City of
Mount Gambier

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13 December, 2018

AUDIT COMMITTEE MEMBERS

NOTICE is given that the Audit Committee will meet in the Civic Centre, Conference Room, Level 1 on Monday 17 December, 2018 at 5:00 p.m.

An agenda for the meeting is enclosed herewith.

Mark McSHANE
CHIEF EXECUTIVE OFFICER

AR18/50248

AGENDA INDEX

AGENDA OF ORDINARY AUDIT COMMITTEE MEETING

Meeting to be held at the Committee Room, Civic Centre, 10 Watson Terrace, Mount Gambier on Monday 17 December 2018 at 5:00 pm

PRESENT
Cr Sonya Mezinec
Ms Vanessa McDonald
Ms Angela Kain
Mayor Lynette Martin (Ex Officio)

COUNCIL OFFICERS
Mrs Pamela Lee	-	General Manager Council Business Services
Mr Jeroen Zwijnenburg	-	Manager Finance and Customer Service
Ms Kahli Rolton	-	Management Accountant

WE ACKNOWLEDGE THE BOANDIK PEOPLES AS THE TRADITIONAL CUSTODIANS OF THE LAND WHERE WE MEET TODAY. WE RESPECT THEIR SPIRITUAL RELATIONSHIP WITH THE LAND AND RECOGNISE THE DEEP FEELINGS OF ATTACHMENT OUR INDIGENOUS PEOPLES HAVE WITH THIS LAND.

Pamela Lee, General Manager Council Business took the chair for the first item of business

1. **APPOINTMENT OF ACTING
   PRESIDING MEMBER:**   nominated   as acting Presiding Member.

   moved that   be appointed Acting Presiding Member for the items 2,3,4, 5, 6 and 6.1 of business

   seconded.

2. **APOLOGY/IES**

   Apology(ies) received from Mayor Lynette Martin

   That the apology from Mayor Martin   be received.

   Moved: Seconded:

3. **CONFIRMATION OF AUDIT COMMITTEE MINUTES**

   That the minutes of the Ordinary Audit Committee meeting held on 26 September 2018 be confirmed as an accurate record of the proceedings of that meeting.

   Moved: Seconded:

4. **QUESTIONS**

   4.1. **With Notice**

   Nil submitted.

   4.2. **Without Notice**

5.   DEPUTATIONS

Nil

6.   AUDIT COMMITTEE REPORTS

Audit Committee reports commence on the following page.

6.1. Audit Committee Presiding Member - Report No. AR18/52050

COMMITTEE	Audit Committee
MEETING DATE:	17 December 2018
REPORT NO.	AR18/52050
RM8 REFERENCE	AF11/863
AUTHORS	Pamela Lee
SUMMARY	This report is presented to enable the recommendation of a Presiding Member for the Audit Committee.
COMMUNITY PLAN REFERENCE	Goal 3: Our Diverse Economy

REPORT RECOMMENDATION

(a)   That Audit Committee Report No. AR18/52050 titled '*Audit Committee Presiding Member*' as presented to the Audit Committee on 17 December 2018 be noted.

(b)   The term of office for the position of Audit Committee Presiding Member be _____ year(s).

(c)   That   be Presiding Member of the Audit Committee on and from 17 December 2018 subject to endorsement by Council.

Moved: Seconded:

Background

Council adopted at its meeting held on 22 November 2018 a decision making structure that included the Audit Committee (a Committee established under s41 of the Local Government Act 1999).

Amongst the first items of business for Council's s41 Committees is the making of a recommendation to Council on a Presiding Member.

In accordance with the provisions of s41(4) of the Local Government Act 1999 Council appoints (or makes provision for the appointment of) a Presiding Member of a s41 Committee.

Discussion

The selection of a Presiding Member is from amongst the Committee's own membership.

The following process is summarised from Council's C410 Conduct of Meetings Policy:

- *A nominee need not be present, but must accept nomination prior to consideration.*

- *Nominees should display the qualities sought to fill the position including relevant skills and experience.*

- *Where more than one nomination is received a secret ballot shall be conducted forthwith without debate. Resolutions will be passed to endorse the voting process and appoint the Chief Executive Officer (or any other Senior Officer present at the meeting) as Returning Officer to declare the result and draw lots (if/as necessary).*

- *The Mayor may vote but a Member not in their seat at the meeting does not vote.*

- *The candidate with the highest number of votes (or where two or more candidates receive the equal highest number of votes the first name drawn in the lot) shall be declared as being nominated/appointed to the vacant position.*

- *A division cannot be called on the question of appointing a person to fill a vacant position.*

- *A motion to endorse the filling of the vacant position may be accepted (but is not required) however any failure or variation of the motion shall be of no effect on the result of the secret ballot.*

Should the Committee have only one nomination then that Member may be the nominee that the Committee recommends to Council for appointment as Presiding Member.

Conclusion

The Committee may now accept nominations and endorse and conduct a ballot process, if necessary, to determine a Presiding Member recommendation.

Recommended resolutions for endorsement of a voting process and sample process/minutes are provided as an attachment should the Committee require to follow this process.

Attachments

Attachment 1 (AR18/47731): Recommended resolutions for endorsement of secret ballot

Michael McCARTHY
MANAGER EXECUTIVE ADMINISTRATION

Pamela LEE
GENERAL MANAGER, COUNCIL BUSINESS SERVICES

12 December 2018
P Lee

6.2. **Audit Committee Review of Terms of Reference – Report No. AR18/52054**

COMMITTEE	Audit Committee
MEETING DATE:	17 December 2018
REPORT NO.	AR18/52054
RM8 REFERENCE	AF11/863
AUTHORS	Pamela Lee
SUMMARY	This Report is presented to enable the Audit Committee to review its Terms of Reference.
COMMUNITY PLAN REFERENCE	Goal 3: Our Diverse Economy

REPORT RECOMMENDATION

(a)   That Audit Committee Report No. AR18/52054 titled '*Audit Committee – Review of Terms of Reference*' as presented to the Strategic Standing Committee on 10 December 2018 be noted.

(b)   That the Audit Committee Terms of Reference be adopted as attached to Audit Committee Report No. AR18/52054.

OR

(b)   That the Audit Committee Terms of Reference be adopted as attached to Audit Committee Report No. AR18/52054 with the following alterations:

- Insert alteration
- Insert alteration

OR

(b)   That the Audit Committee Terms of Reference be re-presented to the next meeting of the Audit Committee for consideration with the following alterations:

- Insert alteration
- Insert alteration

Moved: Seconded:

Background

Council adopted at its meeting held on 22 November 2018 a decision making structure that included the Audit Committee (a Committee established under s41 of the Local Government Act 1999).

Amongst the first items of business for Council's Committees is the review of Committee Terms of Reference.

The Audit Committee's Terms of Reference were last reviewed by the Committee at its meeting on 15 December 2017 and adopted at the Council meeting held on 19 January 2018. Refer Terms of Reference 9.6:

> *The Committee shall at least once every two years review its terms of reference, to ensure it is operating at maximum effectiveness and recommend changes it considers necessary to the Council for approval.*

Discussion

The decision making structure adopted by Council includes all s41 Committees of which the Audit Committee is and they report directly to Council.

In considering any changes to the Audit Committee Terms of Reference, the Committee should consider the:

- Scope and objectives
- Extent to which the Terms of Reference align and are consistent with Council's decision making structure for the benefit of Members and to maintain administrative consistency
- Terms of Reference state they shall be reviewed at least once every two years
- Terms of Reference were reviewed and adopted within the past 12 months
- Current recruitment process to fill a vacancy for an independent member on the Committee.

The Committee may consider recommending one or more of the following:

- The current Terms of Reference (Attachment 1) be recommended to Council for endorsement; and/or
- Defer a review of the Terms of Reference until the current vacancy on the Committee is filled; or
- The attached draft Terms of Reference (Attachment 2) based on the current version with minor formatting and grammar for changes consistency throughout the document.

Conclusion

This report recommends that the Audit Committee consider its Terms of Reference with a view to recommending their adoption as presented with the report, or with any specified alterations, or after they have been re-presented to a subsequent meeting of the Committee with specified alterations.

The Presiding Member may consider it beneficial to invoke a short-term suspension of proceedings to discuss the options and enable Committee members to review; and if necessary note any proposed alterations to the Audit Committee Terms of Reference.

Attachments

Attachment 1 (AR13/18718 [V5]): Terms of Reference - Audit Committee adopted in January 2018

Attachment 2 (AR18/51413):   DRAFT Terms of Reference – Audit Committee (AR18/51413)

Michael McCARTHY
MANAGER EXECUTIVE ADMINISTRATION

Pamela LEE
GENERAL MANAGER, COUNCIL BUSINESS SERVICES

12 December 2018
P Lee

6.3. Quarter One Budget Review for Financial Year ending 30 June 2019 - Report No. AR18/50482

COMMITTEE	Audit Committee
MEETING DATE:	17 December 2018
REPORT NO.	AR18/50482
RM8 REFERENCE	AF11/863
AUTHORS	Kahli Rolton and Jeroen Zwijnenburg
SUMMARY	This report provides the Quarter One Budget Review for the period ending 30 September 2018 in the financial year ending 30 June 2019 for the Audit Committee's information and noting.
COMMUNITY PLAN REFERENCE	Goal 1: Our People
	Goal 2: Our Location
	Goal 3: Our Diverse Economy
	Goal 4: Our Climate, Natural Resources, Arts, Culture and Heritage

REPORT RECOMMENDATION
(a)   That Audit Committee Report No. AR18/50482 titled '*Quarter One Budget Review for Financial Year Ending 30 June 2019*' as presented to the Audit Committee on 17 December 2018 be noted.

Moved: Seconded:

Background

At the Operational Standing Committee meeting held on Tuesday 11 December 2018, report AR18/48619 titled '*Quarter One Budget Review for Financial Year Ending 30 June 2019*' was presented for noting and recommended to Council for adoption at the Council meeting scheduled for Tuesday 18 December 2018.

The role of the Audit Committee as defined in the Committee's Terms of Reference includes monitoring the budgeting process and the process of review of actuals verses budget (refer Terms of Reference 7.1.3).

Council schedules to undertake and present the budget reviews as follows:

Budget Review	Inclusive Dates	Council Meeting in
Quarter One (BR1)	1 July to 30 September	November (December due to elections)
Quarter Two (BR2)	1 October to 31 December	February
Quarter Three (BR3)	1 January to 31 March	May

Discussion

The Quarter One Budget Review report and attachment included with this report are provided for the Audit Committee's information.

Noting timing of the following:

- 2018 Local Government Election in November 2018
- First statutory meeting of the new Council held on 22 November 2018
- Councils' appointment at its first statutory meeting of an Elected Member to the Audit Committee

Presentation of the Quarter One Budget Review to Council and to the Operational Standing and Audit Committees was deferred by approximately 5 weeks.

The Quarter One Budget Review reflects a $328,000 forecast operating surplus. This represents no change from the 2018/2019 Original Budget forecast operating surplus. There were no material changes as at Quarter One Budget Review.

Conclusion

The Quarter One Budget Review report and Proforma Comprehensive Financial Statements as at 30 September 2018 for the year ending 30 June 2019 are provided to the Audit Committee for information and noting.

Attachments

Attachment 1 (AR18/48619): *Operational Standing Committee Report No. AR18/48619 - Quarter One Budget Review for financial year ending 30 June 2018*
Attachment 2 (AR18/50299): *City of Mount Gambier Proforma Comprehensive Financial Statements as at 30 September 2018*

Kahli ROLTON
MANAGEMENT ACCOUNTANT

Jeroen Zwijnenburg
MANAGER, FINANCE AND CUSTOMER SERVICE

Pamela LEE
GENERAL MANAGER, COUNCIL BUSINESS SERVICES

4 December 2018
KR/JZ/PL

6.4. **Control Track Residual Risk Ratings October 2018 - Report No. AR18/43023**

COMMITTEE	Audit Committee
MEETING DATE:	17 December 2018
REPORT NO.	AR18/43023
RM8 REFERENCE	AF17/261
AUTHOR	Kahli Rolton
SUMMARY	To provide a summary of the Residual Risk Ratings for all financial risks identified in Control Track in line with the Better Practice Model Internal Financial Controls for South Australian Councils 2017.
COMMUNITY PLAN REFERENCE	Goal 3: Our Diverse Economy

REPORT RECOMMENDATION

(a) That Audit Committee Report No. AR18/43023 titled '*Control Track Residual Risk Ratings October 2018*' as presented to the Audit Committee on 17 December 2018 be noted.

Moved: Seconded:

Background

Section 125 of the Local Government Act 1999 states that council must ensure appropriate policies, practices and procedures of internal control are implemented.

From February to June 2018, relevant Council employees assessed and reviewed majority of the core controls as listed in the Better Practice Model Internal Financial Controls for South Australian Councils 2017 using the software, Control Track.

Report AR18/38581 Control Track Continuous Improvement as at September 2018 was provided to the September 2018 Audit Committee Meeting. Please refer to Attachment 1 of this document for a copy of this report.

Discussion

Control Track has been implemented since early 2018 in relation to internal financial controls and attention is focused on input, maintenance and reliability of information.
Table 1 provides a timeline for further work in relation to the programming of Controls and Risks.

Table 1 Control Track Financial Control maintenance time line

Activity	Responsible Officer(s)	Status
Follow up of control improvements & report back to Audit Committee with update (this report)	Kahli Rolton	Completed September 2018
Complete residual risk ratings for all risks defined in the Better Practice Model	Kahli Rolton, Jeroen Zwijnenburg, Pamela Lee	Completed 12 October 2018
Create risk based assessments for all controls and assign to staff in accordance with agreed review timeframes. • High & extreme risks = yearly • Medium risks = every 2 years • Low risks = every 2-3 years	Kahli Rolton	Due 31/10/2018
Training update with staff regarding control improvements, risk based assessments, general Q & A	Kahli Rolton	TBA
Follow up of control improvements & report back to Audit Committee with update	Kahli Rolton	November 2018
Update Control Track to reflect any changes to operational controls arising from the Internal Financial Controls procedure manual review.	Kahli Rolton	December 2018

A total of 92 risks have been rated for their residual risk. These risks can be further summarised to:
• 71, Low Residual Risk
• 11, Medium Residual Risk
• 10, High/Extreme Residual Risk.

Please refer to Attachment 2 for an extract of the risks and residual risk ratings.

A total of 21 risks have been rated as medium or higher and due to the work already completed by staff in reviewing and assessing controls, 7 control improvements have already been established.

Risk based assessments are in progress of being assigned to relevant staff to complete, with due dates input relative to the risk rating. High and extreme risks have been set with a due date of up to one year from the last assessment and medium risks with a due date of approximately two (2) years from the last assessment.

Conclusion

Residual risk ratings have been completed for all financial risks in line with the Better Practice Model Internal Financial Controls for South Australian Councils 2017. Of the 92 financial risks assessed, 71 were rated as low risks and 21 were rated as medium or higher.

Risk based assessments are being created for high and medium risks with due dates set according to the severity of the risk.

Due to the work previously completed by staff at assessing controls, 7 control improvements have already been identified that relate directly to risks rated as medium or higher.

Attachments

Attachment 1 (AR18/38581): Control Track Continuous Improvement as at September 2018
Attachment 2 (AR18/42367): Control Track Residual Risk Ratings as at 12 October 2018

Kahli ROLTON
MANAGEMENT ACCOUNTANT

Pamela LEE
GENERAL MANAGER COUNCIL BUSINESS SERVICES

18 October 2018
KR

6.5. **Integrated Planning and Budget Framework and Timeline - Report No. AR18/51484**

COMMITTEE	Audit Committee
MEETING DATE:	17 December 2018
REPORT NO.	AR18/51484
RM8 REFERENCE	AF11/863
AUTHOR	Pamela Lee
SUMMARY	This report provides an update on the Integrated Planning and Budget Framework and timeline.
COMMUNITY PLAN REFERENCE	Goal 3: Our Diverse Economy

REPORT RECOMMENDATION
(a)   That Audit Committee Report No. AR18/51484 titled '*Integrated Planning and Budget Framework and Timeline*' as presented to the Audit Committee on 17 December 2018 be noted.

Moved: Seconded:

Background

The Local Government Act (1999) (the Act) Section 122 requires Council to develop and adopt plans (which may take various forms) for the management of its area. Section 123 requires Council to have an Annual Business Plan and Budget for each financial year. Collectively the plans are referred to as the strategic management plans. Council's strategic management plans (SMPs) consist of:

- Community Plan – The Futures Paper 2016-2020
- Long Term Financial Plan (LTFP)
- Infrastructure and Asset Management Plan (IAMP)
- Annual Business Plan and Budget (ABP&B).

The Futures Paper was endorsed by Council in October 2014 and is a long term visionary strategic document based on the aspirations and issues identified by the community at that time. It is the peak strategic plan for Council.

The SMPs are a legal requirement and support sound business practice. Collectively the SMP suite of documents identify Council's aspirations, objective, directions and priorities for the City of Mount Gambier.

The Act enables Council to review its SMPs at any time; in addition Council must comprehensively review its SMPs within two (2) years following each local government general election (Section 122(4)(b)).

There are a hierarchy of strategies and plans that cascade from the peak Futures Papers and with the SMPs, provide overarching direction and guidance to the Council. Other strategies and plans include:

- Externally focused themed and subject focused documents (e.g. Signage Strategy, Digital Strategy, Public Art Strategy, Culture and Heritage Plan, etc.).
- Internal focused Business Unit Plans (BUPs), Employee Performance and Development Review (PDRs) which also include business as usual and process improvement plans and service review plans.

An updated Integrated Planning and Budget Framework and Timeline was presented and noted by the Audit Committee at its meeting held on 30 May 2018. This Framework and Timeline has been developed as a context setting and overview on a page to guide, focus and align Council's planning (strategic and operational) and budgeting activities and efforts across the financial year, from strategic planning to Annual Business Plan and Budget to Business Unit Planning through to individual Performance Development Reviews and key performance indictor reporting. The Framework and Timeline are value adding one page documents that provide context, align and complement the SMPs and other themed and topic focused plans as well as business as usual.

Discussion

As part of Council's commitment to continuous improvement and in preparation for the next financial cycle of planning and budgeting covering the 2019/2020 financial year, a review of the Integrated Planning and Budget Framework and Timeline was undertaken in October 2018. A copy of the revised Framework and Timeline is provided as Attachment 1 to this report.

The material changes to the Framework include:

- Inclusion of Services
- Fees and Charges Review – moved prior to the ABP&B
- Inclusion of plans and roadmaps for core internal administrative functions (e.g. iServices, Procurement, Customer Service, Assets Management, Finance and Executive Administration).

Conclusion

The review and updating of guiding documents, frameworks and timelines is consistent with Council's approach to continuous improvement and good business practice.

The Integrated Planning and Budget Framework has been reviewed and is provided for noting and feedback.

Attachments

Attachment 1 (AR17/32233): Integrated Planning and Budget Framework

Kahli ROLTON
MANAGEMENT ACCOUNTANT

Jeroen Zwijnenburg
MANAGER, FINANCE AND CUSTOMER SERVICE

Pamela LEE
GENERAL MANAGER, COUNCIL BUSINESS SERVICES

17 December 2018
KR

6.6. **Process Improvement - Internal Automation of Property Searches using Workflow - Report No. AR18/51564**

COMMITTEE	Audit Committee
MEETING DATE:	17 December 2018
REPORT NO.	AR18/51564
RM8 REFERENCE	AF11/863
AUTHOR	Pamela Lee
SUMMARY	This report provides an example of a recent process improvement involving Property Searches. The process improvement has delivered an improved turnaround time to the customer for Property Searches requests.
COMMUNITY PLAN REFERENCE	Goal 3: Our Diverse Economy

REPORT RECOMMENDATION
(a)   That Audit Committee Report No. AR18/51564 titled '*Process Improvement - Internal Automation of Property Searches using Workflow*' as presented to the Audit Committee on 17 December 2018 be noted.

Moved: Seconded:

Background

Business processes are rarely as efficient as they could be. Most organisations rarely stop to re-evaluate their processes – they stick to what they started out with. While this isn't necessarily unhealthy, it does leave room for errors, mistakes, inefficiencies, ineffective allocation of resources and falling short of meeting the customers' expectations. This is where business process improvement (BPI) comes in.

In general terms, process improvement is a systematic approach to assisting an organisation in optimising its processes to achieve more efficient and effective processes and results.

The methodology was first documented in H. James Harrington's 1991 book Business Process Improvement. It is the methodology that both Process Redesign and Business Process Reengineering are based upon. Process improvement is considered by academics and practitioners to be part of the organisational development discipline; where by a series of actions are taken by a process owner to identify, analyse and improve existing business processes within an organisation to meet new standards, goals and other objectives, such as changes in customer expectations, changes in quality standards, reducing costs and/or accelerating schedules. Process improvements often follow a specific or defined methodology to increase the likelihood of success. Process improvement may include the restructuring of training programs to increase their effectiveness. Process improvement is also a method to introduce process changes to improve the quality of a product or service, to better match changing customer and consumer expectations or needs.

BPI, while not having a universally-accepted definition, is viewed as the analysis, review, and improvement of existing business processes. This is achieved by mapping the current process, identifying inefficiencies and improvements, redesigning the process which becomes the future state, benchmarking to initial metrics/measures, implementing improvements and monitoring the outcome. Typically, the main goal of BPI is one or more of the following:

- Goal 1: Reducing Process Time - Finding ways of carrying out the process faster or more efficiently. For example: eliminating useless non value steps to adopting new technology.
- Goal 2: Improving Output Quality - Creating an improved product with the same input of resources. This usually means finding steps within the process that negatively influence the end-product, resulting in defects, errors and rework.
- Goal 3: Cutting Out Waste - Discovering wasteful processes and cutting them out of the process. This may help achieve the first 2 goals or improve overall productivity. Staff can spend more time on the work that creates higher value for the organisation, generates high levels of customer experience and satisfaction and/or that is usually more satisfying from an employee perspective.

Council has been using a process improvement template since mid-2017 to identify, analyse, implement and monitor process improvements. The Process Improvement Plan template is used by staff to provide guidance when reviewing processes. The Process Improvement Plan template:

- Provides a robust and consistent approach to reviewing processes
- Ensures new staff/staff unfamiliar with process improvements have a template to guide them
- Identifies and engages process stakeholders
- Documents each process improvement
- Serves as a story board of each process improvement.

A Register of Process Improvement Plans is maintained to capture all process improvements including benefits delivered. The Register is used to inform key performance indicator reporting including CEO Performance reporting.

Discussion

A recent process improvement identified and developed by the Customer Service team with oversight and support from the Team Leader Customer Service was undertaken on the Property Search process. Key stakeholders were identified, they were involved in the review and trialing of the workflow. This process involves requests for property searches being received by Council from customers (e.g. real estate firms, legal firms, conveyances, financial institutions, etc.). Prior to the process improvement, physical files travelled from one team to the next requiring each team to complete their section of the property search manually. The manual process was automated using a system workflow.

The improved process was implemented in August 2018. The table below provides statistics that evidence a reduction in internal processing turnaround time delivering an improved customer experience and service for the customer. The table compares the number of property searches by month from July to October 2018 where a material reduction in processing time was achieved, delivering an improved service to the customer and improved staff engagement and satisfaction. Customer Service team members have developed a new skill in the design and implementation of workflow capability that can be applied to other process improvements involving workflow automation.

Property Searches processed for:

Month	Total received	Average days to process
July	60	6.2
August	80	3.9
September	44	4.3
October	56	3.9

The Process Improvement Plan template for the Internal Automation of Property Search using Workflow is included as Attachment 1 to this report.

Conclusion

The Audit Committee identified in its December 2017 Audit Program Review an interest in process improvements and service reviews.

Process improvement is the activity of identifying, analysing and improving upon existing business processes within an organisation for optimisation and to meet new requirements and/or standards; for example quality, turnaround times.

The Internal Automation of the Property Searches using Workflow is provided as a recent example of a process improvement undertaken within Council.

Attachments

Attachment 1 (AR18/51571): Process Improvement Plan - Internal Automation of Property Searches using Workflow

Leanne LITTLE
TEAM LEADER CUSTOMER SERVICE

Jeroen ZWIJNENBURG
MANAGER, FINANCE AND CUSTOMER SERVICE

Pamela LEE
GENERAL MANAGER COUNCIL BUSINESS SERVICES

10 December 2018
PL

6.7. **Draft Procurement Framework and Administrative Procedure - Report No. AR18/50683**

COMMITTEE	Audit Committee
MEETING DATE:	17 December 2018
REPORT NO.	AR18/50683
RM8 REFERENCE	AF11/863
AUTHOR	Kahli Rolton
SUMMARY	To provide the Draft Procurement Framework and Administrative Procedure to the Audit Committee for consultation, input and feedback.
COMMUNITY PLAN REFERENCE	Goal 3: Our Diverse Economy
	Goal 2: Our Location

REPORT RECOMMENDATION

(a)   That Audit Committee Report No. AR8/50683 titled '*Draft Procurement Framework and Administrative Procedure*' be noted.

(b)   That the Procurement Framework and Administrative Procedure be marked as final subject to minor changes pending consultation with the Audit Committee and Management Executive Team.

Moved: Seconded:

Background

Section 49 of the Local Government Act 1999 (the Act) requires a council to develop and maintain procurement policies, practices and procedures directed towards:

a) Obtaining value in the expenditure of public money
b) Providing for ethical and fair treatment of participants
c) Ensuring probity, accountability and transparency in procurement operations.

Council's *Policy P420 – Procurement and Disposal of Land and Assets* (the Policy) was first adopted by Council on 25 November 2014. This Policy was last reviewed on 21 August 2018 to include changes to incorporate the effective use of the newly established Re-use Market. The Re-use Market located in Eucalypt Drive, Mount Gambier was officially opened on Saturday 8 December 2018.

Refer Attachment 1 for a copy of the Policy.

Discussion

The Policy is a high level document that provides reference to principles, methods of procurement and procurement structure. The Draft Procurement Framework and Administrative Procedure (the Procedure) supports the Policy providing detailed information and direction to users on how to procure.

Step by step guidance on the procurement process incorporating the lifecycle stages from planning to sourcing and managing the procurement arrangement form the basis of the Procedure. The Procedure also provides administrative guidance regarding roles and responsibilities, forward planning, reporting, analysis and specific requirements for specialised purchases, such as plant and machinery.

Conclusion

The Draft Procurement Framework and Administrative Procedure has been prepared to provide information and direction to users/staff on the structure, principals, key processes, considerations, roles and responsibilities for the procurement of goods and contracting of services.

The Procedure is provided at Attachment 2 of this report for consultation, input and feedback by the Audit Committee.

Attachments

Attachment 1 (AR14/45052[v4]):   *P420 Procurement and Disposal of Land and Assets*
Attachment 2 (AR18/48502):   *DRAFT - Procurement Framework and Procurement Administrative Procedure*

Kahli ROLTON
MANAGEMENT ACCOUNTANT

Pamela LEE
GENERAL MANAGER COUNCIL BUSINESS SERVICES

3 December 2018
KR

6.8. **Internal Financial Controls Procedure Manual - October 2018 Update - Report No. AR18/51334**

COMMITTEE	Audit Committee
MEETING DATE:	17 December 2018
REPORT NO.	AR18/51334
RM8 REFERENCE	AF11/863
AUTHOR	Kahli Rolton
SUMMARY	The purpose of this report is to outline the amendments made to the Internal Financial Controls Procedure Manual as part of its continuous improvement review.
COMMUNITY PLAN REFERENCE	Goal 3: Our Diverse Economy

REPORT RECOMMENDATION

(a) That Audit Committee Report No. AR18/51334 titled '*Internal Financial Controls Procedure Manual - October 2018 Update*' as presented to the Audit Committee on 17 December 2018 be noted.

Moved: Seconded:

Background

Section 125, Local Government Act 1999 states that Council must ensure appropriate policies, practices and procedure of internal control are implemented and maintained.

To maintain the relevance of the Financial Internal Controls Procedure Manual (the Procedure) and ensure its alignment with Council's continuous improvement approach, a review of the Procedure has been completed.

Discussion

The following list provides a summary of amendments made to the Financial Internal Controls Procedure Manual (Attachment 1):

1. Alignment to *Better Practice Model - Internal Financial Controls* - published by the Local Government Association:

   a. Key Issues/Risks as published in the Better Practice Model have now been included in the Procedure to assist staff understand the importance of the controls implemented.
   b. Segregation of Duties as published in the Better Practice Model have also been included in the Procedure to further assist building staff knowledge and understanding of the controls implemented.

2. Removal of reference to specific position titles:

   a. Where possible individual position titles have been replaced with the term responsible officer. This is to ensure the longevity of the Procedure and reduce the need to amend the entire procedure when a position title or task changes.

3. Introduction of Separate Registers:

   a. To allow for the removal of reference to the majority of position titles in the Procedure, the following separate registers/listing have been introduced and must be read in conjunction with the procedure:
      i. Master File Access Listing (Register)
      ii. Financial Facilities Register
      iii. Assets Responsibility Register.

   b. The purpose is to have one source document for each type of separate register stating all required information and sign off by the relevant executive. The Registers state:
      i. Responsible Officer
      ii. Location
      iii. $ Amounts (where necessary)
      iv. Link to General Ledger (where necessary)
      v. Link to electronic document record number (where necessary)
      vi. Serial numbers (where available).

Conclusion

A review of the Internal Financial Controls Procedure Manual (Attachment 1) has been undertaken and alterations made to ensure alignment with the *Better Practice Model – Internal Financial Controls* published by the Local Government Association to specifically include address key issues/risks and segregation of duties. Further improvements include the creation of separate registers and removing references to individual position titles where possible.

Adjustments made are in keeping with Council's commitment to continuous improvement and to assist staff knowledge and understanding of internal financial controls.

Attachments

Attachment 1 (AR18/41724):   *Internal Financial Controls Procedure Manual – October 2018 Update*

Kahli ROLTON
MANAGEMENT ACCOUNTANT

Pamela LEE
GENERAL MANAGER COUNCIL BUSINESS SERVICES

9 December 2018
KR

7. MOTION(S)

7.1. With Notice

Nil Submitted

7.2. Without Notice

Meeting closed at   p.m.

MJT

8. REPORT ATTACHMENTS

Recommended resolutions for endorsement of secret ballot

RESOLUTIONS FOR SECRET BALLOT *(These do not need to be reproduced in Council Agenda)*

(b)   Council determines that the method of choosing a Presiding Member for the XYZ Committee be by a secret ballot.

(c)   the successful candidate will be the candidate with the highest number of votes.

(d)   where two of more candidates have an equal number of votes one of those candidates will be determined as successful from a drawing of lots by the Returning Officer.

(e)   the Chief Executive Officer (or other Senior Officer present at the meeting) be appointed Returning Officer for the ballot.

(f)   upon the completion of the ballot, the Returning Officer be authorised to declare the successful candidate for the position of XYZ Committee Presiding Member.

(g)   upon the declaration of the Returning Officer the candidate will be recommended to Council for the position of XYZ Presiding Member for the term of office determined by Council.

PROCESS / SAMPLE MINUTES FOR SECRET BALLOT

Nominations called for the position of XYZ Committee Presiding Member:

The following nominations were received:

(i)   Cr _____ nominated to be XYZ Committee Presiding Member.

(ii)   Cr _____ nominated to be XYZ Committee Presiding Member.

If more than one nomination received:

The Returning Officer conducted the secret ballot.

Then –

There being only one candidate the Returning Officer declared Cr _____ to be the successful candidate to be recommended to Council for the position of XYZ Committee Presiding Member.

OR

The Returning Officer declared the successful candidate with the highest number of votes as Cr _____ to be the successful candidate to be recommended to Council for the position of XYZ Committee Presiding Member.

OR

Cr _____ and Cr _____ each having an equal highest number of votes, the Returning Officer drew a lot and declared the successful candidate being the first name drawn as Cr _____ to be the successful candidate to be recommended to Council for the position of XYZ Committee Presiding Member.

OPTIONAL RESOLUTION TO ENDORSE RESULT

move a motion to endorse the result of the ballot that Cr _____ selected as the successful candidate to be recommended to Council for the position of XYZ Committee Presiding Member.

City of
Mount Gambier

1 Membership

1.1 Members of the Committee are appointed by Council.

1.2 The Committee will consist of at least one independent member with at least one additional member from the Elected Members of Council, consistent with any Regulations[1]. The size of the committee shall be three (3) members.

The Mayor is an ex officio member of the committee.

1.3 Independent member(s)[2] of the Committee must meet at least one of the following minimum requirements for membership:

- Have recent and relevant financial qualifications and/or experience in a relevant financial role
- Working knowledge of risk management
- Experience with internal or external auditing.

1.3 Only members of the Committee are entitled to vote (move and second) in committee meetings. Members of Council's staff may attend any meeting as observers and be responsible for preparing papers for the committee. In accordance with the principles of open, transparent and informed decision making, committee meetings must be conducted in a place open to the public. The agenda and minutes of the committee meetings, subject to any items that are discussed in confidence under Section 90 of the Local Government Act 1999 and subsequently retained as confidential under Section 91 of the Act, are also required to be made available to the public.

1.4 Council's external auditors shall be invited to attend a minimum of two (2) meetings of the Committee each financial year. Attendance is at the external auditor's discretion.

1.5 Appointments to the Committee shall be for a period of at least two years, reviewed at a common appointment date every two years. The common appointment date for existing appointees is 31 December. Appointees may be reappointed by Council.

1.6 Resignation of appointment must be in writing.

1.7 Members of the Committee, including the Presiding Member are appointed by Council.

2 Administrative Resources

The Chief Executive Officer shall provide sufficient administrative resources to the committee to enable it to adequately carry out its functions. This includes, but is not limited to:

- Adequate meeting space
- Adequate human resources to prepare agendas, reports minutes
- Connectivity for video conference, skype, internet connection, if required, etc.

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[1] Section 126(2) provides that an audit committee may include persons who are not members of Council.
[2] A person would not be considered independent if he or she was an Elected Member of that Council. Subject to any codes of conduct adopted by Council, this does not preclude an Elected Member or an employee of a Council from being a member of an audit committee of another Council.

3   Quorum

The quorum necessary for the transaction of business shall be 50% of the number of members[3] of the Committee plus one. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

4   Frequency of Meetings

The Committee shall meet at least four times a year at appropriate times in the reporting and audit cycle and otherwise as required.

5   Notice of Meetings

5.1   Ordinary meetings of the Committee will be held at times and places as determined by the Committee. A special meeting of the Committee may be called in accordance with the Act.

5.2   Notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed and supporting papers shall be forwarded to each member of the committee and known observers, no later than three (3) clear days before the date of the meeting.

6   Minutes of Meetings

6.1   The Chief Executive Officer shall ensure that the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance are minuted and that the minutes otherwise comply with the requirements of the Local Government (Procedure at Meetings) Regulations 2013.

6.2   Minutes of the Committee meetings shall be circulated within seven (7) days after a meeting to all members of the Committee and made available to the public.

7   Role of the Committee

7.1   Financial reporting and management

The Committee shall:

7.1.1 Monitor the integrity of the financial statements of the Council, including in its annual report, reviewing significant financial reporting issues and judgements which they contain.

7.1.2 Review and challenge where necessary:

7.1.2.1   The consistency of, and/or any changes to accounting policies.
7.1.2.2   The methods used to account for significant or unusual transactions where different approaches are possible.

7.1.2.3   The compliance with appropriate accounting standards and use of appropriate estimates and judgements, taking into account the views of the external auditors.

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[3] Where calculating 50% results in a fraction, the fraction is dropped. For example, 3 divided by 1 equals 1.5; drop the fraction of 0.5 and the result is 1.

7.1.2.4 The clarity of disclosure in the Council's financial reports and the context in which statements are made; and

7.1.2.5 All material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

7.1.3 Monitor the budgeting process and the process of review of actuals versus budget.

7.1.4 Monitor that budgets are aligned to the Strategic Management Plans.

7.2 Internal Controls and Risk Management Systems

The Committee shall:

7.2.1 Monitor the effectiveness of the Council's internal controls and risk management systems; and

7.2.2 Review and recommend the approval, where appropriate, of statements to be included in the annual report concerning internal controls and risk management.[4]

7.3 Whistle blowing

The Committee shall review the Council's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure these arrangements allow independent investigation of such matters and appropriate follow-up action.

7.4 Internal audit where Council does not have a separate internal audit function

The Committee shall:

7.4.1 Monitor and review the effectiveness of the Council's internal audit function in the context of the Council's overall risk management system.

7.4.2 Consider and make recommendation on the program of the internal audit function and the adequacy of its resources and access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.

7.4.3 Review all reports on the Council's operations from the external auditors[5].

7.4.4 Review and monitor management's responsiveness to the findings and recommendations of the external auditors; and

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[4] It is important that the audit committee understand the business of the Council to appreciate the risks it manages on a daily basis, and to ensure that there are appropriate management plans to manage and mitigate this business risk. This will include insurance matters, financial reporting, legal and regulatory compliance, business continuity, and statutory compliance. This can be facilitated by discussions with the external auditors and by presentations by management on how business risks are identified and managed.

[5] Note that the reports to the audit committee need not be the detailed reports that are presented to management for their review. Ordinarily a high level review report is all that is required detailing the work undertaken, the findings and management response.

7.4.5 Where appropriate, meet the auditor without management being present, to discuss any issues arising from the internal audits carried out. In addition, the external Auditor shall be given the right of direct access to the Mayor of the Council and to the Presiding Member of the Committee.

7.5   External audit

The Committee shall:

7.5.1 Develop and implement a policy on the supply of the statutory audit and non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

7.5.2 Consider and make recommendations to the Council, in relation to the appointment, re-appointment and removal of the Council's external auditor.

The Committee shall oversee the selection process for new external auditor and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required.

7.5.3 Oversee Council's relationship with the external auditors including, but not limited to:

7.5.3.1   Recommending the approval of the external auditor's remuneration, whether fees for audit or non-audit services, and recommending whether the level of fees is appropriate to enable an adequate audit to be conducted.

7.5.3.2   Recommending the approval of the external auditor's terms of engagement, including any engagement letter issued at the commencement of each audit and the scope of the audit.

7.5.3.3   Assessing the external auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the extent of Council's relationship with the external auditors, including the provision of any non-audit services.

7.5.3.4   Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Council (other than in the ordinary course of business).

7.5.3.5   Monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners, and

7.5.3.6   Assessing the external auditor's qualifications, expertise and resources and the effectiveness of the audit process (which shall include a report from the external auditors on the Committee's own internal quality procedures).

7.5.3.7   Action(s) to follow up on matters raised by the external auditors.

7.5.4 Meet as needed with the external auditor. The Committee shall meet the external auditor at least once a year (without management being present if requested) to discuss the external auditor's report and any issues arising from the audit.

7.5.5 Review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement.

7.5.6 Review the findings of the audit with the auditor. This shall include, but not be limited to, the following:

- A discussion of any major issues which arose during the external audit
- Any accounting and audit judgements, and
- Levels of errors identified during the external audit.

The Committee shall also review the overall effectiveness of the external auditor.

7.5.7 Review any representation letter(s) requested by the auditor before they are signed by management[6].

7.5.8 Review the management letter and management's response to the external auditor's findings and recommendations.

8 Reporting responsibilities

The Committee shall make whatever recommendations to Council it deems appropriate on any area within these Terms of Reference where in its view action or improvement is needed.

9 Other matters

The Committee shall:

9.1 Have access to reasonable resources in order to carry out its duties[7].

9.2 Be provided with appropriate and timely training, both in the form of an induction program for new members and on an ongoing basis for all members.

9.3 Give due consideration to laws and regulations of the Local Government Act, 1999, including all amendments and revisions.

9.4 Oversee any investigation of activities within these Terms of Reference.

9.5 At least once per year, review its own performance; At least once every two years review its constitution and terms of reference, to ensure it is operating at maximum effectiveness and recommend changes it considers necessary to the Council for approval.

Sitting Fees for Audit Committee Members are set by Council.

Audit Committee Meeting 15 December 2017

Last Adopted Date: 16 August 2017
Adopted by Council: 16 January 2018

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[6] Note that these representation letters are a standard practice of any audit and provide the external auditors confirmation from management, (in particular the Chief Executive Officer) that, amongst other matters, accounting standards have been consistently applied, that all matters that need to be disclosed have been so disclosed and that the valuation of assets has been consistently applied.

[7] Subject to any budget allocation being approved by Council.

City of
Mount Gambier

TERMS OF REFERENCE:
CITY OF MOUNT GAMBIER AUDIT COMMITTEE
(the Committee)

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9.4   Oversee any investigation of activities within these Terms of Reference.

9.5   At least once per year, review its own performance.

9.6   ;-At least once every two years review its constitution and terms of reference, to ensure it is operating at maximum effectiveness and recommend changes it considers necessary to the Council for approval.

Sitting Fees for Audit Committee Members are set by Council.

Audit Committee Meeting: 175 December 2018
Last reviewedAdopted by the Audit Committee:Date: 19 December6 August 2017
Scheduled for aAdopted by Council: _____165 January 20198

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[7] Subject to any budget allocation being approved by Council.

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City of
Mount Gambier

REPORT TITLE	**Quarter One Budget Review for the financial year ending 30 June 2019**
COMMITTEE	Operational Standing Committee
MEETING DATE:	11 December 2018
REPORT NO.	AR18/48619
RM8 REFERENCE	AF18/227
AUTHORS	Kahli Rolton and Jeroen Zwijnenburg
SUMMARY	This report provides the Quarter One Budget Review for the period ending 30 September 2018 within the financial year ending 30 June 2019 for consideration by the Committee.
COMMUNITY PLAN REFERENCE	Goal 1: Our People
	Goal 2: Our Location
	Goal 3: Our Diverse Economy
	Goal 4: Our Climate, Natural Resources, Arts, Culture and Heritage

REPORT RECOMMENDATION

(a) That Operational Standing Committee Report No. AR18/48619 titled '*Quarter One Budget Review for Financial Year Ending 30 June 2019*' as presented to the Operational Standing Committee on 11 December 2018 be noted.

(b) That the Quarter One Budget Review (BR1) be adopted for the financial year 1 July 2018 to 30 June 2019 as detailed in Attachment 1 of the report titled '*Quarter One Budget Review for the Financial Year Ending 30 June 2019*' which reflects a $328,000 forecast operating surplus representing no net change from the Original Budget forecast operating surplus.

Background

In accordance with the Local Government (Financial Management) Regulations 2011, Regulation 9 requires Council to prepare and consider the following reports relating to the review of budgets:

9.1(a) At least twice, between 30 September and 31 May (both dates inclusive) in the relevant financial year (where at least 1 report must be considered before the consideration of the report under sub regulation (1)(b), and at least 1 report must be considered after consideration of the report under sub regulation (1)(b)) - a report showing a revised forecast of its operating and capital investment activities for the relevant financial year compared with the estimates for those activities set out in the budget presented in a manner consistent with the note in the Model Financial Statements entitled Uniform Presentation of Finances;

9.1(b) Between 30 November and 15 March (both dates inclusive) in the relevant financial year - a report showing a revised forecast of each item shown in its budgeted financial statements for the relevant financial year compared with estimates set out in the budget presented in a manner consistent with the Model Financial Statements.

9.2 A council must also include in a report under sub regulation (1)(b) revised forecasts for the relevant financial year of the council's operating surplus ratio, net financial liabilities ratio and asset sustainability ratio compared with estimates set out in the budget presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators.

Council has scheduled to undertake and present the budget reviews as follows:

Budget Review	Inclusive Dates	Council Meeting in
Quarter One (BR1)	1 July to 30 September	November (December due to elections)
Quarter Two (BR2)	1 October to 31 December	February
Quarter Three (BR3)	1 January to 31 March	May

Section 123 7(a)(b) of the Local Government Act 1999 (the 'Act) states that each budget of council must:

7(a) Be considered in conjunction with the council's annual business plan (and must be consistent with that plan, as adopted); and

7(b) Be adopted by the council after the council has adopted its annual business plan.

Table 1: Financial matters resolved by Council since adoption of the original 2018/2019 Budget and indication of inclusion of the financial implications in a Budget Reviews for this financial year.

Council Meeting Item	Description	Resolution	Note
13.12	New Year's Eve Event	(b) That the Operational Standing Committee notes the application for Events funding from Mount Gambier Community Events for $10,000 cash and $5,000 in kind to assist running the New Year's Eve event in 2018. (c) That Council provide $5,000 in cash and $3,000 in-kind on the condition that other funding support is forthcoming.	Reallocated from within Existing Budget
17.02	Architectural Design Stage One – Mount Gambier Sport and Recreation Centre	(b) That Council accept the tender of Design Inc Adelaide for the completion of Intermediate Design Stage One for $40,00 and Detailed Design Stage 2 (subject to securing future funding) for the Mount Gambier Regional Sport and Recreation Centre (as identified in Tender AF18/244) for funding applications.	Included in Original Budget

13.14	Joint Boundary Roads Advisory Group – 5 year Work Plan	(b) That Council adopt the five year works program and proceed, with the concurrence of the District Council of Grant, with the following projects in 2018/2019 to be funded out of carry over funds and budgeted 2018/2019 boundary roads contributions of $30,000 from each of District Council of Grant and City of Mount Gambier; - Tollner Road (reseal) $18,000 - Hawkins Road (reseal) $10,000 - McCormick Road (reseal) $39,000 - Pinehall Avenue (reseal) $11,000 - Kennedy Avenue/Bishop Road staggered $50,000 T junction (surveying, land acquisition, fencing)	WIP Original Original Original WIP
13.19	CBD Footpath Sweeping Options	(b) Extend footpath sweeping to Commercial Street from Ferrers Street to Krummel St twice per week and the footpath sweeping program be monitored subject to review in 6 months.	Reallocated from within Existing Budget
13.20	2018 Fringe Festival	(b) That Council write to the relevant State Government Minister seeking a $20,000 funding commitment as a matter of urgency to support the Mount Gambier Fringe Festival in 2019. (c) The Council contribute an additional $15,000 to the 2019 Mount Gambier Fringe Festival subject to the State Government confirming a financial commitment of $20,000	BR2
14.02	Mount Gambier Regional Sport and Recreation Centre	(e) To meet the requirements of a comprehensive elector survey seeking feedback from the Mount Gambier community an estimated budget of $65,000 is required and the CEO is authorised to expend up to this amount with adjustments in the 2018/2019 budget being made from the operating surplus at Budget Review Number 3.	BR3
13.15	Capital Work in Progress Budget Carry Overs from 2017/2018	(b) That the capital works in progress budget carry overs from 2017/2018 of $1,108,500 be adopted and reflected in the 2018/2019 budget.	WIP

Discussion

Comparison to the adopted Annual Business Plan and Budget 2018/2019

	BR1 2018/2019 $	Original 2018/2019 $
Revenues - City Growth	1,434,000	1,434,000
Revenues - City Infrastructure	4,115,000	4,115,000
Revenues - Community Wellbeing	436,000	436,000
Revenues - Council Business Services	24,590,000	24,590,000
Revenues - Total	30,575,000	30,575,000
Expenses - City Growth	4,327,000	4,238,000
Expenses - City Infrastructure	14,474,000	14,524,000
Expenses - Community Wellbeing	4,852,000	4,852,000
Expenses - Council Business Services	4,788,000	4,847,000
Expenses - Office of CEO	1,806,000	1,786,000
Expenses - Total	30,247,000	30,247,000

Council - Total	328,000	328,000

The original adopted 2018/2019 Annual Business Plan and Budget included:

- An operating surplus of $328,000
- Net capital expenditure (Capex) $8,159,000

Subsequently, $1,108,500 capex carried forward from 2017/2018 financial year.
The 2018/2019 Quarter One Budget Review has resulted in no net changes to the budget position of the forecast operating surplus or net capex.

Commentary on Quarter One Budget Review for 2018/2019

The Quarter One Budget Review reflects a $328,000 forecast operating surplus. This represents no change from the Original Budget forecast operating surplus.

There were no material changes as at Quarter One Budget Review.

Conclusion

The Quarter One Budget Review forecasts an operating surplus for the financial year of $328,000 and this is consistent with the original budget adopted by Council on 3 July 2018.

This budget review allows for the delivery of the 2018/2019 Annual Business Plan adopted by Council on 3 July 2018.

Attachments

Attachment 1 (AR18/50299):   *City of Mount Gambier Proforma Comprehensive Financial Statements as at 30 September 2018*

Kahli ROLTON
MANAGEMENT ACCOUNTANT

Jeroen Zwijnenburg
MANAGER FINANCE AND CUSTOMER SERVICE

Pamela LEE
GENERAL MANAGER COUNCIL BUSINESS SERVICES

28 November 2018
KR/JZ

City of Mount Gambier

PROFORMA STATEMENT OF COMPREHENSIVE INCOME
Budget FY2019 and BR1 FY2019

	FY Budget 2019	FY BR1 2019	2018
	$'000	$'000	$'000
INCOME			
Rates	**21,486**	**21,486**	20,597
Statutory charges	**462**	**512**	447
User charges	**4,855**	**4,855**	4,484
Grants, subsidies and contributions	**3,321**	**3,321**	3,906
Investment income	**48**	**48**	62
Reimbursements	**85**	**85**	83
Other income	**269**	**269**	522
Total Income	**30,525**	**30,575**	**30,102**
EXPENSES			
Employee costs	**11,575**	**11,596**	11,034
Materials, contracts & other expenses	**11,433**	**11,462**	10,023
Depreciation, amortisation & impairment	**7,032**	**7,032**	7,004
Finance costs	**157**	**157**	236
Total Expenses	**30,197**	**30,247**	**28,296**
OPERATING SURPLUS / (DEFICIT)	**328**	**328**	1,805
Asset disposal & fair value adjustments	**399**	**399**	(243)
Amounts received specifically for new or upgraded assets	**-**	**-**	445
Physical resources received free of charge	**-**	**-**	463
NET SURPLUS / (DEFICIT) transferred to Equity Statement	**727**	**727**	**2,470**
Other Comprehensive Income			
Amounts which will not be reclassified subsequently to operating result			
Changes in revaluation surplus - infrastructure, property, plant & equipment			22,325
Impairment (expense) / recoupments offset to asset revaluation reserve			(1,217)
Total Other Comprehensive Income	**-**	**-**	**21,108**
TOTAL COMPREHENSIVE INCOME	**727**	**727**	**23,578**

City of Mount Gambier

PROFORMA STATEMENT OF FINANCIAL POSITION
Budget FY2019 and BR1 FY2019

	FY Budget 2019 $'000	FY BR1 2019 $'000	2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents	**5,314**	**5,314**	4,587
Trade & other receivables	**1,524**	**1,524**	1,524
Other financial assets	**-**	**-**	**-**
Inventories	**304**	**304**	304
	7,142	**7,142**	**6,415**
Non-current Assets held for Sale	**-**	**-**	**-**
Total current assets	**7,142**	**7,142**	**6,415**
Non-current assets			
Financial assets	**-**	**-**	-
Equity accounted investments in Council businesses	**-**	**-**	**-**
Investment property	**-**	**-**	**-**
Infrastructure, property, plant & equipment	**246,964**	**246,964**	246,964
Other non-current assets	**-**	**-**	**-**
Total non-current assets	**246,964**	**246,964**	**246,964**
Total assets	**254,106**	**254,106**	**253,379**
LIABILITIES			
Current liabilities			
Trade & other payables	**2,429**	**2,429**	2,429
Borrowings	**218**	**218**	218
Provisions	**2,332**	**2,332**	2,332
Other current liabilities	**-**	**-**	
	4,979	**4,979**	**4,979**
Liabilities relating to Non-current Assets held for Sale	**-**	**-**	**-**
Total current liabilities	**4,979**	**4,979**	**4,979**
Non-current liabilities			
Trade & Other Payables	**-**	**-**	**-**
Borrowings	**2,572**	**2,572**	2,572
Provisions	**3,593**	**3,593**	3,593
Liability - Equity accounted Council businesses	**-**	**-**	**-**
Other Non-current Liabilities	**-**	**-**	
Total non-current Liabilities	**6,165**	**6,165**	**6,165**
Total liabilities	**11,144**	**11,144**	**11,144**
NET ASSETS	**242,962**	**242,962**	**242,235**
EQUITY			
Accumulated surplus	**65,495**	**65,496**	64,768
Asset revaluation reserves	**176,619**	**176,619**	176,619
Available for sale Financial Assets	**-**	**-**	**-**
Other reserves	**848**	**848**	848
Total Council Equity	**242,962**	**242,962**	**242,235**
Minority Interest	**-**	**-**	**-**
TOTAL EQUITY	**242,962**	**242,962**	**242,235**

City of Mount Gambier

PROFORMA STATEMENT OF CHANGES IN EQUITY
Budget FY2019 and BR1 FY2019

	Accumulated surplus	Asset revaluation reserve	Other reserves	Total equity
2019	$'000	$'000	$'000	$'000
Balance at end of previous reporting period	**64,768**	**176,619**	**848**	**242,235**
Restated opening balance	**64,768**	**176,619**	**848**	**242,235**
Net surplus / (deficit) for the year	**727**			**727**
Other Comprehensive Income				
Transfers between reserves	**-**		**-**	**-**
Balance at end of period	**65,496**	**176,619**	**848**	**242,962**
2018	$'000	$'000	$'000	$'000
Balance at end of previous reporting period	**61,333**	**155,509**	**3,030**	**219,872**
Net surplus / (deficit) for the year	1,253			**1,253**
Other Comprehensive Income				
Gain on revaluation of infrastructure, property, plant & equipment		22,325		**22,325**
Impairment (expense) / recoupments offset to asset revaluation res		(1,217)		**(1,217)**
Other equity adjustments	(0)	2	0	**2**
Transfers between reserves	2,183		(2,183)	**-**
Balance at end of period	**64,768**	**176,619**	**848**	**242,235**
2017	$'000	$'000	$'000	$'000
Balance at end of previous reporting period	**54,680**	**168,966**	**4,382**	**228,028**
Net surplus / (deficit) for the year	5,301			**5,301**
Other Comprehensive Income				
Gain on revaluation of infrastructure, property, plant & equipment		(13,457)		**(13,457)**
Transfers between reserves	1,352		(1,352)	**-**
Balance at end of period	**61,333**	**155,509**	**3,030**	**219,872**

City of Mount Gambier

PROFORMA STATEMENT OF CASH FLOWS
Budget FY2019 and BR1 FY2019

	FY Budget 2019	FY BR1 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES	**$'000**	**$'000**	**$'000**
Receipts			
Rates - general & other	**20,370**	**20,370**	19,522
Fees & other charges	**462**	**512**	447
User charges	**4,855**	**4,855**	4,322
Investment receipts	**-**	**-**	62
Grants utilised for operating purposes	**3,321**	**3,321**	3,906
Reimbursements	**85**	**85**	83
Other revenues	**269**	**269**	597
Payments			
Employee costs	**(11,575)**	**(11,596)**	(11,715)
Materials, contracts & other expenses	**(10,317)**	**(11,479)**	19,115
Finance payments	**(157)**	**(157)**	(172)
Net cash provided by (or used in) Operating Activities	**7,312**	**6,180**	**36,167**
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts			
Amounts specifically for new or upgraded assets	**-**	**-**	445
Sale of replaced assets	**399**	**352**	146
Sale of surplus assets	**-**	**-**	71
Repayments of loans by community groups	**-**	**-**	35
Payments			
Expenditure on renewal/replacement of assets	**(4,374)**	**(4,678)**	(3,919)
Expenditure on new/upgraded assets	**(2,610)**	**(1,126)**	(31,179)
Net cash provided by (or used in) Investing Activities	**(6,585)**	**(5,453)**	**(34,402)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments			
Repayments of borrowings	**-**	**-**	(206)
Net cash provided by (or used in) Financing Activities	**-**	**-**	**(206)**
Net increase / (decrease) in cash held	**727**	**727**	**1,559**
Cash & cash equivalents at beginning of period	**4,587**	**4,587**	3,028
Cash & cash equivalents at end of period	**5,314**	**5,314**	**4,587**

City of
Mount Gambier

COUNCIL RESOLUTION – 16 OCTOBER 2018

**13.7   Control Track Continuous Improvement as at September 2018 - Report No.
AR18/38581**

> (a)   That Audit Committee Report No. AR18/38581 titled '*Control Track
> Continuous Improvement September 2018*' as presented to the Audit
> Committee on 26 September 2018 be noted.

Moved: Cr Lovett   Seconded: Cr Mezinec   Carried

City of
Mount Gambier

REPORT TITLE	Control Track Continuous Improvement September 2018
COMMITTEE	Audit Committee
MEETING DATE:	26 September 2018
REPORT NO.	AR18/38581
RM8 REFERENCE	AF17/261
AUTHOR	Kahli Rolton
SUMMARY	To provide an update on the progress of control improvement plans that have resulted from the review of mandatory controls for completed assessments.
COMMUNITY PLAN REFERENCE	Goal 3: Our Diverse Economy

REPORT RECOMMENDATION
(a) That Audit Committee Report No. AR18/38581 titled '*Control Track Continuous Improvement September 2018*' as presented to the Audit Committee on 26 September 2018 be noted.

Background

Section 125 of the Local Government Act 1999 states that council must ensure appropriate policies, practices and procedures of internal control are implemented.

Report AR18/17848 Internal Financial Controls 2017/2018 was provided to the May 2018 Audit Committee Meeting. Please refer to Attachment 1 of this document for a copy of this report.

Discussion

Control Track has been implemented since early 2018 in relation to internal financial controls and attention is focused on input, maintenance and reliability of information.
Table 1 provides a timeline for further work in relation to the financial controls only.

Table 1 Control Track Financial Control maintenance time line

Activity	Responsible Officer(s)	Status
Follow up of control improvements & report back to Audit Committee with update (this report)	Kahli Rolton	September 2018
Complete residual risk ratings for all risks defined in the Better Practice Model	Kahli Rolton, Jeroen Zwijnenburg, Pamela Lee	Due 21/09/2018
Create risk based assessments for all controls and assign to staff in accordance with agreed review timeframes. • High & extreme risks = yearly • Medium risks = every 2 years • Low risks = every 2-3 years	Kahli Rolton	Due 31/09/2018
Training update with staff regarding control improvements, risk based assessments, general Q & A	Kahli Rolton	TBA
Follow up of control improvements & report back to Audit Committee with update	Kahli Rolton	November 2018
Update Control Track to reflect any changes to operational controls arising from the Internal Financial Controls procedure manual review.	Kahli Rolton	December 2018

A total of 49 improvement plans have been identified following assessment and review by staff of the better practice model controls. Of these 49 improvement plans, 5 have been completed, 14 are in progress and 30 are yet to commence. Please refer to Attachment 2 for a list of all improvement plans identified.

In addition to continuing work in operating Control Track, a major review of the Internal Financial Controls procedure manual has commenced. Due to changes to the organisational structure and the welcoming of new staff, it is timely to complete a review of expectations in relation to such procedures and ensure any alterations are recorded and implemented.

Significant work has been undertaken to progress a whole of Council risk register including identified risks and controls. The Corporate Risk Register is a much larger body of work and is still a work in progress. The Corporate Risk Register will also use the Control Track software tool to assist with implementation, automated notifications and reporting once fully established.

Conclusion

Progress on identified improvement plans is continuing with 5 out of 49 completed and 14 in progress.

The Internal Financial Controls procedure manual is currently under review by management and it is anticipated this will be reported at the next Audit Committee Meeting.

Attachments

Attachment 1 (AR18/17848):   Internal Financial Controls 2017/2018
Attachment 2 (AR18/38519):   Control Track – Improvements as at September 2018

Kahli ROLTON
MANAGEMENT ACCOUNTANT

Pamela LEE
GENERAL MANAGER COUNCIL BUSINESS SERVICES

17 September 2018
KR

Control Track
Residual Risk Ratings
as at 12 October 2018

Risk ID	Status	Type	Category	Sub Category	Risk Summary	Organisational Unit	residual	Update Time	Frequency of Assessment	Control Improvement in place	Risk Based Assessment created	Comments
RISK-184	Accepted	BPM 2017	Financial	Strategic Financial Planning	Unrealistic Budgets	Finance	High	21/03/2018	Annually		yes	
RISK-183	Accepted	BPM 2017	Financial	Expenses	Time and/or attendance data is either invalid, inaccurately recorded or not recorded at all.	Finance	Medium	12/10/2018	2 years		yes	reliance is on timesheet accuracy. Training & expectations need to be set and managed for staff authorising timesheets and leave.
RISK-181	Accepted	BPM 2017	Financial	Revenue	The fee charged does not reasonably reflect the value of the services provided.	Finance	Medium	12/10/2018	2 years		yes	Work is being undertaken to begin analysis of fees and charges before they are set to ensure they cover all required costs. This will not happen at once, but be a rolling program over our significant fees & charges.
RISK-177	Accepted	BPM 2017	Financial	Liabilities	Supplier master file data does not remain pertinent and/or unauthorised changes are made to the supplier master file. Liabilities - Accounts Payable	Finance	Medium	28/08/2018	2 years	TR-15	yes	
RISK-170	Accepted	BPM 2017	Financial	Expenses	Purchases of goods and services are made from non-preferred suppliers.	Finance	Medium	12/10/2018	2 years	TR-21	yes	
RISK-167	Accepted	BPM 2017	Financial	Assets	Projects are either inaccurately recorded or not recorded at all.	Finance	High	21/09/2018	Annually		yes	
RISK-166	Accepted	BPM 2017	Financial	Assets	Prepayments are either inaccurately recorded or not recorded at all.	Finance	Medium	21/09/2018	2 years		yes	
RISK-165	Accepted	BPM 2017	Financial	Financial Governance	Policies and Procedures do not reflect current requirements.	Finance	Medium	12/10/2018	2 years	TR-42 TR-36		Due to a register of procedures not in existence, there is no review program in place and increases the risk in this area. Policies have a register and review program.
RISK-154	Accepted	BPM 2017	Financial	Strategic Financial Planning	KPIs are not consistent with Corporate Objectives and accounting policies adopted by Council are not adhered to by Council administration.	Finance	Medium	12/10/2018	2 years			Council needs to work on a more integrated approach to reviewing services, setting objectives, setting budgets, setting KPI's.
RISK-150	Accepted	BPM 2017	Financial	Assets	Inventory received is either recorded inaccurately or not recorded at all.	Finance	High	21/09/2018	Annually	TR-43	yes	this rating is due to insuffient inventory /stores recording & tracking at the depot.
RISK-149	Accepted	BPM 2017	Financial	Assets	Inventory is inadequately safeguarded.	Finance	High	21/09/2018	Annually		yes	this rating is due to insuffient inventory /stores recording & tracking at the depot.
RISK-141	Accepted	BPM 2017	Financial	Assets	Fixed Asset maintenance and/or renewals are inadequately planned.	Finance	High	21/09/2018	Annually			Council is developing maintenance and forward programs for ALL its asset categories.
RISK-128	Accepted	BPM 2017	Financial	Strategic Financial Planning	Data contained within the General Ledger is permanently lost	Finance	High	12/10/2018	Annually			Whilst Council has mitigated this risk to the best of its ability with regular back ups, located offsite and at different locations. This risk remains inherently high. There is limitation at present to the Tools available.
RISK-121	Accepted	BPM 2017	Financial	Strategic Financial Planning	Councils management reports provide inaccurate financial information.	Finance	High	12/10/2018	Annually			Council is investing in changing to Hierarchies structure and a standard version of BIS.
RISK-120	Accepted	BPM 2017	Financial	Strategic Financial Planning	Council's financial information is not reviewed in a timely manner to enable effective decision making.	Finance	High	12/10/2018	Annually			
RISK-118	Accepted	BPM 2017	Financial	Revenue	Council loses recurrent Grant funding to provide existing service.	Finance	Medium	12/10/2018	2 years			Council has recently implemented the Grants and Funding Register to assist with this. Once this integrates as a normalised process, this should reduce. Council is also investing in preparing service definition and sources of funding to provide that service.
RISK-117	Accepted	BPM 2017	Financial	Assets	Council issues Loans/Grants without appropriate approvals.	Finance	Medium	21/09/2018	2 years	TR-30		

Control Track
Residual Risk Ratings
as at 12 October 2018

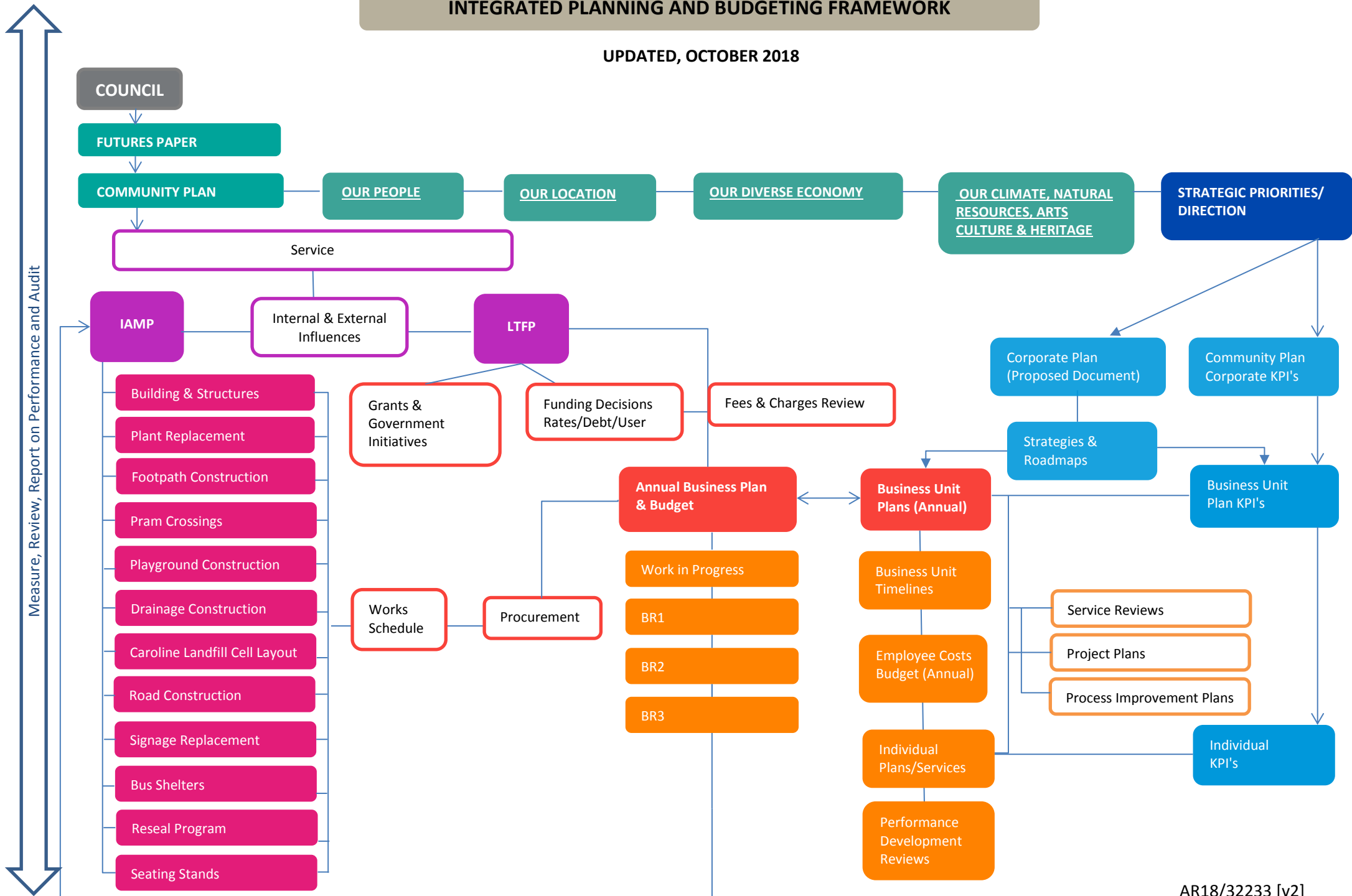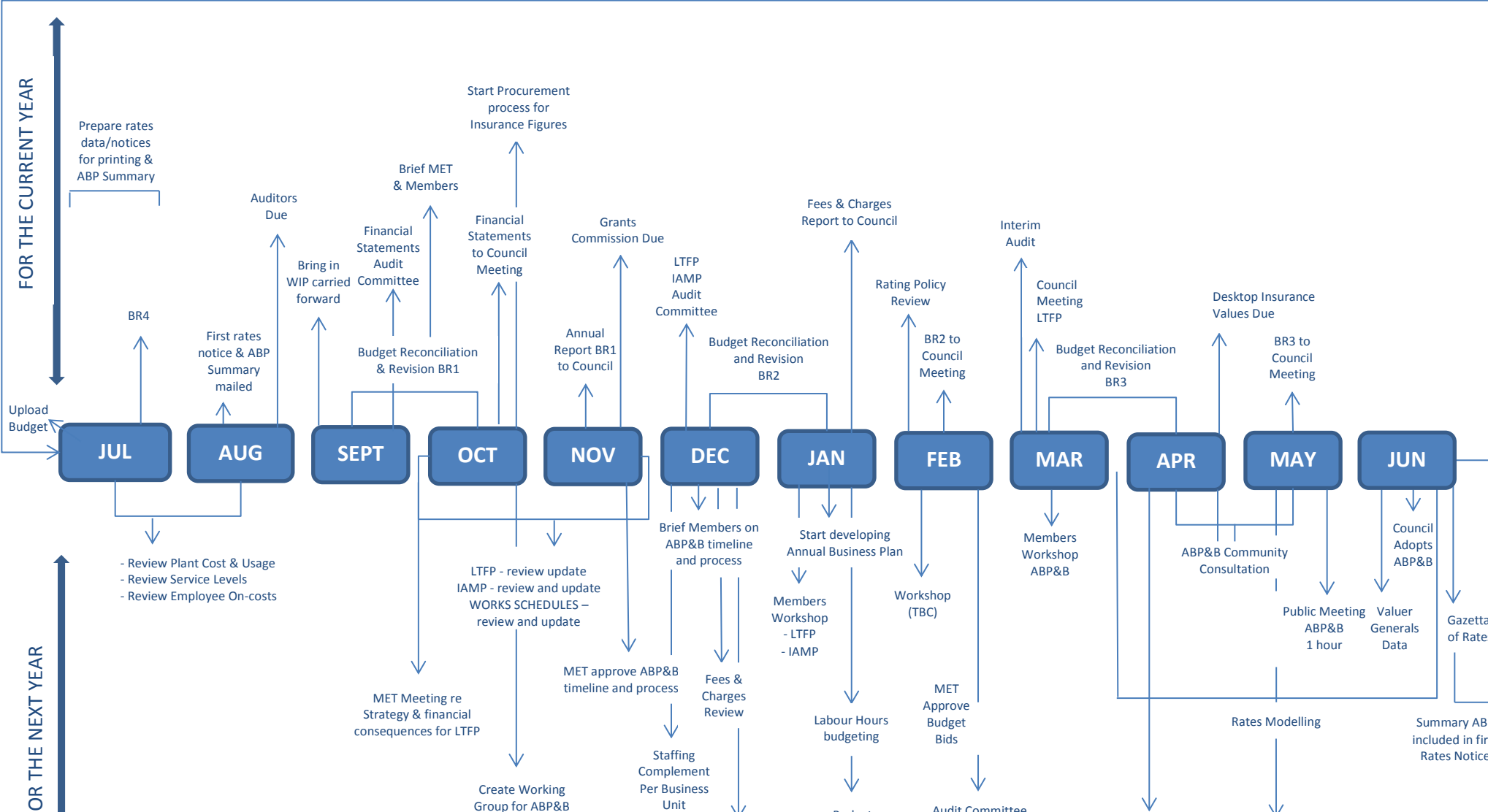|											
RISK-114	Accepted	BPM 2017	Financial	External Services	Council does not obtain value for money in relation to its Contracting.	Finance	Medium	12/10/2018	2 years		This is an inherently high risk area especially in decentralised purchasing environment. The controls in place have reduced this to medium and Council are working on further improvements as part of the 3 year Procurement Strategy & Roadmap.
RISK-113	Accepted	BPM 2017	Financial	Expenses	Council does not obtain value for money in its purchasing and procurement.	Finance	Medium	24/09/2018	2 years		
RISK-104	Accepted	BPM 2017	Financial	Strategic Financial Planning	Budgets do not reflect strategic objectives	Finance	High	12/10/2018	Annually	TR-34 TR-35	At present there is no direct link to strategic objectives when budget setting. Council is investing in preparing service definitions with links to strategic objectives and budgets.
RISK-99	Accepted	BPM 2017	Financial	Assets	Appropriate approvals are not received for the establishment and changes in project scope or costs.	Finance	High	21/09/2018	Annually	TR-39	There is currently no standardised approach to project costing.

Total Count	**92**
Total Low	71
Total Medium	11
Total High/Extreme	10

INTEGRATED PLANNING AND BUDGETING FRAMEWORK

UPDATED, OCTOBER 2018

AR18/32233 [v2]

INTEGRATED PLANNING AND BUDGET FRAMEWORK TIMELINE

FOR THE CURRENT YEAR

FOR THE NEXT YEAR

Timeline months: JUL | AUG | SEPT | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN

Above the timeline (current year activities):

- Prepare rates data/notices for printing & ABP Summary
- Upload Budget
- BR4
- Auditors Due
- Bring in WIP carried forward
- First rates notice & ABP Summary mailed
- Brief MET & Members
- Financial Statements Audit Committee
- Budget Reconciliation & Revision BR1
- Start Procurement process for Insurance Figures
- Financial Statements to Council Meeting
- Grants Commission Due
- Annual Report BR1 to Council
- LTFP IAMP Audit Committee
- Fees & Charges Report to Council
- Budget Reconciliation and Revision BR2
- Rating Policy Review
- BR2 to Council Meeting
- Interim Audit
- Council Meeting LTFP
- Budget Reconciliation and Revision BR3
- Desktop Insurance Values Due
- BR3 to Council Meeting
- Council Adopts ABP&B

Below the timeline (next year activities):

- - Review Plant Cost & Usage
  - Review Service Levels
  - Review Employee On-costs
- MET Meeting re Strategy & financial consequences for LTFP
- LTFP - review update
  IAMP - review and update
  WORKS SCHEDULES – review and update
- Create Working Group for ABP&B
- MET approve ABP&B timeline and process
- Brief Members on ABP&B timeline and process
- Staffing Complement Per Business Unit
- Fees & Charges Review
- Start Business Unit Planning
- Start developing Annual Business Plan
- Members Workshop
  - LTFP
  - IAMP
- Labour Hours budgeting
- Budget Bids
- Workshop (TBC)
- MET Approve Budget Bids
- Audit Committee LTFP
- Members Workshop ABP&B
- ABP&B Community Consultation
- Council Approve Draft ABP&B for Community Consultation
- Rates Modelling
- Public Meeting ABP&B 1 hour
- Insurances Review with JLTA
- Valuer Generals Data
- Gazettal of Rates
- Summary ABP included in first Rates Notice

ABBREVIATIONS

LTFP	-	Long Term Financial Plan
BR	-	Budget Revision
ABP&B	-	Annual Business Plan and Budget
IAMP	-	Infrastructure Asset Management Plan
WIP	-	Work in Progress

INTEGRATED PLANNING AND BUDGET FRAMEWORK TIMELINE

FOR THE CURRENT YEAR

	JUL	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
COUNCIL MEETING			WIP	Financial Statements	Annual Report BR1			BR2			BR3	
AUDIT COMMITTEE			FS External Audit Internal Controls		BR1 Policy Reviews			Internal Controls		Interim Audit Internal Controls BR2		
BUDGET	Upload new Budget	BR4 review Actual v's original	Bring in WIP carried forward		BR1 upload			BR2 upload			BR3 upload	
RATES	Prepare rates data/notices for printing & ABP Summary 1st instal data	1st rates notice & ABP Summary mailed	1st Instal payment due 1st instal reminders data	2nd instal data		2nd Instal payment due 2nd instal reminders data	3rd instal data	Rating Policy Review	3rd Instal payment due 3rd instal reminders data	4th instal data		4th Instal payment due 4th instal reminders data
FINANCE SPECIALISTS	BR1 start preparing	Auditors Due			Grants Commission Due		BR2 start preparing	Interim Audit		BR3 start preparing		

FOR THE NEXT YEAR

	JUL	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
COUNCIL MEETING								Forward works programs	LTFP & IAMP	Draft ABP&B	Public Meeting (1hr) ABP&B	ABP&B adopt
COUNCILLOR INPUT/WORK SHOP								LTFP & IAMP	ABP&B	ABP&B		
AUDIT COMMITTEE					ToR Self Assess			LTFP & IAMP		ABP&B		
BUDGET						Fees & Charges Review	Start developing ABP&B			ABP&B Community Consultation starts (21 days)		
RATES											Rates Modelling starts	Valuer Generals Data Gazettal of Rates ABP Summary
FINANCE SPECIALISTS	Review Plant Cost & Usage Review	Review Service Levels Employee Oncosts			Start Procurement Insurance Figures	LTFP & IAMP Start preparing	Employee Costs budgeting			Desktop Insurance Values Due	Insurances Review	

FOR THE CURRENT YEAR

FOR THE NEXT YEAR

ABBREVIATIONS

ABP	-	Annual Business Plan
ABP&B	-	Annual Business Plan and Budget
BR	-	Budget Revision
FS	-	Financial Statements
IAMP	-	Infrastructure Asset Management Plan
Instal	-	Instalment
LTFP	-	Long Term Financial Plan
ToR	-	Terms of Reference
WIP	-	Work in Progress

City of Mount Gambier

PROCESS IMPROVEMENT PLAN

START WITH A PROFILE OF THE PROCESS AND/OR SERVICE

Name of process / service: Property Search requests

Owner: Leanne Little / Customer Service Team

Date of SWOT: 03/08/2018

Date this review commenced: 1/01/2016

Date this review completed: 31/07/2018

Date improvements implemented: 6/08/2018

Comments/ feedback on the review: Current process is inefficient administration costly and does not provide a positive customer experience. Current process involves an external request for a property search, action is assigned to CS. CS prepare administration paperwork manually for search. Officers required to sign off on manual printed searches documenting any declarations and / or findings. Current process excludes rates officers unless debt collection is in place.

Background

- Process improvement originally started some 18 months prior to now.
- A division in departments together with lack of understanding of staff roles has stalled the process on a number of occasions.
- Staff training in Content Manager and work flows combined with the merge of Customer Service and Operations Admin has allowed this process improvement to now progress.
- Skills and knowledge from both areas has been shared to achieve the outcome of this efficiency.
- Customer Service is committed to assisting all officers with training in workflow completion.
- The inclusion of Rates Officer sees the responsibility of the rates component now administered by Rates rather the Customer service.

1. MEASURE CURRENT PROCESS OR SERVICE

a) Process

Current process involves numerous officers within council but excludes rates. Printed Search often looks unprofessional, requires CS to physically locate and pass along to next officer. Progress enquiries from external stakeholders are unable to be answered immediately due to unknown location of search. Requires CS to physically locate then contact stakeholder to advise progress. Searches can often be found in staff In trays whilst staff on leave impacting turnaround times.

b) Stakeholders

- Customer Service Officer
- Rates Officer
- Planning Officer
- Environmental Health Officer
- Building Officer
- General Inspector
- Delegated General Manager

c) Measure Current Process

- Service Level Standards currently cannot be accurately measured
- Average turnaround is currently 5-7 business days
- Legislative requirement is maximum of 8 business days
- Customer Service process approximately 780 searches per year
- Average of 6-10 requests per month for follow up on estimated return time from external stakeholders.

2. ANALYSE

a) Reason for Improvement
- Drive administration efficiencies.
- Provide an improved CX for external stakeholders.
- Measurability of service – Turnaround times and identify where the delays are.
- Ability to reassign in staff absence.
- Professional appearance of external documents for council image and branding.
- Accurate recording for legislative compliance and ability to answer stakeholder enquiries immediately.
- Rates Officer involvement confirms accuracy of information.

b) Current Situation

Current process involves numerous officers within council but excludes rates. Printed Search often looks unprofessional, requires CS to physically locate and pass along to next officer. Progress enquiries from external stakeholders are unable to be answered immediately due to unknown location of search. Requires CS to physically locate then contact stakeholder to advise progress. Searches can often be found in staff In trays whilst staff on leave resulting in an impact on turnaround times

c) Analysis

Current process whilst delivers the desired outcome legislatively required is inefficient due to lack of understanding and or capability of CM9 system, particularly work flows.

7. MONITOR AND CONTROL

Select measurements required for ongoing control and continue to measure process / service outcomes for conformance to implemented improvements.
- Team Leader CS will measure turnaround times as part of monthly reporting process.
- Measurement applied against agreed service level standards.
- Monitor feedback from external stakeholders.

PICTURE OF TEAM

- Rates Team
- Customer Service Team
- Planning Team / Building Team
- Environment Health Team
- Delegated General Manager(s)
- General Inspectorate
- External Stakeholders – Real Estate Agents, Conveyancers, Lawyers.

3. OPTIONS

- Total automation – eliminate paper
- Partial elimination – automatic internal search workflow process
- Produce hardcopy internal searches requiring physical handover to each officer.
- Do nothing
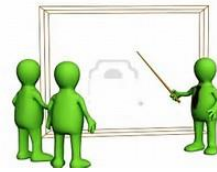- Follow up with Civica regarding automated process for SA Civica Councils. Civica commenced work in 2015

Click here to enter text.

PDCA: Plan-Do-Check-Act

City of
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6. STANDARDISE

Develop or modify the process and/or procedures to reflect the new process / service, update the flowchart(s) and SWOT.

- New administrative procedure documented.
- Testing has substantiated a consistent property search process and document is produced to the standard required.

5. IMPLEMENT

Implement and track changes and measures to ensure

- Online trial commenced 30th July 2018.
- CS Officers requesting feedback from all authorising officers.
- Advise to external stakeholders of change in physical format.
- Instructions documented to assist officers with workflow.

4. SOLUTION

Identify best solution and confirm why.

- Will aim for total automation however this is not available until Civica delivers the "Authority" automated functionality.
- Compromise is to automate the internal workflow (ie automate the movement of the search document within the organization) by automating the flow between the 6 internal search officer check points.

Current Search Process Measurement												Improved Search Process Measurement								
Requestor (Lawyer, Conveyancer, Real Estsate)	Requests Property Search										Receives Completed Search	Requestor (Lawyer, Conveyancer, Real Estsate)	Requests Property Search					Receives Completed Search
General Manager								Signs Document				General Manager			Signs Document			
Customer Service Team		Prepares Document					Checks All Fields			Replies to Requestor		Customer Service Team		Prepares Document		Checks All Fields		
Planning Team			Signs Document									Planning Team			Signs Document			
Building Team				Signs Document								Building Team			Signs Document			
Gernal Inspectorate Team					Signs Document							Gernal Inspectorate Team			Signs Document			
Environmental Health Team						Signs Document						Environmental Health Team			Signs Document			
Rates Team							Checks Figures					Rates Team			Signs Document			
		Time of process approximately 5 - 7 business days											*Forecast Time of process 2 - 3 business days*						

PDCA: Plan-Do-Check-Act
PDCA stands for Plan-Do-Check-Act.
It is a cyclical method for continuous improvement of processes.

PLAN | DO | CHECK | ACT

	P420 PROCUREMENT, & **DISPOSAL OF LAND AND ASSETS**	Version No:	4
City of Mount Gambier		Issued:	August 2018
		Next Review:	November 2019

1.   INTRODUCTION

Section 49 of the Local Government Act 1999 requires Council to prepare and adopt policies on the contracting out of services, competitive tendering and the use of other measures to ensure that services are delivered cost-effectively, the use of local goods and services, and the sale or disposal of land or other assets.

Further, Section 49 (a1) of the Act requires Council to develop and maintain policies, practices and procedures directed towards obtaining value in the expenditure of public money, providing for ethical and fair treatment of participants, and ensuring probity, accountability and transparency in all disposal processes.

This Policy provides comprehensive guidance and authority to the Chief Executive Officer with respect to procurement and disposal processes.

All procurements and disposals are undertaken to give effect to Council's endorsed Budget and/or a specific resolution of Council.

This Policy:

- defines the methods by which Council can acquire goods and services;
- defines the methods by which Land and Assets are disposed of;
- demonstrates accountability and responsibility of Council to ratepayers;
- provides fairness and equity to all parties involved;
- enables all processes to be monitored and recorded; and
- ensures that the best possible outcome is achieved for the Council.

This Policy does not cover:

- non-procurement expenditure such as sponsorships, grants, funding arrangements, donations and employment contracts; or
- the purchase of land by the Council.

This Policy also does not cover:

- Land sold by Council for the non-payment of rates; or
- disposal of goods which are not owned by the Council, such as abandoned vehicles;
  as these are dealt with in the Act.

2.   DEFINITIONS

In this Policy, unless the contrary intention appears, these words have the following meanings:

Act means the Local Government Act 1999

Asset means any physical item that the Council owns and that has at any time been treated pursuant to the Australian Accounting Standards as an 'asset', and includes all Plant and Equipment. It **does not include** financial investments or finance related activities.

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Authorised Officer means a Council Officer with formal (sub)delegation and/or financial authorisation granted by written instrument from the Chief Executive Officer to enter into contracts and transactions to a specified value and unless contrary provisions apply includes the Chief Executive Officer and General Managers.

Land includes community land, vacant land, operational land, road reserves, any legal interest in land, and any other land-related assets, including all buildings (community and operational) on Land.

Minor Plant, Materials and Equipment includes all minor plant and equipment owned by Council with an original value of less than $5,000. It includes all loose tools, store items, furniture, second hand items removed from other Plant and Equipment (such as air conditioners, bricks and pavers) and surplus bulk items.

3. POLICY OBJECTIVES

Council aims to achieve advantageous outcomes by:

- enhancing value for money through fair, competitive, non-discriminatory procurement and disposal;

- promoting the use of Council's financial, physical and staffing resources in an efficient, effective and ethical manner;

- making decisions with probity, accountability and transparency;

- advancing and/or working within Council's economic, social and environmental policies;

- providing reasonable opportunity for competitive and appropriately qualified and experienced local businesses to supply to Council;

- appropriately managing risk; and

- ensuring compliance with all relevant legislation.

4. POLICY PRINCIPLES

Council must have regard to the following principles in its Procurement and Disposal of Land and Assets:

- *Encouragement of open and effective competition*

- *Obtaining Value for Money*

  Value for Money is not restricted to price alone, assessment must include consideration of (where applicable):

  - the contribution to Council's long term financial plan and strategic management plans;
  - any relevant direct and indirect benefits to Council, both tangible and intangible;
  - efficiency and effectiveness of the proposed activity;
  - the performance history, and quality, scope of services and support of each prospective supplier;
  - fitness for purpose of the proposed goods or service;
  - whole of life costs;
  - the costs of various disposal methods;
  - internal administration costs;
  - technical compliance & knowledge issues;

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- risk exposure; and
- the value of any associated environmental benefits.

- *Probity, Ethical Behaviour and Fair Dealing*

- *Accountability, Transparency and Reporting*

- *Ensuring compliance with all relevant legislation*

- *Encouragement of the development of competitive local business and industry*

    Where other evaluation criteria are comparable, Council will also give consideration/weighting to the following:

    - the creation of local employment opportunities;
    - increased availability of local servicing support;
    - increased convenience with communications with the supplier for contract management;
    - economic growth within the local area;
    - benefit to Council of associated local commercial transaction; and/or
    - the short and long term impact of the procurement on local business.

- *Environmental protection*

    Council will seek to:

    - adopt purchasing practices which conserve natural resources;
    - align the Council's procurement activities with principles of ecological / environmental sustainability and the Natural Step Framework;
    - purchase recycled and environmentally preferred products where fit for purposes and it is possible and reasonable to do so;
    - integrate relevant principles of waste minimisation and energy;
    - foster the development of fit for purpose products and services which have a low environmental impact;
    - provide leadership to business, industry and the community in promoting the use of environmentally sensitive goods and services.

- *Compliance with adopted Work, Health & Safety policies, procedures and practices.*

- *Procurement and Disposals are undertaken within the parameters of and authority granted by Council's endorsed Budget and/or a specific resolution of Council.*

5.   PROCUREMENT METHODS

Generally, open and fair competition is best achieved by undertaking a tender process so that all interested parties have an opportunity to bid. However, there may be procurements in which a tender process will not necessarily deliver the most advantageous outcome for the Council – in such instances, other market approaches may be more appropriate.

The Council may, having regard to its Procurement Principles and any other factors considered relevant by the Council, in its absolute discretion determine to utilise one or more of the following procurement methods:

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Direct Purchasing

This is where Council purchases from a single source, without first obtaining competing bids.

This method may be suitable for low value, low risk goods and services, and where the supplier already has a successful service history with the Council.

Where Direct Purchasing is utilised as a procurement method for items obtained with relative frequency and volume, a supplier is to be requested to submit to Council and keep current a list of unit prices / rates for such items purchased under this purchasing method.

Direct Purchasing may be utilised by an Authorised Officer using petty cash (up to $150) or credit card (in addition to Council's formal online requisitioning system) up to the value of $2,000.

Direct Purchasing may also be utilised for routine purchases of any value from any single or group of suppliers under a supply contract with a fixed pricing regime established under a Tender, Panel Contract or Strategic Alliance arrangement in accordance with this Clause 5.

Quotations

This is where Council obtains quotations from prospective suppliers.

Generally, a minimum of two written quotations should be sought. If a written quote cannot be obtained, the Council must keep detailed written records of the oral quote obtained, including details of the commercial terms of the quote.

This method may be suitable for an Authorised Officer to purchase low value, low risk goods and services with an estimated value not exceeding $10,000.

Request for Quotations (RFQ)

This is where Council obtains written quotations from prospective suppliers.

Generally, a minimum of three written quotations are sought.

This method may be suitable for simple, largely price-based purchases with an estimated value not exceeding $50,000.

Requests for Expressions of Interest (REOI)

This is where Council issues an open invitation for a proposed good(s) and/or service(s) of any value.

This method may be used by an Authorised Officer where there is potentially a large market for the proposed goods and/or service, and the Council would like to be able to prepare a short list of suppliers to invite to participate in a tender or request for quotation process.

Request for Tenders (RFT)

This is where the Council issues a formal tender for the supply of goods and/or service where the estimated value is in excess of $50,000.

Council may issue a "Select" Request for Tender where it has already issued a REOI, or where it has documented reasonable grounds for only dealing with a select group of potential suppliers.

Otherwise, Council may issue an "Open" Request for Tender.

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Prior to any procurement decision arising from a Request for Tender process each Tender is to be assessed against a pre-determined and documented set of criteria. Assessment is to be undertaken individually by a panel comprising at least 3 Council Officers of which at least one is not to have been involved in the development of the Tender specification or to be involved in the management of the Tender Contract.

Panel Contracts

This is where the Council establishes panel arrangements with a select group of suppliers – generally, this occurs once the Council has completed its appointment of such suppliers in accordance with this Policy, and can include either:

- a standing offer from a pool of suppliers for the provision of goods and services on agreed terms; or

- the prequalification of certain suppliers who may or may not be engaged on terms to be agreed.

Once a panel has been established, the Council may purchase the particular goods and/or service through such panel arrangements.

A panel contract must be first endorsed by Council including the extent of goods and services and any value limit or conditions applicable to any particular contract, purchase or group/category of purchase.

An Authorised Officer may utilise a panel contract for direct purchasing of goods and services of any value within approved budget and authorisation limits.

Strategic Alliances

This is where the Council undertakes procurement through contract arrangements already established and administered by other organisations, including:

- LGA Procurement;
- a purchasing group of which the Council is (or becomes) a member;
- Procurement Australia;
- State Government contracts.

A Strategic alliance must first be endorsed by Council including the extent of goods and services and any value limit or conditions applicable to any particular alliance, purchase or group/category of purchase.

An Authorised Officer may utilise a strategic alliance for direct purchasing goods and services of any value within approved budget and authorisation limits.

A panel contract or strategic alliance will not require endorsement by Council where the panel or alliance is administered by the Local Government Association or under an arrangement between the constituent councils of a s43 subsidiary with which Council is associated (i.e. Limestone Coast Local Government Association).

6.   PROCUREMENT STRUCTURE

The appropriate method of procurement will be determined by reference to a number of factors, including:

- *Value of the Purchase (all values exclusive of gst)*

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Value of Purchase ($)	Possible Method of Procurement	Assessment/Purchasing Decision Making Delegations
Not exceeding $2,000	Direct Purchasing	Authorised Officer - up to $ limit
Not exceeding $10,000	Obtain at least 2 Quotations (3 written quotes over $5,000)	Authorised Officer - up to $ limit
Not exceeding $50,000	Request for Quotation (RFQ)	Authorised Officer - up to $ limit
In excess of $20,000	Request for Expression of Interest (REOI)	N/A - refer RFQ/RFT limits
In excess of $50,000	Request for Tender (RFT)	CEO up to $100,000 Council - above $100,000
Budget	Direct Purchasing (Formal Supply Contract)	Authorised Officer - up to $ limit CEO – up to Budget
	Panel Contracts	Authorised Officer - up to $ limit CEO – up to Budget
	Strategic Alliances	Authorised Officer - up to $ limit CEO – up to Budget

In accordance with Clause 2 Definitions:

Authorised Officer means a Council Officer with formal (sub)delegation and/or financial authorisation granted by written instrument from the Chief Executive Officer to enter into contracts and transactions to a specified value and unless contrary provisions apply includes the Chief Executive Officer and General Managers.

The value of the purchase will be calculated as follows:

- *single one-off purchase* – the total amount, or estimated amount, of the purchase (excluding GST);
- *multiple purchases* – the gross value, or the estimated gross value, of the purchases (excluding GST); or
- *ongoing purchases over a period of time* – the annual gross value, or the estimated annual gross value, of the purchases (excluding GST).
- *purchase including a trade-in/changeover* – the net changeover value being the gross value of the item being purchased minus the value of the traded-in/changed-over asset.

Noting always that all procurements and disposals are undertaken to give effect to and implement Council's plans and objectives within the parameters of Council's endorsed Budget and/or a specific resolution of Council.

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- *cost of an open market approach versus the value of the acquisition and the potential benefits;*

- *the particular circumstances of the procurement activity;*

- *the objectives of the procurement;*

- *the size of the market and the number of competent suppliers;*

- *the Council's leverage in the marketplace;*

- *time constraints;*

- *a holistic assessment of the risks associated with the relevant activity and /or project, including the risk profile of the procurement and any risks associated with the preferred procurement method.*

For the purpose of this clause 6, any variation in determining the procurement method in accordance with the values prescribed in the above table must be endorsed by the Chief Executive Officer and be accompanied by detailed written reasons of the relevant factors.

7.   CONSIDERATIONS PRIOR TO DISPOSAL OF LAND AND ASSETS

Any decision to dispose of Land and Assets will be made after considering (where applicable):

- *the usefulness of the Land or Asset;*

- *the current market value of the Land or Asset;*

- *the annual cost of maintenance;*

- *any alternative future use of the Land or Asset;*

- *any duplication of the Land or Asset or the service provided by the Land or Asset;*

- *any impact the disposal of the Land or Asset may have on the community;*

- *any cultural or historical significance of the Land or Asset;*

- *the positive and negative impacts the disposal of the Land or Asset may have on the operations of the Council;*

- *the long term plans and strategic direction of the Council;*

- *the remaining useful life, particularly of an Asset;*

- *a benefit and risk analysis of the proposed disposal;*

- *the results of any community consultation process;*

- *any restrictions on the proposed disposal;*

- *the content of any community land management plan; and*

- *any other relevant policies of the Council.*

Consideration given to these matters will be recorded in Council's corporate records management system and in the case of a decision to dispose of Land, will be presented in a report at a meeting of Council prior to the disposal decision being made.

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8. DISPOSAL METHODS

Land disposal

The Council may resolve to dispose of Land.

Where the Land forms or formed a road or part of a road, the Council must ensure that the Land is closed under the Roads Opening and Closing Act 1991 (SA) prior to its disposal.

Where Land is classified as community land, the Council must:

- undertake public consultation in accordance with the Act and the Council's public consultation policy; and
- ensure that the process for the revocation of the classification of Land as community land has been concluded prior to its disposal; and
- comply with all other requirements under the Act in respect of the disposal of community land.

Where the Council proposes to dispose of Land through the grant of a leasehold interest, the Council must have complied with its obligations under the Act, including its public consultation obligations under Section 202 of the Act.

The Council will, where appropriate, dispose of Land through one of the following methods:

- *open market sale* - advertisement for disposal of the Land through the local paper and where appropriate, a paper circulating in the State, or by procuring the services of a licensed real estate agent and/or auctioneer (following compliance with this Policy);
- *expressions of interest* - seeking expressions of interest for the Land;
- *select tender* - seeking tenders from a selected group of persons or companies;
- *open tender* - openly seeking bids through tenders, including public auction;
- *by negotiation* – with owners of land adjoining the Land or others with a pre-existing interest in the Land, or where the Land is to be used by a purchaser whose purpose for the Land is consistent with the Council's strategic objectives for the Land.

Selection of a suitable disposal method will include consideration of (where appropriate):

- the number of known potential purchasers of the Land;
- the original intention for the use of the Land;
- the current and possible preferred future use of the Land;
- the opportunity to promote local economic growth and development;
- delegation limits, taking into consideration accountability, responsibility, operation efficiency and urgency of the disposal;
- the total estimated value of the disposal; and
- compliance with statutory and other obligations.

The Council will not dispose of Land to any Council Member or employee of the Council who has been involved in any process related to a decision to dispose of the Land and/or the establishment of a reserve price.

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If Land is to be auctioned or placed on the open market or disposed of by an expression of interest or select tender, then (unless the Council resolves otherwise) an independent valuation must be obtained to establish the reserve price for the Land. The independent valuation must be made no more than 6 months prior to the proposed disposal.

If Land is to be disposed of via direct sale, then (unless the Council resolves otherwise) an independent valuation must be obtained to ensure that an appropriate market value is obtained. The independent valuation must be made no more than 6 months prior to the proposed disposal.

An independent valuation will not be required for a disposal where a value estimation being for less than $25,000 has been prepared and documented for the Land.

The Council will seek to dispose of Land by whichever method is likely to provide the Council with a maximum return at or near current market valuation, unless there are reasons for the Council to accept a lesser return which is consistent with the Council's overall strategic direction. These reasons must be documented in writing.

If the disposal is not to be on the open market, the disposal amount should have due regard to the value of the Land (independent or estimation) and the recovery of associated costs necessary to achieve the transaction.

Assets disposal

The sale of Assets will be the responsibility of the relevant General Manager who is responsible for those Assets.

The Council will, where appropriate, dispose of Assets through one of the following methods:

- *trade-in* – trading in equipment to suppliers
- expressions of interest – seeking expressions of interest from buyers;
- *select tender* – seeking tenders from a selected group of persons or companies;
- *open tender* – openly seeking bids through tenders;
- *public auction* – advertisement for auction in a paper circulating in the area, or procuring the services of an auctioneer (following compliance with this Policy).
- *sale through the ReUse Market.*

Selection of a suitable method will include consideration of (where appropriate):

- the public demand and interest in the Asset;
- the method most likely to return the highest revenue;
- the value of the Asset;
- the costs of the disposal method compared to the expected returns; and
- compliance with statutory and other obligations.

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Consideration will be given to direct disposal of Minor Plant and Equipment to a community/sporting group(s) where it is considered that such disposal provides a cost/service benefit to Council. Other groups may be provided with opportunity to participate in the disposal where the administrative resources necessary for such participation are not considered to outweigh or exceed the benefit/savings to be achieved or the Asset value.

Elected Members and employees of the Council will not be permitted to purchase Assets unless the purchase is at the ReUse Market for the advertised price or via an open tender process or a public auction, and the tender submitted or bid made is the highest.

The Council will not dispose of any Asset to any Council Member or employee of the Council who has been involved in the establishment of the sale price at the ReUse Market.

Purchasers of Assets must be required to agree in writing that before purchasing any Asset that no warranty is given by the Council in respect of the suitability and condition of the Asset for the purchaser and that the Council will not be responsible for the Asset in any respect following the sale.

9. CONSULTATION

The Council must undertake public consultation in respect of its proposed disposals in accordance with the requirements of the Act and its public consultation policies at all times.

10. RECORDS

The Council must record reasons for utilising a specific procurement or disposal method in each activity and where it uses a procurement or disposal method other than a tendering process.

11. EXCEPTIONS TO THIS POLICY

This Policy contains general guidelines to be followed by the Council in its procurement and disposal activities. There may be emergencies, or procurements or disposals in which a tender process will not necessarily deliver the best outcome for the Council, and other market approaches may be more appropriate.

In certain extenuating circumstances, the Chief Executive Officer may waive application of this Policy and pursue a method which will bring the best outcome for the Council.

Such circumstances might include, but not be limited to:

- emergency situations threatening life and property; or
- where the supply market is known; or
- timing constraints

The Chief Executive Officer must record in writing reasons for waiving application of this Policy.

This clause is not intended to override or avoid any other restrictive/prohibitive policy, delegation or other statutory or documented provisions or requirements.

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12. DELEGATIONS

This policy is to be administered with regard to and consistent with duly made delegations, sub-delegations and financial authorisations of the Council and Chief Executive Officer.

13. PRUDENTIAL REQUIREMENTS

This policy is to be administered with regard to and consistent with Council's Prudential Management Policy, practices and procedures and s48 of the Local Government Act 1999.

14. RISK MANAGEMENT

This policy is to be administered with regard to and consistent with Council's Risk Management Framework Policy and risk management practices and procedures.

15. REVIEW OF POLICY

This Policy shall be reviewed at least once during each term of Council, and shall be reviewed and presented to Council following it's first 12 months of operation. Council may revise or review this Policy at any time (but not so as to affect any process that has already commenced).

16. FURTHER INFORMATION

This Policy will be published on the Council's website and will be available for inspection at the principal office of the Council.

A copy of this Policy will be provided to any person upon request following payment of a fee as prescribed in Council's Schedule of Fees and Charges.

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File Reference:	AF11/1740
Applicable Legislation:	Local Government Act 1999 (s49)
Reference: Community Plan	
Related Policies:	C375 Provision and Replacement of Council Vehicles F225 Fraud and Corruption Prevention R305 Risk Management Policy R180 Records Management Policy
Related Procedures:	
Related Documents:	LGA Procurement Handbook Procurement Contracting Document Templates (AF11/1901) WHS Policies/Document Templates (AF13/175)

17. DOCUMENT DETAILS

Responsibility:	Manager Executive Administration
Version:	4.0
Last revised date:	21st August 2018
Effective date:	21st August 2018
Minute reference:	Council Meeting 21st August 2018 - Item 13.2
Next review date:	November, 2019
Document History First Adopted By Council: Reviewed/Amended:	25th November 2014, 15th March 2016 18/2/1999 Superseded Policy Q110, C250 20/7/2000 Superseded Policy Q115, 15th March 2016, 21st February, 2017, 21st August 2018

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		Version No:	**1**
City of Mount Gambier	**PROCUREMENT FRAMEWORK AND ADMINISTRATIVE PROCEDURE**	**Issued:**	**Nov 2018**
		Next Review:	**Nov 2019**

1. INTRODUCTION

1.1 This document sets out a Procurement Framework and administrative procedures for the City of Mount Gambier. The Framework provides information on the processes, considerations, roles and responsibilities for procurement of goods and contracting of services and directs and advises of the procedure that must be applied and followed when undertaking a procurement.

This procedure is issued in accordance with section 49 of the Local Government Act 1999 (the Act) which requires a council to develop and maintain procurement policies, practices and procedures.

1.2 Objective

To outline the process and requirements of procurement and acquisition planning on behalf of Council and reiterate the importance of the following principles:

- Obtaining value in the expenditure of public money
- Providing for ethical and fair treatment of participants
- Ensuring probity, accountability and transparency in procurement operations.

The procedure also seeks to:

- Demonstrate accountability and responsibility of Council to ratepayers
- Enable processes to be monitored and recorded
- Ensure the best possible outcome is achieved for Council
- Promote the use of resources in an efficient, effective and ethical manner
- Ensure Council's procurement principles are considered
- Ensure risks are identified and appropriately managed
- Ensure compliance with all relevant legislation.

1.3 Scope

This procedure applies to all persons and entities directly representing or acting on behalf of Council including, but not limited to; employees, labour hire and personal services contracts for:

- Goods
- Services
- Works
- Competitive transactions.

This procedure does not cover:

- Non-procurement expenditure such as sponsorships, grants, funding arrangements, donations and employment contracts
- Purchase of land by the Council
- Procurement undertaken by third parties under a head contractor arrangement.

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2. PROCUREMENT FRAMEWORK

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3. PROCUREMENT PRINCIPLES

Council must have regards to the following principles in its acquisition of goods and services:

3.1 Encouragement of Open and Effective Competition

Where all potential suppliers will have the same opportunities to compete for Council's business and will be treated equitably based upon their legal, commercial, technical and financial abilities. Specifications must not be prepared to favour a particular supplier or group of suppliers, unless the procurement outcome cannot be reasonably met without such specifications. Evaluators must provide comment(s) on their evaluation feedback form. This feedback will be provided within reason to unsuccessful participants at the conclusion of the procurement process.

3.2 Obtaining Value for Money

Value for Money is the core principle applying to the procurement process so as to ensure the best possible procurement outcome is achieved. Value for money is not restricted to price alone. Assessment of value for money must include:

- Whole of life costing and the contribution to Council's Long Term Financial Plan and strategic direction
- Any relevant direct and indirect benefits to Council, both tangible and intangible
- Efficiency and effectiveness of the proposed procurement activity
- The performance, history, quality, scope of services, support and valued additions of each prospective supplier
- Fit for purpose
- Risk exposure
- Contribution to meeting other objectives of Council (local economy, culture, environmental benefits).

3.3 Social and Economic Consideration

Council is committed to maximising the positive impact of its activities to benefit the local community and economy.

Where all other material considerations are comparable, Council will consider locally-based businesses, contractors and suppliers in the following order:

- Within the boundaries of the City of Mount Gambier and immediate surrounding areas, then
- Within South Australia, then
- Interstate, then
- International.

Consideration may also be given, where practicable in the procurement process to investigate the inclusion of not-for-profit organisations (profit for purpose social enterprises) that benefit the community.

3.4 Probity and Ethical Behaviour

All City of Mount Gambier person(s) involved in procurement activities must comply with the highest standards of probity and ethical behaviour. Specifically, they will:

- Conduct all procurement activity fairly, impartially, consistently, objectively and professionally with all suppliers

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	PROCUREMENT FRAMEWORK AND ADMINISTRATIVE PROCEDURE	**Version No:**	**1**
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City of Mount Gambier

- Identify any conflict of interest or potential conflict of interest when involved in procurement negotiations or evaluation of offers, withdraw from the transaction and advise their manager immediately
- Maintain the confidentiality of all aspects of offers and information received in response to an Expression of Interest, Request for Quotation or a Request for Tender
- Maintain adequate and appropriate documentation throughout the procurement activity
- Ensure that their knowledge and understanding of the market is thorough and up-to-date prior to commencing a procurement activity.

Where all other material considerations are comparable, Council may give preference to ethically responsible suppliers. This includes taking a holistic approach to the supply chain to ensure all facets are ethically responsible.

Council will not seek to benefit from suppliers that may be dishonest, unethical or unsafe. If there is evidence to support such behaviour, Council will discontinue dealing with such suppliers.

3.5   Work, Health and Safety

Council is committed to providing and undertaking such measures as to minimise risks (through safe workplace environments, systems of work, plant and substances) of injury/ill health to employees and other while at work and demonstrates a systematic approach to planning and implementation of work, health and safety consistent with the Work, Health and Safety Act 2012 (SA) and associated Regulations.

Council is dedicated to a contractor management system which provides for the selection of contractors/suppliers with appropriate licenses, certificates and safety controls. The exchange of information between the Council and its contractors must facilitate the identification of hazards and risk management. Council will only engage contractors who demonstrate an appropriate Work, Health and Safety Management System compliant with the Work, Health and Safety Act 2012 (SA) and associated Regulations.

3.6   Sustainable Procurement

Consideration should be given to incorporating environmentally sustainable features into procurement. For example:
- Only purchase necessary products and services and select products and services that reduce Council's consumption footprint
- Purchase in accordance with the waste hierarchy
  - Avoid
  - Reduce
  - Reuse
  - Recycle
- Purchase energy wise and/or water saving products, including products with recycled content and those that reduce greenhouse emissions
- Avoid products that pollute the air, soil and water
- Avoid purchasing hazardous chemicals that may be harmful to health and/or the environment.

Once relevant sustainable features have been determined they are to be included in specifications and evaluation criteria.

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3.7 <u>Risk Management</u>

Person(s) undertaking a procurement will assess the risks of the procurement activity and manage and apply appropriate risk mitigation strategies. Goods and services acquired by Council will meet all relevant Australian Standards and be fit for the purposes acquired.

3.8 <u>Sound Financial Management</u>

Principles of good financial management must be applied at all times during the procurement activity.

4. PROCUREMENT PROCESS

Approved budget funding must be confirmed for the procurement prior to the commencement of the procurement process. For new initiatives prior to commencing a procurement process a budget bid form must be completed and authorised. Where funding has been sourced from a grant application, the Grants and Funding Register (AR18/17335) must be completed.

The procurement process involves three broad stages; plan, source, manage. The importance of these stages will depend on the size, complexity and type of the procurement activity being undertaken. This structured approach aligns Council's needs, improves the efficiency and effectiveness of Council's procurement process and focuses on an outcomes driven solution.

Image One: Procurement Process
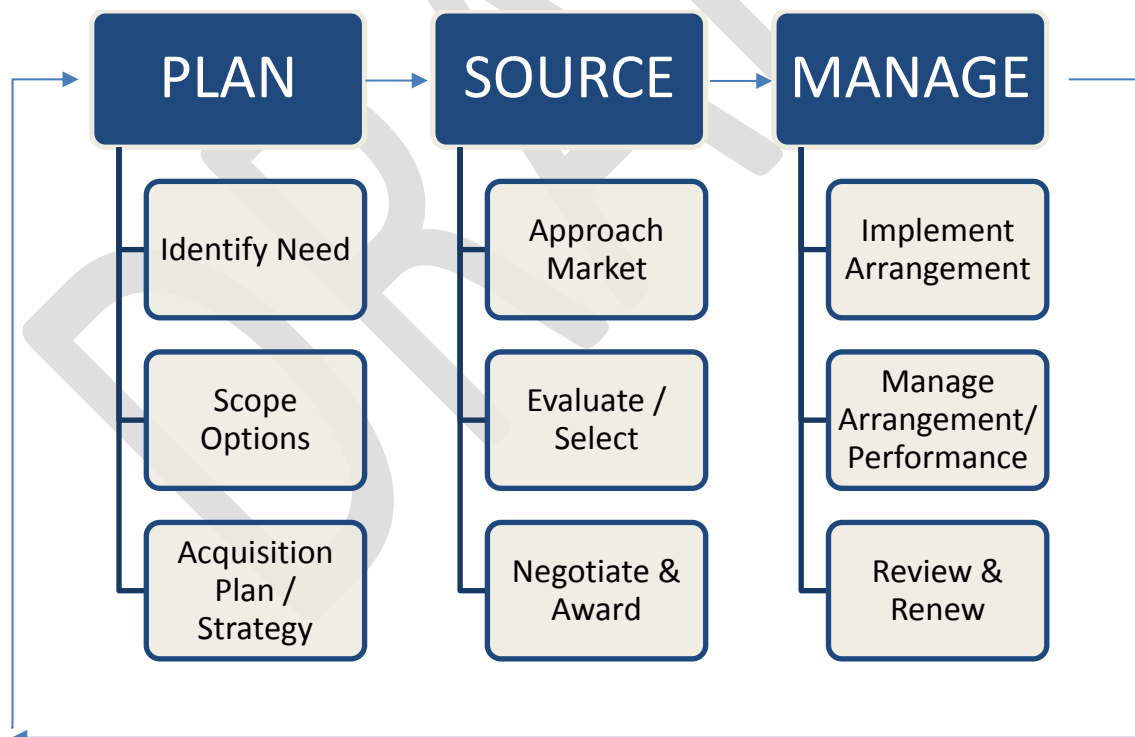
A detailed flowchart of the procurement process can be located at Appendix One.

PLAN

4.1 <u>Identifying the need</u>

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Person(s) undertaking procurement should start by clearly defining the need for the purchase and specify what is to be purchased. Consideration is to be given to the range of purchase options available and the potential sources of supply. Suboptimal identification of needs and suppliers may lead to incorrect products or services being sought or offered, resulting in additional time, effort and cost. There should be clear link to Council's strategic direction and objectives must be identified.

Key steps to analyse Council's needs are:

4.1.1   Determine if the expense is critical based on an assessment of value and risk.

Q1. Does it align with Council's strategic plans/requirements?
Q2. Is the reason for renewal or purchase reasonable (e.g. based on usage, safety concerns or end of life)?

4.1.2   Confirm the availability of funds.

4.1.3   Identify, consult with and understand all stakeholders' requirements.

4.1.4   Engage with stakeholders, learn from each other's experiences in order to improve the quality of the procurement. Certain types of procurement require more detailed stakeholder input. Table One provides a list of specific procurement items (no matter the size of spend or the location) that require input by the relevant internal stakeholder(s) before the procurement process can continue.

Table One: Specific Procurement Stakeholders

Item(s) to be procured	Stakeholder(s)
ITC Software	iServices
ITC Hardware	iServices
Telecommunications Equipment and services	iServices
Plant and Machinery	General Manager City Infrastructure, Mechanics,

All ITC equipment and services, regardless of the price, are recorded and must be obtained through collaboration with iServices to ensure hardware, software and minor plant registers remain pertinent.

Generally, where the procurement has direct relevance to an area, the following stakeholders should be asked to provide input:

Table Two: General Procurement Stakeholders

Item(s) to be procured	Stakeholder(s)
Environment and Sustainability	Environmental Sustainability Officer
Community Services	General Manager Community Wellbeing
Leased Equipment and Financing	Management Accountant, General Manager Council Business Services
Services principally for labour	Management Accountant
Infrastructure	Manager Engineering Design and Contract Management
Insurance	Management Accountant, General Manager Council Business Services
Heritage	Planning Officers
Plant, Machinery, Construction	Work Health Safety considerations by Human Resource Management Officers

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The Procurement Officer, whilst not listed in the tables above is a key stakeholder to most procurement, especially where the complexity is high, and is able to provide leadership and guidance in all procurement activities.

Sufficient time must be factored in to allow stakeholders time to review and provide feedback.

4.1.5   Discuss different opinions and alternative options to deliver the same or better outcomes.

Q1. Does it build resilience and capacity over time rather than just providing a service?
Q2. Is the option sustainable?
Q3. Have whole of life costs been taken into account?

4.1.6   Finalise and agree on Council's needs.

4.2   Scope the Procurement Options

Preliminary analysis of the market is important to identify factors that may impact procurement decisions e.g. Identification of new and innovative solutions. To ensure that time and effort spent planning the procurement is commensurate with its complexity, value and to deliver the best value outcomes, the following Complexity Assessment Matrix has been developed to assist in determining the complexity of the procurement:

Image Two: Complexity Assessment Matrix
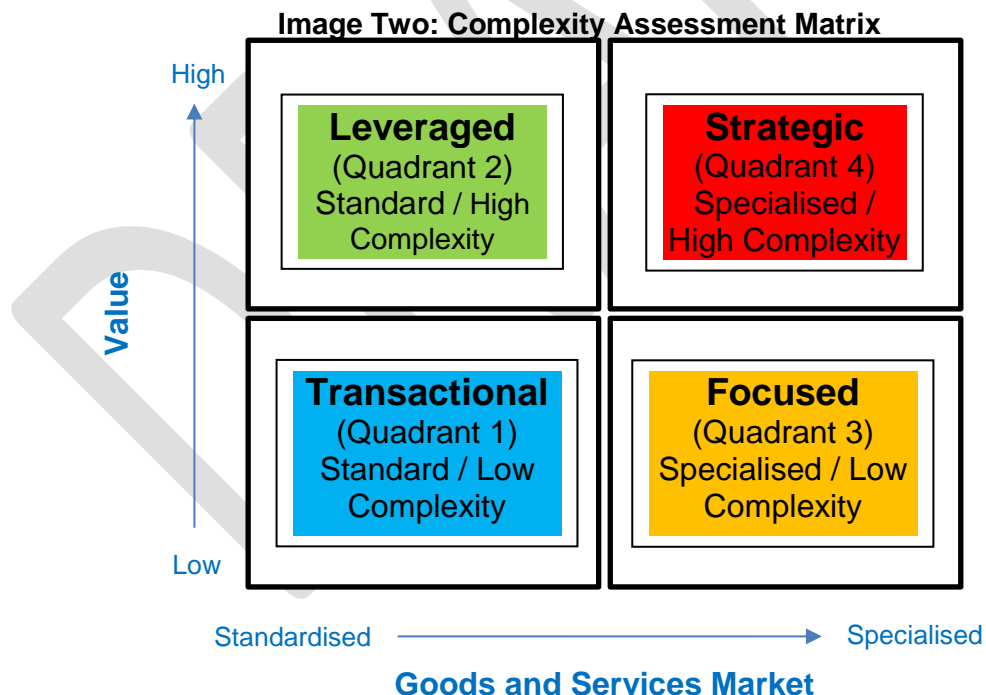
After assessing the value, to determine which quadrant a procurement aligns with, consider the questions in Table Three below. These questions are for high level assessment only.

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Table Three: Complexity Assessment Questions

Questions	Yes	No
Does the supply market have the capability to meet current and anticipated demand?	If all answers YES *then* Complexity is on the LOW scale (Quadrant 1 or Quadrant 3)	If any answer is NO *then* Complexity is on the HIGH scale (Quadrant 2 or Quadrant 4)
Can Council readily continue to function (meet all key stakeholder needs) if supply is interrupted?		
Is there a low probability that the goods/services will be superseded or become obsolete during the life of the contract?		
Is provision and ongoing use of the goods/services considered to be safe?		
Is stakeholder and public interest in the purchase low?		
Are all risks assessed as low and/or managed through standard practices and routine procedures to ensure that they will not impact on the achievement of the procurement objectives?		
Is the length of the procurement less than 12 months?		
Is the value less than $50,000?		

The complexity assessment questions are not designed to be a risk assessment for the procurement. A separate risk assessment needs to be completed for all high complexity procurement.

All procurement assessed with complexity in Quadrant 2 and 4 require review by the Management Accountant and all procurement assessed with complexity in Quadrant 4 require final review by the General Manager Council Business Services before step 4.4 Approach the Market is undertaken.

The key steps to scoping the procurement options are:

4.2.1   Research broad prices and terms, engage with suppliers in the market.

Q1.   Has general communication with relevant suppliers occurred to be educated on what they think is the most important information to know?

Q2.   Is a specialist consultant or industry body required to provide information?

Q3.   Has the specialist information source been used to contribute towards the specification?

4.2.2   Identify any major risks including perceived risk and document.

4.2.3   Identify specific requirements that may affect the procurement method chosen (e.g. time and budget constraints).

4.2.4   Determine the value

When determining the value of the procurement consideration is to be given to the whole-of-life costs, including the purchase, installation, maintenance and repair, disposal costs, disposal value and any transition costs.

Consideration should be given to other work or projects in all areas of the Council that could be combined with or have a dependency on the current procurement to provide

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better value for money outcomes. Procurements must not be split to avoid the procurement policy thresholds.

4.2.5 Create a detailed specification for the procurement (the depth and detail of this document will depend on the complexity of the procurement (e.g. size, value, features and nature). Standard formatting must be followed when preparing specifications.

Exercise care when engaging with potential suppliers to ensure that no supplier has, or is perceived to have, received information that provides them with an unfair advantage in the current and/or subsequent procurement process. When undertaking market research, potential suppliers are to be treated fairly and not receive any competitive advantage or disadvantage.

4.3 Finalise the procurement strategy and acquisition plan

The goal of this stage of the procurement process is to develop a plan that takes into account the information gathered from stages 4.1 and 4.2 above. That is, identifying the business needs and demand related opportunities, understanding the dynamics of the supply market and the key risks and opportunities related to spend.

Key Steps:

4.3.1 Complete the Acquisition Plan

An Acquisition Plan is to be completed to assist the procurement process. The acquisition plan provides details on:

- What procurement method will be used
- Evaluation criteria
- Membership of the evaluation panel
- Evaluation method
- Anticipated timeframes
- How probity will be ensured
- Any actual or perceived conflicts of interest.

It must provide details on how communication with tenderers and how late or incorrectly lodged submissions (if any) will be handled. The Acquisition Plan must be signed off by the General Manager where formal procurement is required.

4.3.2 Determine the contract period

Contract periods need to be carefully considered in terms of offering the supplier sufficient time to recover any initial investment in mobilising to provide the good or service without damaging competition in the longer term.
Factors to consider when setting Contract Periods:

- Client specific start-up costs of the supplier and the payback period;
- Switching costs from the incumbent to another supplier;
- Likelihood of economies of scale achieved by a longer contract term;
- Likelihood of market change during the contract, e.g. innovation, new entrants etc.;
- Costs of approaching the market.

Contract Extensions offer an alternative to locking into a contract for an extended period of time. They are subject to the satisfactory performance of the supplier and other market factors which may help determine whether the extension of a contract is in the best interest of Council. Optional extension periods should be included in the contract term so that Council can retain some competitive tension.

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Factors to consider in determining the duration of a contract extension include:

- Likelihood of market changes
- Performance of the supplier, product or service to date
- Need to secure and demonstrate value for money
- Switching costs to change from one supplier to another
- Costs of approaching the market
- New or innovative technology and products in the market
- Changes in legislative or safety requirements.

The appropriateness of long term contracts need to be assessed on a case-by-case basis and needs to represent value for money, be balanced against the potential for new suppliers, whilst also considering the potential to encourage innovation in service delivery and new service models.

4.3.3 How do we assess and manage the risks?

An important part of procurement planning is undertaking a risk assessment. Potential risks need to be identified, assessed and managed to ensure that unexpected or undesirable outcomes are minimised.

The level of information and detail required in the management of risk will depend on the nature, value and complexity of the procurement. The risk assessment must be revisited at all stages of the procurement process and adjusted as required.

For each formal procurement process, it is mandatory to conduct a risk assessment to identify potential problems, the likelihood that they will occur and their consequences.

4.3.4 Identify benefits and how to achieve them.

4.3.5 Create appropriate <u>Electronic Document Record Management System (EDRMS) Files and records</u>

All procurement processes, including request documentation, approvals, justifications for decisions relating to procurement methods and outcomes must be recorded in Council's EDRMS.

It is the responsibility of the staff member(s) facilitating the procurement to register all documents related to that procurement activity to the relevant EDRMS file.

For formal procurement methods, a unique file must be created within the EDRMS. This unique file number must be used on all procurement related documentation and correspondence to ensure easy identification and accurate record keeping.

4.3.6 Ensure support for chosen plan and appropriate sign off.

The Acquisition Plan approver is also responsible for the approval of the procurement recommendation, however, they may delegate this authority at the time of approving the acquisition plan.

4.3.7 Define the Specification

Specifications should provide sufficient detail for a potential supplier to ascertain Council's needs. The specification must:

- Be clear, concise and unambiguous
- Not be too prescriptive, because this might limit the range of goods or services offered

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- Clearly identify the outcome sought by Council
- Be in the standard format, so that all procurement documentation is uniform
- Not reference any position titles
- Contain appropriate disclaimers where reference to external links has been made.

SOURCE

4.4   Approach the Market

There are a number of procurement methods to approach the market. These are specified in Council's P420 Procurement and Disposal of Land and Assets Policy and include:

- Direct Purchase
- Request for Quotes
- Request for Expression of Interest (formal)
- Open or Select Tenders (formal)
- Panel Arrangements (formal)
- Collaborative Procurement (formal).

When updating tender invitations to external sites, e.g. SA Tenders & Contracts, it is paramount to ensure the panel or category selected covers the correct target market(s). Where due-diligence is not carried out in ensuring the target market is met, this may result in minimal tender responses and not be reflective of a true open market approach.

The following steps to approach the market are used for the formal methods listed above:

4.4.1   Set up an evaluation panel based on key stakeholders identified in the previous sections of the procurement process and Acquisition Plan.

4.4.2   Make sure documentation is clear, concise, and comprehensive and that the most relevant templates are used.
Standardised response schedules are to be used to assist both the tenderer and the evaluator. Where response schedules have not been completed, this may result in a non-complying tender.

4.4.3   Ensure that the same level of information is provided to all interested suppliers.

4.4.4   Manage questions and responses in an open and fair process.

4.4.5   All formal tender processes are to be uploaded to a secure online platform (for e.g. Vendor Panel, SA Tenders and Contracts) facilitated by the Procurement Officer or Management Accountant.

4.5   Evaluate and Select

The evaluation methodology should be appropriate to the value and complexity of the procurement.
The evaluation criteria, provide a standard to evaluate financial and non-financial elements of the submissions to determine the best value that meets Council's requirements and objectives.

Evaluation panels are used in formal procurement methods. At a minimum evaluation panels must comprise of at least three panel members and one of these members must be independent, i.e. not involved in the development of the specification or involved in the ongoing management of the contract. Identification of appropriate evaluation panel members occurs during the planning stage of procurement and is documented in the Acquisition Plan. The number and composition of the evaluation panel may vary depending on the:

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- Value, nature, scope and complexity of the procurement
- Possible number of responses and data to be evaluated
- Requirements and views of key stakeholders
- Engagement of subject matter experts, internal and/or external to Council.

In preparation for beginning the evaluation process, panel members must:

- Attend the evaluation briefing meeting to ensure there is common understanding of the objective of the procurement.
- Declare any conflict of interest via signing of the Conflict of Interest Declaration Form.

A conflict of interest is a term used to describe the situation in which a public official who, contrary to the obligation and absolute duty to act in the best interest and for the benefit of the public, exploits the relationship for personal benefit. A conflict of interest may be perceived or actual. Where the conflict of interest is deemed perceived and/or minor, continuation on the evaluation panel may be allowed. As facilitator of the procurement process, the Procurement Officer is responsible for making the decision in the event of conflict of interest by an evaluation panel member. The Procurement Officer will raise their concerns if any with their manager and/or General Manager.

The key steps to select the best supplier(s) are:

4.5.1 Ensure fairness and transparency of the selection process.

4.5.2 Ensure Conflict of Interest Declarations are signed by the evaluating panel prior to starting the evaluation process. At this point evaluators will only know the name of the entities who submitted responses.

4.5.3 Prior to opening the tender responses ensure there is a structured and systematic evaluation process that is representative of the complexity of the procurement. For high complexity procurements, a pre-evaluation meeting will be required.

4.5.4 Where the procurement platform is via an online portal, at least three days prior to the formal procurement due date a review will be made of submissions received. Where potential suppliers have read the specification, but not responded, feedback must be obtained to determine why no submission was made so that alterations can be made to any of the previous procurement process steps to ensure that where-ever possible more than one response is received.

Only in extenuating circumstances will one submission to a formal procurement be allowed without further investigation. Should an extenuating circumstance arise, the same procurement process still applies and evaluation is necessary to determine that the submission is conforming and meets the requirements of the specification. It is at the discretion of the Management Accountant to determine if extenuating circumstances arise.

4.5.5 For a formal procurement the Procurement Officer will summarise both the qualitative evaluations and quantitative information to determine a recommendation. To uphold integrity of the procurement process, the recommendation must be in line with the evaluation criteria as set out in the Acquisition Plan.
Under no circumstances is the recommendation as recorded on the summary to be amended. It is important to ensure that the evaluation criteria are given thought and input by key stakeholders during the acquisition planning phase to ensure the process remains open, objective, transparent and fair.

All recommendations are to be reviewed by the Management Accountant before progressing.

4.5.6 Non-conforming Tenders must be clearly identified and must have sound documented reasoning if allowed to be included. The Procurement Officer may exercise professional judgement in allowing non-confirming tenders in consultation with the Management Accountant and/or General Manager Council Business Services.

4.6 Negotiate and Award

The goal at this stage of the procurement process is to obtain the best final arrangement with the preferred supplier whilst ensuring requirements around probity and fair dealing.
Council may enter into negotiations with the preferred supplier.

Good quality negotiations should leave both parties satisfied and ready to develop a successful relationship.

The steps of negotiation and contract awarding are:

4.6.1 Negotiate in compliance with conditions set out in the invitation to submit a quote/tender documents and with full transparency and accountability.

4.6.2 Ensure all negotiations are clearly documented and executed via contract or other means.

4.6.3 Finalise the arrangement with the successful candidate in writing with both parties having signed and dated the contract.

4.6.4 Debrief the unsuccessful candidates.

4.6.5 Appropriately disclose and record the arrangement and notify all relevant parties.

4.6.6 Record any value added negotiations on Procurement Data Historical Spend Analysis Master (AR18/39496).

MANAGE

4.7 Implement Arrangement

The goal here is to lay the foundations of a successful arrangement during the period between the signing of the arrangement of the commencement of the good/service delivery.

The steps of the implementation of the arrangements are:

4.7.1 Ensure the right level of management and resources are assigned in line with the complexity of arrangement.

4.7.2 Raise purchase orders ensuring consistency with negotiated and contracted arrangements.

4.7.3 Ensure a smooth transition of services, especially if there is a new supplier awarded.

4.7.4 Determine who is responsible for the key tasks and activities on both Council's and the Supplier's sides.

4.7.5 Ensure appropriate documentation is in place, e.g. signed and dated contract.

4.7.6 Engage key stakeholders and communicate on the new arrangement.

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The logging of internal issues to do with a contract are to be executed through Customer Request Management (CRM) in Authority and include the name of the contracted goods/services and the contract manager.

4.8 Manage Arrangement

The goal here is to deliver the arrangement whilst maintaining value for money and getting the best out of the supplier relationship. Council seeks to establish arrangements with its suppliers that are mutually beneficial, founded on trust, respect, cooperation and result in the achievement of value for Council.

The steps of the management of the arrangement are:

4.8.1 Ensure the contract is documented in the City of Mount Gambier Contract Register Master (AR16/44322).

4.8.2 Maintain the right level of management and resources are assigned in line with the complexity of arrangement.

4.8.3 Manage the performance, drive continuous improvement and encourage innovation in coordination with the supplier and key stakeholders.

4.8.4 Report on performance and honouring of service levels.

4.8.5 Inspect purchases/services provided and goods receipt if satisfied with delivery.

4.8.6 Negotiate any deviations from the acquisition plan and ensure correct addendum documentation is in place.

Where there is a deviation from the approved acquisition plan, justification must be documented and approved by the contract owner.
To ensure that deviations from approved acquisition plans only occur in exceptional circumstances, every effort should be made in the acquisition planning phase to ensure that the Acquisition Plan reflects the appropriate procurement strategy and process to be undertaken. The likelihood of deviations occurring during the procurement process may be identified and addressed in the Acquisition Plan with risks and potential solutions or risk mitigation techniques to cover all aspects.

4.8.7 Complete procurement process for disposal of asset if required.

4.9 Review and Renew

The goal at this stage is to constantly review and plan for renewal through the management stage. This involves continuously assessing and noting improvements that will provide the best possible outcome for the next arrangement.

The key steps to renew and review are:

4.9.1 Commence dialogue with both the supplier and the internal stakeholders prior to contract expiry on the strengths and weaknesses of the contract.

4.9.2 Commence demand and market analysis in anticipation of developing an acquisition plan.

4.9.3 Where a contract has not yet expired and does not contain any extension options, consider enacting a mutually agreed variation to the contract. Consideration needs to be given to risk and value for money by assessing both benefits and negative impacts

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of the extension. For longer term extensions and/or those requiring more complex negotiations, an Acquisition Plan must be used.

4.9.4 Where a contract has expired without an approved variation to extend but the supply of goods/services under the expired contract is required to continue for a short time after the expiration, a new interim contract must be executed prior to the expiry date. Procurement approval for the extended arrangements may be obtained via the same process used for variations. Although an Acquisition Plan is not required, Council still needs to consider risk and value by assessing both benefits negative impacts of the extended arrangements on the contract deliverables, price, timeframes etc. This option is only to be utilised as an interim measure on the condition that a new procurement process is undertaken within a reasonable time-frame.

4.9.5 Where a contract has not yet expired and there is a right to renew or extension clause, early consideration of invoking extension options ensure procurement planning can be undertaken if the extension is not undertaken. Consideration needs to be given to risk and value by assessing both benefits and negative impacts of the extension. For longer term extensions and/or those requiring more complex negotiations, an Acquisition Plan must be used.

5. SPECIFIC PROCUREMENT REQUIREMENTS

Purchases of Plant, Vehicles or Machinery

Where the procurement is to acquire either through purchase or lease an item of plant or machinery, the invitation shall specify that the successful submission must complete the Plant Acquisition Form and return to Council with issue of a Tax Invoice.

New plant and vehicles must be fitted with a fire extinguisher and first aid kit.

Renewing vehicles must swap fire extinguisher and first aid kit to new vehicle.

Spare keys are to be recorded on key register and located:

- Strong room on level 3, Civic Centre for all vehicles not held at the Depot
- In one secure location at the Depot.

Once purchased all vehicles must be assigned an alias number and uniformly labelled to ensure accurate recording for cost allocation.

All registration of vehicles must be assigned Council's common expiry date.

6. GENERAL ADMINISTRATIVE REQUIREMENTS

6.1 Periodic Review

Periodic reviews of procurement templates, tenders and contracts for compliance with the Procurement Framework and Procedure must be completed by the Management Accountant in conjunction with the Procurement Officer. The purpose is to identify opportunities for improvement and value add.

6.2 Legal Review

Due to the dynamic nature of items being procured and contracts being entered into, at a minimum of every 2-3 years Council will engage a legal expert to review documents; answer procurement and contract related questions; and provide professional opinion about the legalities of Council's procurement and contract policies, procedures and processes. This provides an opportunity for external review for an internal process and mitigates risks that

may arise from relying on standard templates and altering templates to meet the individual needs of a procurement.

6.3 Cumulative Spend Analysis

Analysis of Council's cumulative spend must be conducted annually and reported to the Management Executive Team (MET). This information will provide opportunities for improved procurement methods and obtaining value for Council, whilst identifying where compliance may not be consistent with the Procurement and Disposal of Land and Assets Policy (P420).

Two key questions that arise when analysing cumulative spend are:

1. How is Council ensuring it obtains value with its purchases are made in a decentralised purchasing environment?

2. How is Council maintaining control over its cumulative purchasing with creditors and ensuring it meets all the requirements of P420 Procurement and Disposal of Land and Assets policy?

7. ROLES and RESPONSIBILITIES

7.1 Council:

Council is the owner and authorises Council's P420 Procurement and Disposal of Land and Assets Policy including its contents.

7.2 The Management Executive Team will:

- Support and promote the adoption of the Framework and Procedure within their portfolio
- Ensure purchases are consistent with the Procedure, and promote a balance between efficiency and probity
- Ensure purchases are necessary business expenditure and have been procured in line with the principles outlined in Council's procurement policy
- Maximise the value of purchases whilst adhering to good budget management and principles
- Be active in ensuring strategic procurement methods are undertaken for identified cumulative spends
- Report suspected fraudulent activities or corruption and take action where required
- Approve procurement within their portfolio, financial authority and within approved budget.

7.3 The Management Accountant will ensure:

- The Framework and Procedure delivers a holistic, objective, consistent, efficient and transparent approach to procurement in Council.
- Appropriate internal financial controls are active.
- The Procedure is embedded in all critical functions and activities across the Council.
- Be active in ensuring strategic procurement methods are undertaken for identified cumulative spends.
- Provide guidance on the best method of procurement and structuring a contract to obtain the best commercial outcomes for the Council.
- Prepare quarterly reporting to MET and Audit Committee.

7.4 The Procurement Officer will:

- Facilitate and provide advice and guidance on Council's formal procurement processes.

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- Assist and provide advice with establishing tender documentation and ensuring all tenders comply with the Council's Procurement Framework, Procedure and Policies.
- Provide guidance and advice to evaluation panel members about the selection process and factors to be considered.
- Be proactive in ensuring procurement methods are undertaken for identified cumulative spends.
- Provide guidance on the best method of procurement and structuring a contract to obtain the best commercial outcomes for the Council.
- Ensure data is recorded on each procurement in AR18/39496 Procurement Data Historical Spend Analysis Master.
- Maintain the Procurement Forward Plan.

7.5 All person(s) will:

- Understand and ensure all purchases they initiate follow the procurement framework and procedure and comply with the delegations policy.
- Ensure that the selection of a supplier has been in line with the principles of Council's procurement policy.
- Ensure all purchases within their area are required business expenditure.
- Carefully consider the continuity of persons when selecting for inclusion in the procurement acquisition, evaluation and contract management, and incorporate a transition process should any change occur.
- Act with integrity at all times when dealing with suppliers.

8. REPORTING

Quarterly reporting to the Management Executive Team and Audit Committee are required for the following items:

- Up to date Procurement Forward Plan with known adjustments (MET only).
- Up to date procurement summary with statistics and known savings (MET and Audit Committee).

9. REVIEW AND EVALUATION

This Procedure is scheduled for review as per the Document Details section at the end of this document; however, will be reviewed as required by any legislative changes or changes in practice which may occur in between scheduled reviews.

10. AVAILABILITY OF PROCEDURE

This Procedure is available on Council's intranet and EDRMS.

11. DEFINITIONS

Authorised Officer
A Council Officer with form sub-delegation and/or financial authorisation granted by written instrument form the Chief Executive Officer to enter into contracts and transactions to a specified value and, unless contrary provisions apply, includes the Chief Executive Officer and General Managers. It should be noted that sub-delegation is generally established per position and financial authorisation is granted per Council Officer.

Budget
Amount approved by Council for the procurement as part of the annual budget and/or budget review process.

Business Unit Manager / Budget Holder

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Oversees a business unit within Council to ensure goals are met and they contribute to the overall success of the City of Mount Gambier.

Contract
Any purchase or agreement to purchase goods or services imposes contract obligations upon the purchaser and provider under common law.

Contract Owner
The person with ultimate responsibility for the project. The contract owner normally has budget accountability and shall oversee the contract in conjunction with the allocated Contract Manager. The Contract Owner and the Contract Manager may be the same person.

Contract Manager
The person appointed to control the project and subsequent contract management.

Council
The term Council refers to the City of Mount Gambier.

Delegated Authority
The level of authority including financial authority established for particular roles and persons within Council.

Direct Purchase
Where purchases are made from a single source, without first obtaining competing quotes from other suppliers and may be used for low value, low risk procurement up to the value of $2,000 (excluding GST). Suitable for routine goods and services and where the supplier has already been approved to supply Council.

EDMRS
Council's Electronic Document Records Management System

Request for Expression of Interest (REOI)
Where Council issues an open invitation for a proposed good(s) and/or service(s) of any value. This method may be used when there is potentially a large market for the proposed good(s) and/or service(s) and enable Council to prepare a short list of suppliers to invite to participate in a tender or request for quotation process.

Formal Contract
A formally binding agreement between more than one entity. The contract includes formal agreement executed by all parties.

Formal Procurement Method
A formalised and structured process for procuring goods and services. Formal procurement methods include expression of interest, request for tender. Direct purchasing and/or obtaining general quotations are not considered formal procurement methods.

Independent
Not involved in the specification or procurement of an item. No direct interest and is not the intended recipient of the goods or services procured.

Invoice
A bill sent to the buyer for payment for the provision of a good(s) and/or service(s). It must reflect an official Council purchase order number and detail the quantity, price and nature of the good(s) and/or service(s) provided.

Management Executive Team (MET)

Consists of those persons holding the positions of Chief Executive Officer and/or General Manager from time to time.

Non-Conforming Tender
A tender not containing all the information and documents required by the conditions of tendering and/or not received by the closing date and time in the format specified.

Preferred Supplier
An entity that Council has an existing agreement with to supply goods or services or an entity that has been selected as one or a few of the preferred suppliers of a particular type of good/service.

Prequalified Contractor
A Contractor who has met Council's prequalification requirements. Pre-qualification is required for all contractors providing a service on site.

Probity
Through the application of integrity, ethical behavior, fairness and transparency in the conduct of procurement processes.

Procurement
The acquisition of goods and services through purchase or leasing, no matter how small or large.

Procurement Cycle
Start to finish process from the point the decision is made to purchase goods or services, through the method of purchase, the conscientious management of the contract or service, the completion of the contract or service, the review of success of the purchase and then, ultimately, the disposal of the goods and any associated costs (e.g. selling, recycling etc.)

Procurement Forward Plan
Twelve month plan listing all known formal procurement and anticipated dates for:
• Research and planning
• Approaching the market
• Evaluation and negotiation
• Contract Award and Launch

Procurement Process
The process used to acquire and/or solicit offers to supply goods, works or services.

Procurement Officer
Council Officer responsible for facilitating the procurement process.

Purchase Order
The means of procurement of goods and services by an official commitment generated via Council's financial operating system. A Purchase Order is a legally binding document and Council's Purchasing Standard Terms and Conditions apply to all orders placed.

Purchasing Standard Terms and Conditions
A set of Terms and Conditions that apply to all purchase orders raised. Reference to the actual Terms and Conditions can be located via Council's website: City of Mount Gambier Purchasing Standard Terms and Conditions.

Request for Quotation (RFQ)
Refer to Council's Policy P420 regarding financial limits for written quotes from prospective suppliers for the provision of a good(s) and/or service(s).

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Request for Tender (RFT)
Refer to Council's Policy P420 regarding the financial limits where Council issues a formal tender open to the public for the supply of good(s) and/or service(s) where the estimated value is in excess of $50,000 (excluding GST).
Council may issue a "Selective" Request for Tender where it has already issued an REOI, or where it has documented reasonable grounds for only dealing with a select group of potential suppliers.

Selective Request for Tender
Council may select suppliers to submit a RFT only where it has already issued an REOI, or where it has documented reasonable grounds for only dealing with a select group of potential suppliers.

Specification
Clear, complete and accurate statement of the description and technical requirements of a material, an item or a service.

Tender Evaluation Panel
Prior to any procurement decision arising from a Request for Tender process each Tender is to be assessed against a pre-determined and documented set of criteria. Assessment is to be undertaken individually by a panel comprising at least three Council Officers of which at least one is not to have been involved in the development of the Tender specification, the tender process or involved in the management of the tender contract

Value
The estimated total value of any contractual commitments that may result from a single procurement exercise. This includes both financial and non-financial information.

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APPENDIX ONE

Procurement Process – detailed flowchart

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File Reference:	AR18/48502
Applicable Legislation:	Local Government Act 1999

State Procurement Act 2004

Work, Health and Safety Act (2012) and associated Regulations |
Related Policies:	P420 Procurement and Disposal of Land and Assets
Related Procedures:	Internal Financial Controls Procedure Manual
Related Documents:	City of Mount Gambier Purchasing Standard Terms and Conditions

DOCUMENT DETAILS

Responsibility:	MANAGEMENT ACCOUNTANT
Contributors:	Executive Management Team, Manager Executive Administration, Procurement Officer, Human Resources Management Officer

Audit Committee |
Version:	1
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Effective date:	##th Month, 20##
Minute reference:	##th Month, 201# Audit Committee

Item #

##th Month, 201# Management Executive Team

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City of
Mount Gambier

Internal Financial Controls
Procedure Manual

Update: October 2018

Table of Contents

1. Introduction

Council's Risk Management Framework Policy R305 states that the Management Team must adopt a risk management approach to identifying and assessing risks and apply cost/benefit analysis in the development of financial internal controls. Council Employees, Elected Members, Contractors and Volunteers share responsibility to identify, assess, recommend and ultimately act in accordance with Council Policies, Procedures and Frameworks by:

IDENTIFY **EVALUATE** **THREAT**	**R**	• Identify and evaluate risks to determine whether (or not) the risk is acceptable and document risk issues • Act to prevent risk situations from arising • Act to resolve risk situations that arise • Refer risks for appropriate management • Mitigate risks relating to stewardship of public resources

ANALYSE
 	
MONITOR and
 	
COMMUNICATE
	I
	
	S
		• Record known/accepted risks (Risk Register)
		• Manage chance/consequences of known/accepted risks
		• Action/Refer (as appropriate) to:
		   ▪ *Change Policy/Processes*
		   ▪ *Business Continuity Plan*
		   ▪ *LGA Risk Services*
		• Continuously monitoring/recording/report

REVIEW		• Continuously reviewing processes to achieve improvements in Risk Management and organisational activities
IMPLEMENTATION	**K**	• Reduce the likelihood and consequences of unacceptable risks by discontinuing associated activities • Action improvements based on practicality and cost benefit analysis

The City of Mount Gambier Internal Financial Controls Procedure Manual provides procedures for financial operations within Council which must be followed by all Employees, Elected Members, Committee Members, Contractors and Volunteers. It forms a part of Council's overarching Risk Register and Framework.

This procedure is not intended to replace or overwrite any existing procedure or policy. Failure to abide by this procedure may result in disciplinary action and potential dismissal from Council.

City of Mount Gambier endeavours to keep all financial procedures current, relevant and practical. We live and work in an ever changing and continuous improvement environment. From time to time it will be necessary to modify and amend some sections of the procedures, or to add new procedures.

Any suggestions, recommendations or feedback on the procedures in this manual are welcome and can be recorded at AR18/41732 [Proposed changes to Internal Financial Controls Procedure Manual](). Proposed alterations must be actioned to the responsible person and will not be made without first assessing the risk and cost/benefit of implementing the change. Any alterations made to this procedure are the responsibility of the position listed below.

Responsible Position: Management Accountant

This procedure must be read in conjunction with the following registers:

1. **AR18/41732 Master File Access Listing (Register)**
    This register is designed to record, maintain and authorise access by position to various Authority Modules utilised by Council. Denial to master file access does not limit employee's ability to look up or enquire within a particular Authority module. It is to limit employee access to the set up and maintenance of the listed Authority module.
    Data entry access is not considered maintenance, however data entry access will be limited to employees who are competently trained and require it for their position only.
    Process to update: Employee Appointment Form, Control Track Improvement Plan, completion of Request for Update Form.
    Responsible Position: Team Leader i-Services

2. **AR18/41733 Financial Facilities Register**
    This register is designed to maintain, record and authorise financial facilities such as petty cash, till registers, credit cards, eftpos machines and where appropriate specify their dollar limits. It should be noted that access to some financial facilities may require Use Agreements to be signed.
    Process to update: Employee Appointment Form, Control Track Improvement Plan, completion of Request for Update Form.
    Responsible Position: Team Leader Finance

3. **Register of Financial Authorities**
    This register is designed to record delegated financial authority authorised by the CEO and/or Council. It must be maintained separately to employees who have access to change financial purchasing limits within Council's financial operating system.
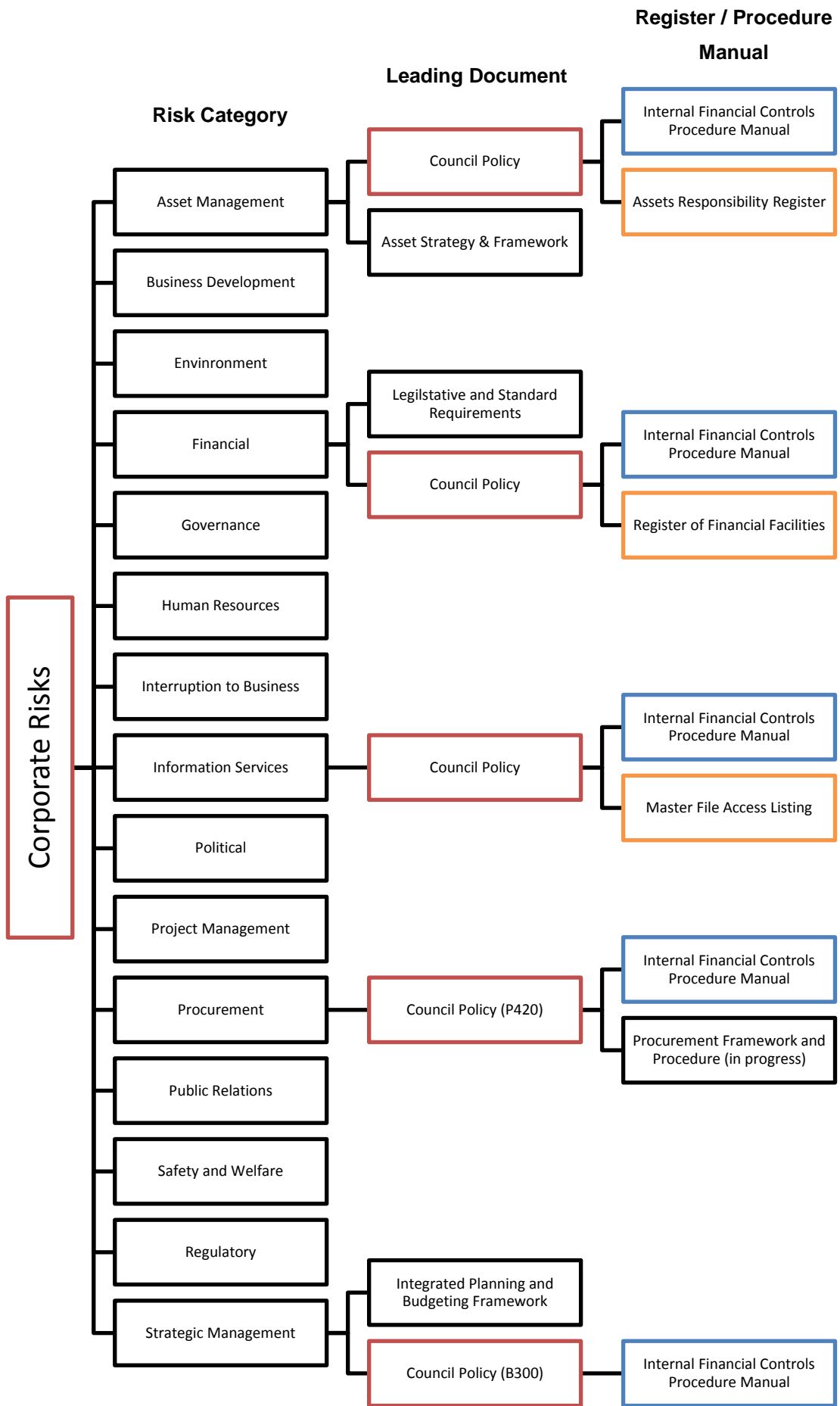   **Process to update**: Employee Appointment Form, Control Track Improvement Plan, signed Financial Authority Form.

Responsible position: Manager Executive Administration

It is the responsibility of the relevant responsible positions listed above to maintain and ensure the register(s) are up to date and signed/authorised by the appropriate General Manager and/or CEO.

The purpose of these registers is to:

- provide appropriate segregation of duties between staff responsible for updating and maintaining Council's operating systems
- Ensures that at any point in time Council's operating system set up and financial facilities can be crosschecked and verified to an authorised overarching register
- Maintain a central repository for collation of registered information.

Risk Category — Leading Document — Register / Procedure Manual

Risk Category | **Leading Document** | **Register / Procedure Manual**

Corporate Risks

- **Asset Management**
  - Council Policy
    - Internal Financial Controls Procedure Manual
    - Assets Responsibility Register
  - Asset Strategy & Framework
- **Business Development**
- **Envinronment**
- **Financial**
  - Legilstative and Standard Requirements
  - Council Policy
    - Internal Financial Controls Procedure Manual
    - Register of Financial Facilities
- **Governance**
- **Human Resources**
- **Interruption to Business**
- **Information Services**
  - Council Policy
    - Internal Financial Controls Procedure Manual
    - Master File Access Listing
- **Political**
- **Project Management**
- **Procurement**
  - Council Policy (P420)
    - Internal Financial Controls Procedure Manual
    - Procurement Framework and Procedure (in progress)
- **Public Relations**
- **Safety and Welfare**
- **Regulatory**
- **Strategic Management**
  - Integrated Planning and Budgeting Framework
  - Council Policy (B300)
    - Internal Financial Controls Procedure Manual

1.1 Definitions

ATO: Australian Taxation Office

Authorised Positions: Positions listed on the Master File Access Listing – Internal Financial Controls that are authorised to set up and maintain Authority modules

Budget Manager: Staff charged with responsibility for planning, preparing of budget submissions and management of their specific general ledger/area/ function as instructed by the Chief Executive Officer and/or Management Executive Team

Business Days: Business days are considered Monday to Friday, excluding public holidays and designated closure of business operations by the CEO

CEO: Chief Executive Officer

Contra Accounts: General Ledger Liability accounts predominantly used for the processing of debit and credit entries that have a nil overall effect once processed.

Council: Is the City of Mount Gambier

EFT: Electronic Funds Transfer

Grant Contact Person: person applying for the Grant Funding

GST: Goods and Services Tax

Just in Time: The objective of Just-in-time is to increase the inventory turnover and reduce the holding cost and any other associated costs. Only order stock as it is required

KPI: Key Performance Indicator

Management Executive Team: Consists of General Managers and Chief Executive Officer

Officer: Employee of Council

Rates Officer: for the purposes of this procedure, Rates Officer includes the Senior Rates Officer and any officer with "Rates" in their position title. Where a particular position title is listed, this refers to only that position

Responsible Officer: Those positions listed on the Register of Financial Facilities that are charged with responsibility for the facility listed and all internal controls associated with those facilities as listed in this document

2. Strategic Financial Planning

Guidance: This procedure should be read and carried out in conjunction with the requirements of the Local Government Act (specifically Chapter 8), Local Government (Financial Management) Regulations 2011 and the Budget Reporting and Amendment Policy B300.

2.1 Budgets

Key issues/risks

In relation to budgets, the major risks are that:

- budgets do not reflect or align with Council endorsed strategic objectives;
- budgets are unrealistic;
- budgets are inaccurately recorded due to variances between the budget adopted by Council and its finance system;
- budgets are not compliant with legislation, and;
- assumptions that budgets are based on are flawed or invalid.

Segregation of duties

Access to Budget Master Files is delegated to appropriately authorised personnel (including IT and support access). Please refer to Master File Access Listing AR18/41732 for authorised personnel.

Legislative requirements

Budgets must be prepared in compliance with Section 123 of the Local Government Act 1999 and Section 7 of the Local Government (Financial Management) Regulations 2011.

General controls

Budgets are based on realistic and achievable assumptions and validated by facts.

Budget Managers are accountable for preparing and reviewing their budgets and responsible for completing budget variations and submissions.

Budget Managers must complete on-going review of actual performance against Budget in relation to initiatives/objectives of the Annual Business Plan and Strategic Management Plans.

The Council Business Services portfolio is responsible:

- for the compilation of the Annual Budget;

- to ensure budget variations are completed at least every three months (quarterly) to allow for changes in operating activities, excluding the final quarter (April to June);

- to compare the end of year actual Budget to the original Budget and explain any significant variances, and;

- to review the original budget and any approved changes to the budget entered into the financial system for accuracy.

Internal service standards - Budget figures and variations are imported into the financial system within 3 business days once approved by Council. The import is independently reviewed to align with the approved budget / budget variation.

2.2 General ledger

Key issues/risks

In relation to the General Ledger, the major risks are that:

- General Ledger does not contain accurate financial information, and;
- Data contained within the General ledger is permanently lost.

Segregation of duties

Access to the General Ledger Master Files is restricted to appropriately authorised personnel. Please refer to Master File Access Listing AR18/41732 for authorised personnel.

Within the General Ledger segregation of the preparation of journals and balance sheet reconciliations is achieved through independent review of all journals and balance sheet reconciliations.

General controls

All major changes to General Ledger programmes must be tested (outside the live environment) and approved before implementation to the live financial system.

General ledger accounts must be maintained in accordance with the adopted budget and approved budget reviews.

Access to add, deactivate or amend general ledger accounts is limited to authorised positions, as described in the Master File access listing AR18/41732.

General Ledger Reconciliations for all Balance Sheet and Contra Accounts are prepared regularly at least quarterly. All reconciliations are independently reviewed, signed and dated (EDRMS note on file is acceptable). The reconciling officer incorporates all working papers and the reviewing officer, once satisfied that the reconciliation is accurate, signs the documentation (electronic signature is acceptable, so long as the record is finalised and no further alterations can be made).

2.2.1 Journal entries

Manual journals must be entered by authorised personnel and be independently reviewed. All journal entries are to be automatically numbered and must contain:

- date;
- narration and/or reference to supporting documentation;
- posting reference, and;
- evidence that it has been processed.

All journals are to be adequately explained or supported by explanatory/supporting documentation. Journal working papers are to be filed with the journal transaction (the preferred filing method being direct to Council's finance system through Council's Electronic Document Record Management System (EDRMS)).

2.2.2 Access and backups

Please refer to Administrative Procedure – Computer Network/Software Use.

2.2.3 Year end

The end of year rollover will be processed as soon as practicable once the annual audit has been finalised.

2.3 Statutory reporting

Key issues/risks

In relation to statutory reporting, the major risks are that:

- Council does not comply with statutory reporting requirements and deadlines and therefore is in breach, and;
- Council's statutory reports provide inaccurate financial information.

Segregation of duties

Within the statutory reporting cycle it is imperative the following tasks be segregated:

- Preparation of statutory financial reports, and;
- Review and approval of statutory financial reports.

Legislative requirements

Statutory reporting must be prepared in compliance with Sections 127 and 131 of the Local Government Act 1999 and Parts 3 and 4 of the Local Government (Financial Management) Regulations 2011.

The statutory report will must comply with the South Australian Model Financial Statements and all relevant Australian Accounting Standards and Interpretations as they apply to not-for-profit and local government.

2.3.1 Auditor and Audit Committee

Council's statutory reporting includes consideration of the appointment and role of the Audit Committee (refer Section 126 Local Government Act and Part 5 of the Local Government (Financial Management) Regulations 2011) and the statutory Auditor (refer sections 128, 129 and

130 of the Local Government Act 1999 and Part 6 of the Local Government (Financial Management) Regulations 2011).

2.4 Management reporting

Key issues/risks

In relation to management reporting, the major risks are that:

- KPI's are not consistent with corporate objectives and accounting policies adopted by Council are not adhered to;
- Council's financial information is not reviewed in a timely manner to enable effective decision making;
- Council's management reports provide inaccurate financial information, and;
- significant budget variances are either not investigated on a timely basis or not investigated at all.

Segregation of duties

Within the management reporting cycle segregation of duties is ensured through separation of the preparation of management reports and the review and approval of management reports.

General controls

The Long Term Financial Plan must be reviewed on an annual basis.

Automated management reports are sent to budget managers at regular intervals as per the reporting timetable. The reporting timetable is available at AR18/1449 and is communicated to all relevant staff.

It is the budget manager's responsibility to confirm the accuracy of information contained in their respective reports. Significant variances are identified and investigated by budget managers.

The identification of services, service levels and drivers that contribute to delivering service are an integral part of the budget process. It is the responsibility of the Business Unit Manager to review this on an ongoing basis in line with preparation of budgets and budget reviews.

3. Assets

3.1 Petty cash and cash floats

Guidance: This procedure applies to all staff, Elected Members and volunteers where petty cash is requested and issued; and those responsible for receipting and reconciling customer service/administration cash registers (tills).

For a listing of all authorised financial facilities and responsible officers, refer to AR18/41733.

Key issues/risks

In relation to petty cash and cash floats, the major risks are that:

- cash floats and petty cash are inadequately safeguarded, and;
- cash floats and petty cash transactions are either invalid, inaccurately recorded or not recorded at all.

Segregation of duties

Due to the high risk of misappropriation surrounding cash the following tasks are ideally segregated:

- The recording and giving out of petty cash;
- The reconciling of petty cash;
- Regular review and counts of cash floats and petty cash, and;
- Recording of cash floats and petty cash.

Where these duties are performed by one officer, regular reconciliation is performed by the supervisor.

General controls

Petty cash should be used to pay for small business expenses up to a maximum of $150 (including GST) where payments through accounts payable or credit card are not justified or appropriate. It is not appropriate to separate a single purchase (either before or after the expenditure is incurred) for the purpose of circumventing this limit.

Petty cash facilities must at all times be:

- kept secure;
- located separate from any unlocking devices (e.g. keys, codes, passwords), and;
- not openly or readily accessible to general staff, elected members, volunteers, members of the public.

Responsible officers are charged with:

- Safekeeping and limiting access to their assigned petty cash facility;
- Allocating the receiving and giving out of cash to an appropriate member(s) of staff, and/or;

- Ensuring separation of duties from the issue of petty cash monies, reconciliation to source documents and replenishment of float.

Under no circumstances are employees to borrow cash from any petty cash or cash float for personal (non-Council) reasons. If money is required to be changed for larger or smaller denominations, this must be completed by an appropriate independent staff member.

3.1.1 Issuing petty cash

A Petty Cash Request Form must be completed and authorised before any cash is taken from the petty cash float. Petty cash shall be used for items that are cumulatively petty in nature, where Council does not hold an account with the supplier. Refer to purchasing procedure within this document.

All Petty Cash Request Forms must be approved by an appropriate employee with adequate instrument of financial authority (Please see Register of Financial Authorisations) and in accordance with Council purchasing policy, P420 Procurement and Disposal of Land and Assets. Once the petty cash is spent, documentation must be returned with any balance of monies unspent. All purchases must be evidenced by proof of purchase documentation. Documents deemed to meet this requirement include a tax invoice for the purchase (to evidence the amounts, vendor and GST), supported by a receipt for the purchase (to evidence the actual payment of the tax invoice)

In the rare circumstances where not tax invoice can be attained a receipt containing supplier details and details of goods or services supplied for purchases under $82.50 can be sufficient for GST deduction purposes.

Failure to provide adequate documentation to the satisfaction of the CEO will result in the transaction being deemed as a private expense and any funds previously issued must be reimbursed to Council.
Should funds not be reimbursed within 3 business days after request, an invoice will be raised to the employee for reimbursement. The invoice and receipt of payment will be evidence of such funds being missing from the petty cash reconciliation.

All completed Petty Cash Request Forms must have the following details supplied:
- Date
- Name and authorisation of purchaser
- Amount of monies disbursed
- Details of expense
- Name and authorisation of petty cash issuer
- Invoice or receipt supplied including unspent monies where applicable
- Final approval form.

All Training/Travel Request Forms must have all details completed as stipulated on the form.

3.1.2 Reconciling and Reimbursing Petty Cash

Petty cash is to be reconciled once every month for at least eight (8) months per year or when the amount issued exceeds 80% of the float balance.

All petty cash expenditure must be entered into the financial system once the petty cash has been reconciled and reimbursed.

The balance of monies and vouchers must equal the petty cash float amount before reimbursement can be made. Any discrepancies must be investigated fully and reported to the Manager Finance and Customer Service to deal with accordingly.

Reimbursement of cash funds must be appropriately authorised. The receipt of monies will be counted by an independent employee and the responsible officer to ensure its accuracy prior to forming part of the petty cash float. The responsible officer must sign the cheque remittance as evidence of receipt of money.

All cash reimbursement cheques shall be made out to the "City of Mount Gambier – Please pay cash", to ensure that only Council can cash the cheque in the event it is lost or stolen.

3.1.3 Cash floats (till registers) and change balances

Cash registers (tills) must be kept locked at all times when transactions are not being processed.

Access to keys is the responsibility of the responsible officer (refer AR18/41734).

Each till is to be balanced daily to the receipts report after close of business.

Discrepancies are immediately investigated by the responsible officer and reported to the Manager Finance and Customer Service.

Where manual receipts are processed, these are to be reconciled on daily basis and entered to the financial system at the earliest available time.

Change bags must be stored in a secure location at all times.

Till floats must be stored in a secure location when not in use. Preferred secure location is an onsite strongroom, safe or locked cupboard/drawer not accessible by general staff or public.

Please refer to Revenue, cash surplus section of this document for requirements on clearing out of surplus funds from till registers.

3.2 Banking controls

Guidance: This procedure applies to all staff involved with opening, operating and closing of bank accounts.

Key issues/risks

In relation to banking, the major risks are that:

- banking transactions are either inaccurately recorded or not recorded at all, and;
- funds are defrauded or misappropriated.

Segregation of duties

Due to the high risk of misappropriation surrounding cash and bankingthe following tasks be segregated:

- Opening mail containing cheque payments;
- Recording all cheque payments in the mail;
- Receipting all cash payments from customers/ratepayers;
- Recording all cash receipts;
- Banking all cash receipts and cheques;
- Bank Reconciliations, and;
- Review of bank reconciliations.

The authorised signatories for bank account payments are the person(s) holding the position(s) from time to time as authorised by Council Resolution. Please refer to AF11/636 for the latest authorised list.

Access to online banking facilities are restricted to those person(s) holding the position(s) from time to time as authorised by the CEO, refer AR18/41733 This register must contain details of the level of authorised access, any restrictions and be signed by the CEO.

General Controls

For monies withdrawn from any bank account, whether by cheque, EFT or other online payment method, there must be two authorised signatories or approvals for each payment made.

For withdrawals made via Direct Debit, the initial set up of the Direct Debit agreement must be approved by two authorised signatories. A register of all Direct Debit Agreements must be maintained and independently reviewed at least annually.

Where a person listed as occupying an authorised signatory position no longer holds that position, Council must immediately ensure that:

- notice of change of authority is completed with the relevant bank to remove the signatory, and;

- the register of authorised signatories be updated.

Where a person will be occupying the position, Notice of Authority must be completed and approved by two account signatories prior to application being sent to the relevant banking corporation. A copy must be held within Council's Electronic Document Records Management System.

The preferred method of payment is EFT. Payments made via EFT are to be:

- reconciled on a batch basis;

- approved by two authorised signatories, and

- Independently reviewed by the authorising officer. This officer / payment authoriser is separate from the preparation of the EFT batch file to spot check individual payments within each batch bank file to source documents prior to payment being submitted via online banking. Audit trails must be saved where any change has been made banking files.

Where payments are made via cheque, all cheques are to be:

- held in a secure location (with minimal access) whilst not being printed or signed;

- printed in sequential order;

- marked "Not Negotiable", and;

- signed by two authorised signatories.

Transfers of money between bank accounts are to be approved by two authorised signatories.

All payments made must be supported by invoice, receipt or other documentation deemed appropriate by the CEO.

3.2.1 Opening bank accounts

Any new bank accounts, facilities or electronic payment service providers (e.g. BPoint, Paypal, BPay) to be opened and utilised for Council must have the authorisation of at least two account signatories as approved by the CEO.

For each new bank account or facility opened, the following items must be updated:

- The accounting/financial system;
- The chart of accounts and reconciliation register;
- The Financial Facility Register, and;
- Council's Electronic Document Records Management System with a copy of the authorised application.

3.2.2 Closing bank accounts

Where it is decided that a bank account is no longer necessary, preparation of required closure documentation must be completed and endorsed by two authorised signatories, prior to lodgement of the paperwork with the banking corporation. All documentation is to be recorded in Council's Electronic Document Records Management System.

Responsible officers must:

- ensure all transactions with respect to the account (including cheques drawn) have been completed;
- lodge with the bank a letter, signed by two authorised signatories advising of the closure of the account;
- meet the bank's requirements with respect to account closure, and;
- update the financial system and financial facility register.

3.2.3 Bank account transactions

All deposits received must be receipted (where practically possible) on the same day that they are received by Council and banked within two business days.

For Council operations located away from the Civic Centre, all deposits must be reconciled and delivered to the Civic Centre within two business days and included as part of Council's next daily banking.

Bank deposits are to be kept in a secure area until collected or delivered to the bank. Where security personnel are used to collect and deliver bank deposits, banking must be handed over in a secure area. Banking must not be handed over in a publicly accessible space, this includes over the service counter.

Unallocated direct deposits of more than five business days will be investigated fully to determine source of deposit. Where the source cannot be identified, the deposit will be allocated to a suspense account, to be kept separate and identifiable from other transactions until such time as the money can be refunded or recognised. If still unrecognised after 6 monthssuch contra funds will be cleared to sundry revenue.

Holders of cheques outstanding for more than two months shall be contacted to verify receipt of cheque and prompt banking. Where a cheque has not been received by the intended recipient, the cheque must be cancelled and electronic banking details obtained so that payment can be made promptly.

Where a payment stop on a cheque is required, the following tasks must be carried out:

- Ensure the cheque has not already been presented at the bank;
- Notify bank of stop payment via online banking facilities;
- Receive confirmation of action from the bank of the stop payment prior to processing any re-issue of payment, and;
- Ensure the details of the stop payment is attached to the original cheque payment documentation and any subsequent payments.

    For the re-issuing of funds, EFT is the preferred method of transacting.

3.2.4 Reconciliations

Bank Reconciliation Statement for the General Cheque/Overdraft Account shall be prepared at least twice per week, with the exception in weeks of any designated closure of business operations (for e.g. Christmas/New Year Closure) as directed by the CEO.

Credit Card accounts operated by Council shall be reconciled in accordance with the Corporate Credit Card Procedure.

All other bank, overdraft, investment, line of credit accounts shall be reconciled at least every three months (quarterly).

Any discrepancies shall be reported to the Manager Finance and Customer Service, investigated fully and rectified as soon as practicable.

Cash flow monitoring shall be completed at least weekly, in compliance with theTreasury Management Policy.

3.3 Investments

Please refer to the following Council Policies in regards to Investments and Treasury Management:

- A130 – Investment.
- T150 – Treasury Management Policy.

3.4 (a) General debtors

Guidance: This procedure applies to by all staff involved in customer selection, sales and the preparation of customer invoicing.

Key issues/risks

In relation to bebtors, the major risks are that:

- debtors are either inaccurately recorded or not recorded at all;
- rebates and credit notes to debtors are either inaccurately recorded or not recorded at all;
- debtors are either not collected on a timely basis or not collected at all, and;
- debtors master file data does not remain pertinent.

Segregation of duties

In relation to debtors, segregation of duties is intended to mitigate the risks of one person from having both:

- access to assets, and;
- responsibility for maintaining the accountability for such assets.

Where practical, this would mean different individuals are typically responsible for:

- Recording revenue;
- Approving revenue;
- Invoicing the ratepayer / customer;
- Maintaining accounts receivable records and/or authorising adjustments to debtors;
- Processing cash receipts;
- Performing debtors confirmation and following up on discrepancies, and/or;
- Making changes to debtor master files.

If one individual has responsibility for more than one of these functions, appropriate supervisory controls are to be implemented to mitigate the risk of misappropriation of assets. Due to the limited ability for segregation of duties the controls put in place concentrate on there being an independent review of the works carried out.

Please refer to Master File Access Listing AR18/41732 for authorised personnel.

General controls

The General Debtors ledger shall be reconciled once every month for at least 10 months per year to General Ledger Control Accounts and independently reviewed. Any discrepancies are to be investigated and corrected at the earliest possible available time.

Audit trails (when available) are to be generated in line with the above mentioned reconciliations for General Debtors to show any master file changes (excluding raising of invoices, statements and any payments received). Audit trails reports shall be compared to source documents by an appropriate independent officer and signed when satisfied that reasonable samples of changes are accurate.

An aging debtor report is to be produced at the time of General Debtor Reconciliation. Where debts become overdue the following process sets out in order to recover overdue monies. These procedures must be adhered to in line with Section 143 of the Local Government Act 1999, which details specific legislation on the write off and collection of debts owed to Council.

- Within 30 days of a debtor becoming overdue, a reminder notice shall be forwarded requesting that monies be paid in full or alternatively that an acceptable arrangement be entered into within 10 business days of Council sending the notice. Suitable notice may be in the form of a Statement with a With Compliments slip attached or via email.

- Where no response has been received within 30 days of the issue of a reminder notice a final demand will be forwarded. Where the final demand is being sent and the customer is already in breach of the 90 day credit terms, the final demand will include notification of stop account procedures.

- Where there has been no response to the final notice within 10 business day's legal action shall be commenced where considered necessary, except where those debts can be attached to a property(s).

- Customer payments that remain outstanding for 12 months shall be considered to be written off as bad debts, excluding those debts that can be attached to a property(s). Authorisation from the CEO must be obtained to write off general debts in accordance with his/her delegation per the Local Government Act or approval from Council should the write off be greater than the CEO's delegation. Once a customer has been written off as a bad debt no further credit shall be allowed. At this point, the Debtor must be marked as inactive and a note placed on the file stating the reason for this.

3.4.1 Appointment of new customers

All new customers (excluding those customers where payment is required prior to the provision of goods or services such as Cemetery, Main Corner hire/bonds, Riddoch hire/bonds, Private Works and additional bin customers) must complete a Business Credit Account Application prior to engaging services of Council. This document can be found at AR16/26413.

The appointment of a new customer (exclusions listed above) must be authorised prior to entry to the financial system.

Review of information entered into the financial system to ensure all information is correct as part of reviewing master file audit trail reports (when available) process is required.

Internal Service Standards - The relevant applying department will be notified within two business days of a new customer being approved and establishing the new client in the system.

Request for invoices shall be submitted via the intranet online form. Invoices shall be raised expediently following this request.

3.4.2 Customer credit terms

General debtor payment terms are 30 days from date of invoice. With the following exceptions:

- Where an invoice has been raised for the purpose of cemetery goods and services, payment is required prior to the ordering of any stock items and provision of service, excluding Funeral

Directors whose provision of credit is not suspended *(see credit limit breached due to outstanding payments for further details)*.

- When an Invoice has been raised for the purpose of Riddoch and/or Main Corner hire and/or bond, payment is required prior to the date of the event. *See Bond payments for payment/service standards relating to the repayment of bonds.*

Credit will not be authorised for the purchase of inventory or consigned goods unless under the direction of a General Manager.

Where a customer has requested longer payment terms than 30 days from date of invoice, this must be referred to and authorised by a member of MET and noted on the customer file.

Aged Debtor listings are to be regularly produced and all customer payments are to be reviewed at least once every two months to ensure that payment terms are adhered to.

Invoices are sequentially numbered.

Statements are to be issued on a monthly basis (preferably by email or electronic means) and will be recorded in Council's Electronic Document Records Management system.

Account allocations and GST codes are made or reviewed by a responsible officer.

Credit notes are to be sequentially pre-numbered and authorised in accordance with delegations. Credit notes can only be processed once approved by an appropriate manager.

Internal Service Standards - Invoices must be raised within 3 business days of receipt from an Authorised Officer to ensure prompt production of invoices.

3.4.3 Credit limit is breached due to outstanding payments

When a credit term is breached by 90 days or more (excluding Riddoch, Main Corner and Cemetery invoices whose goods and services are not provided until fully paid), notification will be provided to all relevant staff that Council's provision of credit has been suspended. Any new orders will need to be paid up front on a 'cash basis' until the breach in the credit arrangements has been rectified. This must be recorded on their file and the account held so that no further transactions can be processed.

The customer must be contacted and an explanation provided that further orders/work cannot be processed until the account has been paid in full.

If the customer is having difficulty making payments, the finance officer shall first make a schedule of payments to bring the customer back in line with their credit terms and note this on the customer file. Approval shall be sought from management before negotiating such arrangements.

If the customer cannot pay on the day of the phone call

- get an expected payment date;
- confirm any outstanding orders/work cannot start until the payment is made, and;
- suspend credit until such time as a payment arrangement is agreed and adhered to.

Cemetery invoices in breach of credit terms by 90 days or more will be terminated. This includes cancellation of any goods or services on hold and or waiting ordering. Where part payment(s) has been received amounts shall be refunded to the customer excluding any cancellation fee for

reasonable costs relating to administration and postage. Where no payment has been received, the invoice shall be cancelled and notification sent to the customer.

3.4 (b) Rates debtors

Guidance: This procedure applies to all Rates staff and managers who are involved in the raising and reviewing of rates in conjunction with Rating Policy R105, Rates General Matters R130 and Rates Rebate Policy R155. It should also be read in conjunction with Chapter Ten of the Local Government Act, 1999.

Key issues/risks

In relation to Rates debtors, the major risks are that:

- Rates debtors are either inaccurately recorded or not recorded at all;
- rebates to rates debtors are either inaccurately recorded or not recorded at all;
- Rates debtors are either not collected on a timely basis or not collected at all, and;
- The Rates master file data does not remain pertinent.

Segregation of duties

In relation to Rates debtors, segregation of duties is intended to mitigate the risk of one person from having both:

- Access to assets, and;
- Responsibility for maintaining the accountability for such assets.

Where practical, this would mean different individuals are typically responsible for:

- Recording revenue;
- Approving revenue;
- Invoicing the ratepayer;
- Maintaining rates records and/or authorising adjustments to rates debtors;
- Processing cash receipts and reimbursements;
- Performing independent rates debtors confirmation and following up on discrepancies, and/or;
- Making changes to rates master files.

If one individual has responsibility for more than one of these functions, appropriate supervisory controls are to be implemented to mitigate the risk of misappropriation. Due to the limited ability for segregation of duties the controls put in place concentrate on there being an independent review of the works carried out.

Refer to Master File Access Listing AR18/41732 for authorised personnel.

General Controls

To determine rate payer(s) in arrears of the stipulated payment terms, Rates officers shall run the Annual Notice Extract process. Where debts become overdue Rates officers shall follow the process set out hereunder in order to recover overdue monies:

- Within 20 business days from due date a Reminder Notice shall be sent to the Principal Rate(s) Payer.
- If an instalment of rates remains unpaid proceedings for collection of outstanding rates balances to be reviewed quarterly and may be collected by legal process.
- Fines and interest are applied to outstanding rates in accordance with the Local Government Act.

The Rates Debtor subsidiary ledger shall be reconciled at least quarterly to General Ledger. This Reconciliation shall be signed independently reviewed and signed. Any discrepancies are to be investigated and corrected at the earliest possible available time.

All write offs, refunds, transfers, journals and reversals are to be processed by Rate(s) personnel in accordance with delegated authority and independently verified and evidenced as reviewed.
Refer to Rates located in the Revenue section of this document for further detail.

3.5 Stock control/inventory procedure

Guidance: This procedure applies to all staff involved with stock.

Key issues/risks

In relation to inventory, the major risks are that inventory:

- received is either recorded inaccurately or not recorded at all;
- is not adequately safeguarded or stored, and;
- becomes obsolete.

Segregation of duties

In relation to inventory, segregation of duties is intended to prevent one person from having both:

- Access to assets, and;
- Responsibility for maintaining the accountability for such assets.

Where inventory levels are significant, the following segregation of duties should exist, subject to a pragmatic cost-benefit analysis of the implementation of this level of segregation:

- Where possible, personnel responsible for purchase, accounts payable, receiving inventory, inventory counts, production scheduling and shipping have responsibility for one such function and have no system access to functions other than their assigned function.
- Individuals who are responsible for transaction processing should ordinarily have no responsibility for master file maintenance or updating the chart of accounts.
- Personnel responsible for the custody of inventory have read-only access to inventory records, and personnel who are responsible for inventory transaction processing have neither responsibility for inventory management master file maintenance nor update access to the inventory master file.

Where a function does have access to the master inventory data as well as access to assets (e.g. Main Corner) the finance function performs regular checks to mitigate the risk related to that combination of responsibilities.

General controls

This procedure provides guidelines for monitoring and managing the amount of stock within Council to ensure that there are suitable levels of stock available to external and internal customers at all times. Suitable stock levels are at the discretion of the responsible officer and their manager, however it is preferred that they are held in line with Just in Time concepts to ensure that Council resources are not tied up with excessive stock on hand levels. Refer to AR18/41734 for a list of Council's inventory areas and assigned Responsible Officers.

It is the duty of responsible officer to ensure that the stock control procedure is adhered to.

3.5.1 Purchase and management of stock

Purchase of all stock must be completed using Council's online requisitioning software and where able to, specifically using the inventory control software module. All stock purchases must adhere to Council's P420 Procurement and Disposal of Land and Assets Policy.

Responsible officers must:

- identify core stock and ensure there is a process to keep appropriate levels at all times;
- ensure there is a process to monitor all stock levels and stock turnover;
- negotiate for fast-moving stock with suppliers for 'just in time' deliveries where possible;
- monitor re-order levels and ensure orders are placed in adequate time to reduce non-availability of core or necessary stock items;
- regularly review sales budgets and ensure there is a process to order necessary stock in line with budgets;
- negotiate with suppliers for best price, quality, delivery methods and returns policy where no formal contract has been engaged (local where possible);
- order all stock required or ensure there is a process to order stock;
- ensure there is a process so that affected staff are aware of new product, price changes and procedures for accurate recording of all stock movements;
- consult with Procurement Officer to comply and assist with maintenance of the Prequalified Contractor Register where necessary;
- keep up to date with customer and market trends and seek out new product for recommendation;
- distribute Chemicals and Hazardous Substances as required following Council's Hazardous Chemicals Procedure ;
- ensure that there are adequate controls (physical and administrative) in place to minimise theft and/or waste of all stock items;
- secure all storage areas adequately, restricting access to authorised personnel and protection from accidental destruction, deterioration, theft, fraudulent or illegal use;

- ensure that all stock items are priced in line with Recommended Retail Prices or relevant on-site procedures, whichever is appropriate;

- maintain good quality control, where stock has a limited shelf life, to ensure stock nearing its use-by-date is sold first or discounted to encourage sale and minimise obsolescence, and;

- understand the importance of good stock control;

It is the responsibility of all staff that may perform sales or internal issuing of stock items to:

- keep up to date with stock pricing and new products;

- ensure that all stock records are kept accurately, including ensuring that the correct inventory item is being sold (and removed) from inventory records ;

- record, in regards to fuel, the odometer/hour reading of the plant they are refuelling and the amount of litres;

- ensure the person responsible for completing manual fuel dip readings is separate from the person(s) refuelling plant and equipment;

- ensure that all stock is securely stored to minimise theft, wastage and deterioration, and;

- engage another staff member to process a sale or stock issue for themselves (i.e. cannot process own sale or stock issue).

3.5.2 Receiving stock

When stock is received from the supplier, the responsible officer or their delegate must:

- review delivered items to delivery docket, including quantity, quality and completeness of order;

- match delivery docket to purchase order;

- follow up and ensure correct stock order will be received where discrepancies or damage has been incurred;

- complete, for fuel, manual dip readings before and after a delivery of fuel to independently verify the accuracy of the amount of fuel delivered;

- store the stock securely and in an appropriate area that is compliant with Work Health Safety Standards and any specific environmental conditions;

- review security arrangements at least annually by the responsible officer and implement improvements where they have become inadequate. Improvement arrangements may include:-

  o Restricting access to authorised personnel only;

  o Protection from accidental destruction;

  o Protection from theft, fraud or improper use;

- process Goods Receipt using Council's financial system, and;

- record Purchase Order on Tax Invoice and forward to Finance Officer for payment.

3.5.3 Stocktakes

It is the duty of the responsible officer to organise and oversee physical stock takes and match records of stock take to administrative and financial records. Any significant variances in stock

must be reported to the Manager Finance and Customer Service. It is at the discretion of the Manager Finance and Customer Service to modify the regularity of the stocktakes should there be concern for items of stock going missing.

Due to internal use and allocation of fuel, manual fuel dips are to be completed at the start and finish of each day. Also, the opening and closing reading on the fuel pump must be recorded on the same form to enable checking of fuel against manual and pump readings.

3.5.4 Consignment items

Council acts as agent (does not own) items agreed to be held and potentially sold on consignment by a supplier. All items held on consignment must be agreed to in writing by completion of the relevant consignment agreement.

A Consignment Master File shall be maintained and must at minimum contain the following information:

- Unique Identification Number for item(s) consigned;
- Supplier name and creditor number;
- Description of item(s) consigned;
- Recommended Retail Price (RRP) of item(s) consigned;
- Calculation of commission payable to City of Mount Gambier for items sold;
- Movements in consigned item(s) such as sales, theft, deposits, etc.;
- Start and Finish date of relevant Consignment Agreement.

Each month, the responsible officer must complete a stocktake and advise of any missing items.

Where consigned item(s) are to be amended (i.e. added or removed) the relevant addendum shall be completed and the Master File updated accordingly.

3.6 Prepayments

Key issues/risks

In relation to prepayments, the major risk is that:

- prepayments are either inaccurately recorded or not recorded at all.

General controls

All material invoices paid in advance will be recorded as prepayments as the goods or services will be received in the next reporting period.

To account for prepayments, the following must be maintained:

- Complete periodic checks regarding the likelihood of prepayments being made;

- Review expenses that should be treated as prepayments;

- Review any large expenses during the financial year to determine if the payment should be classified as a prepayment;

- Document / create working papers detailing any prepayments and ensure all prepayments reconcile to the general ledger at least on a yearly basis as part of year end procedures;

- Journal to allocate all prepaid expenses to their appropriate income/expense account in the correct period(s).

3.7 Fixed assets

Key issues/risks

In relation to fixed assets, the major risks are that:

- fixed asset acquisitions, disposal and write-offs are fictitious, inaccurately recorded or not recorded at all;
- the rixed asset register does not remain pertinent;
- fixed assets are inadequately safeguarded;
- fixed assets are not valued correctly initially or on subsequent revaluation;
- depreciation charges are either invalid, not recorded at all or are inaccurately recorded which includes appropriateness of useful lives and residual values, and;
- fixed asset maintenance and/or renewals are inadequately planned.

Segregation of duties

In relation to fixed assets, segregation of duties is intended to prevent one person from having both:

- Access to assets, and;
- Responsibility for maintaining the accountability for such assets.

The following types of responsibilities should be segregated:

- Transaction initiation (acquisitions or disposals);
- Transaction authorisation;
- Transaction recording;
- Custody of assets, and;
- Reconciliation of physical fixed assets and liabilities to records.

In addition, personnel who are responsible for fixed asset transaction processing should have neither responsibility for fixed asset Masterfile maintenance nor for update access to the fixed asset master file.

Refer to Master File Access Listing AR18/41732 for authorised personnel.

General controls

On acquisition, or as soon as practical:

- all plant assets are to be added to Council's financial system assets module upon purchase
- the useful life of the individual asset is to be estimated. Guidance may (as deemed appropriate to the circumstances) be sought from the Australian Taxation Office for the Commissioner of Taxation's discretion in regards to the useful life, Council staff, external Valuer or Council Auditors. Must be in line with replacement programs.
- the method of depreciation determined. The preferred method is the straight line method, however, this does not limit the use of diminishing value or capacity in use.

New assets created must be set to monthly depreciation and have a quantity entered to ensure depreciation will run accurately.

Assets acquired free of charge are to be brought to account in accordance with relevant accounting standards at least annually in line with end of financial year. Land values are to be based on the most recent Valuer General's information and infrastructure values based on the most recent revaluation input rates used.

3.7.1 Depreciation

The rate of depreciation is to be calculated and reconciled to the general ledger monthly to ensure that expense accounts are kept up to date for budget officers.

Assets are depreciated from date first used or held ready for use.

Useful lives and associated depreciation rates shall be reviewed at least annually to ensure that the methods used to value fixed assets are still appropriate.

3.7.2 Disposal of assets

- Assets are depreciated to the date of disposal;
- Assets sold or written off are to be disposed of in Council's financial system assets module;
- The profit/loss on disposal is automatically calculated in Council's financial system when the asset is disposed of and appropriately recorded in the General Ledger, and;
- All disposals of fixed assets are approved in accordance with the Delegations of Authority and P420 Procurement and Disposal of Land and Assets Policy.

3.7.3 Materiality, Minor plant and equipment

The purchase of items of a value (or collective value) of less than $5,000 are not deemed to be assets for the purpose of this Administrative procedure.

Establishment and maintenance of a Minor plant register shall be maintained by responsible officers. Refer to AR18/41734.

The Register must list all items of plant and equipment that are of a lesser value than $5,000, their purchase date and value (if known) where they are located or which employee they are assigned to.   To capture new data all minor plant purchases must go through the relevant resource/activity code. A stocktake of all minor plant and equipment must be completed at least annually.

3.7.4 Recording / registers

Fixed asset registers are to be maintained for all assets controlled by Council, identifying significant asset components. A register of assets not considered under Council control, but owned by Council must also be maintained.

Wherever possible assets should be recorded as separate items in the asset register(s).

Fixed asset registers are to be reconciled at least annually to balances per the general ledger. This reconciliation is to be evidenced as reviewed by an independent officer not involved in the transaction or reconciliation process. All discrepancies are to be promptly investigated and the fixed asset register or general ledger appropriately updated.

Any changes to the fixed asset registers are to be compared to the authorised source documents to ensure accurate input or deletion. An audit trail of adjustments made to the Plant/Asset Master must be periodically run where such a report is available.

A physical count of all fixed assets per the fixed assets register is to be undertaken in line with Council's existing Asset Management Policies and procedures. All discrepancies are to be investigated and the condition of the assets noted where appropriate.

The fixed asset rgisters are to be periodically reviewed, noting "unusual" items or items included in fixed assets which have been sold, scrapped or disposed of.

A comparison to the capital budget shall be performed periodically and reviewed in line with budget revisions.

Authorisation is to be obtained from the relevant MET member before any items are deleted or removed from the registers due to obsolescence control or scrapping.

3.7.5 Security

Assets (mainly plant & equipment or those at greater risk of being misappropriated due to their nature) must be stored in an appropriately secured area, where access is restricted to authorised personnel.

Security arrangements shall be regularly reviewed and improved where they have become inadequate. Arrangements include restricting access and protection from accidental destruction, deterioration, theft or fraudulent or illegal use, and protection of the public from injury or hazard.

3.7.6 Insurance

Council's insurance cover is to be the subject of regular review (at least annually) in conjunction with Council's insurance Brokers/Insurers.

A valuation of building and structure assets for insurance purposes is undertaken every 2-3 years (alternate to a revaluation year) with a recognised property valuation organisation. Valuation for insurance purposes may differ from valuations for asset purposes due to factoring in costs of reinstatements of assets.

3.7.7 Asset valuations

Regular reviews of fixed assets (i.e. methodology and useful lives of assets) are required to ensure that asset valuations are appropriate and in accordance with reporting requirements. Where

appropriate, council may engage an expert to perform valuations for unusual or infrastructure assets. For land, the Valuer-General's valuations shall be used.

Council shall abide by its asset revaluation strategy, which states the frequency of asset revaluations.

Budget managers compare actual fixed asset balances to budget in line with budget revision processes; significant variances are investigated and approved as part of the budget review process.

3.7.8 Impairment of assets

Assets that have an infinite life are not subject to depreciation but are to be reviewed annually for impairment. Assets that are subject to depreciation are to be 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 assets carrying amount exceeds its recoverable amount (which is the higher of the present value of future cash outflows or value in use).

3.7.9 Year-end considerations

Fixed asset registers shall be reviewed to consider the:

- carrying value of assets;
- existence of assets;
- condition of assets ;
- relevance of current depreciation rates given the condition of the assets;
- need for revaluations;
- useful life of assets;
- location of the assets, and;
- utilisation or purpose of holding the asset.

The plant replacement program, which informs the annual capital purchases, is reviewed at least annually.   This replacement program details heavy plant and vehicles and includes information on cost, useful life, replacement year and the estimated trade in value.

Regular review of useful lives of fixed assets is required and updates to the Asset Management Plan to reflect any material changes (i.e. expected time frame for replacing of significant fixed assets).

3.8 Project costing

Guidance: This procedure should carried out in conjunction with Council's Risk Management Framework Policy, R305 and Prudential Management Policy, P415.

Key issues/risks

In relation to project costing, the major risks are that:

- projects are either inaccurately recorded or not recorded at all;
- direct and indirect project costs are not considered or planned for, and;

- appropriate approvals are not received for the establishment and changes in project scope or costs;

Actual project costs are to be reviewed at least in line with quarterly budget revisions, compared to budget and any material variances are to be investigated and explained.

Before entering into a project, management are to review the costing methodology used for projects and ensure an appropriate method of full cost attribution is in place.

Overhead rates including plant hire rates and employee on-costs are to be reviewed on an annual basis prior to completion of the annual budget to ensure accurate information is used for project costing.

Project budgets are to be approved in accordance with the Delegations of Authority.

Reports shall be generated at the request of the project manager detailing projects actual performance against budget and any variances investigated. To assist with reporting requirements, all projects will have work order allocated which will cover income and expenses of each major project.

Budget overspends equal to or in excess of 20% are to be detailed in writing to MET by the relevant project officer/manager as soon as practically possible and prior to the next quarterly budget review.

3.9 Loans / Grants to clubs

Key issues/risks

In relation to loans/grants to clubs/community groups the major risks are:

- Council issues loans inappropriately;
- loans/grants are inaccurately recorded or not recorded at all;
- loans/grants are not able to be repaid;
- loans/grants are not considered consistently in line with approved criteria, and;
- appropriate security is not taken/provided and/or documented.

Segregation of duties

The following activities should be segregated in relation to loans/grants to clubs/community groups:

- Approval of loan/grant;
- Recording of loan/grant;
- Receipting of loan/grant repayments, and;
- Approving write-off of loans/grants.

General controls

Council has adopted a policy that provides guidance to the eligibility and assessment criteria for each request.

Loan Receivable balances are prepared monthly and reviewed.

All loans/grants are approved in accordance with delegations of authority.

Statements of loans receivable are regularly mailed to the recipient of funds.

4. Liabilities

4.1 Creditors

Guidance: This procedure applies to all staff who are involved in supplier selection, payment and maintenance.

Key issues/risks

In relation to accounts payable the major risks are that:

- accounts payable amounts are either inaccurately recorded or not recorded at all;
- credit notes and other adjustments to accounts payable are either inaccurately recorded or not recorded at all;
- disbursements are not authorised properly;
- disbursements are made for inaccurate amounts or to an inaccurate creditor;
- accounts are not paid on a timely basis, and;
- supplier master file data does not remain pertinent and/or unauthorised changes are made to the supplier master file.

Segregation of duties

The following segregation of duties must exist within the disbursement cycle:

- Signed cheques, which have been compared to appropriate supporting documentation by the signatory, are delivered to someone independent of both the preparer and the initiator of the cheque for prompt mailing;
- Cheques should not be returned to the preparer or initiator of the cheque subsequent to being signed and should be timely mailed to minimise that opportunity for misappropriation;
- The return address on the envelopes that are used to mail cheques should be to an officer who does not prepare cheques or approve payment requests for payment, e.g. Records, and;
- Cheques, once signed, should be timely mailed and processed to accounts payable records to ensure that the cash and liability balances are fairly represented in the accounting records.
- Changes to bank details of creditors are required to be supported by the receipt of a signed form. Independent from the accounts payable function changes (from the bank details audit trail) are verified with supporting documentation on Council's record system. This review is completed weekly, normally before the weekly payrun, ensuring all creditor bank details are genuine.
- Segregation of duties between the file creation and file authorisation in Westpac is maintained consistent with the 'Westpac Corporate Online – Procedures' (AR18/40909) document, ensuring segregation between the Creator, Authoriser and Super Administrator roles within Westpac.

In addition, the following tasks should be segregated in relation to accounts payable:

- Approval of supplier invoice;
- Recording of liability (supplier invoice), and;
- Approval of payment (i.e. signing of cheque or approving of EFT payment).

Refer to Master File Access Listing [AR18/41732](#) for authorised personnel.

General controls

All new suppliers to Council must be reviewed and accepted in accordance with this procedure to ensure that the supplier service is aligned with Council objectives and payment is set up as EFT.

Where the supplier provides statements, those statements must be reconciled to tax invoices at the completion of the billing term (generally monthly) and follow up any outstanding items prior to making payment. No statement shall be paid in full until all tax invoices are accounted for (this does not exclude part payments where tax invoices have been approved).

Creditors control account must be reconciled to the creditors' ledger once every month for at least 10 months per financial year. Any discrepancies shall be followed up and corrected immediately.

Please refer to [Bank Account Authorisations](#) for procedure on reconciling payments.

4.1.1 New suppliers

New suppliers must be selected in accordance with Council's [P420 Procurement and Disposal of Land and Assets Policy](#) and Corporate Credit Procedure.

For each new supplier, [AR17/26977[V2]](#) – Request to Add New Supplier form must be completed prior to agreeing to services by the person engaging their services except for suppliers engaged under pre-qualification or formal procurement process, or agreements.

The appointment of a new supplier will be authorised by an independent officer.

All relevant details of the supplier will be entered into Council's financial system once approval is obtained.

All changes made to the Accounts Payable Master File, such as the addition of new suppliers or changes to supplier details, must be reviewed on a regular basis by an independent officer and against Master File audit trail reports (where available). Changes to the Accounts Payable Master File will be accompanied by original (source) documentation.

4.1.2 Supplier payment terms

All purchases from suppliers must be supported by a purchase order – refer to the [Purchasing](#) and [Stock control](#) procedures. It may not be necessary to issue an official order for the following items:

- Fees or payments imposed under the Act;
- Insurance or real estate acquisitions;
- Payments pursuant to an award binding upon Council (e.g. payroll);
- Goods purchased from petty cash (manual authorisation required);
- Goods/services purchased by debit card (manual authorisation required);
- Goods/services purchased by prepaid credit card (manual authorisation required);

- Utilities for supply of phone services, electricity, water supply etc., where a direct debit arrangement has been entered into, or;
- Any other purchases where a direct debit arrangement has been entered into.

Council's payment terms are the last business day of the calendar month following the month in which the invoice is dated provided that the goods are supplied and/or the services are provided in the manner set out. Refer to Council's [Purchasing Standard Terms and Conditions](#). This ensures Treasury Management is adhered to.

Samples of supplier payments are to be reviewed at least bi-annually to ensure that payment terms are adhered to and reported to MET.

4.1.3 Bond payment refunds

Internal Service Standards - The repayment of any bond monies must be processed within 10 business days of the date of execution. Date of execution refers to the date of event or hire. It is the responsibility of the staff that requested the initial bond fee to begin the bond/hire refund request/workflow within three business days of execution date in order to process payment in line with creditor payment terms. The bond/hire refund request must contain the following information:

- Name of hirer;
- Address details of hirer (including telephone, mailing address, email address);
- Bank Details (BSB, Account Number and Account Name);
- Details of what was hired and date it was hired;
- Amount to be refunded including details of adjustments for cleaning or damage, and;
- Evidence of authorisation. This person must have adequate financial authority.

Bond liability accounts are reconciled at least once in every three consecutive months (quarterly).

4.2 Accrued expenses

Key issues/risks

In relation to accrued expenses the major risks are that:

- accrued expenses are either inaccurately recorded or not recorded at all.

General controls

Accrued expenses reconciliation are prepared at least annually as at 30 June.

4.3 Borrowings / loans

Key issues/risks

In relation to borrowings the major risks are that:

- borrowings are either not recorded or are recorded inaccurately;
- loans are taken out without appropriate approval;
- loans are not repaid in accordance with the agreed terms;
- loan repayments are not recorded at all or are recorded inaccurately;
- lack of working capital to meet Council's financial commitments, and;
- interest expense is inaccurately calculated or recorded in the wrong period.

The accumulated effect of these risks is far wider than purely financial consequences and may lead to widespread negative perceptions/reputation of Council within the community.

Segregation of duties

The following segregation of duties should exist within the liability cycle:

- Recording of borrowing transactions;
- Approving new borrowings;
- Following up on reconciliation or confirmation of borrowing to statements from third parties;
- Review and analysis of recorded borrowing transactions by means of summary reports of activities (e.g. describing liquidity, interest rate), and;
- Authorisation of payments with respect to borrowing transactions.

General controls

A loan register is maintained containing reference to Council resolution approving the loan and a schedule of the loan liability and the loan repayment from the lender. This also includes details of any cash advanced debenture.

The register must include:

- Loan Account number;
- Lending institution;
- Repayment schedule;
- Purpose for which the loan was taken out;
- Interest and term of loan;
- Commencement and expiry dates.

Debt repayment transactions at, before, and after the end of an accounting period are scrutinised and/or reconciled to ensure complete, accurate and consistent recording in the appropriate accounting period.

The loan register and loan approval is subject to management and audit review at least annually.

Loan balances in the general ledger are regularly compared to budget, loan register and statements from financial institutions. MET reviews in line with budget revisions and as appropriate approves material variances.

All new loan repayment schedules and conditions are checked prior to accepting each loan.

All funding approvals are approved and minuted by Council.

The loan repayment and covenant schedule, including dates and amounts to be paid is established when each loan is setup. This is independently reviewed to ensure that all payments are made and recorded accurately and timely. Repayment details on cash advanced debentures are recorded and checked as known.

Council is informed on a timely basis of any variance with the loans terms and conditions that have been prior approved.

Payments are entered into the financial system following verification of direct debit from the bank statement. Details of cash requirements, particularly with capital works, creditors and payroll are discussed by authorised officers. Investments and borrowings are scheduled accordingly.

Interest on loans is predetermined and journals are checked. Interest on cash advanced debentures is checked where applicable to relevant source documents.

4.4 Employee provisions

Key issues/risks

In relation to employee provisions the major risks are that:

- the employee provisions are either inaccurately recorded or not recorded at all, the cause of which could be that:
    - the basis upon which provisions are based are flawed and/or not current, or;
    - the system based accruals are flawed and/or inaccurate.

Segregation of duties

Segregation of duties requires that the recording and processing of leave entitlements is separated from the initial approval of leave and that access to the Payroll Master File is restricted.

Refer to Master File Access Listing AR18/41732 for authorised personnel.

General controls

The payroll system used is programmed with formulas to perform employee provision calculations and independently reviewed to ensure consistency with legislative and negotiated agreement requirements.

Approval for all requests for leave and leave taken is recorded by staff independent from the approval. Approving officers are those officers in a supervisory or management role for a particular area or function of Council as established under Council's corporate structure / organisational chart.

Reconciliation of employee provisions must be performed at least annually at the end of the financial year, independently reviewed and signed off.

Actual balances compared to budget once every month for at least 10 months per financial year and significant variances are investigated.

Leave balances are recorded on pay advices (pay slips) for verification by staff. If the accuracy of the leave balances is questioned, staff will be advised of this on their pay advice to ensure clarity and avoid reliance on inaccurate information.

Any changes to Payroll Master Files are independently reviewed to ensure accurate input to source documentation (via Payroll Master Audit Trail).

Payroll Master File data is periodically reviewed for accuracy and pertinence.

Business Unit managers periodically review listings of current employees and vacant positions within their area of Council and notify of inaccuracies, queries and necessary changes.

4.5 Taxation

Key issues/risks

In relation to taxation the major risks are that:

- tax liabilities are either inaccurately recorded or not recorded at all, and;
- Council does not meet statutory reporting/lodgement deadlines and obligations.

Segregation of duties

To minimise weaknesses associated with segregation of duties in relation to taxation, it is imperative that the following tasks are separated:

- Calculation, recording and processing of tax liabilities;
- Review of tax lodgement documentation;
- Payment of tax liabilities;
- Approval of payment of tax liabilities;
- Receipt of tax refunds, and;
- Recording of tax refunds.

General controls

All taxation statements and returns required for lodging with the Australian Taxation Office must be prepared in accordance with relevant legislative guidelines.

Relevant staff members are provided with regular training in order to keep up to date with all relevant changes in tax legislation and reporting requirements and/or Council obtains tax advice from external tax advisors.

To ensure appropriate tax treatment, an independent officer who holds appropriate qualifications and training must spot check transactions when completing the Business Activity Statement(s).

All balance sheet reconciliations for tax assets/liabilities are performed at least every three months; reconciliations are reviewed by an officer independent to the recording of transactions and reconciliations.

Council has a working relationship with an external tax advisor and its external auditors and contacts them for advice when required.

Management reviews reporting and lodgement of Statements/Returns on a regular basis to ensure compliance with statutory deadlines. This will also prevent unnecessary interest and fines being applied due to late lodgement.

5. Revenue

5.1 Rates

Guidance: This procedure applies to all Rates staff and managers who are involved in the raising and reviewing of rates in conjunction with Rating Policy R105, Rates General Matters R130 and Rates Rebate Policy R155. It should be considered in conjunction with Chapter Ten of the Local Government Act, 1999.

Key issues/risks

In relation to Rates the major risks are that:

- council does not raise the correct level of rate income;
- Rates and rate rebates are either inaccurately applied and/or recorded or not recorded at all, and;
- the property master file does not remain pertinent.

Segregation of duties

The following segregation of duties must exist within the rate revenue cycle:

- Recording rate revenue and rate rebates;

- Approving the rate revenue and rate rebates;

- Invoicing the rate payer;

- Maintaining debtor records and/or authorising adjustments to debtors;

- Processing cash receipts;

- Following up on debtors;

- Performing independent debtors confirmation and following up on discrepancies;

- Making changes to debtors master files, and;

- Rate payer service call and/or complaints.

General controls

To ensure Council raises the correct amount of rate revenue Rates officer(s) shall ensure that property Valuations and Land Use codes are downloaded from the LGA Annual Valuation Report to Council's software system. This must be completed at least annually in line with the Local Government Act.

No valuation changes are permitted during the period of Council adopting the valuations for the relevant financial year and the raising of the rates.

The Rates officer(s) shall check the total value supplied by the Valuer General (per the LGA Annual Valuation Report) reconciles to the value uploaded to Council's financial system (screenshot is acceptable). Totals are checked against source documents from the Valuer General and signed and dated by the Rates Officer and are independently reviewed. These reports shall be filed to Council's Electronic Document Records Management System.

All uploading, modelling and calculation of rates must be tested and approved prior to and after adoption of rates.

Total rates generated are compared to budget and budget revisions. All material variances are to be investigated.

Rates are automatically calculated and generated by Council's rating software module. It is the responsibility of the Senior Rates Officer to ensure that Council's software system is set up accurately. A random sample of rates data must be independently reviewed by someone who is separate from the entry of rates transactions, to ensure:

- name, address and rate details are correct;
- valuation uploaded matches to Valuer General report/figures;
- correct rates have been calculated, and;
- rebates, concessions and discounts (where applicable) have been applied correctly.

The independent officer completing the review must select which rate data to review. This must be completed annually once rates have been raised, but prior to rates notices being sent for printing. Any variances shall be investigated and corrected immediately.

Rate rebates are to be reviewed annually and authorised in accordance with Council Delegations.

Once independent review has been completed and the officer is satisfied that the sample reviewed is accurate, rates notices can be authorised for printing. Sample rates notice must be approved by two officers with at least one being independent to the Rates function prior to authorising the final print.

Internal Service Standards - All updates received from the Valuer General after the raising of rates are to be processed within five business days of receiving all required information by Rates officer(s).

Rates officer(s) shall ensure they do not process their own rate receipt. Payments via electronic banking, customer service or payroll deduction are acceptable.

The downloading and importing of all electronically received payments must be completed at least twice per week excluding public holidays and periods of business closure as deemed by the CEO.

Rates officer(s) shall once every month for at least 10 months per financial year review Council's Name and Address Register to ensure that details are accurate and match details recorded in Council's rating system.

5.2 Grants

Key issues/risks

In relation to grants the major risks are that:

- council loses recurrent Grant funding to provide existing service;
- grant funding is not claimed by Council on a timely basis or not claimed at all;
- grants are either inaccurately recorded or not recorded at all, and;
- grant acquittal reporting is not completed within specified timeframes/terms and conditions.

General controls

Formal Council resolution is required prior to grant funding being applied for amounts over $100,000. Members of MET must approve all other requests.

Staff must complete the Grants and Funding Register AR18/17335 prior to submitting a grant application. Grant applications that exceed the financial authority of the General Manager or commit Council beyond the current approved budget must obtain MET approval. For the purposes of grant funding, financial authority is deemed to be total commitment of Council and includes any in kind commitments that may be associated. It is the responsibility of the grant contact person to update this register and ensure that grant funding is applied and acquitted in a timely manner.

Any withdrawal of grant funding by an external provider requires an assessment of services/program/initiative/infrastructure to determine whether the service is maintained by Council.

To assist with reporting requirements all grants will have job code (Work Order) allocated which will cover income and expenses for each grant project.

5.3 User pay income – Fees for Service

Guidance: This procedure applies to all staff who are involved in the raising and reviewing of user pay income. It should be read in conjunction with Section 188 of the Local Government Act, 1999.

Key issues/risks

In relation to user pay income the major risks are that:

- the fee charged does not reasonably reflect the value of the services provided;
- Council does not apply user pay principles consistently, and;
- user pay income is either inaccurately recorded or not recorded at all.

General controls

Fees and charges are reviewed annually and are adopted by Council as part of the annual business plan and budget cycle.

Cost recovery shall be considered as part of any review.

Fees and Charges register is to be maintained and published on Council's website for public access.

The use of Council facilities is to be supported by formal lease agreements/licences and a register of such properties maintained.

Fees that are discounted/subsidised, the full cost of the charges is to be fully recognised via the financial system.
No sundry codes should to apply to user pay income when allocating in the General Ledger.

Receipt types are set up in line with the current Fees and Charges register (which is reviewed and updated annually). Standard charges to be programmed into receipting module to minimise data

entry errors. Standard fees to be programmed into invoicing module to minimise data entry errors and ensure consistency.

In accordance with budget reviews, regular reviews to be undertaken of financial performance of past periods to ensure income is in line with expectations. Any variances must be investigated.

Receipting must be processed by a sequential number system.

5.4 Investment / interest income

Key issues/risks

In relation to investment/interest income the major risks are that:

- investment/interest income is either inaccurately recorded or not recorded at all.

Segregation of duties

The following segregation of duties should exist within the investment cycle:

- Recording of investment transactions;
- Approving new investments;
- Following up on reconciliation or confirmation of investments to statements from third parties;
- Review and analysis of recorded investments transactions by means of summary reports of activities, and;
- Authorised signature of payments with respect to investment transactions.

General controls

On receipt of statements from the investment provider, interest is to be checked and receipted (at least quarterly).

Statements are to be reconciled to general ledger and checked by an independent officer.

Any discrepancies are to be investigated and corrected immediately following identification. Income received is to be compared with budget on a regular basis in line with budget revision process.

An investment review must be completed bi-annually and submitted to Council in accordance with Policy T150 Treasury Management.

5.5 Receipting

Key issues/risks

In relation to receipting the major risks are that receipts are:

- either inaccurately recorded or not recorded at all, and;
- not deposited at the bank on a timely basis.

Segregation of duties

The following duties should be segregated within the receipting function:

- Receipting all cash payments from ratepayers/customers;
- Receipting all cash receipts, and;
- Banking of cash receipts and cheques.

To reduce the risk of misappropriation of funds through collusion regular performance and independent review of bank reconciliation is required.

General controls

All receipting is processed via Council's approved electronic financial system excluding exceptional circumstances (such as prolonged software outage) where manual receipt books shall be used.

Off-site receipts are processed manually with pre-numbered compliant receipt books or via approved electronic financial system (the preferred option being Council's operating system).

Payments made via cheque are only accepted for Rates and general debtor payments where amounts owed can be easily reinstated should the cheque payment default. Purchases of inventory or consignment items are to be paid upfront via cash or eftpos (no cheque payments allowed).

Electronic receipts provided to customers must be fully compliant with ATO's statutory requirements for issuing tax invoices (please refer to Receipt of Purchases for details on valid tax invoices).

All cheques received are to be stamped 'Not Negotiable' and date of receipt.

Money collected on behalf of third party organisations is to be receipted and recorded via general ledger accounts on a regular basis.

Internal Service Standards - Receipting reports must be supplied within two business days for either processing of cash/cheques or invoicing via Sundry Debtors system. Any cash transferred from external sites must be stored in a secure area until such time as it is processed. Physical transfer of monies must be from one officer direct to another officer (with the receiving party aware of the contents). Monies must never be left unattended in an unsecure area (for example, placed in a pigeon-hole or correspondence tray).

5.5.1 Surplus cash

Any surplus cash is to be cleared from till/registers to a more secure area on a regular basis. Surplus cash is deemed to be any cash in excess of $2,000. Where receipting is processed using Council's financial system, this cash limit shall be set when opening the tills/registers (where the financial system allows it to do so). Deemed secure areas are locked in the strongroom, safe or cupboard separate from the register/till location.

Where possible, only one operator is to be responsible for each till. Due to the shared environment, each officer using a till shall operate on the till they are responsible for. Where an officer is required to receipt and has not been designated responsibility for a till on a particular day, they must process receipt entry using their own identification number (the terminal number does not alter, only the cashier).

Details of further risks and controls associated with cash handling and banking are considered in the [Cash floats and petty cash'](#) and ['Banking](#) sections of this manual.

5.5.2 Voids, reversals and deletions

A daily review of receipting transaction reports is required to identify any 'negative' receipts or reversals and provide reason for such transaction. An appropriate officer independent of the processing of receipts shall sign off (electronic evidence acceptable) on all receipt voids or reversals and such receipts shall be attached to the end of day reports.

Receipt Reversals shall be processed as a last resort (as Council's financial system does not provide a reasonable audit trail) or where Council has received funds in error that are required to be refunded. The preferred method is to process a receipt reallocation where applicable, rather than reversal and deletion as this provides a distinct audit trail in Council's financial system.

5.5.3 Refunds – inventory and consignment

Due to the nature of consigned items and inventory items, Council employs a no exchange or refund policy unless required by consumer legislation. Please refer to Replacement/Exchange or Refund conditions document for further details. Counters are clearly labelled with this information and a sign requesting customers to 'Please Choose Carefully' when making purchases.

Where a customer meets the criteria for a refund, a Refund Request must be completed and authorised by an officer with appropriate financial authority. All refunds will be processed via EFT and deposited direct to the customer bank account and must be accompanied by proof of receipt of initial fund. No refunds are to be given direct from the till unless it is a same day transaction.

5.6 Other revenue

Key issues/risks

In relation to other revenue the major risks are that:

- other revenue is either inaccurately recorded or not recorded at all.

General controls

Other revenue received by Council typically includes (but is not limited to):

- donations;
- expiation Fees;
- dog Registrations;
- license Fees
- hire Fees;
- permits, or;
- proceeds from the sale of fixed assets.

For guidance as to the disclosure requirements in relation to other income, seek advice.

For an analysis of the risks and controls in relation to debtors (i.e. the collection and recovery of other income), refer to the Debtors business process of this Manual.

For any receipting that occurs on any off-site locations an audit trail summary (sales/banking report) is to accompany receipts.

Ensure a Recipient Created Tax Invoice is received (where possible) for disposal of items such as waste metal, etc..

Sequentially numbered receipts must be issued.

Revenue from this source is to be reviewed on a regular basis in line with budget revisions.

Any permits issued in Council's name are to be reviewed regularly to ensure that the correct fees are collected.

Officers must ensure that statutory timelines are met to ensure that outstanding infringements are able to be recovered by the State Fines and Recovery Unit. Regular review of the timeliness of this process is essential.

5.6.1 Fee waivers

Requests for waivers of fees or expiations by applicants must be in writing and authorised by the relevant General Manager and once approved a copy sent to request preparation of a credit note for any of these fees previously raised.

A copy of written request and authorisation must be saved in Council's EDRMS.

5.6.2 Refunds – other revenue

On occasion a refund is required for development and other applications. The relevant officer shall complete a 'Requisition for Council Cheque' or 'EFT Request' (preferred method of refund is via EFT) and contain authorisation (by signature) from officers with the relevant delegations of authority.

Refunds, once authorised are to be processed via Council's financial system in accordance with the Creditors section of this procedure.

6. Expenses

6.1 Purchasing and procurement

Guidance: This procedure applies to all staff in accordance with Council's Procurement Policy P420.

Key issues/risks

In relation to purchasing and procurement the major risks are that:

- Council does not obtain value for money in its purchasing and procurement;
- purchases of goods and services are made from non-preferred suppliers;
- purchase orders are either recorded inaccurately or not recorded at all;
- purchases are placed for unapproved goods and services, and;
- supplier master file data does not remain pertinent and/or unauthorised changes are made to the supplier master file.

Segregation of duties

The following activities should be segregated within the purchasing and procurement cycle:

- Approval of purchase orders, and;
- Recording of the original purchase and liability.

General controls

Where no budget has been assigned, no items shall be allocated to that budget line without prior approval of a budget manager and budget review request.

All purchases for business items must be requested through Council's Online Requestion software with the exception of the following items where it may not be necessary to issue an official order for the following items:-

- Fees or payments imposed under the Act;

- Real estate acquisitions;

- Payments pursuant to an award binding upon Council (for example, Salaries, Wages and Superannuation);

- Goods purchased from petty cash;

- Goods/services paid by credit card;

- Purchases paid by direct debit;

- Purchases imported to the system;

- Payroll disbursements;

Purchases made by card facilities or petty cash require manual authorisation until such time as Council's Authority software provides the ability to process online. To ensure that all corporate

discounts are utilised where Council holds an account, purchase orders must be raised. The use of petty cash or card facilities for purchasing goods/services must not be used where Council holds an account.

Manual purchase order books are to be used in exceptional circumstances only (such as prolonged software outage) and kept in a secure location when not in use.

All purchase orders must be in numerical order, authorised in accordance with Council's P420 Procurement and Disposal of Land and Assets Policy and financial authorisations and must contain the following items:

- Supplier name (and creditor number);
- Date goods ordered;
- Details of goods/services ordered;
- Estimated or actual prices;
- GST inclusive or exclusive;
- Work Order or general ledger account allocation;
- Quotations where required in line with Council Policy P420, and;
- Expected delivery date.

Expenses relevant to items of plant must be allocated to each individual plant alias number.

Where appropriate the quantity column is to be completed when entering the data into the financial system (for e.g. fuel litres, odometer readings etc.).

6.1.2 Receipt of purchases

- All purchases received are to be checked against the purchase order raised and goods receipted via Council's financial software as soon as practicable. Unmatched items are to be immediately queried with the supplier.

- Convert all Goods Receipts to Invoices where a valid tax invoice has been received and verified. A valid invoice contains the following items:
    - o Name of supplier;
    - o ABN of supplier;
    - o Quantity and description of goods/services;
    - o GST exclusive or GST inclusive total.

- Send a reminder to the requisitioner where a tax invoice has been received and no goods receipt processed. It should be noted goods receipting is an important step in the accounts payable process as it authorises payment

- Check amount of goods receipt in comparison to purchase order and where the goods receipt amount exceeds the purchase order and is outside of the requisitioner's financial delegation, send tax invoice to the requisitioner's budget/line manager for further approval.

- Check Work Order / general ledger allocation for accuracy and reallocate where necessary.

- Check and correct GST allocation where necessary.

- Check the correct supplier has been selected in the purchase order process.

- Allocate Capital Value Record (CVR) for all asset purchases and ensure details in the financial system are accurate.

- Allocate contract references for all contract related purchases and ensure details in the financial system are accurate.

- Liaise with supplier where the tax invoice is not a valid tax invoice and request revised copy.

- Pay supplier in line with their payment terms and council's desired payment terms as listed at Supplier Payment Terms in this manual.

6.1.3 Outstanding purchases

Regular reviews are to be conducted of outstanding purchase orders as this will ensure that commitments are accurate for budgetary purposes. At least quarterly reports per staff member with outstanding purchase orders will be generated. It is the responsibility of the purchaser to follow up all outstanding purchase orders and notify where any purchase order needs adjusting.

All invoices should be directed to accounts@mountgambier.sa.gov.au attention to the officer who completed the purchase request. This ensures that where an individual is unexpectedly indisposed, invoices may continue to be paid on time and any future recovery associated with such invoices can be dealt with promptly without Council's reputation being adversely affected. For these reasons all quotations should be directed to city@mountgambier.sa.gov.au.

Regular reviews are to be conducted of goods receipts not converted to an invoice and corrections/adjustments at least every quarter.

6.2 Payroll

Guidance: This procedure should be read in conjunction with relevant employee Awards and Enterprise Bargaining Agreements.

Key issues/risks

In relation to payroll the major risks are that:

- payroll expenses are inaccurately calculated;
- payroll disbursements are made to incorrect or fictitious employees;
- time and/or attendance data is either invalid, inaccurately recorded or not recorded at all;
- payroll Master File does not remain pertinent and/or unauthorised changes are made to the Payroll Master File;
- voluntary and statutory payroll deductions are inaccurately processed or without authorisation;
- salary sacrifice transactions are inaccurately processed, and;
- employees are terminated in breach of statutory and enterprise agreements.

Segregation of duties

The following segregation of duties should exist within the payroll and personnel cycle:

- Appropriate segregation of duties exist between preparation, disbursement and human resources (or personnel management);
- Any errors in calculation and/or disbursement are properly identified and corrected, and;
- Confidentiality of employee personnel matters is maintained.

General controls

The financial system used has programmed formulas to perform payroll calculations. An officer independent from the processing of payroll transactions shall at least annually review the set up and calculation for the following items:

- Superannuation guarantee;
- Superannuation – employer additional;
- Leave – annual, medical, long service, paternal;
- Leave without pay;
- Workers Compensation and Income Protection;
- Allowances, and;
- Deductions.

A folder shall be maintained containing the set up and any relevant Award or Enterprise Bargaining Agreement documentation to support it.

6.2.1 Overtime and leave

Overtime hours worked and payments for such overtime are authorised by the employee's manager / supervisor. TOIL will only be granted where management / supervisor has given prior approval.

All employees shall apply for leave using either of the following options, listed in order of preference:

- Online leave application located in Council's financial system;
- Special case leave forms, or;
- Manual leave form for AWU employees and ASU employees rostered to work weekends (until a time online timesheets and/or introduction of work patterns can allow electronic application via Council's financial system).

An application for Higher Duties and Allocation of Duties Form is to be completed by staff to cover periods of absenteeism of five days or more. However, there will be occasions where some staff may need to ensure business continuity in their particular work areas where absences are for less than 5 days duration.

Applications for cash out of accrued long service leave can be made in accordance with relevant legislation.

6.2.2 Timesheets

Timesheets are reconciled each pay period to the payroll reports to ensure that all time entered is accurately recorded.

All non-salary employees must complete daily or weekly timesheets, which are to be evidenced as authorised at the end of the relevant period (i.e. daily or weekly).

Where a supervisor or manager has been absent for the period of the timesheet, they must not sign/approve. In that instance the supervisor's manager or the person acting in the supervisor's role at the time should sign/approve the timesheet.

In respect of all wages paid, timesheets shall be maintained, recording:
- relevant dates;
- hours of attendance;
- allocation of time worked to jobs;
- plant & equipment used, and;
- type of leave taken.

All timesheets are to be marked as evidence of processing by Finance completing the data entry.

A sample of the information from the original timesheets is reconciled with the data entry within Authority by use of the payroll data entry fortnight report by an officer independent to the officer performing the data entry for that fortnight.

Prior to pays finalisation, payroll reports are to be reviewed for unusual rates, excessive overtime, salary amounts or employee names and evidenced as reviewed by a responsible officer not involved in the pay processing.

Records shall be maintained in respect of each employee showing gross salary or wages, tax withheld and details of all other deductions.

6.2.3 Payment and pay slips

Internal Service Standards - Pay slips will be available to AWU employees within two business days of completion of processing payroll via email. AWU employee's receiving their payslips via email must notify finance section of any change to their email address immediately. ASU employees can access their payslips via Council's financial system.

Pays are only to be paid by bank transfer. Employees are required to supply their bank details as part of their employee induction paperwork. Due to the vulnerability of emails and online forms being compromised updates to employee bank details must be evidenced by verification from the employee.

The payment of electronic pays is strictly controlled by selected personnel through bank facilities. Refer to Bank authorisations within this manual for more information.

Once pays have been uploaded via the Internet banking facility a report is to be printed from the site and reconciled to the payroll listing prior to final authorisation.

6.2.4 Reports and reconciliations

Salary and hourly payroll reports (including compensation / withholding information) are reviewed and approved.

An exception report detailing payroll expense (including allowance) on individual employee basis each pay period by a fixed percentage or dollar amount shall be reviewed each pay period by an officer independent to the inputting of payroll information. Evidence of review of all pays each pay period by an independent officer to the entry of payroll information is required before any payments are made.

Non-standard pays shall be checked by an officer independent from the calculation process including all termination pays and filed in Council's Electronic Document Records Management System.

Actual payroll expense is compared to budget by budget managers and significant variances are investigated.

Pays listings will be reconciled to:

- net pay total;
- total number of employees paid, and;
- listings received from relevant bank/institution.

A review of the allocation of disbursements is performed on regular basis to confirm the payroll disbursements (including any payroll deductions as union fees, salary sacrifice, child support, etc., PAYG, etc.) calculation and allocation process.

Any changes to bank details of employees are separately verified on a weekly basis by a finance staff member independent from the payroll master file data entry. Once satisfied the accuracy of the bank file , the independent authorisers (Westpac) shall complete the authorisation of the bank file.

Due to the nature of the superannuation process with the chosen superannuation provider's clearing house, the superannuation upload must be independently reviewed after it has been uploaded to the superannuation provider.

All payroll control accounts are to be balanced and cleared once every month for at least 10 months per year. Any discrepancies are to be noted, investigated and rectified.

Finalisation of pay period is run to ensure accounts are cleared at the end of each pay once authorised by an officer independent to the processing of payroll transactions.

All leave entitlements are regularly reviewed by managers/supervisors to ensure that leave is taken by employees and is not accruing to excessive levels. Management aims to limit leave balances as follows: annual leave not exceeding eight weeks, RDOs not exceeding three days and TOIL not exceeding 38 hours. Sick leave should not be in negative. Any negative sick leave must be approved by approved by the CEO based on a recommendation from a General Manager.

6.2.5 Employee Master file and adjustments

Monthly Audit Trail Report of adjustments made to the Payroll Master File is reviewed by an independent manager/supervisor at least 10 times per year and compared to source documents.

No new employee is to be added to payroll records or paid without receipt of the appropriate authorisation. This includes the following:

- Written notification authorised by CEO;

- Employment declaration forms;

- Pre-employment medical (unless not required), and;

- Employee Personal Information Form.

Employee history files are to be maintained for all employees (these may be in electronic format). These files contain:

- Employment details and contracts;

- Job specifications;

- Authorisations for payroll or deduction changes;

- Annual leave, long service leave and medical leave entitlements;

- Hours worked and rate of pay, gross salary or wages, tax and details of all other payments and deductions, and;

- Superannuation contributions.

No adjustments are made to employee records, e.g. names, addresses and deduction details, without receipt of written authorisation from the employee, which may be in the form of an email.

Internal Service Standards - Notification of all adjustments, including commencement and cessation of employees must be sent as a priority at least five business days prior to date of adjustment, commencement or cessation under normal circumstances (e.g. voluntary resignation, voluntary retirement).

No adjustments are made to salary or wage rates, including higher duties, reclassifications without written authorisation from the CEO. This excludes incremental increases for years of service, EBA prescribed adjustments, or increases due to working on certain plant items that are required to be paid at a higher rate as per the relevant Award.

The register of salaries shall be updated in accordance with the Local Government Act and made available for inspection or purchase of an extract by the public upon request.

Access to Payroll Master File Maintenance is limited to authorised personnel only, and breaches of access will be dealt with according to Councils employee disciplinary procedures. Refer to Master File Access Listing AR18/41732 for authorised personnel.

All salary sacrifice transactions are limited to superannuation only and written request must be completed by the relevant employee and forwarded to the payroll/finance officer for processing.

Adequate training is provided in relation to legislative changes/updates and enterprise agreements requirements.

6.2.6 Terminations

On the termination of an employee, their payroll records are to be updated as a ceased employee immediately.

At least annually ensure compliance with employee termination policies and procedures, including compliance with legislative, enterprise agreements and union requirements.

6.2.7 Payment summaries / Single Touch Payroll

As part of Single Touch Payroll implementation no payment summaries will be provided from 2019 onwards. Before the end of the financial year the total employee data to be provided to Single Touch Payroll will be reconciled and independently reviewed before submission.

6.3 Elected Members expenses

Guidance: This procedure applies in conjunction with Policy M405 – Members – Allowances, Reimbursements, Benefits and Facilities.

Key issues/risks

In relation to Elected Members the major risks are that:

- Council reimburse expenses to Elected Members of a personal nature;
- Elected Members' allowances and reimbursements are not paid by Council and/or not paid by Council on a timely basis and/or recorded inaccurately, and;
- Elected Members do not reimburse Council for the private use of assets.

Elected members must complete and sign a standard expenses reimbursement form and submit to the CEO for authorisation when claiming expenses. The signing of the form confirms that the Elected Members are claiming valid expenses and have excluded all items of a personal nature. All expense reimbursement claims must be accompanied by relevant receipts and/or tax invoice(s).

All Elected Members and other Committee's allowances are in accordance with the remuneration tribunal, with delegations of authority and all claims are agreed to supporting documentation (i.e. tax invoice and receipts).

Actual elected members' expenses are regularly compared to budget in line with budget revisions and are recorded in Council's Elected Member Allowances and Benefits register.

6.4 Credit cards

Key issues/risks

In relation to credit cards the major risks are that:

- Credit Cards are issued to unauthorised employees;
- Credit Cards are used for purchases of a personal nature;
- Credit Card limits are set at inappropriate levels;
- Credit Card merchant types are not appropriate, and;
- Credit Card monthly reconciliations are not completed, signed and/or dated.

A credit card register will be maintained and evidenced as authorised by the CEO as part of the financial facilities register. The register will contain a list of all credit card holders including:

- full name of cardholder;
- expense ($) limits, and;
- card expiry dates.

The register must be updated as soon as practicable to approve for any alterations to credit card holdings and/or expense limits and be signed by the CEO.

The credit card register must be independently reviewed against the listing from the bank provider at least annually.

Please refer to Corporate Credit Card Procedure and Corporate Credit Card Use Agreement for further details.

6.5 Employee reimbursements

Key issues/risks

In relation to employee reimbursements the major risks are that:

- employees are reimbursed for expenses of a personal and/or non-work related nature, and;
- employee reimbursement are either inaccurately recorded or not recorded at all.

All claims for employee reimbursements are submitted for approval along with supporting documentary evidence (i.e. receipts) and confirmation of valid expenses. This is approved by the employee's relevant manager in accordance with Delegations of Authority.

When approving, focus is on the nature (i.e. type of expense) as well as the amount of the claim.

All reimbursements for the CEO must be approved by the General Manager Council Business Services.

Before authorising the employee reimbursement the authoriser must review the form for mathematical accuracy and ensure appropriate documentation.

It should be noted that reimbursement is not Council's desired method of purchasing as it does not ensure value for money or meet our expense purchasing requirements as detailed in this manual.

6.6 Corporate wardrobe

Key issues/risks

In relation to corporate wardrobe the major risks are that:

- employees spend / receive more than their allocated allowance;
- employees do not reimburse Council for any overspend of their allocated allowance;
- allowances are made to incorrect or fictitious employees, and;
- Council does not obtain value for money from its supplier.

Council employees are entitled to a monetary contribution from Council towards corporate wardrobe as per the relevant Enterprise Bargaining Agreement. A register of corporate wardrobe must be maintained and contain the following information:

- Full list of current employees;
- Entitlement of employees to receive monetary contribution from Council and how much if applicable;
- Amount spent on corporate wardrobe or amount owed to council, and;

- Where amounts are owed to council because employee has spent over their allocated entitlement, record of invoice being raised to the employee for payment.

A reconciliation must be completed at least annually and independently reviewed by an officer not involved in the processing or balancing of corporate wardrobe for accuracy.

Employees are entitled to corporate wardrobe in line with conditions listed in the relevant Enterprise Bargaining Agreement.

Internal service standards - Council must allocate the appropriate monetary value and liaise with the employee to arrange ordering of uniform. Invoices seeking employee reimbursement for spends over their allowance must be completed by the end of May each financial year, to allow employees time to pay prior to the completion of the financial year for claiming on their taxation returns.

6.7 Other expenses

Key issues/risks

In relation to other expenses the major risks are that other expenses:

- are either inaccurately recorded or not recorded at all, and;
- do not represent valid expenses of Council.

Management approves all other expenses in accordance with Delegations of Authority.

When approving other expenses, management review both the nature and amount of the expense for reasonableness and value for money.

Actual expenses are regularly compared to budget; significant variances are investigated by budget holders, management and MET.

Statements received from suppliers are reconciled to the supplier accounts in the creditor's ledger regularly.

All expenses are authorised as per Councils P420 Procurement and Disposal of Land and Assets Policy and in accordance with delegations of authority.

7. External Services

7.1 Contracting

Guidance: This procedure should be read and carried out by all staff in conjunction with Policy P420 – Procurement and Disposal of Land and Assets (and contractors' policy).

Key issues/risks

In relation to contracting the major risks are that:

- Council is not able to demonstrate that all probity issues have been addressed in the contracting process;
- Council does not obtain value for money in relation to its contracting, and;
- commitments are made for unapproved goods and services.

Segregation of duties

Within the contracting and tendering process, the following activities should be segregated or performed by more than one person:

- Pre-selecting contract and tender applicants for consideration by selection panel;
- Final selection of successful contractors and tenderers, and;
- Contract and tender management (including management reporting and disbursement to service provider).

Ad-hoc in-house audit of purchasing to ensure commitments are being made within delegation (financial authority) and approved budget should occur at least annually.

7.1.1 Prequalified contractor register

A Prequalified Contractor Register will be maintained to ensure that contractor(s) have relevant qualifications in areas of Work Health Safety, licences and insurances and are deemed to have the appropriate level which meets legislation and agreed industry standards for Local Government. This register must include relevant expiration dates and be regularly followed up with contractors whose qualification/licences require updating. It is the responsibility of all staff to ensure that before engaging a contractor(s) and issuing a subsequent purchase order that they are listed as 'current' on the Prequalified Contractor register. Should contractors not be forthcoming initially with the required prequalification documentation, dealings must be halted until such time as they meet prequalification requirements

7.1.2 Tenders and contracts

In regards to tenders and contracts:

- A register of all tenders and contracts must be maintained including:
    - o name of business;
    - o description of goods/services provided, and;
    - o dates of appointment and cessation.
- Alerting relevant staff at least three months in advance when contractual arrangements are nearing an end, in order for new tender specifications to be prepared (if required) by the relevant staff member

- Ensure that once the relevant staff member sets the specifications, all tender documents are in a standard format and appropriate protocols followed for their advertisement or distribution to selected suppliers
- Ensure that all tenders are executed in accordance with Procurement Policy P420.

The preferred method for receiving tenders is via electronic lodgement online using a procurement platform. Where any tenders are to be emailed staff must direct submitters to email to tenders@mountgambier.sa.gov.au. Under no circumstances are staff to receive tender submissions to their individual Council or personal email address. Use of the manual tender box shall be limited to extenuating circumstances only as deemed necessary.

7.1.3 Reviewing tender applications

Tender submissions must not be accessed by any staff member prior to the date of closing of the tender. Staff with access to the email submissions, must ensure that all attachments remain unopened until the closing date of the tender. Once the Tender has officially closed, the Procurement Officer in conjunction with all requirements of Procurement Policy 420 shall:

- establish standard templates for selected staff to use to evaluate the tender submissions and grade them accordingly;
- collate the selection panel's recommendations and prepare a summary for relevant approval;
- communicate with all applicants regarding whether their submission was successful or not and provide feedback where necessary/requested;
- follow up all relevant documentation to ensure the successful applicant meets the minimum requirements of a prequalified contractor, and;
- ensure all documentation is scanned and recorded for transparency in Council's EDRMS.

Variations to any external contract must be in writing and authorised by the contract superintendent (as signed in the original contract) as per legislative requirement.

7.1.4 Retentions and contract requirements

Contractor retentions shall be withheld where relevant as security over works carried out. A register of retentions and/or bonds must be maintained and reconciled least every three months (quarterly) per year, one of these reconciliations being at the end of each financial year.

All staff responsible for engaging contractors must ensure that milestone payments are made in accordance with those contracts and all associated objectives have been met prior to the release of payment.