

11.7 Section 7.12A(4) – Significant adverse finding - Interim Audit Report - 2018/19 Financial Year

Location:	Shire of Tammin
Applicant:	Shire of Tammin Audit Committee
Date:	18 July 2019
Author:	Neville Hale
Item Approved by:	Chief Executive Officer
Disclosure of Interest:	Conditions of contract of employment
File Reference:	FIN02 – Audit
Attachment/s:	Attachment Item 11.6 – Letter received from DLGSC

Purpose/Summary

Audit Committee to inform Council and community members of a significant adverse finding identified by its Auditors RSM during a recent Interim Audit.

Background

The Shire's Auditors, RSM, recently completed its interim audit for the 2018/19 Financial Year and identified one matter it regards as significant with potential significant risk to the Shire should the finding not be addressed promptly by the entity.

The Audit Committee has reviewed the findings of the Auditors, as detailed in the Interim Audit letter to management, and recommends that Council:

- 1. note the adverse Audit finding in respect to Non-compliance with internal purchasing policy 3.1(b) and the actions proposed to be taken to address the issue;*
- 2. in accepting this report, authorize the Chief Executive Officer to forward a copy of the Report to the Minister in accordance with section 7.12A(4)(b) of the Local Government Act, 1995; and,*
- 3. publish a copy of this Report on its website in accordance with the provisions of section 7.12A(4)(b).*

The following information is provided to Council in respect to the Auditors finding.

Non-compliance with internal purchasing policy

Findings:

Schedule 3.1(b) Purchasing Thresholds and Requirements of the Shire's purchasing policy requires that purchases, within prescribed threshold amounts, meet certain conditions that must be met to comply with the Local Government Act 1995 and accompanying regulations.

During our procurement testing, from a sample of 30 purchases made during the period 1 July 2018 to 31 March 2019, we noted 17 instances (57%) where there was insufficient documentation to indicate that the requisite number of quotations had been obtained and evaluated.

Rating:

Significant

Implication:

Non-compliance with the internal purchasing policy increases the risk of breaching Part 4 of the Local Government (Functions and General) Regulations 1996 and regulations 11A (3)(b) of the Local Government (Finance and General ledger) Regulations. There is a further risk of not achieving the objectives of 'Value for Money' as stated in Policy 4 Value for Money of the Shire's purchasing policy.

Auditors Recommendation:

The requirement for full compliance with the Shire's purchasing policy must be communicated to all staff and be closely monitored by management. Taking this action should reduce the risk of non-compliance with Local Government Act 1995 and accompanying regulations. If instances arise where the Shire is unable to obtain the requisite number of quotations, the reasons should be recorded and attached to the purchase order at the time of the purchase being made.

Management Comment:

In accordance with the Shire's Purchasing Policy, verbal and written quotes will be obtained prior to purchase orders being created. All documentation to be attached to the invoice. Staff to review and understand purchasing policy.

Action Taken or Intended to be Taken

The Shire of Tammin has noted that a number of purchases did not have appropriate documentation attached to the Purchase Order or kept on appropriate files for record. All staff with responsibility for purchasing good or services have been advised of their responsibilities to adhere to the Shire's Purchasing Policy.

The Shire will continue to monitor the performance of staff to meet the required standards.

All staff have been provided with a hard copy of the Purchasing Policy and attended, in June 2019, a briefing session by the Manager of Finance and Administration on its application and requirements.

Completion or Proposed Completion Date

June 2019. However, ongoing monitoring of process will be undertaken.

Responsible Person:

All staff

Consultation

N/A

Statutory Implications

Division 4 — General

7.12A. Duties of local government with respect to audits

- (1) *A local government is to do everything in its power to —*
 - (a) *assist the auditor of the local government to conduct an audit and carry out the auditor's other duties under this Act in respect of the local government; and*
 - (b) *ensure that audits are conducted successfully and expeditiously.*
- (2) *Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.*
- (3) *A local government must —*
 - (aa) *examine an audit report received by the local government; and*
 - (a) *determine if any matters raised by the audit report, require action to be taken by the local government; and*
 - (b) *ensure that appropriate action is taken in respect of those matters.*
- (4) *A local government must —*
 - (a) *prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and*
 - (b) *give a copy of that report to the Minister within 3 months after the audit report is received by the local government.*
- (5) *Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website.*

Policy Implications

Policy 3.1 - Purchasing Framework

Financial Implications

Non-compliance with Policy could result in adverse financial outcomes

Strategic Implications

Civic Leadership Strategies

Outcome 6.1 Strong governance and leadership, demonstrating fair and equitable community values

6.1.1 Deliver sustainable governance through transparent and robust policy and processes

6.1.2 Undertake the civic duties of Council with the highest degree of ethics

Officers Recommendation

That Council:

1. note the adverse Audit finding in respect to Non-compliance with internal purchasing policy 3.1(b) and the actions proposed to be taken to address the issue;
2. in accepting this report, authorize the Chief Executive Officer to forward a copy of the Report to the Minister in accordance with section 7.12A(4)(b) of the Local Government Act, 1995; and,
3. publish a copy of this Report on its website in accordance with the provisions of section 7.12A(4)(b).

Moved: Cr _____

Seconded: Cr _____

Vote: Simple Majority

Carried/Lost: ___/___

TSC 71/19 MOTION

That Council:

1. note the adverse Audit finding in respect to Non-compliance with internal purchasing policy 3.1(b) and the actions proposed to be taken to address the issue, being:
"The Shire of Tammin has noted that a number of purchases did not have appropriate documentation attached to the Purchase Order or kept on appropriate files for record. All staff with responsibility for purchasing good or services have been advised of their responsibilities to adhere to the Shire's Purchasing Policy. The Shire will continue to monitor the performance of staff to meet the required standards. All staff have been provided with a hard copy of the Purchasing Policy and attended, in June 2019, a briefing session by the Manager of Finance and Administration on its application and requirements".
2. in accepting this report, authorize the Chief Executive Officer to forward a copy of the Report to the Minister in accordance with section 7.12A(4)(b) of the Local Government Act, 1995; and,
3. publish a copy of this Report on its website in accordance with the provisions of section 7.12A(4)(b).

Moved: Cr Batchelor

Seconded: Cr Thomson

Vote: Simple Majority

Carried: 5/0

The additional wording in point 1 has been added for the purpose of clarity.