate difficulties in attracting staff to regional and remote areas.

The NSW Treasury's Internal Audit and Risk Management Policy for the General Government Sector reflects a leading position in Australia and internationally in relation to risk management, internal audit and audit committees. It applies to a Government Sector Finance (GSF) agency in NSW, defined in the Government Sector Finance Act 2018.

The NSW policy reflects three core principles that describe the outcomes being sought.

- 1 The agency has a risk management framework in place that supports the agency to achieve its objectives by systematically identifying and managing risks to:
 - › increase the likelihood and impact of positive events
 - › mitigate the likelihood and impact of negative events.
- 2 The agency's internal audit function provides timely and useful information to management about:
 - › the adequacy of, and compliance with, the system of internal control
 - › whether agency results are consistent with established objectives
 - › whether operations or programs are being carried out as planned.
- 3 The agency head receives relevant and timely advice on the agency's governance, risk and control frameworks and its external accountability obligations from an independent audit and risk committee with appropriate expertise.

There are core requirements for each core principle. These are incorporated in relevant chapters of this guide (that is, risk management is dealt with in chapter 1; internal audit in chapter 2; and audit and risk committees in chapter 6).

The Auditor-General of Australia has previously developed and published through the Australian National Audit Office (ANAO) public sector internal audit better practice guides (the latest was in 2012, updating the 2007 edition).⁶ The principles and practices outlined in the guides were developed to be generally applicable to all public sector entities. The Auditor-General has no immediate plans to review, update or maintain these better practice guides following a change in policy on issuing better practice guidance where they now see their role as auditing against better practices rather than developing guidance themselves. Appendix I contains a summary of the key points contained in previous better practice guides issued by the Auditor-General of Australia. It is expected that the better practices will already be embedded in most public sector entities, as these practices have been espoused for some years and are relevant for all public sector jurisdictions.

Ten special considerations across public sectors in Australia

All levels

- › Just as for the private and for-purpose sectors, boards and senior management in the public sector play an important role in articulating the desired culture of an organisation. They define the values and principles that promote sustainability, and model these through the 'tone from the top', and through the organisation's policy and procedure arrangements for governance, risk management, internal audit, remuneration and feedback (including complaints). While policies and procedures identify the internal controls that management expects employees to follow, it is the 'lived' culture across the organisation that dictates what internal control practices are actually applied in practice. There is an increasing global trend across all sectors for internal audit to be given a mandate to comment on the organisation's 'lived' culture, including the tone at the top, the soft controls, whether the desired culture has been defined, and whether the actual culture and desired state are in sync.

- › In the public sector, building culture requires a concerted effort to identify the cultural considerations specific to the public sector e.g. delivery of public policy (which brings different risks and focus); risk appetite (which may be different due to the use of public funds); the complexity of ministers, cabinet and councillors exercising their responsibilities; the oversight and responsibilities of various corruption authorities.

Commonwealth (federal) level

- › APEC (Asia-Pacific Economic Cooperation) encouraged its member economies (including Australia) in 2011 to explore how the audit profession can be advanced, reflecting that this could be achieved by mandating or encouraging audit activity in relevant public sector institutions and other entities.⁷ While internal audit is 'required' (mandatory) in most public sector jurisdictions in Australia (see Appendix J), it remains a 'guideline' (not mandatory) at the federal level.
- › Similarly, it is not mandatory for internal audit activities at the federal level to apply professional internal auditing standards – it is a 'guideline' (not mandatory) rather than 'required'. The establishment of an anti-corruption body designed to maintain the integrity of Commonwealth Government bodies seems imminent following announcements at the end of 2018. This comes on the back of surveys that suggest there may be serious corruption at a federal level. Agency heads, audit committees and internal auditors will need to ensure they have bullet-proofed the integrity safeguards of their own organisations, while accommodating the fresh oversight expected from an anti-corruption body.

State level

- › While it is mandatory for internal audit activities in three states (New South Wales, Tasmania and Western Australia) to apply professional internal auditing standards, it is a 'guideline' (not mandatory) in three states or territories (the ACT, Queensland and Victoria), and there is no requirement at all in two states or territories (the Northern Territory and South Australia). The consistent requirement for professional internal auditing standards should be an aspiration for all states and territories (just as accountants are required to apply established accounting standards to their work).
- › Legislation has not always kept pace with State Governments that have established 'clusters' of agencies with a 'lead agency'. In some cases, other mechanisms exist or may be introduced to support clusters, covering governance arrangements such as delegations, information access and distribution of resources. There may also be opportunities for 'shared arrangements' for internal auditing. This also has relevance to Commonwealth and Local Government jurisdictions.
- › There is currently no state-wide consolidation of insights from cluster and/or agency audit and risk committees on sector-wide governance (unlike, say, the whole-of-government reporting on consolidated accounts).

Local Government level

- › There are challenges for smaller, regional and rural councils in securing budget funding for an effective internal audit activity and in sourcing capable and credentialed internal audit resources. Periodic refreshing of internal audit staffing, say every seven to ten years, is difficult for remote regional councils (due to a supply/demand conundrum). Shared arrangements among councils can represent a cost-effective solution.
- › The audit universe (that is, the list of potential audits) should include entities controlled and associated with council, with a view to the internal audit activity periodically assessing the reasonableness of overarching and individual governance arrangements (and financial stewardship where council provides funding). This also has relevance to Commonwealth and State jurisdictions. The internal audit and audit committee charters approved by the elected council should clearly articulate boundaries (if any) to the audit coverage and audit committee oversight (that is, areas 'out of scope'). The results of the internal audit/s of controlled and associated entities should be reported to the audit committee.
- › Good corruption-prevention and fraud-control practices underpin financial stewardship and the reputational integrity of all forms of public sector activity, and have relevance for all levels of Government, enabling them to deliver the services, confidence and trust expected by the community. Fraud and corruption investigations undertaken by anti-corruption bodies and others show the damage that major fraud can cause. While fraud and corruption is an issue for all forms of organisations, councils have featured prominently in the reports of integrity bodies. While there is no clear picture of the overall level of corruption/fraud within councils, Local Governments remain overrepresented in fraud cases exposed by anti-corruption bodies across the public sector in Australia. Council leadership, audit committees and internal auditors need to broach the corruption/fraud risks of their council in a structured and systematic manner.

For-purpose organisations reflect a collection of people who have come together because they share a common goal for society (e.g. they include charities and not-for-profit entities).

⁷ IIA Global, Policy Setting for Public Sector Auditing in the Absence of Government Legislation, 2014, page 19 (citing an excerpt from APEC Business Advisory Council (ABAC) Report to Leaders).

Good governance is essential to organisational success

'In too many countries, people are deprived of their most basic needs and go to bed hungry every night because of corruption, while the powerful and corrupt enjoy lavish lifestyles with impunity.'

José Ugaz, Chair, Transparency International, 2016

First pillar: Governance is essential to organisational success and requires an open, trusting relationship among the board, management and internal audit.

- 1.1 All organisations require governance if they are to remain viable and continue meeting their objectives.
- 1.2 Organisational success is sustainable only if it serves the interests of all internal and external stakeholders.
- 1.3 Governance is exercised through various processes and structures with the aim of nurturing transparency, accountability and fairness, and maintaining a healthy balance among the interests of all stakeholders.
- 1.4 Governance requires an open, ethical culture.

Key elements of good governance

Outline

This chapter provides context for the publication by reflecting the overall intention of corporate governance, which is to promote confidence with stakeholders. The governing body of an organisation is ultimately responsible for an organisation's governance. In the public sector, where there is not a board of directors, governance arrangements are implemented by the head of the organisation, such as the secretary, director-general, chief executive, or their equivalents in local councils.

Meaning of 'corporate governance'

The combination of processes and structures implemented by the board to inform, direct, manage and monitor the activities of the organisation toward achievement of its objectives.

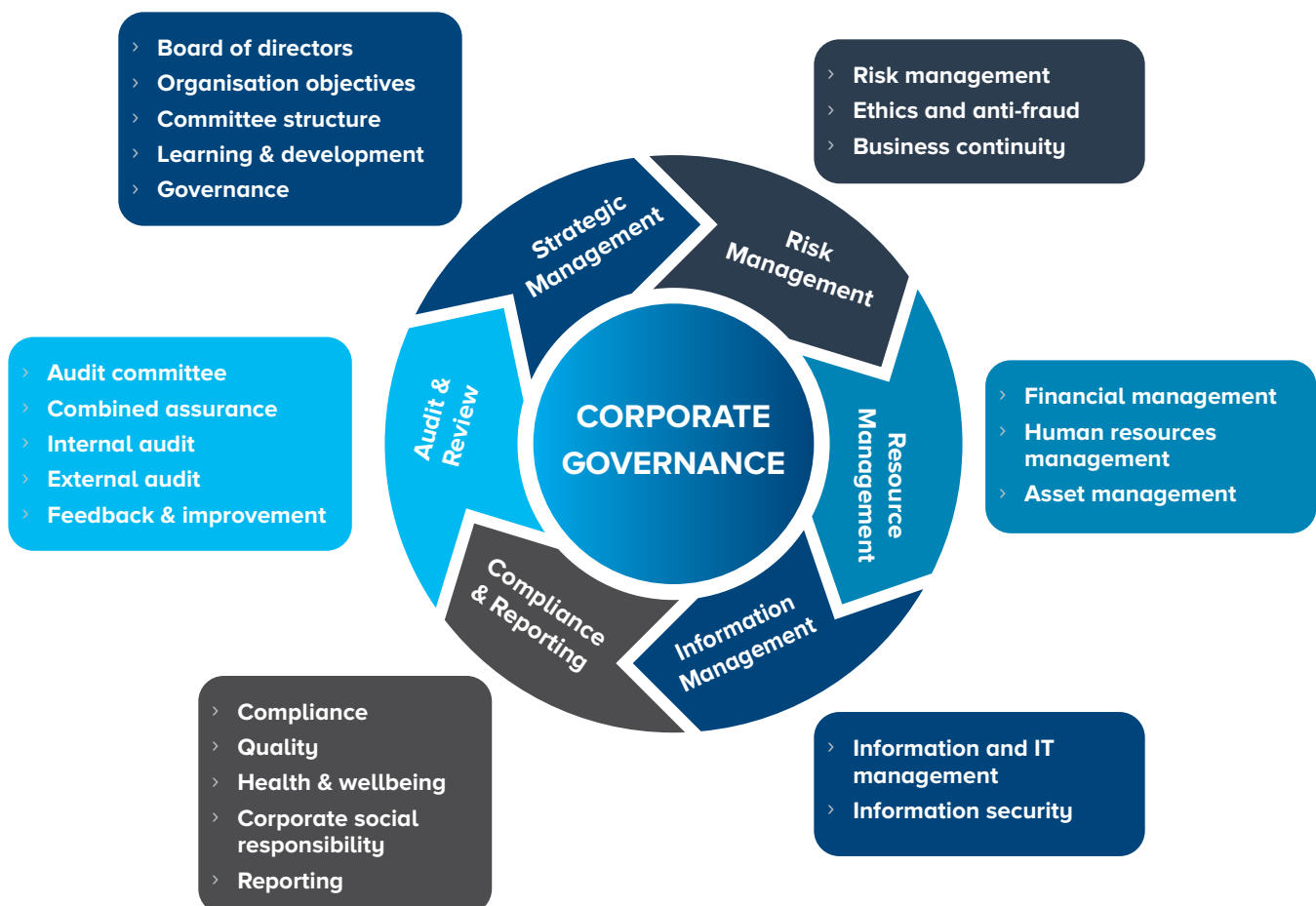
Source: IIA, International Professional Practices Framework

Governance model

A mature governance model seeks to wrap up organisational activities holistically through an inter-connected approach so nothing is missed. This is illustrated in Figure 1-1. The different elements of the corporate governance model are summarised below:

- 1 **Strategic management** is the development and implementation of a plan by the board and management to help an organisation achieve its long-term objectives. The strategic planning process specifies the organisation's mission, vision and measurable performance objectives, together with plans and projects designed to achieve the objectives, and then allocates resources to implement the plans and projects.
- 2 **Risk management** means anticipating and managing risks that may have an impact on achieving the organisation's objectives. In setting risk appetite, risk management also has a significant impact on culture.
- 3 **Resource management** is the efficient and effective use of resources when they are needed for an organisation to achieve its objectives.
- 4 **Information management** refers to the collection, recording, processing, securing and distribution of information throughout an organisation that is essential for assisting management to make informed decisions.
- 5 **Compliance and reporting** – It is important for a public sector organisation to demonstrate compliance with laws if it is to be seen as ethical, and a good organisation for the community and taxpayers. Compliance and reporting is more than meeting statutory requirements. It includes compliance to sector-wide directives and with internal controls established by the organisation. There is also an expectation that public sector organisations have greater transparency, as they are funded/owned by the community. Reporting organisation performance and financial results is important to show transparency for the community and taxpayers.
- 6 **Audits and reviews** are evaluations of an organisation, system, process, project, product or service. They determine the validity and reliability of information and help improve the effectiveness and accountability of an organisation.

FIGURE 1-1 OVERVIEW OF A CORPORATE GOVERNANCE MODEL



Source: IIA-Australia Factsheet: Corporate Governance, 2018

Corporatised and non-general-sector bodies

Most jurisdictions and most levels of Government have a complex mixture of governance models in concurrent operation. Boards and committees of a wide variety of types, and sometimes in considerable numbers, have been established in response to the wide array of functions and activities of the public sector.

In some jurisdictions, governance arrangements for such bodies may be set out in omnibus legislation (such as that for Government business/trading enterprises). However, in other cases, governance aspects may be contained in the enabling legislation for the particular entity – or it may be a mixture of both.

In some situations, such bodies may fall within the control of larger bodies such as ‘clusters’, ‘super-departments’ or ‘principal agencies’, making the governance and accountability aspects additionally complex.

Care needs to be taken to properly identify and understand the governance requirements for such bodies. Issues requiring clarification may include: whether the body exercises a governing or advisory role; delegations; financial control and independence; authority to make enforceable decisions and determinations; the authority and role of the Minister, and the authority and role of other overarching agencies.

Such matters present fundamental responsibility, accountability, transparency and control issues which are critical to the control environment – and hence of direct relevance and interest to internal audit.

Serving the public interest through stronger public sector accountability

According to the *International Framework: Good Governance in the Public Sector* (published jointly in July 2014 by the International Federation of Accountants (IFAC) and the Chartered Institute of Public Finance and Accountancy (CIPFA)), ‘the public sector plays a major role in society. In most jurisdictions, public expenditure forms a significant part of gross domestic product (GDP), and public sector entities are substantial employers and major capital market participants ... To fulfil its wide range of functions, the public sector must satisfy a complex range of political, economic, social, and environmental objectives over the short, medium, and longer term. This subjects it to a different set of external and internal constraints and incentives than those found in the private sector, all of which affect its governance arrangements.’

Meaning of ‘public interest’

IFAC defines public interest as the net benefits derived for, and procedural rigor employed on behalf of, all society in relation to any action, decision, or policy.

The publication further reflects, ‘Good governance in the public sector encourages better informed and longer-term decision-making as well as the efficient use of resources. It strengthens accountability for the stewardship of those resources. Good governance is characterised by robust scrutiny, which places important pressures on improving public sector performance and tackling corruption. Good governance can improve organisational leadership, management, and oversight, resulting in more effective interventions and, ultimately, better outcomes. People’s lives are thereby improved.’

Maturity levels

In most cases, governance is a journey for an organisation. It is not a static concept. It needs to continuously adapt to changes in the external environment, and also to almost ceaseless internal changes of policies, processes and personnel.

Maturity models are a useful way to assess individual elements of governance, as well as the overall situation. Assessing the level of maturity helps organisations to clarify their current state, and to logically map out a way forward to further improve governance in a controlled manner.

Appendix C contains excerpts from a corporate governance maturity matrix.

Emerging practices

Holistic assessment of an entity's governance arrangements

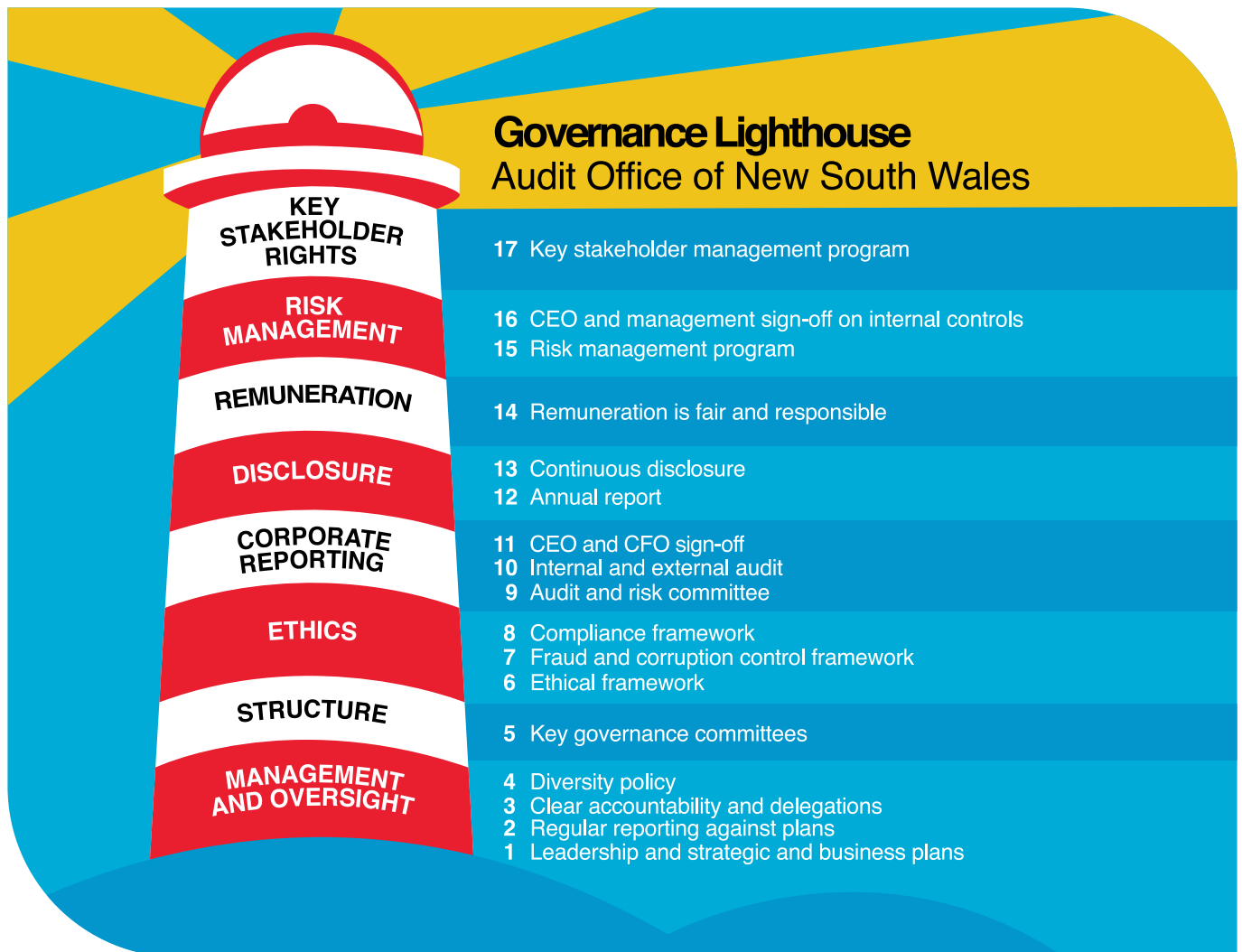
Audit committees and senior management need to know how an entity's governance arrangements stack up against good practice models.

The governance lighthouse provides a solid basis for

assessing the strength and effectiveness of a public sector entity's holistic governance framework, and is used by many entities as a basis for periodic assessment and reporting to the board.

The governance lighthouse was published by the Auditor-General of New South Wales and has eight principles and 17 key governance components, as illustrated in Figure 1-2.

FIGURE 1-2 GOVERNANCE LIGHTHOUSE



CASE STUDY

Referencing governance lighthouse in an entity's published annual report

The fact that an entity is serving the public interest is demonstrated to the community through meaningful reporting on the effectiveness of its overarching governance. As an example, the award-winning annual reports of the NSW Auditor-General summarise the activities and performance of the Audit Office against the main goals and strategies in its strategic plan. The 'governance' section of the annual report uses the Governance Lighthouse as the basis for reporting on how the Audit Office develops, manages and reports on its governance arrangements (see pages 52–63 of the 2017/18 annual report).

Source: Audit Office of NSW – Auditor-General's Report to Parliament, Volume One, 2015, Areas of focus from 2014, page 21 – used with permission

Internal audit is integral to good governance

‘Good governance in the public sector is essential if Governments... are to play their proper role in the long-term development of our economies and societies, and in the protection of our natural environment.’

Mervyn King, Chair Emeritus, International Integrated Reporting Council; Chairman, King Committee on Corporate Governance in South Africa

Second Pillar: Internal audit is essential to governance and fosters trust, transparency, and accountability.

- 2.1 All organisations benefit from internal audit.
- 2.2 Internal audit is increasingly important as organisations grow and develop, become more complex and mature, strive for improvement, and seek positive change.
- 2.3 Internal audit is essential for organisations that seek to contribute to economic and social well-being. This includes but is not limited to: Government departments; financial institutions; publicly traded companies and those seeking legitimacy in the capital markets; and public utilities (water, electricity, education, health care, etc.).
- 2.4 Internal audit builds trust through frequent and meaningful interactions with the board and management.

Effective internal auditing in the public sector

Outline

As will be discussed in chapter 4, there is no substantive reason preventing the application and implementation of internal audit in the public sector. However, there are a range of differences which impact on the nature and operation of internal auditing in the public sector.

Issues that have historically been cited as matters of significance affecting implementation of internal audit in the public sector include:

- > the concept of governance
- > serving the public interest
- > structural issues (macro and micro)
- > the role of auditors-general
- > the role of independent integrity bodies
- > delivering public services through third parties.

These are discussed below.

Public sector governance

Internal audit is a cornerstone of good governance in organisations, and can play an important role in improving both financial and non-financial management and accountability.

In the public sector, it has sometimes been difficult to translate this notion of governance into practice, because of two issues:

- > the term ‘governance’ has not historically been commonly used in most parts of the public sector, with terms such as ‘stewardship’ and ‘transparency’ having a longer history; and
- > most parts of the public sector do not employ a ‘board’ structure over their operations, having instead a basis in the Westminster model, with an agency or entity head (director-general, secretary, chief executive) reporting to a Minister.

Regardless of structures, it has increasingly become common practice for the term ‘governance’ to be used in all sectors to refer to the system of how the organisation is oversaw and managed, and the checks and balances that are in place to monitor performance and achieve accountability and transparency.

Serving the public interest

Under the Westminster Model, public sector accountability is provided through a complex set of checks and balances over public sector activities which separate policy-making from operations, and direct accountability through elected representatives in various arrangements through a body politic (such as a Parliament or council) to the community.

The term ‘in the public interest’ has developed to represent the notion that the public sector exists to serve the community (hence ‘public service’).

Internal audit must reflect the governance and risk contexts of the organisation it serves. However, such differences do not alter either the basic purpose or the basic methodology for internal audit, and the International Professional Practices Framework (IPPF) applies equally.

To assist in understanding how those differences may impact on the conduct of internal audit in the public sector, the IIA has published *Managing Culture: A good practice guide*, which complements the IIA’s Internal Audit Capability Model for the Public Sector. It provides specific guidance on developing, implementing and sustaining a competency process to ensure that the organisation’s audit function has the collective knowledge, skills and other competencies necessary to complete planned audits, and to support the audit function as it evolves (*Creating an Internal Audit Competency Process for the Public Sector*, IIA Global, 2015).

Structures – macro

In the public sector where there is (often) not a board of directors, governance arrangements are implemented by the head of the organisation, for example the secretary, director-general, chief executive or their equivalents. The term ‘those charged with responsibility for governance’ is now used in the public sector to translate the term ‘board’ where it appears in guidance.

While public sector structures can at times be intertwined and complex, both the private sector (which pays profits back as dividends to shareholders or owners), and the for-purpose sector (which usually reinvests surplus/profit back into communities) can experience similar complexities (especially with multinational structures). Regardless of structures, governance obligations exist and require assistance and assurance activities to be properly acquitted. Internal audit is a key component of governance.

Structures – micro

In areas where public sector operations are on a limited scale (such as smaller regional Local Government Councils), or where there are large agency cluster arrangements, it is now not uncommon for governance arrangements in the public sector to involve shared audit committee and/ or shared internal audit arrangements.

Operationally, the location of internal audit units in the public sector can vary considerably. The IPPF is not directive on the specific structural location for internal audit: the issue (principle) is independence from management, and guidance (for instance, IIA-Australia White Paper, Internal Audit Independence Arrangements) is available to address how this can be discharged regardless of structural arrangements.

External audit (auditors-general)

The role of an auditor-general in the public sector is considerably different to the role of an external auditor in other sectors. This difference has a significant bearing on the governance framework for the public sector.

Auditors-General are independent statutory officers and are not selected by the agency being audited. They have a broader remit than external auditors outside the public sector. They often take a sector-wide view on matters of audit interest and, in some jurisdictions, they also undertake performance audits (efficiency/effectiveness/economy). Significantly, they not only report to the agency being audited, but also report publicly to Parliament.

The interaction between internal and external auditors in the public sector is necessary to effectively serve stakeholders' needs. The value of these interactions can be maximised if both parties understand the perspective from which the other is operating. The IIA has published guidance to shed light on the similarities and differences that exist between them (*The IIA and the International Organization of Supreme Audit Institutions (INTOSAI): A Comparison of Authoritative Guidance*, IIA Global). See <https://na.theiia.org/standards-guidance/leading-practices/Pages/The-IIA-and-INTOSAI-A-Comparison-of-Authoritative-Guidance.aspx>.

Regulators (independent integrity bodies)

The role of other independent integrity bodies in the public sector is also somewhat different to the role of independent regulators in other sectors. This difference also has a significant bearing on the governance framework for the public sector.

Ombudsmen, anti-corruption bodies and other specialised integrity and monitoring bodies are part of the complex system of checks and balances that forms the governance framework for the public sector under the Westminster model, as opposed to a board-based structure in the private sector.

Regardless, as part of the governance framework, their impact upon, and relevance to, internal audit is similar to that of regulators in the private sector.

Delivering public services through third parties

There has been a long history of the public sector engaging with the private sector and the for-purpose sector to deliver services that traditionally were directly operated by the public sector.

Outsourcing has typically involved high-volume and low-value transactional activities. This is now particularly significant in the human services sector, where the use of grants is common.

This is such a significant area for internal audit that the IIA has issued specific guidance (*Auditing Grants in the Public Sector*, IIA Global).

Over time, new methods of service delivery are being explored, such as commissioning, joint partnerships and strategic alliances. These different operating models present a range of challenges for internal audit, including the need to incorporate rights-to-audit clauses in contracts with service partners. Specific guidance has also been issued on this topic (*Auditing Third-Party Risk Management*, IIA Global).

Maintaining independence and objectivity of internal auditing

There will be times where public sector internal auditors will require management and audit committee support to navigate real and emerging issues through the sensitivities of the political climate. Audit committees (and the chair in particular) should play a key role in helping internal auditors become more astute in their role without undermining their credibility, while remaining faithful to the purpose of internal audit.

In terms of the IPPF, independence is, 'The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner'. And being objective means 'An unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product, and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others.'

Maturity levels

Appendix D includes a maturity matrix covering internal audit trust, transparency and accountability.

Emerging practices

Enhancing the features of the internal audit charter

Contemporary internal audit charters are increasingly incorporating the mission and definition of internal audit defined within the International Professional Practices Framework (IPPF).

The charters reflect that the internal audit activity adds value to the organisation (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management and control processes.

The charters are also embracing relevant IPPF core principles that reflect the organisation's strategic direction, particularly the principles relating to:

- › Aligning with the strategies, objectives and risks of the organisation.
- › Providing risk-based assurance.
- › Being insightful, proactive and future-focused.
- › Promoting organisational improvement.

Exemplar organisations will also promote their commitment to internal audit and good governance by:

- › Making the audit committee and internal audit charters available on the website and intranet.
- › The use of continuous control monitoring and the contemporary use of data analytics.
- › Publishing an assertion and statement of their commitment to maintaining an effective internal audit activity in the organisation's published annual report.
- › Providing a staff profile of the internal audit team to the audit committee at least annually.
- › Including a high-level comment on the results of the periodic external quality assessment review of internal audit in the organisation's published annual report (see the case study immediately below).

CASE STUDY

Case study – Reporting the results of a quality review of internal audit

It is in the public interest across all levels of Government to inform the community of the effectiveness of the internal audit activity in complying with professional auditing standards. In its 2015/16 annual report the Australian Prudential Regulation Authority (APRA) reported on the outcome of a mandatory external quality assessment review of its internal audit activities. It stated (on page 56), 'An external quality assessment, conducted by the Institute of Internal Auditors in February 2016, found that APRA's Internal Audit function had achieved "general conformance" with auditing standards, which is the highest possible rating level.'

Internal audit delivers independent assurance and insights

‘The future depends on what you do today.’

Mahatma Gandhi, Indian leader (1869–1948)

Third Pillar: Internal audit contributes to success, positive change and innovation by delivering assurance, insight and advice.

- 3.1** By delivering insights on governance, risk and control, internal audit provides a robust challenge to organisational practices and provokes positive change and innovation.
- 3.2** Internal audit is best able to provide insight and advice when it combines independence and objectivity with a deep understanding of the organisation, its governance, and its operating environment, and by drawing on the power of data.
- 3.3** Internal audit encourages innovative thinking by maintaining an active awareness of developments in the profession and adopting leading-edge practices.
- 3.4** Through the provision of assurance on the effectiveness of governance, risk and control, internal audit inspires organisational confidence and enables competent decision-making.

Key elements of assurance

Outline

This chapter discusses internal audit’s role as part of the organisation’s overarching assurance framework, and the value that meaningful collaboration between assurance providers delivers for senior management.

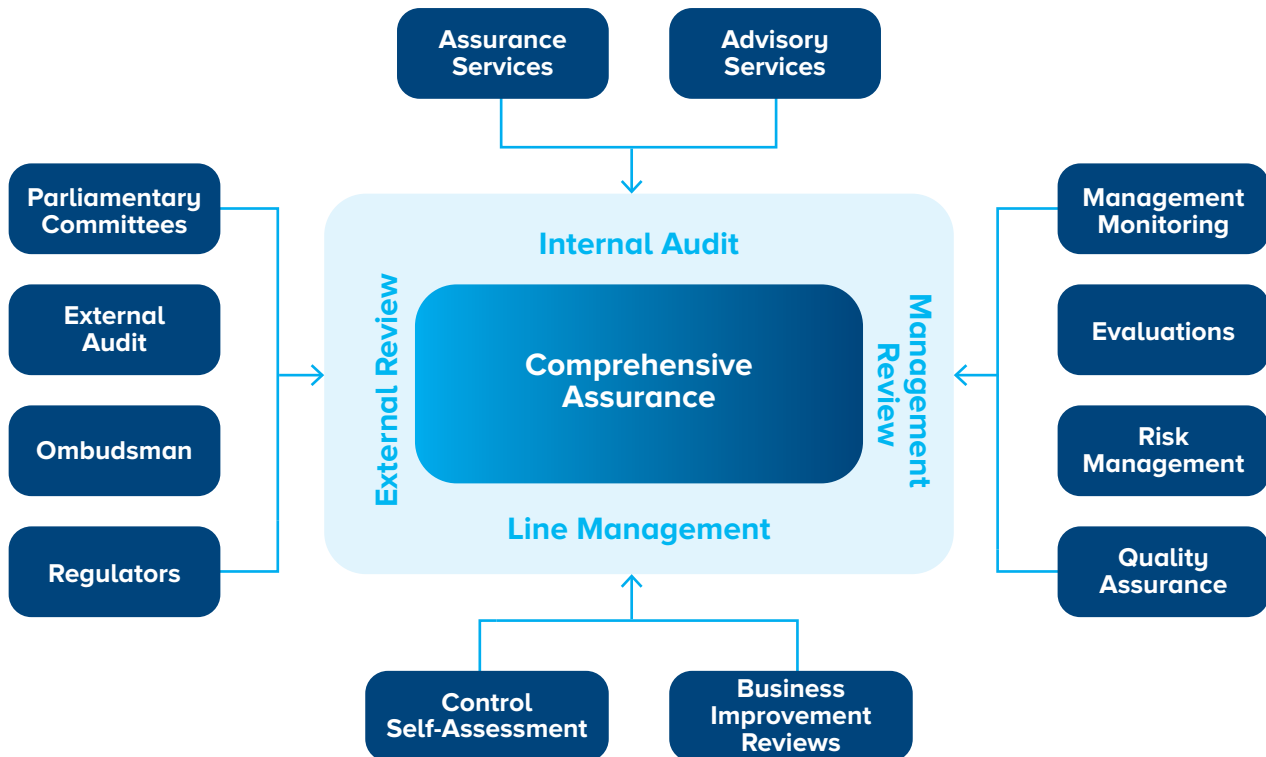
Comprehensive assurance

Assurance providers need to think about the collaboration opportunities across their specialist areas with a view to implementing steps to strengthen their relationships and, ultimately, deliver enhanced assurance reporting to the audit committee, whose role and responsibilities continue to expand.

They are expected to apply modern techniques to produce insightful information that helps their audit committee fulfil its role. But this can’t be done by applying a ‘siloes’ approach.

Figure 3-1 illustrates the range of internal and external assurance providers that contribute to the overarching comprehensive assurance framework.

EXHIBIT 3-1 COMPREHENSIVE ASSURANCE FRAMEWORK



Source: ANAO Better Practice Guide – Public Sector Internal Audit, September 2012 – used with permission

Strategic alignment

Internal auditors are expected to align their work with the strategies, objectives and risks of the organisation, and promote organisational improvement. These requirements are reflected in the core principles for the professional practice of internal auditing that underpin the Standards.

The Global Internal Audit Common Body of Knowledge (CBOK) study in 2015 found that about 57 percent of chief audit executives report that their internal audit department is fully aligned or almost fully aligned with the strategy of their organisations; the remaining 43 percent are somewhat, minimally or not aligned.

Sharper audit planning, coupled with enhanced reporting practices (see Figure 3-2), will help public sector auditors close the gap in strategic alignment. This requires the organisation to employ contemporary risk practices and assurance maps. Assessing risk management maturity could be an area for internal audit to focus on to then allow more effective internal audit planning.

Reporting practices

Boards, audit committees and senior management are increasingly expecting chief audit executives to report on both the value of the insights the internal audit function delivers and the performance metrics that facilitate effective oversight of the internal audit function. Exhibit 3-2 illustrates examples of common reporting practices beyond the standard reporting on the results of individual internal audits.

The practices within the three upper boxes (the themes-based reporting; collaborative reporting; and annual report on internal audit) showcase assurance, insight and advice to the audit committee and senior management. This style of reporting also facilitates collaboration with second-line assurance functions.

FIGURE 3-2 EXAMPLES OF HIGH-LEVEL INTERNAL AUDITING REPORTING PRACTICES

INSIGHTS DEVELOPED BY INTERNAL AUDIT	Highest value	Themes based reporting	Collaborative reporting	Annual report on internal audit
		Standard internal audit report for each separate engagement	Internal audit staff competency profiling	Balanced scorecard reporting
	Limited value	Absence of KPIs and fluent reporting	Quality assurance and improvement program, including internal and external reviews and benchmarking	Well founded KPIs (with both qualitative and quantitative measures)
		Limited performance visibility		Effective performance oversight
PERFORMANCE OF THE INTERNAL AUDIT FUNCTION				

IIA-Australia White Papers cover several of the reporting practices illustrated in the above diagram (including themes-based reporting, collaborative reporting, annual report on internal audit, and balanced scorecard reporting, which is further discussed in chapter 4).

Dynamic risk environment

In terms of the IPPF, internal audit's mission is, 'To enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight.'

Boards, audit committees, management, internal auditors and other assurance providers need to grasp the rapidly changing environment which is the result of digital transformation through concepts and practices like artificial intelligence, big data analytics, biometrics, blockchain, conversational commerce, the Dark Web, the Internet of Things, and robotic process automation. These concepts and practices will invariably impact on worker productivity, storage capacity, identification arrangements, value transfer, voice-triggered action, unregulated and unpoliced environments, information and operational technology linkage, and a shift to automation rather than outsourcing and off-shoring.

Practical meaning of 'assurance'

For internal auditors, 'assurance' is not just a matter of telling management verbally that 'things are okay'. It is, in essence, the conclusion of a meaningful and systematic evaluation of credible information to deliver a well-informed level of comfort over the organisation's governance, risk management and control arrangements (or elements of these arrangements). assurance could be provided internally within the organisation by operational managers and/or their staff, or by internal auditors. Where business processes are outsourced to a third-party contractor, there may also be assurance reporting requirements. For instance, to provide assurance over an organisation's workplace health and safety arrangements an internal auditor might consider credible information on its purpose (for example, legislation; policies; procedures), capability (for example, results of staff awareness surveys; risk register; experts in key oversight and influencing roles), commitment ('tone at the top'; meaningful engagement of worksite health and safety committees; availability of trained personnel; trends in key performance indicators; interviews), and monitoring and learning (for example, inspections; management reporting of lost time injuries, near misses and other common key performance indicators; induction arrangements; online training modules).

Maturity levels

Appendix E contains a maturity matrix for combined assurance.

Emerging practices

Serving the public interest through participatory auditing

In response to the desire of citizens in some parts of the world to hold their Governments to account for their performance for nationally significant activities, a contemporary style of risk-based auditing has emerged in some public sector jurisdictions. It is called participatory auditing, and has the potential to deliver powerful outcomes.

These types of audits have been used in countries as diverse as Argentina, India, Mexico, South Africa, South Korea and the Philippines. Areas covered include public projects (especially those plagued by allegations of corruption or waste), disease prevention programs (where misappropriations of Government funds were revealed), road infrastructure projects (to assess value-for-money), financial management practices (to strengthen arrangements), Government public works expenditures (identifying falsified invoicing and labour schedules), and human rights (to assess corrective action responsiveness).

The three main categories of participatory audits involve:

1. Citizens collaborating directly with public sector auditors through a shared team.
2. The public using the observations reported by public sector auditors to champion a higher level of accountability of Government agencies and entities.
3. The public conducting 'audits' of the Government in isolation from public sector auditors, perhaps by obtaining information through freedom of information laws.

Other approaches might seek the involvement of the general public (and/or employees) through public interest disclosures, referrals, whistleblower sources and complaints.

There is currently no consistent participatory auditing model, and because of the direct involvement of citizens it is difficult to conform to auditing standards (for example, independence and objectivity, proficiency, planning, communicating results and monitoring progress).

Data analytics

Data analytics has the potential to transform the nature and extent of what internal audit does in the future.

'In the coming years, data analytics in internal audit will become widespread and mainstream. Internal audit professionals who hesitate to incorporate data analytics more fully into their operations will fall behind and risk becoming obsolete. The transformation will require a concerted effort to enhance people, process, and technology as the strategic drivers to realise the vision.' (*Data Analytics: Elevating Internal Audit's Value*, Warren W. Stippich Jr and Bradley J. Preber, Institute of Internal Auditors Research Foundation, Florida, USA, 2016, page 1)

The IIA notes that 'there is no established path to capture the benefits of data analytics, in part because internal audit departments run the gamut in size and maturity' (ibid., page vii). However, the IIA 'offers a Data Analytics Framework to help with assessing current and future states. The framework consists of four steps:

1. Develop a vision
2. Evaluate current capabilities
3. Enhance people, process and technology
4. Implement, monitor and evolve.' (ibid., page 1)

The value proposition of internal auditing is explained in Figure 5-1.

Internal audit applies IIA standards

'It is in difficult situations... the Institute of Internal Auditors comes to centre stage. Professional standards and support from the Institute can be a vital help in stiffening the spine of the internal auditors involved. On this score, we strongly commend the work of the Institute in Australia in improving the education and awareness of internal auditors and promoting the status of the internal audit function. That is work that, brick by brick, is helping to raise corporate governance standards in Australia, to the benefit of stakeholders and the community generally.'

Dr John Laker, former Chair of the Australian Prudential Regulation Authority (APRA), 2006

Fourth Pillar: Internal audit is most effective when its resource level, competence and structure are aligned with organisational strategy and follow IIA standards.

- 4.1** Internal auditors have a professional responsibility to improve their proficiency and the effectiveness and quality of their services continually through education and development.
- 4.2** Internal audit's resourcing and its efficient and effective deployment must be aligned with organisational strategy to maximise the positive impact on organisational success.
- 4.3** The chief audit executive should possess a thorough understanding of IIA standards and ensure their adoption in internal auditing.

- 4.4** The credibility and trust of internal audit are significantly enhanced through continuous review and improvement.

Foundations for internal audit effectiveness

Outline

This chapter addresses three issues:

- > **Why** should we implement internal audit in our organisation?
- > **How** can we implement internal audit in our organisation?
- > **What** are the key elements and features of an effective internal audit function?

Global standards

As a component of governance, and as a profession, a very significant feature of internal auditing is that it has truly global standards.

Most other professional areas have differing standards and practices in different parts of the world – even within countries (jurisdictions) and sectors (public, private, for-purpose). Examples include disciplines such as accounting, law, external audit and even medicine, engineering and so on. To address this issue, various global and regional bodies have been established to harmonise professional standards and collaborate on global interpretations and implementation.

However, **internal auditing has a single set of global standards, covering all countries, jurisdictions and sectors.** These Standards are titled the International Professional Practices Framework (IPPF), issued by the Institute of Internal Auditors (IIA). The key elements are illustrated in Figure 4-1.

Within this framework, the IPPF adopts a principles-based approach that sets out a range of mandatory components. The IPPF is designed as a living framework to use as leverage by those charged with governance, and employs a maturity model approach to implementation.

The IPPF includes implementation guidance and formal supplemental guidance, and is further supported with continuous informal guidance in a range of forms on emerging issues.

As part of establishing the governance framework and context, the IPPF should be formally adopted in every organisation by those charged with governance – including each public sector entity.

Supporting effective governance

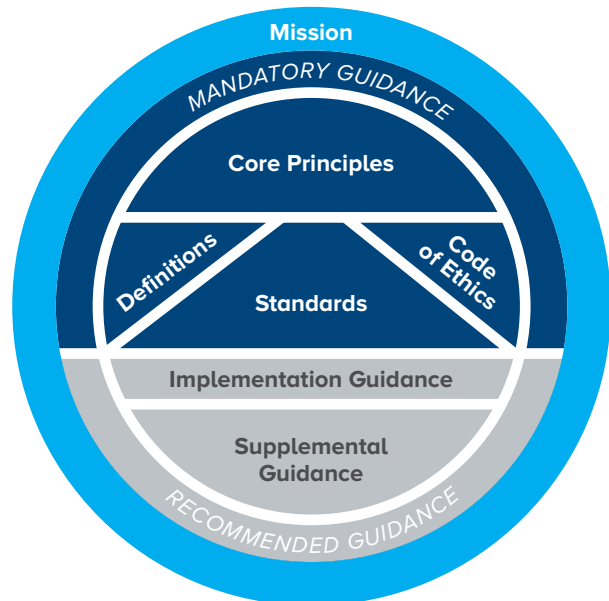
The mandatory elements of the IPPF are:

- > the core principles (of internal auditing)
- > a code of ethics
- > a definition (of internal auditing)
- > attribute standards, and
- > performance standards.

Using a principles-based approach (to provide implementation flexibility to suit varying scales of operations and governance contexts), each of these components of the IPPF sets out the key elements that, globally, are needed to provide the organisation with the level of professionalism required to support effective governance.

The IIA explains that internal audit is a key pillar of good governance for any organisation. Governance refers to the processes and structures implemented by organisations to inform, direct, manage and monitor activities.

FIGURE 4-1 INTERNATIONAL PROFESSIONAL PRACTICES FRAMEWORK



The IIA lists the four elements of governance as the audit committee, executive management, internal audit and external audit – see Figure 4-2.

Internal audit provides those charged with governance with an independent view on whether the organisation has an appropriate risk and control environment, while acting as a catalyst for a strong risk and compliance culture.

Those charged with governance should establish internal audit as part of the governance framework, and in a manner consistent with the mandatory elements of the IPPF.

Key attributes of effective internal audit

The IPPF definition of internal audit is:

‘Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.’

To that end, the IPPF states that an effective internal audit function:

- > Demonstrates integrity.
- > Demonstrates competence and due professional care.
- > Is objective and free from undue influence (independent).
- > Aligns with the strategies, objectives, and risks of the organisation.
- > Is appropriately positioned and adequately resourced.

- › Demonstrates quality and continuous improvement.
- › Communicates effectively.
- › Provides risk-based assurance.
- › Is insightful, proactive and future-focused.
- › Promotes organisational improvement.

There is guidance within the IPPF on each of these mandatory core principles and their implementation.

Implementing an internal audit function that achieves these core principles, and conforms to the IPPF, is likely to be one of a number of capability- building programs underpinning the organisation's 'governance journey'. It will take time, and hence a maturity model approach is recommended.

FIGURE 4-2 FOUR ELEMENTS OF GOVERNANCE



Further guidance on this is available in *Applying the IPPF* (4th edition, Internal Audit Foundation, 2018). In addition, we have identified a range of 'frequently asked questions' about the nature, role and practical aspects of implementation of internal audit from those charged with governance here in Australia.

These have been distilled into *Internal Audit in Australia* (IIA Australia, 2016) which (inter alia) covers the following:

Internal audit fundamentals

- › What is internal audit?
- › What are the core principles for internal audit?
- › Why is internal audit important?
- › What does internal audit do?
- › Whom does internal audit serve?
- › How can internal audit be independent?
- › What are appropriate reporting lines for internal audit?
- › Is internal audit mandated?
- › Does internal audit have standards?
- › What guides internal audit work?
- › What is the scope of internal audit work?
- › What is internal audit's role with fraud?

Internal audit and other governance activities

- › Where does external audit fit in?
- › What about risk management?

Internal audit delivery

- › What types of services can internal audit deliver?
- › How can internal audit services be resourced?
- › What tools and techniques can be used to shape the in-house capability?
- › Should internal audit have business rules?
- › How does internal audit plan its work?
- › What are the types of internal audit plans?
- › What is assurance mapping?
- › Can internal audit use subject matter experts?

Internal audit performance and quality

- › What does good practice internal audit feature?
- › How does internal audit demonstrate its performance?
- › What is balanced scorecard reporting?
- › How is the quality of internal audit work assured?
- › How much does internal audit cost?

Final points

- › Are internal auditors qualified?
- › What attributes should internal auditors have?
- › What questions should be asked of internal audit?
- › What is ISO auditing?
- › Where can I get more information?

The resourcing of internal audit could also focus on the impact on computerised data analysis of controls and transactions, which will require different internal auditor skills.

There is no substantive reason preventing the application and implementation of internal audit in the public sector. However, there are a range of differences which impact on the nature and operation of internal auditing in the public sector. These are discussed in chapter 2.

Maturity levels

Appendix F contains a maturity matrix for internal audit resourcing and delivery.

Emerging practices

Measuring internal audit's performance through a balanced scorecard

Various reviews of public sector internal audit functions over the last decade by auditors-general and central Government agencies have pointed to inconsistencies in the internal audit performance across different public sector organisations. The requirement for chief audit executives to report on key performance indicators (KPIs) helps to showcase the performance of the internal audit function; using a balanced scorecard approach is well regarded.

Balanced scorecards

Balanced scorecards are designed to translate internal audit strategy into action with the aim of helping to manage and measure the performance of the internal audit function. They are becoming an increasingly well-established means for reporting quantitative and qualitative KPIs to the audit committee in a balanced way.

There are typically four common elements of a balanced scorecard for internal audit, notably:

1. How well the internal audit function partners with the board.
2. How well the internal audit function supports management in achieving their business objectives.
3. How well the internal audit processes are managed.
4. The innovation and capabilities of the internal audit team.

There is also a trend for exemplar chief audit executives to specify the value proposition from each audit to confirm the audit cost was well-spent.

The Global Internal Audit Common Body of Knowledge (CBOK) study in 2015 found that there was a six-fold increase in the use by chief audit executives of balanced scorecard reporting between 2010 and 2015 (increasing from 4 percent to 26 percent). The upward trend is expected to continue.

The Victorian Auditor-General's August 2017 report on Internal Audit Performance recommended (among other things) that all departments review existing internal audit performance indicators to ensure they reflect a balanced scorecard approach and agree on a set of indicators, measures and reporting frequency with the audit committee.

How internal audit provides value

‘Change is the law of life. And those who look only to the past or present are certain to miss the future.’

John F Kennedy (1917–1963)

Fifth Pillar: Internal audit contributes the most value when it is relevant, objective, attentive to risk and opportunity, and future-focused.

- 5.1** To be relevant, internal audit must support long- term viability and value protection and creation through an appropriate balance of assurance and advisory services that are aligned with organisational strategy and reflective of the operating environment.
- 5.2** Objectivity of internal auditors is ensured through a systematic and disciplined approach free from bias and undue influence.
- 5.3** Internal audit empowers management through concise communication of risk-based assessments of current and future conditions that test an organisation’s preparedness for enablers and inhibitors of success.
- 5.4** Internal audit makes a positive contribution to organisational value when its assurance, insight and advice are credible, trustworthy, well communicated and readily accepted by management.

Key elements of internal audit delivery

Outline

This chapter addresses key issues relating to public sector internal audit that are of relevance to those charged with governance, in seeking to consider the shape and direction of their internal audit function.

Centralised versus decentralised

The size and complexity of the public sector, and its impact on the community, generates regular review and reconsideration of accountability arrangements. Structural changes, and changes in approaches towards centralisation or decentralisation are recurring features of the public sector governance landscape. As internal audit is a key component of governance (see chapters 2 and 3), approaches to structuring and resourcing internal audit also vary over time.

Governments around the world are regularly considering centralising or decentralising a range of functions and activities, including internal audit.

There are several factors that can impact an organisation's decision to make a shift in either direction, including political, fiscal, or organisational considerations. Generally, economy and efficiency are at the core of the centralisation argument and effectiveness remains centre stage in the decentralisation argument.

Each organisation has to look at its unique situation and decide what approach aligns best with its circumstances. The IIA has produced guidance to illustrate and describe the advantages and disadvantages of centralisation so that those with responsibility for governance can determine for themselves what works best for their individual needs (*Optimizing Public Sector Audit Activities*, IIA Global).

In house, outsourced, co-sourced

Where decentralised approaches are used, at an individual organisation level, decisions then need to be made around whether they resource the internal audit function through an in-house operation, using an external service provider (outsourcing), or a combined approach (co-sourcing). There is guidance from the IIA to assist in this evaluation (IIA Australia Factsheet: Internal Audit Resourcing Models).

Shared arrangements

In areas where public sector operations are on a limited scale (such as smaller regional Local Government Councils), or where there are large agency cluster arrangements, it is now not uncommon for governance arrangements in the public sector to involve shared audit committee and/or shared internal audit arrangements.

In 2016 NSW Treasury issued TPP 16-02: Guidance on Shared Arrangements and Subcommittees for Audit and Risk Committees to provide a framework for agencies to consider shared arrangements. It includes an overview of the prerequisites and the two types of shared arrangement (collaborative or Principal Department led) that can be formed in that jurisdiction, and facilitates the establishment and operation of subcommittees where appropriate.

Value proposition of internal audit

The Victorian Auditor-General's August 2017 report on Internal Audit Performance reflected in part that, 'Internal audit... could add greater value by enhancing communication and sharing insights, identifying trends and systemic issues, and providing a more comprehensive view of department-wide assurance activities. This would provide greater assurance on risk management, controls and governance processes.'

To do so requires chief audit executives to maintain a robust planning process, effective fieldwork, meaningful reporting, and effective monitoring of open audit recommendations. Those efforts will translate into internal audit achieving the value proposition as outlined in Figure 5-1.

Maturity levels

Appendix G contains a maturity matrix for the internal audit value proposition.

Emerging practices

Determining the reasonableness of the internal audit budget

The audit committee charter usually requires the committee to periodically assess the reasonableness of internal audit resourcing and its budget. Internal audit cost as a percentage of the total operating expenditure is one measure of the adequacy of internal audit resourcing.

It is difficult to precisely determine in isolation how much is enough for the internal audit budget because of the different sizes, scope, resourcing models and maturity of internal audit functions. This is influenced by the strength of the organisation's control environment, the size of its capital budget and the complexity of projects, the machinery of Government changes, and the stability of the organisation's leadership, staffing, structure and functions. Some relative data on internal audit budgets:

- › The Queensland Audit Office's Results of Audits: Internal Control Systems 2013–14 reported the average internal audit budget across 20 departments as a percentage of total operating expenditure for 2012–13 as 0.128 percent.
- › The NSW Department of Premier and Cabinet's Review of Internal Audit Capacity in the NSW Public Sector report of 2008 noted the average NSW Government internal audit budget for 2007–08 was 0.1 percent of expenditure.

The audit committee should ask the chief audit executive to periodically provide analysis of the internal audit budget and like-for-like comparatives to help it determine the reasonableness of the budget.

The IIA has produced guidance on what chief audit executives should report on in respect to internal audit resourcing (*The 20 Critical Questions Series: What Directors should ask about internal audit resourcing, January 2020; and White Paper: Resourcing Internal Audit, January 2020*).

EXHIBIT 5-1 THE VALUE PROPOSITION OF INTERNAL AUDITING

The value proposition of internal auditing is based on three core elements of value delivered by internal audit to an organisation:	
ASSURANCE	Governance, Risk and Control. Internal audit provides assurance on the organisation's governance, risk management and control processes to help the organisation achieve its strategic, operational, financial and compliance objectives.
INSIGHT	Catalyst, Analyses and Assessments. Internal audit is a catalyst for improving an organisation's effectiveness and efficiency by providing insight and recommendations based on analyses and assessments of data and business process.
OBJECTIVITY	Integrity, Accountability and Independence. With commitment to integrity and accountability, internal audit provides value to governing bodies and senior management as an objective source of independent advice.

Governing bodies and senior management rely on internal audit for objective assurance. And insight on the effectiveness and efficiency of governance, risk management and internal control processes.

Internal audit must be free from undue influence

'It always seems impossible until it's done.'

Nelson Mandela, South African leader (1918–2013)

Sixth Pillar: Internal audit must be free from undue influence and demonstrate its independence by reporting functionally to the board.

- 6.1** Management is responsible for designing and operating an effective system of governance, risk and control.
- 6.2** Internal audit is responsible for evaluating the design, efficiency and effectiveness of governance, risk and control.
- 6.3** As articulated by its charter, internal audit requires full, free and unrestricted access to any function or activity under review, with no organisational function or activity considered to be outside of its scope.
- 6.4** The chief audit executive must report functionally to the board to allow internal audit to fulfil its responsibilities independently, and for it to be recognised as an authoritative voice.

Key elements of internal audit independence

There is a symbiotic relationship between the audit committee and internal audit. The chief audit executive draws their strength from an effective audit committee. The key elements of effective audit committee delivery are illustrated in Figure 6-1.

Within Australian public sector jurisdictions, the NSW policy for audit committees (which is a key part of the NSW Treasury's Internal Audit and Risk Management Policy for the General Government Sector) is representative of leading practice public sector directions (in this case, under the Government Sector Finance Act 2018). The core requirements of the policy include:

- › An independent audit and risk committee with appropriate expertise has been established.
- › The audit and risk committee is an advisory committee providing assistance to the agency head on the agency's governance processes, risk management and control frameworks, and its external accountability obligations.
- › The audit and risk committee has a charter that is consistent with the content of the 'model charter'.

It should be noted that practice in some jurisdictions is moving away from always having a combined audit and risk committee. This may be as a result of significant organisational risks and/or the different skill sets required. Where they are separated there should be sufficient reporting between the two committees.

FIGURE 6-1 KEY ELEMENTS OF EFFECTIVE AUDIT COMMITTEE DELIVERY



Source: IIA-Australia Audit Committee Maturity Assessment (unpublished)

Notes on Figure 6-2:

1. While risk is incorporated into ‘roles and responsibilities’, this is not always the case and only specific risk responsibilities might need to be incorporated.
2. ‘Governance and reporting’ states that an effective secretariat independent of management should be in place; this could be achieved for employees by appointing someone with secretarial qualifications (for example, governance institute, institute of chartered secretaries); some organisations use internal audit staff as their secretariat.
3. Action items under ‘governance and reporting’ should incorporate the monitoring of the length of time to close action items from internal and external audit.

Maturity levels

Appendix H contains a maturity matrix covering audit committees.

FIGURE 6-2 SIX PILLARS OF ‘BEST IN CLASS’ AUDIT COMMITTEES.

<p>Membership and Capability</p> <ul style="list-style-type: none"> > External chair and members; no internal members. > Equipped to think and operate strategically. > Limited term appointments which are staggered. > Members collectively have skills and experience of the organisation’s risk areas and business functions. > One member is a financial statements expert. 	<p>Role and Responsibilities</p> <ul style="list-style-type: none"> > Role (and boundaries with related entities) clearly defined. > Defined responsibilities comprehensive and aligned to all strategic and risk areas – not limited to financial statements. > Covers governance, risk and compliance frameworks. > Attuned to emerging risk areas and business practices. > Scope encourages innovation and improvement of practices.
<p>Professional Practices</p> <ul style="list-style-type: none"> > Written charter approved by the governing body; reviewed and updated annually. > Clear independence of mind and practice. > Positioning promotes independence and agility. > Regular scheduled meetings with the governing body, chief executive officer, external auditor and head of internal audit. 	<p>Performance and Accountability</p> <ul style="list-style-type: none"> > Defined performance measures. > Annual review of audit committee performance. > Proactive approach that uses experience of members to improve organisation governance and performance. > Models the values and desired culture of the entity. > Aligned to strategic mission of the entity. > Delivers annual report on outcomes to the governing body.
<p>Organisation Relationships</p> <ul style="list-style-type: none"> > Audit committee independence promoted. > Access to the governing body, chief executive officer and senior management. > Wisdom and counsel provide mentoring to C-suite. > Offers strategic solutions as a trusted partner. > Audit committee promoted in entity-wide communiqués. 	<p>Governance and Reporting</p> <ul style="list-style-type: none"> > Effective secretariat independent of management. > Written and approved forward work plan, including comprehensive program of activities, which is reviewed and updated annually. > Written minutes circulated promptly after meetings. > Action items clearly articulated and followed-up.

Source: IIA-Australia Audit Committee Maturity Assessment (unpublished)

Emerging practices

Serving the public interest through transparency

An IIA-Global public sector study reflected that as transparency practices continue to evolve across the world, public sector leaders have an opportunity to position themselves for potential changes to transparency arrangements within their own jurisdiction. Transparency is a term that describes openness through availability and accessibility.

The study drew on feedback gained from five continents around the world to ensure that internal audit leaders can drive or support discussions on the transparency of audit reporting. It consolidated feedback from 160 respondents from 14 countries.

This study provides insights on global transparency practices related to internal audit reports in the public sector. It is useful to boards, audit committees, senior management, chief audit executives, legislators, information controllers, and other governance professionals.

The survey insights include:

- › 85 percent of respondents said that their organisation aims to be transparent.
- › There is a high level of transparency in internal audit reports provided to the highest oversight authority, typically the Supreme Audit Institution (SAI) of the country.
- › In a small number of cases (10 percent), respondents reported making their internal audit reports available to the media.
- › It is unusual for internal audit reports to be made available on the organisation's intranet for easy access. Just 25 percent of respondents indicated that this practice is currently embraced within their organisation.

- › Even fewer internal audit reports are made available to the general public on the Internet (website). Only 14 percent of respondents reported this practice.
- › Of the organisations that make internal audit reports available to the public, most release the reports within one month to ensure timeliness.
- › Some jurisdictions have laws granting public access to Government information; 60 percent of respondents indicated that their organisation must follow a legal mandate to make information available for public inquiries.
- › The public entities that had a public information law were more likely to publish the report.
- › Audit work papers are subject to public information laws for 22 percent of study respondents.

Chief audit executives are encouraged to monitor transparency developments in their own jurisdictions and position themselves for the challenge that may be just over the horizon. Some steps they can take now include (i) understanding the information transparency laws for their jurisdiction and monitoring any changes; (ii) establishing appropriate transparency policies and arrangements for internal audit reports for their organisation; and (iii) training their staff to write clearly and comprehensibly, so as to be understood by any potential reader.

Before any public sector organisation makes internal audit reports transparent, they should consider any potential negative impacts on the function of internal audit and the behaviour of management if they are aware a report will be made public. It may in fact lead to a less open and honest relationship.

CASE STUDY

Case study – Audit committee reporting to a local council

Penrith City Council was an early adopter in creating contemporary Audit, Risk and Improvement Committee (ARIC) arrangements to promote good corporate governance at the council, to serve the public interest. The councillors recognised that good corporate governance ensures the people of Penrith receive the services they need in an effective and efficient manner, delivered with honesty and integrity. The ARIC has an independent chair, a majority of independent members, and councillor members. At each meeting the ARIC articulates 'five key take-outs' from the meeting for the councillor members to take back to the council, minutes of the meeting are published on the website, an annual ARIC report and an Internal Audit annual report are presented by the chair at an open session of council. The annual ARIC report includes key achievements, key action points, and commentary on the oversight of internal audit, external audit, enterprise risk management and corporate governance. (Used with permission.)

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Appendix B Steps for implementing effective policy

The following are edited and condensed excerpts from a global IIA Global Public Sector Insight publication released in 2014, *Policy Setting for Public Sector Auditing in the Absence of Government Legislation*.

Background

Audit activities that have competent, qualified professional staff with sufficient authority, stature, independence, resources and high-level access to discharge their duties can strengthen public sector accountability, risk management and control. Support for the development and maintenance of effective auditing activities will help to better ensure sound public sector accountability and governance.

In some jurisdictions, legislation is yet to be enacted in relation to audit activities, or the legislation that is in place is relatively narrow in its scope. In these cases, audit practitioners and their key stakeholders in public sector entities can benefit from the following insights on an approach to structuring appropriate policies and procedures for their entity.

Closing the gap in governance

Having an audit activity that is a separate and distinct service from external assurance providers is strongly encouraged by many public sector participants and governance experts. For instance, in 2011 the Asia-Pacific Economic Cooperation (APEC) forum encouraged its member economies to explore how the audit profession could be advanced, and to consider if advancing the profession could be achieved by mandating or encouraging audit activities in relevant public sector institutions and other entities.

According to an APEC Business Advisory Council report to leaders, '[g]ood governance and risk management are central to the effective performance and sustainability of economies' public and private sector institutions. Internal audit is a major component of an institution's governance system and its capacity to manage risk and internal control systems.'

The following excerpts present basic principles for entity-based policies and procedures in the absence of legislation and attendant regulations that mandate audit activities in the public sector. These insights are intended to help public sector practitioners to develop coherent and consistent policies and procedures for auditing across public sector entities.

Business significance

Around the world, accountability provides the foundation for responsible Government. It is fundamental in assuring society that Governments – in particular, public sector entities and officials – are using public resources efficiently, effectively and in the public's best interests.

There is growing global recognition that audit activity is a value-added service that underpins sound governance and public welfare. For example, Canada's Federal Accountability Action Plan states that 'Independent, objective, and timely internal audit services within departments provide assurance to deputy ministers and reinforce good stewardship practices and sound decision making.'

Audit activities play a pivotal role in strengthening public sector accountability, as illustrated by its position as the third line of defence in effective risk management and control. Many good examples across intercontinental jurisdictions suggest that well-defined audit activities are helping to strengthen public sector governance.

A five-step process

Policies covering the audit activity are typically the high-level requirements that are established by the board (or Government legislators).

Separate procedures reflect the more detailed requirements that management requires to be established to put the board policy into practice. Policies are typically more difficult to change than procedures.

Figure B-1 illustrates a five-step process for any entity considering policies and procedures covering the audit activity. Figure B-2 illustrates typical steps in the process. Each entity will have its own unique processes for introducing policies and procedures.

FIGURE B-1 FIVE-STEP PROCESS FOR SETTING POLICY



Source: IIA Global, Policy Setting for Public Sector Auditing in the Absence of Government Legislation, 2014, page 11

FIGURE B-2 POLICY DEVELOPMENT PROCESS

Policy Development Process	
Step	Activities
Needs Analysis	<ul style="list-style-type: none"> a. The board identifies need for a policy, and depending on your geographic location, may possibly be influenced by regional economic forums. b. The board determines its policy aspiration. c. Broad policy and procedural requirements are determined through bench-marking.
Drafting and Approval	<ul style="list-style-type: none"> a. Policy is drafted. b. Procedures are drafted. c. Consultation of draft policy and procedures occur. d. Policy is considered and passed by the board. e. Procedures are approved by relevant senior management authority.
Implementation	<ul style="list-style-type: none"> a. Entity is informed of changes. b. Entity management and staff receive guidance on implementation. c. Entity establishes appropriate internal structures. d. Entity implements requirements.
Reporting	<ul style="list-style-type: none"> a. Entity establishes and maintains enhanced governance, risk and control mechanisms. b. Entity introduces enhanced governance, risk, and compliance reporting into their published annual reports, including relevant assertions and information on audit committee operations.
Compliance	<ul style="list-style-type: none"> a. A compliance review is conducted by an appropriate board-appointed authority within 12-18 months of implementation. b. Compliance review results are reported to the board. d. If policy enhancements are required, they are recommended in the reviewer's report and considered by the board.

Source: IIA Global, Policy Setting for Public Sector Auditing in the Absence of Government Legislation, 2014, page 12

Appendix C

Maturity matrix – corporate governance

IIA-Australia uses a corporate governance maturity matrix as a basis for determining the maturity level of an entity's corporate governance model across five distinct levels – optimising (best), managed, defined, repeatable, and initial (greatest scope for improvement). In this context 'optimising' means continual enhancement is sought and implemented (whereas 'optimised' means as effective as possible).

Board

As explained within the introduction, the 'board' (in the context of this publication) refers to the highest level of a governing body assigned the responsibility to direct and/or oversee the activities and management of the organisation.

The following features are illustrative of corporate governance at the 'optimal' level.

Strategic management

- › Board comprising non-executive directors has been appointed and is operating effectively, with performance evaluated annually.
- › Entity's objectives are defined and performance against objectives continually tracked.
- › Key board subcommittees have been established and are operating effectively; these subcommittees include external expertise.
- › Board policies are clearly defined and implemented.
- › Comprehensive strategic plan is approved by the board.
- › Organisation policies have been established and disseminated, with active oversight to minimise duplication.
- › Learning and development is a focus.
- › A clear, integrated and co-ordinated governance structure is in place, covering all activities.
- › Related party transactions are declared and transparent.
- › The project management office actively monitors and reports on organisation projects.

Risk management

- › The risk management approach is clearly defined and embedded into all activities.
- › Risk appetite and risk tolerances are defined and disseminated.
- › A risk management training program is maintained across the organisation, with a high take-up rate.
- › Strategic risks are identified and continually tracked.
- › Risk management is embedded into operational and project activities.

- › An active ethics and anti-fraud program is in place and disseminated.
- › A gift and entertainment policy is in place, with active oversight.
- › Ethics and fraud awareness training is mandatory for all employees and business partners, with periodic refresher training.
- › A proactive investigation program is in place.
- › Sanctions are applied where allegations are proven.
- › Business continuity planning is embedded into all activities, with periodic testing and results reported.

Resource management

- › A formal delegations of authority policy is in place, and is tested and reviewed on an ongoing basis.
- › Segregation of duties is defined, tested and reviewed on an ongoing basis.
- › Annual budgets are approved and continuously monitored by the board.
- › Unqualified financial statements are produced and audited annually.
- › Procurement activities use a formal mandated tender process, with strong oversight.
- › Vendor performance is continually evaluated against contract terms.
- › Financial management controls are actively reviewed and audited; the external audit management letter contains no improvement recommendations.
- › Automated continuous control monitoring of systems is in place.
- › The workforce plan has been approved and is monitored by the board.
- › A code of conduct is in place, including an annual employee declaration process.
- › The capital plan has been approved and is monitored by the board.
- › There is a formal approach to assure comprehensive identification and protection of assets.

Information management

- › The IT plan has been approved and is monitored by the board.
- › An effective management structure is in place for the IT environment, including hardware, software and information.
- › IT governance arrangements are clearly defined and assigned.
- › Shadow IT in business units is identified and minimised.
- › Effective processes are in place to protect information and IT systems from unauthorised access, use, disclosure, disruption, modification or destruction.

- › Data integrity is independently confirmed.
- › Periodic penetration testing is conducted, with recommendations implemented in a timely way.
- › IT disaster recovery plans are in place, periodically tested and results reported.

Compliance and reporting

- › A comprehensive compliance program is in place for legal compliance.
- › There is compliance with all applicable laws and regulations, with strong formal confirmation from assurance activities.
- › A comprehensive compliance program is in place for policy compliance.
- › Quality activities are in place and operating effectively, with results driving continuous improvement.
- › The health and wellbeing of employees and customers is a priority.
- › Corporate social responsibility is a focus.
- › There is effective and forward-focused management reporting to decision-makers, including analysis, forward projections, options and risks.

Audit and review

- › An independent audit committee has been established and is operating effectively.
- › Combined assurance across organisation is documented, including the three lines of defence and the effectiveness of each element.
- › An assurance strategy across the three lines of defence has been developed.
- › Plans are established to implement improvements across the three lines of defence where deficiencies are identified.
- › An internal audit department has been established that is independent of management.
- › An independent external auditor has been appointed and is periodically rotated (where the Supreme Audit Organisation / Auditor General is not mandated).
- › Feedback is actively sought and actioned as input to continuous business improvement.
- › Periodic independent review of assurance activities is conducted against recognised standards and good practice.
- › There is a high rate of timely audit recommendation close-out, and minimal overdue audit recommendations.

Appendix D

Maturity matrix – internal audit trust, transparency and accountability

IIA-Australia uses an internal audit maturity matrix as a basis for determining the maturity level of an entity's internal auditing arrangements across five distinct levels – optimising (best), managed, defined, repeatable, and initial (greatest scope for improvement). Part of this relates to the elements of managing the internal audit activity, and ethics.

The following features are illustrative of internal audit trust, transparency and accountability arrangements at an 'optimal' level. These features should be read in conjunction with Appendix F, and are based on the premise that a clear mandate has been established in the form of an internal audit charter.

Managing the internal audit activity

- › Internal audit policies and procedures are in place.
- › Internal audit plans are linked to corporate objectives.
- › Effective internal audit reporting arrangements are in place.
- › Audit client feedback is sought.
- › Performance measures are in place and used to drive continuous improvement.

Code of ethics

- › An organisation code of conduct is established and championed by internal audit.
- › The IIA Code of Ethics is embedded in internal audit policies.
- › Ethics training is conducted for internal auditors.
- › Internal audit staff complete an annual code of ethics declaration.

Appendix E

Maturity matrix – combined assurance

IIA-Australia uses a combined assurance maturity matrix as a basis for determining the maturity level of an entity's combined assurance arrangements across five distinct levels – optimising (best), managed, defined, repeatable, and initial (greatest scope for improvement).

The following features are illustrative of combined assurance at the 'optimal' level.

Combined assurance

- › There is a common understanding of combined assurance and three lines of defence (or similar) across the organisation.
- › There is an organisation-wide policy approach to combined assurance built around strategic imperatives and business compliance objectives.
- › The organisation-specific three lines of defence are clearly identified and regularly reviewed.
- › There is a comprehensive risk management and assurance process.
- › The combined assurance coverage provides assurance against realisation of key risks.
- › A continuous improvement focus with gap analysis is built into the combined assurance process.

Effectiveness

- › Assurance mapping is undertaken and informs forward audit plans and assurance activities.
- › There is an organisation-wide continuous focus on minimising duplication of assurance effort.
- › A continuous focus on minimising cost is associated with assurance activities.
- › Stakeholders proactively facilitate discussion around combined assurance at lower cost without compromising effectiveness.
- › Combined assurance results are quantified.
- › The organisation demonstrates effective performance through a diminishing rate of issues identified by assurance activities and external assurance such as external audit and regulators.

Accountability

- › The organisation's risk appetite is defined, understood and applied.
- › Combined assurance is fully aligned with organisation processes and individual performance measures.
- › A central function co-ordinates combined assurance.
- › Processes and individual incentives are linked to organisation risk management and assurance strategies.

- › Accountability for risk management and assurance activities is clearly defined and understood.
- › There is a strong values-based compliance culture.
- › There are periodic written combined assurance assessments.

Knowledge and skills

- › People possess a high level of knowledge and skills related to combined assurance concepts.
- › There are proactive stakeholder discussions around combined assurance.
- › Combined assurance knowledge and skills are continuously upgraded.
- › Training in combined assurance concepts is readily available, with a high take-up rate.

Appendix F

Maturity matrix – internal audit resourcing

IIA-Australia uses an internal audit maturity matrix as a basis for determining the maturity level of an entity's internal auditing arrangements across five distinct levels – optimising (best), managed, defined, repeatable, and initial (greatest scope for improvement). Part of this relates to the elements of proficiency and due professional care, and quality assurance and improvement arrangements.

The following features are illustrative of internal audit structural reporting (independence), resourcing, and delivery arrangements at an 'optimal' level.

Independence and objectivity

- › Internal audit reporting arrangements are defined in an internal audit charter, which specifies good practice reporting arrangements.
- › Independence and objectivity requirements are defined by internal audit policy.
- › There is a requirement for conflict of interest disclosure.
- › Internal audit staff must attest annually to compliance with standards.

Purpose, authority and responsibility

- › An internal audit charter is in place, reviewed and approved by the audit committee on an annual basis.
- › The charter is clearly linked to corporate governance objectives.

Communicating the acceptance of risks

- › Escalation protocol is defined where management accepts risks identified by internal audit, with the process clearly understood by internal audit and management.

- › There is a collaborative approach to the resolution of risk acceptance situations.
- › There is a clear definition of the level of risk that can be assumed by management that precludes the need for the escalation protocol to be enacted.

Proficiency and due professional care

- › Internal audit resources are credentialed.
- › Specialist resources are available when required.

Note: Each proposed audit is assessed to determine whether appropriately skilled resources are available within the audit team. Where necessary, they are supplemented by and supported by people with specialised skill sets.

- › Annual risk assessment conducted.
- › Ongoing and periodic quality assurance processes are in place.
- › Training programs reinforce internal audit credentials and support the execution of internal audit work.

Quality assurance and improvement

- › A documented ongoing and periodic standards-based quality assurance program is in place.
- › Quality assurance activities occur for internal audit engagements.
- › Internal assessment is conducted annually.
- › External assessment is conducted at least every five years.

Appendix G

Maturity matrix – internal audit value

IIA-Australia uses an internal audit maturity matrix as a basis for determining the maturity level of an entity's internal auditing arrangements across five distinct levels – optimising (best), managed, defined, repeatable, and initial (greatest scope for improvement). Part of this relates to the elements of nature of work, engagement planning, performing the engagement, communicating results, and monitoring progress.

The following features are illustrative of adding value at the 'optimal' level.

Nature of work

- › Internal audit focuses on controls, risk and governance.
- › Internal audit plans are clearly linked to the enterprise-wide view of risk, and plans are periodically adjusted.
- › Internal audit uses recognised control frameworks in its work.

Engagement planning

- › Planning is performed in collaboration with stakeholders.
- › Planning is adjusted for differing circumstances.
- › Planning is documented.
- › A consistent methodology is applied to internal audit engagements; the methodology applied is better practice and complies with relevant standards.
- › Supervisory review and sign-off occurs.

Performing the engagement

- › Internal audit policies and procedures clearly define the internal audit engagement process.
- › Audit work plans are tailored for each engagement.
- › Supervisory review and sign-off occurs.
- › An automated audit working paper system is in place (for larger internal audit functions).
- › Computer-assisted audit techniques and other relevant audit techniques are actively used.

Communicating results

- › A reporting protocol has been established for communicating results.
- › Reporting is done consistently from a content and format perspective.
- › The chief audit executive reviews and signs off on audit reports before issue.
- › Management input to reporting is actively sought.
- › Reports contain management comments and agreed actions.
- › Internal audit prepares reports that show systemic issues found through its work.

Monitoring progress

- › Follow-up protocol has been established.
- › Follow-up on implementation of audit recommendations is performed consistently.
- › Reporting to audit committee on status of audit recommendations which 'tells the story' (that is, there is analysis and commentary on the overall status of recommendations, and clarity on how management proposes to address the situation if lapses have occurred in implementing recommendations in line with the original target dates).
- › There is an automated system for receiving progress updates from management (for larger internal audit functions).
- › There is a high rate of audit recommendation clearance.

Appendix H

Maturity matrix – audit committee

IIA-Australia uses an audit committee maturity matrix as a basis for determining the maturity level of an entity's audit committee arrangements across five distinct levels – optimising (best), managed, defined, repeatable, and initial (greatest scope for improvement).

The following features are illustrative of audit committees operating at the 'optimal' level. The elements of internal audit independence and objectivity, and purpose, authority and responsibility, were covered under chapter 4.

Membership and capability

- › Membership (voting) comprises only experienced and well-credentialed non-executive members, chair and deputy chair.
- › Members collectively have skills, experience, expertise and strategic nous matched to business activities.
- › Appointments are staggered to ensure continuity and clear succession of leadership.
- › There is a blended induction process for new members (discussions, presentations, site visits, documentation).
- › There is a cap on membership duration.

Roles and responsibilities

- › Role and responsibilities are well-defined in a charter approved by the governing body (if applicable) and chief executive officer.
- › The charter is reviewed and updated annually.
- › There are clear boundaries for the coverage of related or subsidiary entities.
- › Role and responsibilities are comprehensive, aligned to organisational strategies; innovation and improvement ideals; and emerging risks and business practices; and cover financial and non-financial operations.
- › There is coverage of governance, risk and compliance frameworks.
- › There are no executive or managerial powers.

Professional practices

- › At least four meetings are held per year.
- › An attendance of close to 100 percent is expected.
- › There is a comprehensive, well-structured committee forward work plan.
- › Members operate collegially, and their interactions are underpinned by agility and independence of mind and practice.
- ›

- › Private meetings are scheduled at least annually with the head of internal audit without management present, complemented with periodic informal meetings with the chair.
- › Private meetings are scheduled at least annually with the external auditor without management present.
- › Private meetings are scheduled with executive managers/ C-suite members without other management present.

Performance and accountability

- › Meeting minutes are prepared and disseminated quickly.
- › Attendance is monitored.
- › Action items are proactively followed up and addressed promptly.
- › Accountability requirements are defined in the charter, including qualitative and quantitative performance measures.
- › Annual self-assessment is undertaken by members.
- › There is periodic, independent assessment of committee performance.
- › The committee models the values and desired culture of the entity through its behaviour and messaging.
- › Activities are aligned to the strategic mission of the organisation.
- › There are specific code of conduct requirements that are adhered to.

Organisational relationships

- › The committee chair has open access to the governing body chair (if applicable), and they meet regularly.
- › The committee chair has open access to the chief executive officer, and they meet at predetermined intervals.
- › Committee access to executive management is encouraged.
- › The committee has access to independent, expert advice.
- › Development of C-suite members is provided incidentally through wisdom and counsel style of mentoring.
- › The committee acts as a strategic partner to offer strategic solutions.
- › Organisational awareness of the committee's role is maintained through periodic staff publications.

Governance and reporting

- › Independence safeguards are maintained.
- › There is a conflict of interest procedure.
- › The committee has open access to organisation personnel.
- › The committee has dedicated secretariat resources provided who are trained and/or credentialed in the role.

- › Clearly articulated action items and important auditor recommendations are dealt with thoroughly.
- › A formal report on key issues arising from meetings is delivered to the governing body (if applicable) and chief executive officer after each meeting.
- › An annual report on committee outcomes is delivered to the governing body (if applicable) and chief executive officer.

Appendix I

Internal auditing practices

The Australian (Commonwealth) Auditor-General has previously developed and published through the Australian National Audit Office (ANAO) public sector internal audit better practice guides (the latest was 2012, updating the 2007 edition)⁸. The principles and practices outlined in the guides were developed to be generally applicable to all public sector entities. The Auditor-General has no immediate plans to review, update or maintain these better practice guides following a change in policy on issuing better practice guides.

With the ANAO's permission, we include a summary of the key points contained in the better practice guides (based on the breakout boxes contained in the 2012 guide). As these practices have been espoused for some years, it is expected that the better practices will already be embedded in most public sector entities.

Summary of better practice attributes of internal audit function

A better practice internal audit function:

- › Has the confidence and visible support of key stakeholders including the chief executive, the board (where applicable), the audit committee and senior management.
- › Is operationally independent: that is, internal audit is independent from the activities subject to audit.
- › Has a well-developed strategy that clearly identifies internal audit's role and responsibilities and contribution to the entity's broader assurance arrangements.
- › Has sufficient financial resources and staff and access to contractors when appropriate, with the necessary skills, experience and personal attributes to achieve the contribution expected of internal audit.

Operationally the function:

- › Is business-focused and has audit plans that are comprehensive and balanced, and are aligned with the entity's risks.
- › Undertakes all audits in accordance with specified professional standards.
- › Provides an annual assessment, based on internal audit work undertaken, of the effectiveness of the entity's

system of internal controls.

- › Advises the audit committee and entity management of patterns, trends or systemic issues arising from internal audit work.
- › Disseminates lessons learnt from its work, and from external audit, to relevant areas of the entity to contribute to organisational learning.
- › Regularly informs the audit committee of progress in the implementation of agreed internal and external audit and other relevant report recommendations.
- › Facilitates communication between external audit and entity management, where appropriate.
- › Actively manages any external service providers.

Other considerations:

- › Internal audit is an important element of the range of resources and mechanisms available to public sector managers to assist them to meet their responsibilities.
- › A better practice internal audit function should have access to and be accountable to the chief executive or board.
- › The principles and practices outlined in this appendix are generally applicable to all public sector entities.

Roles and responsibilities of internal audit

- › Operational independence is a defining feature of better practice internal audit arrangements.
- › Objectivity is a required attitude for the delivery of internal audit services.
- › Better practice internal audit arrangements provide for the head of internal audit (that is, the chief audit executive) to be directly accountable to the chief executive or board.
- › It is important that internal audit work is conducted in accordance with recognised professional standards.
- › Internal audit is one of a number of assurance and review activities within an entity.
- › Assurance mapping can help an audit committee obtain the necessary confidence in the entity's governance, risk, management and control processes.
- › Internal audit's effectiveness should also be safeguarded by ensuring that its resourcing is commensurate with its responsibilities.
- › Better practice internal audit functions direct their activities to the most significant risks of the entity and the controls in place to manage them.
- › Internal audit could usefully play a number of roles in relation to an entity's Certificate of Compliance/ Compliance Report responsibilities (at the Commonwealth level).
- › Internal audit can be well placed to undertake an analysis of the results of reviews conducted by other internal and external assurance providers.

⁸ ANAO Better Practice Guide – Public Sector Internal Audit, September 2012

- › Internal audit can be well placed to assist management to improve business performance.
- › In providing advice to management, care should be taken to maintain the operational independence of internal audit.
- › Internal audit can be well placed to assist the entity to develop and monitor its risk management framework.
- › It is important that internal audit has a predominant focus on the conduct of assurance and advisory work.
- › When internal audit is engaged in non-audit activities, it is important that operational independence is maintained.
- › The relationship between internal audit and the external auditor is an important one and has benefits to both parties.
- › There can be mutual benefits for entities, and the external auditor, in internal audit conducting work that can be relied on by the external auditor.
- › An internal audit charter formalises the position of internal audit in the entity's governance framework.
- › The charter should be reviewed at least annually to maintain confidence that the role of internal audit continues to meet the needs of the entity.
- › The internal audit charter outlines internal audit's authority to access all records, assets, personnel and premises.
- › The internal audit strategy should align with the entity's strategic direction.
- › The entity's current and future risk profile will be an important influence on the internal audit strategy and the types and level of internal audit activity.
- › It is important that internal audit coverage complements, rather than duplicates, other assurance and review activities. An assurance map assists internal audit to identify any gaps or duplication and to develop its work plan.
- › The size of the investment the entity wishes to make in internal audit would normally be determined by the chief executive or board, on the advice of the audit committee.
- › The use of a co-sourced or outsourced model will require strategies and plans to help ensure appropriate quality and accountability is maintained.
- › A detailed internal audit work plan should be prepared, specifying the proposed internal audit coverage over the planning cycle.
- › A comprehensive internal audit work plan will generally include audits of major information technology systems and audits of major projects.
- › The internal audit work plan should include provision for undertaking audit quality assurance activities.
- › The risk tolerance and the risk profile of the entity will affect the size and nature of the internal audit work plan.

Relationships with key stakeholders

- › To be effective, internal audit must have the confidence and trust of its key stakeholders.
- › The head of internal audit (that is, the chief audit executive) generally formally reports to the board on the effectiveness of the internal audit function.
- › It is important that both formal and informal lines of communication be maintained between internal audit and the audit committee.
- › Better practice internal audit functions increasingly are periodically reporting on the patterns, trends and systemic issues identified as a result of internal audit activities.
- › One measure of the effectiveness of internal audit is the extent to which managers seek out internal audit to assist them in managing their business.
- › A constructive relationship between external audit and internal audit can assist in the conduct of external audits.
- › The size of the internal audit work plan will also be influenced by the level of resourcing of the internal audit function.
- › The internal audit work plan should be sufficiently detailed to satisfy the audit committee and the chief executive or board that the proposed coverage is adequate.
- › There are benefits in aligning the timing of internal audit planning to the entity's business planning process.

Resourcing the internal audit function

- › It is important that the internal audit function has an adequate budget and access to the necessary skills and experience.
- › The audit committee's attention should be drawn to the impact that any budget shortfall might have on the ability of internal audit to meet the expectations of stakeholders.
- › A periodic review of the service delivery model will help to ensure the internal audit services match the entity's needs.
- › Many internal audits require access to special technical audit skills that may be either not available or not cost-effective to maintain in-house.
- › For some small entities there may not be the critical mass to make an inhouse internal audit function viable and sustainable.
- › The head of internal audit is responsible for internal audit and is vital to the success of the function.

Planning internal audit activities

- › Better practice internal audit functions align their focus and activities with the entity's risks.
- › An internal audit strategy helps in focusing internal audit effort where it is most useful and effective.
- › The time and resources involved in developing the internal audit strategy should be commensurate with the size and complexity of the entity.

- › It is appropriate that the chair of the audit committee advise the chief executive or board on the appointment of the head of internal audit.
- › Secondment of staff to internal audit can be a useful way of supplementing internal audit resources.
- › Some entities see merit in rotating senior managers through internal audit for set periods as part of their career development.
- › In situations where there is an extensive audit plan and a broad range of skills are required, it may be appropriate to establish a panel of service providers.
- › Service delivery requirements should be outlined in a contract with the internal audit service provider.
- › Even though the internal audit function may be completely outsourced, responsibility for the overall efficiency and effectiveness of the internal audit function remains with the entity.
- › The effectiveness of an outsourced provider will be enhanced by appointing an appropriate staff member as an in-house liaison officer for the provider.
- › Audit reports should also include an action plan and a realistic timeframe, agreed with management, for the implementation of the recommendations.
- › The benefits of an internal audit report are reduced, and risks remain, if recommendations are not implemented within the agreed timeframes.

Performance assessment and quality assurance

- › Measuring performance is a means whereby internal audit is held accountable for its use of resources and service improvements can be demonstrated.
 - › Key performance indicators (KPIs) for internal audit should be aligned with the entity's internal audit strategy and work plan.
 - › Measurement of the effectiveness or the value added by individual reports and the internal audit function itself is generally best measured by seeking the views of key stakeholders.
 - › The audit committee should be involved in providing regular feedback on the quality and cost-effectiveness of audit reports and other services provided by internal audit.
 - › An external quality assurance review is also an important tool in demonstrating internal audit's commitment to quality and external scrutiny.
 - › The timing of the conduct of an external quality assurance review should be factored into the internal audit strategy.
- ### Efficient and effective work practices
- › To maintain stakeholder confidence it is important that internal audit processes are efficient and effective.
 - › The internal audit manual should provide local procedures consistent with applicable standards.
 - › It is important that, in planning and scoping audits, audit effort and resources are directed to the more significant issues.
 - › The audit approaches selected should be the most time- and cost-effective, given the objectives and scope of the audit.
 - › Effective communication with stakeholders throughout the audit process is essential for a successful audit outcome.
 - › The progress of an audit and the findings and conclusions emerging from it should be regularly monitored.
 - › Much of the work of internal audit is judged on the quality of the final audit report.
 - › Each audit report should include an overall audit conclusion and rating related to the audit objective.
 - › Feedback and comments on the draft report should be weighed carefully and the draft report amended, if necessary, before being finalised.
 - › It is better practice for the head of internal audit to prepare an annual report of activity.
 - › Arrangements should be made to transfer relevant examples of better practice and lessons learnt to other parts of the entity.
 - › To encourage management buy-in and commitment, it is important that recommendations are developed in consultation with management.

Appendix J

Inter-jurisdiction comparison – Commonwealth, State and Local Government

Audit committees and internal audit summary – as of May 2020

Jurisdiction	Audit Committee				Internal Audit	
	Audit Committee	Independent Chair	Independent Members	Knowledge and Experience	Internal Audit	IIA Standards [^]
Corporate Sector						
Listed	R*	R*	R*	R*	R*	G
Non-Listed	G	G	G	G	G	G
Financial	R	R	R	R	R	G
NFP						
Australian Government						
Federal	R	G	R	R	G	
State and Territory Governments						
ACT	R	R	R	R	R	G
NT	R		R	R	R	
NSW	R	R	R	R	R	R
QLD	R**	G	G	G	R**	G
SA	R#	R#			R#	
TAS	R	R	G	R	G	G
VIC	R	R	R	R	R	R
WA	R	R	G	G	R	R
State and Territory Local Government						
ACT	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
NT	R	R	R	R		R
NSW	G	G	G	G	G	G
QLD	R+	R	~	R	R	G
SA	R		R	R		
TAS	R	R	R	R	G	G
VIC	R	R	R	R	R*	G
WA	R	R	R	G	G	

R = required (mandatory)

Blank = no expectation

* = if not, why not

+ = Large Councils Only

** = R for departments, G for statutory bodies

G = guideline (not mandatory)

= public corporations only

[^] = International Standards for the Professional Practice of Internal Auditing

~ = CEO cannot be a committee member

Audit committees and internal audit

References

Jurisdiction	Audit Committee				Internal Audit	
	Audit Committee	Independent Chair	Independent Members	Knowledge and Experience	Internal Audit	IIA Standards ¹
Corporate Sector						
Listed	<p>Corporate Governance Principles & Recommendations (4th Ed. 2019) <i>Recommendation 4.1 (a)</i></p> <p>The board of a listed entity should have an audit committee.</p>	<p>Corporate Governance Principles & Recommendations (4th Ed. 2019) <i>Recommendation 4.1 (a)(2)</i></p> <p>The board of a listed entity should have an audit committee which is chaired by an independent director, who is not the chair of the board.</p>	<p>Corporate Governance Principles & Recommendations (4th Ed. 2019) <i>Recommendation 4.1 (a)(1)</i></p> <p>The board of a listed entity should have an audit committee which has at least three members, all of whom are non-executive directors and a majority of whom are independent directors.</p>	<p>Corporate Governance Principles & Recommendations (4th Ed. 2019) <i>Recommendation 4.1 (a)(4)</i></p> <p>The board of a listed entity should have an audit committee and disclose the relevant qualifications and experience of the members of the committee.</p>	<p>Corporate Governance Principles & Recommendations (4th Ed. 2019) <i>Recommendation 7.3</i></p> <p>A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>Corporate Governance Principles & Recommendations (4th Ed. 2019) <i>Recommendation 7.3</i> <i>Commentary Footnote:</i></p> <p>Listed entities that have or wish to have an internal audit function may find the International Standards for the Professional Practice of Internal Auditing published by the International Internal Audit Standards Board helpful in understanding how that function should perform.</p>
Non-listed	<p>AS8000-2003 Good Governance Principles – AUS Standard <i>3.2.11 Audit Committees</i></p> <p>The board should create an audit committee.</p>	<p>AS8000-2003 Good Governance Principles – AUS Standard <i>3.2.10.2 Companies</i></p> <p>Board committees should generally be constituted with a majority of independent directors.</p>	<p>AS8000-2003 Good Governance Principles – AUS Standard <i>3.2.11 Audit Committees (b)</i></p> <p>The audit committee should be comprised entirely of non-executive directors a majority of whom are independent.</p>	<p>AS8000-2003 Good Governance Principles – AUS Standard <i>3.2.11 Audit Committees (b)</i></p> <p>Members of the Audit Committee should be financially literate.</p>	<p>AS8000-2003 Good Governance Principles – AUS Standard <i>3.2.11 Audit Committees (b)</i></p> <p>The audit committee should approve and monitor policies for reporting, risk management and internal audit.</p>	<p>ASIC Information Sheet 221 Internal Audit</p> <p>References the Standards for more information.</p>

¹ The International Standards for the Professional Practice of Internal Auditing. Issued by the International Internal Auditing Standards Board – (if not, why not)

Jurisdiction	Audit Committee				Internal Audit	
	Audit Committee	Independent Chair	Independent Members	Knowledge and Experience	Internal Audit	IIA Standards ¹
Corporate Sector						
Financial Institutions	<p>Prudential Standard CPS 510 Governance D (July 2019) <i>Audit arrangements Board Audit Committee 73</i></p> <p>An APRA-regulated institution (excluding foreign ADIs and Category C insurers but including EFLICs) must have a Board Audit Committee, which assists the Board by providing an objective non-executive review of the effectiveness of the regulated institution's financial reporting and risk management framework.</p>	<p>Prudential Standard CPS 510 Governance D (July 2019) <i>Audit arrangements Board Audit Committee 76 & 77</i></p> <p>Board committees should generally be constituted with a majority of independent directors.</p>	<p>Prudential Standard CPS 510 Governance D (July 2019) <i>Audit arrangements Board Audit Committee 75</i></p> <p>The audit committee should be comprised entirely of non-executive directors a majority of whom are independent.</p>	<p>Prudential Standard CPS 510 Governance D (July 2019) <i>Governance Arrangements The Board & Senior Management 19</i></p> <p>The Board must ensure that directors and senior management of the regulated institution, collectively, have the full range of skills needed for the effective and prudent operation of the institution, and that each director has skills that allow them to make an effective contribution to Board deliberations and processes. This includes the requirement for directors, collectively, to have the necessary skills, knowledge and experience to understand the risks of the institution, including its legal and prudential obligations, and to ensure that the institution is managed in an appropriate way taking into account these risks.</p>	<p>Prudential Standard CPS 510 Governance D (July 2019) <i>Internal audit 90</i></p> <p>An APRA-regulated institution must have an independent and adequately resourced internal audit function. If a regulated institution does not believe it is necessary to have a dedicated internal audit function, it must apply to APRA to seek an exemption.</p>	<p>ASIC Information Sheet 221 Internal Audit</p> <p>References the Standards for more information.</p>

Jurisdiction	Audit Committee				Internal Audit		
	Audit Committee	Independent Chair	Independent Members	Knowledge and Experience	Internal Audit	IIA Standards ¹	
Australian Government							
Federal	<p>Public Governance, Performance and Accountability Act 2013</p> <p><i>Section 45</i> <i>Audit committee for Commonwealth entities</i></p> <p>(1) The accountable authority of a Commonwealth entity must ensure that the entity has an audit committee.</p> <p><i>Section 92—Audit committee (for Commonwealth companies)</i></p> <p>(1) The directors of a wholly-owned Commonwealth company must ensure that the company has an audit committee.</p>	<p>Resource Management Guide No. 202² Audit committees for Commonwealth entities and Commonwealth companies (2015)</p> <p><i>Independence of Audit Committee Members</i></p> <p>(10) Other measures to strengthen the committee's actual or perceived independence include appointing an independent chair.</p> <p>Resource Management Guide No. 202 (2018) A guide for non-corporate Commonwealth entities on the role of audit committee</p> <p>2.1 The accountable authority may appoint an external chair who can perform his or her role free of any management responsibilities.</p> <p>2.8 It is better practice to appoint an audit committee chair from among the external committee members.</p>	<p>Public Governance, Performance and Accountability Rule 2020³</p> <p><i>Membership of the audit committee</i></p> <p>S17 (4) If the entity is a non corporate Commonwealth entity:</p> <p>(a) all of the members of the audit committee must be persons who are not officials of the entity; and</p> <p>(b) a majority of the members must be persons who are not officials of any Commonwealth entity.</p> <p>S17 (4AA) If the entity is a corporate Commonwealth entity all of the members of the audit committee must be persons who are not employees of the entity.</p> <p>(5) The following persons must not be a member of the Audit Committee:</p> <p>(a) Head of the Accountable Authority</p> <p>(b) Chief Financial Officer</p> <p>(c) Chief Executive Officer.</p>	<p>Public Governance, Performance and Accountability Rule 2014</p> <p><i>Membership of the audit committee</i></p> <p>(3) The audit committee must consist of at least 3 persons who have appropriate qualifications, knowledge, skills or experience to assist the committee to perform its functions.</p>	<p>Resource Management Guide No. 202 Audit committees for Commonwealth entities and Commonwealth companies (2015)</p> <p><i>4. Functions of the Audit Committee</i></p> <p>Advising the accountable authority about the internal audit plans of the entity.</p> <p>Resource Management Guide No. 202 (2018) A guide for non-corporate Commonwealth entities on the role of audit committee</p> <p><i>3.2.3 Internal Audit</i></p> <p>The internal audit function supports the accountable authority in discharging its duties and requirements under the PGPA Act.</p>		

² Resource Management Guides are not binding.

³ Made under the authority of the Public Governance, Performance and Accountability Act 2013 (Commonwealth) S.101

NB: S17(4) and S17(\$AA) apply on or after 1 July 2021.

Jurisdiction	Audit Committee				Internal Audit	
	Audit Committee	Independent Chair	Independent Members	Knowledge and Experience	Internal Audit	IIA Standards ¹
State and Territory Governments						
ACT	<p>Framework for Internal Audit Committee & Function 2020⁴ 4.1 Audit Committee Structure</p> <p><i>Principle</i> The Governing Body of each agency is responsible for establishing the Audit Committee and the Committee is accountable to the Governing Body. Each agency shall establish an Audit Committee as a separately constituted body where it is practicable and cost effective to do so.</p>	<p>Framework for Internal Audit Committee & Function 2020 4.1.2 Membership</p> <p><i>Principle</i> ... with the chairperson also not an ACT Government employee.</p>	<p>Framework for Internal Audit Committee & Function 2020 4.1.2 Membership</p> <p><i>Principle</i> At a minimum an audit committee must have the following: • three member audit committee with at least one of the members (the chairperson) is to be an independent external member and not an ACT Government employee; and • more than three member audit committee which has at least two members. The chairperson and the deputy chairperson are to be independent external members, and the chairperson is not an ACT Government employee.</p>	<p>Framework for Internal Audit Committee & Function 2020 4.1.3 Skills & Experience</p> <p><i>Principle</i> Audit committee members will have the necessary skills and experience in order to discharge their responsibilities. This includes, for example, appropriate experience in financial accounting and auditing.</p>	<p>Framework for Internal Audit Committee & Function 2020 5.1 Structure of Internal Audit Function</p> <p><i>Principle</i> The governing body of each agency is responsible for establishing the internal audit function. Each agency must establish an internal audit function where it is cost effective to do so.</p> <p>5.1.1 Head of Internal Audit Each agency will appoint a HIA responsible for the internal audit function. The HIA will be accountable functionally for operations to the audit committee through the chair; and to the governing body and/or the delegated/nominated officer.</p>	<p>Framework for Internal Audit Committee & Function 2020 5.1 Structure of Internal Audit Function</p> <p><i>Guideline</i> Each Agency with an audit committee will appoint a HIA to: • develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.</p> <p>Independent external review should be undertaken of the internal audit function services at least once every five years</p>

⁴ Established by S113 Public Sector Management Standards 2016 which applies to S13 Fraud & Corruption Prevention in the Public Sector Management Standards 2006 (repealed).

Jurisdiction	Audit Committee				Internal Audit	
	Audit Committee	Independent Chair	Independent Members	Knowledge and Experience	Internal Audit	IIA Standards ¹
State and Territory Governments						
NT	<p>Treasurer's Directions L4/01⁵ Part 3 Responsible and Accountable Officers – Section 3 Audit Committees <i>Establishing an Audit Committee</i></p> <p>3.3.3 Accountable Officers may establish and maintain an audit committee to assist in discharging their responsibilities under the Act.</p>		<p>Treasurer's Directions L4/01 Part 3 Responsible and Accountable Officers – Section 3 Audit Committees <i>Composition</i></p> <p>3.3.8 Ideally, an audit committee would normally consist of three to six members.</p> <p>3.3.9 Accountable Officers should appoint members to an audit committee, ensuring senior level representation from a cross section of the Agency, and where appropriate, members external to the Agency.</p> <p>3.3.11 An Agency's auditors should not be members of that Agency's audit committee, however, they could attend committee meetings as observers.</p>	<p>Treasurer's Directions L4/01 Part 3 Responsible and Accountable Officers – Section 3 <i>Audit Committees Composition</i></p> <p>3.3.10 Members should be appointed to an audit committee for specified terms on a staggered basis such that a core of experienced members is retained.</p>	<p>Financial Management Act Part 3 Section 15(1) <i>Internal audit</i></p> <p>The Accountable Officer of an Agency shall ensure that the Agency has an adequate internal audit capacity to assist the Accountable Officer in the performance of his or her functions under this Act.</p>	
NSW	<p>TPP 15-03 Internal Audit and Risk Management Policy for the NSW Public Sector⁶ <i>Part B Audit & Risk Committee</i></p> <p>3.1.1 The agency head must establish an Audit and Risk Committee to oversee and monitor governance, risk and control issues affecting the operations of the agency.</p>	<p>TPP 15-03 Internal Audit and Risk Management Policy for the NSW Public Sector <i>Part B Audit & Risk Committee</i></p> <p>3.1.4 The agency head must appoint only 'independent members' (including an 'independent chair') to the agency's Audit and Risk Committee from the pre-qualified individuals maintained by NSW Treasury (NSW Procurement). 'Independence' requirements are listed in clause 3.1.5.</p>	<p>TPP 15-03 Internal Audit and Risk Management Policy for the NSW Public Sector <i>Part B Audit & Risk Committee</i></p> <p>3.1.4 The agency head must appoint only 'independent members' (including an 'independent chair') to the agency's Audit and Risk Committee from the pre-qualified individuals maintained by NSW Treasury (NSW Procurement). 'Independence' requirements are listed in clause 3.1.5</p>	<p>TPP 15-03 Internal Audit and Risk Management Policy for the NSW Public Sector <i>Part B Audit & Risk Committee</i></p> <p>3.1.9 When selecting Audit and Risk Committee members, the agency head must consider their suitability to the specific needs of the agency but also take reasonable steps to ensure that members collectively develop, possess and maintain, the following skills and knowledge: (see listing for more detail).</p>	<p>TPP 15-03 Internal Audit and Risk Management Policy for the NSW Public Sector <i>Part B Internal Audit Function</i></p> <p>2.1 An internal audit function has been established and maintained.</p>	<p>TPP 15-03 Internal Audit and Risk Management Policy for the NSW Public Sector <i>Part B Internal Audit Function</i></p> <p>2.2 The operation of the internal audit function is consistent with the International Standards for the Professional Practice of Internal Auditing.</p>

Jurisdiction	Audit Committee				Internal Audit	
	Audit Committee	Independent Chair	Independent Members	Knowledge and Experience	Internal Audit	IIA Standards ¹
State and Territory Governments						
QLD	<p>Financial and Performance Management Standard 2019⁷</p> <p>30(1) A department's accountable officer must, and a statutory body may, establish an audit committee ...</p> <p>35(3) In establishing an audit committee, the accountable officer or statutory body must have regard to the audit committee guidelines document.</p>	<p>Audit Committee Guidelines 2012 Improving Accountability and Performance</p> <p><i>3.3 Composition of Audit Committee</i></p> <p>The Chair should be independent, i.e. someone external to the agency or a person internal to the agency who, in the opinion of the accountable officer or statutory body, has sufficient independence and expertise, to discharge the following responsibilities [listed].</p> <p>It is recommended that the accountable officer or Chair of the statutory body should not also undertake the role of Chair of the audit committee.</p>	<p>Financial and Performance Management Standard 2019 30(4)</p> <p>The audit committee for a statutory body must include members of the statutory body or, if the statutory body has a governing body, members of the governing body.</p> <p>Audit Committee Guidelines 2012 Improving Accountability and Performance</p> <p><i>3.1 Appointment Criteria for Audit Committee Members</i></p> <p>Committee members to maintain independence.</p> <p><i>3.3 Composition of the Audit Committee</i></p> <p>Members of the board of the statutory body are not employees of the statutory body. Consequently, appointees from the board are considered to be independent members of the audit committee.</p>	<p>Audit Committee Guidelines (2012) Improving Accountability and Performance</p> <p><i>3.1 Appointment Criteria for Audit Committee Members</i></p> <p>An audit committee should consist of members who have an appropriate mix of skills and experience which will enable the committee to perform all of its functions effectively.</p> <p><i>3.3 Composition of the Audit Committee</i></p> <p>Where it is not possible to have individual members with specific expertise, the committee may consider engaging specialists such as legal or information and communication technology advisers as and when required.</p>	<p>Financial Accountability Act 2009 S.78(1)</p> <p>Each accountable officer must nominate either of the following to be responsible for internal audit activities</p> <p>(i) An appropriately qualified employee</p> <p>(ii) With approval of the Treasurer – an appropriately qualified person.</p> <p>Financial and Performance Management Standard 2019</p> <p>24 (1) A department's accountable officer must establish an internal audit function...</p> <p>24 (2) A statutory body must establish an internal audit function ... if (a) the statutory body is directed by the appropriate Minister... or, (b) the statutory body considers it is appropriate to establish the function.</p>	<p>Audit Committee Guidelines 2012 Improving Accountability and Performance</p> <p><i>4.5 Internal Audit</i></p> <p>The need to periodically review the effectiveness of the internal audit function is a particularly important task of the audit committee. To facilitate this, the audit committee should have regard to the following:</p> <ul style="list-style-type: none"> › Queensland Treasury's Financial Accountability Handbook, and › Professional standards issued by The Institute of Internal Auditors. <p>Financial Accountability Handbook Vol.2 Governance</p> <p>The Internal Audit Charter should include any other issues that may be required by the International Professional Practices Framework.</p>

5 Made under the authority of the Financial Management Act 1995 (NT) S.38

6 Made under the authority of the Public Finance and Audit Act 1983 (NSW) S.11 – (Treasury Policy Papers)

7 Made under the authority of the Financial Accountability Act 2009 (Qld). Departments are mandated but statutory bodies are not.

Jurisdiction	Audit Committee				Internal Audit	
	Audit Committee	Independent Chair	Independent Members	Knowledge and Experience	Internal Audit	IIA Standards ¹
State and Territory Governments						
SA	<p>Public Corporations Act 1993 Section 31(2)</p> <p>A public corporation must, unless exempted by the Treasurer, establish an audit committee.</p>	<p>Public Corporations Act 1993 Section 31(3)</p> <p>The audit committee will comprise—</p> <p>(a) the board of the corporation, or such members of the board, as the board may from time to time determine; and</p> <p>(b) such other person or persons as the board may from time to time appoint;</p> <p>but may not include the chief executive officer of the corporation.</p>			<p>Public Corporations Act 1993 Section 31(1)</p> <p>A public corporation must establish and maintain effective internal auditing of its operations and the operations of its subsidiaries.</p>	
TAS	<p>Treasurer's Instruction July 2019⁸</p> <p>2.6 The Accountable Authority must ensure that the Agency has an Audit Committee</p> <p>Government Enterprises Act 1995</p> <p>S16 (1)(a) A Board must establish an audit committee.</p>	<p>Government Enterprises Act 1995 Schedule 7 Committees</p> <p><i>1 Membership of Committees</i></p> <p>(2) The chief executive officer of a Government Business Enterprise may not be a member of its audit committee</p> <p>(3) The Chairperson of an audit committee must be a director.</p>	<p>Financial Management – Better Practice Guidelines (Aug 2019)</p> <p><i>Audit Committee</i></p> <p>The Audit Committee may include one or more members from outside the Agency.</p>	<p>Treasurer's Instruction July 2019</p> <p>2.7 The Audit Committee must comprise at least three persons that have appropriate qualifications, knowledge, skills or experience to enable the Committee to perform its functions.</p>	<p>Financial Management – Better Practice Guidelines (Aug 2019)</p> <p><i>Introduction</i></p> <p>The internal audit function should have the visible and active support of the Accountable Authority, Audit Committee and Agency management</p>	<p>Financial Management – Better Practice Guidelines (Aug 2019)</p> <p><i>Introduction</i></p> <p>The internal audit function should be undertaken in accordance with the standards promulgated by the Institute of Internal Auditors – Australia.</p>

⁸ Made under the authority of the Financial Management Act 2016 (Tas)

Jurisdiction	Audit Committee				Internal Audit	
	Audit Committee	Independent Chair	Independent Members	Knowledge and Experience	Internal Audit	IIA Standards ¹
State and Territory Governments						
VIC	<p>Standing Directions 2018 of the Minister for Finance under the Financial Management Act 1994⁹</p> <p><i>3.2.1 Audit Committee</i> The Responsible Body must establish an Audit Committee.</p> <p><i>3.2.2 Responsible Body role where Agency exempt from Audit Committee</i> Where the Agency is exempt from the requirement to maintain an Audit Committee under these Directions, the Responsible Body must: (a) actively assume the responsibilities of an Audit Committee set out in these Directions; and (b) take appropriate steps to ensure these responsibilities are fully discharged.</p>	<p>Standing Directions 2018 of the Minister for Finance under the Financial Management Act 1994</p> <p><i>3.2.1 Audit Committee</i> <i>The Audit Committee must:</i> (f) be independent, with: (ii) an independent member as Chair (this must not be the Chair of the Responsible Body).</p>	<p>Standing Directions 2018 of the Minister for Finance under the Financial Management Act 1994</p> <p><i>3.2.1 Audit Committee</i> The Audit Committee must: (f) be independent, with: (i) at least three members, the majority being independent members (where the Responsible Body is a statutory board, at least three members must be non-executive directors of the board).</p>	<p>Standing Directions 2018 of the Minister for Finance under the Financial Management Act 1994</p> <p><i>3.2.1.3 Audit Committee charter, skills and independence</i> The Audit Committee must: (c) be constituted by members with appropriate skills and experience to discharge the Audit Committee's responsibilities, with at least one member having appropriate expertise in financial accounting or auditing.</p>	<p>Standing Directions 2018 of the Minister for Finance under the Financial Management Act 1994</p> <p><i>3.2.2.1 Internal Audit Function</i> (a) The Responsible Body must establish and maintain, and may dismiss, the internal audit function. (b) The internal audit function may be sourced internally or externally.</p>	<p>Standing Directions 2018 of the Minister for Finance under the Financial Management Act 1994</p> <p><i>3.2.2.2 Internal Audit Function</i> The Internal Audit function must: (h) apply relevant professional standards relating to internal audit.</p>

Jurisdiction	Audit Committee				Internal Audit	
	Audit Committee	Independent Chair	Independent Members	Knowledge and Experience	Internal Audit	IIA Standards ¹
State and Territory Governments						
WA	<p>Treasurer's Instruction Part XII –1201 (2019)¹⁰</p> <p>(3) The accountable authority of an agency shall ensure that the agency has an Internal Audit Committee</p>	<p>Treasurer's Instruction Part XII –1201 (2019)</p> <p>(3) Which is independently chaired by a suitably qualified person who is not employed within the agency.</p>	<p>Treasurer's Instruction Part XII –1201 (2019) Guidelines</p> <p>The appointment of the Internal Audit Committee members must be undertaken with a view to achieve independence from the day-to-day management of the agency.</p>	<p>Treasurer's Instruction Part XII –1201 (2019) Guidelines</p> <p>Suitably Qualified Subparagraphs (3) and (4)(ii) of this instruction require the Chair of the Audit Committee and the head of internal audit to be "suitably qualified".</p>	<p>Financial Management Act 2006 Part 4 – Accountable authorities</p> <p>53. <i>Functions of accountable authorities</i></p> <p>(1) an accountable authority of an agency has the functions of –</p> <p>(d) unless otherwise directed in writing by the Treasurer, developing and maintaining an effective internal audit function for the agency.</p> <p>Treasurer's Instruction Part XII - 1201 (2019) Structure of the Internal Audit function</p> <p>(2) The role of the internal audit function shall be defined in accordance with the Professional Practices Framework of The IIA.</p> <p>(4) The internal audit function of an agency shall have independent status within the agency.</p>	<p>Treasurer's Instruction 1202 (2019)</p> <p>(2) ... the audits shall be carried out in accordance with the most recent Standards for the Professional Practice of Internal Auditing issued by The Institute of Internal Auditors (IIA Standards) from time to time.</p> <p><i>(Two exceptions are then listed re inconsistent with legislation or TI or where agreed between the head of internal audit or the Audit Committee and an external professional services firm to the extent that their methodologies differ in their application of the IIA Standards).</i></p>

¹⁰ Made under the authority of the Financial Management Act 2016 (WA) S.78 – see also the Financial Administration Bookcase

Jurisdiction	Audit Committee				Internal Audit	
	Audit Committee	Independent Chair	Independent Members	Knowledge and Experience	Internal Audit	IIA Standards ¹
State and Territory Local Government						
ACT	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
NT	<p>Local Government (Accounting) Regulations¹¹ <i>2014 Part 4 Regulation 10 – Internal Controls (3)</i></p> <p>The CEO must establish and maintain an audit committee.</p>	<p>Local Government (Accounting) Regulations <i>2014 Part 4 Regulation 10 – Internal Controls (3)</i></p> <p>The CEO must establish and maintain an audit committee: (b) whose Chairperson must not be a member of council or a member of the council's staff.</p>	<p>General Instruction No 3 (30/3/15) Audit Committees <i>Audit Committee Membership</i></p> <p>The Local Government Act provides that council committee members are appointed by the council.</p> <p>Council committees may have members who are not elected members of the council.</p>	<p>General Instruction No 3 (30/3/15) Audit Committees <i>Audit Committee Membership</i></p> <p>Factors to consider include:</p> <ul style="list-style-type: none"> › level of understanding of Local Government and the council's operations and the environment in which it operates; › level of knowledge and practical exposure on governance and financial management practices; › depth of knowledge of regulatory and legislative requirements; and <p>In order to ensure the work of the audit committee is value adding, collectively as a group, the audit committee should have the relevant skills and knowledge of council and an understanding of its finance and governance arrangements. There is no mandated requirement for audit committee members to be formally qualified in accounting or a related field.</p>	Not applicable	<p>General Instruction No 3 (30/3/15) Audit Committees <i>Example Audit Committee Charter 6. Standards</i></p> <p>The audit committee activities will also be conducted in accordance with intent of relevant professional standards deemed appropriate and applicable including:</p> <p>6.1. International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.</p>

¹¹ Made under the authority of the Local Government Act 1978 (NT) S.259

Jurisdiction	Audit Committee				Internal Audit	
	Audit Committee	Independent Chair	Independent Members	Knowledge and Experience	Internal Audit	IIA Standards ¹
State and Territory Local Government						
NSW	<p>Internal Audit Guidelines 2010¹² 2. <i>Audit Committees</i></p> <p>Establish an audit committee, with a majority of members who are external (independent) to council.</p> <p>Local Government Amendment (Governance and Planning) Act 2016 Section 428¹³ A(1) Audit Risk & Improvement Committee.</p> <p>A council must appoint an Audit, Risk and Improvement Committee.</p>	<p>Internal Audit Guidelines 2010 4.2 <i>Independence and objectivity</i></p> <p>Ideally the audit committee should consist of at least three and preferably no more than five members comprised of independent external members, who should be in the majority, and councillors other than the Mayor (or an Administrator). Staff should not be members of the audit committee.</p> <p>Audit committee chair – The chair of the committee should be independent and should not be the mayor or a member of council.</p>	<p>Internal Audit Guidelines 2010 2. <i>Audit Committees</i></p> <p>Establish an audit committee, with a majority of members who are external (independent) to council.</p>	<p>Internal Audit Guidelines 2010 4.2. <i>Independence and Objectivity</i></p> <p>When appointing members: Individuals should have: - Knowledge of Local Government - Strong communication skills - High levels of personal integrity and ethics - Sufficient time available to devote to their responsibilities as a committee member - High levels of financial literacy and, if possible accounting; financial; legal compliance and/or risk management experience or qualifications.</p> <p>The audit committee as a whole should have: - At least one member with financial qualifications and experience - Skills and experience relevant to discharging its responsibilities, including experience in business, financial & legal compliance, risk management.</p>	<p>Internal Audit Guidelines 2010 1.3. <i>How does internal audit fit in with other governance functions and activities?</i></p> <p>Key components of good governance include the use of: Internal & external audit.</p> <p>2. <i>Establishing an Internal Audit Function</i></p> <p>Key strategies aimed at ensuring that internal audit services conform with good practice: > Set up an independent reporting structure for internal audit (i.e. report functionally to the audit committee and administratively to the General Manager) and define its functions and responsibilities with an internal audit charter.</p>	<p>Internal Audit Guidelines 2010 2.2. <i>Professional Standards</i></p> <p>Internal auditors in NSW Local Government should comply with appropriate professional standards, such as the Institute of Internal Auditors (IIA) Standards and Code of Ethics.</p>

¹² Guidelines under section 23A of the Local Government Act 1993 (NSW) – are not binding but must be taken “into consideration”

¹³ Amendment not yet commenced but is expected before Sept 2020. Transitional provisions require an Audit Risk and Improvement Committee by March 2021 at the latest.

Jurisdiction	Audit Committee				Internal Audit	
	Audit Committee	Independent Chair	Independent Members	Knowledge and Experience	Internal Audit	IIA Standards ¹
State and Territory Local Government						
QLD	<p>Local Government Act 2009 Chapter 4 Part 3 Section 105 (2) <i>Auditing, including Internal Auditing</i></p> <p>Each large¹⁴ Local Government must also establish an audit committee.</p>	<p>Local Government Regulations 2012¹⁵ (Chapter 5 Part 11 Division 1) Section 210 <i>Audit committee composition</i></p> <p>(2) The chief executive officer cannot be a member of the audit committee but can attend meetings of the committee.</p> <p>(3) The Local Government must appoint 1 of the members of the audit committee as chairperson.</p>	<p>Local Government Regulations 2012¹⁵ (Chapter 5 Part 11 Division 1) Section 210 <i>Audit committee composition</i></p> <p>(1) The audit committee of a Local Government must— (a) consist of at least 3 and no more than 6 members; and (b) include— (i) 1, but no more than 2, councillors appointed by the Local Government.</p>	<p>Local Government Regulations 2012¹⁵ (Chapter 5 Part 11 Division 1) Section 210 <i>Audit committee composition</i></p> <p>(1) The audit committee of a Local Government must— (a) consist of at least 3 and no more than 6 members; and (b) include— (ii) at least 1 member who has significant experience and skills in financial matters</p>	<p>Local Government Act 2009 Chapter 4 Part 3 Section 105 (1) <i>Auditing, including Internal Auditing</i></p> <p>Each Local Government must also establish an efficient and effective internal audit function.</p>	<p>Local Government Bulletin 08/15 <i>Internal Audit & Audit Committees - Compliance with professional standards</i></p> <p>All internal audit activity should be conducted in accordance with the IPPF.</p>

¹⁴ A “large” Local Government is also defined in the Local Government Regulations 2012 S.209

¹⁵ Made under the authority of the Local Government Act 2009 (Qld) S.270

Jurisdiction	Audit Committee				Internal Audit	
	Audit Committee	Independent Chair	Independent Members	Knowledge and Experience	Internal Audit	IIA Standards ¹
State and Territory Local Government						
SA	<p>Local Government Act 1999 Section 126 <i>Audit committee</i></p> <p>(1) A council must have an audit committee.</p>		<p>Local Government Act 1999 Section 126 <i>Audit committee</i></p> <p>(2) The membership of an audit committee—</p> <p>(a) may include persons who are not members of the council; and</p> <p>(b) may not include an employee of the council (although an employee may attend a meeting of the committee if appropriate); and</p> <p>(c) may include, or be comprised of, members of an audit committee for another council; and</p> <p>(d) must otherwise be determined in accordance with the requirements of the regulations.</p> <p>Local Government (Financial Management) Regulations 2011¹⁶ <i>Part 5 Audit Committees</i> <i>17. Membership</i></p> <p>(1)(b) The audit committee of a council must include 1 person who is not a member of the council.</p>	<p>Local Government (Financial Management) Regulations 2011</p> <p>Part 5—Audit committees</p> <p>17—Membership</p> <p>(1) The audit committee of a council—</p> <p>(b) must include at least 1 person who is not a member of the council and who is determined by the council to have financial experience relevant to the functions of an audit committee.</p>		

¹⁶ Made under the authority of the Local Government Act 1999 (SA) S.27

Jurisdiction	Audit Committee				Internal Audit	
	Audit Committee	Independent Chair	Independent Members	Knowledge and Experience	Internal Audit	IIA Standards ¹
State and Territory Local Government						
TAS	<p>Local Government Act 1993 Division 4 Section 85 <i>Audit panels</i></p> <p>(1) A council is to establish an audit panel in respect of the council.</p>	<p>Local Government (Audit Panels) Order 2014¹⁷ Order 6 <i>Chairperson of audit panel</i></p> <p>(1) The chairperson of an audit panel may only be an independent person who is a member of the audit panel.</p>	<p>Local Government (Audit Panels) Order 2014 Order 5 <i>Membership of audit panel</i></p> <p>(1) The audit panel of a council is to be constituted by a minimum of 3 and a maximum of 5 members of whom –</p> <p>(a) if the panel has 4 or 5 members, at least 2 must be independent persons;</p> <p>(b) if the panel has 3 members, at least one must be an independent.</p> <p>(2) The following persons are eligible to be members of an audit panel:</p> <p>(a) a councillor, other than the mayor, of the relevant council;</p> <p>(c) a member of an audit panel of another council</p> <p>(2A) A councillor, or employee of a council is not eligible to be a member of an audit panel of another council.</p> <p>(3) A person who is an employee, or the general manager or the mayor, of a council is not entitled to be a member of the audit panel of that council.</p>	<p>Local Government (Audit Panels) Order 2014 Order 5 <i>Membership of audit panel</i></p> <p>(5) In appointing an independent person as a member of an audit panel, the council -</p> <p>(a) is to ensure that the person possesses good business acumen and sound management and communication skills; and</p> <p>(b) may take into account any other relevant knowledge, abilities and skills of the person including, but not limited to</p> <p>(i) knowledge and expertise in the areas of audit practices and financial management; and</p> <p>(ii) knowledge of and experience in relevant industries; and</p> <p>(iii) experience with governance processes including, but not limited to, risk management.</p>	<p>Good Governance Guide 2018 <i>Effective Strategic Planning and Monitoring Performance - Financial Management</i></p> <p>Your council must ensure that the following staff, systems and functions are in place:</p> <p>Suitably qualified and appropriately independent internal audit functions, including an audit panel.</p>	<p>Local Government Audit Panels - A Practice Guide 2018 <i>Appendix A – Relevant legislation, standards and other guides</i></p> <p>International Standards for the Professional Practice of Internal Auditing.</p>

Jurisdiction	Audit Committee				Internal Audit	
	Audit Committee	Independent Chair	Independent Members	Knowledge and Experience	Internal Audit	IIA Standards ¹
State and Territory Local Government						
VIC	<p>Local Government Act 2020 - Section 53 (1) <i>Audit and Risk Committee</i></p> <p>A Council must establish an Audit and Risk Committee.</p>	<p>Local Government Act 2020 - Section 53 (4) <i>Audit and Risk Committee</i></p> <p>The chairperson of Audit and Risk Committee must not be a Councillor of the Council.</p> <p>Audit Committees A Guide to Good Practice For Local Government 2011 <i>Audit Committee Chair</i></p> <p>The chair of the audit committee must be independent.</p>	<p>Local Government Act 2020 - Section 53 (3) <i>Audit and Risk Committee</i></p> <p>An Audit and Risk Committee must –</p> <p>(a) Include members who are Councillors of the Council, and</p> <p>(b) Consist of a majority of members who are not Councillors of the Council ...</p> <p>(c) Not include any person who is a member of Council staff of the Council</p>	<p>Local Government Act 2020 - Section 53 (3) <i>Audit and Risk Committee</i></p> <p>(b) ... and who collectively have –</p> <p>(i) expertise in financial management and risk, and</p> <p>(ii) experience in public sector management ...</p>	<p>Local Government (Planning and Reporting) Regulations 2014 <i>Part 4 Annual Report</i></p> <p>Refers to Schedule 1 as the 'prescribed governance and management checklist (re 131(3) (a)(ii) of the Act)</p> <p>Schedule 1 Annual Report - Governance and Management Checklist in Report of Operations: <i>Item 15 - Internal audit</i></p> <p>Independent accounting professionals engaged by the Council to provide analyses and recommendations aimed at improving Council's governance, risk and management controls.¹⁸</p>	<p>Audit Committees A Guide to Good Practice For Local Government 2011 <i>Internal audit</i></p> <p>Ensure that internal audit complies with appropriate standards – [footnote refers to IIA standards].</p>

¹⁸ Must show whether engaged or not and reasons if not in the annual report.

Jurisdiction	Audit Committee				Internal Audit	
	Audit Committee	Independent Chair	Independent Members	Knowledge and Experience	Internal Audit	IIA Standards ¹
State and Territory Local Government						
WA	<p>Local Government Act 1995 - Section 7.1A <i>Audit committee</i></p> <p>(1) A Local Government is to establish an audit committee of 3 or more persons to exercise the powers and discharge the duties conferred on it.</p>	<p>Local Government Act 1995 - Section 7.1A <i>Audit committee</i></p> <p>(3) A CEO is not to be a member of an audit committee and may not nominate a person to be a member of an audit committee or have a person to represent him or her as a member of an audit committee.</p> <p>(4) An employee is not to be a member of an audit committee.</p>	<p>Local Government Act 1995 - Section 7.1A <i>Audit committee</i></p> <p>(2) The members of the audit committee of a Local Government are to be appointed* by the Local Government and at least 3 of the members, and the majority of the members, are to be council members. <i>* Absolute majority required.</i></p> <p>(3) A CEO is not to be a member of an audit committee and may not nominate a person to be a member of an audit committee or have a person to represent him or her as a member of an audit committee.</p> <p>(4) An employee is not to be a member of an audit committee.</p>	<p>Local Government Operational Guidelines – Audit in Local Government 2013 <i>Operation of Audit Committees Membership</i></p> <p>If the Local Government wishes to appoint one or more persons other than elected members to the committee, which is recommended, it should ensure that they have the requisite knowledge and skills to provide benefit to the committee.</p>	<p>Operational Guidelines – Audit in Local Government 2013 <i>Appendix 1 - Internal Audit</i></p> <p>While it is recognised that smaller councils may not be able to justify a full time internal auditor, a small size of operation does not justify forgoing internal audit altogether. If audit committee or management is of the view that the employment of an independent internal auditor either full-time or part-time is not warranted, it may request the council to have the internal audit function undertaken as necessary by an external contractor, or expand the role of its external auditor.</p>	

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Stephen has been in the IIA for 35 years. He served as a director on the Australian Board 2008–2017; was Australian president 2013–2015; and Australia's delegate on the IIA Global Board 2015–2019. Like Bruce, Stephen also served as global chair of the IIA's Public Sector Guidance Committee, his term being 2016–2018.



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Western Australian Auditor General's Report



Western Australian Public Sector Audit Committees – Better Practice Guide



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We can deliver this report in an alternative format for those with visual impairment.

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The Office of the Auditor General acknowledges the traditional custodians throughout Western Australia and their continuing connection to the land, waters and community. We pay our respects to all members of the Aboriginal communities and their cultures, and to Elders both past and present.

WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

**Western Australian Public Sector Audit
Committees – Better Practice Guide**



**THE PRESIDENT
LEGISLATIVE COUNCIL**

**THE SPEAKER
LEGISLATIVE ASSEMBLY**

**WESTERN AUSTRALIAN PUBLIC SECTOR AUDIT COMMITTEES – BETTER PRACTICE
GUIDE**

This report has been prepared for submission to Parliament under sections 23(2) and 24(1) of the *Auditor General Act 2006*.

Better practice checklists regularly feature in my Office's performance audit reports as a means of providing guidance to help the Western Australian public sector perform efficiently and effectively. This is the first comprehensive stand-alone better practice guide we have produced.

While prepared primarily as a resource for audit committees in State and local government entities, it also provides Parliament with further insight on the significant role public sector audit committees play in supporting quality public administration.

A handwritten signature in black ink, appearing to read 'C Spencer'.

CAROLINE SPENCER
AUDITOR GENERAL
25 June 2020

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Auditor General's overview

Audit committees play a fundamental role in assisting directors general, councils and boards to fulfil their governance and oversight responsibilities. They are not a substitute for good management and controls. Instead, they help provide advice and independent assurance to the accountable authority on how effective these controls are.



The purpose of this guide is to provide better practice principles and guidance to accountable authorities, audit committee members and senior managers with responsibility for audit committee activities. We have drawn from our experience in interacting with audit committees at State and local government entities, as well as guidance from the Institute of Internal Auditors and other jurisdictions.

WA public sector entities range in size and complexity. Service delivery, rigorous compliance requirements and the ability to attract and retain skilled, qualified and experienced staff can be a challenge. To assist smaller entities to address these challenges, we have included some specific guidance to help them implement simple, yet effective practices to strengthen the effectiveness of their audit committees. There is also a toolkit in part 6 of the guide with useful resources for all entities.

Maintaining a strong ethical organisational culture is important in promoting excellence and efficiency in public service delivery, as well as minimising the risk of fraud and corruption. Failures in governance and integrity are all too common across sectors and jurisdictions, and recent inquiries into the finance sector have highlighted the important role that audit committees play in challenging management and holding them accountable. Poorly governed entities often have common characteristics, including a lack of an accountability culture that can be evident in such areas as long overdue internal and external audit recommendations. By ensuring that management promptly address weaknesses identified in internal and external audits, and by rigorously overseeing internal audit, risk management and compliance functions, audit committees can help to establish the right tone and culture within entities.

The guide provides principle-based guidance for State and local government entities in Western Australia. We recognise that the specific legislative and regulatory requirements for State and local government entities are different, and it is therefore difficult to have a 'one-size-fits-all' approach for better practice guidance. Entities need to consider their relevant legal and regulatory requirements as well as operating environment when using this guide.

It has been pleasing that the importance of public sector audit committees has been elevated recently, which included the introduction of a revised Treasurer's instruction for audit committees in State government entities. While our guide is not mandatory or intended to be a prescriptive list of requirements, I hope that it serves as a useful resource for entities in assessing and improving their audit committees for the benefit of the Western Australian community.

Part 1: Introduction

Audit committees are an essential part of an entity's governance framework. They provide independent advice and assurance to accountable authorities on systems of risk management and internal control, and financial and performance reporting. (Figure 1).

All State and local government entities in Western Australia are required to establish an audit committee that is independent from management influence, a fundamental element of effective audit committees. If they are not independent, objectivity may be compromised, making it difficult for them to perform their oversight roles.



Source: OAG

Figure 1: Scope of audit committee oversight responsibilities

1.1 About this guide

This guide provides better practice principles and guidance on common key challenges that audit committees face.

The guide consists of six parts:

Part 1: Introduction outlines the purpose of the guide and explains the lines of defence model.

Part 2: Key challenges to building effective audit committees provides insight into the key challenges faced by audit committees based on our observations from attending a wide range of Western Australian public sector audit committees.

Part 3: Principles for better practice audit committees outlines core better practice principles for our State public sector audit committees based on guidance from the Institute of Internal Auditors Australia (the IIA). These principles are as follows:

Principles for Better Practice Audit Committees	
1.	Membership: Members have the right experience and leadership skills to be trusted independent advisors.
2.	Role and Responsibilities: The roles and responsibilities of the audit committee allow for wholesome oversight of internal audit, governance, risk management and internal control practices.
3.	Professional Practices: The audit committee conducts itself professionally to provide independent, sound and valuable advice to the accountable authority.
4.	Performance and Accountability: The audit committee is aligned with the entity's strategic outcomes and is accountable for its performance.
5.	Entity Relationships: The audit committee is a trusted, independent partner.
6.	Governance and Reporting: The audit committee is governed effectively to enable transparent, objective and timely reporting.

Part 4: Guidance for audit committee fees outlines information to guide fee arrangements for external audit committee members.

Part 5: Guidance for smaller entities provides practical measures that smaller entities could apply to build effective audit committees with limited resources.

Part 6: Toolkit includes a comprehensive compilation of templates and checklists which can be used to help develop effective audit committees.

Throughout the guide, we have used the term 'accountable authority' to collectively represent:

- for State government entities, the Director General, Commissioner, Board, or other person responsible for the direction and control of the entity as defined in the *Financial Management Act 2006* or relevant legislation
- for local government entities, Councils. This reflects the direct reporting relationship between the audit committee and Council under the *Local Government Act 1995*. However, it is important to note that the Chief Executive Officer (CEO) has some responsibilities under the Act, including financial reporting, which instead rests with the accountable authority in State government entities.

We have also used the term 'audit committee' to represent all public sector audit-related committees. Within the public sector, there is a wide range of names for audit committees, such as, Audit and Risk Committees.

1.2 Who should use this guide

While we have tailored this guide for public sector entities in Western Australia, the principles and practices outlined in this guide generally apply to all audit committees.

This guide is suitable for members of audit committees, accountable authorities, CEOs, chief audit executives and senior managers with responsibility for audit committee activities, as well as those who are accountable to an audit committee.

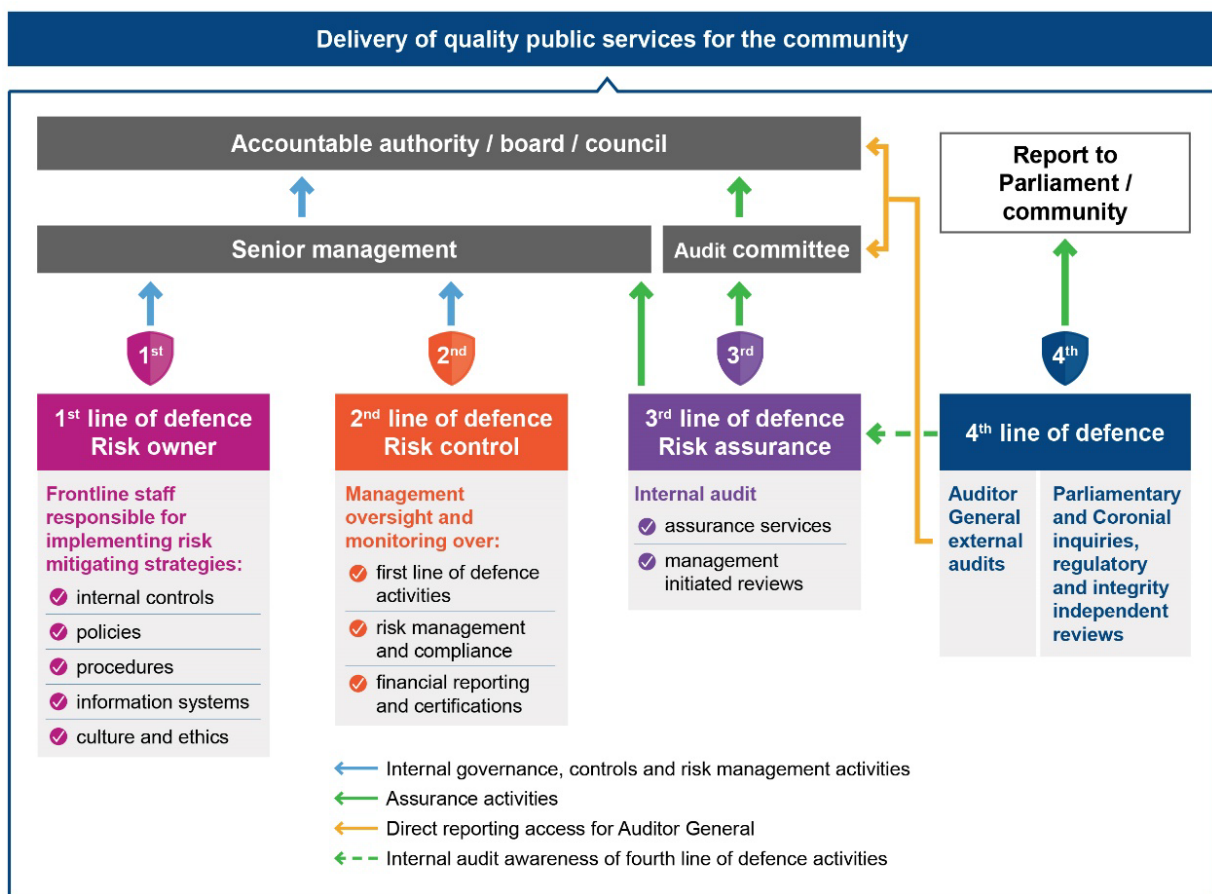
1.3 Lines of defence model

The lines of defence model is a visual representation of the different mechanisms (defences) which all work together to manage risks and ensure that controls are implemented and effective. It helps to provide a coordinated approach for managing entities' risks.

All entities regardless of their size and complexity should establish a good understanding of their risks and four lines of defence.

The lines of defence model typically identifies the 3 lines of defence within the entity. However, external auditors, regulators, parliamentary committees and other integrity bodies also provide important information and assurance on the implementation of controls within an entity. We have referred to these entities as the fourth line of defence.

Figure 2 below illustrates the activities for each line of defence and the general flow of communication between each of the bodies.



Source: OAG

Figure 2: WA public sector four lines of defence model

To apply the model, entities need to understand and assess business activities performed by each line of defence. This is often referred to as 'assurance mapping'. This mapping helps the accountable authority, audit committee and management to understand whether there are any gaps in assurance activities that manage key risks or whether there is duplication of effort. This can help inform the internal audit program, improve efficiency and assist the audit committee in their oversight responsibilities.

1.4 Acknowledgements

We would like to express our appreciation to the public sector entities and their staff and individual audit committee members and Chairs for sharing their valuable insights. In particular, a number of stakeholders, experienced in governance and accountability roles, willingly shared their views and suggestions for this guide. We highly valued and appreciated their input, guidance, advice and time.

In addition, we would like to thank the Institute of Internal Auditors - Australia (and Global) and the Australian National Audit Office who allowed us to use their resources to inform our guide.

Part 2: Key challenges to building effective audit committees

2.1 Establishing and maintaining effective relationships between the three governance parties

High functioning audit committees rely on strong working relationships between the accountable authority, the head of internal audit (the chief audit executive) and the audit committee (Figure 3). To support effective governance of an entity, the communication between them needs to be open, transparent and built on a relationship of trust.

Source: OAG

Figure 3: Relationships between the three governance parties



Roles and responsibilities of governance parties

Accountable Authority is responsible for establishing an effective audit committee and internal audit function¹ which is suitable for the entity. The accountable authority relies on the audit committee to provide independent oversight over the governance of financial and non-financial activities.

Chief Audit Executive is the head of internal audit within an entity. To maintain their independence, the Chief Audit Executive (CAE) should not perform key management duties. For example, the Chief Finance Officer should not take on the role of CAE.

For local government entities, responsibility for the internal audit function rests with the CEO, who also reports to the audit committee and council. Given that it is important for internal audit to be independent from management, it is good practice for the CAE to also have a direct line of communication to the audit committee (a functional reporting relationship).

To be effective, the Chief Audit Executive needs to be of a sufficiently senior level and respected by management as a key contributor to good governance and entity outcomes. This means that they need to be aware of current initiatives and activities within the entity, be suitably qualified, have open access to senior management and the accountable authority and adequate resources to carry out internal audits and support the audit committee.

While entities can use different models for their internal audit services (in-house, co-sourced or fully outsourced), it is critical that the entity appoint a CAE who is responsible for the internal audit function. This role should be performed by a capable and respected professional internal to the entity, even if all internal audit services are outsourced. The roles and responsibilities of the CAE should be documented and formally approved in the Internal Audit Charter.

Audit Committee provides independent advice and assurance to the accountable authority over the entity's systems of risk management and internal control, and financial and performance reporting. It consists of a group of members who support the accountable authority to instil strong control and risk practices within the entity by overseeing and probing

¹ For State entities only, refer to section 53(1)(d) of the *Financial Management Act 2006*.

activities relating to governance, control, risk management and compliance. The audit committee does not, and should not, hold formal decision-making powers. Rather, it relies on the skills and expertise of members to obtain sufficient appropriate information, through the CAE and internal auditors as their “eyes and ears”, as well as reports from management and external auditors and advisers.

For local government entities, the role of audit committee is prescribed by the *Local Government Act 1995* and *Local Government (Audit) Regulations 1996*. They do not have powers or authority to implement actions in areas over which the CEO has legislated responsibility and they do not have any delegated financial responsibility. The committee does not have management functions and cannot involve itself in management processes or procedures.

Key aspects for effective relationships between the governance parties

Supporting the independence of the CAE

The accountable authority and audit committee must take an active role in promoting the independence of internal audit and protect them from pressure from senior management. There are some cases where the accountable authority and audit committee need to increase their support for the CAE. For example, if management seeks to limit internal audit activities and scope, takes an overly defensive attitude towards audit findings, attacks the credibility of the CAE or fails to respond to audit enquiries and recommendations.

The audit committee needs to receive and request the right information

The audit committee may struggle to effectively perform its duties if it does not receive or request the right information. The committee needs to know what information to “pull” from internal audit and the CAE needs to know what information to “push” forward to the audit committee. To establish this flow of information, there must be strong working relationships between the audit committee and CAE and an understanding of what information both parties need.

It is important that the audit committee and CAE are clear about the expectations of internal audit. Having clear expectations about the content, format and frequency of internal audit reports and other reporting is crucial to having an effective relationship.

A good example of this is the CAE and audit committee Chair working effectively together, where possible, to establish an agenda for the audit committee meeting. The agenda should not be set by one party in isolation. Instead, the Chair needs to be comfortable obtaining information from the CAE to inform and direct the meeting. Similarly, the CAE needs to be confident in raising matters or concerns with the Chair and helping to guide the agenda and discussions.

Figure 4 provides some practical examples of common challenges faced by entities and how the 3 governance parties can work together to overcome the challenge.

Better practice activity	Example scenario
Timely and open engagement with the audit committee on an emerging issue	The entity is subject to a cybersecurity attack and activates its incident response plan. As part of the response, senior management writes to the Chair of the audit committee to inform them of the breach and to seek their input on management’s planned response. At the next audit committee meeting, management provides an update on the incident and key decisions and outcomes agreed by management as part of their regular reporting on cybersecurity incidents. The audit committee evaluates risk management actions and internal audit plans based on this information.

Better practice activity	Example scenario
	The timely and open discussion at the audit committee meeting provides additional independent assurance to the accountable authority that the measures the entity took to address the major incident are sound and based on informed decisions.
Treating the CAE as a trusted partner	<p>A senior executive decided not to implement recommendations from an internal audit on project management because the project was completed. The senior executive sought the accountable authority's approval to close the recommendations, without seeking input from the CAE.</p> <p>The accountable authority then checked whether the CAE was consulted on the decision. When the accountable authority became aware that the CAE was not consulted, the accountable authority sought advice from the CAE prior to deciding on the matter. The accountable authority reminded senior executives of the need to engage with the CAE when considering internal audit recommendations.</p>
CAE reporting directly to the audit committee and accountable authority	<p>The CAE administratively reported to a senior executive who was trying to limit the scope of an internal audit in the executive's area, without informing the audit committee.</p> <p>The CAE reminded the senior executive that they also need to report to the accountable authority and audit committee. The CAE raised the matter with the Chair of the audit committee and accountable authority and sought their advice. The accountable authority informed the executive team about the independence of internal audit, and allowed the CAE and audit committee to determine the scope of the internal audit to obtain the necessary assurance on priority risks.</p>

Source: OAG

Figure 4: Examples of effective relationships between the governance parties

2.2 Getting the right balance of skills and experience

It is essential that audit committee members have the right experience, personal qualities and independence to effectively perform their duties.

Independence is key

Having independent audit committee members who are free from management oversight and responsibility will help to bring an objective perspective and fresh insights to audit committee discussions. Audit committees that fully or predominately consist of senior management members will have difficulties in setting aside their management responsibilities to perform their oversight role. While local government entities and statutory authorities have a natural division between those charged with governance and management, this is not the case for State government departments.

Changes to Treasurer's Instruction 1201: 'Internal Audit' (TI 1201), in 2019 have strengthened the independence of audit committees. All State government entities subject to the Treasurer's instructions are required to have an audit committee Chair who is not employed by the entity and is suitably qualified. The guidelines in TI 1201 also recommend having a majority of members who are free of management responsibility and oversight.

For local government entities and statutory authorities whose audit committee members comprise of selected

The audit committee Chair plays an important role in leading and guiding discussions at audit committee meetings. The Chair should be independent, and have the right interpersonal skills to guide discussions on complex and sensitive matters.

board or council members, having at least 1 appropriately skilled audit committee member who is completely independent of the board or council can bring fresh insight or bridge gaps in the experience needed by the audit committee to perform their duties.

While the Director General or CEO should not be a member of the audit committee, it is important that they can attend meetings as an observer to provide context on important issues impacting the entity where useful or necessary, preferably meeting with the committee at least annually.

Collective expertise that is relevant to the entity

The audit committee must collectively have the knowledge, skills, qualifications and experience to perform its functions. As a minimum, the committee should comprise members with financial, risk management and relevant public sector or industry experience. Having a broad range of members from differing backgrounds helps to bring diverse perspectives to important issues and minimises group-think. Members should have senior governance and leadership experience in operating environments similar in complexity to that of the entity the audit committee is overseeing. Familiarity with the public sector environment of heightened probity, transparency and accountability is essential. If a new member does not have demonstrated experience working in or with the public sector, they must at all times fully inform themselves of their obligations and those of the entity. In these circumstances, induction and ongoing mentoring by the CAE, Chair and other members is important to support their contribution to committee effectiveness.

The skills and capabilities needed can vary over time, and will vary depending on the nature of the entity's activities. For example, if the entity is undergoing significant changes to information systems, the accountable authority may wish to consider appointing a member with IT operations or project leadership experience. Alternatively, audit committees can also use specialists or experts to help in the discussion of complex matters.

Leadership and interpersonal skills

Members, and in particular the Chair, need the right leadership and interpersonal skills to make committee meetings effective. Members need to feel confident to respectfully and, where necessary, persistently probe management, and to make useful contributions throughout the meeting. Much has been written on the qualities that make an effective committee member and these are relevant to public sector audit committees, recognising that public sector audit committees do not have decision-making authority or formal governance responsibility.

The committee needs at least three members

There is no specific number of members for a strong effective audit committee. However, audit committees should have at least 3 members². In determining the appropriate number of members, the accountable authority should consider what skills and experience is required based on the nature of the entity and its operations. Too few members may mean the committee does not have the extent of experience and knowledge to make informed decisions, and too many members may hinder robust discussion and debate.

Large complex State entities may choose to consider whether it is appropriate to establish the role of special advisers to the audit committee, within their charter. Senior managers appointed as special advisers participate like other audit committee members, but do not have formal membership status or 'voting' rights. They are there to provide operational context and detail to the committee. This is particularly important for audit committees

² For State entities refer to Treasurer's instruction 1201: 'Internal Audit' guidelines. For local government entities refer to section 7.1A of the *Local Government Act 1995*.

comprising mainly external members. These senior executives gain a valuable professional development opportunity from working closely with the committee, who are often senior governance professionals, and the opportunity to view their organisation from an oversight perspective.

2.3 Enabling robust discussions at audit committee meetings

Robust and respectful discussions between the audit committee, management and auditors are essential to good audit committee outcomes. It is important that the secretariat and CAE spend sufficient time planning audit committee meetings to facilitate these important discussions and achieve required outcomes.

Merely providing data/information versus delivering clear messages

Overwhelming the committee with data or information is unlikely to result in effective meetings and discussions. Information must be meaningful and fit for purpose. The CAE role in the audit committee meeting is more than simply gathering and transmitting information between management and the audit committee. The CAE should apply their professional expertise to deliver clear messages for audit committee deliberations. This is particularly important when the internal audit function is outsourced, as the CAE needs to ensure that the information meets the needs of the entity. Summary papers, which succinctly explain the issue and actions for the audit committee, are a good way to achieve this.

Having the courage to challenge

A good indicator of an effective audit committee is whether management feel that they have been appropriately challenged during audit committee discussions. This requires courage from members to question and probe management when necessary. Members should not take management assertions at face value, they should ask probing questions to ensure that the issue is not more significant than they are led to believe, or to make sure that a management action has actually been performed.

When management attend audit committee meetings, they should be prepared to answer challenging and difficult questions from audit committee members.

“Show me, don’t tell me”

Audit committees will need a level of evidence for assertions made by management, particularly around implementation of audit and review recommendations. They should be prepared to request from management all documentary information that the committee reasonably requires to satisfy themselves that key risks have been appropriately managed. The rigour and openness around evidencing management actions provides the audit committee insight into organisational culture and the commitment to accountability and transparency.

Having open discussions

Due to the advisory nature of the audit committee, they need capacity to discuss other matters which may not be included in the formal agenda. The agenda should allow for open discussion on other matters, as well as closed sessions with the CAE, internal audit teams or Office of the Auditor General (OAG). This will provide an opportunity for members to consider other matters which they would like to discuss and clarify.

2.4 Being aware of all assurance activities

It is vital that the audit committee has a sound understanding of the entity's assurance activities overall, as this provides valuable insights and direction to internal audit for its work program.

Assurance mapping can help to identify all assurance activities to ensure that the proposed internal audit plan focuses on areas where assurance is most needed.

When developing an internal audit plan, the committee should consider the following question:

'Is internal audit providing assurance on high risk activities, and considering where there are gaps in assurance?'

Using the fourth line of defence

Entities that use the fourth line of defence (external assurance) will be in a better position to coordinate their assurance activities. Having a complete picture of other assurance activities performed by the OAG, regulators or oversight committees, can help to identify gaps in assurance or potential risk exposures.

The audit committee should be aware of all external assurance activities, including OAG performance and focus audits and reports by other regulators or committees. Some examples of good practice behaviours we have observed at audit committees include:

- tracking and following-up the implementation of findings from OAG performance audits conducted within the entity
- performing self-assessments using the better practice information included in OAG focus and performance audits, and reporting the results back to the audit committee
- including the OAG audit committee briefing paper as part of meeting papers. This paper provides a regular snapshot of recently completed audits and audits in progress
- having a standing agenda item on fraud which provides a summary of relevant points from recently tabled Corruption and Crime Commission, Public Sector Commission or Parliamentary reports, or recent media coverage on fraud.

Understanding important financial reporting matters

Audit committees have an important role in overseeing financial and performance reporting within the entity. To perform this role effectively, it is critical that the audit committee has at least one member with a sound level of organisational-scale financial literacy.

Audit committee responsibilities for financial and performance reporting include reviewing financial statements and key performance indicators (State government entities) and recommending them for signature by the accountable authority, engaging with the OAG auditors during the financial audit, and reviewing and overseeing key controls related to financial reporting. It is a good idea to incorporate these reviews into the audit committee's annual work plan.

Best practice audit committees typically receive briefings on important matters or issues impacting risks, controls, financial and non-financial reporting. Figure 5 provides an example of how to report important control matters to the audit committee.

In order to review and endorse financial statements, audit committees need complete and accurate information about changes in accounting standards, accounting policies, judgements, estimates and errors.

Reporting a significant control matter to the audit committee

If an entity became aware that there was a significant payroll error or inappropriate use of a purchasing card, even if the amount in question was immaterial in value for the financial statements, such a matter would always be considered material in nature due to it representing a significant control breakdown or fraudulent activity.

In addition to reporting the matter to the Director General or CEO, the chief finance officer (CFO) would discuss the matter with the CAE and initially advise the Chair of the audit committee of the error and the actions taken or proposed to resolve it. The CFO should also raise the matter with the OAG financial audit team.

For the next audit committee meeting, the CFO and CAE should prepare a briefing for the committee on the matter, the likely impact and the actions taken or needed to correct the issue. The audit committee would consider the impact of the matter on risk assessments, external reporting and planned assurance activities. The committee would invite the CFO and representatives from human resources to the meeting to discuss the matter and obtain confidence around actions and improvements.

The committee would follow up to make sure control weaknesses were appropriately addressed and outcomes of any relevant investigations, disciplinary processes or referrals to integrity agencies.

Source: OAG

Figure 5: Advising the audit committee of significant control matters

Sharing information between the lines of defence

Management, in both the first and second lines of defence, frequently organise reviews and audits to assess maturity of their environment and identify business improvement opportunities. It is important that these activities are captured and shared with the CAE to help inform assurance mapping and allow for consolidated reporting of assurance activities to the audit committee. Visibility by the audit committee on management-initiated reviews helps to understand areas of risk management concern for management, systemic issues requiring improvement, and allows monitoring to ensure that internal auditors are not being used excessively by management and thus impairing their independence.

A central register for management reviews is useful to provide timely and collective information of past and current activities to improve controls and business performance.

2.5 Seeking assurance on organisational culture

Even though the culture of an entity cannot be seen, it is a fundamental part of strong governance (Figure 6).

Forward thinking accountable authorities and audit committees strive to maintain a sound culture within the entity to protect it from breakdowns in controls or fraud.



Source: OAG

Figure 6: Factors that contribute to a healthy organisational culture

Internal audit is in a good position to assess culture

Despite culture being a complex area to audit, internal audit is in a good position to provide assurance to the audit committee on it.

Culture auditing involves evaluating factors that influence behaviour and attitudes (soft controls) and examining hard evidence such as policies and employee surveys. Internal audit can assess culture in many ways. They can perform a specific audit covering culture, embed consideration in all potential internal audits, provide a general observation on culture in all audit reports or use it in root cause analysis for audit findings.

To embed culture into assurance practices, the 3 governance parties should:³

- give internal audit a clear mandate to audit entity culture and include the requirement in the internal audit charter
- set the right tone and demonstrate expected behaviours among others by practicing, measuring and assessing the culture of compliance with policies, procedures and controls
- understand the entity's culture risks including signs of negative leadership styles (autocratic, narcissistic, secretive, hypocritical, deflecting)
- observe culture indicators while performing internal audits
- have candid discussions on culture matters, e.g. being comfortable to talk about 'gut feel' and subjective judgements
- use a mapping tool to understand and assess the entity's culture and identify improvement opportunities. An example of such a tool is The Cultural Web⁴.

Do you know your culture indicators?
They include:

- trust
- openness
- honesty
- values
- behaviours
- leadership
- ethics.

Reporting culture to audit committees

Reporting to the audit committee about culture can be daunting for CAEs. Auditors typically like using hard, objective evidence to support findings. However, auditing organisational

³ *Organisational Culture: Evolving Approaches to Embedding and Assurance*, the Chartered Institute of Internal Auditors UK.

⁴ *The Cultural Web* is a tool used to map the culture of organisation, developed by Gerry Johnson and Kevan Scholes.

culture involves looking at soft indicators based on subjective judgements. To assist with this, internal audit can use metrics to support culture reporting. These are included in Figure 7⁵.

Objective metrics

Employee survey results, complaints, frequency and nature of legal issues, turnover statistics, frequency of repeat audit findings, frequency of large projects failing, timeliness and effectiveness of corrective actions, whistleblowing reports, loss events, compensation claims.

Subjective metrics

Lack of open communication (caused by fear, lack of trust, or information hoarding), excessive focus on short-term results, chronic grumbling by employees, gossip and rumours that lead to repercussions, 'my way or the highway' management approach that inhibits input and healthy debate, competition to get ahead rather than cooperation, lack of accountability from senior management.

Source: Institute of Internal Auditors Australia

Figure 7: Metrics for auditing culture

Audit committees and internal auditors should feel comfortable discussing aspects of culture. These include receptiveness by managers to scrutiny, the extent to which line areas view audit as a continuous improvement opportunity and management's general understanding of accountability and probity obligations in the public sector. Discussions of this nature may be more constructive during the routine closed-door sessions between independent committee members and auditors, without management present.

⁵ The Institute Internal Auditors *Auditing Culture: Observation and Data*, article by James Roth.

Part 3: Principles for better practice audit committees

The following section outlines better practice principles for public sector entity audit committees. These principles are based on the IIA's six key elements of effective audit committees which they use in their maturity model. The requirements for State and local government entities can be different, and entities should adapt these principles accordingly.

1. Membership: Members have the right experience and leadership skills to be trusted independent advisors.	
<p>1.1 Members are independent:</p> <ul style="list-style-type: none"> • The audit committee has an independent external Chair. • Members are independent from the day-to-day management of the entity. This may not always be possible, but we recommend that the majority of members are independent of management. • The Director General, CFO or CEO are not members of the audit committee. However, they may attend meetings as observers or advisors. <p>1.2 The Committee has the right number of members:</p> <ul style="list-style-type: none"> • The committee consists of at least 3 members. • For entities with boards/councils, the audit committee acts as a sub-committee and is not the entire board/council. We recommend a maximum of 5 members. <p>1.3 Members have the right skills and experience:</p> <ul style="list-style-type: none"> • All audit committee members and the CAE are formally appointed by the accountable authority. • As a collective group, members have the right skills, experience and knowledge to competently perform their duties. At a minimum, the committee should comprise of members with financial, risk management and relevant industry or public sector experience. • The independent Chair should have the right interpersonal and leadership skills to effectively run the committee. An understanding of financial and other reporting requirements is also important. For State entities, the Chair should have membership in a professional accounting body or the IIA, or appropriate financial experience. 	<p>1.4 Membership terms are appropriate:</p> <ul style="list-style-type: none"> • Members are appointed for a minimum term of at least 3 years. To ensure that the committee has fresh insight and perspective, we would not recommend exceeding a term of around 6 years. • The accountable authority can terminate committee members for poor performance. • Appointments are staggered where possible to ensure continuity and clear succession for the audit committee Chair. <p>1.5 Members receive a formal induction:</p> <ul style="list-style-type: none"> • The entity has a formal induction process for members that includes an information briefing, site visits (where relevant) and discussions with the CAE and accountable authority, including around the applicable legislative framework, probity, transparency and accountability obligations and expectations. • The Chair meets with new members to provide an overview of the committee and outline member expectations. <p>1.6 The committee has access to external auditors:</p> <ul style="list-style-type: none"> • The committee requests an external auditor to attend meetings as an observer. <p>1.7 The Committee can seek advice when needed:</p> <ul style="list-style-type: none"> • The audit committee charter allows the committee to obtain expert advice when needed. • The committee uses existing expertise within the entity to provide briefings on emerging risks, issues or matters which can help improve the member's understanding of the entity.

2. Roles and responsibilities: The roles and responsibilities of the audit committee allow for wholesome oversight of internal audit, governance, risk management and internal control practices.	
<p>2.1 Roles and responsibilities are clearly documented in the audit committee charter:</p> <ul style="list-style-type: none"> • The audit committee charter clearly defines the independence, accountability, role and responsibilities and reporting arrangements for the committee. • The roles and responsibilities of the committee are consistent with legislated power and duties. • The internal audit charter aligns with the audit committee charter. <p>2.2 Audit committee roles and responsibilities allow for comprehensive oversight:</p> <ul style="list-style-type: none"> • The charter clearly outlines the committee's responsibility for overseeing governance, risk management, internal controls and compliance. • The audit committee functions include overseeing activities that help entities achieve their strategic objectives. • The charter allows the audit committee to consider innovation and improvement ideas. • The committee's charter allows it to monitor emerging risks and business practices. • Where controls are managed by another entity under a shared service arrangement, the audit committee has a process to obtain comfort from the service provider that the controls are operating effectively. For example, the service level agreement or memorandum of understanding for the arrangement allows the entity's audit committee to request appropriate assurance from the service provider. • Arrangements for shared audit committees or internal audit functions are clearly documented in the audit committee charter (if applicable). <p>2.3 The audit committee charter is appropriately approved and regularly updated:</p> <ul style="list-style-type: none"> • The audit committee and accountable authority formally approve the audit committee charter. • The audit committee review and update the audit committee charter annually. 	<ul style="list-style-type: none"> • The CAE monitors changes in practice (e.g. changes in the Institute of Internal Auditors' Professional Practice Framework (IPPF)) or other legislative or regulatory changes and suggest amendments to the committee as appropriate. <p>2.4 Audit committee members seek to continuously improve their skills and understanding:</p> <ul style="list-style-type: none"> • The CAE provides the committee with regular information on trends and emerging issues relating to governance, risk and compliance. • Audit committee members endeavour to maintain current and relevant knowledge by seeking additional information where required. For example, requesting information from management about a particular function performed by an entity or by attending staff training on governance matters. <p>2.5 Members are aware of legislative and regulatory requirements, standards and guidance:</p> <ul style="list-style-type: none"> • Members are aware of all regulatory requirements, standards and guidance relevant to the entity. Four important requirements include: <ul style="list-style-type: none"> ○ State Financial Framework - Financial Administration Bookcase, including Treasurer's instruction 1201: 'Internal Audit' for State government entities ○ <i>Local Government Act 1995</i> and associated regulations ○ Requirements of effective internal audit functions as prescribed by the IPPF ○ Entity-specific legislation and regulatory compliance obligations. This can be found in the entity's annual report. <p>2.6 The committee does not make management decisions:</p> <ul style="list-style-type: none"> • The Audit Committee does not, and cannot, get involved in the day-to-day decision making by the entity. The committee can provide advice on important matters, but the responsibility for approving decisions must rest with the accountable authority or the CEO.

3. Professional practices: The audit committee conducts itself professionally to provide independent, sound and valuable advice to the accountable authority.	
<p>3.1 Conflicts of interest are considered and managed:</p> <ul style="list-style-type: none"> • Potential new members are required to declare any actual or perceived conflicts of interest. • Processes for declaring and managing conflicts of interest are included in the audit committee charter and the service agreement (where relevant) for audit committee members. • Members declare any conflicts of interest at the start of each meeting. <p>3.2 Meetings are regularly scheduled and include private sessions with important stakeholders:</p> <ul style="list-style-type: none"> • The audit committee meets at least four times a year, with capacity to meet at other times when necessary to perform a function (such as reviewing the financial statements and key performance indicators). • The CAE regularly meets with the audit committee privately to discuss issues, management attitudes and risks. • During the financial audit exit meeting with the OAG, the audit committee has a closed-door session with the auditors without management present. This provides a frank and open opportunity for the auditors to discuss how the audit went, whether they received the information they needed and whether there are any concerns with management behaviour that the committee should be aware of. • The audit committee schedules private meetings with the accountable authority from time to time. 	<p>3.3 Key activities are scheduled in a forward work plan:</p> <ul style="list-style-type: none"> • Key activities of the audit committee are planned and scheduled in a forward work plan. • CAEs monitor the forward work plan to determine what information and support the audit committee might need. <p>3.4 Members attend all meetings where possible:</p> <ul style="list-style-type: none"> • Meetings are scheduled in advance to facilitate 100% attendance of audit committee members. <p>3.5 Members share responsibility and act independently:</p> <ul style="list-style-type: none"> • Audit committee members function as a collective advisory group and share responsibilities equally. • All members maintain their independent stance at all times, even if they are not independent of management.

4. Performance and accountability: The audit committee is aligned with the entity's strategic outcomes and is accountable for its performance.	
<p>4.1 The audit committee has mechanisms to assess its performance:</p> <ul style="list-style-type: none"> • The charter outlines expectations of the audit committee and includes processes to monitor and measure performance. These can include an annual self-assessment and regular independent reviews of the audit committee. <p>4.2 Meeting minutes are prepared and distributed to members quickly:</p> <ul style="list-style-type: none"> • Meeting minutes are distributed to members within the agreed timeline in the audit committee charter. A 2-week timeframe is commonly used in practice. <p>4.3 Attendance is monitored:</p> <ul style="list-style-type: none"> • The CAE or secretariat monitors attendance by audit committee members and implements alternative measures (e.g. virtual meetings) where necessary. • The charter clearly outlines the minimum number of members for a quorum. The CAE or secretariat actively monitor whether there will be a quorum and reschedule the meeting if necessary. <p>4.4 Action items are followed-up and addressed promptly:</p> <ul style="list-style-type: none"> • Any action items arising from audit committee meetings are recorded and promptly distributed to the responsible officer for actioning. • The implementation of action items is monitored and evidenced. • The audit committee papers include a standing agenda item on the status of action items. There should be enough information in the papers to allow the audit committee to understand the nature of actions taken to date and the real reasons for any delays. 	<p>4.5 The committee has unrestricted access to the governing body and senior management:</p> <ul style="list-style-type: none"> • The audit committee charter allows the audit committee to access the Board, Council, CEO and senior management where necessary to discuss important matters. <p>4.6 Annual self-assessment by members:</p> <ul style="list-style-type: none"> • The audit committee performs an annual self-assessment to ensure it is operating effectively. • The committee seeks feedback from observers from time-to-time to inform this assessment. <p>4.7 Periodic, independent assessment of committee performance:</p> <ul style="list-style-type: none"> • There is an independent assessment of the audit committee periodically (e.g. every 3 to 5 years) in conjunction with the independent assessment of the internal audit function. <p>4.8 The committee models the values and desired culture of the entity:</p> <ul style="list-style-type: none"> • The audit committee demonstrates the right tone and culture for the entity. For example, holding management to account for delays in implementing actions is one way to set a good tone within the entity. • Committee members adhere to the entity's code of conduct. For example, members keep information confidential and conduct themselves in a professional and respectful manner. <p>4.9 Activities are aligned to the strategic mission of the entity:</p> <ul style="list-style-type: none"> • The committee understands the entity's strategic plan and direction and reflects on this when discussing the internal audit plan or risks.

5. Entity relationships: The audit committee is a trusted, independent partner.	
<p>5.1 There are regular meetings to build and maintain effective relationships:</p> <ul style="list-style-type: none"> • The audit committee Chair regularly meets with the accountable authority. • The accountable authority sees the audit committee as a strategic partner and communicates with the Chair openly. • The accountable authority shares important information about issues or risks openly with the audit committee, and meets with the committee at least annually. <p>5.2 The committee obtains information from executive management:</p> <ul style="list-style-type: none"> • The audit committee receives regular briefings from executive management on key matters related to their operations. For example, information on significant projects, long outstanding audit recommendations or emerging risks. • Senior management use the collective experience and wisdom of the audit committee to guide their actions on important matters. 	<p>5.3 The committee uses expert advice where necessary:</p> <ul style="list-style-type: none"> • The audit committee accesses external expert advice when needed to support their deliberations. For example, the audit committee may wish to obtain independent legal advice to help them understand a significant issue raised in an internal audit report. <p>5.4 Entity staff are aware of the audit committee and internal audit:</p> <ul style="list-style-type: none"> • Information on the audit committee's role, functions and responsibilities, as well as the services offered by internal audit, is available on the entity's intranet. • The induction process for senior executives includes a meeting with the CAE and the Chair of the audit committee.

6. Governance and reporting: The audit committee is governed effectively to enable transparent, objective and timely reporting.	
<p>6.1 There are dedicated secretariat resources:</p> <ul style="list-style-type: none"> • The committee has sufficient secretariat support to plan and document meetings. • The CAE oversees the secretariat in preparing agendas, meeting papers and reviewing minutes and discusses these with the Chair for approval. <p>6.2 The committee maintains independence safeguards:</p> <ul style="list-style-type: none"> • The audit committee always acts to protect the independence of the internal audit function and the CAE. <p>6.3 Conflict of interest procedures are adhered to:</p> <ul style="list-style-type: none"> • Members declare all actual, perceived and potential conflicts of interest at the start of each meeting. • Other conflict of interest processes, such as annual declarations, are adhered to and monitored by the audit committee and CAE. 	<p>6.4 Audit recommendations are recorded and monitored:</p> <ul style="list-style-type: none"> • A log of outstanding audit recommendations is prepared for each audit committee meeting. This log should include the recommendations from all internal, financial and performance audits conducted within the entity. • Agreed actions to address the recommendations are clearly articulated and reported accurately to the audit committee in the log. • Internal audit has a framework to review and close-out audit recommendations that suits the entity's needs. This framework should be approved by the audit committee. • Audit committee members monitor the implementation of recommendations and challenge management to ensure that actions are actually implemented. <p>6.5 The accountable authority is adequately briefed:</p> <ul style="list-style-type: none"> • The audit committee, with the assistance of the CAE, provides a briefing to the accountable authority after each meeting on key issues or risks. <p>6.6 The Audit committee regularly reports on its performance:</p> <ul style="list-style-type: none"> • The entity's annual report includes information about the audit committee and outcomes delivered during the period.

Part 4: Guidance for audit committee fees

The appointment of independent audit committee members, who are external to the entity, will raise consideration of whether they are entitled to be reimbursed for their services.

There is some guidance in the *Premier's Circular 2019/07 - State Government Boards and Committees* regarding the payment of fees to committee members. Generally, fees cannot be paid to people who are full time State, Commonwealth and local government employees, Members of Parliament, current and retired judicial officers (except Magistrates) and current non-academic employees of public academic institutions. Entities should be aware of the requirements of this circular, and other legislation and regulations, when determining whether a fee can be paid to an external member.

Guidance for determining fees

Any fees paid to external audit committee members should reflect their role on the committee and associated responsibilities and expertise. For example, the audit committee Chair may need a different level of remuneration to other external members as they perform additional duties, such as having regular discussions with key governance parties, including the CAE and accountable authority.

Some items which entities may wish to reimburse members for include:

- meeting attendance and preparation time (this could be a fixed amount per meeting or an hourly rate)
- travelling expenses
- accommodation expenses.

When determining fees paid to external members, the entity and the member need to clearly agree on the hourly rates, generally with an upper limit of the amount of hours required to perform their duties, or a fixed annual fee, and the extent of reimbursements allowed. Entities should clearly document these arrangements in a services agreement. TI 1201 includes a template services agreement for engaging an independent external Chair. The template includes set terms and conditions relating to payment of fees. While this is not compulsory, entities should consider using it to help develop service agreements.

State entities can use the Common Use Agreement on Audit and Financial Advisory Services as a guide or benchmark for remuneration.

Entities should ensure that they comply with relevant procurement policies or requirements when obtaining external members.

Part 5: Guidance for smaller entities

We recognise that it is difficult for smaller entities, particularly those located in regional or remote locations, to establish audit committees that meet all of the better practice principles outlined in this guide. However, the risks to good governance remain very real in these entities too. This section provides guidance for smaller entities to help them improve the effectiveness of their audit committee.

Financial risk expertise is essential

While the functions of the audit committee are diverse, overseeing financial and performance reporting processes, and their associated internal controls, are incredibly important. Audit committees can help to prevent fraud by:

- understanding and challenging management about the accounting treatments, judgements and estimates used to prepare financial statements
- engaging with the OAG and management about deficiencies in internal controls and the actions needed to remediate these.

To do this effectively, at least one audit committee member needs to have an understanding of financial reporting and accounting standards, and the role of internal and external audit.

When trying to find members with financial reporting experience, smaller entities may wish to consider sharing resources with similarly sized entities. For example, a local government entity could consider the suitability of an accountant from a neighbouring shire as an independent audit committee member, or a suitably experienced person from a larger local government entity could be an audit committee member if they can perform their role remotely.

Smaller size does not mean smaller risk

Smaller entities are often exposed to unique inherent risks such as limited segregation of duties and potential conflicts of interest issues associated with a limited number of suppliers in regional areas. Not managing these risks properly can increase the risk of fraud or error.

The meeting agenda and annual work plan templates, provide additional guidance on the matters which should be considered in audit committee meetings. These templates are included in the toolkit.

Audit committees need to be aware of these risks and ensure that there is independent oversight of the processes to manage them. For example, regular internal audits on procurement which look at the processes for managing conflicts of interest can help provide assurance to the committee. In addition, risk management training for audit committee members can help them understand and assess risks relevant to smaller entities.

Sharing resources may help bridge gaps

Smaller entities, who deliver similar services to the community, may benefit from sharing resources to help build the capability of their internal audit function and audit committee. This could be achieved by using a shared internal audit service. State government entities have the option to consider sharing their audit committee with another entity, provided that committee members have a sound understanding of both entities' operations, culture and goals and devote adequate time to oversee each entity.

Roles and responsibilities must be clearly communicated during induction

The audit committee may include members with varied experience that bring valuable insights to entities. However, there is a chance that members may not have any previous

audit committee experience. This means that having an effective induction process, which clearly explains roles, responsibilities and expectations is vital. Smaller entities may wish to consider additional training or guidance to help them understand their important role.

To assist smaller entities with their induction processes, we have included an induction checklist in the Toolkit.

Getting the most from the fourth line of defence

Smaller entities should use information and guidance from external sources, such as the OAG, parliamentary committees, Public Sector Commission and Corruption and Crime Commission as much as possible to assess their systems of risk management and internal controls. For example, information from OAG audit reports can help entities understand common risks in the sector, and frequently contain better practice guidance which smaller entities can self-assess against.

External auditors can provide valuable perspective

The OAG, and their contracted auditors are independent, and can provide information on whether controls are operating effectively. To facilitate good discussions between the OAG, management and the audit committee, it is essential that all parties discuss issues openly and frankly. For example, local government entities may wish to consider suspending standing orders at audit entrance and exit meetings to allow the audit committee, management and the auditors to have robust discussions.

Seeking independent assurance when one person performs many roles

Smaller entities may have one person (such as the CEO or executive manager of corporate services) responsible for multiple functions such as risk management, compliance and internal audit. This can create a self-review risk, if they are being asked to report on the effectiveness of all of these processes to the audit committee.

Audit committees need to be aware of these risks and put strategies in place to provide a level of independent assurance about these important functions.

Audit recommendations need prompt action

Smaller size entities have fewer staff and this may make it more difficult to resolve audit recommendations quickly. Given the inherent risks associated with smaller entities mentioned above, it is vital that the audit committee insists that control deficiencies, particularly those that could result in the misappropriation of assets, are prioritised and actioned and documented promptly.

Audit committees need good support

Timely and succinct reporting is important to demonstrate that the audit committee is accountable for its governance role. This means that it is important that minutes of meetings and any action items, or requests for further information are actioned and documented promptly.

Part 6: Toolkit

The toolkit contains a number of templates that public sector entities may find useful to help establish and maintain an effective audit committee. The templates help to promote the better practice principles included in the guide and are designed to be easily tailored to meet the entity's specific circumstances.

Entities should take care to modify the tools to reflect their legal or regulatory requirements. For example, local government entities will need to adapt these templates to address the specific requirements of the *Local Government Act 1995* and relevant regulations.

These tools may be updated from time to time. Please check our website for the latest version.

List of tools

- 1 Example audit committee charter
- 2 Audit committee member induction checklist
- 3 Meeting preparation checklist
- 4 Meeting agenda template
- 5 Characteristics of effective meetings
- 6 Annual work plan template
- 7 Audit recommendations progress report template
- 8 Review of the OAG audit reports template

Tool 1 Example audit committee charter

The following example is designed to assist accountable authorities and audit committees develop an audit committee charter that reflects our better practice principles.

Source: OAG using information from the Institute of Internal Auditors Australia and Australian National Audit Office

ENTITY NAME

AUDIT [AND RISK ASSURANCE⁶] COMMITTEE CHARTER

Role

The accountable authority has established the audit committee under [Insert the related legislative/regulatory reference].

The audit committee assists the accountable authority in fulfilling their oversight responsibilities in relation to systems of risk management and internal control, the entity's processes for monitoring compliance with laws and regulations, including the code of conduct, financial and performance reporting and external and internal audit. The audit committee is not responsible for the management of these functions.

The audit committee will engage with management in a constructive and professional manner to perform its oversight responsibilities. The Chair of the audit committee is responsible to, and reports to the accountable authority.

Members of the audit committee are expected to:

- understand the legal and regulatory obligations of the accountable authority for governing the entity
- understand the department's/statutory authority's/council's governance arrangements that support achievement of the department's/statutory authority's/council's strategies and objectives
- exercise due care, diligence and skill when performing their duties
- adhere to the entities code of conduct and the code of ethics of any professional body which they are a member of
- help to set the right tone in the entity by demonstrating behaviours which reflect the entity's desired culture
- be aware of contemporary and relevant issues impacting the public sector
- only use information provided to the audit committee to carry out their responsibilities, unless expressly agreed by the accountable authority.

To help support the audit committee's role in overseeing the internal audit function, the Chief Audit Executive will functionally report to the audit committee.

The audit committee will prepare an annual work plan that outlines when it will perform key activities, in consultation with the accountable authority.

⁶ Most public sector entities do not have a separate sub-committee for overseeing risk management in the entity. It is therefore common for the audit committee to take on this role.

Authority

The accountable authority authorises the audit committee, in accordance with this Charter, to:

- obtain any information it requires from any official or external party (subject to any legal obligation to protect information)
- discuss any matters with the internal auditors, Office of the Auditor General (OAG), or other external parties (subject to confidentiality considerations)
- request the attendance of any official, including the accountable authority, at audit committee meetings
- obtain legal or other professional advice when necessary to fulfil its role, at the entity's expense, subject to approval by the accountable authority or delegate
- provide advice to the accountable authority on the appointment and replacement of the chief audit executive of the [department/statutory authority/council](#).

The audit committee may undertake other activities as requested by the accountable authority.

Membership

The audit committee comprises [\[insert number/up to\]](#) members of whom [\[insert number/at least\]](#) must be independent, appointed by the accountable authority. The committee will be led by an independent Chair, appointed by the accountable authority. The Chair will be appointed for an initial period of [\[insert number of years\]](#) and may be extended or reappointed for further periods as determined by the accountable authority.

Audit committee members will be appointed for an initial period of [\[insert number of years\]](#) as determined by the accountable authority.

The accountable authority will review the membership of the committee every [\[insert number of years\]](#) to ensure that there is an appropriate balance between continuity of membership, the contribution of fresh perspectives and a suitable mix of qualifications, knowledge, skills and experience. The accountable authority may choose to re-appoint members based on their ability to contribute to the work of the audit committee. However, the total length of time a member can sit on the committee will not exceed [\[insert number of years\]](#).

The accountable authority may remove an audit committee member at any time before their term expires, or a member may resign.

Audit committee members will collectively have a broad range of skills and experience relevant to the operations of the [department/statutory authority/council](#). At least one member of the audit committee will have accounting or related financial management experience, with an understanding of accounting and auditing requirements in the public sector. To support the skills and experience of committee members, the committee will implement an induction and training program for new members.

The audit committee may invite the accountable authority, chief executive officer, chief financial officer, chief information officer, chief audit executive, or other management representatives to present information and participate in the meeting. An officer from the OAG will be invited to attend audit committee meetings as an observer.

The audit committee will be administratively supported by a secretary who is appointed by management.

Responsibilities

The audit committee will be responsible for the following:

The following part of the model charter provides an extensive list of many functions that the audit committee can perform. It is not intended that entities copy all of the functions in these lists. Instead, the accountable authority should review and modify the functions to suit the entity. It is important that the accountability authority and the audit committee agree on these functions.

Risk management, fraud and internal control

The audit committee oversees the entity's system of risk management and internal controls. Its responsibilities include, but are not limited to:

- providing oversight on significant risk exposures and control issues, including fraud risks, governance issues and other matters as necessary or requested by senior management and the accountable authority
- considering the impact of [department's/statutory authority's/council's](#) culture on risk management and internal controls
- annually reviewing the [department's/statutory authority's/council's](#) assurance map to ensure that risk and control activities are coordinated, communicated and managed effectively
- annually reviewing the [department's/statutory authority's/council's](#) risk management framework
- monitoring changes in government strategies, the economic and business environment and other trends and factors related to the [department/statutory authority/council's](#) risk profile. This includes meeting periodically with key management, internal auditors, the OAG, and compliance staff, to understand and discuss the impact of these changes or trends on the risk profile
- reviewing whether the [department/statutory authority/council](#) has an effective risk management framework, and, based on knowledge and understanding of the entity's risks, that material business risks are appropriately reflected in the risk profile and reported to the accountable authority
- reviewing and assessing the effectiveness of processes for identifying, managing, treating and mitigating the [department/statutory authority/council's](#) risks and ensuring that remaining risks align with the entity's risk appetite. The committee should prioritise risks involving:
 - significant business risks, including environmental and occupational health and safety risks
 - potential non-compliance with laws, regulations and standards
 - fraud and theft
 - litigation and claims.
- considering the adequacy and effectiveness of internal controls and the risk management framework by:
 - reviewing reports from management, internal audit, consultants, regulators and the OAG

- ensuring risk registers consider risks that may impact whether the entity will achieve its strategic objectives
- reviewing management's response to IT risks, including cyber risks
- monitoring management responses and ensuring timely correction actions are taken by management
- understanding the process of managing insurable risks and assessing whether the [department/statutory authority/council](#) has adequate insurance cover for these risks
- assessing the effectiveness of, and compliance with, the entity's code of conduct
- assessing whether management has controls in place for non-routine types of transactions and/or any potential transactions that might carry an unacceptable degree of risk
- enquiring with management and the OAG regarding their assessment of the risk of material misstatement in the financial report due to fraud
- enquiring with management, internal auditors and the OAG about whether they are aware of any actual, suspected or alleged fraud or corruption affecting the [department/statutory authority/council](#) including the entity's response to the matters
- reviewing the [department/statutory authority/council's](#) processes and systems to detect, capture and respond to fraud risks, including preventative measures
- reviewing the business continuity planning process and be assured that material risks are identified and appropriate business continuity plans, including disaster recovery plans, are in place.
- reviewing summary reports from management on all suspected, alleged and actual frauds, thefts and breaches of laws and ensuring these are reported to the accountable authority and/or relevant authorities
- reviewing summary reports from management on communication from external parties including regulators that indicate problems in the internal control system or inappropriate management actions
- liaising with other subcommittees on matters relating to risk management, fraud and internal control
- [\[for entities who use a shared service arrangement\]](#) reviewing comfort letters and other assurance reports regarding the effectiveness of controls managed by shared service providers on behalf of the entity.

Internal audit

The audit committee is responsible for guiding and overseeing the activities, resources and structure of the internal audit function. The audit committee's responsibilities include, but are not limited to:

- annually reviewing internal audit's mission, resources and budget and protecting internal audit's independence from management
- reviewing the internal audit structure, composition, skills and experience, service delivery model, independence and access to the [accountable authority/board of directors](#)

- advising the accountable authority on the appointment and replacement of the chief audit executive
- advising the accountable authority on the adequacy of internal audit resources or budget to perform the approved internal audit plan
- ensuring that the internal audit function, through the chief audit executive, has a direct reporting relationship with the audit committee and accountable authority (functional reporting relationship) and has access to all levels of management needed to perform their duties
- monitoring internal audit's participation in non-assurance roles to assess whether it impacts their independence or interferes with the delivery of the internal audit program
- assessing the internal audit plan to ensure that it comprehensively covers material business risks that may threaten the achievement of strategic objectives and allows internal audit to assess culture
- reviewing and recommending the approval of the internal audit plan and work program by the accountable authority
- communicating the audit committee's expectations to the chief audit executive in writing through the internal audit charter
- reviewing the internal audit charter annually for the accountable authority's approval
- reviewing the quality and timeliness of internal audit reports
- considering the implications of internal audit findings on the business, its risks and controls
- monitoring management's implementation of internal audit recommendations
- monitoring the progress of the internal audit plan and work program
- monitoring the quality of internal audit services delivered and compliance with the Institute of Internal Auditors' International Professional Practices Framework
- overseeing the coordination of planned activities between the 4 lines of defence
- reviewing the annual report from the chief audit executive or the internal audit service provider on the overall state of the [department/statutory authority/council's](#) internal controls
- ensuring that internal audit has complete and timely access to all accounts, information, documents and records of the entity as needed to effectively perform their duties. This also includes discussing whether management was cooperative and provided timely responses to internal audit requests
- meeting privately with the chief audit executive at least once per year.

Compliance and ethics

The audit committee oversees the [department/statutory authority/council's](#) processes to ensure compliance with relevant laws and regulations and for promoting a strong governance culture within the entity. This includes, but is not limited to:

- understanding the [department/statutory authority/council's](#) compliance framework including its obligations, the officers responsible for compliance activities and management oversight and review of these processes

- considering the impact of [department/statutory authority/council's](#) culture on compliance processes
- overseeing compliance by reviewing arrangements that monitor the impact of changes in key laws, regulations, internal policies and accounting standards affecting the [department/statutory authority/council's](#) operations
- reviewing management's investigation of non-compliance matters and obtaining assurance from management that appropriate follow-up action was taken
- obtaining updates from management on matters of compliance and ethical matters that may have material impact on the [department/statutory authority/council's](#) financial statements, strategy, operations, health and safety or reputation
- reviewing and monitoring related party transactions and conflicts of interest
- enquiring with management, internal audit and the OAG on their assessment of the compliance culture, the risk of non-compliance, or whether they have any knowledge of any actual, suspected or alleged non-compliance affecting the entity
- overseeing complaints management and whistleblowing policies to ensure that they are recorded and actioned effectively
- reviewing the [department's/statutory authority's/council's](#) processes for communicating, and assessing the effectiveness of, the entity's code of conduct
- meeting with management to discuss regulatory compliance matters the [department/statutory authority/council](#) has considered in the preparation of the financial statements, such as compliance with accounting standards.

Financial and performance reporting

The audit committee oversees the integrity of financial and performance reporting processes within the entity. The committee's responsibilities include:

- reviewing the financial statements and providing advice to the accountable authority about whether they should be signed by the accountable authority. The review includes assessing:
 - whether the financial statements are consistent with the knowledge of the audit committee members
 - whether the financial statements comply with [\[Insert the related legislative/regulatory reference\]](#)
 - whether the financial statements accurately reflects the entity's financial position and performance, and if not, whether additional disclosures are required
 - the appropriateness of accounting policies and disclosures, including changes to accounting policies
 - areas of significant judgement, estimation and significant or non-routine transactions
 - whether appropriate management action has been taken in response to any issues raised by the OAG, including financial statement adjustments or revised disclosures
 - the quality of the entity's processes for preparing the financial statements, including how management has checked that they comply with relevant requirements

- significant issues, errors or discrepancies in the draft financial statements and ensuring members understand the reasons why these occurred
- the representation letter to be provided to the OAG to confirm that the assertions, including any immaterial errors collated during the audit, are appropriate.
- acting as a forum for communication between management and the OAG
- reviewing the entity's process to ensure the financial information included in the annual report is consistent with the audited financial statements
- [For State government entities only] reviewing the entity's systems and procedures for assessing and reporting on the [department's/statutory authority's](#) performance through key performance indicators. This includes determining whether:
 - the key performance indicators are relevant and appropriate to assess the entity's performance and take into account guidance issued by the Department of Treasury
 - the [department/statutory authority](#) has sound processes and controls for measuring and reporting on key performance indicators in its annual report
 - the key performance indicators are consistent with the entity's financial information, including its financial statements, that it proposes to include in its annual report
 - there are reasonable disclosures to explain why there is a significant variation in performance.

External audit

The audit committee is responsible for communicating and liaising with the OAG. This includes understanding the results of financial and performance audits conducted within the entity and overseeing whether recommendations are implemented by management. The committee's responsibilities include, but are not limited to:

- meeting with the OAG to discuss the audit plan (audit entrance meeting) and the results of the financial audit (audit exit meeting)
- discussing with the OAG any significant resolved or unresolved disagreements with management
- monitoring and critiquing management's response to OAG findings and recommendations
- reviewing reports from the OAG including auditor's reports, closing reports and management letters
- reviewing all representation letters signed by management to assess whether the information appears complete and appropriate
- meeting with the OAG at least once per year without management presence. At this meeting, the committee will discuss matters relating to the conduct of the audit, including any difficulties encountered, restrictions on scope of activities or access to information, significant disagreements with management and adequacy of management responses
- reviewing performance audits conducted at the entity and ensuring that agreed recommendations are implemented
- monitoring the relationship between internal auditors and the OAG

- reviewing results of relevant OAG audit reports and better practice publications for guidance on good practices, including any self-assessment by management
- reviewing the form and content of the proposed auditor's report on the entity's financial and performance report. This may include any proposed modification, emphasis of matter, key audit matters, other matters and uncorrected misstatements in other information.

Other responsibilities

Perform other activities related to the role of this charter as requested by the accountable authority.

Administrative responsibilities

Meetings

The audit committee will meet at least 4 times a year or more frequently as necessary, depending on the size and complexity of the entity.

The Chair is required to call a meeting if asked to do so by the accountable authority. If a meeting is requested by another audit committee member, OAG or chief audit executive, the Chair will decide whether the meeting is necessary.

The Chair will oversee the planning and conduct of meetings including the approval of the agenda and draft minutes, and reporting to the accountable authority.

A quorum will consist of a majority of committee members. Where there is more than 1 external member on the audit committee, a quorum will include at least 1 external member. The quorum must be in place at all times during the meeting.

Secretariat

The accountable authority, in consultation with the audit committee, will formally appoint an officer to provide secretariat services to the committee. The secretariat will provide services as required by the audit committee that includes:

- preparing a meeting agenda for each meeting that is approved by the Chair
- circulating the meeting agenda and supporting papers at least 1 week before the meeting
- preparing minutes of the meetings and circulating them no later than 2 weeks after the meeting
- maintaining final meeting papers and minutes in accordance with the recordkeeping requirements of the [department/statutory authority/council](#).

Independence and conflicts of interest

The audit committee must be independent from management of the [department/statutory authority/council](#). Once a year, audit committee members will provide written declarations of any actual or perceived conflicts of interest to the accountable authority.

External members should consider past employment, consultancy arrangements and related party issues when making these declarations to the accountable authority. In consultation with the Chair, the accountable authority should be satisfied that there are sufficient processes in place to manage any actual, perceived or potential conflicts of interest.

At the start of each audit committee meeting, members are required to declare any personal interests that may apply to specific matters on the meeting agenda. The Chair, in consultation with the accountable authority where appropriate, is responsible for deciding if the members should excuse themselves from the meeting or from the audit committee's consideration of the relevant agenda item(s).

Details of any personal interests declared by the Chair and other audit committee members, and actions taken to manage the conflicts, should be appropriately recorded in the meeting minutes and the [department/statutory authority/council](#) register of conflicts of interest in accordance with its policy.

Audit committee performance assessment arrangements

The Chair of the audit committee, in consultation with the accountable authority, will review the performance of the audit committee annually, together with the annual review of this charter.

The review is performed using the approved assessment tool with appropriate input from the accountable authority, committee members, senior management, chief audit executive, and any other relevant stakeholders.

The Chair will provide advice to the accountable authority on the members' performance, particularly for external members, or members where an extension of tenure is being considered.

The Chair will always consider the costs and benefits of the activities that the audit committee performs.

Reporting

The audit committee will, as often as necessary, and at least once a year, report to the accountable authority on its operations and activities during the year and confirm to the accountable authority that all functions outlined in this charter have been satisfactorily addressed.

The audit committee may at any time, report to the accountable authority on any other matters it deems to be sufficiently important. In addition, any individual audit committee members may request a meeting with the accountable authority at any time.

Review of charter

The audit committee will ensure that this charter complies with relevant legislative and regulatory requirements and will propose amendments when necessary to ensure that it accurately reflects the committee's current role and responsibilities.

The audit committee will review this charter once a year and more frequently if required. The review will include consultation with the accountable authority. Any substantive changes to the charter will be recommended by the audit committee and formally approved by the accountable authority.

Endorsed:

Audit committee Chair

[Signature]

[Date]

Approved:

Accountable Authority

[Signature]

[Date]

Tool 2 Audit committee member induction checklist

This checklist includes a list of activities the Chief Audit Executive can use for inducting new audit committee members.

Source: OAG using information from the Institute of Internal Auditors Australia

Activity	Completed
Authority, composition and meetings	
Meet with all members of executive management.	
Read and understand the audit committee and internal audit charters.	
Read audit committee minutes for the last 3 years.	
External reporting	
Read and understand the entity's summary of significant accounting policies and significant judgements made in preparing the financial statements.	
Read and understand management's summary of processes for monitoring compliance with laws, regulations and other requirements.	
Read and understand the entity's processes for reporting to regulatory or oversight bodies (if any).	
Read and understand the entity's main corporate governance practices reported in its annual report for the last 3 years.	
Read the financial reports and any associated non-financial disclosures for the past 3 years.	
External audit	
Meet with the senior members of the OAG financial audit team.	
Read and understand the OAG's findings and recommendations, and management's response, for the last 3 years. This includes performance audits conducted at the entity.	
Internal audit	
Meet with the Chief Audit Executive (head of internal audit) and key audit team members (in-house, or outsourced firm partners and managers).	
Read and understand internal audit's mission, including its resources and budget structure.	
Read and understand the internal audit plan for the last 3 years.	
Understand the audit committee's expectations of the Chief Audit Executive.	
Read and understand all internal audit's findings and recommendations which remain unresolved.	

Activity	Completed
Read a sample of audit reports prepared by the internal audit area during the last 3 years.	
Read and understand the process the entity has in place for monitoring and assessing the effectiveness of the internal audit function.	
Read and understand the process for coordinating the planned activities of internal audit and the OAG, and risk and compliance management.	
System of internal control and risk management	
Meet with the Chief Risk Officer.	
Read and understand the risk management framework, assurance mapping and strategic plan.	
Meet with the Chief Information Officer to discuss information security processes and controls.	
Read and understand information related to the entity's identified tolerance for risk.	
Read and understand entity processes for identifying and managing material risks including business, financial, legal and compliance risks.	
Read summary reports from management on all suspected, alleged and actual frauds, thefts and material breaches of laws for the last 3 years.	
Compliance and ethics	
Read and understand the entity's processes for managing complaints and whistleblowing.	
Read significant issues, independent investigations and disciplinary action as reported to the accountable authority in the last 3 years.	
Attend a briefing or training on public sector probity and accountability requirements, including ethical considerations.	
Fraud	
Read and understand the entity's fraud prevention and detection framework and monitor suspected, alleged and actual instances of fraud.	
Read any instances of fraud reported during the last 3 years.	
Related-party transactions	
Read and understand processes for related-party transactions.	
Read related-party transaction reporting for the last 3 years.	
Governance framework	
Read and understand the governance framework and charter of the entity's other committees.	
Read and understand the organisational structure.	
Read and understand the entity's delegation schedule/register.	

Tool 3 Meeting preparation checklist

This checklist is to assist the secretariat in planning audit committee meetings. It's important to plan the date for each activity, working backwards from the meeting date, to ensure timely distribution of meeting papers to members and attendees.

Source: Australian National Audit Office

[Entity's name] Audit committee meeting

Meeting preparation checklist

Meeting Date: [insert date]

Audit Committee meeting	Planned Date	Completed Date
Members and observers' attendance confirmed.		
Room and required equipment booked (including 'members only' session).		
Chair and Chief Audit Executive discuss draft agenda based on committee work program and priority risks and issues		
Draft agenda circulated to Chair and members.		
Agenda confirmed with Chair		
Required papers collated. This includes, as appropriate:		
<ul style="list-style-type: none"> list of attendees and apologies 		
<ul style="list-style-type: none"> minutes of previous meeting for review and confirmation 		
<ul style="list-style-type: none"> updated audit committee action item list with the status of actions arising from the previous meeting minutes 		
<ul style="list-style-type: none"> relevant information/papers from management 		
<ul style="list-style-type: none"> reports from internal audit 		
<ul style="list-style-type: none"> status report on implementation of previous internal and external audit, consultant and regulator report recommendations 		
<ul style="list-style-type: none"> reports from the OAG 		
<ul style="list-style-type: none"> compliance audit return (for local government entities) 		
<ul style="list-style-type: none"> report from the Chief Executive Officer under Regulation 17 of the Local Government (Audit) Regulations 1996 (local government entities) 		
<ul style="list-style-type: none"> reports prepared under section 7.12A of the <i>Local Government Act 1995</i> (local government entities) 		
<ul style="list-style-type: none"> other papers/information as reflected in the audit committee annual work plan. 		
All papers marked with appropriate security classification.		

Audit Committee meeting	Planned Date	Completed Date
Agenda and papers distributed to members and attendees at least 7 days prior to meeting.		
Draft minutes prepared and circulated to members within 14 days of meeting.		
Revised minutes, reflecting changes made by committee members, sent out for final review.		

Tool 4 Meeting agenda template

This tool provides an example agenda for an audit committee meeting. The agenda should be based on the committee's annual work program, with flexibility for additional emerging risks and issues.

Source: OAG

[Entity's Letterhead]

[Entity's name] Audit Committee Meeting

[Date and time]

[Venue]

Attendees

Name	Role / Position
Committee members:	
1. [List attendees and apologies – include name, state if Chair or secretary and if external or internal member]	
Observers	
2. [List attendees and apologies – include name and position]	
Apologies	
3. [List attendees and apologies – include name and position]	

Agenda	Owner (Insert name)	Action (Noting, Discussion, Approval)
1. Welcome and apologies		
2. Confirmation of minutes		
3. Declaration of conflicts of interest by audit committee members and observers		
4. Issues brought forward from previous meeting		
5. Action items from previous meeting		
6. Reports to be tabled (refer to annual work plan) <ul style="list-style-type: none"> • Risk management • Internal control • Internal audit • Compliance • Financial reporting • Performance reporting • External audit 		

Agenda	Owner (Insert name)	Action (Noting, Discussion, Approval)
<ul style="list-style-type: none"> <li data-bbox="284 280 596 309">• [name other items]. 		
7. Status of recommendations from internal audit, OAG and consultant or regulator reports		
8. Review of audit committee charter (annual item)		
9. Assessment of audit committee performance (annual item)		
10. Review of annual work plan (to identify issues and prepare for next meeting)		
11. Other business		
12. Next meeting		
13. Meeting close		

Tool 5 Characteristics of effective meetings

This tool contains guidance on how to conduct an effective meeting. Audit committees can use this guidance to assess how well the meeting was run.

Source: OAG

Characteristics of an effective meeting include a combination of the following:

Pre-meeting

- the audit committee Chair discusses key issues with the chief audit executive and approves the agenda before it is issued and members agree on key discussion points for each agenda item at the beginning of each meeting ('starring' of key items)
- meeting papers are presented in an agreed form and provided to audit committee members at least 1 week prior to the meeting. Meeting papers may need to be distributed to members earlier when there are complex matters to be discussed or approved
- each member is briefed before each meeting by the audit committee secretariat on major issues
- agenda items clearly indicate what action is required from the audit committee members, such as discussion, noting, endorsement, approval, presentation. This ensures that audit committee members know what is required at the meeting
- the Chair and Chief Audit Executive meet before each meeting to discuss the agenda and any priority issues they wish to discuss with management.

Meeting

- the audit committee meets privately before each meeting to discuss issues without management and other observers present
- meetings facilitate open and robust discussions
- all members are responsible for effective meetings and raising continuous improvement opportunities to the Chair, when identified
- meetings are not used to edit documents received by the committee for approval or endorsement. Minor edits should be provided to the Secretariat before or after the meeting
- at the start of each meeting, members declare any actual, potential or perceived conflicts of interest that they have with any agenda item
- any private meetings (i.e. with internal auditors or the OAG) should be held at the start or end of the meeting
- all audit committee members have read, and engaged with the meeting papers prior to the meeting
- important or contentious agenda items are first on the agenda to ensure that they are addressed in the meeting
- members reflect on what went well, or what needs improvement.

Tool 6 Annual work plan template

The following tool is an example of an annual work plan for audit committees to help schedule activities across the year. A minimum of four meetings per annum is recommended, often with a fifth focussed meeting for the financial statements.

Source: OAG using information from the Australian National Audit Office

[Entity Name] Audit Committee Annual Work Plan 202X- 202X⁷,

Functions, responsibilities and associated activities	Mar	Jun	Aug	Sept	Dec
1. Governance arrangements					
If required by the accountable authority, review the entity's governance arrangements or elements of the arrangements and suggest improvements where appropriate.		X			
Ensure that appropriate mechanisms are in place to review and implement relevant parliamentary committee reports, external reviews and evaluations of the entity, and recommendations arising from these reports and reviews.	X				
2. Risk management					
Review the risk management framework, risk register and fraud and corruption control plans to see that the risks represent and address the current environment and strategic direction of the entity, and meet legislative compliance and better practice principles.	X				
Consider the findings of the entity's occupational work health and safety reviews and enquire of management the arrangements to address these.				X	
Consider emerging risks and current issues arising from major projects.	X	X		X	X
Determine whether the entity has a sound and effective approach for business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically reviewed and tested.					X
Review reports on fraud that outline any identified allegations of fraud, the status of any ongoing investigations and any changes to identified fraud risk.	X	X	X	X	X

⁷ The marking of 'X' is an example only.

Functions, responsibilities and associated activities	Mar	Jun	Aug	Sept	Dec
3. System of internal control					
Review management's approach to maintaining an effective system of internal control. This should include internal controls in relation to functions performed by external parties such as shared services providers, contractors and advisers.	X				
Obtain management assurances on the adequacy of internal controls and compliance by staff.		X			
Review advice from work areas e.g. human resources, finance and information technology on incidents where there was a breakdown in internal controls. Consider standing reports from CFO, CIO and HR on key risks, issues and incidents at each meeting except the financial statement meeting.	X				X
Consider how findings in internal audit and OAG audit reports impact on the entity's internal controls.		X	X		
Satisfy itself that management periodically assesses the adequacy of information security arrangements.		X			
Review whether appropriate policies and procedures are in place for the management and exercise of delegations.		X			
Review the assurance map.	X				X
Review whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.	X				
4. Compliance and ethics					
Review the effectiveness of processes to monitor compliance with relevant laws and regulations.	X				X
5. Internal audit					
Review the proposed internal audit plan for the next financial year, ensuring the coverage is aligned with key risks and recommend approval of the internal audit plan by the accountable authority.		X			
Review progress of the internal audit plan.	X	X		X	X
Review internal audit reports and provide advice to the accountable authority on significant issues identified and actions required.	X	X	X	X	X
Review the implementation status of internal audit recommendations.	X	X	X	X	X

Functions, responsibilities and associated activities	Mar	Jun	Aug	Sept	Dec
Review the <i>Internal Audit Charter</i> to ensure appropriate authority, access and reporting arrangements are in place.	X				
Review the performance of internal audit.				X	
Advise the accountable authority on the adequacy of internal audit resources and budget to carry out responsibilities, including completion of the audit work plan.	X				
Meet privately with the Chief Audit Executive.	X				
Provide advice to the accountable authority on the appointment of internal audit service providers (if applicable).		X			
6. Financial reporting					
Receive advice on changes in accounting standards, legislation, and regulations.	X	X		X	X
Review progress in preparing the financial statements against the preparation plan/timetable.	X	X			
Review briefing from management on significant emerging issues, judgements and estimates impacting the financial statements. Review accounting policy papers on key matters prior to management's provision to OAG.		X			X
Review financial management reports, where required.	X		X		X
Review of financial statements including:			X		
<ul style="list-style-type: none"> consistency with members' understanding and knowledge of the entity 			X		
<ul style="list-style-type: none"> review compliance with accounting standards, <i>Financial Management Act 2006</i>, <i>Treasurer's Instructions</i>, <i>Local Government Act 1995</i> and relevant regulations 			X		
<ul style="list-style-type: none"> review the appropriateness of accounting policies including any significant changes in policies 			X		
<ul style="list-style-type: none"> review areas subject to significant judgement and/or estimates 			X		
<ul style="list-style-type: none"> review significant or non-routine transactions 			X		
<ul style="list-style-type: none"> review the CFO certification in relation to the quality of the financial statements, internal controls and compliance (State government entities) 			X		

Functions, responsibilities and associated activities	Mar	Jun	Aug	Sept	Dec
<ul style="list-style-type: none"> review draft management representation letter 			X		
<ul style="list-style-type: none"> review whether management has addressed issues raised by the OAG including financial statement adjustments or revised disclosures 	X	X	X	X	X
<ul style="list-style-type: none"> discuss the adequacy of the entity's accounting policies and quality of processes for preparing the financial statements with the OAG 			X		
<ul style="list-style-type: none"> draft the advice to the accountable authority recommending the signing of the financial statements and management representation letter. 			X		
Discuss lessons learned from the current year financial statement process and the proposed strategy and timetable for next year.					X
Review the processes for ensuring that financial information included in the annual report is consistent with the audited financial statements.			X		
7. Performance reporting (mainly State government entities)					
Review systems and procedures for developing, measuring and reporting the entity's key performance indicators.		X	X		
Review the key performance indicator results and associated disclosures to ensure they are reasonable, clearly disclosed and consistent with financial and other information about the entity's performance.			X		
Review whether key performance indicators are consistent with members' understanding and knowledge of the entity.					
Ensure that there are adequate documentation and records to support the measurement of key performance indicators.		X	X		
8. External audit (OAG)					
Discuss OAG audit planning summary for financial audits.	X				
Receive OAG updates on issues arising from financial or performance audits.	X	X	X	X	X
Review the OAG interim management letter for the financial audit and assess the appropriateness of management's responses to recommendations.			X		
Discuss OAG exit brief and final management letter for				X	

Functions, responsibilities and associated activities	Mar	Jun	Aug	Sept	Dec
the financial audit and assess the appropriateness of management's responses to recommendations.					
Review the status of implementation of OAG financial and performance audit recommendations.	X	X	X	X	X
Review form and content of the OAG draft audit report.			X		
Satisfy itself that the appropriate mechanisms are in place to review and implement, where appropriate, issues raised in OAG better practice guides and performance audits of other State and local government entities.	X				
Meet annually with OAG without management present.				X	
9. Committee operations					
Provide a report to the accountable authority on audit committee operations and activities.					X
Conduct an assessment of the performance of the audit committee and ensure that the committee complies with its charter.					X
Agree on the annual work plan; and set priority areas for the coming year.	X				
Review the audit committee charter and recommend any substantive changes to the accountable authority.	X				

Tool 7 Audit recommendations progress report template

This template is designed to assist audit committees with monitoring the implementation of recommendations from the OAG, internal audit and external reviews, including consultant and regulator reports. Audit committees should review this report at every audit committee meeting.

Source: OAG

(Name of Entity)

Objective

This report is to provide the audit committee with an update on the progress of actions taken by management to implement audit recommendations. The information is to help the audit committee monitor the timeliness of agreed actions and understand the reasons for any delay.

Source and year (Internal audit/ the OAG / other external reviewer's name)	Report date	Recommendation [record details]	Risk rating	Manager responsible	Original completion date	Revised completion date	Status	Management Comments on action taken

Tool 8 Review of OAG audit reports template

Entities can use the following template to capture information from OAG published audit reports to help self-assess their performance.

Source: OAG

Objective

This table is to inform the audit committee about audit recommendations from the OAG audits that may be relevant and beneficial for the entity to help identify risks and improvement opportunities.

Name of the audit report (include link to the report)	Finding or recommendation	Impact to the entity (describe if this applies to your entity)	Entity's existing policy, framework, procedures that manage the related risk	Action taken (describe the action taken by the entity or if no action required, provide justification)

Auditor General's reports

Report number	2019-20 reports	Date tabled
25	WA's Transition to the NDIS	18 June 2020
24	Opinion on Ministerial Notification	16 June 2020
23	Opinion on Ministerial Notification	29 May 2020
22	Regulation of Asbestos Removal	21 May 2020
21	Audit Results Report – Annual 2019 Financial Audits	12 May 2020
20	Local Government Contract Extensions and Variations and Ministerial Notice Not Required	4 May 2020
19	Control of Monies Held for Specific Purposes	30 April 2020
18	Information Systems Audit Report 2020 – State Government Entities	6 April 2020
17	Controls Over Purchasing Cards	27 March 2020
16	Audit Results Report – Annual 2018-19 Financial Audit of Local Government Entities	11 March 2020
15	Opinion on Ministerial Notification	28 February 2020
14	Opinion on Ministerial Notification	31 January 2020
13	Fee-setting by the Department of Primary Industries and Regional Development and Western Australia Police Force	4 December 2019
12	Audit Results Report – Annual 2018-19 Financial Audits of State Government Entities	14 November 2019
11	Opinion on Ministerial Notification	30 October 2019
10	Working with Children Checks – Follow-up	23 October 2019
9	An Analysis of the Department of Health's Data Relating to State-Managed Adult Mental Health Services from 2013 to 2017	9 October 2019
8	Opinions on Ministerial Notifications	8 October 2019
7	Opinion on Ministerial Notification	26 September 2019
6	Opinions on Ministerial Notifications	18 September 2019
5	Fraud Prevention in Local Government	15 August 2019

Report number	2019-20 reports	Date tabled
4	Access to State-Managed Adult Mental Health Services	14 August 2019
3	Delivering Western Australia's Ambulance Services – Follow-up Audit	31 July 2019
2	Opinion on Ministerial Notification	26 July 2019
1	Opinions on Ministerial Notifications	19 July 2019

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 Office of the Auditor General for
Western Australia

8.2 Internal Audit Actions Log

Committee	31 August 2020
Applicant	City of Nedlands
Employee Disclosure under section 5.70 Local Government Act 1995	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).
Director	Lorraine Driscoll – Director Corporate & Strategy
Attachments	1. Internal Audit Actions Log - Archive 2. Internal Audit Actions Log - Main
Confidential Attachments	Nil.

Executive Summary

The attached Internal Audit Actions Log contains details of the matters raised by the Auditors during the City's Internal Audit program. The list apportions information detailing the Log Reference, Dates – Open, Due and Closed, Business, Audit Status, Name and Action, Owner, Original and Revised Due Dates, Action, Owner and Status Comments.

The recently updated internal audit Actions Log is presented to the Audit and Risk Committee for their information.

Recommendation to Committee

The Audit and Risk Committee receives the internal audit Actions Log.

Discussion/Overview

An audit is a process through which internal control effectiveness is examined and assessed. The objective is to provide an audit for compliance with relevant management policies and procedures. Each internal audit undertaken results in actions being recommended to the City's Administration. These actions are monitored for completion using the internal audit Actions Log.

The attached list contains details of the Actions raised and outcome.

The recently updated internal audit Actions Log is presented to the Audit and Risk Committee for their information. We have recently updated the log to a more optimise process. All past iteams are under the Archive tab. The log will be managed on one page which is the Main sheet of the register.

Key Relevant Previous Council Decisions:

Nil

Consultation

Nil.

Strategic Implications

There are no implications to our strategy. It improve the identification and management of both audit items and potential risk.

Who benefits?

All will benefit from a more streamline method of capture and simpler method of filtering closed and open items. Better alignment of the ID's as new items is just added to the list.

Does it involve a tolerable risk?

Yes. Using filters as appose to cut and paste this will reduce the level of risk for misidentification and doubling up on reference ID.

Budget/Financial Implications

Nil.

Any actions requiring expenditure that is not allocated to an existing budget will be considered by Council during budget deliberations.

CLOSED AUDIT ITEMS

Item ID	Log Reference	Audit	Audit Action	Original Due Date	Revised Date	Action Owner	Completed - pending	Status Comments	Validation comments
	2015Dec	Purchasing Card and Credit Card Control Assessment	Include Card Cancellation process in the procedure (5) Add card cancellation process to credit card procedure.	Dec-16	Sep-18		Closed	Jan19: Validated via Accounts Payable & Purchasing audit Nov18: Card cancellation process has been included in the procedure. Control validated during Accounts Payable and Purchasing audit	N/A
	2015Dec	Purchasing Card and Credit Card Control Assessment	Formalise credit card financial delegations and update procedure (5) A delegation process for use of credit cards belonging to a different card holder to be investigated and implemented.	Dec-16	Dec-18		Closed	Jan19: Validated via Accounts Payable & Purchasing audit Nov 18: Recommendation of replacing a delegation process with a control whereby an application by the card user and approval by the cardholder for each transaction.	N/A
	2015Dec	Project Management	Project Management Information (3.4.1) Develop a standard practice policy for storing project file folders and applying version control over key documentation.	Nov-15	Apr-18		Closed	Jan19: Validation requires passage of time and review of internal practices in following standard. Nov18: This solution became available in December 2017.	Validated August 2020.
2	2015Dec	IT General Controls	Backup and restoration testing (4.1) Review the tapes backup process and determine if this process is still necessary due to the online replication of data.	Dec-15	Mar-19	Director Corporate & Strategy	Closed	Feb19: Tapes back-up process is no longer relevant due to the City's online replication of data. Nov18: Backup and recovery processes are being reviewed and will be tested in line with the Business Continuity requirements.	N/A
4	2015Dec	IT General Controls	Change Management Procedures (4.2) Develop change request form with sign-off when changes are made to IT infrastructure, systems and applications.	Dec-15	Dec-18	Director Corporate & Strategy	Closed	Feb19: Documented has been approved and implemented. Nov18: This policy has been developed and is awaiting approval by the Executive.	Reviewed during IT Policy review
6	2016Nov	Control Self-Assessments	Accounts Receivable Policy and Procedures (1) Develop Accounts Receivable policy and update current procedures.	Jul-18	Dec-18	Manager Financial Services	Closed	Feb 19: The policy has been created and approved by the Director Corporate & Strategy and pending EMT approval. Procedures have been updated. Nov18: The drafted policy is awaiting review by the Governance Officer	Will be reviewed during planned Revenue Audit.
9	2017Nov	Payroll Review	Improve leave processing process (pt 4) Fix the rejected system leave requests to enable accurate updates.	Late 2018	N/A	Manager Financial Services	Closed	Jun19: This has been fixed.	Validated during Payroll Audit July 2020.
12	2017Dec	Financial Applications Control	Improve application security management (pt 3) Authority (Civica) password policies be implemented with access managed, monitored and reviewed to ensure only authorised individuals are granted access based on business needs.	Jun-18	Dec-18	Director Corporate & Strategy	Closed	Feb19: Access to Authority is only granted to staff based on application approved by divisional and HR manager and for other individuals is approved by divisional manager. Authority Password policies are defined by Active Directory policies which enforce Complex passwords. Authorised users are only those that have an active Active Directory account along with a request for specific access from their manager. Once a user leaves the organisation, full access is removed. Nov18: Project review and update responsibilities in authority under way. Security levels are in scope of this project.	Access is granted at the active directory domain level . If staff are removed from active directory, access privileges at the application (Authority level) are also blocked.

CLOSED AUDIT ITEMS

16	2019Jan	Accounts Payable and Purchasing	Purchasing Policy (pt 2.1) Form of quotation to be included in Policy for Council approval. Suggested wording, "verbal and written quotations to include name of person and name of firm providing quotation, contact details pricing including GST, scope of works / details.	Apr-19	Manager Financial Services	Closed	Jun 19: The audit action has been completed and the Council Purchasing of Goods and Services Policy has been updated to incorporate the Audit Recommendations. Futher, the Policy has been approved by the EMT and will be presented to Council for approval in June 19 OCM.	Validated
17	2019Jan	Accounts Payable and Purchasing	Purchasing Policy (pt 2.2) Consider adjusting the thresholds to enable minor purchases to require verbal quotation (i.e. up to \$1k) with at least two written quotations if greater than \$5k and more stringent requirements for purchases greater than \$40k.	Mar-19	Director Corporate & Strategy	Closed	Jun 19: The audit action has been completed and the Council Purchasing of Goods and Services Policy has been updated to incorporate the Audit Recommendations. Futher, the Policy has been approved by the EMT and will be presented to Council for approval in June 19 OCM. Feb19:The City will take this recommendation under consideration and assess the impact upon operational efficiencies vs risk - will liaise with Audit team.	Validated
18	2019Jan	Accounts Payable and Purchasing	Purchasing Policy (pt 2.3) Policy to include criteria and requirements for approval as sole source supplier.	Apr-19	Manager Financial Services	Closed	Jun 19: The audit action has been completed and the Council Purchasing of Goods and Services Policy has been updated to incorporate the Audit Recommendations. Futher, the Policy has been approved by the EMT and will be presented to Council for approval in June 19 OCM.	Management will develop procedure for documentation and approval of when sole source suppliers are used.
19	2019Jan	Accounts Payable and Purchasing	Purchasing Policy - Contract Variations (pt 3.1) Include policy requirements around contract variations within the Purchasing Policy for Council approval.	Apr-19	Manager Financial Services	Closed	Jun 19: The audit action has been completed and the Council Purchasing of Goods and Services Policy has been updated to incorporate the Audit Recommendations. Futher, the Policy has been approved by the EMT and will be presented to Council for approval in June 19 OCM.	Validated
22	2019Jan	Accounts Payable and Purchasing	Delegations of Authority - Award of Tender (pt 4) Align wording re: delegations of authority to ensure consistency through all formal documentation.	Apr-19	Manager Financial Services	Closed	Jun 19: The audit action has been exected and the Council Purchasing of Goods and Services Policy has been updated to incorporate the Audit Recommendations. Futher, the Citys Purchasing Procedure Manual and the Register of Delegations will be amended once the Policy is approved.	Validated
29	2019Jan	Accounts Payable and Purchasing	Conflict of Interest Acknowledgement (pt 9) Develop a separate form for panel members to sign prior to receipt of the tender documentation.	Feb-19	Manager Financial Services	Completed - pending validation	Feb19: Completed and implemented	Pls send form for validation.
31	2019Jan	Accounts Payable and Purchasing	Access to ABA File (pt 11) Restrict access to the ABA file to only those that required.	Jan-19	Manager Financial Services	Closed	Feb19: Completed and implemented	Validated during Payroll Audit July 2020.
32	2019Jan	Accounts Payable and Purchasing	Vendor Masterfile Creation/Updates (pt 12) New/changes to supplier details should be checked after input into Authority.	Feb-19	Manager Financial Services	Closed	Feb19: Completed and implemented	Validated Aug 2020

CLOSED AUDIT ITEMS									
7	2016Nov	Control Self-Assessments -Accounts Receivable	Excessive Number of Users with Access to Accounts Receivable Modules (pt 3) Review current user access and allocate relevant and appropriate access for staff based on roles and responsibilities.	Dec-18	Dec-18 Apr-19 Jul-19	Director Corporate & Strategy	Closed	Sept19: The matter has been addressed and the City wide User access to the Accounts Receivable Module has been reviewed and updated based on roles and responsibilities.	Will be reviewed during planned Revenue Audit.
10	2017Dec	Financial Applications Control	Improve application governance and management (1) Develop policies and procedures to support the management and governance of the authority application e.g. information security, data management, IT asset management, IT risk management and change management.	Jun-18	Aug-18 Aug-19 Dec -19	Director Corporate & Strategy	Closed	Feb19: IT Policies have been reviewed and developed as required.	Further actions have been reported in the IT Policy Audit.
11	2017Dec	Financial Applications Control	Improve application contract management (pt 2) Authority (Civica) service level agreement is out of date and does not include any reference to confidentiality or security requirements.	Jun-18	Mar-19 Aug-19	Director Corporate & Strategy	Closed	Sept19: The matter has been addressed with Clvia and no further action is required based on the comments provided in June 2019	Closed Aug19 reporting; to be formally addressed following outcome of ERP decision
14	2017Dec	Financial Applications Control	Improve application controls (pt 5) Implement data verification and input controls to Authority system, with automated transactional calculations and reconciliation where possible.	Jun-18	Jun-19 Dec-19	Director Corporate & Strategy	Closed	Jun 19: The City is still negotiating with CIVICA and will try to address the recommendation with them.	Closed Aug19 reporting; to be formally addressed following outcome of ERP decision
15	2019Jan	Accounts Payable and Purchasing	Procurement Role (pt 1) Consider changes to the roles and responsibilities of the Purchasing and Tenders Co-ordinator: -Reporting line to Corporate & Strategy -Responsibility for co-ordination of all tenders.	Dec-19		Director Corporate & Strategy	Closed	Oct19: Roles & Responsibilities have been updated and reporting lines changed.	Actioned Oct19
23	2019Jan	Accounts Payable and Purchasing	Purchasing Policy - Anti Avoidance (pt 5.1) Develop monitoring controls re: supplier spend for potential breach of the \$150k threshold at least once a year.	Feb-19	Sep-19	Manager Financial Services	Closed	Nov19: reports have been developed.	Sighted evidence.
24	2019Jan	Accounts Payable and Purchasing	Purchasing Policy - Anti Avoidance (pt 5.2) Conduct spend analysis: • current spend by category; • to identify opportunities to achieve cost savings; • review length of existing contracts by service type to determine most appropriate duration upon renewal etc.	Jul-19	Sep-19	Manager Financial Services	Closed	Nov19: reports have been developed.	Sighted evidence.
25	2019Jan	Accounts Payable and Purchasing	Purchasing Policy - Quotations (pt 6.1) Provide City wide training for staff re: market testing and evaluation of tenders.	May-19	Sep-19	Manager Financial Services	Closed	Oct19: Training has been conducted.	Training June 25/26 2019.
26	2019Jan	Accounts Payable and Purchasing	Purchasing Policy - Quotations (pt 6.2) Develop procedures for the checks to be performed by officers when approving POs.	Mar-19	Sep-19	Manager Financial Services	Closed	Oct19: Training has been conducted.	Sighted training material.
30	2019Jan	Accounts Payable and Purchasing	Segregation of Duties - Finance System Access Privileges (pt 10) Conduct a full review of all staff with Authority access.	Jun-19	Sep-19	Director Corporate & Strategy	Closed	Sept19: The matter has been addressed and the City wide User access to the Authority System has been reviewed and updated based on roles and responsibilities.	Full review has been conducted. New issue raised regarding review of Payroll access by HR staff.
33	2019Jan	Accounts Payable and Purchasing	Technical Check - Supplier Invoices (pt 13) Formal handovers should be conducted for new contract owners.	Apr-19	Sep-19	Director Corporate & Strategy	Closed	Oct19: Handovers by departing employees are not part of the Exit checklist.	Sighted new checklist.
28	2019Jan	Accounts Payable and Purchasing	Tender Process - Assessment for Financial Capability (pt 8) Develop and implement risk-based matrix to evaluate the potential supplier for financial capability.	Jun-19	Sep-19	Manager Financial Services	Closed	Oct19: Risk matrix being used to determine extent of due diligence for evaluation of financial capability of suppliers. Financial assessment is being performed by Finance Manager.	Sighted improved process for evaluation of suppliers for supplier strength.

CLOSED AUDIT ITEMS

20	2019Jan	Accounts Payable and Purchasing	Purchasing Policy - Contract Variations (pt 3.2) Provide staff training to 'contract owners' to ensure they are aware of the requirements around contract variations.	Apr-19	Oct-19	Manager Financial Services	Closed	Oct19: Training has been conducted.	Sighted email to staff.
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Audit Register 2020/21

ID	Date			Business	Status	Name	Audit	Owner	Status Comments
	Open	Due	Closed						Status Comments
1	Dec-15	Oct-20		Business System	Work in progres	Business Continuity Managem	Formalisation of IT Strategic Plan (3.3.1) Due to changes to IT infrastructure, development of IT Strategic Plan is crucial to ensure business strategy and IT decisions are evaluated in alignment.	Manager Business Syste	3Aug20: Both strategy and presentation have been drafted and await executive endorsement. Jun20: Manager Business Systems is going to develop a Digital Stategy by Aug 2020 which will address the matters raised here. Further, a strategic plan will be developed by Oct 2020. Sept19: The IT Strategic Plan will be developed once all recommendations made in Final IT Audit Report has been addressed and the relevant policies, procedures and plans have been created. Feb19: All policy, procedures and plans will be developed and adopted in line with the final IT audit report to ensure all recommendations are included. Nov18: IT Strategic Plan to be formulated following development of corporate strategy.
2	Dec-15	Oct-20		Business System	Work in progres	IT General Controls	Formalisation of IT Strategic Plan (3.3.1) Due to changes to IT infrastructure, development of IT Strategic Plan is crucial to ensure business strategy and IT decisions are evaluated in alignment.	Manager Business Syste	3Aug20: Both strategy and presentation have been drafted and await executive endorsement. Jun20: Manager Business Systems is going to develop a Digital Stategy by Aug 2020 which will address the matters raised here. Further, a strategic plan will be developed by Oct 2020. Sept19: The IT Strategic Plan will be developed once all recommendations made in Final IT Audit Report has been addressed and the relevant policies, procedures and plans have been created. Feb19: All policy, procedures and plans will be developed and adopted in line with the final IT audit report to ensure all recommendations are included. Nov18: IT Strategic Plan to be formulated following development of corporate strategy.
3	Dec-16	May-20		Finance	Work in progres	Control Self-Assessments	Fraud Management Policy and Procedures (1) Create a formal fraud management policy and procedure based on relevant industry standards.	Manager Financial Servi	18Aug20: No change; awaiting approval Jun20: Fraud and Corruption Policy and Fraud and Corruption Investigation and Reporting Procedure have been established. These documents are awaiting for EMT review and approval. Sept19: The City was audited by OAG as a part of their Performance Audit - Fraud Management Prevention in Local Government. Based on the outcome of the audit, the City is progressing to complete the full documentation of the Fraud & Corruption Framework and Relevant Policies & Procedures consistent with the OAG's findings and requirements. Feb 19: The policy has been reviewed by the Governance Officer. We are now progressing to complete the full documentation of the Fraud & Corruption Framework and Procedures consistent with the OAG's approach and requirements under their current audit. Nov18: The drafted policy is awaiting review by the Governance Officer
4	Nov-17	Jul-20		Finance	Work in progres	Payroll Review	Review, update and implement documented payroll policy and procedures (pt 3) Develop and document the Payroll Policy and update procdures to include: -Changes to payroll data -Tax file number declarations -Termination payments -Fortnightly payroll processing -Terminating employees payroll processing -Payroll month end reporting.	Manager Financial Servi	18Aug20: The audit actions are still outstanding. This is being raised again in the current Payroll Audit which has just been completed. Jun20: The Payroll Policy awaiting for the EMT review and approval. Once approved, the policy will be implemented. Feb20: Combined Payroll Policy and Procedure was presented to EMT for the approval. However, the recommendation was made to create a separate Policy and Porcedural document. Accordingly, a sperate Payroll Policy has been created and is awaiting for the EMT review and approval. Nov19: Payroll policy and procedures have been combined in a procedural document with the new legislation requirements incorporated and awaiting EMT approval. Sept19: Procedural document was finalised and was awaiting for the adoption. However, due to implementation of new Legislation the procedures needs to be amended and updated. Further, few relevant improved processes will be added to implement new Legislation requirements.
5	Jan-19	Oct-20		Finance	Work in progres	Accounts Payable and Purchas	Purchasing Policy - Contract Variations (pt 3.3) Develop monitoring controls to ensure that deviations to the guidelines around contract variations are detected and mitigated.	Manager Business Syste	3Aug20: - Currently in progress Jun20: The Procurement Coordinator is in the process of reviewing the exisiting controls and update them to enhance the monitoring process around contract variations. Feb20: The City is in the process of recruiting Purchasing and Tenders Coordinator. Existing Monitoring controls will be reviewed, finalised and managed by the appointed Purchasing and Tenders Coordinator. Nov19: Monitoring controls to detect contract varaiations will be managed via exception reporting. Currently, the reporting is being developed. Jun19: The Purchasing of Goods and Services Policy has been updated with the contract variations clauses. The monitoring controls will be updated as part of the purchasing procedures and process which will be rolled out once the policy is approved by the Council.
6	Jan-19	Oct-20	Aug-24	Business System	Closed	Accounts Payable and Purchas	Tender Process - Risk Assessment (pt 7) Develop a risk assessment process to identify potential risks as part of tender process.	Manager Business Syste	3Aug20: - This has been completed. Will send evidence to Internal Auditor to close out item. Jun20: The Procurement Coordinator is in the process of developing Risk Assessment Process. Once developed the Risk Assessment Porcess along with relevant documents will be approved and roll out within the City. Feb20: The City is in the process of recuriting Purchasing and Tenders Coordinator. The Risk Assessment process will be developed and mainted by the appointed Purchasing and Tenders Coordinator. Nov19: The Risk Assessment process was going to be developed by Purchasing and Tenders Coordinator. The Purchasing and Tenders Coordinator has resigned from the City and the development of the Risk Assessment process will be completed by the replacement officer. Jun19: To be completed after approval of policy by Council as part of the updated procedures and processes.

7	Jun-19	Oct-31	Business System/Work in progres IT Policy review	Develop Privacy Policy and also policy to cover Data Breach Notifications (4.2.1)	Manager Business Syste	<p>3Aug20: Currently work in progress.</p> <p>Jun20: The IT Department is in the process of creating Privacy Policy and to test it. Once developed and tested, the policy will be approved and implemented.</p>
8	Jun-19	Oct-20	Business System/Work in progres IT Policy review	Item #1 Review and update BCP. Carry out testing of the BCP to assess for appropriateness.	Manager Business Syste	<p>3Aug20- Remaining action is to carry out testing by re-creating a complete shutdown. The BCP has now been reviewed and the current BCP has been updated. A series of two workshop and a complete re-write will commence offer that workshop.</p> <p>Jun20: The review has been conducted by the Internal Auditors on Business Continuity Management Area as part of 2nd year Internal Audit Function. The review process is in progress but the BCP document has been updated to incorporate certain recommendations made as a part of Internal Audit Review. Once, the review is completed and the Final recommendations are received, the BCP document will be finalised and the testing will be conducted.</p>
9	Jun-19	Aug-31	Business System/Work in progres IT Policy review	Item #2 To consider update of the Business Information Systems document covering critical functions to increase effectiveness and usability of the document as per suggestions outlined in report.	Manager Business Syste	<p>3Aug20: An entire suite of policies, procedures and governance have been developed and now awaiting validation.</p>
10	Jun-19	Aug-31	Business System/Work in progres IT Policy review	Item #6 Update Business Systems and Applications - System Application Change Management to ensure greater clarity around protocols for changes made by third parties.	Manager Business Syste	<p>3Aug20: The adoption of ITIL Service Management has been designed to use within our Service Desk Solution (JIRA). Once new workflow has been tested it will be adopted. The existing system will manage existing requests and close that interface. All new requests will be managed via the ITIL Service desk version which will manage Request, Incidence, Problems, Change, Release Management.</p>
11	Jun-19	Oct-20	Business System/Work in progres IT Policy review	Item #16 Change Control form - to update form to provide greater clarity around Go/No Go decision.	Manager Business Syste	<p>3Aug20: IT Governance Framework has been defined and is currently waiting on EMT endorsement</p> <p>Jun20: The IT Department is in the process of changing form. Once updated the form will be approved and implemented.</p>

8.3 Business Continuity Planning

Committee	24 August 2020
Applicant	City of Nedlands
Employee Disclosure under section 5.70 Local Government Act 1995	Nil.
Director	Lorraine Driscoll – Director Corporate & Strategy
Attachments	1. Incident Management and Business Continuity Response Plan V 69.
Confidential Attachments	1. City of Nedlands Business Continuity Plan Review – Final 16 March 2020 Amended.

Executive Summary

The objective of this report is to deliver the Risk and Audit Committee with background information on city's Business Continuity Plan, and to emphasize any risks.

Recommendation to Committee

Council approves training and development of the Business Continuity Plan, as per the below:

- 1. MARSH facilitate key staff workshop (3rd and 4th September 2020) to develop a fresh Business Continuity Plan (BCP);**
- 2. Develop a Business Impact Analysis information;**
- 3. Test and comply BCP/DRP in 20/21 Financial Year; and**
- 4. Address other criteria identified in the Business Continuity Plan (BCP) review report.**

Discussion/Overview

Our Business Continuity Plan (BCP) is out of date. City's last BCP training and review was completed in 2015. Since then city has gone through major changes including staff roles and positions, systems and technology, processor, and security and faced with natural/man-made disasters. Those changes have affected and challenged the business continuity in various ways.

In mid-2018 Moore Stephens (WA) Pty Ltd was engaged to conduct an independent strategic internal audit plan on the city's operations. This is to be complete over a three-year period. Audit included of reviewing the BCP/DRP, Business Impact Analysis and IT Policies (completed May 2019). This audit was performed to understand the city's preparedness for BCP and DRP beyond IT operations.

City agreed audit scope is as below:

- Identification of Critical Business Functions and Risks
- Incident Response protocols
- Data backup & Restoration procedures
- BCP and DRP testing results

Moore & Stephens BCP/DRP review challengers are categorised under:

- Data backup policies, schedules, and execution
- Data restore testing policies, schedules, and results
- Disaster Recovery Plan and execution review and
- Business Continuity Plan review

The above areas were selected and prioritised based on high level risk assessments of the City's key activities and strategic objective, organisational changes affecting on systems and processors and prior audit results. Audit and Risk Committee has been presented with the final report - issues raised vs proposed recommendations, management comments and city completed actions to date.

Summary of opportunities:

- A comprehensive testing of the BCP and DRP has not been conducted since 2015, incorporating the recovery of data and systems from losing the production systems environment (NextDC). Therefore, a full test needs to be carried out to validate the plan will work in the event of a catastrophic incident involving the loss of data and production environments.
- Our BCP does not contain up to date information nor identification of critical systems for recovery purpose in the event of an incident.
- BCP with missing information such as manual workarounds for Critical Business Functions. The information should be in sufficient detail to enable reperformance within tight timeframes.

- DRP should inform support the BCP regarding anticipated times to recovery under different scenarios.
- Critical Business Functions and dependencies are not aligned between the BCP and DRP to ensure details as to what, where and when systems access is necessary are included.
- Evaluate our Critical Business Functions with the Business/Community Impacts and costs of restoration of services in timeframes which may not be necessary (and manual workarounds – if any).

History related to the BCP/DRP, a review was completed in 2015 by BDO Audit (WA) Pty Ltd (attachment 4).

Key Relevant Previous Council Decisions:

Audit and Risk Committee Meeting – 3 September 2015, Item 7.4

BDO Audit (WA) Pty Ltd has conducted a BCP/DRP review (1 Jan 2014 to 31 Dec 2014) and provided a report to Audit and Risk Committee meeting on 3 September 2015. That review's objective was to understand these processors:

- The BCM and DRP management framework.
- The process for developing the BCP/DRP.
- The process for ongoing BCM/DRP management.
- The process for managing changes to system and processes that may impact to BCP/DRP.
- The process for managing the BCP/DRP testing, plan maintenance and
- Staff training.

Consultation

The purpose of the Moore Stephens engagement in 2018 is to conduct a Strategic Internal Audit Plan on the City's operations over a three-year period. This is an independent review of city's BCP/DRP documentation.

The Audit Plan for Year 1 approved by the CEO and endorsed by the Audit & Risk Committee (August 2018) was:

1. IT Policies Review (completed May 2019)
 - Review policies for effectiveness regarding content, coverage, practicality, clarity, and relevance; and
 - Assess the readiness to implement.
2. Business Continuity Review (enclosed)
 - Data back-up policies, schedules, and execution;
 - Data restore testing policies, schedules, and results;
 - Disaster Recovery Plan and execution review; and
 - Business Continuity Plan review.

The above areas were selected and prioritised based on high level risk assessment of the City's key activities and strategic objectives, organisational changes affecting on systems and processes and prior audit results. Moore Stephens have now completed a review of Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) processes as prescribed by Section 7.35 IT Controls (General IT Risks) of the Western Australian Local Government Accounting Manual.

The following documentation have been reviewed and compared them to industry standards and best practice guidance.

- Incident Management/Business Continuity Response Plan V3 (dated November 2016; called BCP),
- IT Disaster Recovery Exercise Plan (dated 28 February 2017),
- IT Disaster Recovery Procedure (updated 21 November 2019),
- IT Policy Review Matrix (from Audit Focus Area 2 report),
- Disaster Recovery Test Plan (updated August 2019; called IT DRP), and
- Business Continuity – Backups (updated July 2018).

Summary of overall results

The City's approach and commitment to Business Continuity is good and compares well to industry standards. The City demonstrated its approach and commitment with a limited test of its relocation facilities from the City's Administration Centre to the Adam Armstrong Pavilion in February 2017.

The principal findings, however, recommend a comprehensive testing of the Business Continuity Plan (BCP) and Disaster Recovery Test Plan (IT DRP), incorporating the recovery of data and systems from losing the production systems environment. A full test of the IT DRP can validate that the Plan will work in the event of a catastrophic incident involving the loss of data and production environments.

Review of our BCP does not contain up to date information nor identification of critical systems for recovery in the event of an actual incident.

Summary of Key Recommendations

12 findings and recommendations have been made with details found in Section 5.0 - Review Findings and Recommendations. The recommendations are categorised under these four technical areas:

1. Testing: Both the BCP and IT DRP need to be tested as soon as practicable (points 1,2). These recommendations represent issues which require prompt management action.

2. Document Completeness: The BCP should be improved by ensuring essential information such as internal links (following testing) and all referenced internal documentation are working and available. This is essential if it is to be relied upon as a key tool if an emergency occurs (points 3 – 6). Alignment of the BCP and IT DRP in terms of documentation structure, terminology and common time dependent decisions is also required to avoid confusion (points 7 – 8).
3. Critical Business Functions: A real-world evaluation of critical business functions is recommended to help ensure the BCP is appropriate and does not include non-essential services/areas which could consume recovery resources. The agreed critical functions and dependencies should be detailed and aligned between the BCP and IT DRP (points 9,10).
4. System Architecture: Consideration for additional drive storage at the storage site to ensure an IT restore; a comprehensive test will identify any deficiencies in storage capacity. A potential solution could include the evaluation of cloud-based storage and a possible re-architecture of the existing system (points 11,12).

Strategic Implications

How well does it fit with our strategic direction?

BCP and DRP review fits with city's Key Focus Area (KFA) A4.11 of the Strategic Community Plan identifies "Risk Management & Disaster Recovery Planning".

Who benefits?

City's main purpose is to administer community services promptly. Having a new Business Continuity Plan provides a greater confidence, flexibility, and integrity to the community and to the city operation teams. Efficient and secure non-disruptive service continuation to the residence is another target. If a disaster strikes having a viable BCP/DRP will add value and speedy recovery of services, also removes that extra pressure and impact to individuals.

Does it involve a tolerable risk?

Two independent reviews from two audit firms have recommended in (1) 2015 and in (2) 2018 to train, develop, and test BCP/DRP. Therefore, not this situation has the potential to cause reputational and possible legal damage with the Community while rescheduling of this work is delayed.

Do we have the information we need?

BDO (WA) Pty Ltd review in 2015 was the initiation to the BCP review. Further in 2018 Moore Stephens report has highlighted the need for BCP refresher and testing.

Budget/Financial Implications

The BCP workshop will cost the city \$4,730 exGST.

Can we afford it?

The city can afford a new BCP development. It is vital this workshop is executed to keep the city BCP/DRP up to dated, tested, and have the documents handy to be used in an unforeseen risks/disaster.

How does the option impact upon rates?

There will be no impact on rates in the 20/21 FY.



City of Nedlands



Incident Management / Business Continuity Plan

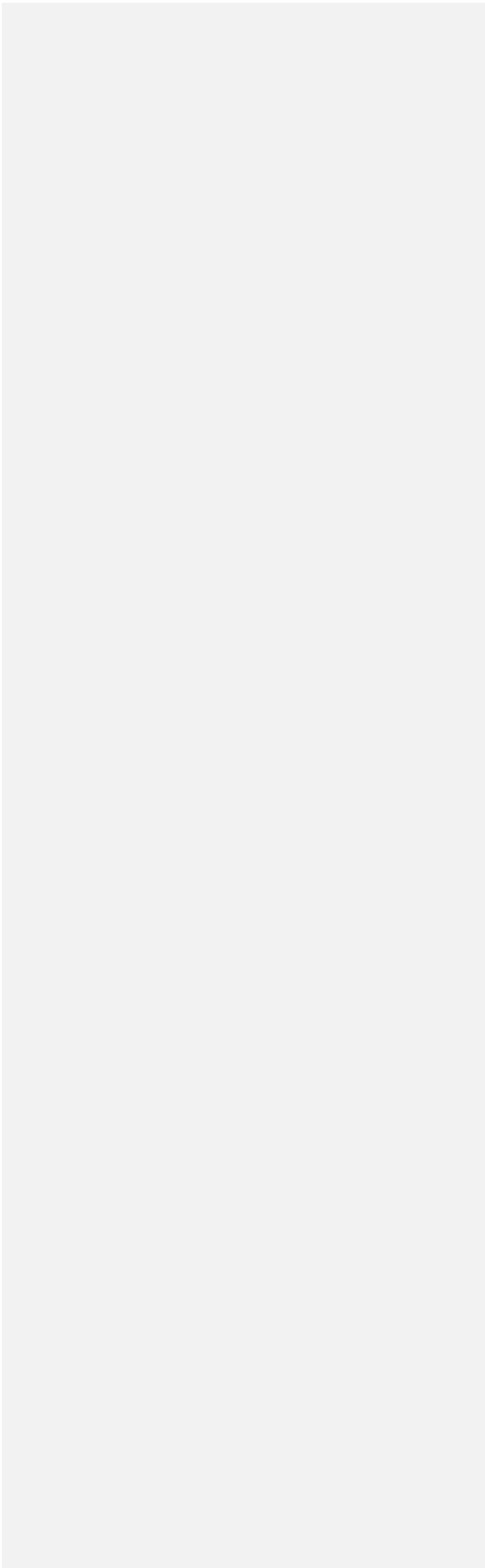
Version	Updated by	Updated Date
V2.0 November 2016		
V3.0 February 2020	Nalin Dias	14/02/2020
V4.0 June 2020	Nalin Dias	23/06/2020
V4.0 August 2020	Nalin Dias	03/08/2020

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Administration	@
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Plan Holders

Holders of the plan are to ensure that they keep a copy in the office as well as a copy off-site.

Executive / Incident Management Team

Name	Position	Contact	Alternative	Contact
Mark Goodlet	CEO Incident Team Leader	0466 540 560		
Lorraine Driscoll	Director Corporate & Strategy	0411 756 790		
Jim Duff	Director Technical Services	0466 720 095		
Peter Mickleson	Director Planning and Development	0407 824 360		

* The Incident Management Team declares an incident. Then It is essential that the Executive Management Team and Communications Team be informed of the incident as quickly as possible.

Has the CEO been notified of the incident?		Yes	Time	No
Have all members of the Incident / Executive Management Team, the City's spokesperson and the City's Communications Team been informed of the incident?	Director Corporate & Strategy	Yes	Time	No
	Director Technical Services	Yes	Time	No
	Director Planning and Development	Yes	Time	No
	Mayor Cilla de Lacy 0466 483 371	Yes	Time	No
	Communications	Yes	Time	No

Notes / Witnesses / Photographic evidence

Rs Activation

Internal Support Team Members

Parks & Reserves

Name	Position	Contact	Alternative	Contact
Andrew Dickson	Manager Parks & Reserves	0413 706 391	Glen Burwood	0427 599 615

Environment & Health

Name	Position	Contact	Alternative	Contact
Andrew Melville	Manager Health & Compliance	0413 153 137	Neil McGuinness	0413 153 136

Technical Services

Name	Position	Contact	Alternative	Contact
James Cresswell	Manager Technical Services	0428 331 145	Tim Hollow	0419 982 344

Financial Services

Name	Position	Contact	Alternative	Contact
Vanaja Jayaraman	Manager Financial Services	0413 824 029	Hassan Shiblee	0434 550 065

Engineering Services - Building Maintenance

Name	Position	Contact	Alternative	Contact
Tim Hollow	A/Manager Engineering Services	0419 982 344	Marcus Sinden	0411 423 190
Marcus Sinden	Building Maintenance Coordinator	0411 423 190	Robert Baker	0434 472 152

Community Development

Name	Position	Contact	Alternative	Contact
Marion Granich	Manager Community Development	0411 225 931	Amanda Cronin	0452 439 296

CEO Office – Communications & Administration Support

Name	Position	Contact	Alternative	Contact
Wendy Mathews	Senior Communications Officer	0433 528 325	Madison Newby	0430 190 260
Nicole Ceric	Administration Support	0417 853 226	Stacey Gibson	0423 114 822

Business Systems – Information Technology / Information Management

Name	Position	Contact	Alternative	Contact
Manager Business Systems	Marc Dimmick	0418 140 536	Nalin Dias	0434 185 860
Jonathan Filippone	Systems and Network Admin	0438 090 482	Juli Patel	0433498075
Nalin Dias	IT Governance Coordinator	0434 185 860	Mark Kerr	0406830745

Community Services

Name	Position	Contact	Alternative	Contact
Pat Panayotou	Manager Community Services	0413 706 391	Vikki Antcliff/ Despina Swain	0402 795 661/ 0434 181 110

HR

Name	Position	Contact	Alternative	Contact
Shelley Mettam	Manager HR	0423 566 690	Michelle Kwan	0422 599 604

Rs Activation

Coordination Centres

Executive / Incident Management Team Crisis Control Centre

Primary Location:

The Administration building, 71 Stirling Highway Nedlands is the Executive / Incident Management Team's Primary Coordination Centre Location

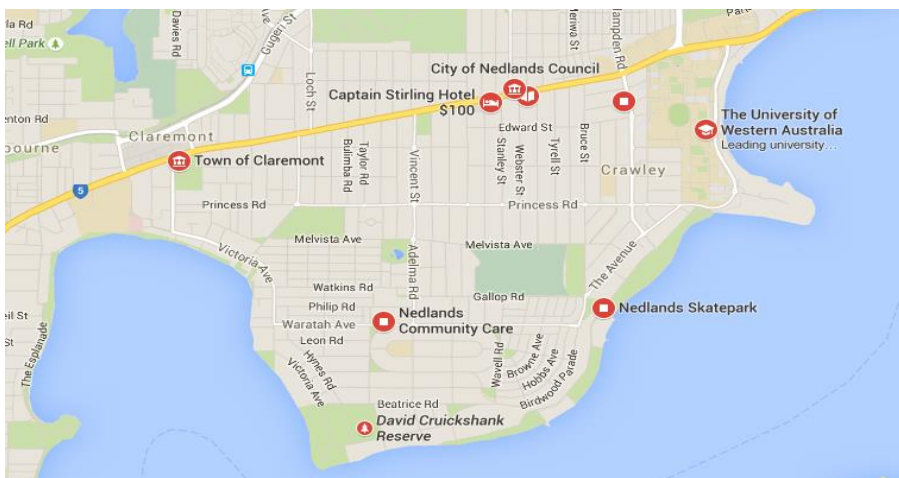
The building consists of 3 meeting rooms and Council Chambers.

1. The "meeting room" is large and adjacent to the Council Chambers. It has a large table with inbuilt access points for data connections and an interactive whiteboard.
2. The Kitchen Meeting Room has a wall mounted TV and a permanent laptop computer.

Secondary Locations:

In the event of the main Administration building not being available the Executive / Incident Team should relocate to:

1. **Main Library, 60-64 Stirling Highway Nedlands**, or failing both of these,
2. **The Adam Armstrong Building, on the David Cruickshank Reserve, 84 Beatrice Road, Dalkeith.**



The Adam Armstrong Building is equipped with fibre optic cable capable of supporting Voice, Data and Wi-Fi.

Under normal circumstances the building is used as a sporting centre however can be commandeered as a command centre to facilitate the Executive / Incident Management Team during an incident.

Rs Activation

Council's Key Business Locations

Administration Building, 71 Stirling Highway Nedlands

Main Library, 60-64 Stirling Highway Nedlands

Adam Armstrong Building, Adam Armstrong Building 84 Beatrice Road Dalkeith

Tresillian, 21 Tyrell Street Nedlands

Mt Claremont Library and Community Centre, 105 Montgomery Ave Mt Claremont

Nedlands Community Care, 97 Waratah Ave Dalkeith

Point Resolution Child Care, 53 Jutland Parade Dalkeith

City Depot, Cnr of Broome and Carrington Street Nedlands

Administration Centre Evacuation locations



Rs Activation

Checklists

1) Emergency Response & Plan Activation Procedures

Immediate Action Required	Delegated to:	Done
Respond to audible and telecommunication alarms	<i>Onsite Staff</i>	
Evacuate Building if required to do so	<i>Wardens</i>	
Account for and verify staff welfare and safety	<i>Onsite Staff</i>	
Secure impacted sites where safe to do so	<i>Wardens</i>	
Receive information from relevant sources (Internal, DFES, Police, Stakeholders)	<i>Wardens</i>	
Contain the problem where safe to do so / or relevant		
Take appropriate safety precautions (e.g. turn off gas, water and electricity).		
Advise Executive / Incident Management Team of situation		
Note: Emergency Response in bold borders		
Actions to be considered by Executive / Incident Team Leader (CEO)		
Convene the EMT to review the situation and / or declare a Business Continuity incident. Convene in the following order: <ol style="list-style-type: none"> 1. Admin Building 2. Nedlands Library 3. Adam Armstrong Building. 	<i>EMT</i>	
Stages of operational activation: The EMT Team will coordinate the activities as per the Response Plan with further expansion of the Incident Support Team as required.		
Agree future location for convening the EMT (Incident Control Centre) and arrange access and /or teleconferencing facilities, if necessary.	<i>EMT</i>	
Invoke Incident Management & Business Continuity Response Plan if business interruption is estimated to be longer than one working day or if multiple sites are affected	<i>EMT</i>	
Secure involvement of admin staff and nominate a scribe.		
Contact with employees and advise attendance requirements and location. Managers will serve as the focal points for their departments, while designated employees will call other employees to discuss the crisis/disaster and the company's immediate plans. Employees who cannot reach staff are advised to call the staff member's emergency contact to relay information	<i>EMT</i>	

<p>on the disaster.</p> <ul style="list-style-type: none"> • It is very important during the disaster recovery and business recovery activities that all affected persons and organisations are kept properly informed. • The information given to all parties must be accurate and timely. • Any estimate of the timing to return to normal working operations should be announced with care. • It is also very important that only authorised personnel deal with communication queries 		
Refer to section 3 'REACT' for details of what to advise staff and what they need to understand prior to sending them home or assigning responsibilities.		
Depending on nature of incident, agree reassignment of responsibilities, where appropriate. Draft a roster system if required.		
Notify Councillors of business interruption & remind them of the <u>Communications Policy & Media Policy</u> . Page 82 & 86		

EMT Executive / Incident Management Team

Rs Activation

2) Assess

Assess the situation and confirm the extent of the incident:

What is the nature of the incident & which areas are impacted, or may become impacted?

Has the incident resulted in a:

- **Loss of (or access to) buildings / infrastructure / equipment, See: Scenario-Specific Checklist: Loss of (or access to) buildings / infrastructure / equipment (Page 19)**
- **Loss of IT or Communications, See: Scenario-Specific Checklist: Loss of IT or Communications (Page 19)**
- **Loss of People, See: Scenario-Specific Checklist: Loss of People (Page 20)**
- **Loss of Supplier, See: Scenario-Specific Checklist: Loss of Supplier (Page 21)**

What is the geographic scope of the incident?
What action has been taken so far?
What needs to be done next?
What is the potential timeline?
Is urgent action required?
Do any special responsibilities need to be delegated?
<p>Consider and agree the following key actions:</p> <ul style="list-style-type: none"> • What is considered to be the recovery objective(s) <ul style="list-style-type: none"> ○ . ○ . ○ . • Instructions / targets for recovery
Delegate the documenting / recording of all decisions, actions and issues
Remember, the Executive Team's main responsibilities include:
<ul style="list-style-type: none"> • Minimise the impact on the Shire's operations and public image (reputation). • Strategically manage the incident, through strong organisational leadership and communications. • Approve necessary expenditure and ratify major recovery decisions. (Request Mayor to authorise if required). • Ensure that the recovery efforts have the necessary resources and support. • Set critical milestones and time frames for recovery. • Ensure that employees are fit for the role they're being asked to perform.

Determine employee's support & wellbeing requirements:	Delegated to:	Done
• Set up an employee contact / helpline		
• Establish a program to monitor employee's medical & stress factors		

Rs Assess

• Engage employee assistance programs (EAP)		
• Consider employee's family responsibilities		
• Assist employees who are pregnant, recently undergone an operation, disabled or frail.		
• Set up a roster system and / or additional resources to manage workload		
• Contact family or next of kin with assistance from EAP or Police		
• Organise refreshments, catering and toilet facilities		
• Organise suitable transport arrangements for employees if required		
• Organise temporary accommodation if required		
• HR to contact family or next of kin with assistance from EAP		
Ensure regular updates and allocate responsibilities for updates. Methods: Radio; Social Media; Bulletin board; Intranet; Internet; TV; Newspapers		

Rs Assess

Critical Business Functions

Recovery time objectives	Who:	Done
Nedlands Community Care – care of clients, meals	Community Development	
Nedlands Community Care – DRC	Community Development	
Nedlands Community Care Home Support	Community Development	
Point Resolution Child Care	Community Development	
Dissemination of information	Office of the CEO	
Cashier	Corporate & Strategy	
Front Counter enquiries – Incoming	Corporate & Strategy	
Receipting of payment/cashiering - internal and external	Corporate & Strategy	
Switchboard Operation	Corporate & Strategy	
Banking/Receipting	Corporate & Strategy	
Main Core Systems – virtual machines and services, Communications Network, Hardware (switches and firewalls, physical servers, storage,)	Corporate & Strategy	
ICT Electrical (Admin Building, Depot, NextDC)	Corporate & Strategy	
Capture of Emails, Documents and faxes	Corporate & Strategy	
System Administration (SharePoint)	Corporate & Strategy	
Front Counter enquiries – Outgoing Advice, Information, Documentation	Corporate & Strategy	
Maintain Keys and key register for Council facilities	Corporate & Strategy	
Payroll	Corporate & Strategy	
Budgeting	Corporate & Strategy	
Procurement	Corporate & Strategy	
Rates	Corporate & Strategy	
System availability	Corporate & Strategy	
Outgoing mail – Administration (focus mainly on critical mail)	Corporate & Strategy	
Integrated Strategic Planning Projects	Corporate & Strategy	

Recovery time objectives	Who:	Done
Bookings of Council facilities	Corporate & Strategy	
Accounts Receivable, Invoices	Corporate & Strategy	
Resident Requests (need to consider events at the time)	Corporate & Strategy	
Court Attendance	Corporate & Strategy	
Dissemination of information (Incident Communications)	Office of the CEO	
Communications & Digital Marketing (Mayor)	Office of the CEO	
Animal Control (based on dangerous animals)	Planning & Development	
Infectious Diseases Investigations	Planning & Development	
Building Permits	Planning & Development	
Food Poisoning / Outbreak Investigation	Planning & Development	
Environmental - Asbestos and Chemical collections	Planning & Development	
Nuisance Complaints	Planning & Development	
Building Permits	Planning & Development	
Development Applications	Planning & Development	
Event Assessments, traffic and parking	Planning & Development	
Assessment of DA's, Compliance	Planning & Development	
Liaise with community groups to implement natural area management plans	Planning & Development	
Bushfire Control	Planning & Development	
Compliance	Planning & Development	
Represent administration at SAT (provide expert evidence)	Planning & Development	
Road Maintenance (based on critical road failure)	Technical Services	
Building Maintenance – Reactive (safety)	Technical Services	
Community Amenity – Make buildings safe, secure	Technical Services	
Recreation Facilities - Make buildings safe, secure	Technical Services	
Security	Technical Services	
Contractors on projects – contact and advise position	Technical Services	
Groundwater Management	Technical Services	
Customer Enquiry/Service	Technical Services	
Waste Collection	Technical Services	

Recovery time objectives	Who:	Done
Fleet Management	Technical Services	
Response to ratepayers and internal	Technical Services	
Signage	Technical Services	
Food premises inspections, food recalls, food samples	Technical Services	
Contract management	Technical Services	
Coordinate priority weed control	Technical Services	
Source internal external funding	Technical Services	
Footpath maintenance	Technical Services	
Street lighting	Technical Services	

Current Deliverables

Identify all <u>current</u> deliverables. Determine priority and effort.	Who:	Priority

Rs Assess

Recurring Activities / Events

Date	Recurring Activities / Events
All	Reports to Council
All	Committee and Ordinary Council Meetings
All	Skate park
All	River wall
All	Beach cleaning, Mowing, painting park furniture, pruning, irrigation, bbq maintenance, rubbish removal
Bi-monthly	Park lighting (not sports lighting)
Bi-monthly	Sustainable Nedlands Committee Meetings
Bi-monthly	Playgrounds
Quarterly	Report to Council on Corporate Business Plan progress
January	Performance reviews
January	HACC Quarterly Return
January	Citizenship Ceremony/Australia Day
January	Skate and Scooter Festival
January	Issue salary budget sheets
January	Commence draft budget preparations
January	Painting sports goal posts
January/February	Wetting agent application
Jan-March	Mid-year budget review
February	Departments to sign and complete Statutory Compliance Return
February	Sports Facility Funding CSRFF Workshop
February	Summer Concerts
February	Review of fees and charges
February	Audit and Risk Committee Meeting
February	Budget review
March	Annual Compliance Audit Return due 31 March
March	Skateboarding competition
March	FBT completed for year ended 31 March
March	Clean Up Australia Day
March	Parks & Reserves paths
March	Goal post installation
March	Turf renovation
March-April	Line marking winter sports
April	HACC Quarterly Return
April	Nedlands Going Places Tour
April	4Sure Youth Festival
April	Volunteer Appreciation Event
April	Interim Financial Audit
April	WALGA Roads Reporting
April	MRRG Funding Submissions (Road Rehabilitation)
April	ANZAC Day
April	Deadline for Winter Nedlands Newsletter
April-May	Parks & Reserves planting renewals
April-June	Bulk Rubbish Collection
May	Develop new waste services brochure

Commented [PF1]: I would delete all this information rather than trying to maintain this list in multiple places and reconciling it would be better to maintain in one central location and provide a link to it. The Corporate Compliance Calendar is my suggested central location.

Date	Recurring Activities / Events
May	Review delegation manual and adopt by Council by 30 June each year

3) React

Task	Delegated to:	Done
Record all decisions, actions and issues. Set up the voice recorder.		
Monitor ongoing staff support and wellbeing requirements.		
If relevant, ensure external & emergency agencies are involved in management of problem.		
<p>Determine a meeting venue & call a <u>staff</u> meeting. Advise staff:</p> <ul style="list-style-type: none"> • Appraisal of the situation & the scope of the incident • Inform them of the actions already decided and what is considered to be the recovery objective(s) • Agree on reporting arrangements • Remind them of the <u>Communications Policy</u> & <u>Media Policy</u> (Page 82 & 86) • Advise allocation of duties or who will be sent home and why and when they will be expected back • Review of equipment & resource needs for continuity of services • When the next communication can be expected and how it will be communicated <p>Make sure they understand:</p> <p>Where they should go</p> <p>What they should do and how they should do it</p> <p>What they are allowed to say</p> <p>That they will get paid</p> <p>That their jobs are safe</p> <p>When they should come back to work</p>		
Delegate authority for special responsibilities		

Task	Delegated to:	Done
Assign operational responsibilities		
Assign salvage or restoration responsibilities		
Approve expenditure		
Delegate alternate actions for staff not affected by the incident		
Advise how and when future communications will take place: Radio; Social Media; Bulletin board; Intranet; Internet; TV; Newspapers When:		
Set the time, date & venue for the next meeting		
Create a Communication Plan for Councillors, Media, Regulators, other Stakeholders and Staff as required. See: <u>Communications Plan (Page 31)</u>		
Provide full brief to Senior Staff closest to situation.		
<ul style="list-style-type: none"> ▪ Other actions: 		

Rs React



Scenario-Specific Checklists

Loss of (or access to) buildings / infrastructure / equipment

Tasks	Delegated to	Done
<p>If building is affected and relocation is necessary; consider:</p> <p><u>Recovery Site Alternatives:</u></p> <ul style="list-style-type: none"> Nedlands Library Mt. Claremont Library Community Centers Work remotely All halls. Other LG's, community churches, schools, etc. <p><u>Storage Locations:</u></p> <ul style="list-style-type: none"> Depots Admin building parking lot Containers Library grounds 		
<ul style="list-style-type: none"> • Consider how workstations & communications for staff relocating to other sites will be established and allocated 		
<ul style="list-style-type: none"> • Staff travel arrangements to other sites 		
<ul style="list-style-type: none"> • How workstations & communications for staff working from home will be organised 		
<ul style="list-style-type: none"> • Other support areas to assist with relocation (N) e.g. Safety Reps 		
<ul style="list-style-type: none"> • Familiarise staff with new arrangements and determine communication protocols 		
<p>Arrange security access controls for the affected building</p>		
<p>Arrange security access controls for the new building/s</p>		
<p>Manage any new OHS/Welfare issues that may arise either</p> <ol style="list-style-type: none"> 1. During relocation or 2. At the new building/s or 		

Tasks	Delegated to	Done
3. With the use of new equipment		
Identify & notify Key Contacts of amended working arrangements		
Create a Communication Plan for Councillors, Media, Regulators, other Stakeholders and Staff as required. See: <u>Communications Plan</u>		
Redirect: Couriers, mail, milk, newspapers, phones, etc.		
Identify necessary people & equipment requirements to maintain time-sensitive Activities		
<ul style="list-style-type: none">• If possible, begin salvage or restoration activities		
Other:		

Notes

Loss of IT or Communications

Tasks	Delegated to	Done
Contact IT Support to; <ul style="list-style-type: none"> • Clarify the extent of outage • Clarify the extent of any data loss • Determine restoration target timeframes • Determine potential cause(s) 		
<ul style="list-style-type: none"> • Identify other staff able to assist the I.T. Department 		
Detail strategy and resources for recovery:		
Consider: <ul style="list-style-type: none"> • Deliverables due today or in the near future: 		
<ul style="list-style-type: none"> • Manual procedures or workarounds to complete Critical time-sensitive Business Functions 		
<ul style="list-style-type: none"> • System Requirements 		
<ul style="list-style-type: none"> • Other productive activities not requiring I.T. or communications infrastructure 		
Identify & notify Key Contacts of amended working arrangements		
Create a Communication Plan for Councillors, Media, Regulators, other Stakeholders and Staff as required. See: <u>Communications Plan</u>		
Ensure ongoing interaction with appropriate IT Incident Management for regular updates and feedback		

Tasks	Delegated to	Done
Consider support and wellbeing requirements of the I.T. Team		
Invoke the <u>I.T. Disaster Recovery Test Plan</u> if required		

Loss of People

Rs React

Tasks	Delegated to	Done
Determine the number of staff away, affected service areas and expected return dates:		
Ensure the safety and wellbeing of remaining staff		
Critical time-sensitive deliverables due today or in the near future		
The minimum number of staff required to continue operations and identify critical servicing and staffing gaps		
Re-allocate critical time-sensitive activities to other competent (and fit-for-purpose) staff		
<ul style="list-style-type: none"> • Cease non-critical activities (deferred activities) where appropriate 		
Notification / escalation to Health Department or Worksafe etc.		
Can temporary competent replacements be arranged:		
1. Staff from other work areas? 2. From other sources: <ul style="list-style-type: none"> ○ Other Local Governments (Claremont, Cottesloe, etc.) ○ Volunteers ○ Existing contractors ○ Recruitment agencies ○ State Government Agencies ○ Retired employees ○ Tech Colleges or University students 		

Create a Communication Plan for Councillors, Media, Regulators, other Stakeholders and Staff as required. See: <u>Communications Plan</u>		
Ensure appropriate inductions, training and supervision is in place		
Identify & notify Key Contacts of amended working arrangements		
Other:		

Loss of Supplier

Tasks	Delegated to	Done
Contact the Supplier (where possible) and determine: <ul style="list-style-type: none"> • The nature and extent of the incident • Have operations ceased entirely, or is it limited? • Any services / goods currently in transit? 		
<ul style="list-style-type: none"> • Restoration timeframes and clearance of backlogs (if applicable) 		
Consider: <ul style="list-style-type: none"> • Critical activities that rely on this supplier 		
<ul style="list-style-type: none"> • Length of time before these activities are impacted 		
<ul style="list-style-type: none"> • Alternative procedures 		
<ul style="list-style-type: none"> • Alternative suppliers: Other Local Governments (Wagin/Boddington) / other service providers 		
<ul style="list-style-type: none"> • Assign someone to monitor & communicate with the supplier 		
<ul style="list-style-type: none"> • Any legal / risk implications: 		
Identify & notify Key Contacts of amended working arrangements		
Create a Communication Plan for Councillors, Media, Regulators, other Stakeholders and Staff as required. See: <u>Communications Plan</u>		

4) Manage

The following is a basic standing agenda for each regular meeting. Incident-specific information should also be included where relevant.

Tasks	Delegated to	Done
Arrange responsibilities for tasks & determine target completion times		
Record all decisions, actions and issues.		
Monitor ongoing staff welfare requirements		
Considerations to be discussed and actioned accordingly:		
• Review effectiveness of recovery actions to date		
• Discuss any emerging issues or new information		
• Reassess resource requirements and capabilities		
• Review all working arrangements for affected areas		
• Review Critical Business Activities (Achievement of RTO's)		
• Review existing / current workload and any backlogs		
• Review all outstanding Deferred Activities and arrange resumption		
• Assess any insurance implications		
• Set next meeting and venue		
Identify & notify Key Contacts of amended working arrangements		
Provide feedback, information, copies of communications & copies of logs to the Admin Support Team to ensure that an appropriate record of the incident is maintained		
Provide updates to impacted staff		
Release external communications if deemed appropriate		
Conduct site visit if deemed appropriate		
Ensure all relevant stakeholders continue to be kept informed		
Continue to monitor crisis and issue instructions as appropriate		
Review status of crisis and scale down recovery as situation dictates		

Tasks	Delegated to	Done
Review Staff rotation / Rostering		

Rs Manage

5) Recover

Tasks	Who	Done
Arrange responsibilities for tasks & determine target completion times		
Record all decisions, actions and issues.		
Monitor ongoing staff welfare requirements		
For review and agreement:		
<ul style="list-style-type: none"> Completed action items 		
<ul style="list-style-type: none"> Recovery objectives 		
<ul style="list-style-type: none"> Plans are in place to deal with any backlogs 		
<ul style="list-style-type: none"> Communication to staff to recognise efforts 		
<ul style="list-style-type: none"> Stand down: A stand down of the Crisis Coordination Centre and Incident Management may be phased over a period of time or an immediate cessation of operations. Stand down will be at the discretion of the Incident Team Leader (CEO). 		
<ul style="list-style-type: none"> Target date for completion of post incident review 		
Provide copies of logs and decisions to Admin Support Team		
<p>Undertake <u>post-incident review</u>, including:</p> <ul style="list-style-type: none"> Communication within and between Executive and Support areas Effectiveness of communication with affected areas Cost of recovery arrangements and insurance offsets Effectiveness of recovery strategies Advice to external and internal customers Communications arrangements Impact of crisis on City's reputation Timeframes for tasks and achievement of target Impact on workflows of affected and interdependent areas Special staffing arrangements and acknowledgment of contributions. IT recovery arrangements. 		

Tasks	Who	Done
Present findings to the Audit & Risk Committee for review.		
Celebrate achievements and anniversary of incident.		

Rs Recover

Key Contacts

Staff

Position	Purpose	Mobile #	Name
Manager Environment & Health	Health	0413 153 137	Andrew Melville
Manager Property Services	Building	0413 152 699	Paul Busby
Coordinator Rangers	Rangers	0437 781 996	Jessica Bruce
Compliance Officer	Compliance	0408 068 369	Leon Flanagan
NCC Coordinator	Aged Care Services	0402 795 661	Vikki Antcliff
PRCC Coordinator	Child Care Services	0448 973 938	Romaine Ratnawibhushana
Library Coordinator	Library Services	0434 181 110	Despina Swain

External Contacts

Company	Contact
Police, Fire, Ambulance	000
Police – nonemergency	131 444
Employee Assistance Program	1300 361 008 (24 hours)
Department of Local Government & Communities	6551 8700
Department Parks & Wildlife	9219 9000
Department Fire & Emergency - SES	132 500
Department of Health	9222 4222
Western Power	13 10 87
Water Corporation	13 13 75
Alinta Gas	13 13 58
Perth Energy	9420 0300
Dial Before You Dig	1100

External Contractors

Service	Contractor	Contact
After hours phone message	Magicorp	1300 100 333
After hours phone service	Insight	1300 733 101
Asbestos removal	Perth Asbestos Removal	9470 6513
Authority support	CIVICA	6466 2999
Banking	Westpac	13 20 32
Bitumen supply & repair	D & T Asphalt	0409 248 795
Building security	Chubb	13 15 98
Bushcare	Ecojobs	9360 6667
Cash collection	Armaguard	9328 1200
Cat pound	Cat Haven	9442 3600
Cleaners	Cleandustrial	9314 7449
Dog pound	Swanbourne Vet	9384 2644
Drainage installation	HAS Earthmoving	9454 3911
Drainage maintenance	Drainflow	9209 0800
Drainage materials	Icon Septech	9493 2352
Electrical engineers	Wood and Grieve	6222 7000
Electrical engineers	Worley Parsons	9278 8111
Electrician	Boyan	9201 1037
Extruded kerbing	LD Total	6436 1111
Fish	Get Wet Ponds	0433 324 347
Footpaths	Techsand Pty Ltd	9248 6118
Geotechnical engineers	CMW Geosciences	6555 4920
Geotechnical engineers	Cardno	9273 3888
Indoor plants	Ambius	1300 262 487
Lawyer	McLeod's	9383 3133
Local newspaper	POST Newspaper	9381 3088
Local newspaper	Western Suburbs Weekly	6389 8014
Mail	Australia Post	9386 2168
Mechanical engineers	Wood and Grieve	6222 7000
Mechanical engineers	GHD	6222 8222
Milk delivery	Harvey Fresh	9729 0600
Newspaper Delivery	Shepherds News	9335 2696
Post	Australia Post	
Plumbing	Brearley Plumbing	9386 2715
Retrieve vital records	Archive Security	waops@databank.com.au
Road profiling and kerb grinding	WA Profiling	9258 4488
Road resurfacing	Roads 2000	9202 0800
Security	Archive Security	

@

Service	Contractor	Contact
Security	Armourguard	
Stationery	Corporate Express	1300 267 739
Street sweeping	Enviro Sweep	1300 610 416
Structural engineers	Worley Parsons	9278 8111
Structural engineers	Pritchard Francis	9382 5111
Telecommunications	iiNet	13 22 58
Traffic Management	Quality Traffic Management	1300 557 930
Trees	Beaver Tree Services	9497 5475 0408 096 684 – A/H 0408 810 533 – A/H
Waste/bins	Perth waste	1300 633 633

External Interdependencies:						
Name of external party	Interactions required	1 day	3 days	5 days	10 days	20 days
Archive Security		X				
Armourguard		X				
Australia Post		X				
Banker - Westpac	Banking	X				
Department for Communities	Communications	X				
Information Proficiency		X				
Insight		X				
Lamer		X				
Letterhead Supplier		X				
Local Newspaper	Communications	X				
Magicorp		X				
PPS		X				
Sigma data		X				
Swanbourne Vet		X				
Tang Contractor		X				
Telstra	Telephone System/Internet access	X				
Consultants B/G			X			
Department of Health	Communications		X			
Perth Waste	Waste Collection		X			
CIVICA	Authority Support			X		
Dial Before You Dig	Service Locations			X		
Has Earthmoving	Drainage			X		
Roads 2000	Road			X		

External Interdependencies:						
Name of external party	Interactions required	1 day	3 days	5 days	10 days	20 days
	Construction					
Scientific Analysis	Sampling			X		
Traffic Management	Traffic Services			X		
Tree Amigos	Tree Services			X		
Consultants - Planning						X
Green Skills	Bush Care					X
Boyan	Electrician					
Briefly	Plumbing					
D & T Asphalt	Roads Resurfacing					
Drainflow	Drainage Maintenance					
Envirosweep	Street Sweeping					
Icon Septech	Drainage Materials					
QTM	Traffic Management					
Techsand	Footpaths					
WA Profiling	Road Profiling & Kerb Grinding					



City Recovery Information**Equipment Cumulative:**

City of Nedlands Details	Cumulative quantities required within ...				
	1 day	3 days	5 days	10 days	20 days
Minimum staffing levels:					
Director	1				
Managers	6	6	6	6	7
Officers	38	45	52	65	All
Office equipment:					
Computers /Office Space	15	39	35	40	45
Phones/ Mobiles	37	46	53	60	65
Printer / Photocopier / MFD	6	7	7	7	7
Scanner	1	1	1	1	1
Infrastructure, Plant and Equipment:					
Fleet Cars	11	12	18	19	19
Major Plant			7	8	8
Minor Fleet			4	8	8
Bus	0	1	1	2	4
Other:					
Stationery	Equipment - Rangers				
White Board	Prepaid Mobiles				
Camera	Emergency Contact List				
Date stamps	Car and Fuel Cards				
Letterhead	PPE				
Archive boxes	Disaster Recovery Plan				
Kitchen supplies					
Signage (Technical Services)					

Equipment per Directorate:

Office Equipment:					
Office of the CEO					
Workstations					
Phones / Mobiles					
Photocopier / Fax / Scanner / Printer					
Community & Organisational Development					
Workstations	7	7	7	12	12
Phones / Mobiles	17	17	17	17	17
Photocopier / Fax / Scanner / Printer	4	4	4	4	4
Corporate & Strategy					
Workstations	5	12	12	15	20
Phones / Mobiles	12	18	18	18	18
Photocopier / Fax / Scanner / Printer	2	3	3	3	3
Planning & Development					
Workstations		1			5
Phones / Mobiles	1	2	2	2	7
Photocopier / Fax / Scanner / Printer					1
Technical Services					
Workstations	3	3	10	10	10
Phones / Mobiles	11	13	22	27	27
Photocopier / Fax / Scanner / Printer	1	1	1	1	1

Systems / Applications

Name of system / application	Recovery Time (Days)		Workarounds
	System	Data	
Spydus			
AssetFinda			
Authority			
AutoIssue			
Email - Outlook			
Internet Access - I-Service (DLR)			
Internet/Intranet			
Intramaps			
Xerox Scanner			
Microsoft Office 365			
MRM			

Qikkids (PRCC)			
SMS (NCC)			
TRIM Records Management System (decommissioned)			
SharePoint Information Management System			

@

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Appendixes

Appendix A – Communications Template

New York Mayor Rudy Giuliani’s format for providing 9/11 disaster information is given as an example of best practice:

- **this is what we know**

- **this is what we don’t know**

- **this is what we are doing**

- **this is what we want you to do**

Communications Team Responsibilities

ONLY an authorised spokesperson may speak to the media.

Primary	Deputy	Role / Responsibility
Mayor	CEO	<ul style="list-style-type: none"> • Works with Management Team / Council to publicly issue statements to the media. • Serves as lead representative at press conferences with assistance as required. • Approves all publicly disseminated information. • Identifies spokespersons if required.
		<ul style="list-style-type: none"> • Works in close liaison with the spokesperson to ensure message accuracy and delivery. • Assists with communications relations.
		<ul style="list-style-type: none"> • Provides legal advice on communications strategies. • Provides legal advice on messaging to victim(s), family members, media, etc. • Approves messages before release.



Verify the Incident

WHAT happened?	
WHERE did it happen?	
WHEN did this happen?	
WHO is involved?	
HOW did it happen?	
WHY did it happen?	
WHAT is currently being done?	

When collecting information, it is important to consider the following:

- Have all the facts been obtained (to the best of your knowledge)?

- What other information is needed?

- Have the details of the situation been confirmed?

- Are the information sources credible?

- Is the information consistent from several sources?

- Other?



Notification Chart

Internal Audience	Mode of delivery, release date and time	Likely questions
Councilors	Face-to-face / phone call / e-mail / Conference call / Online steaming	What has happened? What is the impact? How have you responded? What is the status of your recovery?
Employees		Where should we go? What should we do? How do we do it? What are we allowed to say? Will I get paid? Is my job safe? When do I come back to work?
Employee's family		Are they safe?
Crisis Management Team		What has happened? What is the impact? How should we respond?
Other?		
Other?		
External Audience	Mode of delivery, release date and time	Likely questions
Community	Face-to-face / phone call / Social Media / e-mail / Conference call / website / radio bulletin / press release / Online steaming	Will you be in a position to provide the services I require?
DFES / SES / WA Police		
Media: local, regional and national		What is the impact? How many casualties?
Public		
Stakeholders		
Contractors / Suppliers		Will my bills be paid?
EAP Provider		
Regulators		Are all relevant rules and regulations being adhered to?
Other?		
Other?		



Message Mapping - Example

Stakeholders: e.g. Community, employees, clients, customers & shareholders	
Core Message 1	
<p>At 2am on Tuesday 23 January 2019, a contractor</p> <p>Police have confirmed that a male of approximately 25 years of age</p> <p>.....was discovered by workers this morning at approximately 6.30am.</p> <p>this is what we know</p>	
Supporting core message 1	Evidence
<p>It is not known why the contractor was on site at 2am ...</p> <p>this is what we don't know</p>	<p>A: Questioned staff</p> <p>B: Interviewed the witness</p> <p>C:</p>
Information Supporting the core message 1	Evidence
<p>We have contacted ...</p> <p>this is what we are doing</p>	<p>A:</p> <p>B:</p> <p>C:</p>
Information Supporting the core message	Evidence
<p>If anyone has any information ...</p> <p>this is what we want you to do</p>	<p>A:</p> <p>B:</p> <p>C:</p>
Delivery Method: e.g. CEO: Verbal interview with reporter at 11am.	

Appendix C – Deferred Activities

Directorate	Service Unit	Activity
CEO	CEO	Reporting and support for Mayor and Councillors
CEO	Human Resources	Advice and Support
CEO	Human Resources	Employee Relations
CEO	Human Resources	Employee Welfare
CEO	Human Resources	Employment and Termination
CEO	Human Resources	Injury Management - w/c
CEO	Human Resources	Job Design
CEO	Human Resources	Leave entitlement
CEO	Human Resources	Organisational Development
CEO	Human Resources	OSH – Committee Meeting
CEO	Human Resources	Performance Management
CEO	Human Resources	Personal Files
CEO	Human Resources	Policy and Procedures
CEO	Human Resources	Remuneration and Rewards
CEO	Human Resources	Training and Development
Community Development	Children and Youth	Children activities 5-12yrs
Community Development	Children and Youth	School liaison
Community Development	Children and Youth	Service provision to Community for youth and children including advocacy
Community Development	Children and Youth	Youth activities 12-25yrs
Community Development	Children and Youth	Youth grants
Community Development	Disability Access	Business Sundowners
Community Development	Disability Access	Ensuring disability access to consultations
Community Development	Disability Access	Ensuring disability access to facilities
Community Development	Disability Access	Ensuring disability access to services
Community Development	Disability Access	Ensuring disability access to information
Community Development	Community Engagement	Community Database
Community Development	Community Engagement	Community Engagement - Training in consultation
Community Development	Community Engagement	Community Events
Community	Community	Community Grants

Directorate	Service Unit	Activity
Development	Engagement	
Community Development	Community Engagement	Community Groups
Community Development	Community Engagement	Halls
Community Development	Library Services	Provision of library services
Community Development	NCC	Customer service - money handling, phone and walk in enquiries
Community Development	NCC	Finances
Community Development	NCC	Programming
Community Development	NCC	Social support - book club, computer classes
Community Development	NCC	Social support outings
Community Development	NCC	Transportation of seniors - shopping bus, social support outings, DRC outings, volunteer transport
Community Development	NCC	Well-aged senior events
Community Development	Volunteer Service	Advertise and recruit new volunteers
Community Development	Volunteer Service	Annual review of volunteer records
Community Development	Volunteer Service	Arrange driving assessments - when appropriate
Community Development	Volunteer Service	Induct new volunteers
Community Development	Volunteer Service	Recognition events
Community Development	Volunteer Service	Record police clearances, WWCC, drivers' licence, etc.
Community Development	Volunteer Service	Register volunteers
Community Development	Volunteer Service	Training
Community Development	Volunteer Service	Volunteer transporting clients
Community Development	Be Active	Assistance of Sports Clubs in applying for CSRFF
Community Development	Be Active	Communication for Sports Clubs at the City
Community	Be Active	Managing and supporting the booking

Directorate	Service Unit	Activity
Development		officers for the 4 sets of public tennis courts
Community Development	Be Active	"Be active" information to the Community
Community Development	Be Active	Be active events/programs for the Community
Community Development	Be Active	Seasonal reserve/pavilion bookings for Sports Clubs
Community Development	Tresillian	Crèche
Community Development	Tresillian	Exhibitions
Community Development	Tresillian	Promotion
Community Development	Tresillian	Room Hire
Community Development	Tresillian	Tenants
Community Development	Tresillian	Tutors
Community Development	Volunteering	Providing training and information to Community Organisation
Community Development	Volunteering	Referring Volunteers to positions
Corporate & Strategy	Corporate Strategy & Systems	BCM
Corporate & Strategy	Corporate Strategy & Systems	Risk Management
Corporate & Strategy	Customer Service	After hour call service
Corporate & Strategy	Finance	Accounts Payable
Corporate & Strategy	Finance	Insurance
Corporate & Strategy	Finance	Investments
Corporate & Strategy	Finance	Reporting
Corporate & Strategy	Information Technology	Advice and Research
Corporate & Strategy	Information Technology	Asset Management
Corporate & Strategy	Information Technology	Contractor Communication
Corporate &	Information	Data Restoration

Directorate	Service Unit	Activity
Strategy	Technology	
Corporate & Strategy	Information Technology	Induction/Training
Corporate & Strategy	Information Technology	License
Corporate & Strategy	Information Technology	Printer/Copying
Corporate & Strategy	Information Technology	Purchasing
Corporate & Strategy	Information Technology	Service desk
Corporate & Strategy	Records	Archiving
Corporate & Strategy	Records	Filing and Storage
Corporate & Strategy	Records	FOI
Corporate & Strategy	Records	Hard Copy filing maintenance
Corporate & Strategy	Records	training/inductions
Corporate & Strategy	Records	Trouble shoot/helpdesk
Planning & Develop	Ranger Services	Camping
Planning & Develop	Ranger Services	Education - School Visits
Planning & Develop	Ranger Services	Event Attendance
Planning & Develop	Ranger Services	Litter - Enforcement
Planning & Develop	Ranger Services	Parking
Planning & Develop	Ranger Services	Patrolling
Planning & Develop	Ranger Services	Police Support
Planning & Develop	Property Services	Conducting Pool barrier inspections
Planning & Develop	Planning Statutory / Strategic	Responding to Councillors
Planning & Develop	Planning Statutory / Strategic	Advice to other Government bodies
Planning & Develop	Planning Statutory / Strategic	Assessment subdivision applications

Directorate	Service Unit	Activity
Planning & Develop	Planning Statutory / Strategic	Progressing Strategic Projects
Planning & Develop	Planning Statutory / Strategic	Prosecution
Planning & Develop	Property Services	Issuing Building Licenses/Approvals
Planning & Develop	Property Services	Property Inspections
Planning & Develop	Property Services	Property Lease Mgt/Administration
Planning & Develop	Property Services	Provide Technical/Legislative advice
Planning & Develop	Property Services	Responses to Orders and Requisitions
Planning & Develop	Travel Smart	Creating alternative transport planning documents
Planning & Develop	Travel Smart	Liaise with local businesses/organisations
Planning & Develop	Travel Smart	Liaise with Schools
Planning & Develop	Travel Smart	Participation in Travel Smart network/lobbying
Planning & Develop	Travel Smart	Promote Travel Smart to CoN as an employer
Planning & Develop	Travel Smart	Work to create infrastructure to enable alternative travel
Planning & Develop	Bushcare	Coordinate feral animal control
Planning & Develop	Bushcare	Co-ordinate fire prevention activities
Planning & Develop	Bushcare	Co-ordinate implementation of Greenways policy
Planning & Develop	Bushcare	Provide information to community regarding natural area management
Planning & Develop	Environmental Health	Demolition Controls
Planning & Develop	Environmental Health	Dept. Racing, Gaming and Liquor (ETP) Applications
Planning & Develop	Environmental Health	Development Controls
Planning & Develop	Environmental Health	Event Approvals
Planning & Develop	Environmental Health	Food Business Registration (Register All Compliances)
Planning & Develop	Environmental	Hairdressing Premises Inspections

Directorate	Service Unit	Activity
Develop	Health	
Planning & Develop	Environmental Health	Noise complaints and investigations
Planning & Develop	Environmental Health	Ocean Sampling/Rec Water Sampling
Planning & Develop	Environmental Health	Public Building Inspections and Approvals
Planning & Develop	Environmental Health	Vector and Pest Control
Planning & Develop	Environmental Health	Wastewater Approvals and Management (Grey H2O)
Technical Services	Travel Smart	Grant Application to various agencies
Technical Services	Property Services	Building design/upgrade
Technical Services	Property Services	Document Administration
Technical Services	Property Services	Building Maintenance – Programmed/Strategic
Technical Services	Engineering Services	Asset Management
Technical Services	Engineering Services	Drainage Maintenance (This function is covered in LEMC)
Technical Services	Engineering Services	FWP - Forward Works Planning
Technical Services	Engineering Services	Graffiti
Technical Services	Engineering Services	Planning and Design
Technical Services	Engineering Services	Right of way Maintenance
Technical Services	Engineering Services	Road Resurfacing/Reconstruction
Technical Services	Park Services	Capital Improvement
Technical Services	Park Services	Tree maintenance services e.g. Power line Clearance
Technical Services	Waste Services	Data Entry
Technical Services	Waste Services	Strategic Waste Management Planning

Responsibility Descriptions

NOTE: For printing purposes, start responsibility descriptions on an UNEVEN-numbered page:

These responsibility descriptions identify key staff and the positions they hold during an event

Name:	Tim Hollow
Title:	A/Manager Engineering Services
Department:	Engineering Services
Reporting to:	Director Technical Services
Directorate:	Technical Services
Deputy if absent:	Project Engineer (Tim Hollow)
Location:	Works Depot, corner Broome & Carrington
Key business objectives:	Service provision in areas of roads, drainage, buildings, and fleet
<p>Overview of functions:</p> <ul style="list-style-type: none"> • Road services (contractors & internal resources): Maintenance of public roads and associated road infrastructure (pothole repairs, patching, etc.) • Street sweeping (contractors) • Drainage infrastructure educating & jetting (contractors). • Building services (contractors & internal resources): Building access & security and building maintenance & repairs (plumbing, electrical, etc.) • Maintain the City's fleet (internal resources). Auto-electric (contractor). 	
<p>My response actions in the event of a business disruption which is estimated to be longer than 1 working day and/or affects multiple sites:</p>	
<p>Alternate site: For operations and storage of equipment in the event of the Depot becoming inaccessible: Adam Armstrong Building, 84 Beatrice Road, Dalkeith.</p>	
<p>Communication: Contact and inform -</p> <ul style="list-style-type: none"> • Director Technical Services (Jim Duff 0466 720 095) • Customer Services (Kerrilyn Creed 0429 883 902) • Works Coordinator (Nathan Deery 0421 584 339) • Project Engineer (Tim Hollow: 0419 982 344) • Consult with finance on a functioning purchasing system or implement manual system • Relevant Contractors who may be able to assist or have been affected by the incident: (Enviro Sweep 1300 610 416, Drainflow: 9209 0800, D&T Asphalt 0409 248795, etc.) 	

<p>Redirect any calls/e-mails: Customer Service logging: SharePoint/e-mail/phone. Intranet to maintenance team.</p>
<p>In Consultation with the Executive Management Team:</p> <p>Time-Critical Business Functions (services): Day 1</p> <ul style="list-style-type: none"> • Receive and prioritise works requests • Road Maintenance (Based on critical road failure) • Building Maintenance – Reactive response (Safety) • Building access & security • Community Amenity – Make buildings safe / secure • Recreation Facilities – Make buildings safe / secure • Liaise with workshop coordinator on fleet requirements and availability • Source alternative fleet requirements if required • Contact B/G contractors to access/fix buildings if required <p>Time-Critical Business Functions (services): Day 5</p> <ul style="list-style-type: none"> • Groundwater Management • Waste Collection • Fleet Management <p>Time-Critical Business Functions (services): >Day 5</p> <ul style="list-style-type: none"> • Contract management • Coordinate priority weed control • Routine maintenance of all infrastructure including street lighting, footpaths, buildings & roads.
<p>Resources required to deliver services:</p>
<p>People: All available staff required to continue operations. Additional competent staff sourced from recruitment agencies if required.</p> <p>Office Equipment: 1 workstation / tablet</p> <p>Infrastructure, Plant and Equipment:</p> <p>Contact List Car and Fuel Cards PPE Signage Major Plant Minor Fleet Bus</p>
<p>Support to / from other areas of the business: N/A</p>
<p>Other response actions:</p> <ul style="list-style-type: none"> • Record all decisions, actions and issues. • Review current workload and put plans in place to deal with any backlogs created by the incident • Set meeting times, dates and venues in advance • Ensure all relevant stakeholders continue to be kept informed • Monitor ongoing staff welfare requirements • Undertake post-incident review
<p>Notes:</p>

Rs React

Name:	James Cresswell
Title:	Manager Technical Services
Department:	Technical Services
Reporting to:	Director Technical Services
Directorate:	Technical Services
Deputy if absent:	A/Manager Engineering Services (Tim Hollow)
Location:	Works Depot, corner Broome & Carrington
Key business objectives:	Strategic planning, design, and technical support

Overview of functions:

- Manage contracted waste and recycling services for domestic and commercial collection
- Road signs and road designs
- Graffiti
- Illegal dumping
- Landscape maintenance
- Waste minimisation
- Surveying
- Design engineering
- Compliance with local planning scheme requirements
- Strategic projects development

My response actions in the event of a business disruption which is estimated to be longer than 1 working day and/or affects multiple sites:**Alternate site:**

For operations and storage of equipment in the event of the Depot becoming inaccessible: Adam Armstrong Building, 84 Beatrice Road, Dalkeith.

Communication: Contact and inform -

- Director Technical Services (Jim Duff: 0466 720 095)
- Consult with Customer Services (Kerrilyn Creed: 0429 883 902) and I.T. (Jon Filippone 0438 090 482) to ensure a system is in place to have calls redirected.
- Contractors to ensure they are not affected by the incident.

Redirect any calls/e-mails: Customer Service logging: SharePoint/e-mail/phone. Intranet to maintenance team.

In Consultation with the Executive Management Team: Time-Critical Business Functions (services): Day 1 <ul style="list-style-type: none">Determine if any physical inspections of infrastructure are required
Resources required to deliver services:
People: Consult with the Executive Management Team for allocation of duties. Office Equipment: 1 workstation Infrastructure, Plant and Equipment: Contractor contact List
Support to other areas of the business: Under direction of the Executive Management Team
Other response actions: <ul style="list-style-type: none">Record all decisions, actions, and issues.Review current workload and put plans in place to deal with any backlogs created by the incidentSet meeting times, dates, and venues in advanceEnsure all relevant stakeholders continue to be kept informedMonitor ongoing staff welfare requirementsUndertake post-incident review
Notes:

Rs React

Name:	Andrew Dickson
Title:	Manager Parks Services
Department:	Parks Services
Reporting to:	Director Technical Services
Directorate:	Technical Services
Deputy if absent:	Parks Coordinators (Nathan Deery – Irrigation: 0421 584 339 or Glen Burwood – Horticulture 0427 599 615).
Location:	Works Depot, corner Broome & Carrington
Key business objectives:	Maintain all soft and hard landscape and related infrastructure for parks, gardens, and reserves

Overview of functions:

- Parks, gardens and ovals routine maintenance, including skate parks, playgrounds, fountains, seats and trees.
- Litter control.
- Reticulation systems and bores
- Vegetation clearance.
- Cemetery Maintenance.
- Street Verge maintenance.

My response actions in the event of a business disruption which is estimated to be longer than 1 working day and/or affects multiple sites:**Alternate site:**

For operations and storage of equipment in the event of the Depot becoming inaccessible: John XXIII Depot could be used for storage of equipment and fleet, with admin at Adam Armstrong Building, 84 Beatrice Road, Dalkeith.

Communication: Contact and inform -

- Director Technical Services (Jim Duff: 0466 720 095)
- Consult with finance on a functioning purchasing system or implement a manual system
- Consult with Customer Services (Kerrilyn Creed: 0429 883 902) and I.T. (Jon Filippone 0438 090 482) to ensure a system is in place to have calls redirected to Parks Technical Officer (Tami Sharp).
- Discuss requirements if needed from Rangers (e.g. Traffic Management), HR, Technical Services and Engineering. Daniel for maintenance.
- Alert all Coordinators.

Redirect any calls/e-mails: Customer Service logging: SharePoint/e-mail/phone. Intranet to maintenance team.

<p>In Consultation with the Executive Management Team:</p> <p>Time-Critical Business Functions (services): Day 1</p> <ul style="list-style-type: none"> • Receive and prioritise urgent Parks Services requests <p>Time-Critical Business Functions (services): Day 5</p> <ul style="list-style-type: none"> • Groundwater Management • Continue Parks, gardens and ovals routine maintenance wherever possible <p>Time-Critical Business Functions (services): >Day 5</p> <ul style="list-style-type: none"> • Continuation of Prioritised work requests <p>Resources required to deliver services:</p> <p>People: All available staff required to continue operations. Additional competent staff sourced from recruitment agencies if required.</p> <p>Office Equipment: 1 workstation for admin Coordinator</p> <p>Infrastructure, Plant and Equipment:</p> <p>Contact List Invoicing for contractors Maintenance records Timesheets Fuel cards if Depot out of fuel or inaccessible Raise purchase orders</p> <p>Support to / from other areas of the business: N/A</p> <p>Other response actions:</p> <ul style="list-style-type: none"> • Record all decisions, actions, and issues. • Review current workload and put plans in place to deal with any backlogs created by the incident • Set meeting times, dates, and venues in advance • Ensure all relevant stakeholders continue to be kept informed • Monitor ongoing staff welfare requirements • Undertake post-incident review <p>Notes:</p>

Rs React

Name:	Jessica Bruce
Title:	Coordinator Rangers
Department:	Health & Compliance
Reporting to:	Manager Health & Compliance
Directorate:	Planning & Development
Deputy if absent:	Ranger (Daniel Sharples: 0417 978 966)
Location:	Administration Centre, 71 Stirling Highway, Nedlands.
Key business objectives:	Prioritised response to urgent Ranger-controlled issues (animal control, illegal dumping, compliance complaints, abandoned vehicles, bushfire mitigation, traffic management, parking, injuries, etc.)

Overview of functions: Coordinate and prioritise incoming telephone and e-mail requests for Ranger's response to issues relating to

- Animal control
- Parking management
- Permits issued under Local Laws
- Local Law enforcement
- Litter control
- Assist with provision of bushfire mitigation

My response actions in the event of a business disruption which is estimated to be longer than 1 working day and/or affects multiple sites:

Alternate site:

Works Depot, corner Broome & Carrington.

Communication: Contact and inform -

- Director Planning & Development (Peter Mickelson: 0407 824 360)
- Ranger (Daniel Sharples: 0417 978 966)
- Consult with Customer Services (Kerrilyn Creed: 0429 883 902) and I.T. (Jon Filippone 0438 090 482) to ensure a system is in place to have calls for Rangers redirected to the Depot.

Redirect any calls/e-mails: Service logging: SharePoint/e-mail/phone.

<p>In Consultation with the Executive Management Team:</p> <p>Time-Critical Business Functions (services): Day 1</p> <p>Set up Ranger Administration. Receive and prioritise urgent issues related to:</p> <ul style="list-style-type: none"> • Animal control, illegal dumping, compliance complaints, abandoned vehicles, bushfire mitigation, traffic management, parking, injuries, etc. • Roster Ranger after-hours services. • Community Amenity – Make buildings safe / secure. • Recreation Facilities – Make buildings safe / secure. • Assist with relocation of Emergency Management trailer, generator and bollards from Depot if required.
<p>Resources required to deliver services:</p>
<p>People: All available Rangers required for continuing operations. Additional assistance could be requested from Technical Services if required.</p> <p>Office Equipment: 1 workstation / tablet</p> <p>Infrastructure, Plant and Equipment: Ranger vans</p>
<p>Support to / from other areas of the business: N/A</p>
<p>Other response actions:</p> <ul style="list-style-type: none"> • Record all decisions, actions, and issues. • Review current workload and put plans in place to deal with any backlogs created by the incident. • Set meeting times, dates, and venues in advance. • Ensure all relevant stakeholders continue to be kept informed. • Monitor ongoing staff welfare requirements. • Undertake post-incident review.
<p>Notes:</p>

Rs React

Name:	Wendy Mathews Madison Newby
Title:	Community Engagement Coordinator Communications and Engagement Admin Officer
Department:	Community Engagement
Reporting to:	CEO
Directorate:	CEO Office
Deputy if absent:	Communications and Engagement Admin Officer (Madison Newby 9273 3656)
Location:	Administration Centre, 71 Stirling Highway, Nedlands.
Key business objectives:	Community Engagement Projects and Communications, including feedback from community and across Council.

Overview of functions:

- Building relationships between the community and the City of Nedlands.
- Marketing of events and Community Engagement Projects.
- Communication liaison
- Communication and feedback from community and Council

My response actions in the event of a business disruption which is estimated to be longer than 1 working day and/or affects multiple sites:**Alternate site:**

Dependent on location of Mayor and CEO.
Adam Armstrong Building, 84 Beatrice Road, Dalkeith or Works Depot, corner Broome & Carrington.

Communication: Contact and inform -

- CEO (Mark Goodlet: 0466 540 560)
- Mayor (Cilla de Lacy 0466 483 371)
- Assist with drafting of official media releases
- Stakeholder communications including staff, community & elected members
- Consult with 'Bang the Table' community engagement software solutions (1300 647 014 or 03 9020 8628) if assistance is required.

Redirect any calls/e-mails: Customer Service logging: SharePoint/e-mail/phone.

In Consultation with the Executive Management Team:**Time-Critical Business Functions (services): Day 1**

- Dissemination of information (Incident Communications)
- Communications (Mayor)
- Provide advice and specialist guidance regarding internal and external communications
- Provide support and guidance to EMT on process and Business Continuity matters.
- Continuously monitor achievement of recovery objectives.
- Maintain constant liaison with the Executive Leadership Team.

Time-Critical Business Functions (services): Day 10 <ul style="list-style-type: none">Digital Marketing
Resources required to deliver services:
People: CEO & Mayor. Acting CEO if both are absent. Office Equipment: 1 workstation / tablet Infrastructure, Plant and Equipment: Communication and Stakeholder Contact List <u>Communications Plan</u>
Support to / from other areas of the business: N/A
Other response actions: <ul style="list-style-type: none">Record all decisions, actions, and issues.Review current workload and put plans in place to deal with any backlogs created by the incidentSet meeting times, dates, and venues in advanceEnsure all relevant stakeholders continue to be kept informedMonitor ongoing staff welfare requirementsUndertake post-incident review
Notes:

Rs React

Name:	Ross Jutras-Minett Roy Winslow
Title:	Manager Urban Planning Principal Planner
Department:	Planning Services
Reporting to:	Director Planning & Development
Directorate:	Planning & Development
Deputy if absent:	Principle Planner (Roy Winslow – 9273 3586)
Location:	Administration Centre, 71 Stirling Highway, Nedlands.
Key business objectives:	Planning Legislation and Strategic Planning

Overview of functions:

- Assessment of development applications
- Planning and Development Act administration
- Sub-division process management
- State Administrative Tribunal reviews & responses
- Advice to customers and internal Stakeholders on planning matters
- Local Planning Scheme compliance, amendments & policies
- Structure Planning
- Develop, review and implement the Local Planning Strategy

My response actions in the event of a business disruption which is estimated to be longer than 1 working day and/or affects multiple sites:

Alternate site:

For operations in the event of the Administration Centre becoming inaccessible: Mt Claremont Library or Nedlands Library.

Communication: Contact and inform -

- Director Planning & Development (Peter Mickleson: 0407 824 360)
- Consult with Customer Services (Kerrilyn Creed: 0429 883 902) and I.T. (Jon Filippone 0438 090 482) to ensure a system is in place to have calls for Planning matters redirected to the Library.

Redirect any calls/e-mails: Customer Service logging: SharePoint/e-mail/phone.

In Consultation with the Executive Management Team:**Time-Critical Business Functions (services): Day 5**

- Process Planning approvals for progress to Building Services

Time-Critical Business Functions (services): Day 10

- Assessment of Development Applications

Time-Critical Business Functions (services): Day 20

- Represent administration at SAT (provide expert evidence)

Resources required to deliver services:
People: All available staff could offer general administrative support to other areas for minimum of one week. Backlog will be cleared by working overtime. Office Equipment: 1 workstation / tablet Infrastructure, Plant and Equipment: Contact List Plans (building) Development Applications
Support to other areas of the business: Could offer general administrative support to other areas.
Other response actions: <ul style="list-style-type: none">• Record all decisions, actions, and issues.• Review current workload and put plans in place to deal with any backlogs created by the incident• Set meeting times, dates, and venues in advance• Ensure all relevant stakeholders continue to be kept informed• Monitor ongoing staff welfare requirements• Undertake post-incident review
Notes:

Rs React

Name:	Marion Granich Amanda Cronin Samantha Edwards Rose Stewart Robyn Forrest Lisa Macfarlane Reid Chris Cottle
Title:	Manager Community Development Coordinator Community Development Community Development Officer (Events and Access) Administration & Events Officer Volunteer Community Services Tresillian Arts Centre Coordinator Community Development Officer (Youth & Children)
Department:	Community Development
Reporting to:	Director Corporate & Strategy
Directorate:	Corporate & Strategy
Deputy if absent:	Any of the above plus Tresillian (Kristine Bishop) and Volunteer Services Officer (Robyn Forrest)
Location:	The Cottage, Library and Tresillian.
Key business objectives:	Provision of Community Projects, Activities and Events

Overview of functions:

- Youth Arts Projects & consultation with youth and children groups
- Events and Festivals
- Arts & Culture development, recreational courses, and activities
- Liaison with Culturally and Linguistically Diverse groups
- Community Safety and Crime Prevention planning
- Liaison with grants & community organisations
- Disability Access & Inclusion plans
- Community education programs
- Library administration & management
- Citizenship Ceremonies
- Volunteer Services
- Community Sporting Club

My response actions in the event of a business disruption which is estimated to be longer than 1 working day and/or affects multiple sites:

Alternate site:

For operations in the event of The Cottage or any other facility becoming inaccessible: liaise with Executive Management Team.

<p>Communication: Contact and inform -</p> <ul style="list-style-type: none">• Executive Management Team (Incident Management Team)• Consult with Customer Services (Kerrilyn Creed: 0429 883 902) and I.T. (Jon Filippone 0438 090 482) to ensure a system is in place to have calls for Community Development matters redirected.
<p>In Consultation with the Executive Management Team:</p> <p>Time-Critical Business Functions (services): Day 1</p> <ul style="list-style-type: none">• Confirm or postpone any upcoming events, festivals, and activities• Liaise with Executive Management Team to determine ongoing priorities
<p>Resources required to deliver services:</p>
<p>People: All available staff required to continue operations. Additional competent staff sourced from other departments if required.</p> <p>Office Equipment: 1 workstation</p> <p>Infrastructure, Plant and Equipment: Contact Lists</p>
<p>Support to other areas of the business: Administrative or Customer relationship roles</p>
<p>Other response actions:</p> <ul style="list-style-type: none">• Record all decisions, actions, and issues.• Review current workload and put plans in place to deal with any backlogs created by the incident• Set meeting times, dates, and venues in advance• Ensure all relevant stakeholders continue to be kept informed• Monitor ongoing staff welfare requirements• Undertake post-incident review
<p>Notes:</p>

Name:	Patricia Panayotou Vikki Antcliff Despina Swaine Liz Manassah Romaine Ratnawibhushana
Titles:	Manager Community Service Centres Community Care Coordinator Library Services Coordinator Digital Services Librarian Coordinator PRCC
Department:	Community Service Centres
Reporting to:	Director Corporate & Strategy
Directorate:	Corporate & Strategy
Deputy if absent:	Any of the above plus (Librarians) Zara & Martina, (Supervisor Day Respite Centre) Sally and (Child Care giver) Yuka
Location:	Libraries, Day Respite Centre, and Child Care Centre
Key business objectives:	Provision of Library, Respite and Child Care Services

Overview of functions:

- Library administration & management
- Lending services & computer access
- Reference and information
- Community education programs
- Making services and facilities accessible to the aged
- Managing the respite facility and home care support services
- Child Care Services

My response actions in the event of a business disruption which is estimated to be longer than 1 working day and/or affects multiple sites:**Alternate site:**

For operations in the event of one or more of the facilities becoming inaccessible: liaise with Executive Management Team.

(Note: Libraries could relocate to another Western Suburbs regional consortium Library, Aged Care could request assistance from other Agencies, such as Care-A-Lot, Comfort-Keeper, Meals on Wheels or Tilley's, and the Child Care Facility is prohibited by legislation from moving to another facility, but could, over the very short-term, relocate to the Bowling Club or Adam Armstrong Pavilion).

<p>Communication: Contact and inform -</p> <ul style="list-style-type: none"> Executive Management Team Clients/Carers/Users Consult with Customer Services (Kerrilyn Creed: 0429 883 902) and I.T. (Jon Filippone 0438 090 482) to ensure a system is in place to have calls for Service Centres matters redirected.
<p>In Consultation with the Executive Management Team:</p> <p>Time-Critical Business Functions (services): Day 1</p> <ul style="list-style-type: none"> Nedlands Community Care - care of clients, meals Nedlands Community Care - home support Determine City of Nedlands staff placement <p>Time-Critical Business Functions (services): Day 3</p> <ul style="list-style-type: none"> Determine re-opening time and resumption of services if required for NCC and PRCC.
<p>Resources required to deliver services:</p>
<p>People: All available staff required to continue operations. Additional competent staff sourced from other departments or external Agencies if required.</p> <p>Office Equipment: 3 workstations</p> <p>Infrastructure, Plant and Equipment: Contact Lists Rosters & Schedules (diary system)</p>
<p>Support to other areas of the business: Library: Administrative or Customer relationship roles, Aged and Childcare N/A.</p>
<p>Other response actions:</p> <ul style="list-style-type: none"> Record all decisions, actions, and issues. Review current workload and put plans in place to deal with any backlogs created by the incident Set meeting times, dates, and venues in advance Ensure all relevant stakeholders continue to be kept informed Monitor ongoing staff welfare requirements Undertake post-incident review
<p>Notes:</p>

Name:	Jon Filippone
Title:	Systems & Network Administrator
Department:	Business Systems
Reporting to:	Manager Business Systems
Directorate:	Corporate & Strategy
Deputy if absent:	Juli Patel, IT & SharePoint Support Analysis
Location:	Administration Centre, 71 Stirling Highway, Nedlands.
Key business objectives:	Provision of information technology and communications systems to the organisation

Overview of functions:

- Provision of networking and communications systems to the organisation
- Security of critical applications and data
- Telecommunications
- IT contracts management
- Purchase of new IT hardware and software
- Licence renewals

My response actions in the event of a business disruption which is estimated to be longer than 1 working day and/or affects multiple sites:

Alternate site:

For operations in the event of the Administration Centre becoming inaccessible: Adam Armstrong Building, 84 Beatrice Road, Dalkeith.

Communication: Contact and inform -

- Director Corporate & Strategy (Lorraine Driscoll: 0413 705 009)
- Manager Business Systems (Marc Dimmick: 0418 140 536)
- Consult with Customer Services (Kerrilyn Creed: 0429 883 902) to ensure a system is in place to have all incoming calls redirected.
- Juli & Rajan if required.

Redirect any calls/e-mails: Customer Service logging: SharePoint/e-mail/phone.

In Consultation with the Executive Management Team:

Time-Critical Business Functions (services): Day 1

- Activate IT Disaster Recovery Procedure if required. Ensure planned responses (IT DR Test Plan) are coordinated in line with expectations and capabilities.
- Establish Records, E-mail, Finance & SharePoint in Adam Armstrong recovery Centre. Ensure handsets, Tablets and Virtual Desktops are operational.
- Establish Call Centre / Hot Desk

<ul style="list-style-type: none">Continually update and provide specialist guidance to Executive Leadership Team regarding status and actions of IT.Set up records workstation -incoming mail process implemented <p>Time-Critical Business Functions (services): Day 3</p> <ul style="list-style-type: none">Activate <u>IT Disaster Recovery Procedure</u> if required. Ensure planned responses (<u>IT DR Plan</u>) are coordinated in line with expectations and capabilities. <p>Time-Critical Business Functions (services): >Day 5</p> <ul style="list-style-type: none">Ensure ongoing system availability
Resources required to deliver services:
<p>People: All available staff required to continue operations. Backlog cleared working overtime.</p> <p>Office Equipment: 1 workstation / tablet</p> <p>Infrastructure, Plant and Equipment: Contact List VDI Units Network switches and cables Telephone Handsets Mobiles/Tablets/Laptops</p>
Support to / from other areas of the business: N/A
<p>Other response actions:</p> <ul style="list-style-type: none">Record all decisions, actions, and issues.Review current workload and put plans in place to deal with any backlogs created by the incidentSet meeting times, dates, and venues in advanceEnsure all relevant stakeholders continue to be kept informedMonitor ongoing staff welfare requirementsUndertake post-incident review
Notes:

Rs React

Name:	Kerrilyn Creed
Title:	Customer Service Team Leader
Department:	Customer Services
Reporting to:	Manager Business Systems
Directorate:	Corporate & Strategy
Deputy if absent:	Customer Services Officers (Lexie)
Location:	Administration Centre, 71 Stirling Highway, Nedlands.
Key business objectives:	Managing incoming Customer enquiries

Overview of functions:

- Customer Services (general face-to-face, e-mail, mail, and telephone), such as planning and building applications, rates, fees and booking of venues
- Community communications & coordination
- Redirecting incoming calls or taking messages

My response actions in the event of a business disruption which is estimated to be longer than 1 working day and/or affects multiple sites:

Alternate site:

For operations in the event of the Administration Centre becoming inaccessible: Mt Claremont or Nedlands Library.

Communication: Contact and inform -

- Director Corporate & Strategy (Lorraine Driscoll: 0413 705 009)
- Manager Business Systems (Marc Dimmick: 0418 140 536)
- Customer Service Kerrilyn Creed: 0429 883 902
- Consult with I.T. (Jon Filippone 0438 090 482) to ensure a system is in place to have calls redirected to the Library.
- Inform after-hours contractor (Insight)

Redirect if required: Mail collection, armoured guard, newspaper, milk, etc. Ensure fridges are emptied.

In Consultation with the Executive Management Team:

Time-Critical Business Functions (services): Day 5

- Set up customer service workstation - phones, message books, cash, receipt book etc. for front counter enquiries
- Receipting of payment/cashiering - internal and external
- Switchboard Operation
- Banking/Receipting
- Capture of Emails, Documents, and faxes

<ul style="list-style-type: none">• Mail Time-Critical Business Functions (services): Day 10 <ul style="list-style-type: none">• Front Counter enquiries - Outgoing Advice/Information/Documentation• Maintain Keys and Key Register for Council Facilities• Rates Time-Critical Business Functions (services): >Day 20 <ul style="list-style-type: none">• Outgoing Mail – Administration (Focus mainly on critical mail)
Resources required to deliver services:
People: All available staff required to continue operations. Backlog cleared working overtime or staff form other business units. Office Equipment: 2 workstations Infrastructure, Plant and Equipment: Contact Lists
Support to / from other areas of the business: Finance Department
Other response actions: <ul style="list-style-type: none">• Record all decisions, actions, and issues.• Review current workload and put plans in place to deal with any backlogs created by the incident• Set meeting times, dates, and venues in advance• Ensure all relevant stakeholders continue to be kept informed• Monitor ongoing staff welfare requirements• Undertake post-incident review
Notes:

Name:	Paul Busby
Title:	Manager Building Services
Department:	Building Services
Reporting to:	Director Planning & Development
Directorate:	Planning & Development
Deputy if absent:	Senior Building Surveyor (Joe Lamont 0437 203 354)
Location:	Administration Centre, 71 Stirling Highway, Nedlands.
Key business objectives:	Building compliance, control of leased assets, building permits & pool inspections.

Overview of functions:

- Shire land holdings maintenance & inspections
- Certified building permits.
- Uncertified building permits.
- Building control including compliance
- Applications for strata subdivisions
- Inspections and issue of certificates
- Occupancy permits
- Building statistics to the Australian Bureau of Statistics, Valuer Generals Office and BCITF
- Advice to customers on statutory building matters

My response actions in the event of a business disruption which is estimated to be longer than 1 working day and/or affects multiple sites:**Alternate site:**

For operations in the event of the Administration Centre becoming inaccessible: Adam Armstrong Building, 84 Beatrice Road, Dalkeith.

Communication: Contact and inform -

- Director Planning & Development (Peter Mickelson: 0407 824 360)
- Contact applicants for current & new building applications.
- Consult with Customer Services (Kerrilyn Creed: 0429 883 902) and I.T. (Jon Filippone 0438 090 482) to ensure a system is in place to have calls for Building matters redirected to Adam Armstrong.

Redirect any calls/e-mails: Customer Service logging: SharePoint/e-mail/phone.

In Consultation with the Executive Management Team:**Time-Critical Business Functions (services): Day 10**

- Building Permits

Resources required to deliver services:
People: All available staff could offer general administrative support to Planning or Customer Service areas for minimum of two weeks. Backlog will be cleared by working overtime. Office Equipment: 3 workstations with SharePoint, Outlook, Authority, BlueBeam and MS Office. Infrastructure, Plant and Equipment: Contact List Planning approvals Development Applications
Support to other areas of the business: Could offer general administrative support to Planning or Customer Services.
Other response actions: <ul style="list-style-type: none">• Record all decisions, actions, and issues.• Review current workload and put plans in place to deal with any backlogs created by the incident• Set meeting times, dates, and venues in advance• Ensure all relevant stakeholders continue to be kept informed• Monitor ongoing staff welfare requirements• Undertake post-incident review
Notes:

Rs React

Name:	Vanaja Jayaraman & Hassan Shiblee
Title:	Manager Finance Services & Coordinator Management Accounting
Department:	Finance
Reporting to:	Director Corporate & Strategy
Directorate:	Corporate & Strategy
Deputy if absent:	Any of the above
Location:	Administration Centre, 71 Stirling Highway, Nedlands.
Key business objectives:	Management of the City's financial infrastructure

Overview of functions:

- Payment of Creditors, invoicing, and collection from Debtors
- Managing and investing funds
- Payroll
- Facilitate funds for procurement of goods and services
- Treasury
- General Ledger data collection
- Financial management reports
- Statutory reporting
- Annual budget
- Long Term Financial Planning
- Financial audits

My response actions in the event of a business disruption which is estimated to be longer than 1 working day and/or affects multiple sites:

Alternate site:

For operations in the event of the Administration Centre becoming inaccessible: Anywhere including working from home. To be decided by the Executive Management Team at the time.

Communication: Contact and inform -

- Director Corporate & Strategy (Lorraine Driscoll: 0413 705 009)
- Banks, Treasury and ATO

Redirect if required: Customer Service logging: SharePoint/e-mail/phone.

In Consultation with the Executive Management Team:

Time-Critical Business Functions (services): Day 3

- Ensure the ongoing capability to remunerate employees (Payroll).
- Manage all financial cash flow requirements for the incident
- Procurement facilitation (Electronic or Manual)

Time-Critical Business Functions (services): Day 5

- Banking/Receipting (Electronic or Manual)

<ul style="list-style-type: none">• Urgent Payments (Electronic or Manual/Cheques)• Authorisation payments etc (Signatory) <p>Time-Critical Business Functions (services): >Day 10</p> <ul style="list-style-type: none">• Bank reconciliation (Electronic or Manual or liaise with bank)• BAS - (If required) - (Electronic)• End of month processing (If Required)• Rate Info and Customer Service• Rates - Issuing and Maintenance (If required July- Yearly or Instalment quarterly)
<p>Resources required to deliver services:</p> <p>People: All available staff required to continue operations. Backlog cleared working overtime. Any manual processing to be entered electronically by relevant officer when system becomes available.</p> <p>Office Equipment: 3 workstations (payroll, banking, authorising) and Civica software</p> <p>Infrastructure, Plant and Equipment: Contact Lists Credit cards/Purchasing cards Bank tokens</p>
<p>Support to other areas of the business: Customer Services</p>
<p>Other response actions:</p> <ul style="list-style-type: none">• Record all decisions, actions, and issues.• Review current workload and put plans in place to deal with any backlogs created by the incident• Set meeting times, dates, and venues in advance• Ensure all relevant stakeholders continue to be kept informed• Monitor ongoing staff welfare requirements• Undertake post-incident review
<p>Notes:</p>

Rs React

Name:	Shelley Mettam
Title:	Manager Human Resources and Organisational Development
Department:	Human Resources
Reporting to:	CEO
Directorate:	CEO Office
Deputy if absent:	Human Resources Business Partner (Michelle Kwan and Elysha Milthorpe)
Location:	Administration Centre, 71 Stirling Highway, Nedlands.
Key business objectives:	Human Resource services

Overview of functions:

- Recruitment, selection, induction and retention
- Employee and Industrial relations
- Staff training and development
- Staff performance and appraisal systems
- Complaints and dispute handling
- Human resources policies and procedures
- Workforce Plan

My response actions in the event of a business disruption which is estimated to be longer than 1 working day and/or affects multiple sites:**Alternate site:**

Dependent on location of CEO; Adam Armstrong Building, 84 Beatrice Road, Dalkeith, but able to work from anywhere.

Communication: Contact and inform -

- CEO (Mark Goodlet: 0466 540 560)
- Consult with CGU Worker's Compensation if required.

Redirect any calls/e-mails: Customer Service logging: SharePoint/e-mail/phone.

In Consultation with the Executive Management Team:**Time-Critical Business Functions (services): Day 1**

- Load information into Authority for payroll run.
- Provide information on Employees as required.
- Facilitate the provision of essential welfare services to Employees.
- In liaison with Police, facilitate informing and updating next of kin.
- Manage communications with appropriate external parties (e.g. WorkSafe)

Resources required to deliver services:
People: CEO and HR Officers. Office Equipment: 1 workstation with connection to Big Red Sky Infrastructure, Plant and Equipment: Staff Contact List
Support to / from other areas of the business: N/A
Other response actions: <ul style="list-style-type: none">• Record all decisions, actions, and issues.• Review current workload and put plans in place to deal with any backlogs created by the incident• Set meeting times, dates, and venues in advance• Ensure all relevant stakeholders continue to be kept informed• Monitor ongoing staff welfare requirements• Undertake post-incident review
Notes:

Name:	Andrew Melville
Title:	Manager Environment & Health
Department:	Environment & Health
Reporting to:	Director Planning & Development
Directorate:	Planning & Development
Deputy if absent:	Environmental Health Officers (Lauren Brayford: 0406 375 293 & Sarah Loughnan 0439 942 768)
Location:	Administration Centre, 71 Stirling Highway, Nedlands.
Key business objectives:	Environmental health issues and public health complaints

Overview of functions: Coordinate and prioritise incoming telephone and e-mail requests regarding Environmental health issues and public health complaints (food safety, effluent disposal, odours, lead levels, water sampling, etc.)

- Food sampling (Legal and LHAAC Coordinated)
- Approval of Skin Penetration premises
- Sampling and assessment of aquatic facilities and reclaimed wastewater reuse
- Lodging House inspection and registration
- Vector investigation
- Health promotion & education
- Registration of Offensive Trades
- Issue permits for stallholders, street traders, morgues, stable licences and portable signs
- Onsite effluent disposal systems
- Advice on Environmental Health related matters
- Public Building approvals and assessments
- Section 39 Liquor Licencing approvals
- Public event assessment, permits and monitoring
- Unsightly land/ hoarding
- Complaints (noise, noxious odours, poultry, dust)

My response actions in the event of a business disruption which is estimated to be longer than 1 working day and/or affects multiple sites:

Alternate site:

Adam Armstrong Building, Hynes Road, Dalkeith. Are able to work from anywhere if not mobilised.

<p>Communication: Contact and inform -</p> <ul style="list-style-type: none"> • Director Planning & Development (Peter Mickelson: 0407 824 360). • Air monitoring or asbestos contractors or Water Corporation if required. • Building & maintenance and Rangers if required • Consult with Customer Services (Kerrilyn Creed: 0429 883 902) and I.T. (Jon Filippone 0438 090 482) to ensure a system is in place to have calls redirected. <p>Redirect any calls/e-mails: Service logging: SharePoint/e-mail/phone.</p>
<p>In Consultation with the Executive Management Team:</p> <p>Time-Critical Business Functions (services): Day 1</p> <p>If required to assist with the incident itself, prioritised response to urgent Environmental health safety issues such as:</p> <ul style="list-style-type: none"> • Asbestos clean-up • Food safety • Waste & sanitation • Pollution • Noxious odours, etc.
<p>Resources required to deliver services:</p> <p>People: All available EHO's & Coordinator required for continuing operations. Any backlogs created by the incident will be resolved working overtime or using contractors. Additional internal assistance may be required from the Building & maintenance and Ranger teams.</p> <p>Office Equipment: 1 workstation</p> <p>Infrastructure, Plant and Equipment: Testing equipment</p>
<p>Support to other areas of the business: N/A</p>
<p>Other response actions:</p> <ul style="list-style-type: none"> • Record all decisions, actions, and issues. • Review current workload and put plans in place to deal with any backlogs created by the incident. • Set meeting times, dates, and venues in advance. • Ensure all relevant stakeholders continue to be kept informed. • Monitor ongoing staff welfare requirements. • Undertake post-incident review.
<p>Notes:</p>

Name:	Nalin Dias
Title:	Information Technology Governance Coordinator
Department:	Information Management
Reporting to:	Manager Business Systems
Directorate:	Corporate & Strategy
Deputy if absent:	Mark Kerr or Kerrilyn Creed
Location:	Administration Centre, 71 Stirling Highway, Nedlands.
Key business objectives:	From creation to final destruction of hard copy and digital records

Overview of functions:

- Registration & distribution of incoming and outgoing hard copy and digital correspondence
- Customer Services such as planning and building applications
- Digitising, filing, retrieving, and archiving of files
- Disposal of records according to legislation
- Freedom of Information requests

My response actions in the event of a business disruption which is estimated to be longer than 1 working day and/or affects multiple sites:**Alternate site:**

For operations in the event of the Administration Centre becoming inaccessible: 1) Nedlands Library or 2) Mt Claremont Library.

Communication: Contact and inform -

- Director Corporate & Strategy (Lorraine Driscoll: 0413 705 009)
- Manager Business Systems (Marc Dimmick: 0418 140 536)
- Consult with Customer Services (Kerrilyn Creed: 0429 883 902) and I.T. (Jon Filippone 0438 090 482) to ensure a system is in place to have calls and mail redirected to the Library.
- Inform after-hours contractor (Insight), Australia Post and State Records.

Redirect if required: Mail collection, armoured guard, newspaper, milk, etc.

In Consultation with the Executive Management Team:**Time-Critical Business Functions (services): Day 5**

- Set up customer service workstation - phones, message books, cash, receipt book etc. for front counter enquiries
- Receipting of payment/cashiering - internal and external
- Switchboard Operation
- Banking/Receipting
- Capture of Emails, Documents, and faxes
- Mail

<p>Time-Critical Business Functions (services): Day 10</p> <ul style="list-style-type: none"> • Front Counter enquiries - Outgoing Advice/Information/Documentation • Maintain Keys and Key Register for Council Facilities • Rates <p>Time-Critical Business Functions (services): >Day 20</p> <ul style="list-style-type: none"> • Outgoing Mail – Administration (Focus mainly on critical mail)
<p>Resources required to deliver services:</p>
<p>People: All available staff required to continue operations. Backlog cleared working overtime or staff form other business units.</p> <p>Office Equipment: 1 scanner and 2 workstations with SharePoint and Outlook</p> <p>Infrastructure, Plant and Equipment: Contact Lists Record-keeping plan</p>
<p>Support to / from other areas of the business: Finance Department</p>
<p>Other response actions:</p> <ul style="list-style-type: none"> • Record all decisions, actions, and issues. • Review current workload and put plans in place to deal with any backlogs created by the incident • Set meeting times, dates, and venues in advance • Ensure all relevant stakeholders continue to be kept informed • Monitor ongoing staff welfare requirements • Undertake post-incident review
<p>Notes:</p>

Rs React

Hard copies of this plan are located:

- Administration Centre reception
- Administration Centre – western exit
- Administration Centre – eastern exit
- Nedlands Library
- Mount Claremont Library
- CEO's Office
- CEO's vehicle
- Director Corporate & Strategy vehicle
- Director Technical Services vehicle
- Director Planning & Development vehicle
- Manager Community Service Centres vehicle
- Manager Community Development vehicle

Action Items

Telecommunications and IT Equipment at the Primary location:

In order to function fully as a command centre the Adam Armstrong building is fitted with **X** number of data communication points enabling the connection of multiple computers and phone handsets, Wi-Fi is also available allowing for mobile devices such as iPhones and iPads to connect and function without any special requirements.

Issues to be addressed:

- Confirm sufficient communication point are available and tested at the Administration Centre
- Confirm sufficient communication point are available and tested at the Adam Armstrong Building Dalkeith

Action required:

- Test communication points at both locations

Telecommunications and IT Equipment at Secondary location:

In order to function fully the meeting room is fitted with **X** number of communication points enabling the connection of multiple computers and phone handsets, Wi-Fi is also available allowing for mobile devices such as iPhones and iPads to connect and function without any special requirements.

Issues to be addressed:

- Confirm sufficient communication point are available and tested at the Administration Centre
- Confirm sufficient communication point are available and tested at the Adam Armstrong Building Dalkeith

Action required:

- Test communication points at both locations

ICT Power Requirements:

Administration Building:

Although the Administration Centre does not have permanent static auxiliary power it has the required fittings.

The location of the input connector is located in the northwest corner of the carpark, the fittings will accommodate a portable power unit that can provide sufficient power to support the IT department and the Meeting room whilst the mains power is re-established.

Adam Armstrong Building:

Consideration needs to be given to what equipment will be required to support the building as a Secondary command centre

Issues to be addressed:

More work is required on developing a power and communication plan for both the Administration building and the Adam Armstrong Building.

Action required:

- Plans of both locations required showing power and communications point

Backup Power Source:

An agreement or MoU with suppliers should be in place to support the supply of equipment at short notice

Issues to be addressed:

- Develop an agreement or MoU with suppliers and update the appropriate documents showing who to contact at short notice

Action required:

- Develop an agreement or MoU

Building Security:

Security of the Administration building is via an electronic door pass, all staff are issued with a pass.

Consultants, contractors, media and members of the community are provided access to the building via the Customer Service Department they are escorted and supervised by a member of staff.

No consideration of the Adam Armstrong Building has been considered at this time

Issues to be addressed:

- Consideration of the movement of internal and external staff as well as Consultants, contractor, media, and members of the community should be considered.
- A common plan should be available to manage both the Primary and Secondary sites.

Action required:

- Identify possible issues of people movement during a time of crises, identify key staff that can manage and control the movement during a crisis.

Communications:

A suitable location for the communication in the Administration building is the Board Room which situated behind the Customer Service Department, this room will facilitate regular updates and Q&A where possible.

Access and security will be managed by the Customer Service department who are familiar with dealing with coming and going of the public.

The Communications Team - the following list of staff are listed in order of first contact:

1. Wendy Mathews (Communications and Engagement Coordinator)
2. Diane Graham (Media Liaison Officer)
3. Madison Newby (Communications and Engagement Admin Officer)
4. Kathryn Heaney (Graphic Designer)

Communications Coordinator will be responsible for coordinating the timing of messages broadcasts being provided and managing the communication provided by the Mayor and the Communications Team Director (CEO)

Issues to be addressed:

- Suitable rooms are required to be identified at the Adam Armstrong Building.
- Consideration is required for the tools that will be required to assist in delivering media interviews such as white boards, Computers, Recorder, and microphones and other.

Action required:

- Review requirements; develop a list of requirements and locations.

Information to be displayed:

Up to date Information will need to be displayed and updated on a regular basis, in conjunction with the Communications & Engagement Coordinator a number of items should be displayed and maintained.

Current Operational Display Board

Showing all of the tasks currently being carried out during the crises

Contacts Display Board

Used to display important contact telephone, fax, and mobile numbers

Resources Allocation Board

Showing resource location, resources committed and resource available

Staff Roster

Used for long or protracted use of the Incident Management and Business Continuity Response team.

Timing Details

Used for the recording of briefings, meetings, situation reports and other.

Media Releases

Copies of all the publicly released materials

Issues to be addressed

Identify materials and storage location for such equipment

Action required

Purchase material

Business Continuity Plans (BCP) and associated documents:

A paper copy of the Incident Management and Business Continuity plan (IM & BCP) should off site in each team member's motor vehicle, a link to the mater copy should be located on the front page of the council intranet, and this digital is available on any device 24x7

Issues to be addressed:

Make sur that each Team member has a paper copy in their vehicles and that all members are aware of the link to the digital copy on the Intranet

Action required:

To be actioned and confirmed

Administration:

Stationary will be required during the time of crises, and the administrations team will need to make available to the Incident Management Team on request. Items such as press realises

Issues to be addressed:

Administration Support Team along with Communications Team should compile a list of required items and the storage location ready in the event that they will be required

Action required:

Compile a list, purchase items, and locate in a pre-determined disaster store

Briefing sessions:

Regular briefing sessions should be conducted by the Incident Management Team (IMT)

- Staff
- Media
- Community
- Elected members

Issues to be addressed:

None

Action required:

None

Policies**Communications Policy**

KFA	KFA 5 Governance
Responsible	
Division	Office of the Chief Executive Officer
Objective	To provide overarching guidance to in relation to City of Nedlands internal and external communications

Context

The City of Nedlands recognises the key to building positive and lasting partnerships with internal and external stakeholders requires effective two-way communication.

Statement

The communications department provides a variety of communication channels either through verbal, electronic or printed mediums to implement their communications policy to:

- inform the community and staff of key Council and City decisions, services, events, programs, and initiatives
- build a positive image of the City of Nedlands.

This policy does not address the entire suite of communications tools available at the City; however, the most important ones are listed below:

- advertising
- publications
- newsletter
- signage
- public displays
- logo use
- photo opportunities
- online media.

Advertising

To ensure maximum coverage within the City, a monthly full-page colour advert known as Nedlands News is used to promote services, events programs and initiatives in The POST newspaper. All branches are invited to submit information for the advert each month – this must be signed off by their director or manager.

All public advertisements are to include the City of Nedlands logo.

Publications

All publications must adhere to the standards outlined in the City of Nedlands Promotional Style Guide and Style guide essentials. They must also display the City's logo and branding, date of publication, contact details and a statement stating the publication if available in alternative formats on request.

Two hard copies of the annual and financial reports must be sent to the State Library of WA each year, along with a PDF version. One hard copy of the annual and financial reports also needs to be sent to the Department of Local Government, Sport and Cultural Industries each year.

Newsletter

A newsletter, known as City News, is created, printed, and distributed to all City of Nedlands residents in December:

- All branches are invited to submit information to be included in the newsletter, which must be signed off by their director and manager.
- The communications department designs the layout, oversees the printing, and has final say of the content that appears in the newsletter. The CEO then gives final approval
- The communications department organises the mailing of the newsletter to all residents, after liaising with the relevant staff member who has the most up-to-date mailing database (usually the rates officer).
- An electronic version of the newsletter is uploaded to the City's website.

Signage

All City of Nedlands signs are to adhere to the standards outlined in the Promotional Style Guide and Style guide essentials.

Public displays

All City of Nedlands displays, and exhibits are to include the City of Nedlands logo and be of a professional standard.

Logo use

The City of Nedlands logo is to appear on all City communications including correspondence, publications, forms, advertisements, displays, signage, staff uniforms, fleet vehicles and other plant, electronic communications, and any other relevant communication medium.

The City of Nedlands logo is to be used within the guidelines established in the Promotional Style Guide and Style guide essentials.

Photo opportunities

The communications department is responsible for coordinating, approving, and dispatching all photo opportunities, media releases and media statements (following authorisation from the CEO).

Refer to the Media Procedure for more information.

Online media

Website

The City's website is a destination site for residents and visitors. The website conveys the City's message while providing current and relevant information.

- The communications department reviews and approves all content on the City's website (excluding agendas and minutes).
- Website information needs to be consistent with the vision of the City.
- Each department is responsible for informing the communications department of upcoming projects, events and any changes that apply to their section of the website.
- Information for the website must be signed off by the department's director or manager.
- Paid advertising is not allowed on the City's website.
- Organisations sponsoring departmental activities may have their logos added to the City's website but it must be signed off by the department's director or manager and include details of what it has to do with the City (ie community benefits).
- Only City-related material is published on the website, aside from the events calendar which allows for community groups and organisations to publish upcoming activities (all submissions are checked by communications after an email notification is received).

Social networking sites

The City publishes content on three social media sites: Facebook, Twitter, and LinkedIn. These sites require regular updates and interaction from both the content provider and the public to be successful.

Only City-related material is published on these social media sites – promoting other businesses and/or events is not permitted (unless there is a tangible City connection in some way).

The communications department is responsible for all interaction and updates on these sites. An exception is the Nedlands Library Service Facebook page, which is maintained by library staff.

Related documentation

Communications Procedure

Media Procedure

Corporate Style Guide

Style guide essentials

Related Local Law / Legislation

Nil

Related delegation

Nil

Review History

28 February 2019

14 June 2012

15 August 2011

Media Policy**KFA** Community Development**Status** Administration**Responsible****division** Office of the Chief Executive Officer**Objective** To define the roles and procedures for the Mayor, Councillors and City staff with respect to the management and authorisation of those who may speak on behalf of the City of Nedlands to the media.

Context

The City of Nedlands acknowledges the media can play a significant role in the enhancement and management of the reputation of the organisation. This protocol is designed to assist in the process of managing media issues and relations.

The Mayor and Chief Executive Officer (and, in their absence, Deputy Mayor or appointed Acting Chief Executive Officer) are authorised under the Local Government Act 1995 to issue media releases and statements or speak on behalf of the City to members of the media.

On occasion, a Director may speak to the media if an urgent deadline presents itself and the Mayor and/or CEO are unavailable. In certain rare instances, such as promoting a youth event or similar, the communications department may seek permission from the CEO for someone else to speak to the media, or be quoted in a media release, because they are the most relevant person. This is only ever done if it's positive for the City and there is no potential for anything negative to arise out of the interview.

Statement

- The City requires a consistent approach when liaising with media to ensure the information is accurate, appropriate, timely and reliable.
- The City shall make every attempt to respond to media enquiries promptly, considering various deadlines of differing media.
- All reasonable attempts should be made to ensure the accuracy of any media releases or statements. Where any inadvertent errors occur, a clarification statement must be issued as soon as possible with corrections.
- No statements shall be made regarding any of the City's legal matters, including liability issues or pending litigation before legal advice is sought. If there is any doubt, clarification should always be sought from the CEO.
- City staff are to direct all media enquires/requests in the first instance to the communications department, which is responsible for coordinating, editing, responding, and distributing all official media releases, statements and interviews on behalf of the City.

- Media statements by the Mayor and Chief Executive Officer are to reflect the City's stated and factual position, not expressions of personal opinion by the Mayor or Chief Executive Officer.
- All media releases written on behalf of the City are to be reviewed by the Chief Executive Officer before being issued. If the Mayor is quoted, he/she will also be given the opportunity to review the release. If there is any doubt about the legality of the proposed information, the Chief Executive Officer is authorised to consult the City's legal advisers.
- As members of the community, elected members may express their own views in public but should convey they are speaking as individuals and not on behalf of the City.

Related documentation

City of Nedlands Code of Conduct

Media Procedure

Communications Policy

Communication Procedure

Related Local Law/legislation

Nil

Related delegation

Nil

Issued

25 June 2012

Amendments

28 February 2019

-----This is the end of the IM & BCP document-----

8.4 Risks in the Tendering Process

Committee	31 August 2020
Owner	City of Nedlands
Employee Disclosure under section 5.70 Local Government Act 1995	Nil.
Director	Lorraine Driscoll – Director Corporate & Strategy
Attachments	Nil.
Confidential Attachments	Nil.

Executive Summary

The objective of this report is provide the Audit & Risk Committee with Procurement's proposed strategy for Risk Assessment and Controls in the Tendering Process.

It is proposed to incorporate the controls detailed in this report into the City's Procurement Procedures which will be provided to all staff for their guidance and use on procurement activity.

Recommendation to Committee

Audit & Risk Committee endorse the Risk Assessment & Controls Strategy in the Tendering Process for inclusion in the City's Procurement Procedures.

Discussion/Overview

Introduction

The City of Nedlands tender process is required to be performed with high standards of **Probity** and **Accountability**.

Failure to adhere to these standards at all times exposes the City to a number of risks such as:

- Reputational damage;
- Complaints by suppliers and residents
- Breach of the LG Act and its Regulations;
- Corrupt / Unethical / Misconduct behaviour by its officers;
- Failure to achieve best value for money in its procurements;
- Inappropriate use of public monies;
- Legal action against the City or individual officers;

- Involvement by the CCC and/or audit;
- Criminal convictions; and
- Possible impact on Council continuance in office.

A table of potential risk issues can be found at the end of this document
Probity

Probity requires that the City conduct its tender process ethically, openly, honestly and fairly. To consistently achieve these standards the City will implement a rigorous suite of procurement procedure(s) that will ensure:

- Expected behaviours are articulated and enforced
- Officers involved are skilled, knowledgeable and experienced.
- Appropriate checks and balances (Control Points) are in place at various stages of the process
- The concept of Conflict of Interest is well understood, and strategies are in place to identify and manage potential issues.
- Communication with suppliers during the process is consistent and does not advantage one supplier over others.
- Officers are not compromised in their ability to act, or to be seen to act, impartially.
- Confidentiality of supplier information and evaluation processes is secure.

Accountability

Accountability requires that the City be able to publicly account for its decisions and take responsibility for the achievement of procurement outcomes. The elements of a procurement culture that will promote and demonstrate a high level of accountability include:

- Responsibility for decisions is easily identifiable.
- Adequate records are maintained to enable external scrutiny of decisions made.
- Compliance with the Local Government Act 1995 and the Local Government (Functions and General) Regulations 1996 is consistent.
- Contract award details are made public as required, and within the appropriate timeframe
- Processes are in place to provide feedback / debrief to unsuccessful suppliers and to manage supplier complaints

Strategy

To ensure compliance with requirements of Probity and Accountability in the tender process, the City will implement a rigorous set of procedures and work instructions which include escalating **control points/stages** whereby authorisations and/or reviews are mandatory and provided by responsible officers under delegated authority.

These control points (CP) and stages are identified below;

Pre-Tender phase

- Needs assessment and market analysis
- Planning and budgeting (availability of funds) **CP1**
- Development of clear Specifications/Requirements
- Choice of Procurement process (Procurement Plan)
- All above fully documented and retained on SharePoint

Authorisation to proceed by Business Unit Manager / Director / CEO / Council
CP2

Tendering Phase

- Develop the Request document and put it to the market - Procurement
- Manage the open Tender period - Procurement
- Receive tender offers – Procurement **CP3**
- Nominate Evaluation Panel and identify and manage Conflict of Interest - Procurement
- Evaluate bids and recommendation for award Business Unit Evaluation Panel with Procurement oversight **CP4**
- All above fully documented and retained on SharePoint

Authorisation of Recommendation – Business unit Manager / Director / CEO.
CP5

Contract Authorisation to Award – Council **CP6**

Post Award Phase

- Responsible Person nominated as Contract Manager
- Contract Management Plan developed (at pretender planning stage)
- Kick Start Meeting with contractor to ensure full understanding of requirements Contract Manager and Procurement **CP7**
- Contract management implemented by Contract Manager operated through the City's Contract Management process with Procurement oversight.

Table of potential risks for each stage of the procurement process

Stage	Risk
Needs Assessment and Market Analysis	<ul style="list-style-type: none"> • Lack of adequate needs assessment • Influence of external factors on officers' decisions • Informal agreement on contract with contractor
Planning and Budgeting	<ul style="list-style-type: none"> • Poor procurement planning / lack of experience in PP • Procurement not aligned with overall strategic decision-making process • Failure to budget realistically or deficiency in the allocated budget
Development of Specifications / Requirements	<ul style="list-style-type: none"> • Technical specifications are tailored for a specific company / product • Selection criteria is not objectively defined and not established in advance • Requesting unnecessary samples of goods and services • Buying information on the project specifications.
Choice of Procurement Procedure	<ul style="list-style-type: none"> • Lack of proper justification for the use of non-competitive procedures • Abuse of non-competitive procedures on the basis of legal exceptions: contract splitting, abuse of extreme urgency, non-supported modifications
Request for Tender	<ul style="list-style-type: none"> • Absence of public notice for the invitation to bid (Selective Tender) • Evaluation and award criteria are not included in request documentation • Procurement information not disclosed and is not made public
Bid Submissions	Lack of competition or cases of collusive bidding (cover bidding, bid suppression, bid rotation, market allocation)
Bid Evaluation	<p>Conflict of interest and corruption in the evaluation process through:</p> <ul style="list-style-type: none"> • familiarity with bidders over time • Personal interests such as gifts or future/additional employment • No effective implementation of the "four eyes-principle"
Contract Award	<ul style="list-style-type: none"> • Vendors fail to disclose accurate cost or pricing data in their price proposals, resulting in an increased contract price (i.e. invoice mark-ups, channel stuffing) • Conflict of interest and corruption in the approval process (i.e. no effective separation of financial, contractual and operational authorities) • Lack of access to records on the procedure
Contract Management	<ul style="list-style-type: none"> • Abuses of the supplier in performing the contract, in particular in relation to its quality, price and timing • Substantial change in contract conditions to allow more time and/or higher prices for the bidder • Product substitution or sub-standard work or service not meeting contract specifications • Theft of new assets before delivery to end-user or before being recorded • Deficient supervision from City officers and/or collusion between contractors and supervising officers • Subcontractors and partners chosen in a non-transparent way or not kept accountable

Strategic Implications

How well does it fit with our strategic direction?

The provision of high levels of Probity and Accountability in the Tendering Process through a strategy of clear process with appropriate control points supports the goals of the Strategic Community Plan/Corporate Business Plan, Section 4 Strategic Direction/ Our Values / Great Governance and Civic Leadership and Decision Making.

Who benefits?

City Officers, Council and our Residents through the delivery of high levels of Transparency and Probity in the City's Tendering activities.

Does it involve a tolerable risk?

This Strategy is designed to reduce risk to the City and is based on good practice methodologies.

Do we have the information we need?

City of Nedlands Procurement has extensive experience in the delivery of best practice procurement processes and has the knowledge and experience to provide the necessary training and guidance to City officers.

Budget/Financial Implications

The financial implication on the City will be the use of staff time to deliver the training and guidance. However, this is already part of the Procurement Coordinator's role.

Can we afford it?

There will be nil cost to the City other than the use of internal resources to provide training to City Officers

How does the option impact upon rates?

There will be no impact on rates in the 20/21 FY.

8.5 Procurement Procedures Manual

Committee	24 August 2020
Applicant	City of Nedlands
Employee Disclosure under section 5.70 Local Government Act 1995	Nil.
Director	Lorraine Driscoll – Director Corporate & Strategy
Attachments	1. City of Nedlands (Draft) Procurement Procedures Manual; and 2. Procurement Procedures Quick Reference Chart
Confidential Attachments	Nil.

Executive Summary

The purpose of this report is to recommend Audit & Risk Committee approval of a suite of procurement procedures designed to ensure City officers undertake their procurement activities in an efficient, compliant and uniform manner which directly complies with the Council Procurement Policy for Procurement of Goods and Services and the Regulations

Recommendation to Committee

Audit and Risk Committee recommends the following to Council:

- 1) Approval of the draft procurement procedures manual;**
- 2) Instruction to the Chief Executive Officer to publish the manual for use throughout the City, and**
- 3) Instruction to the CEO to provide workshop training to all staff to ensure a full understanding of their obligations when engaging in procurement on behalf of the City.**

Discussion/Overview

Background

The City operates under a Council Policy for Procurement of Goods and Provision of Services which was approved by Council on 14 April 2020. This Policy is a requirement of the LG Act (Functions & General) Regulations 1996

The Procurement Policy is a high level document which provides specific guidance to meet compliance requirements but does not provide detailed step by step instructions for staff for each procurement category.

The procurement procedures are designed to provide this detailed guidance in a manner that ensures a consistent, compliant and best practice methodology is applied by all staff to all procurement activity that will assure probity, transparency and value for money is achieved.

The Procurement Procedures Manual

The Procurement Procedures Manual which is attached to this report is, in essence, a suite of procedures designed to address all of the different categories of procurement activity conducted by staff on behalf of the City.

Divided into sections, it mirrors the spend thresholds in the Council Policy and also provides methodologies for different categories of spend. These are set out in step by step “work instructions” to provide a clear direction to staff, not only on what steps are required, but who is responsible for undertaking those steps.

How will it work?

It is proposed to maintain the manual as a suite of “locked” documents on SharePoint, accessible by hyperlink from a menu provided on the City Intranet page. Individual sections of the procedures can be directly accessed from this point. Each procedure will contain hyperlinks to templates, forms, relevant City Policies (OHS, Code of Conduct etc) where they are mentioned or required in the procedure.

Audit & Risk Committee acceptance of procedures.

The draft procedures are summarized in a snapshot on the attached “Quick Reference” chart which has been issued to some staff for comment and has received positive feedback (specifically from planning).

The Executive Management Team and the Manager for Finance has been consulted and have expressed approval for the procedures to be published following approval by Audit & Risk Committee.

Methodology for roll out to City staff

Once approved by Audit & Risk Committee, the procedures will be rolled out to staff by a combination of targeted email / staff notices and a series of small presentations in the key areas. These presentations will be delivered by the Procurement Coordinator.

Flexibiity

To ensure the procedures meet all stakeholder expectations, written feedback will be solicited via an online survey and any valid issues raised will be addressed as necessary.

Key Relevant Previous Council Decisions:

The Council Policy for the Procurement of Goods and Services was approved by Council on 14 April 2020.

Consultation

In order for the City to have confidence that all its procurement activity is compliant with legislation and good practice it must be confident that all officers engaged in procurement activity have access to clearly defined procedures that will deliver:

- Probity, transparency and best practice
- Legal compliance
- Value for money
- Uniformity and consistency
- Clear instruction
- Appropriate records management
- Separation of duties

Many recent incidences of inappropriate practices around procurement in the local government sector have led to investigations by the CCC and more recently, at Perth City Council, by a Commissioner.

These have identified a number of poor or inadequate practices, creating an environment conducive to misconduct and indeed corruption.

It is the responsibility of every local government to encourage good procurement practice amongst its staff and elected members. Conflicts of Interest must be identified through good process and dealt with in a manner which benefits the public at all times.

The procedures which have been developed by City of Nedlands Procurement have taken all of the above factors into consideration and have been drafted to allow for not only guidance to staff but also to provide controls at each stage of the process.

The issue of the procedures will also support Procurement in providing a "Centre Led" procurement model across the whole City.

Strategic Implications

How well does it fit with our strategic direction?

The “Our Vision 2030” community plan and themes have been brought together to form the following goals and strategic objectives for the City outlined in the **Strategic Community Plan / Corporate Business Plan**

Procurement relates to **Section 4 – Strategic Direction - Our Values**, in the City of Nedlands Strategic objectives **Great Governance and Civic Leadership** and **Decision-making Criteria**

Council will look for the best possible value (including but not confined to price) for the whole lifecycle of the goods, works or services.

However, this does not necessitate the selection of the lowest price. In addition, the City’s procurement processes will encourage and maintain a competitive, sustainable and diverse market place.

Procurement supports the operations of City by making sure the requirements for goods, services and works are procured in the most effective and efficient way to maximise and deliver best value

Who benefits?

The availability and use of a comprehensive suite of Procurement procedures will provide clear direction to all City staff. It will also provide assurance to the City that the requirements for Probity, Transparency and Best Practice are being met at all times.

Does it involve a tolerable risk?

The risk to the City of poor or inadequate procurement practices and misconduct will be substantially reduced by the application of clear, concise and compliant procurement procedures.

Do we have the information we need?

The procedures have been developed by an experienced procurement section, using acknowledged best procurement practice methodologies and with supporting reference to issues identified in the following reports:

- 1) Local Government Procurement Western Australian Auditor General’s Report – Report 5: October 2018-19;
- 2) Report of the Inquiry into the City of Perth 30 June 2020 (Procurement issues); and
- 3) City of Nedlands Audit - Open Audit Items 21 and 27 (January 2019).

Budget/Financial Implications

Can we afford it?

There is no cost to the City in implementing the Procurement Procedures.

How does the option impact upon rates?

Nil.



City of Nedlands

PROCUREMENT PROCEDURES MANUAL

The City of Nedlands is committed to setting up effective, efficient, economical and sustainable procurement policy and procedures to ensure that its procurement activities achieve best value.

The Council Procurement Policy stipulates City's core procurement decision framework which ensures that its legislative, strategic and best practice requirements are satisfied.

This Procurement Procedures Manual sits within that framework, and sets out a logical sequence of the procedures required to achieve quality procurement outcomes, including a clear definition of City's relationships with its external suppliers.

These procedures are designed to strengthen and maintain probity within City's procurement system and to demonstrate that all procurement transactions are carried out in an openly competitive manner and in accordance with procurement principles that are generally recognised as equitable and of high integrity.

Procurement is a corporate function and the responsibility for complying with City's policy and procedures to achieve appropriate outcomes is vested in every staff member and delegated officer who procures Goods or Services on behalf of City.

The Corporate and Strategy Directorate through its Procurement Section is responsible for the coordination of all procurement activities within City, has overall stewardship of the Procurement Policy and ownership of this Manual and is the first point of contact for any staff member seeking procurement assistance or advice.

Contacts List

Bill Byrne

Procurement Coordinator

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Definitions

Appropriate Person

An Appropriate Person is a person designated by the CEO to receive or deal with Tenders submitted to the City in accordance with the Local Government (Functions & General) Regulation 1996.

Best Practice

Best Practice is demonstrated where staff members use their experience to determine that:

- The purchase price or rate is reasonable and consistent with the standard market price or rate.
- The supplier is able to provide a reasonable level of service.

Best Practice cannot be demonstrated where that staff member has no previous experience in procuring the desired Goods or Services; competitive Quotations must be obtained in order to demonstrate Best Practice.

Consultancy

A Consultancy is a Contract with an individual or organisation engaged on a temporary basis to provide recommendations or to provide high level specialist or professional advice to assist decision-making by management _____

Contract

A contract is an agreement for the supply of Goods or the performance of Services, including those provided by Consultants.

Contractor

A Contractor is a legal entity (i.e. person or corporation) who contracts to supply or arrange the supply of Goods or the performance of Services.

Designated Persons

Designated Persons are those persons designated by the CEO in accordance with the Local Government (Functions & General) Regulation 1996 to be present at the opening of Quotations or Tenders. The number of Designated Persons to be present at the opening of the Tender Box is:

- Quotation – 2 Designated Persons.
 - Tender – 3 Designated Persons.
-

Exemption from Competitive Process

Approval under Exemption from Competitive Process must be given by the CEO through the Procurement Coordinator for purchases which have an estimated cost under \$250,000.00. The CEO may approve a purchase or an engagement under Exemption from Competitive Process where one of the following criteria is satisfied:

- It can be demonstrated that there are no other providers who can provide the services;
- the proposed services can be provided by a provider already engaged by City, and hence a natural advantage such as efficiency in program, costs, or transfer of existing knowledge will be achieved by using the existing provider,. The officer making the exemption request is required to present a strong argument that this is the case;
- the works are of an urgent nature, and the need for expedition is able to be substantiated.

Where a request for exemption has been duly processed and authorised by the relevant Director and/or Manager, and that request complies with one of the criteria for Exemption from Competitive Process listed above in accordance with any process as approved by the CEO, then the Procurement Coordinator may issue the letter of award for contracts with an estimated cost:

- Under \$100,000.00 for goods and services, or
- Under \$40,000.00 for consultancies

Letters of award for all contracts with a value in excess of the above amounts must be signed by the CEO

Good(s)

A tangible product or products that can be defined in terms of its physical characteristics.

Quotation

Prices, bids or proposals lodged in response to an invitation or Request for Quotation.

Risk

For procurement purposes, risk means the likelihood of an event occurring that may affect the outcome of the procurement, including positive and negative consequences if it comes to fruition.

Regulations

The Local Government (Functions & General) Regulation 1996.

Respondent

The Party submitting the Quotation or Tender.

Responsible Officer

The City officer who is responsible for purchasing the Goods or Services.

Services

A procurement which cannot be characterised as Goods or Consultancy - for example, construction works.

Tenders

Prices, bids, offers or proposals lodged in response to an invitation or Request for Tender.

Tenderers

Parties submitting Tenders.

SECTION 1

Introduction

1.1 Procurement Procedures Manual

The procedures set out in this Procurement Procedures Manual ('Manual') are designed to ensure that the City achieves "best value" through an openly competitive and transparent procurement process.

This Manual covers the purchasing of Goods, Services and Consultancies on behalf of the City. The Manual does not cover the purchase of land or contracts of employment.

The Manual contains principles and procedures to follow, particularly when required by legislation. This Manual follows the requirements set out in the *Local Government Act 1995 (WA)*, *Local Government (Functions & General) Regulation 1996* and City Policies.

The *Local Government Act 1995* and its *Regulations* covers the procurement of all Goods and Services and is binding on all local government authorities. The Act also requires that ecologically sustainable development is incorporated into agendas and planning activities of every local government authority.

Staff should be mindful that they must act in the interests of their residents, ratepayers and the wider community and that, when considering expenditure of public monies they must;

- be open, transparent and accountable in their dealings
- ensure that their dealings promote fairness and competition
- obtain best value for money.

Councillors and staff are reminded of the key principles of the City's code of conduct when Purchasing:

- Act with reasonable care and diligence
- Act with honesty and integrity
- Act ethically
- Act lawfully
- Avoid damage to the reputation of the City of Nedlands
- Be open and accountable to the public
- Base decisions on relevant and factually correct information.

Read this Introduction and you will gain an overall understanding of:

- what type of procurement process you have to follow; and
- where in this Manual you will find that process.

1.2 Basic Procurement Principles

As the City of Nedlands is a publicly funded local government authority its procurement process is subject to public scrutiny. It is critical that its procedures are of the highest ethical standard, and are seen by the general public to be so.

This can be achieved by following these procurement principles and keeping in mind the basic rules of sound and ethical procurement practices throughout the procurement process.

- **Accountability and Transparency**

The City has an obligation to explain and account for the way decisions have been reached and duties performed. It is important to ensure that during the procurement process documentation is retained to explain the decisions and actions that have been made by the City. The City must ensure that the process for awarding contracts is open, clear, fully documented and defensible. This may be audited and must be able to withstand public scrutiny.

- **Consistency**

The City must ensure consistency at all stages of the procurement process. All requirements must be clearly specified within the documents and criteria for evaluation must be clearly indicated.

- **Open Competition**

The procurement process must ensure that suppliers are treated equally and that one supplier is never favoured over another and that all suppliers who wish to participate in business transactions of the City are given, within reasonable limits, the opportunity to do so. The City must not engage in practices that are anti-competitive or engage in collusive practices.

- **Withstanding Public Scrutiny**

To be able to withstand public scrutiny, it is important that activities such as the opening and recording of Tenders, obtaining Quotations and the allocation of Purchase Orders are carried out meticulously. All persons invited to Tender or Quote for the City business must be given equal information. Information provided to the City must be treated as commercial-in-confidence, restricted to persons concerned with the purchase or Contract and care must be taken that it is not displayed or otherwise communicated to competitors in the course of the evaluation.

- **Value for Money**

The best way to satisfy the requirement of obtaining value for money is to ensure that there is a strong element of competition in the allocation of orders or awarding of Contracts. This is ensured by a system of obtaining competitive Tenders or Quotations wherever practicable. The degree of formality with which this is done will normally depend on the value, complexity or sensitivity of the commodity being purchased.

It is poor business practice to use excessive time and paperwork on simple low cost purchases. Indeed, best value for money does not imply that the lowest price must be selected uncritically.

- **Purchase Orders**

A Purchase Order must be raised prior to each purchase of Goods and Services. The issuing of a Purchase Order ensures the following criteria are met:

- The supplier is advised of the Goods and Services which are to be purchased, and the agreed value and any specific delivery requirements of the City.
- The Purchase Order provides the parties with a legally binding Contract for the provision of the Goods and Services and may also be supported by the issue of a standard form contract.
- The Purchase Order also provides financial controls

1.3 Conflict of Interests and Corrupt Conduct

City staff members who are involved in procurement must be free of *pecuniary* and *non-pecuniary* interests or relationships that are actually or potentially detrimental to the best interests of City.

City staff members must not engage in any matter involving City in which they have a *pecuniary* and *non-pecuniary* interest. A conflict of interest can arise where:

- a staff member has a *pecuniary* and *non-pecuniary* interest in the matter;
- a person closely associated with the staff member has an interest in the matter – for example, a family member, spouse or partner or friend etc;
- the staff member could be influenced or appear to be influenced in favour of that interest in the performance of their duties; or
- there exists a reasonable expectation of a direct or indirect benefit or loss as a result. The benefit or loss can be financial or non-financial.

There is reasonable public expectation that where there is a conflict of interest, it will be declared, evaluated and resolved in favour of the public's interest.

Pecuniary and Non-pecuniary Interests

A conflict of interest can be of two types;

- *Pecuniary* – an interest that a person has in a matter because of a reasonable likelihood of expectation of appreciable financial gain or loss to the person. A person's pecuniary interest may arise because their spouse, de facto partner, relative, partner or employer (including a previous employer), or company of other body of which the person or a nominee, partner or employer is a member has a pecuniary interest in a matter
- *Non-pecuniary* – a private or personal interest the City official has that does not amount to a pecuniary interest as defined by the Act. For example, a non-pecuniary interest could be a friendship, membership or an association, society or trade union or involvement or interest in an activity and may include an interest of a financial nature.

City's *Code of Conduct* and the *Fraud & Corruption Policy* provides further information regarding conflict of interests and the requirements and obligations in which all City staff members and others doing business with City must follow.

You can assess the *Code of Conduct* and the *Fraud & Corruption Policy* through The City intranet at the following links:

Code of Conduct: <http://>

Fraud & Corruption Policy: <http://>

Additional Information is contained in the document *Evaluation Panel Committee members guide* - Att. 27 Section 7 and throughout this manual.

Example 1

Mike, a Facilities Manager and a trained gym instructor is regularly involved in the procurement of fitness equipment for City's fitness facilities. Mike also worked on weekends at Fitness Equipment Wholesalers Pty Ltd – a company who frequently quoted to provide equipment to City.

By working on weekends at Fitness Equipment Wholesalers Pty Ltd, Mike has placed himself in a potential conflict of interest because his private interests have interfered with his public duties.

1.4 Disclosure

City staff members have an obligation to promptly report all possible or actual conflict of interest or incompatibility between their public duties and their private lives. The conflict of interest of a staff member's family, relatives, friends, a previous employer and or associates that is within the knowledge of that staff member must also be declared.

A disclosure is made by reporting possible or actual conflict of interest and incompatibility between public duties and private lives to their Manager in writing. If you are uncertain whether a conflict exists, you need to seek advice from your Manager or from the Procurement Coordinator

Example 2

Slim was employed by City as the Project Manager, Maintenance Services. Slim has a brother who owns a company specialising in air-conditioning maintenance, XYZ Commercial Maintenance Pty Ltd.

Slim was asked to prepare a Tender for City's air-conditioning maintenance services and was also nominated as a member on the Tender Evaluation Panel. City's Code of Conduct requires Slim to report all actual conflict of interest between his public duties and his private life.

XYZ Pty Ltd submitted a Tender and after being recommended by the TEP was awarded the contract by City. At all times Slim claimed to have no personal relationship with any Tenderer, including XYZ Pty Ltd.

This behaviour demonstrates a conflict of interest between Slim's public duties and his personal interests. Not only does such behaviour violate the City's Code of Conduct and other policies, it also amounts to corrupt conduct.

1.5 Confidentiality

City staff members, engaged in the evaluation of contractor submissions, are bound by the City's *Code of Conduct* and are not to disclose information obtained during the evaluation

process to other City staff members, external persons or organisations. The Responsible Officer is to remind City staff members of their obligations under the *Code of Conduct*.

City Staff members and advisors with an interest in the outcome of a Contract must notify the Evaluation Panel Chair of any conflict of interest, including prior, current or proposed association with any party including any previous employer.

All Evaluation Panel Members must sign a *Conflict of Interest and Deed of Confidentiality Form* - Att. 7 Section 7.

1.6 Goods and Services Tax

All monetary values in this Manual are exclusive of GST if not otherwise stated.

1.7 Financial Considerations

In some circumstances, the financial viability and stability of the Service Provider (Contractor or Consultant) could materially affect the delivery and performance under the Contract. Should you have concerns about this, you need to contact the Procurement Section so that appropriate advice and assistance can be provided.

1.8 Sole Source of Supply

The procurement of Goods and Services which are available from one private sector source only (i.e. manufacturer, supplier, and agency), is permitted without the need to call competitive Quotations or Tenders providing that:

- there is genuinely only one source of supply and every endeavour to find alternative sources of supply have been made, including contact with the Procurement Section;
- written confirmation from the sole source attesting to this fact must be obtained and attached to the file copy of the Purchase Order/Contract;
- clearly indicate on the face of the Purchase Order/Contract that the item is a "Sole Source of Supply";
- if specifications are not prepared it would be difficult to establish a claim of sole source; and
- all procurement must still be within delegated authority levels.

NOTE: The application of provision "Sole Source of Supply" will only occur in rare cases and procurement experience indicates that generally more than one supplier is able to provide the requirements. For all purchase over \$10,000 approval must be sought and given under "Exemption from Competitive Process". For information in relation to approval under Exemption from Competitive Process, please refer to the Definitions Section of this Manual.

1.9 Role of the Procurement Section

The Procurement Section has two significant roles within the City, *Procurement* and *Contracts Governance*. These are provided to the City on a “Centre Led” basis.

Procurement:

- Provide specialist advice and information on procurement policies, practices and procedures.
- Provide assistance in drafting Key Performance Indicators during specification preparation.
- Independent review of Tenders and Quotations.
- Formally invite Tenders, Quotations and Expressions of Interest.
- Assist in the preparation of Tenders, Quotations and Expression of Interest documents.
- Convene Tender Evaluation Committees when required.
- Ensure compliance with City policies and procedures and that the City is obtaining “Best Value”.
- Overall responsibility for the Coordination of all procurement activities of the City.
- Maintain system catalogues and preferred suppliers listings.
- Conduct procurement related training.
- Provide advice to Management whether a procurement of Goods or Services can be procured under Exemption from Competitive Process.

1.10 Environmental Considerations

Sustainable environmental practices are to be encouraged. The environmental attributes of an alternative supplier to a preferred supplier and their prices could also be taken into account. As a general approach, work with the supplier to identify the weaknesses and potential for improvement as this is often the only realistic short-term option in the case of key suppliers.

1.11 Best Practice

Best Practice is demonstrated where staff members use their experience to determine that:

- The purchase price or rate is reasonable and consistent with standard market price or rate.
- The supplier is able to provide a reasonable level of service.

Best Practice cannot be demonstrated where the staff member has no previous experience in purchasing the Good or Service, and competitive Quotations should be obtained..

1.12 Occupational Health & Safety (OH&S)

Legislation requires City to have regard to Occupational Health & Safety laws in the procurement of Goods and Services. This ensures that Occupational Health & Safety considerations are addressed; this requires that the following to be taken into account:

- Employment of Contractors.
- Procurement of substances.
- Procurement or hire of plant and equipment.

In order that these may be addressed, the following OH&S guidelines for Risk Evaluation must be applied:

- Contractor safety.
- Hazardous Substances Risk Evaluation and Control Strategies.
- Plant and Equipment.
- Pre-purchase Checklist.
- Supplier Evaluation Form.

Potential Contractors and suppliers of Goods need to be asked to provide supporting information for evaluation of their Goods, its design specifications and the material safety data sheets for hazardous substances. These are needed to enable a thorough evaluation to be undertaken. When they have been completed, the Plant Hazard/Risk Evaluation Record and/or the Hazardous Substances Risk evaluation and Control Form as appropriate needs to be completed and attached to the evaluation documentation. All documents referred to are in City's *OH&S Manual*.

Other criteria such as the degree of compliance and specified quality standards, delivery timetables and the known performance and capacity of the suppliers must also be taken into consideration as well as maintenance issues, the impact on the environment and the whole of life costing. For further information regarding Occupational Health & Safety refer to Section 6.

1.13 Purchasing within a Budget

A purchase is not to proceed unless adequate funds are available in the budget to cover the purchase. It is the responsibility of the staff member undertaking the purchasing function to check that sufficient funds are available in the budget.

1.14 City's Purchasing Card Program

The purpose of the Purchasing Card Program is primarily to facilitate purchases where City's procurement process is not suitable. For further information about this Program you should contact the Finance Section

1.15 Financial Delegations

Expenditure can only be authorised under delegation limits in Authority.

1.16 Categories of Procurement

City defines the different categories of procurement as being Goods, Services or Consultancy. Different procedures apply to procurement in each of these categories. The procedure to be followed for each purchase is also constrained by the application of the relevant purchase limit. The greater the value of the purchase the more complex the procurement process.

The value of the procurement is determined by the cost incurred over the term of the engagement or the whole of life cost of a Good. Services that are continuously utilised and exceed a value of \$250,000 over a period of three years must be tendered.

Use the definitions below to ascertain what type of procurement you are undertaking and then proceed to the relevant Section of this Manual.

1.17 Definition of Goods

Goods are tangible products that can be defined in terms of physical characteristics. For the purpose of this Manual, a Good is an off the shelf item with only minor modifications. For example:

- Materials
- Furniture
- Equipment
- Plant
- Office supplies

A Good does not include items where a substantial portion of the purchase cost includes fees for its installation or delivery.

To purchase an item of this nature proceed to:

Section 2 Goods.....	< \$10,000 excluding GST
Section 4 Goods.....	\$10,001 ≥ \$40,000 excluding GST
Section 4 Goods.....	\$40,001 ≥ \$100,000 excluding GST
Section 4 Goods.....	\$100,001 ≥ \$249,999 excluding GST
Section 5 Goods.....	>\$250,000 - excluding GST

1.18 Definition of Consultancy

A Consultancy is a person or corporation engaged on a temporary bases to provide expert professional, technical and management services. For example:

- Engineering services.
- Architectural services.
- Financial advice.
- Management advice.
- Project Management advice.

To purchase an item of this nature proceed to,

Section 3 Consultancy	< \$40,000 excluding GST
-----------------------------	--------------------------

Section 3 Consultancy\$40,001 ≥ \$249,999 excluding GST

Section 5 Consultancy> \$250,000 excluding GST

1.19 Definition of Services

For the purpose of this Manual, Services are purchases that cannot be classed as Goods or Consultancy. For example:

- Supply of Goods where a substantial portion of the purchase cost includes fees for installation or delivery.
- Construction work/contracts.
- Legal service contracts.

To purchase an item of this nature proceed to:

Section 2 Services < \$10,000 excluding GST

Section 4 Services\$10,001 ≥ \$40,000 excluding GST

Section 4 Services\$40,001 ≥ \$249,999 excluding GST

Section 5 Services>\$250,000 ≥ excluding GST

1.20 Payment for Goods and Services

Generally no payments are to be made for Goods or Services prior to the delivery of the Goods or Services without the prior approval of the Procurement Coordinator. There are some exceptions to this requirement e.g. training workshops / online training

City's standard trading terms are 30 days from the date of invoice. Any departure from the standard terms must be approved by the Procurement Coordinator and the Manager Finance prior to the purchase.

1.21 Managing Risk

For detailed information about risk management in procurement you should refer to the *Contract Management Manual*.

Most commercial contracts involve some level of risk, but it is how that risk is managed which ultimately determines the gravity of the consequence. It is important to identify the level of risk early in the procurement process and implement prudent measures to mitigate and manage the impact that risk may have on achieving the contract objective. Accordingly, risk management identifies the actual and potential threats to the successful delivery of the contract objective, and determines the measures which are required to minimise or eliminate contracting risks.

The City's *Risk Register* is a centralised database of risks and a dynamic tool which analyses various risk management processes to produce a risk management plan. It simplifies the task of managing risk by allowing you to quickly analyse and evaluate the highest risks and then manage treatments to reduce their likelihood and consequences.

1.22 Contract Execution

This Manual provides procedures in relation to the Procurement process and procedures; it does not cover the process of managing Contracts after Contract award.

After Contract award, the ***Contracts Management Manual*** must be followed. A Contract cannot commence unless all of the activities on the Contract Execution Checklist (see Contract Management Manual attachments) have been performed.

Once all activities have been performed, the Checklist must be signed and together with the Contract and any prescribed documents forwarded to the appropriate signatory for review and execution.

Only after the Contract has been executed may the Supplier take possession of the site or start work under the Contract.

For further information about this process you must refer to the *Contract Management Manual*.

SECTION 2

Low Value Purchases

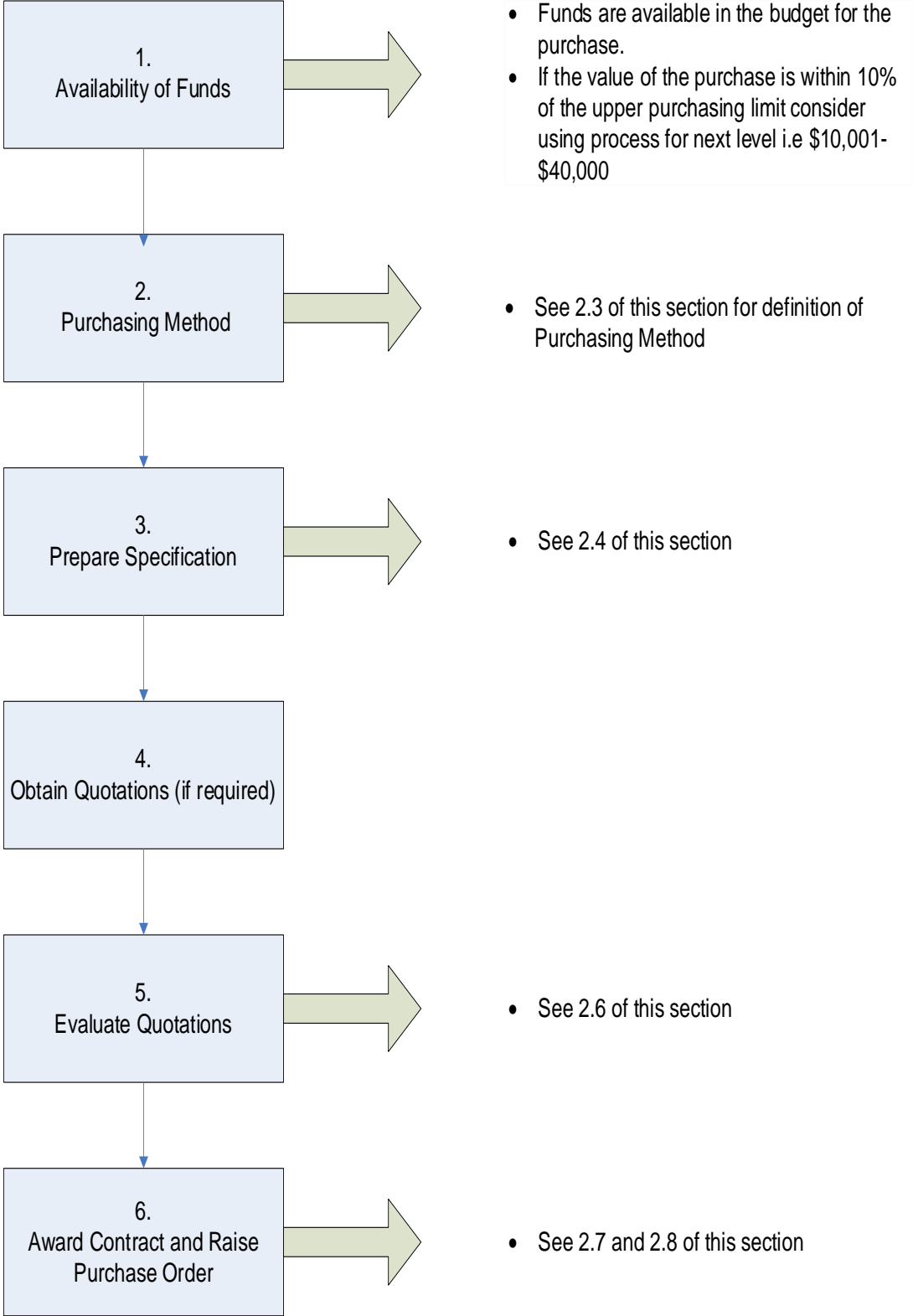
2.1 Introduction

This Section deals with purchasing of Low Value Purchases and provides procedures which must be followed when purchasing Goods or Services under \$10,000.

This Section begins with a Flow Chart which provides the user with an overview of the process that needs to be followed when purchasing Goods or Services under \$10,000.

Where continuous low value purchases of the same goods or services exceeds this value, you must follow the Procurement process appropriate for the value of those continuous purchases. If the value of a service exceeds \$250,000 over a period of three (3) years, this service must be tendered.

Flow Chart - Goods & Services Under \$10,000



2.2 Contracts/Purchases under \$10,000

The procurement process set out in this Section applies to all Contracts with a value under \$10,000 and will ensure compliance with Council's Procurement Policy.

Example 1

Mike needs to purchase a Ride on Mower and estimates that the cost of the machine is approximately \$7,250.

The purchase of a Mower is classed as a Good and the protocol for purchases under \$10,000 is to obtain three written quotes or Best Practice.

Mike contacts the Procurement Section for assistance in identifying features required in the mower. The Procurement Section assists Mike in identifying the features required and advises that a Mower meeting the requirements is available on State Government contract.

Mike raises a requisition and purchases the machine without the need to obtain quotations because the Procurement Section recently purchased a similar mover and can therefore demonstrate Best Practice.

2.3 Purchasing Method

The selection of the purchasing method is up to the staff member requesting the Goods or Services. Within the financial limits of this Section, there are two alternatives as follows:

- **Best Practice**

Best Practice is demonstrated where staff members use their experience to determine that:

- The purchase price or rate is reasonable and consistent with standard market price or rate.
- The supplier is able to provide a reasonable level of service.

Best Practice cannot be demonstrated where the staff member has no previous experience in purchasing the Good or Service, and competitive Quotations should be obtained.

- **Quotations**

Sound business practice requires that a minimum of three Quotations be obtained within this financial limit. These can be verbally requested but the quote itself must be written, for records purposes. This requirement is not mandatory for purchases which are <\$1,500 where direct purchase can be made from reputable suppliers or suppliers priced catalogues or websites.

Example 2

Peter needs to buy an electronic white board for a meeting room. He has recently purchased a similar whiteboard for another meeting room and estimates the purchase cost is \$3,000.

The item being purchased is a Good as defined in this Manual and the purchasing protocols for Goods less than \$10,000 is by Best Practice/Quotation.

Peter obtains one quote of \$3,020 and is satisfied the price quoted is reasonable and consistent with standard market prices and purchases the White Board.

Peter also has to purchase a table and chairs for the meeting room and estimates it will cost \$4,000. The purchasing protocols for Goods less than \$10,000 is Best Practice/Quotation.

As Peter has never purchased table and chairs before he obtains three quotes before purchasing the items.

2.4 Preparation of Specifications

Clear specifications must be prepared prior to seeking Quotations and must include:

- A “sufficiently detailed” description of the Goods and Services. Note: It is poor business practice to use excessive time and paperwork on simple low cost purchases.
- Assessment criteria to be used.
- Duration or delivery dates of the contract and proposed performance timetable.
- Any special condition to be contained in the Contract, including insurance details etc.
- Specifications must encourage open and effective competition by providing the best possible opportunity for potential suppliers to develop solutions capable of satisfying City’s requirements. Specifications must not include any feature that discriminates against any supplier or group of suppliers such as items that are specific to a particular technology.
- City normally applies a weighting to particular criteria of the specification.
- For assistance in preparing specifications contact the Procurement Section.

2.5 Selection of the Winning Quotation

Selection of the winning Quotation is made by the staff member requesting the Quotations (within delegation). This selection must be further approved by the officers direct supervisor. Once the selection has been made, a *Record of Quotation and Purchase Decision* must be completed – *Att. 2 Section 7*. The number of staff members required in the selection process for this financial limit is one (within delegation).

2.6 Considerations in Evaluation of Quotations

Considerations in the evaluation process include but are not limited to:

- Price
- Availability
- Insurance Coverage
- OH&S Considerations
- Environmental Considerations

- Quality
- Adherence to Specification
- Warranty
- Level of after Sales Service
- Availability of Spares
- Other Specific Criteria

2.7 Contract Execution

This Manual provides procedures in relation to the procurement process and procedures; it does not cover the process of managing Contracts after Contract award.

After Contract award, the *Contracts Management Manual* must be followed. A Contract cannot commence unless all of the activities on the Contract Execution Checklist (see Contract Management Manual attachments) have been performed.

Once all activities have been performed, the Checklist must be signed and together with the Contract and any prescribed documents forwarded to the appropriate signatory for review and execution.

Only after the Contract has been executed may the Supplier take possession of the site or start work under the Contract.

For further information about this process you must refer to the *Contract Management Manual*.

NOTE: Where Goods or Services are purchased using only a Purchase Order, you do not need to complete this Checklist. However, where Goods or Services are purchased using a Contract whether a Standard Contract or otherwise, you must complete the Checklist.

2.8 Raise the Purchase Order

A Purchase Order must be raised on the City's electronic Purchasing System (Authority) for the total value of the Contract.

Note that a Purchase Order may constitute the totality of the Contract and is legally binding.

All documents must be retained on file, including:

- Copy of Specification.
- Copy of *Record of Quotations Purchase Decision - Att. 2 Section 7*.

2.9 Inspection of Goods/Defects

All Goods received for use in any area of City's operations need to be immediately inspected for defects.

Sound receiving and inspection processes are the starting point for preserving City's rights against suppliers and are essential for successful claims for shortages or damage to the Goods.

Early detection of defects or obvious failure to comply with specifications enable immediate replacement at the supplier's expense and places City in a more favourable position if a claim should transpire.

Should you require any assistance regarding this matter contact the Procurement Section.

2.10 Short supply or Defects

Short supply or defects in Goods must be called to the attention of the supplier at the earliest opportunity. Failure to do so may result in the loss of rights, especially when invoices have been processed for payment before the supplier has been advised of the short supply or defect.

All staff members must be aware of the importance of ensuring that any Goods delivered to City are checked immediately upon their delivery.

If possible, at the time of their delivery, the description, quality and condition of the Goods must be checked against any documents accompanying the Goods.

2.11 Receipt of Goods

Delivery drivers should not be delayed any longer than it takes to sign for and physically receive the Goods.

The person who signs for the receipt of the Goods is to ensure that the person who ordered the Goods is advised that the items are available for collection from a nominated location.

If the delivery documents do not indicate who has ordered the Goods, the person who has signed for the Goods should contact the person who ordered the Goods and advise them that the Goods have arrived and provide the Purchase Order number.

The originator of the Purchase Order will arrange immediate collection and inspection of the Goods.

If the Goods are received in an unsatisfactory condition, the delivery docket may be signed to certify that the Goods have been received. However, the paragraph on the docket stating 'Goods have been received in good order and condition' must be struck out and initialled. If no such clause appears on the docket be sure to precisely note on the docket before you sign it that the Goods were damaged upon delivery and note their exact condition.

2.12 Information Technology

In some cases, purchases are of a specialist nature and require adherence to additional policies or procedures.

The purchase of Information Technology assets are required to be undertaken in accordance with the appropriate City procedures. These procedures can be accessed via the following link:

<http://>

2.13 Plant and Equipment

Prior to the purchase of any Plant and Equipment, approval must be obtained from the relevant Director and Finance Manager via the appropriate *Request Form - Att. 33 Section 7*. It should be noted that Goods purchased with a value over \$5,000.00 are classified as an asset by City and will require the above process to be followed.

Goods of a value <\$5,000 whilst not captured on the City's Asset Register may also be recorded on a register for security purposes.

2.14 Additional Requirements

NOTE: No order or contract is to be broken into separate parts to avoid the requirements imposed by the purchasing limits - this is known as order splitting and is prohibited.

2.15 Conflict of Interests and Corrupt Conduct

City staff members who are involved in procurement must be free of *pecuniary* and *non-pecuniary* interests or relationships that are actually or potentially detrimental to the best interests of City.

City staff members must not engage in any transaction involving City in which they have a *pecuniary* and *non-pecuniary* interest. A conflict of interest can arise where:

- a staff member has a *pecuniary* and *non-pecuniary* interest in the matter;
- a person closely associated with the staff member has an interest in the matter – for example, a family member, spouse or partner or friend etc;
- the staff member could be influenced or appear to be influenced in favour of that interest in the performance of their duties; or
- there exists a reasonable expectation of a direct or indirect benefit or loss as a result. The benefit or loss can be financial or non-financial.

There is reasonable public expectation that where there is a conflict of interest, it will be declared, evaluated and resolved in favour of the public's interest.

Pecuniary and Non-pecuniary Interests

A conflict of interest can be of two types;

- *Pecuniary* – an interest that a person has in a matter because of a reasonable likelihood of expectation of appreciable financial gain or loss to the person). A person's pecuniary interest may arise because their spouse, de facto partner, relative, partner or employer (including a previous employer), or company of other body of which the person or a nominee, partner or employer is a member has a pecuniary interest in a matter.
- *Non-pecuniary* – a private or personal interest the City official has that does not amount to a pecuniary interest. For example, a non-pecuniary interest could be a friendship, membership or an association, society or trade union or involvement or interest in an activity and may include an interest of a financial nature.

City's *Code of Conduct* and the *Fraud & Corruption Policy* provides further information regarding conflict of interests and the requirements and obligations in which all City staff members and others doing business with City must follow.

You can access the *Code of Conduct* and the *Fraud & Corruption Policy* at the following links:

Code of Conduct: <http://>

Fraud & Corruption Policy: <http://>

All Evaluation Panel Members must sign a *Declaration of Conflict of Interest and Deed of Confidentiality for Evaluation Committees - Att. 6 Section 7*.

2.16 Disclosure

City staff members have an obligation to promptly report all possible or actual conflict of interest or incompatibility between their public duties and their private lives. The conflict of interest of a staff member's family, relatives, friends, a previous employer and or associates that is within the knowledge of that staff member must also be declared.

A disclosure is made by reporting possible or actual conflict of interest and incompatibility between public duties and private lives to their Senior Manager in writing. If you are uncertain whether a conflict exists, you need to seek advice from your Manager or from the Procurement Coordinator.

2.17 Confidentiality

City staff members involved in the evaluation of Supplier submissions are bound by the City's *Code of Conduct* and are not to disclose information obtained during the evaluation process to other City staff members, external persons or organisations. The Responsible Officer is to remind City staff members of their obligations under the *Code of Conduct*.

City Staff members and advisors with an interest in the outcome of a Contract must notify the Evaluation Panel Chair of any conflict of interest, including prior, current or proposed association with any party including any previous employer.

All Evaluation Panel Members must sign a *Conflict of Interest and Deed of Confidentiality Form - Att. 7 Section 7*.

SECTION 3

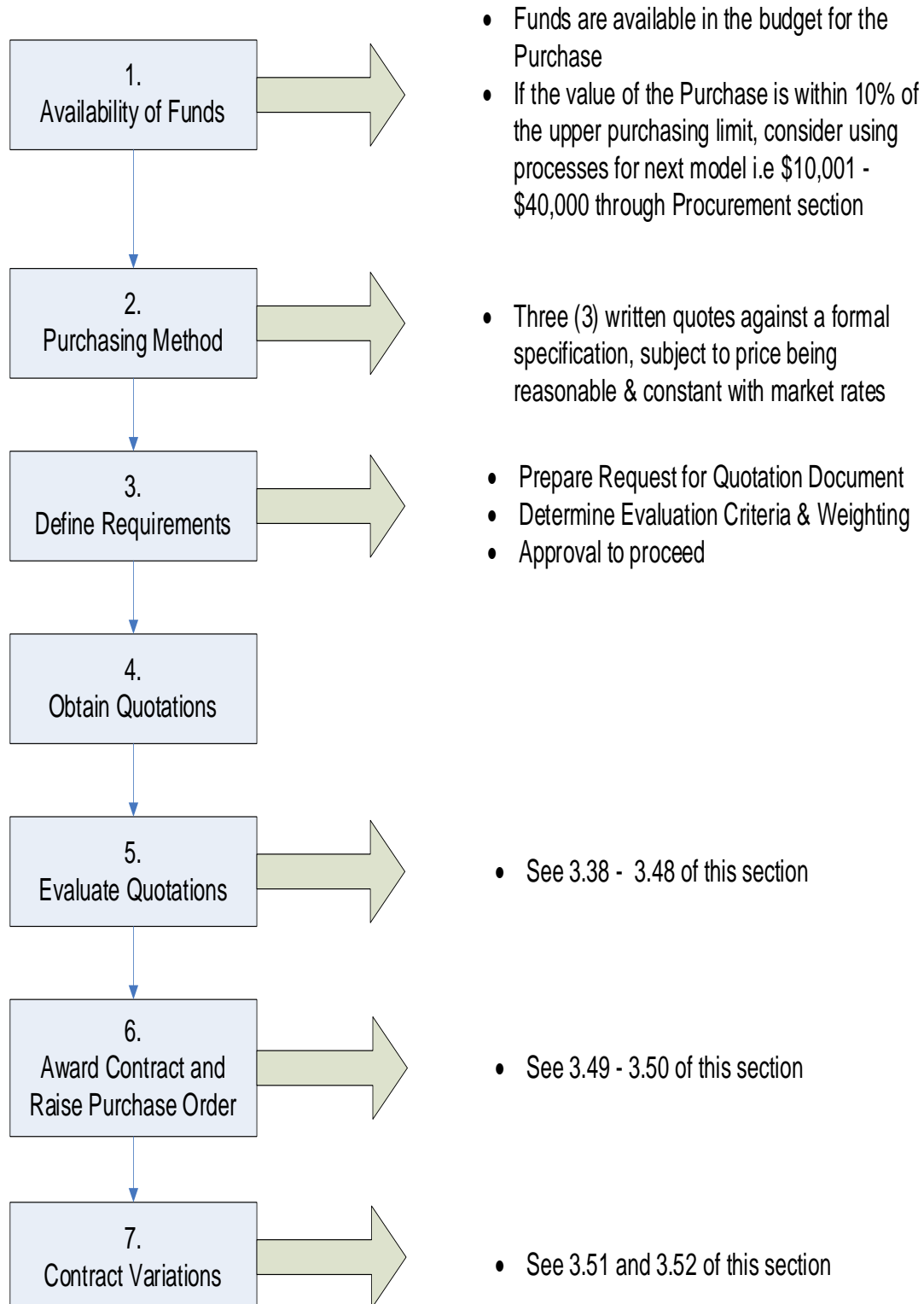
Procurement of Consultancies

3.1 Introduction

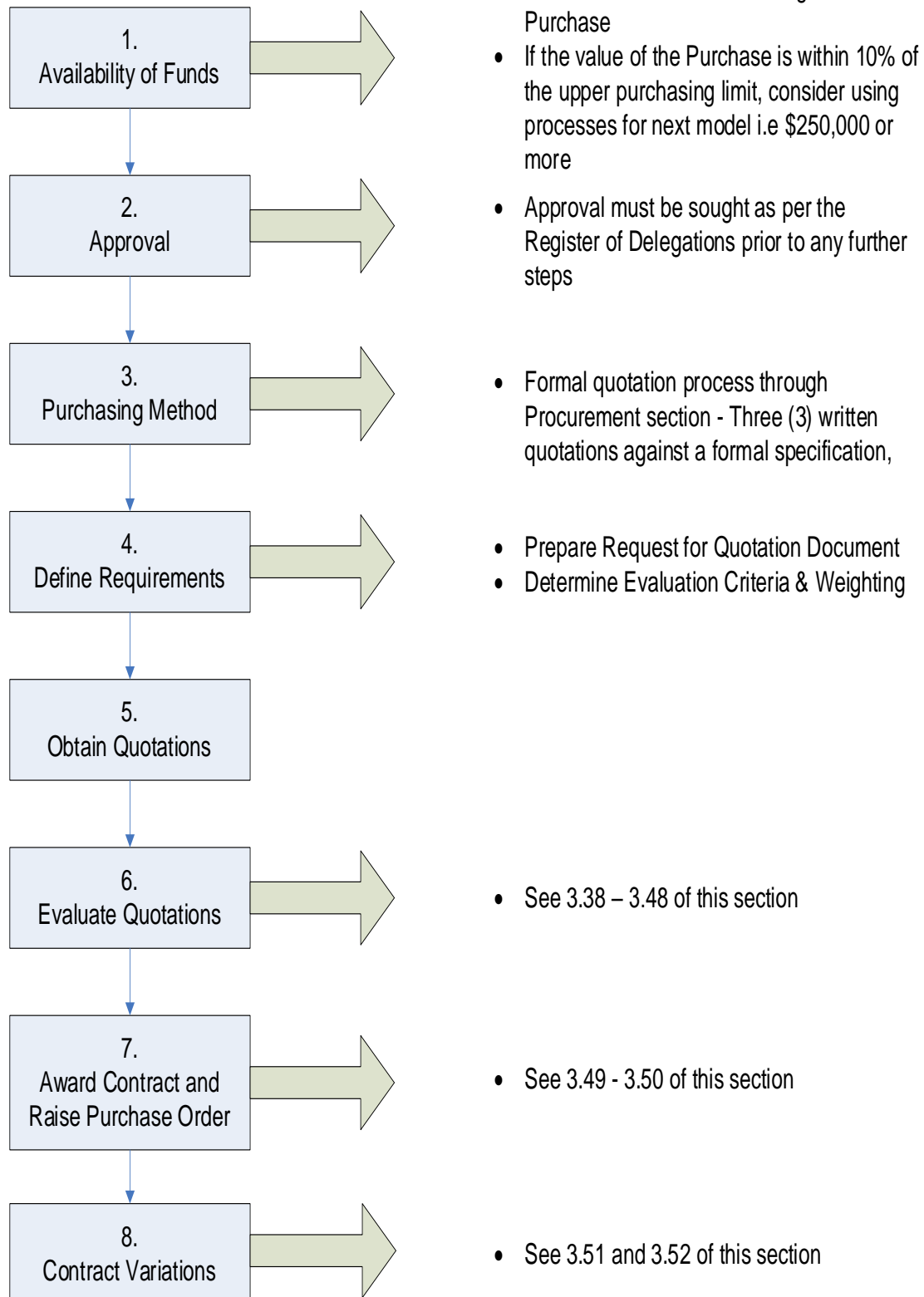
This Section deals with the procurement of Consultancies and provides procedures which must be followed when procuring Consultancies. This Section also gives examples to assist users.

This Section begins with a Flow Chart which provides the user with an overview of the process that must be followed when purchasing Consultancies. If the amount of the Consultancy is \$250,000 or more exclusive of GST over the term of the engagement, you must also refer to Section 5 of this Manual relating to Tenders.

Flow Chart – Consultancy Under \$40,000



Flowchart – Consultancy \$40,001 - \$249,999



3.2 Definition & Examples of a Consultancy

As there are special requirements and delegations for the engagement of Consultants, it is important that consultancy services be distinguished from other services which are procured from the private sector.

A Consultancy is a Contract with an individual or organisation engaged on a temporary basis to provide recommendations or to provide high level specialist or professional advice to assist decision-making by management.

Generally, it is the advisory nature of the work that differentiates a Consultant from a Contractor. However, sometimes it may be difficult to distinguish between a Consultant and a Contractor. Therefore, a decision will need to be made based on the particular circumstances. The specific examples below are offered as illustrations of a Consultancy.

Distinguishing a Consultant from a Contractor

For the purposes of this Manual, the following descriptions are given.

Training

- A person or firm engaged to provide advice on training needs and to develop training programs is a consultant.
- A person or firm engaged to provide the actual training will not be a consultant.

Information Technology

- A person or firm engaged to assist the development of an information technology strategic plan and/or to assist with the development of specifications for the systems and/or to provide advice on implementation is a consultant.
- A person or firm engaged to undertake implementation in accordance with the specifications, for example, supplying or writing the software and constructing the systems, would not be a consultant.

Legal

- A person or firm engaged primarily to advise on legal issues relating to a proposed innovation or amendments to legislation is a consultant.
- A person or firm engaged primarily to provide routine legal services such as conveyancing, advocacy, drafting documents etc even though that includes professional advice, would not be a consultant.

Finance and accounting

- A person or firm engaged primarily to advise on the financial viability of a government business enterprise is a consultant.
- A person or firm engaged primarily to provide routine auditing or routine accounting services even though that includes professional advice would not be called a consultant.

Some other broad examples of consultancy projects are:

- Provision of advice regarding new technology and ideas.

- Development of performance standards.
- Evaluation of activities and programs.
- Preparation of sales and marketing strategies.
- Conduct of environmental scans and advice on planning.
- Feasibility studies.

Ensuring external consultants are not deemed to be employees

City staff members must be careful to avoid inadvertently establishing circumstances whereby an individual consultant or contractor can be considered to be an employee and be eligible for employee benefits such as worker's compensation, despite a contract which suggests the person is not an employee. This could arise, for example, by the person being subject to the routine direction and control of the City. The Procurement Section can provide you with advice clarifying the distinction between an employee and a Contractor

3.3 Consultancy Contracts under \$250,000

The purchasing procedures for Consultancies under \$250,000 (exclusive of GST) are contained in this Section. Staff members may proceed with a minimum of three written Quotations against a formal specification detailing the City's requirements subject to:

- Prices and rates being considered reasonable; and
- Prices and rates being consistent with comparable, usual or standard market or professional industry scale prices or rates for such Consultancies.

All Consultancy engagements must be approved by the appropriate delegated authority in accordance with the Register of Delegations.

3.4 Consultancy Contracts \$250,000 and over

Public Tenders must be invited in accordance with Section 5 where the Consultancy \$250,000 and over (inclusive of GST). Where the engagement of a Consultant may exceed \$250,000 over a period of three years it must be tendered.

Example 1

Rosemary needs to engage an architect to prepare plans for a new Community Recreation Centre and estimates that the cost of the work is approximately \$12,000.

The purchasing protocols for a Consultancy under \$40,000 require that a formal specification be developed and a minimum of three written quotations be obtained. In addition, two people must evaluate the proposal.

Rosemary develops the specification and evaluation criteria. Katrina has experience in design and agrees to be on the Evaluation Panel with Rosemary. Katrina reviews the specification and evaluation criteria.

Rosemary invites four consultants to quote for the work and four written submissions are received at quotation closure.

The Panel evaluates each submission against the evaluation criteria and undertakes an evaluation. The Panel recommends Straight Line Architects be awarded the contract in the sum of \$13,165.

Rosemary has delegated authority to approve purchases up to \$20,000. Rosemary authorises the appointment of Straight Line Architects and finalises the contract arrangements by:

- 1 Forwarding a letter of acceptance with the consultancy agreement, and Raising a Purchase Order in the Sum of \$13,165.*

3.5 Purchasing from existing Consultancy Panels

Wherever possible and appropriate, purchases should be from existing Consultancy Panels.

If only one Quotation is received approval must be sought by the CEO through the Procurement Coordinator under Exemption from Competitive Process prior to engagement in accordance with City's Contracts Policy.

NOTE: The CEO through the Procurement Coordinator may approve an engagement of a Consultant of less than \$250,000.00; and Procurement Coordinator may approve an engagement of a Consultant of less than \$40,000.00 under Exemption from Competitive Process subject to certain criteria being satisfied. For information in relation to Exemption from Competitive Process, please refer to the Definitions Section of this manual.

3.6 Purchases in the case of an Emergency

An emergency is defined as any situation or event where there is a risk of injury if maintenance or repair is not carried out, or where major works cannot be completed due to breakage in an essential piece of equipment.

Situations where purchases are made due to an emergency should be limited. An issue arising from poor planning does not constitute an emergency.

Process for Emergency

Where a procurement needs to be made due to an emergency or insufficient quotes, the following will occur.

1. The reason why the procurement procedures cannot be complied with, and the proposed procurement process must be documented. Approval to procure outside the procedures described in Procurement Limits for Consultancy is to be obtained from the appropriate Director.
2. The procurement is to be approved by a City Officer with delegated authority to approve expenditure of the amount in accordance with the Delegations Register.
3. All emergency procurements are to be reported to the Procurement Coordinator who may refer the matter to the CEO.

Example 2

City requires a booklet to be developed on historically significant buildings within Nedlands for inclusion in City's local studies catalogue.

Gerry estimates that the cost of the booklet will be approximately \$35,000 to undertake the study.

Gerry applies and is successful in obtaining a grant from the State Government in the sum \$38,000 to undertake the study. A condition of the grant is that the money must be spent within 6 months (by July) otherwise the money is forfeited.

Due to his heavy workload Gerry is unable to develop a specification to call for quotations until the end of April. Gerry is concerned that if three quotes are to be obtained and evaluated, the study will not be completed by July and the grant funding forfeited.

Gerry believes the potential loss of grant funding in having to comply with the purchasing protocols constitutes an emergency and seeks approval from his Unit Manager to purchase outside the purchasing protocol. Gerry's Unit Manager does not give approval to purchase outside the protocols; loss of funding due to poor planning does not constitute an emergency.

Gerry's Unit Manager suggests that if there is insufficient time to comply with the purchasing protocol then Gerry should seek an extension of time from the funding authority or reapply for the grant.

3.7 Preparing to Procure Consultancies

Introduction

In this Section you will find:

- Additional Requirements of the procurement process.
- Creating and using different specification types.
- Evaluation criteria.
- Procedures for seeking Quotations.

3.8 Additional Requirements

Where the Responsible Officer is not sure of the estimated cost of a purchase because the costs are not fixed, or the estimated cost is close to the upper limit, the requirements for the next range should be used.

Where the quoted cost of a procurement exceeds the estimated range:

- the process is to be abandoned; and
- fresh Quotations – Tenders must be called in accordance with the requirements of the relevant Procurement Limits.

Note: Procurements are not to be broken into separate parts to avoid the requirements imposed by the Procurement Limits - this is known as order splitting.

The requirements above detail the minimum process within each range to be followed. Consideration should always be given to:

- Opening the purchasing process to greater competition.
- Development of a formal specification particularly where there is an element of risk associated with the purchase.

3.9 Formation of the Evaluation Panel

The Evaluation Panel must be formed and approved by the relevant Manager/Director before the project is advertised or persons/organisations are invited to submit a Quotation.

The Evaluation Panel Members must meet and be satisfied with the specification and agree on the evaluation criteria and weighting that will be applied before Quotations can be called.

All Evaluation Panel Members must be made aware of their obligations and responsibilities and complete and sign a *Declaration of Conflict of Interest and Deed of Confidentiality for Evaluation Committees - Att. 6 Section 7*.

3.10 Specifications

Specifications must be as explicit as possible in the definition of requirements and any associated standards within the context (value and complexity) of the purchase.

Specifications must define in clear and precise terms such things as:

- The purpose of the Consultancy.
- The scope of the Consultancy.
- The Key Performance Indicators.
- The record keeping and performance reporting requirements.

3.11 Preparation of Specifications

Clear specifications must be prepared prior to seeking Quotations and must include:

- A detailed description of the Services.
- Assessment Criteria.
- Expected deliverables (outcome) of the project or Contract rather than the method of achieving results.
- Duration or the delivery dates of the Contract and the proposed performance standards.
- Any special conditions to be contained in the specification and schedules, including insurance requirements etc.
- Specifications must encourage open and effective competition by providing the best possible opportunity for potential suppliers to develop a solution capable of satisfying the City's requirements. Specifications must not include any feature that discriminates against any supplier or group of suppliers such as items that are specific to a particular technology.

- The City normally applies a weighting to particular criteria of specification.

For assistance in preparing specifications contact the Procurement Section.

There are three basic types of specifications:

1. Material
2. Performance
3. Functional

3.12 Material Specifications

- Details the physical characteristics of materials, basic, semi-fabricated or compound.
- Intended for use in describing specific materials such as timber, metals, paint, leather and may be associated with samples.
- May refer to commercial industrial standards such as paper products or lubricants.

3.13 Performance Specifications

- Detail the required performance characteristics.
- Set out the required performance parameters by detailing the required inputs and outputs, including KPI's, but not the methods to be used to achieve them.
- Suppliers have the opportunity to offer their own methods which can be evaluated against criteria.

3.14 Functional Specifications

- Outlines the proposed function or role of the product in helping the end user achieve the desired capability.
- Define a task or desired result and, at most describe the general form of the Service required.
- Focus on what is to be achieved rather than how it is to be done. For example, the transport of goods rather than by a particular means or type of vehicle.

3.15 Combining Specifications

- To avoid eliminating innovative solutions or new technologies, functional and performance specification should be used in conjunction with a technical or material specification where necessary.

Example 3

A functional specification would address the need for protective treatment, where as a material specification by focusing on a requirement for a particular paint, might eliminate other more satisfactory alternatives from consideration.

For any assistance in preparing specifications please contact the Procurement Section.

3.16 Technical Specification Required

Material or technical design requirements may be included with some functional or performance specification, particularly where equipment interfaces and environmental or dimensional constraints are a factor.

In some cases, a technical specification may be unavoidable. The nature of the purchase may make it essential to narrow options through the specification, as in the case where a particular material or technical design is required – for example, compatibility with existing or other proposed equipment.

3.17 Avoidance of Commercial / Brand Reference

Functional and performance specifications can be used to avoid limiting solutions to specific technologies.

The practise of specifying a requirement in terms of specific commercial items ('brand X or similar') should be avoided, as it is not appropriate to assume acceptable similarity.

When suppliers are encouraged to develop innovative solutions to user requirements there is a greater opportunity for competition.

3.18 Evaluation Criteria

A menu of evaluation criteria to evaluate Quotations is provided at - Att. 3 Section 7. These criteria are not exhaustive and may need to be altered or new criteria added to suit the characteristics of the Quotation.

The selection of evaluation criteria to evaluate Quotations needs to be made on the basis of the specific risk factors associated with that Quotation. Criteria should only be included if they present a risk to the successful completion of the project.

3.19 Weighting the Criteria

Weighting is to be assigned to the weighted evaluation criteria prior to Quotations being called. The total weighting of the criteria is 100 assigned in proportion to the relative importance of each criterion to the successful completion of the agreement.

The Responsible Officer, under guidance from the Procurement Section will determine the evaluation criteria and assign weightings. Where quotations are to be evaluated by a panel, the Responsible Officer is to confirm the evaluation criteria and weightings with the Evaluation Panel Members during the initial Evaluation Panel meeting.

Weighting must be assigned to the evaluation criteria without consideration to the outcome of the quotation. Once the weighting is finalised by the Evaluation Panel it is not to be changed.

The Responsible Officer is to incorporate the evaluation criteria into the Quotation documentation.

3.20 Request for Quotation Documentation

The Request for Quotation document has been developed for calling Quotations for Consultancies. The Request for Quotation document as a minimum must consist of:

1. Conditions of Quotation.
2. Contract Specification.
3. Evaluation Criteria.
4. Price and Payment Schedules.
5. General Conditions of Contract.

3.21 Quotation Numbers

A Quotation Number must be obtained from the Procurement Section before Quotations can be called for all Consultancies with an estimated cost of \$10,001 and over.

The process to obtain a Quotation Number is below:

1. The Responsible Officer completes the Request for Written Quotation Form - Att. 4 Section 7.
 - Form A applies to an estimated spend \$10,001 - \$100,000
 - Form B applies to an estimated spend \$100,001 - \$249,999
2. The relevant City officer with delegated authority to approve expenditure of the procurement confirms that all necessary steps of the pre-purchasing requirements have been undertaken and authorises the *Request for Written Quotation Form*.
3. Upon receipt of the completed form and relevant documents the Procurement Section will issue a Quotation Number to the Responsible Officer.
4. The Responsible Officer includes the Quotation Number in the request documentation and forwards the documentation to the Procurement Section for distribution.
5. Quotations for Consultancies \$10,001 or greater must have responses lodged in accordance with the conditions of quotation.

3.22 Contact prior to distribution of Quotations

To ensure the maximum numbers of Quotations are received, the Responsible Officer should contact each person/organisation prior to the Request for Quotation being issued to ensure that they:

- Have the capabilities to undertake the scope of work required.
- Are available to do work within the time required.
- Are able to comply with City's timeframe for delivery of the project.
- Are interested in submitting a quote.

This contact must be limited to "market research" and no detailed discussions or negotiations is permitted at this stage. Where Quotations are called on a regular basis for similar types of work, consideration should be given to establishing a Period Contract Panel in accordance with Section 5 of this Manual.

Note: All discussion or correspondence with Bidders following the issue of the request for quotation must be through the Procurement Section.

3.23 Review of Request for Quotation by Evaluation Panel

Prior to the Request for Quotation document being distributed, the Evaluation Panel must meet to review the specification, evaluation criteria and weighting. Any amendments required by the Evaluation Panel are to be incorporated into the Request for Quotation document.

3.24 Guidelines for calling Quotations

Below are a number of ways to identify suitable persons/organisations to approach to submit competitive Quotations:

- Contacting professional associations or industry bodies and obtaining a list of members.
 - Relying on City officers with professional knowledge of the industry.
 - Using persons/organisations who have previously undertaken similar work for City and whose performance was satisfactory. The Procurement Section maintains a Consultants Register detailing Consultants that have been previously engaged, and reports on their performance.
 - Contacting organisations who have recently contracted for similar services/consultancies and requesting names of persons/organisations they approached.
 - Internet search
 - Place an advertisement in the paper.
 - A combination of the methods above.
-

3.25 Receiving and Opening Quotations

Introduction

In this Section you will find information on:

- Process by which Quotations are received and opened.
 - Late Quotations.
-

3.26 Receipt of Quotations – less than \$40,000

Where the value of the proposed order or Contract is less than \$40,000,, Quotations are to be addressed to the Responsible Officer and sent by email to procurement@nedlands.wa.gov.au Once received, quotations will be placed into a SharePoint docset and this will be shared with the Responsible Officer.

3.27 Receipt of Quotations - \$40,000 or greater

Where the value of the proposed order or Contract is \$40,000 or greater, hardcopy quotations are to be lodged in the Tender Quotation Box, 71 Stirling Highway Nedlands WA 6009.

Email quotation submissions must be sent to the Procurement inbox procurement@nedlands.wa.gov.au Once received, quotations will be placed into a SharePoint docset and this will be shared with the Responsible Officer.

Quotations lodged after the Quotation closing time are taken to be late.

3.28 Quotation Submitted by Facsimile - \$40,000 or over

Quotations sent by facsimile will not be accepted

3.29 Receiving and Opening Hardcopy Quotations

1. At the advertised closing time the Quotation Box is opened by the representative of the Procurement Section and the Responsible Officer.
2. If the required three quotations are not received, the procurement representative may not open the quotations and may follow up the invited bidders to determine if they are going to respond to the invitation. Further invitations to other bidders may be required in order to obtain the required three quotations.
3. If three quotations are not received, approval must be sought through the Procurement Coordinator to proceed or through the CEO for quotations over \$100,000.
4. The representative of the Procurement Section and the Responsible Officer open the Quotations together.
5. A list must be made of all Quotations opened. This will record the name of the Respondent and the quoted amount.
6. e Quoted sum for the Contract and be signed by all parties present at the opening – *Att.5 Section 7*.

3.30 Late Quotations

Late offers are registered separately (*Att.6 Section 7*). Late offers may be considered depending on:

1. How late the offer is, the reason given for lateness and the supporting evidence available.
2. Whether the bidder has had an opportunity to obtain some unfair advantage from its late submission.

The Procurement Coordinator will determine whether a late offer is considered based on the facts and supporting evidence.

3.31 After Opening

The list prepared (*Att. 5 Section 7*) is copied with the original retained by the Procurement Section. A copy is provided to the Responsible Officer together with the Quotations received.

Example 4

Michelle invited hardware suppliers of computers to submit quotes for the provision of hardware. Respondents were instructed that quotations be addressed to, or placed in the Quotation Box.

- *Supplier 'A' posted his to City but incorrectly addressed the envelope to the CEO rather than to the Quotation Box. The envelope was received before quotations closed; however, it was opened as part of the incoming mail and sent to Records to be registered. Michelle discovered the quote the day after quotations closed.*
- *Supplier 'B' hand delivered the quote however arrived 10 minutes after quotations closed.*
- *Supplier 'C' gave his quote to a City officer before quotations closed but the officer did not place the document in the Quotation Box until after the Quotation closed.*
- *Supplier 'D' submitted his quote the next morning and stated that he got the days mixed up.*
- *Supplier 'E' placed his quote in the Quotation Box before the Quotation closed.*

What should Michelle do, should the Evaluation Panel consider only Supplier E's quote?

Michelle confirms and documents the events surrounding the receipt of each late offer and provides the information to the Procurement Coordinator. The Procurement Coordinator decides as follows:

- *The late offer of Suppliers 'A' and 'C' is considered as the offer was received in time but not placed in the Quotation Box because they were mishandled by City staff.*
- *The late offer of Supplier 'B' is considered. There was no opportunity for Supplier B to discover the pricing structure of its competitors and obtain an unfair advantage from the late submission.*

Supplier D's late offer is not considered. The length of time between closure of quotations and receipt of the other increases the risk that supplier 'D' could have found out about the pricing structure of its competitors and obtain an unfair advantage from late submission. This may not be true but the mere perception of this is damaging to City's business standing and the conduct of further purchasing processes.

Michelle advised the staff who mishandled the quotations of the process for receiving quotations.

3.32 Record Keeping

The Responsible Officer is responsible for making a record on SharePoint of the receipt and evaluation of Quotations. The record is to contain the following:

- Copies of written Quotations
- Name of City officers who evaluated the Quotations.
- Reason for appointment of a Consultant (comments must relate to the evaluation criteria).

This information can be recorded by:

- Completing the *Record of Quotation/Purchase Decision (Att. 2 Section 7)* and filing within the relevant City SharePoint file.
- Making notations on the City file.
- Making a notation on City's electronic Purchase Order.

The Responsible Officer must ensure the information is available for both Internal and External Audit.

3.33 Preparing the Evaluation Process

In this Section you will find:

- Composition and formation of the Evaluation Panel.
- Probity Issues.
- The process to be followed in an evaluation.

3.34 Composition of the Evaluation Panel

The minimum number of staff involved in evaluating Quotations must be:

- Under \$40,000 - 2 People.
- \$40,001 - \$249,999 - 3 People.

The Responsible Officer forms the Evaluation Panel and the Panel is to comprise:

- Chair: The Responsible Officer.
- Panel Members: Another City staff member or a person appointed from outside City. Where the value of a Quotation is over \$40,000 a delegate from the Procurement Section will attend the Evaluation Panel meetings to provide guidance and ensure probity

The Evaluation Panel Members must have declared no conflict of interest, and preferably have professional, technical or other industry qualifications and experience appropriate for the Consultancy being purchased under the proposed contract.

3.35 When is the Evaluation Panel Formed?

The Evaluation Panel is formed before Quotations are called. The Evaluation Panel Members must meet and be satisfied with the specification and agree on evaluation criteria and weighting before Quotations can be called.

All Evaluation Panel Members must be made aware of their obligations and responsibilities and complete and sign a *Declaration of Conflict of Interest and Deed of Confidentiality for Evaluation Committees - Att. 6 Section 7*.

For quotations over \$40,000, a pre-quotation meeting of the evaluation panel is held prior to the issue of the invitations to quote by Procurement.

3.36 Objective of the Evaluation

The objective of the evaluation is to provide a report that ranks the Quotations in terms of Value for Money recommending the award or otherwise of the proposed Contract. The Evaluation Panel is to conduct the evaluation in accordance with these procedures.

3.37 Evaluation Process

The Evaluation Panel Chair in conjunction with the Procurement Section is to decide on the process of evaluating Quotations. The evaluation process can be conducted by:

- a meeting as a group to review, evaluate and collectively score Quotations: or
 - evaluate and score separately and meet to discuss significant differences in scoring and agree on strengths and weaknesses of each Quotation; or
 - a combination of the above.
-

3.38 Evaluating the Quotations

Introduction

In this Section you will find:

- Key issues in evaluating Quotations.
 - Recognising superior Respondents.
 - Ranking Respondents.
-

3.39 Non – Compliant Quotation

Quotations are to be ruled Non-Compliant and eliminated from further evaluation in the following circumstances:

- Where the completed Price and Payment Schedule is not received at Quotation closure.
- Where the Quotation fails to obtain a score of at least 40% in each weighted qualitative criterion.

Detailed reasons for Non-Compliance, sufficient to survive scrutiny are to be recorded.

3.40 Communication with Bidders after quotations close

Communication with Bidders after the close of quotations must be transparent and fair to all parties. Communication should be through the contact person nominated within the Request for Quotation. The following should apply to contact between Bidders, City officials and panels, after the close of quotation and prior to announcement of the successful Bidder:

- Bidder initiated contact should not be allowed except for the notification of a mistake or anomaly.
- City initiated contact should only be for purpose of clarification and the decision to do so should be made by all evaluation panel members.
- Where the evaluation panel decide to request clarification from a Bidder, all Bidders should be given the same opportunity to provide clarification.
- Clarification can only be sought if information received in a quote is open to interpretation or is not clear, thus bids cannot be evaluated properly.
- City initiated contact must not result in any Bidder gaining an unfair advantage over the other Bidders for example the Bidder is not allowed to revise or enhance the original submission.
- If the evaluation process requires Bidder interviews the proceedings of the interview must be minuted. All interviews must be organised through the Chair.

All contact must be well documented and records maintained

3.41 Consultation with Referees

Referees should be consulted to validate the Bidder's submission. The referees should be:

- a representative of a current or previous user of the Bidder's Services; and
- be convenient to contact.

A sample *Referee Questionnaires* are provided in - *Att. 8 and 9 Section 7*.

3.42 The Financial Evaluation

The Evaluation Panel Chair is responsible for the calculation of total quotation cost. The financial evaluation involves:

- Calculating the total cost to City over the period of the Contract; and ensuring all prices, estimated quantities of Goods are incorporated in the calculation of total quotation cost.
- Calculating the price score with the lowest priced conforming quotation receiving the maximum weighted score and subsequent higher priced conforming prices being divided into the lowest price to determine the percentage difference. This is then applied to the weighting that has been assigned to the price criteria.

3.43 Ranking Quotations & Recommending a Preferred Respondent

The City aims to contract with the Respondent whose price and risk are low. In this instance, risk refers to the confidence that the Evaluation Panel has that the Respondent will deliver on the claims in its Quotation and is reflected in the weighted score. The higher the weighted score the lower the risk. If a Bidder fails to achieve a

minimum score of 40% in any one criteria it is considered that the risk is too significant for them to be engaged.

The Evaluation Panel Chair will calculate the total scores for all panel members following the completion of the score sheets, including the price score, and rank Respondents from lowest to highest in order of the weighted score as shown in the following example:

Criteria	Weighting	Quotation 1		Quotation 2		Quotation 3	
		Score	Weighted score	Score	Weighted score	Score	Weighted score
Price	45%	\$69,860	45%	\$70,450	44.6%	N/A	N/A
1	20%	80	16%	90	18%	90	18%
2	20%	80	16%	70	14%	60	12%
3	10%	80	8%	90	9%	80	8%
4	5%	80	4%	80	4%	35	1.75%
Total weighted score	100%		89%		89.6%		N/A

Ranking Quotations

Quotations	Total Quotation	Weighted Score	Ranking Report
Quote 1	\$69,860	89%	2
Quote 2	\$70,450	89.6%	1
Quote 3 - Quotation failed to achieve a score of 40% in every Qualitative criteria such as criteria No. 4.			

3.44 Other Evaluation Methodologies

There may be other appropriate methodologies for evaluating specific Quotations than the above method of evaluation described in this Section.

To use an evaluation methodology other than the evaluation method described in this Section, the Responsible Officer is to obtain the approval of the Procurement Coordinator before Quotations are called.

3.45 Checklist – Evaluation of Quotations

- Step 1** Examine Quotations for Compliance, set aside Non-Compliant quotations and record detailed reasons for Non-Compliance sufficient to survive scrutiny
- Step 2** For each Quotation in turn
- Read the Quotation in detail and record strengths and weaknesses of each Quotation, ambiguities or omissions requiring clarification, and issues requiring validation by referees.
 - Obtain written clarification from Respondents **(if required)**
 - Consult external advisers. **(if required)**
 - Consult the Scoresheet – refer to Att.10 Section 7 and assign a preliminary score.
- Step 3** Interview the Respondents that have submitted competitive Quotations. **Optional**
- Step 4** Visit the work sites of, and obtain demonstrations from, Respondents that have submitted competitive Quotations. **Optional**
- Step 5** Consult referees and Consultants Register.
- Step 6** The Evaluation Panel Chair conducts the financial evaluation of the Quotation and reports to the Evaluation Panel.
- Step 7** Review the Scores and ranking assigned to Respondents, taking into account:
- Clarifications, interviews, site visits and demonstrations;
 - Referee reports;
 - Financial Evaluation report; and
 - Consistency in the application of the evaluation criteria.
- Step 8** Quotations that fail to obtain a score of at least 40% in each criterion are to be ruled non-compliant and set aside. Record detailed reasons for non-compliance sufficient to survive scrutiny.
- Step 9** Re-calculate each Respondent's weighted score and prepare the Preliminary Ranking Report.
- Step 10** Review the Preliminary Ranking Report to:
- Confirm that the weighted scores are accurate representations of the Evaluation Panel's evaluation of the Quotations;
 - Confirm that the weighted scores are substantiated by the Evaluation Panel's evaluation of strengths and weaknesses; and
 - Confirm that the ranking accurately reflects the Evaluation Panel's judgement and can be substantiated on at least three clear and simple grounds for each Quotation that can be easily defended.
- Step 11** Prepare the Evaluation Report and Evaluation Panel signs
-

3.46 Recording the Evaluation

The Evaluation Report

The Evaluation Panel Chair is to prepare a report in sufficient detail to survive scrutiny without recourse to the individual Panel members.

This information can be recorded on *Record of Quotation/Purchase Decision Form - Att. 2 Section 7*.

For more complex purchases an Evaluation Report is to contain:

- Record of the Evaluation Panel Meeting and membership of the Evaluation Panel.
- Record of parties who submitted Quotations.
- For each Quotation;
 - Evaluation Recorded.
 - Respondent Clarification.
 - Record of demonstration.
 - Record of External Advice.
 - Evaluation Scoresheet.
 - Financial Evaluation.
 - Preliminary Ranking Report.
- The Evaluation Report is to be **CONFIDENTIAL**, and is to be kept on the relevant subject file. It is to contain the official record of the proceedings of the Evaluation Panel.

3.47 Notification of Acceptance

A formal Letter of Acceptance must be forwarded to the successful Bidder by the Responsible Officer advising of the acceptance of their offer. A copy of the *Letter of Acceptance is provided at Att. 23 Section 7*.

If applicable, the Letter of Acceptance must include the following:

- Two copies of the Contract for execution.
- Request for bank guarantees. (if applicable)
- Request for Insurance certificates.
- Any other information relevant to the project that may be required before the Consultant can commence work under the Contract.

3.48 Unsuccessful Quotations

Once the successful Bidder has been notified by the Responsible Officer, the Tenders Officer will advise the unsuccessful Bidders' in writing that their submission has been unsuccessful. In addition, the unsuccessful Bidders' may be offered a debriefing session regarding their submission; this will be arranged by the Procurement Section. The purpose of the debriefing session is to provide the unsuccessful Bidders' with information about how their Quotation performed against the selection criteria with the aim of enhancing future performance.

3.49 Contract Execution

This Manual provides procedures in relation to the procurement process and procedures; it does not cover the process of managing Contracts after Contract award.

After Contract award, the Contracts Management Manual must be followed. A Contract cannot commence unless all of the activities on the Contract Execution Checklist (see Contract Management Manual attachments) have been performed.

Once all activities have been performed, the Checklist must be signed and together with the Contract and any prescribed documents forwarded to the appropriate signatory for review and execution.

Only after the Contract has been executed may the Supplier take possession of the site or start work under the Contract.

For further information about this process you must refer to the Contract Management Manual.

3.50 Raise Purchase Order

A Purchase Order must be raised on City's electronic purchasing system (Authority) for the total value of the Contract.

3.51 Variation of the Contract

A variation to the Contract must not be considered if it substantially alters the original scope of the Contract. You should seek advice from the Procurement Section to determine whether the proposed change(s) will substantially alter the Contract.

Contract variations are a process which is covered in detail in the Contracts Management Manual and this process should be followed by reference to those procedures.

In such an instances, a process needs to be entered into to establish a new Contract in accordance with the procedures in this Manual.

3.52 Approval of Variation(s)

All variation(s) to a Contract must be approved under delegated authority. This must be done prior to the variation being actioned. The Responsible Officer must adequately document the reason for the variation, the cost of the variation and obtain approval under delegated authority for the variation and ensure that the variation is added to the official Purchase Order as a new line.

3.53 Conflict of Interests and Corrupt Conduct

City staff members who are involved in procurement must be free of *conflicts of interest* or relationships that are actually or potentially detrimental to the best interests of City.

City staff members must not engage in any transaction involving City in which they have a *conflict of interest*. A conflict of interest can arise where:

- a staff member has a *pecuniary* and *non-pecuniary* interest in the matter;
- a person closely associated with the staff member has an interest in the matter – for example, a family member, spouse or partner or friend etc;
- the staff member could be influenced or appear to be influenced in favour of that interest in the performance of their duties; or
- there exists a reasonable expectation of a direct or indirect benefit or loss as a result. The benefit or loss can be financial or non-financial.

There is reasonable public expectation that where there is a conflict of interest, it will be declared, evaluated and resolved in favour of the public's interest.

Pecuniary and Non-pecuniary Interests

A conflict of interest can be of two types;

- *Pecuniary* – an interest that a person has in a matter because of a reasonable likelihood of expectation of appreciable financial gain or loss to the person. A person's pecuniary interest may arise because their spouse, de facto partner, relative, partner or employer (including a previous employer), or company of other body of which the person or a nominee, partner or employer is a member has a pecuniary interest in a matter.
- *Non-pecuniary* – a private or personal interest the City official has that does not amount to a pecuniary interest. For example, a non-pecuniary interest could be a friendship, membership or an association, society or trade union or involvement or interest in an activity and may include an interest of a financial nature.

City's *Code of Conduct* and the *Fraud & Corruption Policy* provides further information regarding conflict of interests and the requirements and obligations in which all City staff members and others doing business with City must follow.

You can assess the *Code of Conduct* and the *Fraud & Corruption Policy* at the following links:

Code of Conduct: <http://>

Fraud & Corruption Policy: <http://>

All Evaluation Panel Members must sign a Declaration of Conflict of Interest and Deed of Confidentiality for Evaluation Committees - Att. 6 Section 7.

3.54 Disclosure

City staff members have an obligation to promptly report all possible or actual conflict of interest or incompatibility between their public duties and their private lives. The conflict of interest of a staff member's family, relatives, friends, a previous employer and or associates that is within the knowledge of that staff member must also be declared.

A disclosure is made by reporting possible or actual conflict of interest and incompatibility between public duties and private lives to their Senior Manager in writing. If you are uncertain whether a conflict exists, you need to seek advice from your Manager or from the Procurement Coordinator.

3.55 Confidentially

City staff members are bound by the City's Code of Conduct and are not to disclose information obtained during the evaluation process to other City staff members, external persons or organisations. The Responsible Officer is to remind City staff members of their obligations under the Code of Conduct.

City Staff members and advisors with an interest in the outcome of a Contract must notify the Evaluation Panel Chair of any conflict of interest, including prior, current or proposed association with any party including any previous employer.

All Evaluation Panel Members must sign a *Disclosure of Interest and Deed of Confidentiality Form - Att. 7 Section 7*.

3.56 Communications

All Communications with potential Bidders must be conducted within strict probity and risk management frameworks to ensure accountability and transparency.

Records should be kept of all communications with all bidders.

Communication with potential bidders is to be only undertaken by the contact person who is listed in the quotation documents. Procurement must be copied into all such communications.

All communication to bidders must be in writing and simultaneously to all bidders in respect of a question asked of the quotation.

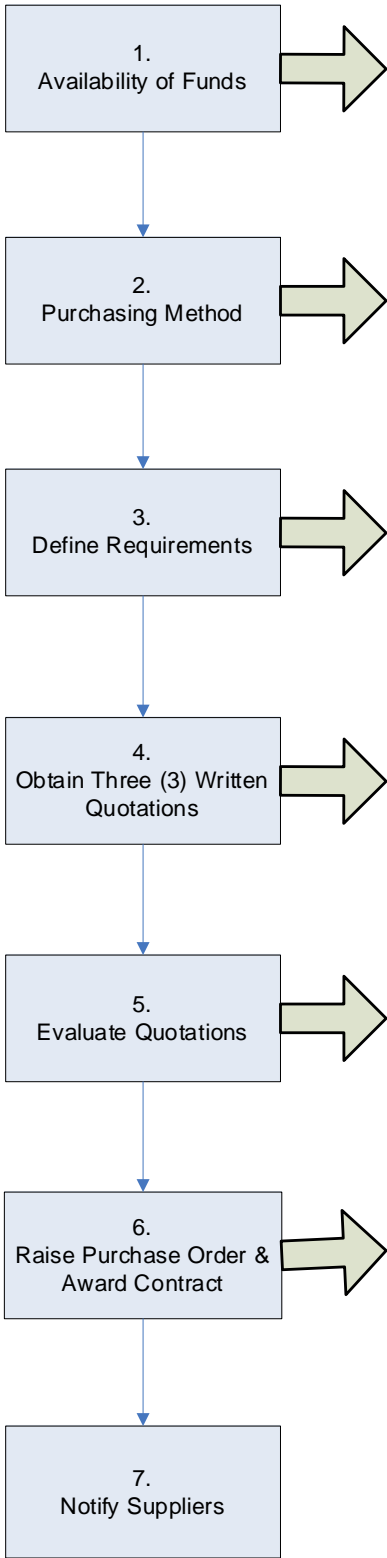
Any amendments to the documents must be communicated to all potential bidders.

Where briefings or site visits are offered, an attendance register and minutes or notes of the briefing should be kept. During the briefing or site visit, City officials should avoid one on one communication. Requests for information by one potential bidder should be repeated and the response provided to all in attendance.

SECTION 4**Major Procurements**

This Section begins with Flow Charts which provide the user with an overview of the process that must be followed when procuring Major Goods and Services. If the amount of the Goods or Services is \$250,000 or more exclusive of GST over the term of the engagement, you must also refer to Section 5 of this Manual relating to Tenders.

Flow Chart – Goods & Services \$10,001 - \$40,000



- Funds are available in the budget for the purchase.
- If the value of the purchase is within 10% of the upper purchasing limit, consider using process for next level i.e. \$40,001 - \$100,000 through Procurement

- Three (3) written quotes against a formal specification must be obtained

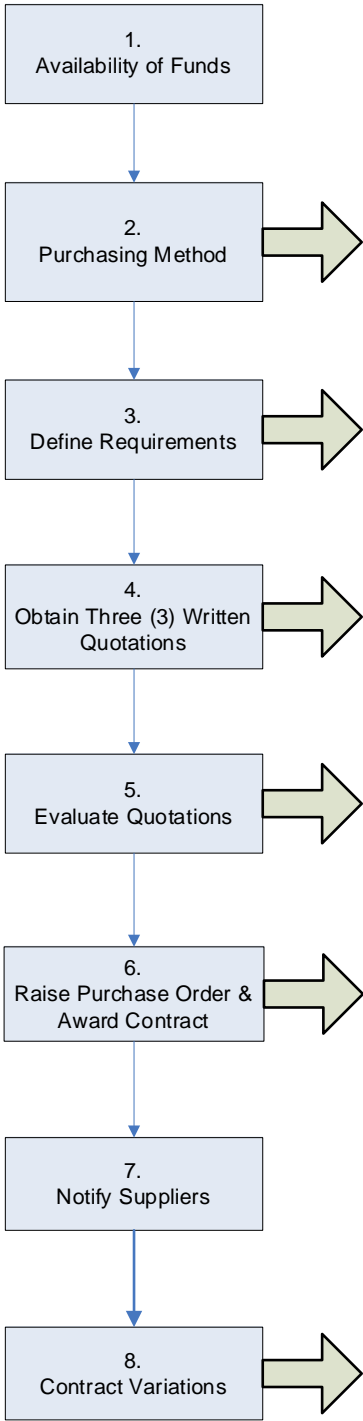
- Prepare Specifications
- Determine Evaluation & Criteria Weightings
- Approval to proceed

- Receipt of Quotations

- Minimum of 2 people must evaluate the Quotation

- See 4.37 and 4.38 of this section

Flow Chart – Goods & Services \$40,001 - \$100,000



- Funds are available in the budget for the purchase.
- If the value of the purchase is within 10% of the upper purchasing limit, consider using process for next level i.e. \$100,001-\$249,999

- Formal quotation process through Procurement section - Three (3) written quotations against a formal specification

- Prepare Specifications
- Determine Evaluation & Criteria Weightings
- Approval to proceed
- Obtain Quote Number & Reference
- Pre-Quotation meeting of evaluation panel

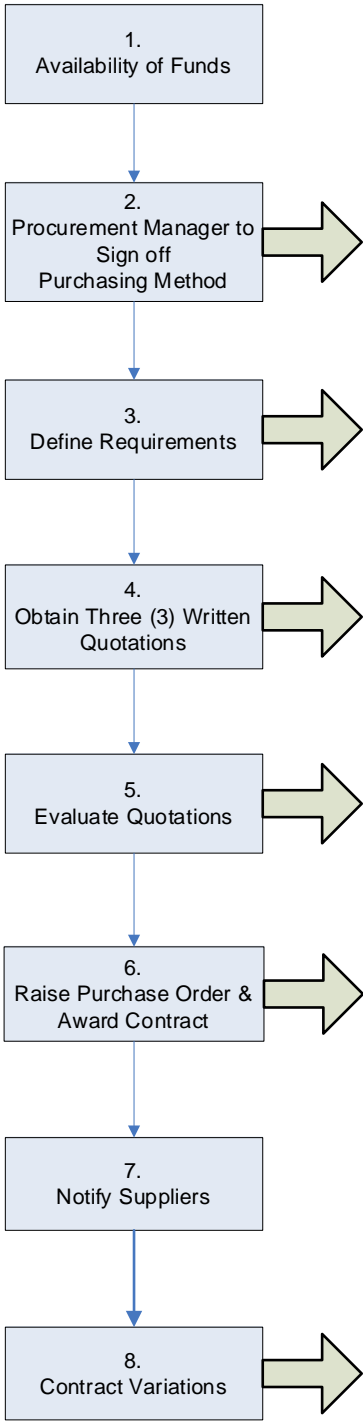
- Receipt of Quotations

- Minimum of 2 people must evaluate the Quotation

- See 4.37 and 4.38 of this section

- See 4.42 and 4.43 of this Section

Flow Chart – Goods & Services \$100,001 - \$249,999



- Funds are available in the budget for the purchase.
- If the value of the purchase is within 10% of the upper purchasing limit, consider using process for next level i.e. Tender or Consultancies

- Approval must be sought from the Procurement Manager who will determine whether to use an open or selective Tender, or call for formal Quotations through the Procurement section or Expression of Interest by Public Notice

- Prepare Specifications
- Determine Evaluation & Criteria Weightings
- Approval to proceed
- Obtain Quote Number & Reference
- Pre-quotation meeting of evaluation panel

- Receipt of Quotations

- Minimum of 2 people must evaluate the Quotation

- See 4.37 and 4.38 of this section

- See 4.42 and 4.43 of this Section

Section 4 Major Purchases \$10,001 - \$249,999

The procurement process set out in this Section applies to all Contracts with a value between \$10,001 & \$249,999 excluding GST, and will ensure compliance with City's Contracts Policy.

4.1 Major Purchases \$10,001 - \$40,000

Where the value of the proposed purchase is between \$10,001 and \$40,000, staff may proceed with a minimum of three (3) written Quotations against a written specification detailing the City's requirements. They must also obtain a Quotation Number (Att. 4 Section 7) from the Procurement Section They must also form an Evaluation Panel.

4.2 Major Purchases \$40,001 - \$100,000

Where the value of the proposed purchase is between \$40,001-\$100,000, staff may proceed with a minimum of three (3) written Quotations against a written specification detailing the City's requirements. They must also obtain a Quotation Number (Att. 4 Section 7) from the Procurement Section and form an Evaluation Panel of three (3) persons one of which must be a member of the Procurement Section.

4.3 Major Purchases \$100,001-\$249,999

Where the value of the proposed order is between \$100,001 - \$249,999, staff may proceed with a minimum of three (3) written Quotations against a written specification detailing City's requirements. They must also obtain a Quotation Number from the Procurement Section and form an Evaluation Panel of three (3) persons one of which will be a member of the Procurement Section. Prior to obtaining a Quotation Number, approval from the Procurement Coordinator must be sought in relation to the procurement method, whether to use an Open or a Selective Tender process, call for a Quotation or an Expression of Interest by Public Notice – refer to Section 5 for Tender & EOI process.

Example 1

Jim needs to replace 25 executive chairs in the City Chambers and estimates this will cost \$62,500 (\$2,500 each).

The purchasing procedures for Goods between \$40,001 and \$100,000 require that a written specification be prepared. In addition, where the estimated value is above \$40,000 three people must evaluate the proposal.

Jim develops the specification and selects the following evaluation criteria.

- *Ergonomic design of equipment and controls (i.e. User friendliness)*
- *Delivery times*
- *Level of after sales service*
- *Availability of spares*
- *Compatibility with existing furniture*

Karen and a representative of the Procurement Section agree to be on the Evaluation Panel with Jim. They review the specification and evaluation criteria.

Procurement invites four furniture suppliers to quote for the work. And four submissions are received at quotation closure.

The Panel evaluate each submission against the evaluation criteria and undertakes a Value for Money evaluation. The Panel recommends the quotation of Comfort Chair P/L in the sum of \$62,250 should be accepted.

Jim's Unit Manager has delegated authority to approve purchases up to \$100,000 and approves the purchase of the chairs from Comfort Chair P/L. Jim finalises the contract by raising a Purchase Order in the sum of \$62,250.

Example 2

City needs to buy a new community bus. Susan estimates that the bus including modifications to allow for wheelchair access will cost approximately \$232,000.

The purchasing protocols for a Good between \$100,001 and \$249,999 required that a written specification be developed and a minimum of three written quotations be obtained. In addition, where the estimated value is above \$50,000 three people must evaluate the proposal, one of which will be a representative of the Procurement Section, a Quotation Number must be obtained and Procurement Coordinator sign off for the method of purchase.

Susan develops the specification and evaluation criteria. Karl has experience in purchasing plant and agrees to be on the Evaluation Panel with Susan and a member of the Procurement Section. They review the specification and evaluation criteria.

Procurement invites four suppliers to quote and three written submissions are received at quotation closure:

- 1. Big Bus (\$252,500)*
- 2. Motor City (\$256,500)*
- 3. Large Vehicles (\$251,000)*

The Panel convenes to evaluate the quotes and realise the purchase price of the bus including modifying the bus for wheel chair access exceeds \$250,000 Karl suggests:

- 1. The Panel evaluate the quotations and purchase the bus only, as the cost of purchasing the bus is less than \$250,000 and that; and*
- 2. Fresh quotations are called for to modify the bus for wheel chair access.*

Susan advises that you can't split orders to avoid the requirements imposed by the Purchasing Limits. The process must be abandoned and tenders called in accordance with Section 5.

4.4 Purchasing from existing Panel Contracts

Purchasing may be conducted from existing Panel Contracts. Wherever possible and appropriate, purchases should be from these contracts in accordance with the specific requirements of the panel.

Purchases may also be from some of the WA State Government (CUA agreements) while adhering to the requirements of the City's Procurement Policy in obtaining three quotations.

Details of the range of Contracts that are available to Local Government under WALGA and State Government CUA are available from the Procurement Section.

NOTE: For information in relation to seeking approval to purchase Goods or Services under Exemption from Competitive Process, please refer to the Definition Section of this Manual.

4.5 Purchases in the case of an Emergency

An emergency is defined as any situation or event where there is risk of injury if maintenance or repair is not carried out or where major works cannot be completed due to breakage in an essential piece of equipment.

Situations where purchases are made due to an emergency should be limited. An issue arising from poor planning does not constitute an emergency.

Process for Emergency

Where the purchase needs to be made due to an emergency the following will occur.

1. The reason why the purchasing procedures cannot be complied with and the proposed purchasing must be documented and a Record of Quotation/Purchase Decision Form completed - Att. 2 Section 7.
2. The purchase is to be approved by a City officer with delegated authority to approve expenditure of this amount in accordance with the City's Delegations Register.
3. All emergency purchases are to be reported to the Procurement Coordinator and in cases where the expenditure exceeds \$100,000, to the CEO.

Example 3

Staff on levels 22 and 23 of the Town Hall arrive at work on Monday morning and find that they are unable to access the mainframe.

John from IT investigates the problem and discovers the hubs (hardware) on levels 22 and 23 were spiked following a power failure. The hubs provide the interface between the networked computers on each level and the mainframe computer.

John is aware the hardware was upgraded Six (6) months ago and at the time it was approximately \$34,750 to purchase the equipment on both levels.

The purchasing procedures for Goods between and \$40,000 and \$249,000 require that a written specification be developed and a minimum of three written quotations be obtained.

Until the hardware is replaced staff on levels 22 and 23 will not have access to files kept on mainframe or hardware on the network such as printers. Steps need to be taken immediately to replace the hubs to minimise the potential loss in productivity.

John approaches his Unit Manager and proposes that one quote be obtained provided the equipment can be supplied immediately and the price is reasonable and consistent with market prices. The Unit Manager agrees that the situation constitutes an emergency and approves the proposal.

IT hardware Pty Ltd quotes for and can supply the hardware immediately and e-mail a quote for \$34,900. John reviews the quote and is satisfied the price is consistent

with market prices and raises an electronic requisition. Johns Unit Manager reviews the quote and approves the requisition (the Unit Manager has delegated authority to approve expenditure up to \$50,000).

The Procurement Coordinator is advised of the circumstances requiring approval to be given to purchase outside the purchasing procedures and of the outcome of the process.

4.6 Preparing to Purchase Goods

Additional Requirements

Where the Responsible Officer is not sure of the estimated cost of a purchase because the cost is variable, or the estimated cost is close to the upper limit (within 10% of the upper purchasing limit), the requirements for the next range should be used. Where the quoted costs of a purchase exceeds the estimated range of the purchase price:

- The process is to be abandoned.
- Fresh quotes/tenders are called in accordance with the requirements of the relevant purchasing limits.

The requirements above detail the minimum process within each range to be followed. Consideration should always be given to opening the purchasing process to greater competition.

4.7 Replacement of Existing Equipment

Where a Good is replacing an existing Good, consideration must be given to a disposal strategy. Disposal of the existing Good is to be timed to coincide as close as possible with the new purchase of the replacement Good.

4.8 Specifications

Specifications must be as explicit as possible in the definition of requirements and any associated standards within the context (value and complexity) of the purchase.

Specifications must define in clear and precise terms such things as:

- The purpose of the Goods or Service.
- The scope of the Goods or Service.
- The Key Performance Indicators.
- The record keeping and performance reporting requirements.

4.9 Preparation of Specifications

Clear specifications must be prepared prior to seeking Quotations and must include:

- A detailed description of the Goods and Services.
- Assessment Criteria.

- Expected deliverable (outcomes) of the project or Contract rather than the method of achieving results.
- Duration or delivery dates of the Contract and proposed performance standards.
- Any special conditions to be contained in the specification and schedules, including insurance etc.
- Specifications must encourage open and effective competition by providing the best possible opportunity for potential suppliers to develop solutions capable of satisfying City's requirements. Furthermore, specifications must not include any feature that discriminates against any supplier or group of suppliers such as items that are specific to a particular technology.
- City normally applies a weighting to particular criteria of a specification. Under no circumstances can the weighting be disclosed to the potential Bidders..

For assistance in preparing specifications contact the Procurement Section.

There are three basic types of specifications.

1. Technical
2. Performance
3. Functional

4.10 Technical Specification

Technical or material design requirements may be included with some functional or performance specifications, particularly where equipment interfaces and environmental or dimensional constraints are a factor.

In some cases a technical specifications may be unavoidable. The nature of the purchase may make it essential to narrow options through the specifications, as in the case where a particular material or technical design is required (eg compatibility with existing or other proposed equipment)

- Detail the physical description of the item required, including such things as size, capacity, horsepower, tolerance, materials and tensile strength.
- Often used for engineering project machinery and occasionally office equipment.
- May refer to commercial industrial standards such as for paper products or lubricants

4.11 Performance Specification

- Detail the required performance characteristics.
 - Set out the required performance parameters by detailing the required inputs and outputs, including KPI's, but not the methods to be used to achieve them.
 - Suppliers have the opportunity to offer their own methods which can be evaluated against criteria.
-

4.12 Functional Specification

- Outline the proposed function or role of the product in helping the end user achieve the desired capability.
 - Define a task or desired result and, at most describe the general form of the service required.
 - Focus on what is to be achieved rather than how it is to be done. For example, the transport of goods rather than by a particular means or type of vehicle.
-

4.13 Combining Specification

- To avoid eliminating innovative solutions or new technologies, functional and performance specifications should be used in conjunction with a technical or material specification where necessary.

Example 4

A functional specification would address the need for protective treatment, whereas a material specification, by focusing on a requirement for a particular paint, might eliminate other more satisfactory alternatives from consideration.

For assistance in preparing specifications please contact the Procurement Section.

4.14 Avoidance of Commercial/Brand References

Functional and performance specifications can be used to avoid limiting solutions to specific technologies.

The practise of specifying a requirement in terms of specific commercial items ('brand X or similar') should be avoided, as it is not appropriate to assume acceptable similarity.

When suppliers are encouraged to develop innovative solutions to user requirements there is a greater opportunity for competition.

4.15 Quotation Notification

Results of Quotations must be notified in writing to all persons who provided Quotations. A sample letter is provided at *Att. 13 Section 7*.

NOTE: No order or Contract is to be broken into separate parts to avoid the requirements imposed by the purchasing limits - this is known as order splitting.

4.16 Evaluation Criteria

A menu of criteria to evaluate Goods is provided below:

- Warranty
- Delivery times
- Level of after sales service
- Ergonomic design of equipment and controls (i.e. User friendliness)
- Noise levels
- Guarding of machine hazards
- Transport and storage requirements
- Protective equipment necessary
- Material Safety Data Sheet (MSDS) information of any chemicals the equipment uses
- Compliance with specification
- Model/type
- Environmental Considerations
- Cost of additional equipment
- Life cycle costs
- Resale value

These criteria are not exhaustive and the selection of criteria needs to be made on the basis of the specific risk factors associated with the Good. For further criteria refer to Att. 3 Section 7.

4.17 Quotation Numbers

A Quotation Number must be obtained from the Procurement Section before Quotations can be called for all works with an estimated cost of \$10,001 and over.

The process to obtain a Quotation Number is below:

6. The Responsible Officer completes the *Request for Written Quotation Form - Att. 4 Section 7*.
 - Form A applies to an estimated spend \$10,001 - \$100,000
 - Form B applies to an estimated spend \$100,001 - \$249,999
7. The relevant City officer with delegated authority to approve expenditure of the procurement confirms that all necessary steps of the pre-purchasing requirements have been undertaken and authorises the Request for Written Quotation Form.
8. Upon receipt of the completed form and relevant documents the Procurement Section will issue a Quotation Number to the Responsible Officer.
9. The Responsible Officer includes the Quotation Number in the request documentation and forwards the documentation to the Procurement Section for distribution.
 - Quotations for \$10,001 - \$40,000 must have responses lodged in accordance with the conditions of quotation.

- Quotations for \$40,000 or greater are to be lodged in the **Quotation Box** and/or sent by email to procurement@nedlands.wa.gov.au

4.18 Receiving and Opening Quotations

Receipt of hardcopy Quotations

Quotations for Goods and Services over \$40,000 are to be lodged in the Quotation Box Located at 71 Stirling Highway Nedlands WA 6009. Quotations received after the Quotation closing time are taken to be late.

Receipt of Quotations by email

Quotations sent by email must be sent to the Procurement inbox at procurement@nedlands.wa.gov.au Once received, quotations will be placed into a SharePoint docset and this will be shared with the Responsible Officer.

Quotation Submitted by Facsimile

Quotations sent by facsimile will not be accepted

The Procurement Section is responsible for secure storage of Quotations on SharePoint

4.19 Queries and Communication from Bidders

All communications and queries from Bidders should be conducted within strict probity and risk management frameworks to ensure accountability and transparency.

All queries from prospective Bidders during the Quotation period must be addressed to the nominated representative from Procurement in writing, unless impractical. If the nominated representative from Procurement is unable to answer the query they may seek advice from the Responsible Officer or nominated person.

All enquires must be recorded, noting time and date of receipt, the issue discussed and the person and company making the inquiry. These discussions must be noted (Att. 321 Section 7) and placed on the quotation file. Where an inquiry results in a clarification of the documents or provision of additional information, this information should be promptly relayed in writing to all Bidders.

Opening Quotations

1. At the advertised closing time, the Quotation Box is opened by the representative of the Procurement Section and the Responsible Officer.
2. If the required three quotations are not received, the procurement representative may not open the quotations and may follow up the invited

bidders to determine if they are going to respond to the invitation. Further invitations to other bidders may be required in order to obtain the required three quotations.

3. If three quotations are not received, approval must be sought through the Procurement Coordinator to proceed under Exemption from Competitive Process or the CEO for quotations over \$100,000.
4. The representative of the Procurement Section and the Responsible Officer will open the Quotations together.
5. As Quotations are opened they will be stamped, initialled and dated by both parties on the title page and every page on which a dollar amount is stated.
6. A list must be made of all Quotations opened. This list will record the name of the Respondent and the Quoted sum for the contract and be signed by all parties present at opening (Att.5 Section 7).

4.20 Late Quotations

Late offers are opened, stamped and registered separately (Att.6 Section 7). Late offers may be considered depending on:

1. How late the offer is, the reason given for lateness and the supporting evidence available.
2. Whether the Bidder has had an opportunity to obtain an unfair advantage from the late submission.

The Procurement Coordinator will determine whether a late offer is considered based on the facts and supporting evidence.

Note: All Quotations invited from City Panels must be opened as above, but will include a representative of Finance.

4.21 After Opening

The list prepared (*Att. 5 Section 7*) is copied with the original list retained by the Procurement Section. A copy of the list is provided to the Responsible Officer.

Example 5

Michelle invited hardware suppliers of computers to submit quotes for the provision of hardware. Bidders were instructed that quotations be addressed or placed in Quotation Box.

- *Supplier A posted his to City but incorrectly addressed the envelope to the CEO rather than the Quotation Box. The envelope was received before quotations closed; however, it was opened as part of the incoming mail and sent to Records to register. Michelle discovered the quote the day after quotations closed.*
- *Supplier B hand delivered the quote however arrived 10 minutes after quotations closed.*

- *Supplier C gave his quote to a City officer before quotations closed but the officer did not place the document in the Quotation Box until after Quotations closed.*
- *Supplier D submitted his quote the next morning and stated that he got the days mixed up.*
- *Supplier E placed his quote into the Quotation Box before Quotations closed.*

What should Michelle do, should the Evaluation Panel consider only Supplier E's quote?

Michelle confirms and documents the events surrounding the receipt of each late offer and provides the information to the Procurement Coordinator. The Procurement Coordinator decides as follows:

- *The late offer of Supplier A and C is considered as the offer was received in time but not placed in the Tender Box because they were mishandled by City staff.*
- *The late offer of Supplier B is considered. There was no opportunity for Supplier B to discover the pricing structure of its competitors and obtained an unfair advantage from late submission.*
- *Supplier D's late offer is not considered. The length of time between closure of quotations and the receipt of the other increases the risk that Supplier D could have found out about the pricing structure of its competitors and obtain an unfair advantage from his late submission. This may not be true but the mere perception of this is damaging to City's business standing and the conduct of further purchasing processes.*

Michelle advised the staff who mishandled the quotations of the process for receiving quotations.

4.22 Record Keeping

The Responsible Officer is responsible for making a record of the evaluation of Quotations. The record is to contain the following:

- Copies of written Quotations.
- Name of City officers who evaluated Quotations.
- Completed *Record of Quotation/Purchase Decision Form - Att. 2 Section 7*.
- Copy of the specification.
- Reason for appointment of the supplier (comments must relate to the evaluation criteria).
- Copy of the Purchase Order.

This information can be recorded by:

- Completing the *Record of Quotation/Purchase Decision Form (Att.2 Section 7)* and file within the Department or relevant City file.
- Making notations on the City file.
- Making a notation on City's electronic Purchase Order.

The Responsible Officer must ensure the information is available for both Internal and External Audit.

A Confidential Evaluation Report (Att.10 Section 7) must be filled out for all purchases over \$40,000.

4.23 Preparing the Evaluation Process

In this Section you will find:

- Composition and information of Evaluation Panel.
 - Probity Issues.
 - The process to be followed in an evaluation.
-

4.24 Formation of the Evaluation Panel

The Evaluation Panel must be formed and approved by the relevant Director before the project is advertised or persons/organisations are invited to submit a Quotation.

The Evaluation Panel Members must meet and be satisfied with the specification and agree on the evaluation criteria and weighting that will be applied before Quotations can be called.

All Evaluation Panel Members must be made aware of their obligations and responsibilities and complete and sign a Declaration of Conflict of Interest and Deed of Confidentiality for Evaluation Committees - Att. 6 Section 7.

4.25 Composition of the Evaluation Panel

The minimum number of staff involved in evaluating must be:

- \$10,001 - \$40,000 - 2 People.
- \$40,001 - \$249,999 - 3 People.

The Responsible Officer forms the Evaluation Panel and the Panel is to comprise:

- Chair: The Responsible Officer for quotations under \$40,000 in value.
- Panel Members: Another City staff member or a person appointed from outside City. Where the value of a Quotation is over \$40,000 a delegate from the Procurement Section will advise the Evaluation Panel.

The Evaluation Panel Members must have no conflict of interest, and preferably have professional, technical or other industry qualifications and experience appropriate for Goods or Services being purchased under the proposed contract.

4.26 When is the Evaluation Panel Formed?

The Evaluation Panel is formed before Quotations are called. The Evaluation Panel Members must meet and be satisfied with the specification and agree on evaluation criteria and weighting before Quotations can be called.

All Evaluation Panel Members must be made aware of their obligations and responsibilities and complete and sign a Declaration of Conflict of Interest and Deed of Confidentiality for Evaluation Committees - Att. 6 Section 7.

4.27 Objective of the Evaluation

The objective of the evaluation is to provide a report that ranks the Quotations in terms of Value for Money recommending the award or otherwise of the proposed Contract. The Evaluation Panel is to conduct the evaluation in accordance with these procedures.

4.28 Evaluation Process

The Evaluation Panel Chair is to decide on the process of evaluating Quotations. The evaluation can be conducted by:

- A meeting as a group to review evaluate and collectively score Quotations; or
- Evaluate and score separately and meet to discuss significant differences in scoring and agree on strengths and weaknesses of each Quotation: or
- A combination of the above.

The Evaluation Panel Chair will be responsible for documenting the process of evaluation, and ensuring the secure storage of Quotations.

4.29 Evaluation of the Quotations

Introduction

In this Section you will find:

- Key issues in evaluating Quotations.
- Ranking Respondents.

4.30 Non-Compliant Quotations

Quotations are to be ruled Non-Compliant and eliminated from further evaluation in following circumstances:

- Where the completed Price and Payment Schedule is not received at Quotation Closure.
- If a Bidder fails to achieve a minimum score of 40% in any one criterion it is considered that the risk is too significant for them to be engaged.

Detailed reasons for Non-Compliance, sufficient to survive scrutiny are to be recorded.

4.31 Communication with Bidders after quotations close

Communication with Bidders after the close of quotations must be transparent and fair to all parties. Communication should be through the contact person nominated within the Request for Quotation. The following should apply to contact between Bidders, City officials and panels, after the close of quotation and prior to announcement of the successful Bidder:

- Bidder initiated contact should not be allowed except for the notification of a mistake or anomaly.

- City initiated contact should only be for purpose of clarification and the decision to do so should be made by all evaluation panel members.
- Where the evaluation panel decide to request clarification from a Bidder, all Bidders should be given the same opportunity to provide clarification.
- Clarification can only be sought if information received in a quote is open to interpretation or is not clear, thus bids cannot be evaluated properly.
- City initiated contact must not result in any Bidder gaining an unfair advantage over the other Bidders for example the Bidder is not allowed to revise or enhance the original submission.
- If the evaluation process requires Bidder interviews the proceedings of the interview must be minuted. All interviews must be organised through the Chair

All contact must be well documented and records maintained

4.32 Consultation with Referees

Referees should be consulted to validate the Proposal and claims. The referees should be:

- a representative of a current or previous user of the Bidder's Goods; and
- be convenient to contact.

A sample referee questionnaires are provided in - *Att. 8 and 9 Section 7*.

4.33 The Financial Evaluation

The Evaluation Panel Chair is responsible for the calculation of the total Quotation cost. The financial evaluation involves:

- Calculating the total cost to City over the period; and ensuring all prices, estimated quantities of Goods or Services are incorporated in the calculation of total Quotation costs.
- Calculating the price score with the lowest priced conforming quotation receiving the maximum weighted score and subsequent higher priced conforming prices being divided into the lowest price to determine the percentage difference. This is then applied to the weighting that has been assigned to the price criteria.

4.34 Ranking Quotations & Recommending a Preferred Respondent

City aims to contract with the Respondent whose price and risk are low. In this instance, risk refers to the confidence that the Evaluation Panel has that the Respondent will deliver on the claims in its Quotation and is reflected in the weighted score. The higher the weighted score the lower the risk. If a Bidder fails to achieve a minimum score of 40% in any one criterion it is considered that the risk is too significant for them to be engaged.

The Evaluation Panel Chair will calculate the total scores for all panel members following the completion of the score sheets, including the price score, and rank Respondents from lowest to highest in order of the weighted score as shown in the following table:

		Quotation 1		Quotation 2		Quotation 3	
Criteria	Weighting	Score	Weighted score	Score	Weighted score	Score	Weighted score
Price	45%	\$69,860	45%	\$70,450	44.6%	N/A	N/A
1	20%	80	16%	90	18%	90	18%
2	20%	80	16%	70	14%	60	12%
3	10%	80	8%	90	9%	80	8%
4	5%	80	4%	80	4%	35	1.75%
Total weighted score	100%		89%		89.6%		N/A

Ranking Quotations

Quotations	Total Quotation	Weighted Score	Ranking Report
Quote 1	\$69,860	89%	2
Quote 2	\$70,450	89.6%	1
Quote 3 - Quotation failed to achieve a score of 40% in every Qualitative criteria such as criteria No. 4			

4.35 Other Evaluation Methodologies

There may be other appropriate methodologies for evaluating specific quotations other than the above method of evaluation described in this Section.

To use an evaluation methodology other than the evaluation method described in this Section, the Responsible Officer is to obtain the approval of the Procurement Coordinator before Quotations are called.

4.36 Recording the Evaluation

The Evaluation Report

The Evaluation Panel Chair is to prepare a report in sufficient detail to survive scrutiny without recourse to individual Panel members.

This information can be recorded on Record of Quotation/Purchase Decision Form - Att. 2 Section 7.

For more complex purchases an Evaluation Report is to contain:

- Record of the Evaluation Panel Meeting and membership of the Evaluation Panel.
- Record of parties who submitted Quotations.
- For each Quotation;
 - Evaluation Recorded.
 - Respondent Clarification.
 - Record of demonstration.
 - Record of External Advice.
 - Evaluation Scoresheet.
 - Financial Evaluation.
 - Preliminary Ranking Report.
- The Evaluation Report is to be **CONFIDENTIAL**, and is to be kept on the relevant subject file. It is to contain the official record of the proceedings of the Evaluation Panel.

4.37 Contract Execution

This Manual provides procedures in relation to the procurement process and procedures; it does not cover the process of managing Contracts after Contract award.

After Contract award, the Contracts Management Manual must be followed. A Contract cannot commence unless all of the activities on the Contract Execution Checklist (see Contract Management Manual attachments) have been performed.

Once all activities have been performed, the Checklist must be signed and together with the Contract and any prescribed documents forwarded to the appropriate signatory for review and execution.

Only after the Contract has been executed may the Supplier take possession of the site or start work under the Contract.

For further information about this process you must refer to the Contract Management Manual.

4.38 Raise Purchase Order

A Purchase Order on the City's electronic purchasing system (Authority) must be raised. It should be noted that a Purchase Order constitutes a Contract and is legally binding.

4.39 Inspection of Goods/Defects

All Goods received for use in any area of City's operations need to be immediately inspected for defects.

Sound receiving and inspection processes are the starting point for preserving City's rights against suppliers and are essential for successful claims for shortages or damage to the Goods.

An early detection of defects or obvious failure to comply with specifications enable immediate replacement at the supplier's expense and places City in a more favourable position if a claim should transpire.

Should you require any assistance regarding this matter please contact the Procurement Section.

4.40 Short Supply or Defects

Short supply or defects in Goods must be called to the attention of the supplier at the earliest opportunity. Failure to do so may result in the loss of rights especially when invoices have been processed for payment before suppliers have been advised of the short supply or defect.

All staff members are to be aware of the importance of ensuring that any Goods delivered to City are checked immediately upon their delivery.

If possible, at the time of delivery, the description, quality and condition of the Goods are to be checked against any documents accompanying the Goods.

4.41 Receipt of Goods

Delivery drivers should not be delayed any longer than it takes to sign for and physically receive the Goods.

The person who signs for the receipt of the Goods is to ensure that the person who ordered the Goods is advised that the items are available for collection from a nominated location.

If delivery documents do not indicate who has ordered the Goods then the person who has signed for the Goods should contact the person who ordered the Goods and advise them that the Goods have arrived and the Purchase Order number.

person who ordered the Goods will arrange for immediate collection and inspection of the Goods.

If the Goods are received in an unsatisfactory condition the delivery docket may be signed to certify that the goods have been received. However, the paragraph on the docket stating 'Goods have been received in good order and condition' must be struck out and initialled. If no such clause appears on the docket be sure to precisely note on the docket before you sign it that the Goods were damaged upon delivery and note their exact condition.

4.42 Variations of the Contract

Variations to the Contract must not be considered if it substantially alters the original Contract. You should seek advice from the Procurement Section to determine whether the proposed change(s) will substantially alter the Contract.

Contract variations are a process which is covered in detail in the Contracts Management Manual and this process should be followed by reference to those procedures _____

4.43 Approval of Variation(s)

All variation(s) to a Contract must be approved under delegated authority prior to it being actioned. The Responsible Officer must adequately document the reason for the variation, the cost of the variation and obtain approval under delegated authority for the variation and ensure that the variation is added to the official Purchase Order as a new line.

4.44 Information Technology

In some cases purchases are of a specialist nature and require adherence to additional policies or procedures.

The purchase of Information Technology assets are required to be undertaken in accordance with the City's Asset policy

<http://>

4.45 Plant and Equipment

Prior to the purchase of any Plant and Equipment approval must be obtained from the relevant Director and the Finance Manager via the Plant and Equipment Request Form (Att. 33 Section 7). It should be noted that Goods purchased with a value over \$5,000.00 are classified as an asset by City and will require the above process to be followed.

<http://>

4.46 Additional Requirements

NOTE: No order or Contract is to be broken into separate parts to avoid the requirements imposed by the procurement limits - this is known as Order S plitting.

4.47 Conflict of Interests and Corrupt Conduct

City staff members who are involved in procurement must be free of *pecuniary* and *non-pecuniary* interests or relationships that are actually or potentially detrimental to the best interests of the City.

City staff members must not engage in any transaction involving the City in which they have a *pecuniary* and *non-pecuniary* interest. A conflict of interest can arise where:

- a staff member has a *pecuniary* and *non-pecuniary* interest in the matter;
- a person closely associated with the staff member has an interest in the matter – for example, a family member, spouse or partner or friend etc;
- the staff member could be influenced or appear to be influenced in favour of that interest in the performance of their duties; or
- there exists a reasonable expectation of a direct or indirect benefit or loss as a result. The benefit or loss can be financial or non-financial.

There is reasonable public expectation that where there is a conflict of interest, it will be declared, evaluated and resolved in favour of the public's interest.

Pecuniary and Non-pecuniary Interests

A conflict of interest can be of two types;

- *Pecuniary* – an interest that a person has in a matter because of a reasonable likelihood of expectation of appreciable financial gain or loss to the person. A person's pecuniary interest may arise because their spouse, de facto partner, relative, partner or employer (including a previous employer), or company of other body of which the person or a nominee, partner or employer is a member has a pecuniary interest in a matter.
- *Non-pecuniary* – a private or personal interest the City official has that does not amount to a pecuniary interest. For example, a non-pecuniary interest could be a friendship, membership or an association, society or trade union or involvement or interest in an activity and may include an interest of a financial nature.

The City's *Code of Conduct* and the *Fraud & Corruption Policy* provides further information regarding conflict of interests and the requirements and obligations in which all City staff members and others doing business with City must follow.

You can assess the *Code of Conduct* and the *Fraud & Corruption Policy* through CON Intranet at the following links:

Code of Conduct: <http://>

Fraud & Corruption Policy: <http://>

All Evaluation Panel Members must sign a Declaration of Conflict of Interest and Deed of Confidentiality for Evaluation Committees - Att. 6 Section 7.

4.48 Disclosure

City staff members have an obligation to promptly report all possible or actual conflict of interest or incompatibility between their public duties and their private lives. The conflict of interest of a staff member's family, relatives, friends, a previous employer and or associates that is within the knowledge of that staff member must also be declared.

A disclosure is made by reporting possible or actual conflict of interest and incompatibility between public duties and private lives to their Senior Manager in writing. If you are uncertain whether a conflict exists, you need to seek advice from your Manager or from the Procurement Coordinator.

4.49 Confidentiality

City staff members are bound by the City's Code of Conduct and are not to disclose information obtained during the evaluation process to other City staff members, external persons or organisations. The Responsible Officer is to remind City staff members of their obligations under the Code of Conduct.

City Staff members and advisors with an interest in the outcome of a Contract must notify the Evaluation Panel Chair of any conflict of interest, including prior, current or proposed association with any party including any previous employer.

All Evaluation Panel Members must sign a Conflict of Interest and Deed of Confidentiality Form

4.50 Communications

All Communications with potential Bidders must be conducted within strict probity and risk management frameworks to ensure accountability and transparency.

Records should be kept of all communications with all bidders.

Communication with potential bidders is to be only undertaken by the contact person who is listed in the quotation documents.

All communication to bidders must be in writing and simultaneously to all bidders in respect of a question asked of the quotation.

Any amendments to the documents must be communicated to all potential bidders.

Where briefings or site visits are offered, an attendance register and minutes or notes of the briefing should be kept. During the briefing or site visit, City officials should avoid one on one communication. Requests for information by one potential bidder should be repeated and the response provided to all in attendance.

SECTION 5

Procedure for Calling, Opening & Evaluating Tenders

5.1 Introduction:

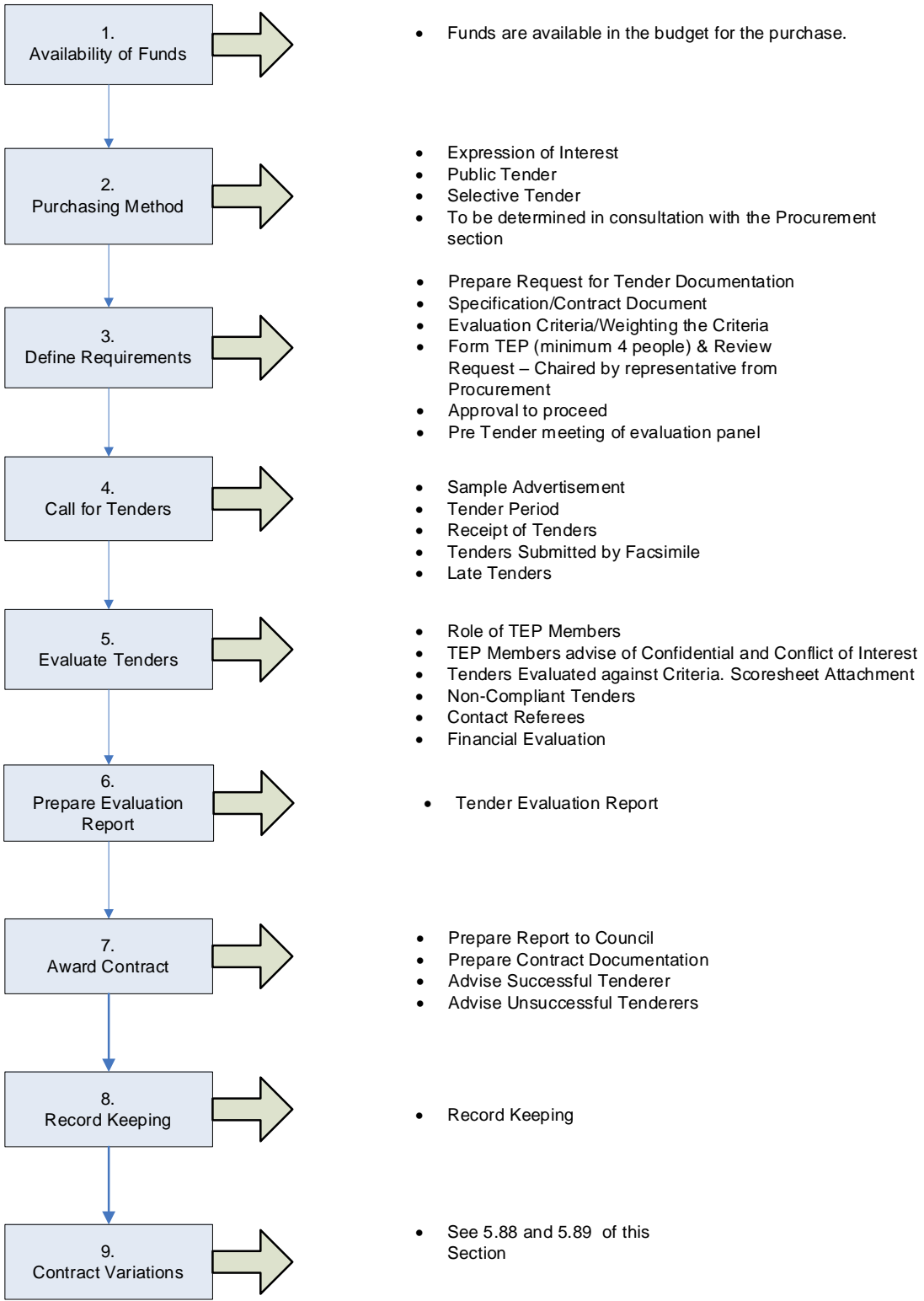
This Section deals with the procedures for calling and opening Tenders in accordance with the Local Government Act 1995 and the Local Government (Functions and General) Regulations 1996.

This Section begins with a Flow Chart which provides the user with an overview of the process that needs to be followed when purchasing Goods or Services over \$250,000 excluding GST. This is the value of the goods or services to be provided over the term of the contract. If the value of the service exceeds the \$250,000 over a period of three years, it must be tendered

Staff should be mindful that they must act in the interests of their residents, ratepayers and the wider community and that, when considering expenditure of public monies they;

- Are open, transparent and accountable in their dealings
- Ensure that their dealings promote fairness and competition
- Obtain best value for money.

Flow Chart – Tendering Process



5.2 Pre Tender Requirements

Introduction

In this Section you will find:

- Exemption to Tendering.
- Three different methods of Tendering.
- Formation of Tender Evaluation Panel.

5.3 Tendering

Tenders must be invited for Contracts involving the expenditure of an amount equal to or greater than \$250,000 inclusive of GST over the term of the contract - these Contracts must be awarded by Council. Tenders may also be called for Contracts involving an expenditure of an amount less than \$250,000 - these Contracts must also be awarded by Council.

If the value of a service exceeds \$250,000 over a period of three years, it must be tendered.

The Tendering process set out in this Section has been designed to ensure that the legislative requirements set out under the Local Government (Functions and General) Regulations 1996 are met along with the Local Government Tendering Guidelines.

NOTE: Approval must be sought from the relevant Director prior to commencing the Tender Process.

5.4 Information Packs

Two Work Instructions have been developed and are available through the Procurement Section.

1. How to Raise a Tender Work Instruction.

This Work Instruction contains links to all the forms and checklists that a Responsible Officer will need during the Tendering process.

2. Tender Evaluation Panel Members Work Instruction.

This Work Instruction contains links to all forms, checklists and instructions that members of the Tender Evaluation Panel will require during the Tender Evaluation process.

Both of these Work Instructions can be obtained from SharePoint.

5.5 Exemptions to Tendering

Tenders are not required for the following Contracts even if the Contract involves expenditure of an amount equal to or greater than \$250,000:

- when a condition in Part 4 Division 2 clause 11 (2) of the Local Government (Functions and General) Regulations 1996 is met.

An exemption to the tendering process is only used after careful consideration of the reasons clearly identified in the request for exemption. Guidance to procure Goods or Services under this section can be obtained from the Procurement Coordinator but final approval to purchase the Goods or Services must be given by Council.

5.6 Method of Tender

The Regulations detail three (3) Methods of Tendering. These methods are described below along with guidelines as to when each is appropriate.

1. Open Tendering

Open Tendering is a single stage process where Tenders for the proposed Contract are invited by Public Advertisement with no restrictions placed on who may Tender. This method is used when:

- The Good/Service/Consultancy can be clearly articulated in a specification; and
- Where a market exists.

2. Selective Tendering

Selective Tendering (Individual Project) is a method by which invitations to Tender for a proposed Contract are made following a public advertisement asking for Expressions of Interest This method of Tendering is used in the following circumstances:

- Where a new approach to providing the Good/Service/Consultancy is required, and City will benefit from allowing the market to suggest possible means of delivery for incorporation into a detailed specification (Note, City may need to seek a license from Bidders if suggestions from the Expression of Interest stage are incorporated into the specification for Selective Tendering)
- Where the market is unknown and/ or the Goods/Service/Consultancy cannot be clearly defined in a specification.

3. Selective Tendering (Period Contract Panels)

Selective Tendering (Period Contract Panels) is a method by which Period Contract Panels are invited to Tender for specific Contracts. As illustrated in the example below, establishing a Panel is a two stage process.

The Panel of Contractors can be established by Inviting Expressions of Interest from Contractors through public advertisement from which a list of Contractors is adopted.

This method of Tendering is used for Contacts of a recurring nature or where there is a continuous program of works.

Example 1

City's contract for the provision of legal services was due to expire. Due to diverse range of advice required and the specialisation within the legal community four separate contracts were offered.

The contracts offered were for:

- 1. Local Approvals, Land Use and Environmental Legal Services;*

2. *Workers Compensation and Insurance Legal Services;*
3. *General Legal Services; and*
4. *Industrial Relations and Employment Legal Services.*

The contracts were for three years with a two year option and as the value of each contract may exceed \$250,000 tenders were required to be called.

As a large number of providers of legal services would respond, a selective tendering process was followed to:

- *Reduce the burden on Respondents to provide fully costed proposals where they didn't have the capability City required; and*
- *Allow City to quickly identify Respondents who had the capability to provide the required Services.*

Stage 1 of the process involved a public advertisement seeking expression of interest from firms who could provide the services. An evaluation was made on the capabilities of the Respondents, costing information was not requested. A shortlist was developed for each service.

Stage 2 firms that made the short list were invited to tender for the provision of the services, their proposals needed to be fully costed.

This method of Tendering is used for contracts of recurring nature or where there is a continuous program of work.

NOTE: The major consideration when selecting a method for Tender is the outcome required and which method will supply the best selection and quality of Tenders that are relevant to the project.

The Procurement Section is your first stop for any help in the selection process.

5.7 Period Contract Panels

Period Contract Panels are formal arrangements whereby City establishes a list of individuals/organisations that are capable of providing a specific Service, including consultancies. Each time City requires that Service to be performed it approaches the recognised individuals/organisations on the Panel. The individual/organisation must provide the Service at the price submitted in their Tender for the period of the Panel.

The Contract may be subject to price variation if CPI increases; however this must be allowed under the Contract.

Tenders and EOIs must be called in accordance with the requirements of this Section.

5.8 When should Period Contract Panels be formed?

Period Contract Panels should be formed where similar sorts of Consultancies or Services are purchased on a regular basis.

Consideration should be given to whether it is viable to establish a Panel based on either the amount of each individual purchase and/or the total amount of all the purchases.

5.9 Advantages of Period Contract Panels

Tenders are not required to be advertised where a Panel exists, provided the Panel was established following the procedures of the Regulations.

1. The credentials (i.e. Personnel, experience and qualifications and service quality) of Period Contract Panels need only be established at the commencement of the contract, thereby simplifying the process of obtaining Quotes/Tenders.
2. The quality of the work provided by Period Contract Panels can be monitored over time.
3. By establishing the lists through competitive processes and regularly reviewing the list, other providers have the opportunity to compete and the City can demonstrate it is not favouring a provider.
4. Enables City to demonstrate that it is practicing best value principles in its procurement processes.

5.10 Specifications for establishing Period Contract Panels

The Specifications to establish a Period Contract Panels must include the following:

- Workload information.
- Duration of the Contract.
- Allocation of Work.
- Removal from the Period Contract Panel.

5.11 Workload Information for Period Contract Panels

This can be achieved by providing details of the number of projects over the last 12 months and the total expenditure on these types of Consultancies or Services.

5.12 Duration of the Contract under Period Contract Panels

The Contract will be for a fixed period (usually 12/24 months) and prior to the end of this period will be re-advertised. The duration of a Contract will depend on a number of factors including:

- The nature of the Service or Consultancy.
- The market for this Service Consultancy.
- The amount of time spent in evaluating the Service or Consultancy and how often it is used.

As a general rule, a Panel should operate for no longer than 2 years before being re-advertised.

5.13 Number to be appointed under Period Contract Panels

The number of persons/organisations appointed to the Panel will depend on the nature of the Consultancy or Service and how work is to be allocated. Generally, there should be sufficient persons/organisations to enable healthy competition.

It may well be the case that this information cannot be stated up front before calling for Tenders and will depend on the quality and number of Tenders received.

5.14 Allocation of Work under Period Contract Panels

There must be a process for allocation of work to persons/organisations on the Panel. There are a number of options available, including:

- Allocate work based on price and availability on a ranking basis; or
- Invite members on each job rotating equitably between members on the Panel; or
- Invite and evaluate quotations for each individual job.

NOTE: The method of allocation must be clearly documented and must also form part of the Tender documents.

5.15 Persons/Organisations requesting to be removed from Period Contract Panels

A person/organisation on a Panel will be removed if they inform City accordingly in writing.

5.16 In-house Tenders

The City may tender for any work, service or facility for which it has invited tenders.

The following strategies should be used when tenders from City business units are involved:

- Engagement of an independent assessor and a Probity Auditor where necessary
- Ensuring that potential tenderers know that in-house tenders are involved
- Ensuring that procedures are followed closely to avoid perceptions of bias and that comprehensive records are kept
- Ensuring that there is clear physical and operational separation between staff responsible for the tender and those tendering
- Careful management of access to information – ensure stringent security measures are applied so that in house tenderers do not have the opportunity to access confidential tender information.

5.17 Preparing the Request for Tender Document

Request for Tender Documentation

The Request for Tender document as a minimum must to consist of:

- Conditions of Tendering.
- Tendering Schedules
- Evaluation Criteria

- Price and Payment Schedules.
- Contract Specification.
- General Terms and Conditions of Contract.
- Special Terms and Conditions of contracts (if required).

5.18 Requirements of the Responsible Officer

The Responsible Officer is required to, in conjunction with the Procurement Section:

- Complete the Specifications.
- Decide on the evaluation criteria and incorporate them into the Tendering Schedules.
- Prepare the Price & Payment Schedule.
- Determine appropriate General Terms and Conditions of Contract.
- Determine if special Terms and Conditions of Contract are required.

5.19 Formation of the Tender Evaluation Panel

The Tender Evaluation Panel is formed before and approved by the relevant Director before it is advertised or persons/organisations are invited to submit a Tender.

The Tender Evaluation Panel Members must meet be satisfied with the specification and agree on the evaluation criteria and weighting before Tenders can be called.

All Tender Evaluation Panel Members must be made aware of their obligations and responsibilities and complete and sign a *Declaration of Conflict of Interest and Deed of Confidentiality for Evaluation Committees – Att. 6 Section 7*.

Further information about the Evaluation Panel refer to - Formation of Tender Evaluation Panel work Instruction.

5.20 Preparation of Specifications

Clear specifications must be prepared prior to seeking Tenders and must include:

- A detailed description of Good, Service or Consultancy.
- Expected deliverables (outcomes) of the project or Contract rather than the method of achieving results.
- Duration or delivery dates of the Contract and proposed performance standards.
- Respondents should be advised in the specification whether alternatives can be proposed, and the conditions under which an alternative proposal will be considered. This requires a clear statement of either:
 - no alternatives will be considered; or
 - An alternative may only be submitted with a Tender who fully conforms to the specification.
- Specifications must encourage open and effective competition by providing the best possible opportunity for potential suppliers to develop solutions capable of satisfying the City's requirements. Specifications must not include any feature

that discriminates against any supplier or group of suppliers such as items that are specific to a particular technology.

For assistance in preparing specifications contact the Procurement Section.

There are three basic types of specifications.

1. Technical
 2. Performance
 3. Functional
-

5.21 Specifications

Specifications must be as explicit as possible in the definition of requirements and any associated standards within the context (value and complexity) of the purchase.

Specifications must define in clear and precise terms such things as:

- The purpose of the Goods or Service.
 - The scope of the Goods or Service.
 - The Key Performance Indicators.
 - The record keeping and performance reporting requirements.
 - Detailed statement of requirements, including specifications plans and drawings as appropriate
 - The requirement that tenderers comply with relevant codes and standards applicable to the tender request
 - The information required by the Regulations for waste management contracts.
-

5.22 Technical Specifications

Technical or material design requirements may be included with some functional or performance specifications, particularly where equipment interfaces and environmental or dimensional constraints are a factor.

In some cases a technical specifications may be unavoidable. The nature of the purchase may make it essential to narrow options through the specifications, as in the case where a particular material or technical design is required (eg compatibility with existing or other proposed equipment)

- Detail the physical description of the item required, including such things as size, capacity, horsepower, tolerance, materials and tensile strength.
 - Often used for engineering project machinery and occasionally office equipment.
 - May refer to commercial industrial standards such as for paper products or lubricants
-

5.23 Performance Specifications/Outcomes

- Detail the required performance characteristics and outcomes to be achieved.

- Set out the required performance parameters by detailing the required inputs and outputs required (including KPI's), but not the methods to be used to achieve them.
 - Suppliers have the opportunity to offer their own methods which can be evaluated against the criteria.
-

5.24 Functional Specifications

- Outline the proposed function or role of the product in helping the end user achieve the desired capability.
 - Define a task or desired result and, at most describe the general form of the service required.
 - Focus on what is to be achieved rather than how it is to be done. For example, the transport of goods rather than by a particular means or type of vehicle.
-

5.25 Combining Specifications

- To avoid eliminating innovative solutions or new technologies, functional and performance specification should be used in conjunction with a technical or material specification where necessary.

Example 2

A functional specification would address the need for protective treatment, where as a material specification by focusing on a requirement for a particular paint, might eliminate other more satisfactory alternatives from consideration.

For assistance in preparing specifications please contact the Procurement Section.

5.26 Avoidance of Commercial/Brand References

Functional and performance specifications can be used to avoid limiting solutions to specific technologies.

The practice of specifying a requirement in terms of specific commercial items ("brand X or similar") should be avoided, as it is not appropriate to assume acceptable similarity.

When suppliers are encouraged to develop innovative solutions to user requirements there is a greater opportunity for competition.

5.27 Evaluation Criteria

A menu of criteria to evaluate Goods is provided below:

- Warranty
- Delivery times
- Level of after sales service
- Ergonomic design of equipment and controls (i.e. User friendliness)

- Noise levels
- Guarding of machine hazards
- Transport and storage requirements
- Protective equipment necessary
- Material Safety Data Sheet (SDS) information of any chemicals the equipment uses
- Compliance with specification
- Model/type
- Environmental Considerations
- Cost of additional equipment
- Life cycle costs
- Resale value

These criteria are not exhaustive and the selection of criteria needs to be made on the basis of the specific risk factors associated with the Tender. For further criteria refer to Att. 3 Section 7.

5.28 Composition of the Tender Evaluation Panel

The Responsible Officer forms the Tender Evaluation Panel. The Tender Evaluation Panel must comprise of at least four members, including:

- Chair: The Responsible Officer (Mandatory)
- A representative from the Procurement Section (Mandatory).
- A representative from the Operational area with the relevant skills.
- Any other person with appropriate skills and knowledge.

The selection of the Tender Evaluation Panel Members should be based on their ability to add expertise to the evaluation process or for probity reasons. The Chair/Responsible Officer should ensure that the Tender Evaluation Panel is comprised of people with relevant skills and knowledge and who are free of any conflict of interest or any opinion or prejudice that may be seen to undermine objectivity of the tender evaluation. The Director of the relevant business Unit must sign off their agreement with the composition of the Tender Evaluation Panel.

5.29 Confidentiality and Conflict of Interests

Further to what has been discussed above, all City Staff are bound by the Code of Conduct and cannot disclose information obtained during the evaluation to other staff, external persons or organisations. The Tender Evaluation Panel Members are to notify the Chair of any conflict of interest including prior, current or proposed association with any party.

5.30 Independence of the Tender Evaluation Panel

The Tender Evaluation Panel is to be, and be seen to be, independent of any of the prospective and actual Tenderers including any City internal Tenderers. It is also to be free of influence from:

- City of Nedlands Councillors.
 - Management and staff.
 - The general public.
 - Community groups.
 - Industry, professional and trade associations and any other person or group not appointed to the Tender Evaluation Panel or engaged by the Tender Evaluation Panel to provide advice or assistance. It is to act with probity at all times.
-

5.31 Duties of the Tender Evaluation Panel

Introduction

In this Section you will find:

- The roles and responsibilities of the Tender Evaluation Panel members and the Chair.
-

5.32 Role and Responsibilities of the Tender Evaluation Panel Chair

The person appointed to Chair the Tender Evaluation Panel is responsible for:

- Chairing all meetings of the Tender Evaluation Panel.
- Leading the discussion at which the weighting is assigned to the evaluation criteria;
- Scoring Tenders;
- Leading the review of the preliminary ranking of the Tenders;
- Initiating any contact with Tenderers during the evaluation process;
- Arranging and leading the Tender Evaluation Panel's interview of the Tenderers (if applicable); and
- Arranging and leading the Tender Evaluation Panel's inspection of the Tenderers site (if applicable).
- The Chair is responsible for the Tender Evaluation Panel's independence and probity and is to recommend to the relevant Director that Tender Evaluation Panel members with potential or real conflicts of interest are released from the Tender Evaluation Panel. If the tendering process has not been compromised the Unit Manager is to appoint a replacement Tender Evaluation Panel member.
- Any Tender Evaluation Panel Member released from their duties is to be advised in writing by the Chair that they remain bound to ensure the confidentiality of the Tendering process.
- Reminding all staff of their obligations in respect of declaring potential real or perceived conflicts of interest.

- Provision of all Committee Members with examples of potential, real or perceived conflicts of interests.
 - Specifically asking each staff member whether they are aware of any potential, real or perceived conflict of interest that would preclude them from undertaking their duties in an impartial way and record their response.
 - Maintaining records of the tender evaluation meeting, collating the scores and documenting any decisions made.
-

5.33 Role and Responsibilities of the Responsible Officer

- Leading the briefing of prospective Tenderers.
 - Ensuring all records are completed correctly and filed.
 - Consulting with the Tenderer's referees and provide a referees' report to the Tender Evaluation Panel.
 - Liaising with outside advisers and assistants on issues impacting on the evaluation and the conduct of the Tender Evaluation Panel.
-

5.34 Roles and Responsibilities of Tender Evaluation Panel Members

To ensure that the Tender Evaluation Panel is clearly seen to be independent and free of conflict of interest or bias.

- Tender Evaluation Panel Members are to notify the Chair of any potential conflicts of interest in the performance of their duties.
 - Tender Evaluation Panel members are to be alert to any conflict of interest affecting other Tender Evaluation Panel members and are to bring these to the attention of the Chair.
 - Attending all meetings of the Tender Evaluation Panel.
 - Deferring to the Chair on any issues requiring communication with any parties external to the Tender Evaluation Panel.
 - Not disclosing to any parties external to the Tender Evaluation Panel any information and documentation with which they come into contact during the evaluation.
 - Contributing to the discussion at which the weightings are assigned to the evaluation criteria.
 - Proposing issues for clarification by the tenderers and validation by referees.
 - Scoring Tenders.
 - Contributing to the sensitivity analysis of the preliminary ranking of the Tenderers.
 - Endorsing the Tender Evaluation Panel Report before submission to the relevant Unit Manager, Director, and CEO.
-

5.35 Role and Responsibilities of the Independent Tender Evaluation Panel Members (Procurement)

Internal and/or external personnel appointed as independent members of the Tender Evaluation Panel are to fulfil the roles and responsibilities of Tender Evaluation Panel members, and are further responsible for:

- Alerting the Tender Evaluation Panel to potential bias arising from close identification with one or other Tenderers.
- Offering an independent and/or alternative evaluation of the strengths and weaknesses of the Tenders.
- Using technical expertise to offer evaluation of the Tenders.
- Security of the Tenders.

5.36 Review of Request for Tender by Evaluation Panel

Prior to the Request for Tender document being distributed, the Tender Evaluation Panel must review the specification, evaluation criteria and weightings.

Any amendments required by the Tender Evaluation Panel are to be incorporated into the document.

A pre-tender meeting of the evaluation panel is held prior to the advertising of Tenders by Procurement.

5.37 Weighting the Evaluation Criteria

Weighting is to be assigned to the weighted evaluation criteria prior to Tenders being called. The total weighting of the criteria is 100 assigned in proportion to the relative importance of each criterion to the successful completion of the project.

The Responsible Officer in conjunction with the Procurement Section will determine the evaluation criteria and assign weightings. The Responsible Officer is to confirm the evaluation criteria and weightings with the Tender Evaluation Panel Members without consideration as to who the service provider is now or may be.

Once the weighting is finalised and signed off by the Tender Evaluation Panel and the relevant Director they cannot be changed.

The Responsible Officer is to incorporate the exact wording of the evaluation criteria into the Tender documentation.

5.38 Responsibility for Preparing & Calling Tenders

Introduction

In this section you will find:

- Tender Number.
- Procedures for open and selective Tendering.
- Responsibilities of the various City officers included in the Tendering process.

- Shortened Tender period.
 - Extended Tender period.
 - Issuing Tender documents.
 - Amendments to Tender documents.
-

5.39 Tender Numbers

A Tender Number must be obtained from the Procurement Section prior to tenders being called.

The process to obtain a Tender Number is below:

1. The Responsible Officer completes the *Request for Tender/Quotation/Expression of Interest Number Form - Att. 4 Section 7*.
 2. The relevant Director confirms that all necessary steps of the pre-purchasing requirements have been undertaken and authorises the issue of the Tender/Expression of Interest Number.
 3. Upon receipt and review of the completed form and relevant documents the Procurement Section will issue a Tender/Expression of Interest Number to the Responsible Officer .
 4. The Responsible Officer includes the Tender Number in the relevant documentation and forwards the finalised documentation to the Procurement Section.
-

5.40 Procedure for Open Tendering

1. Obtain a Tender Number.
 2. Prepared an advertisement (Att.14 Section 7) detailing
 - Purpose of proposed Contract.
 - Period of the proposed Contract.
 - Where the Tender documents can be collected, including details of purchase price if applicable.
 - The name and Contact details of the person to whom the request for information should be addressed.
 - The deadline for receipt of Tenders.
 3. Arrange enough copies of the Tender documents to meet the anticipated demands and deliver to the Procurement Section prior to the Tender being advertised.
 4. The Procurement Section will place the advertisement in the selected relevant newspapers inviting Tenders. The deadline for the receipt of Tenders must be a specified time on a date that is at least 14 days after the date of the first publication of the advertisement.
-

5.41 Procedure for Selective Tendering

1. Steps 1 - 4 of the procedure for Open Tendering must be followed for the Expression of Interest stage or to establish a list of recognised contractors.
 2. Obtain a Tender Number.
 3. Invite Tenders from the list of Contractors/Respondents to the Expression of Interest. The deadline for receipt of responses must be a specified time at least 14 days after the date of invitation.
-

5.42 The Time and Closing Day for Tender

The closing time for receipt of Tenders will be 2.00pm on a date that is at least 14 days after the date of the first publication of the advertisement.

5.43 Shortened Tender Period

1. The relevant Director or the CEO in conjunction with the Procurement Coordinator must approve a shortened Tender period, but the earliest deadline must be a specified time on a date that is at least 7 days after:
 - The date of publication or first publication of the advertisement, or
 - The date of the invitation.
 2. A record of the circumstances (e.g. emergency situation) that required a shorter Tender period must be maintained on file (*Att. 15 Section 7*).
 - The Tender period can only be shortened prior to the Tender being advertised.
-

5.44 Distribution of Tender Documents

1. The tender documents will be available for download from www.tenderlink.com/nedlands/ or, if requested, hardcopies can be collected from the City of Nedlands Administration Building at 71 Stirling Highway Nedlands WA 6009
-

5.45 Extended Tender Period

1. The relevant Director in conjunction with the Procurement Coordinator must approve an extension of the deadline where the deadline does not allow enough time for meaningful Tenders or applications to be submitted.
 2. The Procurement Coordinator must advise those persons who have provided City with details of their Name and Address at the time of collecting the tender or who have been invited to Tender of the extension of the deadline.
 3. A record must be kept of the circumstances requiring a later deadline, and the name of the relevant City officer who made the decision to change the deadline - *Att. 16 Section 7*.
-

5.46 Amendments to Tender Documents

All addenda to the Tender documents during the Tender period will be distributed to the prospective Tenderers via the Procurement Section. Should the need for an amendment to Tender documents arise, City is required under the Regulations to take all reasonably practicable steps to inform those persons of the amendments.

The Responsible Officer in conjunction with the Procurement Coordinator must give consideration to extending the Tender period to enable Tenderers sufficient time to properly and fully consider the addendum before the Tender closes.

Each Amendment/Addendum to the Tender must state clearly that it is meant to be incorporated into the Tender documents. Tenderers are required to acknowledge receipt of the addendum in writing by e-mail - Att.18 Section 7. These acknowledgements should be placed in the Procurement Section file. The Tenderers submissions are also required to State that they have given due consideration to addenda in their Tender submissions.

5.47 Determination of Tender Timetable

A Tender Timetable Planner (Att.19 Section 7) outlines the minimum time required for each step of the open Tender. This Form is included in the how to raise a Tender work instruction as an aid to calculating the timeframe for Tenders.

The Responsible Officer should consider the following factors and make provisions in the Tender timetable where applicable:

- Project/Contract commencement date.
- Public holidays within the Tender period.
- Tenders are advertised on Wednesday's.
- Evaluation of Tenders after closing
- Preparation of Evaluation and Award Recommendation Report.
- Report sign off by Director prior to submission to EMT.
- Submission of Report to EMT (? Days prior to EMT meeting).
- EMT Meeting Schedule
- Holiday periods such as School/Christmas/Easter
- Committees Meeting Schedule.
- Council Meeting.

5.48 Tender Briefing

If the Tender process requires a Tender Briefing, the proceedings of the briefing must be minuted and the minutes forwarded to all Tenderers. These minutes will form part of the tender document. All Tender briefings must be organised through the Procurement Section.

5.49 Queries and Communication from Tenderers

All communications and queries from tenderers should be conducted within strict probity and risk management frameworks to ensure accountability and transparency.

All queries from prospective Tenders during the Tender period must be addressed to the nominated representative from Procurement in writing, unless. If the nominated representative from Procurement is unable to answer the query they may seek advice from the Responsible Officer or nominated person.

All enquires must be recorded, noting time and date of receipt, the issue discussed and the person and company making the inquiry. These discussions must be noted (Att. 21 Section 7) and placed on the Tender file. Where an inquiry results in a clarification of the Tender documents or provision of additional information, this information should be promptly relayed in writing to all Tenderers.

5.50 Receiving and Opening Tenders

Introduction

In this section you will find:

- Means by which Tenders can be received.
- Process by which Tenders can be received.
- Late Tenders.

5.51 Receipt of Tenders

Tenders are to be lodged in the Tender Box located in the Administration Building, Front Counter, 71 Stirling Highway Nedlands WA 6009 or as stated in the Conditions of Tender.

5.52 Tenders Submitted by Facsimile

Tenders submitted by facsimile will not be accepted

5.53 Opening Tenders

Hardcopy Submissions

At the advertised time (2.00pm) on the day the Tender closes, representatives from Internal Audit, the Procurement Section and the Responsible Officer remove all relevant Tenders. The Tenders are then taken to a prearranged area for opening in the presence of the internal audit, Procurement Section representative and the Responsible Officer .

As each Tender is opened the original and copies supplied are clearly marked and signed by each of the representatives present (Att.5 Section 7).

- **Original**

Stamped and signed on the front cover and all pages containing information relevant to Tender such as signed Tender Forms, Values and Schedule of Rates.

- **Copies**

Front cover only.

- **Additional Information**

Front cover only.

- **Covering Letter**

All pages.

Electronic Submissions

All electronic submissions are received via Tenderlink

Tender details are recorded on the summary sheet (Att. 5 Section 7) as each Tender is opened. Once all Tenders have been opened the sheet is signed by the Responsible Officer, representatives from internal audit and the Procurement Section. Copies of the Tender submissions and additional documentation are given to the Responsible Officer at the end of the opening process. The original will be held by the Procurement Section.

A representative from the Procurement Section will prepare a list of all Tenders received, for public display for one (1) month after the close of Tenders and forward notification of receipt to each Tenderer.

5.54 Late Tenders

Late Tenders must not be considered unless the Tenderer can provide evidence that:

- The Tender documents and all requisite essential information were posted or lodged at a Post Office or other recognised delivery agency in sufficient time to enable the documents to be received in the ordinary course of business before the deadline for receipt of tenders. Late Tenders are retained by the Procurement Section who clearly marks the Tender as a late submission. All late Tenderers are contacted by the Procurement Section to offer them the opportunity to provide evidence that their tender should be accepted. All requests for the consideration of late Tenders require the written approval of the Procurement Coordinator and Internal Audit.

Example 4

David invites Tenders for the construction of a building. The Tender document stated that formal tender documents must be submitted and that Tenders are to be lodged in the Tender Box.

Tenders were received from the following:

- *Builder 'A' placed his tender into the Tender Box before tenders closed.*
- *Builder 'B' posted his tender to City but incorrectly addressed the envelope to the CEO rather than to the Tender Box. The envelope was received before the tender closed; however, it was opened as part of the incoming mail and sent to Records to be registered. David discovered the Tender the day after Tenders closed.*

- *Builder 'C' arranged for a registered courier to collect and deliver the Tender. Builder 'C' is located at Manly and provided the tender to the courier two hours before the tender closed. The courier was in the process of delivering the tender when he was involved in a serious traffic accident. As result the tender was delivered 10 minutes after tenders closed.*
- *Builder 'D' gave his Tender to a City Officer before the tenders closed but the officer did not place the document in the Tender Box until after tenders had closed.*
- *Builder 'E' delivered her Tender 10 minutes after tender closed.*

What should David do, should the Evaluation Panel consider only Builder A's tender?

David documents the event surrounding the receipt of each late Tender and provides the information to the Evaluation Panel. The Panel decides as follows:

- *The late Tender of Builder 'B' and 'D' are considered as the offer was received in time but was not placed in the Tender Box because they were mishandling by City staff.*
- *The late Tender of builder 'C' is considered. The tender was lodged with a registered courier in sufficient time to have been received by City if the accident had not occurred.*
- *Builder E, s late Tender is not considered.*

5.55 Dealing with Tenderers

The Tender Evaluation Panel is to treat all Tenderers equally and is to avoid bias and favourable treatment. This will be achieved by:

- All communications with Tenderers must be done by the Procurement Section as outlined in section 5.51.
- Communicating significant information to all Tenderers (except Commercially Sensitive Information).
- Ensuring an advantage is not given to a Tenderer when seeking clarification.
- External advice and assistance is obtained from personnel or organisations that satisfy the independence and probity requirements.

5.56 Communicating with Tenderers after Tenders Close

Communication with tenderers after the close of tenders must be transparent and fair to all parties. Communication must be through the Procurement contact person nominated within the Tender. The following must apply to contact between tenderers, City officials and panels, after the close of tender and prior to announcement of the successful tenderer:

- Tenderer initiated contact must not be allowed except for the notification of a mistake or anomaly.
- City initiated contact should only be for purpose of clarification and the decision to do so should be made by all evaluation panel members.

- Where the evaluation panel decide to request clarification from a tenderer, all tenderers should be given the same opportunity to provide clarification if relevant.
- Clarification can only be sought if information received in a tender is open to interpretation or is not clear, thus tenders cannot be evaluated properly.
- City initiated contact must not result in any tenderer gaining an unfair advantage over the other tenderers for example the tenderer is not allowed to revise or enhance the original tender submission.
- All contact must be well documented and records maintained.

NOTE: All Tender Evaluation Panel Members are to sign a Declaration of Conflict of Interest and Deed of Confidentiality for Evaluation Committees - Att. 6 Section 7.

5.57 Evaluation of the Tender

Introduction

This Section provides guiding Principles and Processes. In this Section you will find:

- The process of evaluation.
- How the Tender Evaluation Panel is to make its decision.
- Consultation with and clarification by Tenders.
- Non-Compliant Tenders.
- Consultation with referees.

Example 5 - How not to evaluate tenders

A City used a tender process annually to select a preferred supplier of Personal Computers. The Tender Evaluation Panel met to develop specifications for the tender. The Tender Evaluation Panel discussed the ideal specifications, and agreed on them. Shortly after tenders closed, the Tender Evaluation Panel met to decide how to evaluate the tenders. Considerable time was spent discussing important criteria such as quality of equipment, supplier reliability, servicing, responsiveness to the City's needs, and value for money. However, the Tender Evaluation Panel Members could not agree how to evaluate these factors or what weighting to give each. Some Tender Evaluation Panel Members felt the location of suppliers would affect servicing and reliability. The tenderers had not been asked for information on any of these criteria. They had only been required to meet technical specifications and quote a price per PC.

The Tender Evaluation Panel Members held such differing views that they decided a formal evaluation was impractical. To decide on the winning tender, they first eliminated the highest priced tenders. Finally the Tender Evaluation Panel Members "voted". Each secretly wrote down the name of any of the remaining tenders he or she thought suitable.

Evaluation criteria must not be made up or changed after tenders have been received. Clear and accurate documentation is a vital component of tender evaluation, and it becomes more critical as the evaluation process becomes more

complex. Offers must be evaluated in a consistent fashion, on pre-determined criteria. Tender documents must be designed to elicit the necessary information to allow proper evaluation in relation to each of the criteria.

5.58 Objective of the Tender Evaluation

The objective of the evaluation is to:

- Provide a comprehensive report ranking the Tenders in terms of value for money.
 - Provide a report to the City recommending the award or otherwise of the proposed Contract.
 - Conduct the evaluation in accordance with these procedures.
-

5.59 Tender Evaluation Process

The Tender Evaluation Panel Chair is to decide on the process of evaluating Tenders. The evaluation can be conducted by:

- Meeting as a group to review, evaluate and collectively score Tenders or evaluate and score separately and meet to discuss significant differences in scoring and agree on strengths and weaknesses of each Tender or a combination of the above.

The Tender Evaluation Panel Chair will be responsible for accounting for and documenting the process of evaluation, and ensuring the secure storage of Tenders during the process.

5.60 Information Base for Evaluating Tenders

The Tender Evaluation Panel is to evaluate Tenders only on the basis of:

- Substantiated information submitted by Tenderers in their Tenders.
 - Other substantiated information which Tenders provide to supplement their Tender.
 - The objective and substantiated first hand information from:
 - the Tender Evaluation Panel Members experience of Tenderers;
 - Tender Clarification; and
 - Referees - on the Tenderers, performance directly relevant to the required services and/or contractual requirements and External expert advisors.
-

5.61 Evaluation against the criteria not against other tenders

The Tender Evaluation Panel evaluates each Tender separately, against each evaluation criterion and assigns a score from the score sheet. Tenders are only to be evaluated against the evaluation criteria and **not against other Tenders**.

5.62 Evaluation by Tender Evaluation Panel as a whole

Every Tender must be examined in full by each member of the Tender Evaluation Panel. Tenders must not be divided up among the members of the Tender Evaluation Panel for separate evaluation in part or whole.

5.63 Consultation with Tenderers and Consideration of the Response

Consultation with Tenderers must be conducted through Procurement and may take one or more of the following form:

- Written clarification;
- Tenderer presentation to the Tender Evaluation Panel;
- Tenderer response to the Tender Evaluation Panel's questions in interview with the Tenderers; and
- the Tender Evaluation Panel's inspection of the Tenderers work sites.

In conducting the consultation with Tenderers, the Tender Evaluation Panel must:

- Not allow Tenderers to change the Tender contained in the documentation submitted at Tender Closure.
- Not enter into any form of contract negotiation with a Tenderer.
- Remain unbiased, objective and focused on the evaluation.
- Receive the information dispassionately and record without declaring judgement on the Tenderer's proposals.
- Restrict its discussion with Tenderer to pre-prepared questions.
- Formally seek Tenderer clarification in writing for the record.
- If the evaluation process requires tenderer interviews the proceedings of the interview must be minuted. All interviews must be organised through the Chair

5.64 Screening Process for Clarification

The Tender Evaluation Panel is to treat the Tenderers' responses to request for clarification or any unsolicited responses in the following manner:

- Any changes not requested as part of the clarification are to be ruled Non-Compliant. However, the compliant elements of the Tender should stand.
- If one or more Tenderers misunderstand a poorly expressed or ambiguous Request for Tender all are to be given the opportunity to clarify their Tender. These clarifications are to be lodged under the same conditions as an original Tender.

The Tender Evaluation Panel can accept a price change (increase/reduction) only if:

- It corrected an obvious and unintended error by the Tenderer; or
- The Request for Tender was unclear or ambiguous and all Tenderers had the opportunity to amend their Tenders.
- The Tender Evaluation Panel must keep a detailed record of all clarifications and changes.

5.65 Expert Advice

To assist in the evaluation of technical issues, the Chair of the Tender Evaluation Panel may obtain specialist advice from outside the Panel. It is essential that the Chair carefully controls the contribution of the experts so that:

- External advisers are selected on the basis of an absence of conflict of interest and they declare accordingly.
 - The advice is targeted on the specific technical issue.
 - The adviser provides advice only, and lets the Tender Evaluation Panel do the evaluation.
 - The information provided to the adviser does not compromise the confidentiality of the Tenders.
 - The required external advice and assistance is obtained in writing under the signature of the adviser.
-

5.66 Contract Negotiations with Tenderers

The Local Government (Functions and General) Regulations 1996 oblige City to award a contract only on the basis of the requirement detailed in the Tender, effectively precluding anything other than minor variations to be the subject of contract negotiations during or after the Tender evaluation.

It is essential that the Tender Evaluation Panel has a clear and complete understanding of the Tenderers' proposals and claims before completing the Tender evaluation. Clarification can be obtained at any stage during the evaluation.

5.67 Complying Tenders

The Procurement Coordinator initially examines all Tenders received prior to Tender Closure for compliance with the conditions of Tendering. A complying Tender is one that satisfies the conditions of Tendering and is retained for further detailed evaluation.

For a Tender to be Complying:

- The Price and Payment Schedule must be completed.
- The statement of Conformance with the Tender is completed.
- A reasonable effort has been made to complete the remaining Tendering Schedules.

A Tender that does not satisfy the Conditions of Tendering is to be ruled Non-Compliant and evaluated no further.

Alternative tenders should not be accepted from tenderers that have not submitted a complying tender.

5.68 The Tender Evaluation Scoresheet

The Tender Evaluation Panel uses the Tender Evaluation Scoresheet (Att.10 Section 7) to assign the score associated with the statement that best describes the evaluation of the Tenderer's proposal and claims.

The score reflects the Tender Evaluation Panel's collective level of confidence that the Tenderer will in fact do what it proposes and claims in its Tender.

High confidence means high score and indicates low risk – low confidence means low score and indicates high risk.

5.69 Detailed Evaluation

In the detailed evaluation, the Tender Evaluation Panel needs to be alert to:

- **Unsubstantiated Proposals and Claims**

Proposals and claims that Tenderers clearly cannot substantiate, or where the substantiation is incomplete or inconsistent.

- **Conditional Proposals and Claims**

Proposals and claims on which the Tenderer has put conditions, as these could actually conceal Non-Compliance or lack of capability to provide the required Services.

- **Consortium Members and Key Subcontractors**

Closely check that the prime Tenderer has adequate control over circumstances where whole or part of the Services is to be delivered by consortium members and subcontractors.

- **Misleading Information**

If a Tenderer is found to be providing misleading information across a number of the Services and/or evaluation criteria, the Tender Evaluation Panel is to rule the tender Non-Compliant after carefully documenting the case for non-compliance.

- **Significant Differences among Tenders**

The Tender Evaluation Panel must be alert to significant differences among tenders because they usually indicate an ambiguous or biased RFT or Contract Specification. If this is the case the tenderers concerned need to be given the opportunity to clarify any points of concern.

Where one or more Tenderer has inside information about the Services and /or Tendering requirements, it usually shows up in difference among the tenders, in their price and/or responses to the Tendering Schedules.

The Tender Evaluation Panel must seek advice from the Procurement Coordinator and possibly stop the tendering process if a possibility exists that one or more of the Tenderers has an unfair advantage.

- **No changes to the Tender Documentation**

The Tender Evaluation Panel must not change the Tender Documentation after the Tender closure, and must not change any evaluation criteria after the tenders are opened and the evaluation commenced.

- **Non-Compliant Tenders**

Tenders are to be ruled Non-Compliant and evaluated no further in the following circumstances:

- The completed Price and Payment Schedules are not received at Tender Closure.

- A Tender fails to obtain a score of at least 40% in each qualitative weighted criterion.

Detailed reasons for Non-Compliance, sufficient to survive scrutiny are to be recorded.

- **Consultation with Referees**

Referees and other third parties can confirm Tenderers' proposal and claims. The referees should be:

- Representative of the past and current users of the Tenderers Goods or Services.
- Convenient to contact.

Consultations should normally be by telephone, if this is not possible a copy of the Referee Questionnaire is to be sent to the Referee for completion and return.

Sample Referee Questionnaires are provided at Att. 8 & 9 Section 7.

5.70 The Financial Evaluation

The Tender Evaluation Panel Chair is responsible for the calculation of total tender costs, the evaluation of the Tendered prices and the financial viability evaluation. The financial evaluation involves:

- Calculating the total cost to City of each Tender over the period of the contract. If the Contract is for a period of greater than 12 months, the total cost to City is to be calculated at Net Present Value. The Procurement Section can provide assistance in undertaking the calculation.
- Calculating the price score with the lowest priced conforming tender receiving the maximum weighted score and subsequent higher priced conforming prices being divided into the lowest price to determine the percentage difference. This is then applied to the weighting that has been assigned to the price criteria.
- Ensuring all tendered prices, estimated quantities of Services, Goods and/or works are incorporated in the calculation of the cost.
- Ensuring that like-with-like price and cost comparisons are made between Tenders.
- Once a decision has been reached request for financial evaluation of preferred Tenderer should be forwarded the Procurement Section.

5.71 Recognition of Superior Tenderers

Due recognition must be given to Tenderers that have the financial viability to sustain a consistently low price over the term of the Contract.

The Tender Evaluation Panel Chair looks for efficiencies in the Tenderers proposal as evidence of sustainable pricing strategies.

Where doubt exists, the Evaluation Panel Chair must obtain clarification from the Tenderer that every price item in the Price and Payments Schedules has been correctly addressed and that there are no omissions.

The Tender Evaluation Panel Chair must be satisfied that the Tenderers' prices address all of the Services detailed in the Contract Specification.

5.72 Clarification from Tenderers

- (1). At any time before a City accepts any of the Tenders that it has received for a proposed Contract, a person who has submitted a Tender may, subject to subclause (2), vary the Tender:
 - (a) By providing the City with further information by way of explanation or clarification.
 - (b) By correcting a mistake or anomaly.
- (2) Such a variation may be made either:
 - (a) At the request of the City, or
 - (b) With the consent of the City at the request of the Tenderer, but only if, in the circumstances, it appears to the City reasonable to allow the Tenderer to provide the information or correct the mistake or anomaly.
- (3) If a Tender is varied in accordance with this clause, the City must provide all other Tenderers whose tenders have the same or similar characteristics as that tender with the opportunity of varying their tenders in similar way.
- (4) City must not consider a variation of a Tender made under this clause if the variation would substantially alter the original Tender.
- (5) City must keep a record of:
 - (a) The circumstances requiring the variation.
 - (b) The name of the staff member handling the matter.

5.73 Ranking Tenderer & Recommending a Preferred Tenderer

The Tender Evaluation Panel Chair will calculate the total weighted score, and rank tenders from lowest to highest in order of the total weighted score as shown in the table below.

City aims to contract with a Tenderer whose price and risk are low. Risk in this instance refers to the confidence the Tender Evaluation Panel has that the Tenderer will deliver on the claims in its Tender and is reflected in the weighted score. The higher the weighted score the lower the risk. If a Tenderer fails to achieve a minimum score of 40% in any one criteria it is considered that the risk is too significant for them to be engaged.

The Tenderer recommended as the Preferred Tenderer will be the Tender that offers best Value for Money; generally this will be the tender with the highest total weighted score as shown in the following table:.

		Tender 1		Tender 2		Tender 3	
Criteria	Weighting	Score	Weighted score	Score	Weighted score	Score	Weighted score
Price	45%	\$169,860	45%	\$170,450	44.8%	N/A	N/A
1	20%	80	16%	90	18%	90	18%
2	20%	80	16%	70	14%	60	12%
3	10%	80	8%	90	9%	38	3.8%
4	5%	80	4%	80	4%	35	1.75%
	100%		89%		89.8%		N/A

Ranking Tenders (Value for Money)

Tenders	Total Quotation	Total Weighted Score	Ranking Report
Tender 1	\$169,860	89%	2
Tender 2	\$170,450	89.8%	1
Tender 3 - Tender failed to achieve a score of 40% in every criteria such as criteria No. 3 and 4			

5.74 Other Evaluation Methodologies

There may be other appropriate methodologies for evaluating specific Tenders than the method of evaluation described in this section.

To use an evaluation methodology other than the method described in this section, the Responsible Officer is to obtain the approval of the Procurement Coordinator before the Tenders are called.

5.75 Recording the Evaluation

Introduction

How to record and report on the Tender Evaluation.

5.76 Tender Evaluation Report

The Tender Evaluation Report is completed by the Procurement Coordinator and is to be a complete and accurate record of the Tender evaluation conducted by the Panel and must detail all of the significant decisions and processes of the Panel. All Tender Evaluation Panel members are to sign the completed Report. The Tender Evaluation Report is not the report prepared for Council but provides the supporting information for the Council Report (CEO). The Tender Evaluation Report is to be 'CONFIDENTIAL', and is to be kept on the relevant file.

5.77 Contents of Report

The Tender Evaluation Report is to contain:

- Record of Tender Evaluation Panel's meetings.
- Disclosures of interest and confidentiality forms.
- Advertisement.
- Register of attendance at Tender briefing.
- Register of Request for Tender recipients.
- Tender Register.

For each Tender:

- Tender Evaluation Record.
- Referee Questionnaires.
- Tender Clarification.
- Record of the Tender Interview.
- Record of site Inspections.
- Record of External Advice.
- Evaluation Score sheet.
- Financial Evaluation.
- Preliminary Ranking Report.

A sample Evaluation Report is provided at Att.12 Section 7.

Once this is completed the Responsible Officer will forward the Tender Evaluation Panel's recommendations to the relevant Director for sign off. Once the Director has signed off on the Tender Evaluation Panel recommendation, a report to City will need to be prepared by the Procurement Coordinator.

5.78 Report to Council

The Procurement Coordinator prepares a report for Council on the evaluation of the Tenders giving sufficient information for Council to make a decision. EMT must be informed of the Council meeting date that the report is intended for prior at the earliest possible time. The recommendation must be either to:

- Accept the Tender that appears the most advantageous.
- Decline to accept any Tender.

The template for tender reports is accessed in SharePoint;

Work Instructions on how to compile the Report are contained in SharePoint

The report should include all information necessary to allow Council to make an informed decision and should include:

- Where applicable, the expiry date of the previous contract, name of the previous contractor, a performance summary and if a review of the terms of the contract were reviewed prior to the tender.
- Details of the sequence of events for the tender process
- Details of any change to the conditions of tender or advertising period, why the changes occurred and who authorised the changes
- Details of the evaluation criteria, weightings and Tender Evaluation Plan
- Details of all tenders received including non-complying tenders.
- Detailed financial analysis of tenders.
- Details of the evaluation against the criteria, including a summary of experience of the tenderers in relation to the nature of the tender
- Details of any post tender contact and the reasons and results.
- Summary of the tender considered the most suitable.
- Recommendation for acceptance of the tender including any conditions or requirements associated with the acceptance or proposals to vary the contract conditions as a result of the tendering process or errors in the documentation, or a recommendation not to accept any of the tenders.

5.79 Recommendation to Decline to accept any Tenders

Where the Report recommends City decline to accept any Tender, the recommendation must provide one of the following options:

- Postpone or cancel the proposal for Contract.
- At the time of Councils rejection of the Tender the Council can delegate its authority to enter into Contract negotiations to the CEO, this alleviates the need for the tender to be passed through Council again, however if Council doesn't delegate authority to the CEO the final recommendation must be presented to Council. It is important to note that at no time during the post tender negotiations should any person involved on the City's behalf in the negotiation process unfairly seek to trade off different tenderers against others in an attempt to seek lower prices, this practice is known as "Bid Shopping" and is unacceptable.

NOTE: All meetings with Tenderers during the post tender period should be minuted by the Responsible Officer. This documentation should be retained at the end of process and kept along with other Tender documents.

5.80 Checklist – Evaluation of Tenders

- Step 1** Initial examination of Tenders.
- Examine the tenders for compliance with the condition of Tendering. Identify Complying tenders for detailed evaluation and set aside non-compliant tenders and record detailed reasons for Non-Compliance sufficient to survive scrutiny.
 - Identify and separate alternative Tenders. Make sure that each is properly documented in accordance with the Conditions of Tendering. Prepare each for separate evaluation.
- Step 2** For each complying Tender in turn.
- Every Tender Evaluation Panel Member read the Tender in detailed and examine the Tender's proposals and claims.
 - Record strengths and weaknesses of each tender, ambiguities or omissions requiring Tenderer clarification, and issues requiring validation by referees.
 - Obtain clarifications from Tenderers.
 - Consult external advisers.
 - Consult the Scoresheet and assign a preliminary score.
- Step 3** Interview the Tenderers that have submitted competitive tenders. Consider the Tenderers' presentations and answers to the tender Evaluation Panel's questions. **Optional.**
- Step 4** Visit the work sites of, and obtain demonstrations from, tenders that have submitted competitive bids. **Optional.**
- Step 5** Consult referees.
- Step 6** The Chair of the Tender Evaluation Panel conducts the financial evaluation of each Tender and reports to the Panel.
- Step 7** Review the scores and rankings assigned to Tenderers, taking into account:
- Tenderer clarifications, interviews, site visits and demonstrations;
 - Referee Reports;
 - Financial Evaluation Report; and
 - Consistency in the application of the evaluation criteria.
- Step 8** Tenders that fail to obtain a score of at least 40% in each criterion are able to be ruled Non-Compliant and set aside. Record detailed reasons for Non-Compliance sufficient to survive scrutiny.
- Step 9** Re-calculate each Tenderer's weighted score and prepare the Preliminary Ranking Report.
- Step 10** Review the individual preliminary ranking reports

Step 11 Prepare the Evaluation summary report and Tender Evaluation Panel signs.

Step 12 The Responsible Officer to prepare the draft City report and schedule the City meeting date with Secretariat.

5.81 Tender Negotiation after Council decision

If after the evaluation process, none of the tenders are accepted, the City may, pass a resolution to enter into direct negotiations with any person/s with the intention to enter a contract. The resolution of City must state the reasons for declining to advertise and invite fresh tenders.

The City should not use such tender negotiations as an opportunity to trade-off on tenderers prices against other tenderers prices in order to obtain lower prices.

When the decision to undertake direct negotiation with one supplier, buyer or proponent has been made, The City should demonstrate commitment to a fair and accountable process by ensuring the following:

- City officials conducting the negotiations have high level skills, training and experience in commercial negotiations.
- A team approach is taken to negotiations, led by a suitably qualified, experienced senior person and consideration is given to including a probity auditor.
- The negotiation process is adequately resourced
- Preparation of a negotiation plan and strategy includes aims, objectives, constraints and agreed minimum bargaining positions.
- City officials conducting the negotiations do not have conflict of interests.
- A formal communication protocol is adopted and agreed by both parties, which covers regular meetings, written exchanges, document exchanges, dealing with urgent matters, 'critical' issues meetings, recording of meetings and the roles and responsibilities of team members.
- Expert technical and legal advisers are involved at the appropriate times.
- The City's CEO is informed of the progress as appropriate
- Appropriate confidentiality is maintained
- Following completion of the negotiations, an evaluation is conducted to assess whether the aims of the negotiations were achieved.
- Comprehensive documentation of the planning, process and results of the negotiations are recorded.

5.82 Contract Execution

This Manual provides procedures in relation to the procurement process; it does not cover the process of managing Contracts after Contract award.

After Contract award, the Contract Management Manual must be followed. A Contract cannot commence unless all of the activities on the Contract Execution Checklist (Att. 1 of the Contracts Management Manual) have been performed.

Once all activities have been performed, the Checklist must be signed and together with the Contract and any prescribed documents forwarded to the appropriate signatory for review and execution.

Only after the Contract has been executed may the Contractor take possession of the site or the Contractor/Consultant start work under the Contract.

For further information about this process you must refer to the Contract Management Manual.

5.83 Notification of Acceptance

A formal Letter of Acceptance, signed by the CEO, is to be forwarded to the successful Tenderer by the Procurement Coordinator advising of the acceptance of their offer. A sample Letter of Acceptance is provided at - Att. 23 Section 7).

If applicable, the Letter of Acceptance is to include the following:

- Two copies of the Contract for Execution.
- Request for security deposit/bank guarantees.
- Request for Insurance certificates.
- Any other information relevant to the project that may be required before the Contractor can commence work under the Contract. .

5.84 Unsuccessful Tenders

Once the successful Tenderer has been notified, the Procurement Coordinator will advise the unsuccessful tenderers in writing that their submission has been unsuccessful (Att. 22 Section 7), in addition the Tenderer may be offered a debriefing session regarding their Tender submission, this is arranged by the Procurement Section.

The objective of the debriefing session is to provide information to the unsuccessful Tenderer as to how their Tender performed against the selection criteria with the hope of enhancing future performance.

The Procurement Section is also responsible for preparation and display of the public notice (Att. 24 Section 7) announcing the name of the successful Tenderer and value of the tender. This notice will be on Public display.

5.85 Debriefing of Tenderers

At the conclusion of the tender process, City may choose to debrief unsuccessful tenderers upon request. Debriefings should focus on assisting tenderers to improve future tenders and explain how the tender performed against the evaluation criteria.

5.86 Raise Purchase Order

A Purchase Order must be raised on the City's electronic purchasing system (Authority) for the total value of the Contract. The Tender Number must be indicated in the Purchase Order's item description field.

5.87 Record Keeping

The Procurement Coordinator must ensure:

- The Tender Evaluation Report, the Report to City on the award of Tenders and one copy of the successful Tender submission is filed on the relevant City file.
 - Following the award of Contract all original copies of the Tender submissions will be delivered to Records by Procurement for archiving.
 - Any additional copies of Tender submissions are to be shredded.
-

5.88 Variations(s) to the Contract

A variation(s) of a Contract must not be considered if it substantially alters the original Contract. You should seek advice from the Procurement Section to determine whether the proposed change(s) will substantially alter the Contract.

In such an instances a process needs to be entered into to establish a new Contract in accordance with the procedures in this Manual.

5.89 Approval of Variation(s)

All variation(s) to a Contract must be approved under delegated authority prior to it being actioned. The Responsible Officer must adequately document the reason for the variation, the cost of the variation and obtain approval under delegated authority for the variation and ensure that the variation is added to the official Purchase Order as a new line.

5.90 Information Technology

In some cases purchases are of a specialist nature and require adherence to additional policies or procedures. The purchase of Information Technology assets are required to be undertaken in accordance with the IT Asset Acquisition and Management Policy. This policy can be accessed at:

<http://>

5.91 Plant and Equipment

Prior to the purchase of any Plant and Equipment approval must be obtained from the relevant Director and Finance via the Plant and Equipment Request process. (Att. 33 section 7). It should be noted that any good purchased with a value over \$?????.00 is classified as an asset by City and will require the above process to be followed.

5.92 Conflict of Interests and Corrupt Conduct

City staff members who are involved in procurement must be free of *pecuniary* and *non-pecuniary* interests or relationships that are actually or potentially detrimental to the best interests of City.

City staff members must not engage in any transaction involving City in which they have a *pecuniary* and *non-pecuniary* interest. A conflict of interest can arise where:

- a staff member has a *pecuniary* and *non-pecuniary* interest in the matter;
- a person closely associated with the staff member has an interest in the matter – for example, a family member, spouse or partner or friend etc;
- the staff member could be influenced or appear to be influenced in favour of that interest in the performance of their duties; or
- there exists a reasonable expectation of a direct or indirect benefit or loss as a result. The benefit or loss can be financial or non-financial.

There is reasonable public expectation that where there is a conflict of interest, it will be declared, evaluated and resolved in favour of the public's interest.

Pecuniary and Non-pecuniary Interests

A conflict of interest can be of two types;

- *Pecuniary* – an interest that a person has in a matter because of a reasonable likelihood of expectation of appreciable financial gain or loss to the person. A person's pecuniary interest may arise because their spouse, de facto partner, relative, partner or employer (including a previous employer), or company of other body of which the person or a nominee, partner or employer is a member has a pecuniary interest in a matter
- *Non-pecuniary* – a private or personal interest the City official has that does not amount to a pecuniary interest. For example, a non-pecuniary interest could be a friendship, membership or an association, society or trade union or involvement or interest in an activity and may include an interest of a financial nature.

City's *Code of Conduct* and the *Fraud & Corruption Policy* provides further information regarding conflict of interests and the requirements and obligations in which all City staff members and others doing business with City must follow.

You can assess the *Code of Conduct* and the *Fraud & Corruption Policy* through the following links:

Code of Conduct: <http://>

Fraud & Corruption Policy: <http://>

All Evaluation Panel Members must sign a Conflict of Interest and Deed of Confidentiality Form - Att. 7 Section 7.

5.93 Disclosure

City staff members have an obligation to promptly report all possible or actual conflict of interest or incompatibility between their public duties and their private lives. The conflict of interest of a staff member's family, relatives, friends, a previous employer and or associates that is within the knowledge of that staff member must also be declared.

A disclosure is made by reporting possible or actual conflict of interest and incompatibility between public duties and private lives to their Senior Manager in writing. If you are uncertain whether a conflict exists, you need to seek advice from your Manager or from the Procurement Coordinator.

5.94 Confidentiality

City staff members are bound by the City's Code of Conduct and are not to disclose information obtained during the evaluation process to other City staff members, external persons or organisations. The Responsible Officer is to remind City staff members of their obligations under the Code of Conduct. City Staff members and advisors with an interest in the outcome of a Contract must notify the Evaluation Panel Chair of any conflict of interest, including prior, current or proposed association with any party including any previous employer. All Evaluation Panel Members must sign a Disclosure of Interest and Deed of Confidentiality Form – Att. 7 Section7.

Where a City is dealing with a tender and confidential information needs to be distributed to Councillors for the purpose of deciding whether or not to accept any submitted tender, the confidential information should be issued as a separate confidential attachment to the City report with only non confidential information included in the City paper.

Within the tendering process, The City must be mindful of their responsibilities under the provisions of other legislation such as the FOI Act

NOTE: If you have any queries whatsoever regarding this procedure please do not hesitate to contact the Procurement Section.

SECTION 6

Occupational Health & Safety

Introduction

This Section deals with the guiding principles and specific processes for procurement in relation to Occupational Health & Safety

SECTION 7

Attachments

Council Procurement Policy and supporting City Procurement Procedures Quick Reference

Procurement Value (ex GST)	Council Policy	City Procedure Requirements	Officer roles and responsibilities	Officer authorised to approve
Up to \$1,500	Direct procurement from suppliers requiring only one verbal quotation or priced printouts from a reputable supplier's catalogue or website.	Direct procurement from suppliers requiring only one (1) verbal request for quotation or priced printouts from a reputable supplier's catalogue or website. Quotation must be received in writing (email is sufficient) and retained on file	<p>Requesting Officer Identify appropriate supplier and recommend to senior officer.</p> <p>Senior Officer (Coordinator) Approve or reject request</p> <p>Requesting Officer Raise purchase order (if approved)</p>	COORDINATOR
\$1,501 - \$10,000	Obtain at least three* verbal quotations or priced printouts from reputable supplier's catalogues or websites. <i>*in the event three quotations are not possible, the reason should be recorded and the procurement may proceed with a lesser number</i>	<ul style="list-style-type: none"> At least three* (3) quotations requested Clear specifications must be provided Quotes may be requested verbally but must be received in writing and retained on file Relevant selection criteria must be used to evaluate responses One (1) officer may evaluate responses but approval for any recommendation must be provided by a more senior officer 	<p>Requesting Officer Prepare request documents and send to three (3) suppliers Receive quotations and evaluate for best value Recommend supplier for award to senior officer by memo detailing reasons for recommendation</p> <p>Senior Officer (Coordinator) Review recommendation and approve or reject request</p> <p>Requesting Officer Raise purchase order (if approved) and reference quotation on Purchase Requisition)</p>	COORDINATOR
\$10,001 - \$40 000	Obtain at least three* written quotations. <i>*in the event three quotations are not possible, the reason should be recorded and the procurement may proceed with a lesser number with Manager approval.</i>	<ul style="list-style-type: none"> RFQ number must be requested from Procurement Seek a minimum of three* (3) written Quotations Prepare a written specification Evaluation criteria must be stated in RFQ Evaluation Panel must be formed (2 officers) Formal evaluation and recommendation report Recommendation signed off by Manager 	<p>Requesting Officer Obtain RFQ number from Procurement Prepare request documents and nominate three (3) suppliers Forward request documents and names of preferred suppliers to Procurement</p> <p>Procurement Coordinator Finalise and send RFQ documents to nominated suppliers. Collate all responses and send to Requesting Officer after the deadline</p> <p>Requesting Officer Evaluate for best value and recommend supplier for award to Manager in writing, citing clear reasons for recommendation</p> <p>Senior Officer (Manager) Review recommendation and approve or reject request.</p> <p>Procurement Coordinator Advise Successful supplier and unsuccessful suppliers in writing Advise Requesting Officer as necessary</p>	MANAGER
\$40 001 - \$249 999	Obtain at least three* written quotations containing price and specification of goods and services and assess according to a pre-determined selection criteria. Where the lowest priced offer is not recommended a subsequent explanation is provided to Council. <i>*in the event three quotations are not possible, the reason should be recorded and the procurement may proceed with a lesser number with Director / CEO approval.</i>	<p>CONSULTANCY \$40,001 - \$249,999</p> <ul style="list-style-type: none"> RFQ number must be requested from Procurement Seek 3 - 5 written quotes Prepare a clear written specification Evaluation criteria must be stated in RFQ Evaluation Panel must be formed (3 officers) Formal evaluation and recommendation report Recommendation signed off by a Director/CEO <p>GOODS & SERVICES \$40,001 - \$100,000</p> <ul style="list-style-type: none"> RFQ number must be provided by Procurement Seek at least three* (3) written quotes Prepare a clear written specification Evaluation criteria must be stated Evaluation Panel must be formed (3 officers) Formal evaluation and recommendation report Recommendation signed off by Director <p>GOODS & SERVICES \$100,001 - \$249,999</p> <ul style="list-style-type: none"> RFQ number must be provided by Procurement 3 - 5 quotes requested Prepare a clear written specification Evaluation criteria must be stated Evaluation Panel must be formed (3 officers) Formal evaluation and recommendation report Recommendation signed off by CEO 	<p>Requesting Officer Obtain RFQ number from Procurement Prepare all request documents and nominate a MINIMUM of three (3) suppliers Forward request documents and names of preferred suppliers to Procurement</p> <p>Procurement Coordinator Finalise and send RFQ documents to nominated suppliers. Collate all responses and send to Requesting Officer after the deadline</p> <p>Requesting Officer When responses received from Procurement convene evaluation panel and evaluate for best value. Complete formal evaluation and recommendation report citing clear reasons for recommendation and forward to Procurement.</p> <p>Procurement Coordinator Review recommendation report for compliance and approve or reject. Forward to Senior Officer (Director/CEO) for authorisation to proceed. Advise Successful supplier and unsuccessful suppliers in writing Prepare contract document and arrange for execution Advise Requesting Officer as necessary</p>	<p>\$40,001 - \$100,000 DIRECTOR</p> <p>\$100,001 - \$249,999 CEO</p>
\$250,000 and above	Conduct a public tender process. Tender to be approved for acceptance by Council.	Conduct a public tender process and contract to be awarded by Council to the successful tender	Legislated procedure – contact Procurement	COUNCIL/CEO under Delegation)

8.6 Accounting Policies Procedure

Committee	31 August 2020
Applicant	City of Nedlands
Employee Disclosure under section 5.70 Local Government Act 1995	Nil.
Director	Lorraine Driscoll – Director Corporate & Strategy
Attachments	1. Accounting Policy Procedure
Confidential Attachments	Nil.

Executive Summary

The purpose of this report is to recommend the Audit & Risk Committee approve the Accounting Policy Procedures in accordance with the Local Government Act 1995 and other relevant legislations and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Recommendation to Committee

Council notes the changes to the Accounting Policy Procedures in accordance with the Local Government Act 1995 and other relevant legislations and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Discussion/Overview

The Financial Statements of the City are prepared in accordance with the Local Government Act 1995 (the Act) and other relevant legislations and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

From time to time, there are changes either in the Act, legislations or Australian Accounting Standards which require the City to adopt these changes in the preparation of all of the financial reports.

The Accounting Policy Procedure is now updated to include all changes made since the last review in 2018. With effect from 1 July 2019, the following standards issued by the Australian Accounting Standards Board (AASB):

AABS 15 – Revenue from Contracts with Customers
AASB 1058 – Income of Not-for-profit-entities
AASB 16 – Leases

All financial transactions of the City are recorded in accordance of the approved accounting policy procedures to ensure that that operations and financial position of the City.

Consultation

Not applicable.

Strategic Implications

How well does it fit with our strategic direction?

The accounting policy procedures is in line with the City's strategic direction which is measured in a consistent and fair financial method.

Who benefits?

The community benefits as the financials of the City are prepared in accordance with the legislations and accounting standards ensuring a true and fair representation of the City's financial undertakings.

Does it involve a tolerable risk?

There is no risk in implementing the accounting policy procedure

Do we have the information we need?

The accounting policy procedures have been prepared based on required information of the legislations and accounting standards.

Budget/Financial Implications

Can we afford it?

There is no cost in implementing the updated Accounting Policy Procedure

How does the option impact upon rates?

There is no impact upon rates.

Accounting Policies

Responsible Division Corporate and Strategy

Objective To ensure that there is a level of consistency in the reporting of Council's accounts.

Context

To provide a framework to ensure the City's financial information is reported with consistent application of Australian Accounting Standards and in compliance with statutory requirements under the *Local Government Act 1995* (the "Act"), and *Local Government (Financial Management) Regulations 1996* (the "Regulations").

Statement

This policy will apply to the development and presentation of the City's;

- Management Accounts;
- Annual Financial Statements;
- Annual Budget; and
- Long Term Financial Plan.

1. The significant accounting policies which have been adopted in the preparation of financial statements are:

(a) Basis of Preparation

The City's financial information is to be prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), the Act and accompanying regulations.

Except for cash flow and rate setting information, all financial information will be prepared on an accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

(b) Critical Accounting Estimates

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.



The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances; the results of this form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates

(c) The Local Government Reporting Entity

All funds through which the council controls resources to carry on its functions have been included in the financial statements forming part of this financial report. In the process of reporting on the local government as a single unit, all transactions and balances between funds have been eliminated.

Monies held in the Trust Fund which council holds in a custodial role are excluded from the financial statements because the monies cannot be used for council purposes, but a separate statement of those monies appears as a note to the financial statements.

(d) Goods and Services Tax ("GST")

In accordance with recommended practices, revenues, expenses and assets capitalised are stated net of any GST recoverable. Receivables and payables in the Statement of Financial Position are stated inclusive of applicable GST.

(e) Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of charges in value.

For the purpose of the Statement of Cash Flow, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included as short term borrowings in current liabilities on the balance sheet.

(f) Trade and Other Receivables

Trade and other receivables include amounts due from ratepayers for unpaid rates and service charges and other amounts due from third parties for goods sold and services performed in the ordinary course of business. Trade receivables, which generally have 30-35 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the debt will not be collectible.



(g) Inventories

General

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of the business less the estimated costs of completion and the estimated costs necessary to make the sale.

Land Held for Sale

Land purchased for development and/or resale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development and interest incurred on the financing of that land during its development. Interest and holding charges incurred after development is complete are recognised as expenses.

Revenue arising from the sale of property is recognised in the operating statement as at the time of signing a binding contract for sale.

Land held for resale is classified as current except where it is held as non-current based on Council's intentions to release for sale

(h) Prepayments

Prepayments represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

(i) Non-Current Assets

Each class of fixed assets within either property, plant and equipment or infrastructure, is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Expenditure on items of equipment under \$5,000 are not capitalised but are placed on an "Attractive & Portable Device Register" list for reference and maintenance.

Mandatory requirement to revalue non-current assets

Each asset class must be revalued in accordance with the Regulations and the Australian Accounting Standards.

Relevant disclosures, in accordance with the requirements of Australian Accounting Standards, will be made in the financial statement as necessary.

Initial recognition and measurement between mandatory revaluation dates

All assets are to be initially recognised at cost and subsequently revalued in accordance with the mandatory measurement framework detailed above.



In relation to initial measurement, cost is determined as the consideration paid plus costs incidental to acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the City includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework detailed above, are carried at cost less accumulated depreciation as management believes this approximates fair value. They will be subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework detailed above.

Revaluation

The fair value of fixed assets is determined at least every five years in accordance with the regulatory framework. At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is in accordance with Local Government (Financial Management) Regulation 17A (2) which requires property, plant and equipment to be shown at fair value.

Increases in the carrying amount arising on revaluation of asset classes are credited to a revaluation reserve. Decreases in the carrying amount that offset previous increases of the same asset classes are recognised against revaluation reserve, all other decreases are recognised in the Statement of Comprehensive Income.

Land under Control

In accordance with *Local Government (Financial Management) Regulation 16(a)(ii)*, the City is required to include as an asset, Crown Land operated by the local government as a golf course, showground or other sporting or recreational facility of the State or Regional significance.

Land under Roads

In Western Australia, all land under roads is Crown land. The responsibility for managing land under roads is vested in the local government.

Effective as at 1 July 2008, the City elected not to recognise any value for land under roads acquired on or before 30 June 2008. This accords with the treatment available in Australian Accounting Standard AASB 1051 Land Under Roads and *Local Government (Financial Management) Regulation 16(a)(i)*, which prohibits local governments from recognising such land as an asset.

Whilst such treatment is inconsistent with the requirements of AASB 1051, *Local Government (Financial Management) Regulation 4(2)* provides, in the event of such an inconsistency, the Local Government (Financial Management) Regulations prevail.

Consequently, any land under roads acquired on or after 1 July 2008 is not included as an asset of the City.

Gains and losses on disposal of non-current assets

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Comprehensive Income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(j) Depreciation of Non-Current Assets

All non-current assets that have a limited useful life are separately and systematically depreciated over their useful lives in a manner that reflects the consumption of the future economic benefits embodied in those assets. Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time the assets is completed and held ready for use.

Depreciation for infrastructure assets is calculated from the end of the year in which the asset was completed and brought into account.

Depreciation is recognised on a straight-line basis over the useful life.

The major categories of assets and the useful lives recorded on recognition are:

Buildings	
- Structure	3 to 47 yrs
- Fit-outs	1 to 9 yrs
- Mechanical	2 to 14 yrs
- Roof Cladding	3 to 47 yrs
Furniture and equipment	4 to 10 yrs
Plant and equipment	5 to 15 yrs
Roads	
- Pavement	20 to 210 yrs
- Sub Grade	Not depreciated
- Top Surface	35 to 50 yrs
Footpaths	25 to 50 yrs
Stormwater	
- Pipes	60 to 80 yrs
- Pits	60 to 80 yrs
- Plant	30 to 80 yrs
Transport	
- Bus Shelters	30 yrs
- Roundabouts	20 to 80 yrs



- Street Lights	10 to 50 yrs
Parks	10 to 100 yrs
Parks Reticulation	25 to 50 yrs

(k) Financial Instruments
Recognition and derecognition

Financial Instruments, financial assets and financial liabilities are recognised when the City becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost;
- fair value through profit or loss (FVTPL); and
- fair value through other comprehensive income (FVOCI).

The classification is determined by both:

- the City's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category includes non-derivative financial assets like loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The City's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model than 'hold to collect' or 'hold to collect and sell', and financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Financial assets at fair value through other comprehensive income (FVOCI)

Financial assets are accounted for at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is hold to collect the associated cash flows and sell: and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in Other Comprehensive Income will be recycled upon derecognition of the asset. This category includes listed securities and debentures.

Classification and measurement of financial liabilities

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the City designated a financial liability at fair value through profit or loss.



Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Impairment of Financial assets

The City considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

(l) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is determined using various valuation techniques. The City will use valuation methods and make assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments will be used for long-term debt instruments. Other techniques, such as estimated discounted cash flows, will be used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate fair values. The fair value of financial liabilities for disclosure purposes will be estimated by discounting future contractual cash flows at the current market interest rate that is available to the City for similar financial instruments.

(m) Impairment

The City's assets, other than inventories, are tested annually for impairment. Where impairment exists, an estimate of the recoverable amount of the asset is made in accordance with AASB 136 Impairment of Assets and appropriate adjustments made. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable

amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognised in the Statement of Comprehensive Income.

For non-cash generating assets such as roads, drains and public buildings value in use is represented by the asset's written down replacement cost.

(n) Trade and Other Payables

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the City prior to the end of the financial year that are unpaid and arise when the City becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition.

(o) Provisions

Provisions are recognised when the City has a present legal or constructive obligation as a result of past events for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow, with respect to any one item included in the same class of obligations, may be small.

(p) Interest-bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid for the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the City has an unconditional right to defer settlement of the liability for at least 12 months after the Statement of Financial Position date. Borrowing costs are recognised as an expense when incurred, except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset.

(q) Interest-bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid for



the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the City has an unconditional right to defer settlement of the liability for at least 12 months after the Statement of Financial Position date.

Borrowing costs are recognised as an expense when incurred, except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset.

(r) Leases

All Leases will be recognised in the Balance Sheet as a liability by capitalising the present value of the minimum lease payments and showing a 'right-of-use' asset, while future lease payments will be recognised as depreciation on the 'right-of-use' asset, and an interest will be charged on the lease liability. The interest charge will be calculated using the effective interest method, which will result in a gradual reduction of interest expense over the lease term.

(s) Employee Benefits

The provision for employee benefits relates to amounts expected to be paid to employees for wages and annual and long service leave and is based on legal and contractual entitlements Calculated as follows:

Wages, Salaries, Annual Leave and Long Service Leave (Short-term Benefits)

The provision for employees' benefits wages, salaries, annual leave and long service leave expected to be settled within 12 months represents the amount the City has a present obligation to pay resulting from employees' services provided to balance. The provision is to be calculated at nominal amounts based on remuneration rates the City expects to pay and includes related on-costs.

Long Service Leave (Long-term Benefits)

The liability for long service leave is recognised as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date, using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on state government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows. Where the City does not have the unconditional right to defer settlement beyond 12 months, the liability is recognised as a current liability.

(t) Superannuation

Council contributes to the Employees nominated Superannuation Scheme to a maximum of 11.5%. Payments made by council over and above the statutory 9.5% are based on additional contributions made by the Employee in accordance with the Staff Superannuation Contributions Procedure. Contributions to employee defined contribution plans are recognised as an expense as they become payable.

(u) Rates, Grants, Donations and Other Contributions

Revenue recognition is determined based on what the customer expects to be entitled to (rights and obligations), while measurement encompasses estimation by the entity of the amount expected to be entitled for performing under the contract or in the case of Rates, when the relevant rateable year commences.

AASB 1058 Income of Not-for-Profit Entities is to be considered where AASB 15 does not apply to a transaction. The timing of income recognition will depend on whether a transaction gives rise to a performance obligation, liability or contribution by owners.

(v) Current and Non-Current Classification

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the City's operation cycle. In the case of liabilities where the City does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months. An exception exists for land held for resale, where it is held as non-current based on the City's intentions to release for sale.

(w) Comparatives

Where required, comparative figures will be adjusted to conform with changes in presentation for the current financial year.

When the City applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statement, a statement of financial position as at the beginning of the earliest period will be disclosed.

Unless otherwise stated the budget comparative figures shown in the annual financial statement will be the original budget for the relevant item of disclosure.

(x) Rounding of Figures

All actual and comparative actual figures have been rounded to the nearest dollar.

(y) New Accounting Standards and Interpretations for Application in Future Periods

Australian Accounting Standards and Interpretations that have been issued or amended but are not yet mandatory, will not be early adopted by the City. The City will adopt new Accounting Standards and Interpretations for the accounting periods on or after the effective date of the respective standard.

(z) Provision of Financial Guarantees and Lending Money

In certain circumstances the City may consider pre-funding selected community projects with special approval from Council. The interest is charged at the borrowing cost to the City. The City does not offer financial guarantees to external entities.

(2) Budget Variations

In order to maintain sound financial control, the City maintains a Revised Budget. Budget revisions (or reallocations) are required in a number of circumstances, and will be actioned as follows:

Circumstances	Action
(a) Where expenditure is required to be incurred for a purpose for which there was no provision in the budget; or	In accordance with Section 6.8 of the <i>Local Government Act 1995</i> , by way of a report and recommendation to the council seeking authorisation of the expenditure and to endorse the necessary budget variation.
(b) Where grant or other monies are received that necessitate expenditure to be incurred and no provision was included in the budget.	
(c) Where a material variance has occurred, or is likely to occur.	Variances over 10% and \$10,000 will be reported to Council via the monthly Financial Activity Statement Report.

Related Local Law / Legislation

Local Government Act 1995

Local Government (Financial Management) Regulations 1996 Australian Accounting Standards Board (AASB) Standards

West Australian Local Government Accounting Manual

Superannuation Guarantee Contribution Administration Act 1992



Related Delegation

Nil

Review History

Approved by EMT 13 August 2020
Superannuation section (i) updated 8 January 2018
Approved by Executive 16 February 2012

8.7 Preliminary Year End Results

Committee	24 August 2020
Applicant	City of Nedlands
Employee Disclosure under section 5.70 Local Government Act 1995	Nil.
Director	Lorraine Driscoll – Director Corporate & Strategy
Attachments	1. Preliminary 2020 Year End Results
Confidential Attachments	Nil.

Executive Summary

The purpose of this report is to update the Audit & Risk Committee of the preliminary year end results for financial year 2019/20 based on transactions recorded as of 24 August 2020.

Recommendation to Committee

Council:

Notes the preliminary year end results for financial year 2019/20 based on transactions recorded as of 24 August 2020.

Discussion/Overview

The draft financial statements for 2019/20 are in the process of being finalised. The deadline to submit the draft financial statements to the auditors is 30 September 2020 in accordance with the Local Government Act 1995 – Sect 6.4. The audit of the draft financial statement by the auditors is planned for October 2020.

All invoices received for the financial year 2019/20 subsequent to 30 June 2020 have entered in the accounting system. There are further transactions that have to be computed manually to enter in the accounting system for eg the computation of liability for long service leave and annual leave which are in the process of being computed. Due the change in the accounting standards with effect from 1 July 2019, further checks and balances are being carried out to ensure that all affected transactions are accounted for correctly.

A comparison between the mid-year budget, the forecast and the actual year to-date (as at 24 August 2020) and are provided in the attachment. As stated above, there are further adjustments that are being made to the financial statements which will affect the statements.

Consultation

Not applicable.

Strategic Implications

How well does it fit with our strategic direction?

The preparation of the draft financial statements for 2019/20 is in line with the City's strategic direction which are prepared in accordance with the legislations and accounting standards ensuring a true and fair representation of the City's financial undertakings.

Who benefits?

The community benefits as the financials of the City are prepared in accordance with the legislations and accounting standards ensuring a true and fair representation of the City's financial undertakings.

Does it involve a tolerable risk?

There is no risk involved.

Do we have the information we need?

The draft financial statements for 2019/20 are prepared in accordance with all relevant legislations and accounting standards.

Budget/Financial Implications

Can we afford it?

The cost of completing the draft financial statement for 2019/20 is part of the City's approved budget.

How does the option impact upon rates?

There is no impact upon rates.

CITY OF NEDLANDS
STATEMENT OF FINANCIAL ACTIVITY
BY DIRECTORATES
FOR THE PERIOD ENDED 30 JUNE 2020



Note	2019-20 June Budget	2019-20 June Forecast	2019-20 June YTD Actual	2019-20 Variance YTD - Budget	2019-20 Variance YTD - Forecast
	\$	\$	\$	\$	\$
Operating Income					
Governance	134,500	116,500	163,284	28,784	46,784
Corporate & Strategy	25,270,800	25,726,218	25,662,052	391,252	(64,166)
Community Development & Services	2,563,660	2,443,460	2,526,059	(37,601)	82,599
Planning & Development Services	1,981,294	1,860,444	1,984,756	3,462	124,312
Technical Services	4,307,228	3,824,798	3,870,027	(437,201)	45,229
	34,257,482	33,971,420	34,206,178	(51,304)	234,758
Operating Expense					
Governance	(2,955,507)	(2,867,984)	(2,727,134)	228,373	140,850
Corporate & Strategy	(625,651)	(772,796)	(542,848)	82,803	229,948
Community Development & Services	(6,011,714)	(5,768,079)	(5,738,222)	273,492	29,857
Planning & Development Services	(5,840,178)	(5,857,756)	(5,636,615)	203,563	221,141
Technical Services	(15,818,224)	(15,514,947)	(15,454,562)	363,662	60,385
	(31,251,274)	(30,781,562)	(30,099,381)	1,151,893	682,181
Capital Income					
Grants Capital	2,809,770	1,956,294	1,629,860	(1,179,910)	(326,434)
Capital Contribution	0	0	374,621	374,621	374,621
Proceeds from Disposal of Assets	491,636	513,577	513,577	21,941	0
New Borrowings	0	0	0	0	0
Self Supporting Loan Principal Repayments	13,630	10,183	10,183	(3,447)	0
Transfer from Reserve	2,457,862	2,550,933	2,271,638	(186,224)	(279,295)
	5,772,898	5,030,987	4,799,879	(973,019)	(231,108)
Capital Expenditure					
Land & Buildings	(1,207,463)	(1,085,793)	(914,353)	293,110	171,440
Infrastructure - Road	(5,596,822)	(4,554,523)	(3,804,927)	1,791,895	749,596
Infrastructure - Parks	(2,353,492)	(1,994,446)	(1,714,523)	638,969	279,923
Plant & Equipment	(971,000)	(868,068)	(732,970)	238,030	135,098
Furniture & Equipment	(275,514)	(113,955)	(68,373)	207,141	45,582
Principal elements of finance lease payments	0	(66,835)	(66,835)	(66,835)	0
Repayment of Debentures	(1,691,065)	(1,691,065)	(1,691,065)	0	0
Transfer to Reserves	(2,168,566)	(2,376,830)	(2,376,830)	(208,264)	0
	(14,263,922)	(12,751,515)	(11,369,876)	2,894,046	1,381,639
Total Operating and Non-Operating	(5,484,816)	(4,530,670)	(2,463,200)	3,021,616	2,067,470
Adjustment - Non Cash Items					
Depreciation	4,105,400	4,238,138	4,067,770	(37,630)	(170,368)
Receivables/Provisions/Other Accruals	(58)	0	20,143	20,201	20,143
Change in accounting policy	(1,150,000)	(1,150,000)	(958,802)	191,198	191,198
(Profit) on Sale of Assets	(85,000)	(77,691)	(77,691)	7,309	0
Loss on Sale of Assets	108,507	24,217	24,217	(84,290)	0
ADD - Surplus/(Deficit) 1 July b/f	2,493,592	2,493,587	2,493,587	(5)	0
LESS - Surplus/(Deficit) 30 June c/f	(12,375)	997,581	3,106,024	3,118,399	2,108,443
	5,484,816	4,530,670	2,463,200	(3,021,616)	(2,067,470)

8.8 Safe Active Street Risk Analysis

Committee	31 August 2020
Applicant	City of Nedlands
Employee Disclosure under section 5.70 Local Government Act 1995	Nil.
Director	Jim Duff – Director Technical Services
Attachments	Nil.
Confidential Attachments	Nil.

Executive Summary

The purpose of this report is to provide the Risk and Audit Committee with background information on the Safe Active Streets Project, and to highlight any risks associated with the project.

Recommendation to Committee

Risk and Audit Committee note the report and receive quarterly updates on project progress and any change to the risk profile.

Discussion/Overview

The City entered into an agreement with the Department of Transport (DoT) on 4 July 2018. The agreement was for \$1.2M of funding assistance to design and construct the Nedlands Safe Active Street Project. Construction costings received during the Tender process revealed a significant shortfall in the budget to complete the works. The City has worked collaboratively with DoT to identify potential design and construction savings. Following several design iterations, DoT agreed to increase their grant amount to \$1.9M in a letter dated 11 June 2019.

The City entered into a contract with West Coast Profiling Civil Pty Ltd in September 2019 to construct the Safe Active Streets Project in two stages.

Stage 1 of the project was completed in January 2020. During construction, several unforeseen site issues were encountered requiring additional work to be undertaken by the contractor, with the costs of the works shared between the City, DoT and the Contractor.

Prior to the commencement of Stage 2 works, Administration initiated a review of the design to minimise the risk of similar issues being encountered. The revised design now reduces the potential impacts on verge reinstatements,

driveway crossovers, street trees, footpath levels and utility infrastructure, while retaining the original SAS traffic calming features.

Main Roads Western Australia (MRWA) and DoT have approved, in principle, the revised design for Stage 2 on 31 July 2020. Administration has had several meetings with the Contractor to expedite an acceptable solution and is continuing to work with DOT and the Contractor. The Contractor will remobilise on the 10 August 2020, subject to a price agreement being reached.

Council should be aware that the SAS project has been inactive for several months while the design review and negotiations with the Contractor and DOT have been ongoing. The City is under increasing pressure from the community to complete the project, with sections of the works unfinished and under temporary traffic management.

In July, Council approved an additional \$200,000 of municipal funds for the Safe Active Street project. The funds are required to enable the completion of Stage 2 works from Dalkeith Road to the agreed termination point at the City boundary near Bay Road.

Key Relevant Previous Council Decisions:

Ordinary Meeting of Council 28 November 2017, Item 12.3 Report No. TS11.17

“Council endorses the Community Engagement Plan for the Safe Active Streets Program in Elizabeth Street and Jenkins Avenue.”

Ordinary Meeting of Council 26 June 2018, Item 12.3 Report No. TS11.18

“Council recognises the level of community support for the Safe Active Streets programme in Elizabeth Street and Jenkins Avenue, and authorises the Chief Executive Officer to enter into a contractual arrangement with the Department of Transport for the delivery of the project fully funded by the Department.”

Ordinary Meeting of Council 25 June 2019, Item No. 13.7

“Council agrees to award Tender No. RFT2018-19.10 to WCP Civil Pty Ltd for the Safe Active Streets Road Rehabilitation and improvement project as per the lump sum price (confidential Attachment 1) submitted”; and

“Authorises the Chief Executive Officer (CEO) to enter into a contract with WCP Civil Pty Ltd and sign an acceptance of offer for this tender, subject to CEO negotiation on minor variations”

Ordinary Meeting of Council 28 July 2020, Item 12.3 Report No. TS14.20

“Council approve an increase to the budget for the Safe Active Street project by \$200,000 of municipal funds.”

Consultation

Consultation has already been undertaken for this project with all properties bounded by Bay Road, Princess Road, Broadway and Stirling Highway (except for properties fronting the highway). This area includes the intersecting streets with Jenkins and Elizabeth, approximately 1,400 properties. The consultation included:

- 2,092 postcards to project area
- 25 letters to specific stakeholders
- 2 x information sessions
- Reports on Your Voice and community media

The community have provided significant support for the safe active streets proposal with 73 percent of the overall consultation area in support of the project, including 56 percent of residents that are immediately impacted by the project.

Strategic Implications

How well does it fit with our strategic direction?

Section 05 of the Strategic Community Plan identifies “Renewal of community infrastructure such as roads, footpaths, community and sports facilities” and “Providing for sport and recreation” as priorities.

Who benefits?

Completing the project will benefit the community by providing a safe road environment for all road users making cycling safer, particularly children on their routes to school.

Does it involve a tolerable risk?

Administration has received a significant number of enquiries from the public questioning the reasons why the project has been inactive for several months. Administration issued letters to the residents adjoining the Stage 2 works advising works would recommence on site on the 22 June 2020, however, the works remobilisation was again delayed. Given the prolonged inactivity on site this situation has the potential to cause reputational damage with the Community and DOT while recommencement of the works is delayed.

Do we have the information we need?

A new design has been produced based on the lessons learned from Stage 1.

Budget/Financial Implications

Can we afford it?

Administration recommended deferral of the Brockway Road rehabilitation project while DOT and the City conduct a detailed feasibility study for the proposed Stage 1 & Stage 2 of the Brockway Road shared path from Underwood Avenue to Quintilian Road. Deferral of the Brockway Road rehabilitation project to the second quarter of the 2020/21 financial year allows the City to allocate the \$275,000 of municipal funds towards the SAS project. This approach avoids any potential rework should DOT decide to move the proposed shared path from the verge to the on-road cycle lanes on Brockway Road. Any relocation of the shared path will have a significant impact on the road rehabilitation project.

How does the option impact upon rates?

There will be no impact on the 2020/21 rates, other than as already approved in the budget by Council.

8.9 Montgomery Avenue Wall

Committee	24 August 2020
Applicant	City of Nedlands
Employee Disclosure under section 5.70 Local Government Act 1995	Nil.
Director	Jim Duff – Director Technical Services
Attachments	Nil.
Confidential Attachments	1. Copy of Letter and Pritchard Francis Report

Executive Summary

The purpose of this report is to provide the Risk and Audit Committee with a progress report on the reconstruction of the failing section of boundary wall on the east side of Montgomery Avenue, between St Johns Wood Avenue South and Regents Boulevard, Mt Claremont.

Recommendation to Committee

Risk and Audit Committee notes the report and receive quarterly progress updates on rectification of the failing wall.

Discussion/Overview

Background

On 31 October 2017 it came to the City's attention that a section of boundary wall on the east side of Montgomery Avenue between St Johns Wood Avenue South and Regents Boulevard was leaning and potentially presenting a hazard to the public. To address this concern the City engaged Wood and Grieve Engineers (WGE) to investigate the condition of the wall along its entire length on the road reserve side, and one typical property on the private property side.

The WGE report provided a condition assessment of the wall and recommendations on repair. The recommendations included undertaking a more detailed survey of the wall to determine the extent of the out of plumb sections. Piers out of plumb by more than 70mm and walls out of plumb by more than 20mm were recommended to be taken down and rebuilt. The survey revealed that all 15 properties are in breach of the maximum wall lean criteria.

Letters were sent to all 15 property owners on 19 November 2018 advising of the WGE recommendations and the requirement for them to repair their walls at their expense. The Manager Infrastructure Services met with several residents at the City of Nedlands office on 29 November 2018 to present the structural engineer's recommendations and to facilitate an agreement between the residents to reconstruct the wall. Due to the potential safety issues the Montgomery Avenue footpath from St Johns Wood Boulevard (south) to Regents Boulevard was closed to the public with signs and bunting on 10 December 2018.

The residents were issued with a Notice under Section 3.25 of the Local Government Act on 15 May 2019 requiring them to repair the limestone and masonry wall within 60 days. The Notice was subsequently extended until 30 June 2019 to allow the owners more time to arrange quotes from building contractors. The residents engaged WGE to complete a more detailed inspection of the wall and provide a design and specification to reconstruct the wall. The residents were provided with design drawings and a specification to reconstruct the boundary wall prepared by Wood and Grieve Engineers. The residents received three quotes Building contractors to reconstruct the wall and are seeking financial assistance from Landcorp/DevelopmentWA who undertook the development of the land. Given the complexity associated with rectifying the wall, the City has been liaising with residents for approximately 20 months to arrange the necessary repairs.

Boundary Wall Reconstruction

WGE have provided engineering design drawings for the reconstruction of the screen wall. WGE identified in their investigation that the underlying limestone retaining wall was not constructed in accordance with Landcorp's 1993 subdivision drawings. Reconstruction of the wall will require grout injection into the soil behind the retaining wall.

The residents sought quotes from three building contractors ranging from \$532,430 to \$833,292, including GST. Copies of the quotes have been provided to the City. The residents have requested the City contribute towards the reconstruction of the wall and were advised during the public meeting this remains a matter for the owner, their insurer and the developer to resolve. It is not the responsibility of the ratepayers to fund private owners' repairs and any agreement fund the work could set an undesirable precedent for similar claims where boundary walls abut the road reserve. It could also expose the City to future liability for any quality issues associated with the proposed design and/or construction.

Landcorp

The City understands the limestone retaining component of the wall was constructed as part of the original subdivision works in approximately 1993, based on the subdivision drawings. It also understood that Landcorp constructed the decorative brick fence on top of the limestone wall as part of subsequent estate development works, with the date of these works unknown as the works did not require an approval from the City.

The City sent a letter to Landcorp on 12 December 2018 requesting a funding contribution to reconstruct the wall. A letter was received from Landcorp on 31 January 2019 advising that Landcorp does not accept any responsibility for the condition of the wall and is not willing to contribute funding. A letter was subsequently sent to the residents on 14 February 2019 advising them of Landcorp's response.

Meeting with Residents, Councillors and Landcorp on 7 November 2019

The City met with the residents, ward Councillors, the Mayor and Development WA on 7 November 2019 to facilitate a resolution. Development WA is a recent merger of Landcorp and the Metropolitan Redevelopment Authority. Mr Ardron from Development WA advised the residents to prepare details of their claim against Development WA for the cost of the works. The insurance claim could be made either individually or as a group. Mr Ardron also advised that upon receiving the claim, Development WA will expedite the insurance claim process but did not provide any guarantee that the claim will be accepted.

During the meeting several residents questioned the City's involvement in approving the subdivision plans and responsibility for repairing the wall. The residents were advised that as walls are contained within the lot and retain their land, it is the landowner's responsibility to make good any repairs and they will need to provide the necessary evidence to support a successful claim against Landcorp / Development WA.

Legal Advice

The City sought legal advice on the process followed to date and it was recommended that Administration should issue residents with a second notice requiring the works to be carried out within 28 days.

Temporary Footpath

The City had received several complaints from residents regarding the length of time the footpath had been closed and the risk to pedestrians and primary school children riding their bikes on the road pavement of Montgomery Avenue.

Council resolved to install a temporary footpath at the Ordinary Council Meeting of 17 December 2019.

The costs associated with the construction and removal of the temporary path are potentially recoverable under the Local Government Act 1995 Section 3.26 where appropriate notice has been provided by the City to make safe the wall.

Key Relevant Previous Council Decisions:

Ordinary Meeting of Council 17 December 2019, Item 12.3 Report No. TS24.19

“Council:

- 1. approves construction of a temporary alternative footpath to address safety issues for pedestrians and school children on bikes;*
- 2. approves funding of the \$10,000 cost for the temporary footpath construction from Technical Services Operational budget;*
- 3. requests the CEO to seek appropriate recovery of costs excluding by the landowners for the temporary footpath required due to the ongoing unsafe boundary wall at Montgomery Avenue, Mt Claremont; and*
- 4. approves Administration waiving the city component of the Development Application and Building Application fees associated with the demolition and reconstruction of the section of boundary wall.”*

Consultation

Following confirmation from Development WA of their assessment of the resident’s claim and the City’s legal advice to issue a second notice for the repairs, Administration issued a second Notice pursuant to Section 3.25(1) of the Local Government Act 1995 on the 25 June 2020.

Administration has continued to liaise with the affected residents since October 2017. The City’s consultation included organising meetings with residents to brief them on the initial finding of the Wood and Grieve safety review and arranging a public meeting attended by the Mayor and Ward Councillors to discuss the residents’ concerns and facilitating ongoing communications with Development WA. Administration also followed up with Development WA on several occasions to reiterate residents’ concerns and a report was presented to Council on the 17 December 2019 allowing residents a further opportunity to address Council directly on the matter.

Strategic Implications

How well does it fit with our strategic direction?

Section 05 of the Strategic Community Plan identifies “Renewal of community infrastructure such as roads, footpaths, community and sports facilities” and “Providing for sport and recreation” as priorities.

Who benefits?

On completion of the works the City will be able to reinstate the permanent pedestrian and cycle path on east side of Montgomery Avenue, between St Johns Wood Avenue South and Regents Boulevard, Mt Claremont.

Does it involve a tolerable risk?

Administration has received a response from the owners of number 1 Finsbury Grove and 11 Lambeth Mews Mt Claremont, advising that they commissioned Pritchard Francis Civil and Structural Engineering Consultants to undertake a review of the structural engineering report prepared by Wood & Grieve Engineers on behalf of the majority owners of the retaining & masonry boundary wall abutting Montgomery Avenue, Mt Claremont. A Copy of the response letter and Structural Engineering Report prepared by Pritchard Francis Civil and Structural Engineering Consultants is enclosed (refer to Confidential Attachment 1).

The Pritchard Francis report asserts the wall is not in danger of immediate collapse noting the existing wall can be preserved. The report also recommends the introduction of a 6-monthly monitoring regime to identify any further movement.

Notably, the report does not mention monitoring responsibility and potential ongoing liabilities risks during the suggested monitoring period. Administration would need to seek further legal advice through the City's Solicitor in respect to any potential risk exposure and duty of care obligations pursuant to Section 3.25(1) of the *Local Government Act 1995*.

Administration has received a Building Licence Application from Rivett Construction representing the residents of 1 St Johns Wood Boulevard, 1-9 Lambeth Mews & 3-15 Finsbury Grove, Mt Claremont to undertake the remediation works in accordance with the original Structural Engineering Report prepared by Wood and Grieve Engineers representing the majority of residents.

Do we have the information we need?

The work is on private land and the City is responsible for the issue of a Building Licence and Verge Permit to allow the works to proceed.

Budget/Financial Implications

Can we afford it?

No additional fund is sought as a result of this report.

How does the option impact upon rates?

It will not impact on the 2020/21 rates.

8.10 Fraud and Corruption

Committee	24 August 2020
Applicant	City of Nedlands
Employee Disclosure under section 5.70 Local Government Act 1995	Nil.
Director	Lorraine Driscoll – Director Corporate & Strategy
Attachments	Nil.
Confidential Attachments	Nil.

Executive Summary

The purpose of this report is to update Audit & Risk Committee on the state of the Fraud and Corruption Framework, Policies and Procedures designed to ensure City officers undertake the appropriate actions around Fraud and Corruption.

Recommendation to Committee

The Audit and Risk Committee acknowledge that the below documents regarding the fraud and corruption policies and procedures are being finalised and will be presented to the Executives at the next available Executive Management Team meeting:

- 1. Fraud and Corruption Control Framework,**
- 2. Fraud and Corruption Policy,**
- 3. Fraud Reporting and Investigation Procedures,**
- 4. Conflict of Interest Policy, and**
- 5. Conflict of Interest Procedure.**

Discussion/Overview

There are two further documents being worked on with new templates recently supplied by the State Government. These are:

- Staff Conflict of Interest, and
- Elected Members Conflict of Interest.

These two documents are expected within the next four-six weeks. At which point they will be presented to the following EMT meeting for endorsement.

Key Relevant Previous Council Decisions:

Nil.

Consultation

Consultation was held with other councils and advice taken on board with the preparation of these documents.

Strategic Implications

How well does it fit with our strategic direction?

This would come under Strategic Risk Management.

Who benefits?

Staff and council through better governance around Fraud and Corruption.

Does it involve a tolerable risk?

There is no negative risk to the city

Do we have the information we need?

Yes. While developing these frameworks, policies and procedures we carried out an extensive investigation across the web. Looking at what has been done by the Federal Government, State and Local Government. We obtained copies of their documents and reviewed what had be raised by the AOG. There were communications with several council over their practices and with this insight our documentation has been developed producing a Framework, Policies and Procedures.

The framework defines the intent and structure. The policies hold our position while the procedures are used to support those position. The final documents involving conflict of interest or staff and elected officials. These documents are being developed in consultation with HR and the office of the CEO. The goal is to have them completed within the next six to eight weeks for presentation to the Executive Management Team meeting for endorsement.

Budget/Financial Implications

Nil.

8.11 Insurance

Committee	24 August 2020
Applicant	City of Nedlands
Employee Disclosure under section 5.70 Local Government Act 1995	Nil.
Director	Lorraine Driscoll – Director Corporate & Strategy
Attachments	Nil.
Confidential Attachments	Nil.

Lorraine Driscoll will provide a verbal update at the meeting.

9. Urgent Business Approved By the Presiding Member or By Decision

Any urgent business to be considered at this point.

10. Confidential Items

Nil.

11. Date of next meeting

The next meeting of the Audit & Risk Committee will be held on 5 October 2020 at 5.30 pm.

Declaration of Closure

There being no further business, the Presiding Member will declare the meeting closed.