



Town of Cottesloe

I hereby certify that the minutes of the Audit Committee meeting
held on

Tuesday, 30 July 2019

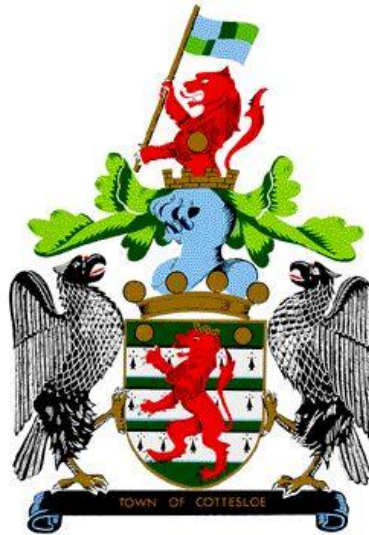
were confirmed as a true and accurate record by committee
resolution.

Signed: *Coucy Maramba*

Presiding Member

Date: *17/12/2019*

TOWN OF COTTESLOE



AUDIT COMMITTEE

MINUTES

AUDIT COMMITTEE
HELD IN THE
Mayor's Parlour, Cottesloe Civic Centre
109 Broome Street, Cottesloe
2.00pm Tuesday, 30 July 2019

MAT HUMFREY
Chief Executive Officer

30 July 2019

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1 DECLARATION OF MEETING OPENING/ANNOUNCEMENT OF VISITORS

The Presiding Member announced the meeting opened at 2:00pm.

2 DISCLAIMER

The Presiding Member drew attention to the Town’s Disclaimer.

3 ANNOUNCEMENTS BY PRESIDING MEMBER WITHOUT DISCUSSION

The Presiding Member announced that the meeting is being recorded, solely for the purpose of confirming the correctness of the Minutes.

4 ATTENDANCE

Members

Cr Mark Rodda	Presiding Member, Elected Member
Cr Lorraine Young	Elected Member
Cr Helen Sadler	Elected Member
Prof David Gilchrist	Committee Member
Ms Vicky Van Heerden	Committee Member

Officers

Mr Mat Humfrey	Chief Executive Officer
Mr Garry Bird	Deputy Chief Executive Officer
Mr Wayne Richards	Finance Manager
Ms Ann-Marie Donkin	Governance Officer

Visitors

Mr Michael Hoang	Ernst and Young
Mr Michael Baxter	Ernst and Young
Ms Kelly Tenich	Office of the Auditor General

Apologies

Nil

5 DECLARATION OF INTERESTS

Nil

6 CONFIRMATION OF MINUTES

Moved Cr Young Seconded Cr Sadler

That the Minutes of the Audit Committee Meeting held on Tuesday 19 March 2019 be confirmed as a true and accurate record.

Carried 5/0

7 PRESENTATIONS

Nil

8 REPORTS

8.1 REPORTS OF OFFICERS

It is to be noted that for the benefit of the external auditors in attendance that the committee agreed to consider the officers reports in the following order; 8.1.2, 8.1.3 and 8.1.1.

8.1.1 REVIEW OF INVESTMENT POLICY

File Ref: SUB/2791
Attachments: 8.1.1(a) Draft Management of Investments Policy
Responsible Officer: Mat Humfrey, Chief Executive Officer
Author: Garry Bird, Deputy Chief Executive Officer
Author Disclosure of Interest: Nil

This item was dealt with at the conclusion of 8.1.3 2019 Financial Management Review.

SUMMARY

To consider a review of the existing Management of Investments Policy, incorporating an objective to divest from fossil fuel related investments and other amendments.

BACKGROUND

At the November 2018 Ordinary Meeting, the following resolution was adopted by Council;

That the administration prepares a report for the Mid-Year budget review on the implications for the Town of Cottesloe of divesting from fossil fuels. This is to include:

- 1. The extent that it is possible for a WA Local Government to divest from fossil fuels.*
- 2. That Council commits to consultation with ratepayers to establish community support before taking any further steps towards implementing a divestment policy.*
- 3. The WALGA position on divestment from fossil fuels.*
- 4. Information on how many Local Governments in WA have already taken this step.*
- 5. Example(s) of divestment policy from a WA Local Government.*
- 6. Financial implications for the Town of Cottesloe.*
- 7. Realistic time frame in which any such policy may be introduced.*
- 8. Alignment with the Town's Community Strategic Plan, Corporate Business Plan and existing policies.*

STRATEGIC IMPLICATIONS

This report is consistent with the Town's *Strategic Community Plan 2013 – 2023*.

Priority Area 6: Providing open and accountable local governance

Major Strategy 6.2: Continue to deliver high quality governance, administration, resource management and professional development.

POLICY IMPLICATIONS

The exiting Management of Investments Policy will be amended to reflect the attached changes if adopted by Council.

STATUTORY ENVIRONMENT

Local Government Act 1995

Local Government (Financial Management Regulations) 1996

FINANCIAL IMPLICATIONS

The Town generates approximately \$310,000 (or 3.0% of rates) in investment income each year, with the Management of Investments Policy used by staff to manage these investments.

STAFFING IMPLICATIONS

There are no perceived staffing implications arising from the officer's recommendation.

ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS

The divestment of fossil fuel related investments is intended to have a positive, long term environmental benefit by encouraging investment in alternative energy sources.

CONSULTATION

Elected Members' Briefing Forum April and May 2019.

The Community Consultation Policy prescribes that policy development should be advertised in a newspaper, on the website, newsletter and ratepayer group at all times. In recent times it has been the practice not to advertise administrative policies in the newspaper to save on costs and limit the consultation to matters that directly affect electors.

Given the nature of the Management of Investments Policy it is not recommended to seek community input into the amended policy but rather promote its adoption and objectives to highlight the divestment position taken by Council.

OFFICER COMMENT

In regards to the questions raised in the November 2018 Resolution, staff respond as follows;

1. *The extent that it is possible for a WA Local Government to divest from fossil fuels.*

The Town has a restrictive policy on investments and only uses secure term deposits from suitable institutions that meet the Town's credit rating requirements. Other

institutions do offer options that would allow the Town to divest from institutions that finance fossil fuel related industry.

2. *That Council commits to consultation with ratepayers to establish community support before taking any further steps towards implementing a divestment policy.*

If the Town adopts a policy position of divestment from fossil fuel related investments, it is suggested that a revised Investment Policy be prepared to reflect this and advertised for public comment.

3. *The WALGA position on divestment from fossil fuels.*

Following endorsement by WALGA's Executive Council and State Council, as of 7 December 2016, WALGA's Investment Policy incorporates divestment from fossil fuels. The policy now states, '*WALGA acknowledges climate change and supports more environmentally responsible investing. It will seek to invest in financial institutions which do not fund fossil fuel, directly or indirectly; subject to minimum credit risk and portfolio exposure limits prescribed elsewhere in this policy.*'

4. *Information on how many Local Governments in WA have already taken this step.*

There are a number of local governments in Western Australia, who currently have a policy to not invest with entities that finance fossil fuel related industry.

These local governments appear to have taken an approach to only partly divest of such investments, preferring to use a combination of the four major banks (who are fossil fuel related) to ensure security of the investment (using credit ratings) and only investing a smaller percentage of investments in non-fossil fuel related, higher risk investments (generally smaller banks).

To divest of all such investments would mean accepting a far greater level of risk with the investment portfolio.

Staff have looked at several policies implemented by other local governments with 12 local governments having divestment policies.

5. *Example(s) of divestment policy from a WA Local Government.*

See attached City of Fremantle Investment Policy and Investment Report pack.

The City of Fremantle's Divestment Policy is a good example if the town was to adopt a position on divestment. The City of Fremantle Policy states;

- *The City of Fremantle considers climate crisis a serious threat to current and future generations locally, nationally and internationally.*
- *Most world governments have agreed through the 2009 Copenhagen Accord that any warming above a 2°C (3.6°F) rise would be unsafe, and that future carbon emissions release should be significantly limited.*
- *The Carbon Tracker Initiative found that fossil fuel companies possess proven fossil fuel reserves that would release approximately 2,795 gigatons of CO₂ if they are burned, which is five times the amount that can be released without exceeding 2°C of warming.*

- *The City of Fremantle has committed to carbon neutrality, and to this end seeks to ensure its financial investments consider the reduction of fossil fuels and our One Planet Fremantle Strategy.*
- *To this end the City of Fremantle will review and manage its investment portfolio to identify financial institutions which support either direct or indirect support of fossil fuel companies and will limit investments in these institutions to the minimum required which will allow compliance with parts 4 and 5 above.*

Reviewing the City of Fremantle Investment report, as at July 2018, approximately 46% of investments were with institutions associated financing fossil fuel related companies.

6. *Financial implications for the Town of Cottesloe.*

The City of Fremantle uses an external agency 'Market Forces' to assist to identify which institutions offer non-fossil fuel related investment options. The costs of this service are free, with the information readily available at their website 'marketforces.org.au'

A brief analysis of comparable interest rates from institutions that offer divestment options to the existing major banks currently used shows little difference in the rates available. As such there would be not net impact on the income received from these investments.

7. *Realistic time frame in which any such policy may be introduced.*

If the Town was to adopt a policy position of divestment, it would take between three and six months to implement such a decision depending on several factors including time of the year, amount currently invested and date of maturity and actual position taken by Council.

8. *Alignment with the Town's Community Strategic Plan, Corporate Business Plan and existing policies.*

The adoption a divestment policy position would indirectly be in keeping with the Town's strategic objectives, by promoting a healthier environment and the long term protection of assets from the effects of climate change.

At the April 2019 Briefing Forum, the attached draft policy was presented for the feedback from Elected Members. At this Forum, the following issues were raised for further consideration;

- Authorised Deposit Institutions (ADI's)

The following information has been reproduced from the Australian Securities and Investment Commission (ASIC) website

The Australian Government has guaranteed deposits up to \$250,000 in Authorised Deposit-taking Institutions (ADIs) such as your bank, building society or credit union. This means that this money is guaranteed if anything happens to the ADI.

The cap applies per person and per ADI. So if you have \$250,000 with one ADI and \$250,000 with another, then both of your deposits are guaranteed. If you have more than \$250,000 with one ADI then only up to \$250,000 is guaranteed.

Some ADIs operate multiple brands or may offer deposit accounts under more than one brand name. However, they are still part of the same ADI. The guarantee covers deposits per ADI, not per brand name. For example, if you have multiple deposit accounts with brands that are owned by the same ADI, the guarantee will only apply to \$250,000 of these funds in total. If this concerns you, make sure you know who the ADI is that you bank with.

In the case of joint accounts, each account holder is entitled to an individual guarantee up to \$250,000.

The guarantee applies to all ADIs incorporated in Australia, including Australian-owned banks, foreign subsidiary banks, building societies and credit unions.

The types of accounts covered by the guarantee are: savings accounts; call accounts; term deposits; current accounts; cheque accounts; debit card accounts; transaction accounts; personal basic accounts; cash management accounts; farm management deposits; pensioner deeming accounts; mortgage offset accounts, either 100 per cent or partial offset that are separate deposit accounts; trustee accounts; and retirement savings accounts.

Staff are of the view that the attached Draft Policy is an acceptable balance between ensuring the security of the Town's investments and encouraging further investment in non-fossil related industries.

As the Policy was being reviewed to consider the above Resolution, staff took the opportunity to review other aspects of the policy and make further amendments to improve the policies clarity and direction for staff. These amendments are noted in the attached draft.

VOTING REQUIREMENT

Simple Majority

OFFICER RECOMMENDATION

That the Audit Committee recommends:

That Council ADOPT the revised Management of Investments Policy as attached

PROCEDURAL MOTION AND COMMITTEE RESOLUTION

Moved Cr Young Seconded Prof Gilchrist

Defer this item to allow a report on the credit risk with particular reference to the Town's current risk profile and how the risk profile could change under the revised policy and whether that new risk profile is commensurate with the intentions of the Council..

Carried 5/0

8.1.2 INTERIM AUDIT RESULTS FOR THE YEAR ENDING 30 JUNE 2019

File Ref: SUB/2791
Attachments: 8.1.2(a) Interim Audit Results for the Year Ending 30 June 2019
Responsible Officer: Mat Humfrey, Chief Executive Officer
Author: Garry Bird, Deputy Chief Executive Officer
Author Disclosure of Interest: Nil

For the benefit of the external auditors this item was dealt with before 8.1.1 Review of Investment Policy

SUMMARY

The Interim Audit for the 2018/19 financial year was undertaken during May, June and July 2019.

The results of the audit have now been received from the Officer of the Auditor General and are attached for Committee Members consideration.

BACKGROUND

The interim audit is a process whereby the appointed Auditors and/or their representatives undertake a review of various financial management procedures and reporting matters. This process assists the auditors in forming an opinion of the annual financial statements by testing the Towns systems and processes.

For the 2018/19 Audit, Ernst and Young Pty Ltd have been appointed by the Office of the Auditor General to undertake the audit on their behalf.

STRATEGIC IMPLICATIONS

This report is consistent with the Town's *Strategic Community Plan 2013 – 2023*.

Priority Area 6: Providing open and accountable local governance

Major Strategy 6.2: Continue to deliver high quality governance, administration, resource management and professional development.

POLICY IMPLICATIONS

There are no perceived policy implications arising from the officer's recommendation.

STATUTORY ENVIRONMENT

Local Government Act 1995

Local Government (Financial Management) Regulations 1996

Local Government (Audit) Regulations 1996

FINANCIAL IMPLICATIONS

There are no perceived financial implications arising from the officer's recommendation.

STAFFING IMPLICATIONS

There are no perceived staffing implications arising from the officer's recommendation.

ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS

There are no perceived sustainability implications arising from the officer's recommendation.

CONSULTATION

Office of the Auditor General

Ernst and Young

OFFICER COMMENT

The Auditor has identified eight matters for further consideration during the interim audit. These eight matters are summarised and were rated as follows;

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Lack of documentation of test and approval for minor changes		✓	
2. Unrestricted vendor's access to Authority's production environment		✓	
3. Business User with privileged IT functions to the Authority application		✓	
4. Discounts on rates		✓	
5. Document execution of control procedures			✓
6. Review of policies and procedures		✓	
7. Quotation Acceptance	✓		
8. Grants and contracts register			✓

Officer comment regarding the eight issues are contained in the attached Interim Audit Management Letter for consideration by Committee Members.

VOTING REQUIREMENT

Simple Majority

OFFICER RECOMMENDATION

THAT the Audit Committee recommend to Council;

1. That the matters identified in the 2018/19 Interim Audit Management Letter be noted , and;
2. That the actions of staff in in responding to these issues as follows, be endorsed:
 - a) Implement change request documentation for minor IT upgrades.
 - b) Obtain assurances from Civica Pty Ltd that protect the Town's information from inappropriate access by their staff.
 - c) Implement systems that check rates settings prior to the levying of the annual rates notice.
 - d) Implement a sign off form for authorisation to proceed with the printing of the annual rates notice to confirm accuracy.
 - e) Ongoing development of an internal accounting manual.
 - f) The implementation of a new purchase order form that verifies or otherwise compliance with Purchasing policy requirements, and
 - g) The implementation of a Contracts and Grants Registers

COMMITTEE RECOMMENDATION

Moved Prof Gilchrist Seconded Cr Sadler

THAT the Audit Committee recommend to Council;

1. **That the matters identified in the 2018/19 Interim Audit Management Letter be noted , and;**
2. **That the actions of staff in in responding to these issues as follows, be endorsed:**
 - a) **Implement change request documentation for minor IT upgrades.**
 - b) **Obtain assurances from Civica Pty Ltd that protect the Town's information from inappropriate access by their staff, and further note that staff will develop a system that regularly monitors and reviews in a timely fashion ALL access to the system**
 - c) **Further consider the suggestion to create a second user access for employees who have administrator access privileges**
 - d) **Implement systems that check rates settings prior to the levying of the annual rates notice.**
 - e) **Implement a sign off form for authorisation to proceed with the printing of the annual rates notice to confirm accuracy.**
 - f) **Consider a system whereby a program for regular policy review is developed for further consideration at an elected members briefing forum**
 - g) **Ongoing development of an internal accounting manual.**
 - h) **The implementation of a new purchase order form that verifies or otherwise compliance with Purchasing policy requirements, and**

i) The implementation of a Contracts and Grants Registers

Carried 5/0

8.1.3 2019 FINANCIAL MANAGEMENT REVIEW

File Ref: SUB/2791
Attachments: 8.1.3(a) 2018 Financial Management Review
Responsible Officer: Mat Humfrey, Chief Executive Officer
Author: Garry Bird, Deputy Chief Executive Officer
Author Disclosure of Interest: Nil

As per the order of business this item was dealt at the conclusion of 8.1.2 Interim Audit Results for the Year Ending 30 June 2019.

SUMMARY

To consider a report into the financial systems of the Town, prepared in accordance with Regulation 17 of the Local Government (Audit) Regulations 1996.

BACKGROUND

A Financial Management Review is required every three years as per the provisions of the Local Government (Audit Regulations) 1996 Regulation 17.

Following a competitive quotation process, the Town administration engaged the services of Butler Settineri to undertake this review in January 2019.

STRATEGIC IMPLICATIONS

This report is consistent with the Town's *Strategic Community Plan 2013 – 2023*.

Priority Area 6: Providing open and accountable local governance

Major Strategy 6.2: Continue to deliver high quality governance, administration, resource management and professional development.

POLICY IMPLICATIONS

There are no perceived policy implications arising from the officer's recommendation.

STATUTORY ENVIRONMENT

Local Government Act 1995

Local Government (Audit) Regulations 1996

17. *CEO to review certain systems and procedures*

(1) *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to –*

- (a) *risk management; and*
- (b) *internal control; and*
- (c) *legislative compliance.*

- (2) *The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.*
- (3) *The CEO is to report to the audit committee the results of that review.*

FINANCIAL IMPLICATIONS

The review undertaken by Butler Settineri cost \$6,500.

There are no long term perceived financial implications arising from the review and staff have responded to the issues raised.

STAFFING IMPLICATIONS

There are no perceived staffing implications arising from the officer's recommendation.

ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS

There are no perceived sustainability implications arising from the officer's recommendation.

CONSULTATION

Nil

OFFICER COMMENT

The Auditor has identified eighteen matters for further consideration during the interim audit.

Officer comment regarding the eighteen issues are contained in the Review which is attached for consideration by Committee Members.

VOTING REQUIREMENT

Simple Majority

OFFICER AND COMMITTEE RECOMMENDATION

Moved Prof Gilchrist Seconded Cr Rodda

THAT the Audit Committee recommend to Council that the matters identified in the 2018 Financial Management Review be noted, and the actions of staff in responding to these matters endorsed

Carried 5/0

At this point the committee returned to the 8.1.1 Review of Investment Policy.

8.2 ITEMS FOR DISCUSSION

The committee returned to the order of business from this point

Nil

9 GENERAL BUSINESS**9.1 COMMITTEE MEMBERS**

Ms Vicky Van Heerden enquired as to why the Action List had not been included in this meetings agenda and was advised by Deputy CEO Mr Bird that there were no outstanding actions for discussion.

Presiding Member Cr Rodda requested the administration include an 'Outstanding Actions' item as standing Agenda item.

9.2 OFFICERS

NIL

10 MEETING CLOSED TO PUBLIC**10.1 MATTERS FOR WHICH THE MEETING MAY BE CLOSED**

NIL

11 NEXT MEETING

To be advised.

12 MEETING CLOSURE

The Presiding Member announced the closure of the meeting at 3:45pm.

TOWN OF COTTESLOE



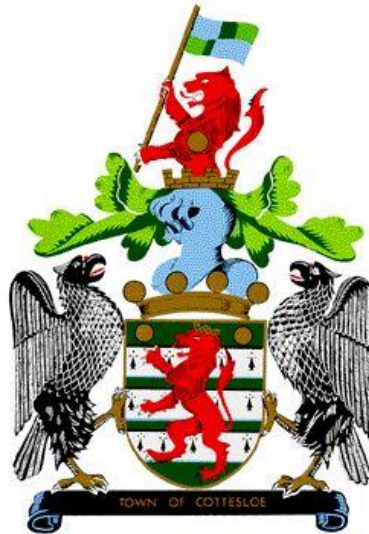
ATTACHMENTS

AUDIT COMMITTEE – 30 JULY 2019

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TOWN OF COTTESLOE



AUDIT COMMITTEE

ATTACHMENT

ITEM 8.1.1A: DRAFT MANAGEMENT OF INVESTMENTS POLICY

TOWN OF COTTESLOE POLICY

MANAGEMENT OF INVESTMENTS

1. Objective

The objective of this policy is to provide a framework for the investment of the Town's excess funds. While exercising the power to invest, consideration will be given to the following:

- a. Preservation of capital: Investment management is to be undertaken in a manner that seeks to ensure security and safeguarding the investment portfolio. This includes managing credit and interest rate risk where applicable within identified threshold and parameters.
- b. Liquidity: There is to be sufficient liquidity to meet all reasonably anticipated cash flow requirements as and when they fall due without incurring significant costs due to the unanticipated sale of an investment.
- c. Investment Return: Investments are expected to achieve a market average rate of return taking into account the Town's risk tolerance.
- d. Fossil Fuel Divestment: In an attempt to reduce climate change and to support those companies who invest in non-fossil fuel industries, the Town will divest itself of investments with Authorised Deposit Institutions (ADI's) who do invest in fossil fuel related enterprises, subject to restrictions imposed by this Policy.

2. Principles

Notwithstanding the introduction of this Policy Document, the General Financial Management obligations imposed on the Chief Executive Officer under the *Local Government Act 1995* and the *Local Government (Financial Management) Regulations 1996* should at all times be complied with.

The Council and delegated investment officers have fiduciary responsibilities under Section 6.14 of the *Local Government Act 1995* and therefore risks must be kept to a minimum, particularly credit risk. In this respect, the schedule of Authorised Investments (Section 10.0 *Trustees Act 1962*) and limits applying to counter-parties (Section 11.0 *Trustees Act 1962*) are to be adhered to. This will ensure delegated officers comply with the 'Prudent Person' rule.

Council recognises its obligations under the 'Prudent Person' rule by seeking to adhere to an investment policy with a conservative bias.

3. Issues

Council Officers will ensure adequate risk management controls are in place. Risk management controls include:

- Documented authority to invest
- Documented investment procedures

4. Policy**4.1 Legislative Requirements**

All investments are to comply with the following:

TOWN OF COTTESLOE POLICY

- *Local Government Act 1995* Section 6.14
- *The Trustees Act 1962* Part III Investments
- *Local Government (Financial Management) Regulations 1996* Regulation 19 and Regulation 19C
- Australian Accounting Standards

4.2 Prudent Person Standard

Investment will be managed with the care, diligence and skill that a prudent person ~~would~~ exercise. Officers are to manage the investment to safeguard the portfolios in accordance with the spirit of this Investment Policy, and ~~funds are not to be used for~~ speculative purposes.

4.3 Approved Investments

Investments are limited to:

- Interest Bearing term deposits with Authorised Deposit Taking Institutions (ADIs – Australian banks, building societies and credit unions) for a term not exceeding 12 months.
- Interest Bearing deposits with the Western Australian Treasury Corporation (WATC) for a term not exceeding 12 months.
- ~~Bonds~~ Bonds guaranteed by the Commonwealth Government or State or Territory for a term not exceeding three years.

4.4 Fossil Fuel Divestment

- ~~The Town of Cottesloe considers climate crisis change a serious threat to current and future generations locally, nationally and internationally and specifically to our prized coastal assets.~~
- ~~The Town of Cottesloe has committed to carbon neutrality, and to this end seeks to ensure its financial investments support the reduction of fossil fuels.~~
- ~~To this end the Town will review and manage its investment portfolio to identify financial institutions which support either direct or indirect support of fossil fuel companies and will limit investments in these institutions to the minimum required which will allow compliance with parts 4.5.1 and 4.5.2 below.~~

The *Local Government (Financial Management) Amendment Regulations 2017* specifically prohibits investment in a foreign currency.

4.5 Risk Management Guidelines

Investments obtained are to comply with ~~three key criteria relating to:~~

- Portfolio Credit Framework: limit overall credit exposure of the portfolio.
- Counterparty Credit Framework: limit exposure to individual ADIs and government.
- Term to Maturity Framework: limits based upon maturity of investments.
- Overall Portfolio Limits

4.5.1 Global Credit Framework

The portfolio credit guidelines to be adopted will be based on the Standard and Poors (S&P) rating systems criteria for each institution. A description of each rating category is included in Appendix 1.

TOWN OF COTTESLOE POLICY

S&P* Long Term Rating Category Applicable for Government Bonds Only Investments	S&P* Short Term Rating Category Applicable for ADI and WATC Only Investments	Overall Portfolio Maximum Limit
AAA/AA	A-1	100%
	A-2	60%
	A-3 to Unrated ADI	10%

* or Moody's/Fitch equivalents

4.5.2 Institution Credit Framework

Exposure to an individual ADI will be restricted by their credit rating so that single entity exposure is limited, as detailed in the table below:

S&P* Long Term Rating Category Applicable for Government Bonds Only Investments	S&P Short Term Rating Category Applicable for ADI and WATC Only Investments	Overall Portfolio Maximum Limit
AAA/AA	A-1	45%
	A-2	40%
	A-3 to Unrated ADI	10%

* or Moody's/Fitch equivalents

If any of the Town's investments are downgraded such that they no longer fall within the investment policy category limits, they will be divested as soon as practicable.

4.5.2 Term to Maturity Framework

The investment portfolio is to be invested within the following maturity constraints.

Overall Portfolio Term to Maturity		
Portfolio < 1 year	Min 30%	Max 100%
> 1 year < 3 years	Min 0%	Max 70%

4.6 Delegated Authorities

Acronyms used in the below table:

- Finance Manager (FM)
- Deputy Chief Executive Officer (DCEO)
- Chief Executive Officer (CEO)

Activity	Authorising Officers	Amount
Investment decision: Placement of Deposit Deposit withdrawal:	Two of the following three: CEO, DCEO and FM.	\$0 to <\$2,000,000 unlimited

~~Decisions in excess of these limits will be referred to Council.~~

TOWN OF COTTESLOE POLICY

4.7 Benchmarking

The performance of the investment portfolio shall be measured against the UBS Warburg 90 Day Bank Bill Index and/or the Cash Rate.

4.8 Reporting and Review

A monthly report will be provided to Council in support of the monthly statement of activity. The report will detail the investment portfolio in terms of performance, percentage exposure of total portfolio, maturity date and changes in market value.

Documentary evidence must be held for each investment and details thereof maintained in an Investment Register.

Where the Town continues to invest with those ADI's who do support fossil fuel related industry, the Town will write to these ADI's annually seeking an update on what they have achieved in the past twelve months to either reduce their investment in such industries and what alternative investments they have developed to enable the Town to further divest from fossil fuel related investments.

Certificates must be obtained from the financial institutions confirming the amounts of investments held on the Town's behalf as at 30 June each year and reconciled to the Investment Register.

This Policy will be reviewed at least every four years or as required in the event of legislative changes. Where, as a result of changes to legislation or the ability arises to invest to the advantage of the Town contrary to the provisions of this policy, the Chief Executive Officer may initiate such variations as deemed necessary subject to the submission of a report to the Council approving any variation to the Policy in advance.

5. Related Documents

Nil

6. Appendix

Appendix One – Standard & Poor's Ratings Description

Adopted	24 April 2018
Expected date of review	

MANAGEMENT OF INVESTMENTS – APPENDIX ONE

STANDARD & POOR'S RATINGS DESCRIPTION

1. Standard & Poor's Ratings Description

Standard & Poor's (S&P) is a professional organisation that provides analytical services. An S&P rating is an opinion of the general creditworthiness of an obligor with respect to particular debt security or other financial obligation — based on relevant risk factors.

Credit ratings are based, in varying degrees, on the following considerations:

- Likelihood of payment.
- Nature and provisions of the obligation.
- Protection afforded by, and relative position of, the obligation in the event of bankruptcy, reorganisation or other laws affecting creditors' rights.

The issue rating definitions are expressed in terms of default risk.

2. Short Term Obligation Ratings

2.1. A-1

This is the highest short-term category used by S&P. The obligor's capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.

2.2. A-2

A short-term obligation rated A-2 is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitment on the obligation is satisfactory.

2.3. A-3

A short-term obligation rated A-3 exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

2.4. Unrated

Are not rated by S&P however the City's Investment Policy does allow limited investment in those ADIs that are supervised by the Australian Prudential Regulatory Authority (APRA).

3. Long Term Obligation Ratings

3.1. AAA

An obligation/obligor rated AAA has the highest rating assigned by S&P. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

3.2. AA

An obligation/obligor rated AA differs from the highest rated obligations only in a small degree. The obligor's capacity to meet its financial commitment on the obligations is very strong.

3.3. Plus (+) or Minus (-)

The ratings from 'AA' to 'CCC' may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

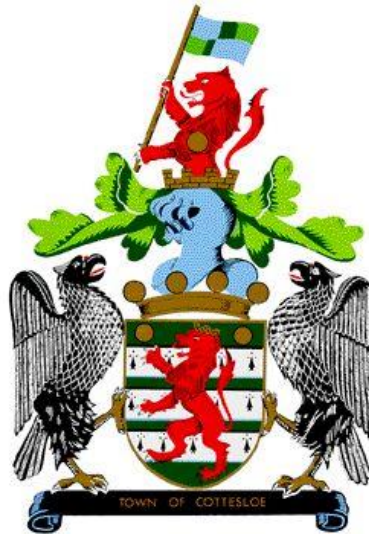
3.4. CreditWatch

CreditWatch highlights an emerging situation, which may materially affect the profile of a rated corporation and can be designed as positive, developing or negative. Following a full review the rating may either be affirmed or changed in the direction indicated.

3.5. Rating Outlook

A Rating Outlook highlights an emerging situation, which may materially affect the profile of a rated corporation and can be designed as positive, developing or negative. Following a full review the rating may either be affirmed or changed in the direction indicated.

TOWN OF COTTESLOE



AUDIT COMMITTEE

ATTACHMENT

**ITEM 8.1.2A:
INTERIM AUDIT RESULTS FOR THE YEAR ENDING
30 JUNE 2019**



Our Ref: 7976

Mr Mat Humfrey
Chief Executive Officer
Town of Cottesloe
PO Box 606
COTTESLOE WA 6911



7th Floor, Albert Facey House
469 Wellington Street, Perth

Mail to: Perth BC
PO Box 8489
PERTH WA 6849

Tel: (08) 6557 7500
Fax: (08) 6557 7600
Email: info@audit.wa.gov.au

Dear Mr Humfrey

**ANNUAL FINANCIAL REPORT
INTERIM AUDIT RESULTS FOR THE YEAR ENDING 30 JUNE 2019**

We have completed the interim audit for the year ending 30 June 2019. We performed this phase of the audit in accordance with our audit plan. The focus of our interim audit was to evaluate your overall control environment, but not for the purpose of expressing an opinion on the effectiveness of internal control, and to obtain an understanding of the key business processes, risks and internal controls relevant to our audit of the annual financial report.

Management Control Issues

I would like to draw your attention to the attached listing of deficiencies in internal control and other matters that were identified during the course of the interim audit. These matters have been discussed with management and their comments have been included on the attachment. The matters reported are limited to those deficiencies that were identified during the interim audit that we have concluded are of sufficient importance to merit being reported to management. Some of the matters may be included in our auditor's report in accordance with section 7.9(2) of the *Local Government Act 1995* or regulation 10(3)(a) and (b) of the *Local Government (Audit) Regulations 1996*. If so, we will inform you before we finalise the report.

This letter has been provided for the purposes of your local government and may not be suitable for other purposes.

We have forwarded a copy of this letter to the Mayor. A copy will also be forwarded to the Minister for Local Government when we forward our auditor's report on the annual financial report to the Minister on completion of the audit.

Feel free to contact me on 6557 7525 if you would like to discuss these matters further.

Yours faithfully

KELLIE TONICH
SENIOR DIRECTOR
FINANCIAL AUDIT
24 July 2019

Attach

ATTACHMENT

TOWN OF COTTESLOE
PERIOD OF AUDIT: YEAR ENDED JUNE 2019
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Lack of documentation of test and approval for minor changes		✓	
2. Unrestricted vendor's access to Authority's production environment		✓	
3. Business user with privileged IT functions to the Authority application		✓	
4. Discounts on rates		✓	
5. Document execution of control procedures			✓
6. Review of policies and procedures		✓	
7. Quotation acceptance	✓		
8. Grants and contracts register			✓

KEY TO RATINGS

The Ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

ATTACHMENT

**TOWN OF COTTESLOE
PERIOD OF AUDIT: YEAR ENDED JUNE 2019
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**

1. Lack of Documentation of Test and Approval for Minor Changes in the IT Environment

Finding

Town of Cottesloe (ToC) manages its daily operations with the help of the Authority IT system ("Authority"). Authority is the enterprise system that is used to manage human resources and payroll, process payments, capture revenue and record GL information.

Based on our understanding of ToC's change management process, we understand that changes are categorised into two categories: major and minor changes. Major changes incorporate the major system upgrade which occurs approximately every 18 months. All major changes undergo testing and approval and evidence of these are documented and kept by the IT team. Minor changes are comprised of patches, hot fixes and bug resolutions which occur every couple of weeks/months. These types of changes are tested and approved, however, evidence of testing and approval are not required to be documented and retained by management.

Rating: Moderate

Implication

When there is lack of documentation to support that tests were performed and approval was obtained, it may be difficult for management to ensure that only approved changes are placed into production.

In addition, insufficient tests may be conducted which may negatively impact the systems' performance.

Recommendation

Management should implement processes to mandate documentation for tests performed and approvals sought for all changes prior to migrating the change to the production environment.

Management Comment

This recommendation is noted and accepted by management. A new change request form will be developed and used to sign off all future minor upgrades.

Responsible Person: Garry Bird
Completion Date: 15 July 2019

ATTACHMENT

**TOWN OF COTTESLOE
PERIOD OF AUDIT: YEAR ENDED JUNE 2019
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**

2. Unrestricted Vendor's Access to Authority's Production Environment

Finding

Authority is a purchased application from vendor, Civica, who owns the source code of this system (i.e. no one from ToC has access to make changes to this system's source code). Civica provides continuous support to ToC when the latter encounters issues in using the system. In this regard, Civica has been granted unrestricted access to Authority's production environment due to the continuous support and maintenance services being provided.

Through discussions with the IT team, we also noted that there are no monitoring controls in place to review the activities performed by Civica and to identify any unauthorised changes made in the system.

Rating: Moderate

Implication

Providing the vendor with unrestricted and unmonitored access to modify aspects of the system, increases the risk of unauthorised changes being made (intentionally or inadvertently) without being detected and corrected in a timely manner.

Recommendation

Management should:

- Implement a process to only allow access to the vendors on 'as-needed' basis, and/or
- Periodically monitor vendor's changes to the production environment to identify potential unauthorised or unapproved changes. Evidence of these reviews and the corresponding actions should be documented and maintained.

Alternately management should enquire with Civica in regards to the availability of an Assurance report to obtain assurance that Civica have appropriate internal controls in place to prevent and/or detect inappropriate changes and access. This could be in the form of a Service Organisation Controls (SOC) report in line with the ASAE3402 standard.

Management Comment

The Town has raised this matter with Civica and received an assurance that a statement that satisfies ASAE3402 will be developed by them as a matter of priority.

In the interim, the Town does not propose to restrict Civica access to the system as this would effectively mean that Civica would not be able to respond to support requests and other matters until an approval was granted. Given the importance of some of these support requests, the potential for delay in responding may create further issues.

Responsible Person: Garry Bird
Completion Date: 3 July 2019

ATTACHMENT

**TOWN OF COTTESLOE
PERIOD OF AUDIT: YEAR ENDED JUNE 2019
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**

3. Business User with Privileged IT Functions to the Authority Application

Finding

Authority is the key application used by Town of Cottesloe as this system is used to support the core business functions. Therefore, it is imperative that the administrator access to this system be restricted to appropriate persons only.

Through our discussion with the IT team and the Finance Manager, we understand that the Finance Manager (Wayne Richards) is provided with administrator access to the Authority system that gives him the ability to add, modify and remove user access in the Authority system.

Rating: Moderate

Implication

Providing business users with administrative rights to systems provides them the ability to elevate user privileges and/or create fictitious users to perform business transactions that may normally be prevented by segregation of duties implemented through user access security.

Recommendation

Management should perform either of the following:

- Consider revoking the administrator access for the business user, or
- Where the business user is required to have the administrator access, management should examine the feasibility of enabling logging facility that would record the activities carried out by the user's account. These logs should be independently reviewed on a periodic basis (i.e. quarterly) by management and evidence of these reviews should be documented and maintained. The users should be provided two accounts (a standard account and administrator account) and the administrator account only used when required to perform a specific administrator function and the standard account used for everyday finance transaction processing.

Management Comment

Whilst it is agreed that it is not ideal to have the Finance Manager also involved in processing or amending users access privileges, only having access part time IT support has made this a necessity.

Please note transaction logs cannot be amended firstly by the Finance Manager.

Responsible Person: Garry Bird
Completion Date: 15 July 2019

ATTACHMENT

**TOWN OF COTTESLOE
PERIOD OF AUDIT: YEAR ENDED JUNE 2019
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**

4. Discounts on Rates

Finding

As part of our test of controls across the rates to cash receipts process, we observed three (3) instances from a representative sample of 25 transactions in which the discount available to concession holders was miscalculated. Two (2) instances of the erroneous calculation of discounts was caused by the fact that an incorrect discount amount was inputted into the Authority system.

Rating: Moderate

Implication

The lack of review procedures across the calculation of discounts against rates revenue increases in the risk of undetected errors.

Recommendation

Management should implement a control to test the accuracy of the discounts automatically calculated by the Authority system for each possible type of concession holder.

Management Comment

We accept this comment and have now developed a system whereby the rates parameters settings, including rebates, are now reviewed and authorised.

Notwithstanding this, it should be noted that the Office of State Revenue has responsibility for the ultimate approval for all rebate claims.

Responsible Person: Garry Bird
Completion Date: 15 July 2019

ATTACHMENT

**TOWN OF COTTESLOE
PERIOD OF AUDIT: YEAR ENDED JUNE 2019
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**

5. Document Execution of Control Procedures

Finding

We were advised that Management review a representative sample of rates notices for accuracy prior to printing and distribution to ratepayers; however, there is no evidence that this key control was executed.

Rating: Minor

Implication

Lack of documentation of control procedures being performed does not allow management, internal auditors and external auditors to monitor the proper execution of the control procedures. This increases the risk that improper or incomplete execution of control procedures may go undetected resulting in an increased risk of undetected error or fraud, the risk of misstatement in the financial statements or misappropriation of assets.

Recommendation

ToC should implement internal policies to more formally document the features of the control and require evidence of control performance. In cases of independent review, the control should indicate details of the review procedures performed and document the date and reviewers signature as evidence of review and approval.

Management Comment

This recommendation is noted and accepted by management. A new sign off form will be developed and used to confirm sign off.

Responsible Person: Garry Bird
Completion Date: 15 July 2019

ATTACHMENT

**TOWN OF COTTESLOE
PERIOD OF AUDIT: YEAR ENDED JUNE 2019
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**

6. Review of Internal Policies and Procedures

Finding

We noted that ToC's policies and procedures as published in the Town's website (<https://www.cottesloe.wa.gov.au/documents/policies>) have not been updated on a regular basis.

For instance:

No	Name of policies and procedures	Last updated
1	Asset management policy	March 2010
2	Corporate card policy	May 2016
3	Differential rate policy	November 2010
4	Rate recovery policy	July 2009

In addition, we noted that there was no formal accounting manual outlining various internal financial statement close processes for the Town.

Rating: Moderate

Implication

Lack of reviews and updates to the internal policies and procedures and a formal accounting manual may lead to processing inconsistencies and errors. Similar activities may be performed in a different manner and to unclear deadlines, creating difficulties if an alternative performer of the activity is required. The lack of revision over internal policies and procedures and a formal accounting manual may also lead to inefficiencies in the monthly and annual close processes.

Recommendation

Management should update the policies and procedures on a regular basis (preferably on an annual basis) and formalise its internal accounting manual. We recommend the creation of a risk control matrix to establish clear accountability and segregation of duties. In addition, this documentation exercise will provide an opportunity to review procedures and to introduce efficiencies or improve controls, as well as to provide support for future growth.

Management Comment

It is noted that some of the above policies are overdue for formal review. The Town generally adopts a four-year review period for new or amended policies as a minimum. Policies can be reviewed within this four-year period if deemed necessary as evidenced by the recent reviews of the Management of Investments Policy.

Given the Town's limited resources and the time etc. required to review all policies on an annual basis, the perceived benefit of this exercise is questioned.

There is no statutory requirement to review policies on an annual basis.

The development of an internal accounting manual to formalise the existing processes is supported and will be developed on an ongoing basis during 2019/20.

Responsible Person: Garry Bird
Completion Date: 15 July 2019

ATTACHMENT

**TOWN OF COTTESLOE
PERIOD OF AUDIT: YEAR ENDED JUNE 2019
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**

7. Quotation Acceptance

Finding

Under the legacy purchasing policy, effective for periods prior to 30 April 2019, "a purchase order will only be issued after a written quote, confirming the verbal quote, is received".

However, as part of our test of controls across the procurement to payables cycle, we observed 4 out of 33 instances in which no written quote was retained. It is not readily determinable as to reasons why a written quote was not sourced or retained; for example, whether the procurer utilised the exemptions available under the legacy purchasing policy or failed to formalise a verbal quote with a written quote. In addition, we observed 2 out of 33 instances in which (a) a written quote was available but (b) there was no written evidence available as to why the particular vendor was selected.

Rating: Significant

Implication

Lack of documentation of control procedures being performed does not allow management, internal auditors and external auditors to monitor the proper execution of the control procedures.

If purchases are made without obtaining sufficient quotes, there is a risk of favouritism of suppliers not obtaining value for money.

Recommendation

Management should document why the purchase of a good or service is not supported by a quotation acceptance, if applicable, in consideration of the exemptions available under the purchasing policy. An appropriate member of management should only authorise the purchase order prior to the initiation of purchase transaction to the extent they are satisfied that a quotation acceptance is not required to be completed.

Management Comment

The Town accepts this comment and has developed a form that is used to support the Purchase Order that summarises the quotations received or why the requirements of the Purchasing Policy have not been adhered to.

It is intended to purchase new Purchase Order books to include the information contained on the form so that staff.

Responsible Person: Garry Bird
Completion Date: 23 July 2019

ATTACHMENT

**TOWN OF COTTESLOE
PERIOD OF AUDIT: YEAR ENDED JUNE 2019
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**

8. Grants and Contracts Register

Finding

ToC has a process of maintaining and cataloguing key agreements (e.g. contracts and grants) in an electronic document repository system. However, ToC does not maintain a register of contracts or grants.

Rating: Minor

Implication

ToC may not comply with the financial reporting obligations of grant arrangements, which may result in the return of grant monies where the conditions attached to the grant contract are not satisfied.

Recommendation

Management should develop and implement a grant and contracts register, within which all contracts, grant arrangements and variations are documented and retained. In respect of grant arrangements, the register should document any financial reporting obligations, if any, including commentary on due dates and external audit requirements.

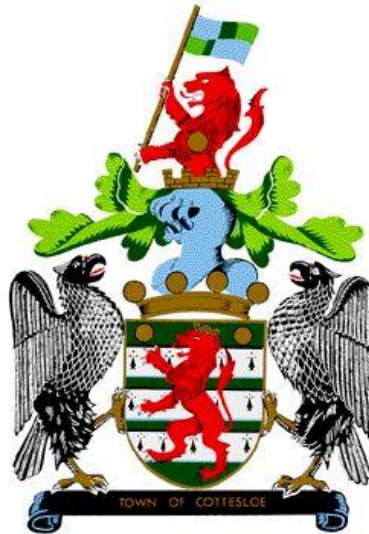
Management Comment

These comments are supported and the Town has recently created separate grant and contract registers as a result of recommendations contained in the 2019 Financial Management Review.

Comments from the Office of the Auditor General in regards to these two new registers would be welcome.

Responsible Person: Garry Bird
Completion Date: 15 July 2019

TOWN OF COTTESLOE



AUDIT COMMITTEE

ATTACHMENT

ITEM 8.1.3A: 2018 FINANCIAL MANAGEMENT REVIEW



17 April 2019

Mr M Humfrey
Chief Executive Officer
Town of Cottesloe
PO Box 606
COTTESLOE WA 6911

Dear Mat

**TOWN OF COTTESLOE
AGREED-UPON PROCEDURES ENGAGEMENT
FINANCIAL MANAGEMENT SYSTEM REVIEW**

Please find enclosed documents that relate to the agreed-upon procedures engagement of the above mentioned Town.

Should you require any other information, please do not hesitate to contact me.

Yours sincerely
BUTLER SETTINERI (AUDIT) PTY LTD

MARIUS VAN DER MERWE CA
Director

Enc

TOWN OF COTTESLOE

AGREED-UPON PROCEDURES ENGAGEMENT

31 DECEMBER 2018

CONTENT SUMMARY

1	Executive Summary	1
1.1	Background	1
1.2	Review objectives and scope	1
1.3	Approach	1
1.4	Key Findings	2
Appendix A	Review of implementation of Town of Cottesloe policies and procedures	
Appendix B	List of policies and procedures covered by this review	

This report is provided in accordance with the Agreed upon procedures engagement letter dated 30 January 2019 and is subject to its terms and conditions.

Our work was limited to that described in this report and was performed in accordance with ASRS 4400 as issued by AUASB. It did not constitute an examination or a review in accordance with generally accepted auditing standards or assurance standards. Accordingly, we provide no opinion or other form of assurance with respect to our work or the information upon which our work was based. We did not audit or otherwise verify the information supplied to us in connection with this review, except to the extent specified in this report.

Our work was based only on the information made available up to the date of the review. Accordingly, changes in circumstances after this date or the availability of other information could affect our findings

This report is intended solely for Town of Cottesloe's internal use and benefit and may not be relied on by any other party. We accept no liability or responsibility to any other party who gains access to this report.

1. Executive Summary

1.1 Background

As outlined in our engagement letter dated 30 January 2019, you engaged us to perform a review of the policies, procedures and practises (“framework”) relating to particular areas of the Town of Cottesloe.

Town of Cottesloe is a local government based in Western Australia. It is governed by seven (7) Councillors and a Town Mayor. Council is responsible for planning and making decisions on policies and developments affecting the area.

At the time of the review, the Town employed approximately forty two (42) staff to implement the Council’s decisions, run its day-to-day operations and provide a range of programs and services for the community.

As required by Regulation 5(2) of the Local Government (Financial Management) Regulations 1996, the Chief Executive Officer (“CEO”) is to review the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly. The CEO is also required to report to the audit committee the results of this review.

During the beginning of the month of December 2018, the CEO outsourced the above review and engaged Butler Settineri (Audit) Pty Ltd to conduct a review of the local government’s system covering key financial management areas in the framework.

1.2 Review objectives and scope

The objective of this review is to compare the internal control policies and procedures adopted by the Town of Cottesloe with the minimum requirements of the Local Government Act 1995 and its associated regulations and to determine the extent to which the stated policies and procedures as adopted by Town of Cottesloe have been implemented by the CEO.

The scope included review of the policies and procedures and the areas and cycles described in Appendix B to this report.

1.3 Approach

The review process was carried out as follows:

We obtained a list of all the policies and procedures as documented by the Town from the Finance Manager, Wayne Richards.

We compared this listing and the relevant areas covered by these policies to the Local Government Act and Regulations, in particular the Local Government (Financial Management) Regulations, as amended from time to time.

We noted areas of concern, in particular where we identified a lack of documented policies and procedures, or where documented policies and procedures deviated from the requirements of the Regulations.

We further performed walkthroughs of all significant transaction cycles. Our decision to perform a walkthrough was based on the significance of a particular cycle in terms of either the dollar value it represented in the annual financial statements (reference year 2017/18) or the strategic importance as noted in the Regulations or discussions from management.

From these walkthroughs we noted areas of concern for discussion with management. Areas of concern include any significant deviation from the documented framework, or where the current framework did not address key risk areas.

From the work performed above, we prepared a draft report to identify specific key risk areas and potential improvement recommendations.

After consulting with management and obtaining their comments on our recommendations, we now issue our final report to the audit committee.

1.4 Key findings

From the work performed during our review, we note that the financial management framework is generally in good order.

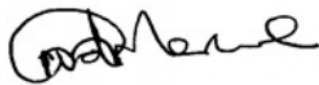
In particular, we found that all major controls in relation to financial controls for the receipting of monies, safeguarding of assets and control over expenditure are in place and functional.

Therefore, all our findings are categorised as medium or low, which indicate a generally good system of internal control and we wish to congratulate Garry, Wayne and the team on maintaining a high level of control with regards to the financial systems of the Town.

We do have several recommendations to make however, and the detailed findings identified during our review can be found in Appendix A of this report. These recommendations have been discussed with management and action plans to address these risks within acceptable timeframes were agreed on.

We would like to take this opportunity to thank all staff involved in this review for their courteous assistance, in particular Garry, Wayne and the accounting team.

BUTLER SETTINERI (AUDIT) PTY LTD



MARIUS VAN DER MERWE CA
Director

APPENDIX A: REVIEW OF IMPLEMENTATION OF TOWN OF COTTESLOE POLICIES AND PROCEDURES

Number	Accounting Cycle	Audit Findings/Comment	Rating	Recommendation	Management comment
1.	Cash & Banking	<p>We noted that the Administration Officer is responsible for receipting and the preparation of the Daily Receipt Listing at the end of each day.</p> <p>We further note that the till at reception is counted by the Front Officer in-charge for the day without a second employee being present.</p>	Medium	We recommend that the daily cash count be performed in the presence of a second employee.	<p>Our staff performs three checks of the float each working day, one at the start of the day, another mid afternoon and the final count at the end of each working day. We don't disagree with the recommendation however current staffing levels do not allow having a second person at each cash count. And also this would not prevent a staff member from taking cash over the counter and not receipting it at all. Please note that this area is monitored by CCTV.</p>

<p>2.</p>	<p>Cash & banking</p>	<p>We noted that the Senior Records Officer is responsible for receiving the Town's mail, including mailed cheques and cash. Mail is opened with the assistance of one of the Administration Officers and both officers sign next to each mail item received.</p> <p>We understand that the Senior Records Officer records all cash and cheques received via the mail in the Mail Register and Cheque Register. All cash and cheques received are handed to the Administration Officer who processes a receipt via Civica Authority which is reflected on the Daily Receipt Listing.</p> <p>Additionally it is noted that no reconciliation is performed comparing the cash and cheques received as recorded in the Mail and Cheque Registers with the Daily Receipt Listing.</p>	<p>Low</p>	<p>We recommend that a daily reconciliation of cash and cheques received as recorded in the Mail and Cheque Registers is performed with the Daily Receipt Listing.</p> <p>We further recommend that the receipt numbers generated from the Civica Authority system for both cash and cheques received be recorded in the Mail and Cheque Registers as a cross check to ensure all cash and cheques received are receipted.</p>	<p>We have been doing this on the very rare occasions that it happens and we actively discourage cash in the mail as a method of payment. I am not aware of the example where this procedure was not followed?</p>
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3.	Cash & banking	<p>We noted that the Assistant Finance Manager is responsible for receipting direct transfers to the Town's account.</p> <p>However, we noted that the Assistant Finance Manager is also responsible for the daily bank reconciliations and as a result, there is limited segregation of duties in place. This is particularly important, given that the bank reconciliation is only reviewed on a monthly basis.</p>	Low - Medium	<p>We recommend that the receipting of direct transfers to the Town's account be processed by the Front Officer and the Daily Receipt Listing continue to be reviewed by the Assistant Finance Manager each day as part of the review of the daily banking procedure.</p>	<p>Agreed and accepted, direct transfers will in future be processed by front counter administration staff and reviewed as a part of the bank reconciliation.</p>
4.	Cash & banking	<p>The Town's daily bank reconciliations are performed by the Assistant Finance Manager.</p> <p>We noted a number of long outstanding cheques dating back to March 2017 which were recorded as outstanding cheque adjustments to the bank reconciliation.</p>	Low	<p>We recommend ensuring all the cheques over six months old are cancelled and reversed in the accounting records with a new cheque being issued should the debt still be valid. In this way all long outstanding cheques are removed from the bank reconciliation.</p>	<p>We accept and agree with this recommendation.</p>
5.	Rates	<p>The Town currently outsources its rates function to an external consultant, Zipform.</p> <p>We were advised that the Assistant Finance Manager had reviewed a sample of the rates notices prior to sending the rates notices to the ratepayers. However, we could not verify the review process as it was not indicated by a signature.</p>	Low	<p>We recommend that the review process undertaken by the Assistant Finance Manager is evidenced by the reviewer's signature.</p>	<p>We accept and agree with this recommendation.</p>

6.	Rates	<p>We understand that the Assistant Finance Manager is solely responsible for importing the interim land valuations from Landgate into Civica Authority.</p> <p>We are also advised that there is a review process in place prior to sending out the interim rates notices to the ratepayers. However, we could not verify the review process as it was not indicated by way of signature on any of the rate notices or reports used.</p>	Medium	<p>We recommend that the review process be evidenced by way of the reviewer's signature on the relevant documents.</p>	<p>We accept and agree with this recommendation.</p>
7.	Rates	<p>We noted that the Rates Policy states that a list of outstanding ratepayers are sent for debt collection 21 days after final notices are sent to the ratepayers.</p> <p>However, we noted that this list was only sent in January 2019, while the final notices were sent in October 2018.</p> <p>Furthermore, we noted that the list of outstanding ratepayers was not signed as evidence of being reviewed and authorised by the Finance Manager prior to being forwarded for debt collection.</p>	Low	<p>We recommend that the rates recovery process is reviewed to ensure compliance with the Town's Rates Policy.</p> <p>We also recommend that the list of outstanding ratepayers is reviewed and authorised by the Finance Manager prior to being forwarded for debt collection.</p>	<p>Whilst the policy mentions 21 days after final notices, this can sometimes fall close to the Christmas period and a management decision was made to hold them until the new year. The team will endeavour to start the process earlier so that this process falls well before Christmas. We also accept that the Finance Manager should review and authorise this list before it is sent to debt recovery.</p>

8.	Rates	<p>We understand that the End of Year Summary of Tasks is performed by the Assistant Finance Manager and Finance Manager with the assistance of an external consultant.</p> <p>However, we noted that there is a risk of breach of confidentiality in that residents' personal details are made available to the external consultant through the rates system.</p>	Medium	<p>We recommend that the End of Year Summary of Tasks be performed entirely by the Town's own staff without the assistance of the external consultant to minimise the risk of breach of confidentiality.</p> <p>Alternatively the Town should conclude a signed confidentiality agreement with the external consultant to mitigate the risk.</p>	<p>The end of year tasks are complex in nature and can have far reaching consequences if not performed appropriately. We take a team approach to these tasks which include both internal staff and an external consultant. It is not practical for this consultant not to have access to the system however we accept that a signed confidentiality agreement should be in place to mitigate the risk.</p>
9.	Grants	<p>We noted that there does not appear to be a Grant Register maintained by the Town.</p>	Low	<p>Although no significant amounts are involved in this area, we recommend that a Grant Register is maintained to record the grants applied for, compliance requirements for each grant, amount received and any amounts outstanding. This minimises the potential for errors in the application, management and accounting for grant revenue and expenditure.</p>	<p>We accept and agree with this recommendation.</p>

10.	Fees and charges – Building & Development Applications	<p>In respect of Private Works Orders relating to Building and Development Applications, we understand that residents complete an Application Form which is submitted to the Secretary of the Planning Department.</p> <p>Residents may choose to pay upfront via cash, cheque or credit card or choose to pay on completion of the works.</p> <p>As fees & charges revenue is only recorded on a receipts basis and no invoices are issued, the income in respect of those instances when residents elect to pay on completion of the works may not be recorded in the period to which the revenue relates.</p>	Medium	<p>We recommend recognising revenue on approval of final works completion reports by issuing invoices via Civica Authority instead of recognising revenue on the receipt of payment in order to ensure the complete and timely recording of Fees & Charges revenue.</p> <p>Further, we recommend that this process be included in the Town policy manual.</p>	<p>Unfortunately BA's and DA's and the fees and bonds payable are not able to be raised via an invoice as payment is required in advance and also trust amounts cannot be raised by invoice.</p>
11.	Fees and charges – Building & Development Applications	<p>We understand that the Statutory Planning Coordinator obtains the completed Building or Development Application Forms submitted by the residents with their credit card details for payment.</p> <p>As the resident supplied their credit card details in the Application Form, the Town's officers have access to these details and there is a risk that these officers use the credit card details fraudulently.</p>	Medium	<p>We recommend that credit card details are not provided by residents as a means of payment but an invoice is issued instead via Civica Authority. The invoice serves as a requirement to settle the final balance of fees and an ageing of customer invoices be reviewed to action the follow up and recovery of fees.</p>	<p>We are endeavouring to put in place processes and procedures to minimise the occasions whereby credit card details are taken manually by officers. However we feel that the risk of an officer using these details to commit a fraud is low.</p>

<p>12.</p>	<p>Fees and charges – Building & Development Applications</p>	<p>We understand that the Application Forms with regards to Building and/or Development Applications, are submitted directly to the Secretary of the Planning Department.</p> <p>The Application Form is checked by the Planning Department Secretary and the Building and/or Development Applications Registers are updated.</p> <p>These Registers are not followed up for any completed works in order to action the recovery of applicable fees.</p>	<p>Medium</p>	<p>We recommend that the Building and/or Development Applications Registers are followed up for any completed works in order to action the recovery of applicable fees.</p> <p>We further recommend that this be performed by issuing invoices via Civica Authority to the applicable residents.</p>	<p>Agree that fees and charges for BA's and DA's are followed up for any outstanding amounts on a regular basis.</p> <p>Unfortunately BA's and DA's and the fees and bonds payable are not able to be raised via an invoice as payment is required in advance and also trust amounts cannot be raised by invoice.</p>
<p>13.</p>	<p>Miscellaneous Contributions Income</p>	<p>We noted that miscellaneous contributions income in relation to "Right of Way" fees is communicated to residents by way of letter only.</p> <p>No Register is maintained of letters submitted and payments received.</p> <p>Unless these letters also relate to either a Building or Development application, there is no mechanism to ensure recovery of the income.</p>	<p>Low</p>	<p>We recommend recognising this type of revenue by issuing invoices via Civica Authority and sending these invoices with the letters to residents in order to ensure the complete and timely recording of Fees & Charges income.</p> <p>We recommend that a Register in respect of letters submitted be maintained.</p> <p>This Register should include details of the date of issue of the letter and receipt of payment. The Register should be reviewed regularly with follow up action</p>	<p>Unfortunately these types of fees/bonds cannot be raised on invoices. However they can be raised as fees/bonds on the BA or DA. We agree that better internal procedures to firstly input the fees would be an improvement. Furthermore controls on the issuing of permits should include a check that all relevant fees and bonds have been paid</p>

				taken with residents in an attempt to recover fees.	should be in place.
14.	Purchases & expenses	<p>We understand that the online banking security is such that any two of the Assistant Finance Manager, Finance Manager, Deputy Chief Executive Officer or Chief Executive Officer can release funds. Despite this there are instances where only the Assistant Finance Manager and Finance Manager release payments.</p> <p>We also noted that payments made are processed and loaded to the online banking site by the Assistant Finance Manager after review and authorisation by the Finance Manager. The Assistant Finance Manager also performs the first release of funds with the Finance Manager usually performing the second release of funds without the approval by the Deputy Chief Executive Officer or Chief Executive Officer.</p>	Medium	<p>We recommend that the Deputy Chief Executive Officer or Chief Executive Officer perform the second release of funds after payments are reviewed and authorised by the Finance Manager.</p>	Agreed and accepted.

15.	Payroll	<p>We understand that there is a time constraint placed on the capture and review of the fortnightly payroll run. The cut-off of processing payroll data is set for Tuesday with the payment deadline set at Wednesday evening.</p> <p>We noted that the Assistant Finance Manager responsible for the payroll processing and Finance Manager responsible for the review of payroll, are required to complete the fortnightly payroll run within a 2.5 hour period in order to meet the payment release deadline. This pressurised timeframe could lead to processing errors and may go undetected.</p>	Low	<p>We recommend that more time be set aside for payroll processing and review before the release of payroll payments.</p> <p>The easiest way to achieve this is to change the cut-off timing. We would suggest Fridays for the cut-off of payroll.</p> <p>We further recommend management consider introducing a Time Clocking System to electronically capture hours worked and automatically update the Civica Authority payroll reporting system. This will reduce the processing time taken by staff and also strengthen the integrity of data.</p>	<p>We agree and are implementing this first part, to extend the time for reviewing and processing payroll. However with staff having a variety of flexible arrangements, having a time clocking system is not practical.</p>
16.	Payroll – Leave	<p>We understand that the Civica Authority system uploads the Leave Granting Report for the purposes of updating the leave accruals balance at month end.</p> <p>We noted that the Leave Granting Report generated by the Civica Authority system is taken as correct without being reviewed by the Finance Manager.</p>	Medium	<p>We recommend that the Leave Granting Report is reviewed by the Finance Manager and is signed off as evidence of the review before updating the leave accruals balance at month end.</p>	<p>Agreed and accepted.</p>

<p>17.</p>	<p>Payroll – Leave</p>	<p>We understand that where an employee has taken annual leave in excess of the annual leave balance available, the leave will be set off against any RDO leave balance available by making a note on the timesheet. If insufficient leave balances are available for this set-off, the employee is asked to take unpaid leave and the leave form is overridden by the Assistant Finance Manager after contacting the employee.</p> <p>We also understand that the Town maintains an online leave system which records leave balances available for each employee. However, it was noted that this is not applied to the depot workers who still prepare and submit their leave forms manually.</p> <p>We noted that when approving the leave application form, leave available balances for depot workers are not considered by the appropriate manager or supervisor and leave may be approved inappropriately.</p>	<p>Low</p>	<p>We recommend that all annual leave application forms for depot workers are approved by the relevant manager or supervisor after considering the available annual leave balances to reduce the risk of inappropriate leave being granted and employees being forced to take unpaid leave.</p> <p>We further recommend management consider introducing measures to ensure depot workers make use of the online leave system to electronically apply for leave to ensure balances available for each worker are accurate and up to date before the granting of requested leave.</p>	<p>We have an online system for leave applications and a paper based system for those who do not have access to the system. Both systems have controls in place for the reviewer to check against leave balances.</p>
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<p>18.</p>	<p>Purchase of Capital Assets – Plant & Machinery</p>	<p>We understand that three (3) quotations are to be obtained for the purchase of plant and machinery.</p> <p>We also understand that the Town completes the Quotation Acceptance Form when reviewing each quotation in order to document the considerations made in the decision making process.</p> <p>For one of our samples examined relating to the purchase of a Mazda CX5, we noted that three (3) quotations were obtained by the Town. However, the details of the quotations were not documented in the Quotation Acceptance Form separately to clearly evidence which quotation was recommended and accepted.</p>	<p>Medium</p>	<p>We recommend that management consider the preparation of the Quotation Acceptance Form in every occasion when reviewing quotations in order to document the considerations made in the decision making process.</p>	<p>There is currently a review of the Town's purchasing policy taking place which will establish new thresholds and rules for record keeping processes.</p>
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APPENDIX B: LIST OF POLICIES AND PROCEDURES COVERED BY THIS REVIEW**A. Town Polices**

- Risk Management Policy
- Purchasing & Procurement Policy
- Purchasing Authority Limits Policy
- Rate Recovery Policy
- Delegation Authority Register
- Management of Investments Policy
- Differential Rating Policy
- Corporate Credit Card Policy
- Asset Management Policy
- Sale of Fixed Assets with Realisable Value Policy
- Recruitment and Selection Policy
- Outdoor Concerts and Large Public Events Policy
- Civic Centre Hall Booking Policy

B. Town Procedures

- Internal Control Procedure

C. Legislative Compliance

- Local Government (Audit) Regulations 1996
 - Regulation 7, Regulation 10 and Regulation 17
- Section 7 of the Department of Local Government Accounting Manual
- Local Government (Elections) Regulation 1996
 - Part 5A Disclosure of gifts-30G Register
- Local Government (Administration) Regulation 1996
 - Part 4 Local Government Employees-Regulation 18A to 18G
- Local Government Act 1995
 - Section 6.4
 - Section 5.16 to 5.18A
 - Section 5.36 to 5.37
 - Section 5.45 to 5.46
 - Section 5.67 to 5.68
 - Section 5.73 to 5.77
 - Section 5.88
 - Section 5.103
 - Section 5.120 to 5.121
 - Section 3.57 to 3.58
 - Section 7.1A to 7.1C
 - Section 7.3
 - Section 7.9
 - Section 7.12
- Local Government (Functions and General) Regulations 1996
 - Part 4 Provision of goods and services-Regulation
 - Part 3 Commercial enterprises by local governments
- Local Government (Financial Management) Regulations 1996
 - Regulation 5 to Regulation 13
 - Regulation 34