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**NARROMINE SHIRE COUNCIL**  
**ORDINARY MEETING BUSINESS PAPER – 11 AUGUST 2021**  
**REPORTS OF COMMITTEES**

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**1. REPORT OF INTERNAL AUDIT COMMITTEE**

The report to and minutes of the Internal Audit Committee Meeting held on 26 July 2021 via audio visual link are attached (**See Attachment No. 1**).

The Annual Report to Council 2021 has been finalised by the Committee Chair, Mr Ron Gillard, and is submitted to Council as **Attachment No 2**. It is noted that the Internal Audit Committee is satisfied with the internal audit work undertaken, the reported outcomes, and management's response/progress toward corrective action where necessary.

Tenure for the independent external members expires 31 August 2021. Council's Internal Audit Committee Charter states that the independent external members will be appointed for the term of Council, after which they will be eligible for extension or re-appointment following a review of their performance. Given the further postponement of the Council elections to December 2021, and the imminent release of the new Risk Management and Internal Audit Framework from the Office of Local Government, it is recommended that Council further extend the tenure of the independent external members to 31 August 2022.

Council's membership fee for the Independent Members is currently \$1025.00 per meeting (excluding GST). It is proposed that the membership fee be increased to \$1255.00 per meeting excluding GST.

**RECOMMENDATION**

1. That the report of the Internal Audit Committee and the recommendations from the minutes of 26 July 2021 be adopted.
2. That the tenure of the Independent External Members be extended to 31 August 2022.
3. That the current membership fee for the Independent Members be increased to \$1255.00 per meeting (excluding GST).

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**MINUTES OF THE NARROMINE SHIRE COUNCIL INTERNAL AUDIT COMMITTEE  
MEETING HELD VIA AUDIO/VISUAL LINK ON MONDAY 26 JULY 2021**

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**PRESENT:** Ron Gillard (Chair) – Independent External Member, Neil Maltby– Independent External Member, Cr James Craft NSC, Jane Redden - General Manager NSC, John Sevil - Director Finance & Corporate Strategy NSC, Marion Truscott - Director Governance NSC, Alex Hardy - Prosperity Advisor Group, Gabriel Faponle – Crowe and Sally McDonnell (Minute Taker)

**1. WELCOME**

The Chair welcomed everyone to the Narromine Shire Council Internal Audit Committee meeting and declared the meeting open at 12.01pm.

**2. APOLOGIES**

Nil

**3. DISCLOSURES OF INTEREST**

Nil

**4. CONFIRMATION OF PREVIOUS MINUTES 8 MARCH 2021**

**RECOMMENDED** Cr Craft/Neil Maltby that the Minutes of the Narromine Shire Council Internal Audit Committee Meeting held 8 March 2021 be adopted as a true and correct record of the meeting.

**5. BUSINESS ARISING FROM MINUTES**

**RECOMMENDED** Neil Maltby/Cr Craft that the reissued Audit Engagement Plan be noted with no issues raised by the committee.

**6. INTERIM MANAGEMENT LETTER**

**RECOMMENDED** Cr Craft/Neil Maltby that the letter as presented to the committee was noted and discussed and staff congratulated on there being no outstanding issues.

Alex Hardy – Prosperity Advisor Group provided an update to the committee with regards to the status of the audit.

Alex Hardy – Prosperity Advisor Group left the meeting at 12.14pm

**7. INTERNAL AUDIT**

**a) Review Report – Community Safety**

**RECOMMENDED** Cr Craft/Neil Maltby the Community Safety report as presented to the committee be noted and that management accept the report, despite concerns from the committee about it meeting the audit scope.

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**MINUTES OF THE NARROMINE SHIRE COUNCIL INTERNAL AUDIT COMMITTEE  
MEETING HELD VIA AUDIO/VISUAL LINK ON MONDAY 26 JULY 2021**

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**b) Update – Workforce Planning, Recruitment and Retention Audit**

A verbal update was provided to the committee by the Internal Auditor. The draft report is with management for review.

**It was noted** that the Workforce Planning, Recruitment and Retention Audit report will be presented to the next Internal Audit Committee meeting.

**8. DRAFT 2021 INTERNAL AUDIT COMMITTEE ANNUAL REPORT**

**RECOMMENDED** Cr Craft/Neil Maltby that the Draft 2021 Internal Audit Committee Annual Report as presented to the committee be noted and the report be finalised and provided to Management for presentation to the next Ordinary Council Meeting.

**9. REPORT TO INTERNAL AUDIT COMMITTEE**

• **Committee Action Tracking List**

**RECOMMENDED** Neil Maltby/Cr Craft that progress with implementation of actions be considered and noted.

• **Compliance Monitoring – Office of Local Government Circulars**

**RECOMMENDED** Neil Maltby/Cr Craft that the report be considered and noted.

• **Legislative Compliance**

**a) Exception Reporting**

**RECOMMENDED** Cr Craft/Neil Maltby that the report be noted.

**b) Register Progress Update**

**RECOMMENDED** Cr Craft/Neil Maltby that the verbal update from the Director Governance be noted and that management will provide a progress report update at the next meeting.

• **Enterprise Risk Management Framework**

**a) ERM Policy**

**RECOMMENDED** Cr Craft/Neil Maltby that the Enterprise Risk Management Policy be noted.

**b) ERM Plan**

**RECOMMENDED** Neil Maltby/Cr Craft that the Draft Enterprise Risk Management Plan be noted and management to update the committee when the plan is finalised and approved.

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**MINUTES OF THE NARROMINE SHIRE COUNCIL INTERNAL AUDIT COMMITTEE  
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**c) Strategic Risk Register**

**RECOMMENDED** Cr Craft/Neil Maltby that the Draft Strategic Risk Register 2021 was noted and discussed with management to provide a sample of the Operational Risk Register to the next meeting.

**d) Business Continuity Plan**

**RECOMMENDED** Neil Maltby/Cr Craft that:

1. the Business Continuity Plan as presented to the committee be noted,
2. management follow up and advise outcome of the sewer testing, if adverse,
3. The Business Continuity Plan be reviewed for formatting issues.

**e) Policy Register**

**RECOMMENDED** Cr Craft/Neil Maltby that the Policy Register be noted, and Management expects all outstanding policies will be reviewed by the end of the calendar year.

• **Procurement Policy**

**RECOMMENDED** Cr Craft/Neil Maltby that the proposed changes to the Procurement Policy and the Standard Terms and Conditions Report be accepted together with the additional changes identified.

**10. INDEPENDENT MEMBERS REMUNERATION REVIEW**

**RECOMMENDED** Neil Maltby/Cr Craft that the committee note the discussion with the General Manager regarding consideration of remuneration for the Independent Members, with such to be reviewed at a later date once proposed regulatory changes are formalised.

**11. COMMITTEE MEMBERSHIP REVIEW**

**RECOMMENDED** Neil Maltby/Cr Craft that:

1. The committee note the currently extended tenure of the Independent Members expires 31 August 2021.
2. Council to advise the Independent Members of their reappointment or further extensions as soon as practical.

Gabriel Faponle – Crowe left the meeting at 1.22pm

**The committee moved into Confidential Session to consider the Internal Audit Function Review.**

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**MINUTES OF THE NARROMINE SHIRE COUNCIL INTERNAL AUDIT COMMITTEE  
MEETING HELD VIA AUDIO/VISUAL LINK ON MONDAY 26 JULY 2021**

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**RETURN TO OPEN SESSION**

**13. OTHER BUSINESS**

**It was noted** that the Draft Financial Statements for 30 June 2021 will be circulated to the committee in late August/early September for referral to audit.

**14. DATE FOR NEXT MEETING**

The next Internal Audit Committee meeting will be held on Monday 8 November 2021.

**15. CONCLUSION OF MEETING**

The Chair thanked all members for attending.

There being no further business the meeting concluded at 1.30pm.

The Minutes (pages 1 to 5) were confirmed at a meeting held on the day of \_\_\_\_\_ 2021, and are a full and accurate record of proceedings of the meeting held on 26 July 2021.

**CHAIR**

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**NARROMINE SHIRE COUNCIL  
INTERNAL AUDIT COMMITTEE MEETING REPORT – 26 JULY 2021**

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**Items from the Director Governance**

**1. COMMITTEE ACTION TRACKING LIST**

The Internal Audit Committee Action Tracking List is attached (**see Attachment No. 1**).

**RECOMMENDATION**

That progress with implementation of actions be considered and noted.

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**2. COMPLIANCE MONITORING - OFFICE OF LOCAL GOVERNMENT CIRCULARS**

A number of Circulars have been issued by the Office of Local Government since the Internal Audit Committee Meeting held in March 2021. **Attachment No. 2** provides information relating to each circular and Council's actions taken to date.

**RECOMMENDATION**

That the report be considered and noted.

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**3. LEGISLATIVE COMPLIANCE – EXCEPTION REPORTING**

There are no identified issues to be reported.

**RECOMMENDATION**

That the report be noted.

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**4. ENTERPRISE RISK MANAGEMENT FRAMEWORK**

Council's current Enterprise Risk Management Framework is a set of components that provide the foundations and organisation arrangements for designing, implementing, monitoring and reviewing and continually improving risk management throughout the organisation. The following documents provide the basis of the framework: -

- **Enterprise Risk Management Policy**  
*Provides direction and commitment to Enterprise Risk Management principles as part of Council's management planning, decision making and undertaking of operational activities. The Policy provides for the integration of risk management into Council's high-level management planning activities to ensure achievement of the strategic objectives as outlined in Council's Community Strategic Plan and associated documents.*

Council's Enterprise Risk Management Policy was considered and adopted by Council at its Ordinary Meeting held 12 December 2018 (**Resolution No 2018/302**).

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**NARROMINE SHIRE COUNCIL**  
**INTERNAL AUDIT COMMITTEE MEETING REPORT – 26 JULY 2021**

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#### **4. ENTERPRISE RISK MANAGEMENT FRAMEWORK (Cont'd)**

- **Enterprise Risk Management Plan (Version 2 – Draft)**

*Details the processes that Council undertakes in the implementation of its risk management system. This plan works in concert with Council's Integrated Planning and Reporting Framework in applying informed decision making to ensure the achievement of set objectives.*

Council's Enterprise Risk Management Plan identifies accountability and responsibilities, determines the risk reporting structure based on the risk environment, identifies the risk management process, its application and implementation. The Plan also identifies Council's risk posture.

- **Strategic Risk Register (Version 2 – draft)**

*Ensures that strategic risks are identified, assessed, evaluated and treated. The register supports the development and review of Council's Community Strategic Plan and Delivery Program.*

Council's current identified strategic risks include Reputation, Human Resources, Finance, Data Records and Systems, Infrastructure and Service Delivery, Environment, Political, Legal and Regulatory Compliance.

- **Operational Risk Register**

*Council's utilises a risk management software program to manage operational risk. Risk assessments, incident reports, near misses, illness, injury, operator daily plant safety checklists, onsite contractor inductions, chemical application records, airport reporting officer checklists etc are documented within this system. Notifications are sent to Supervisors and Council's WHS & Risk Coordinator for assessment, action and follow up.*

A monthly report is presented to the Executive Leadership Team for consideration detailing negative indicators, positive indicators, significant events etc.

- **Business Continuity Plan and Sub-Plans**

*Provides a framework for Council to restore critical business functions in the event of an unplanned disaster i.e. natural disaster, power outages, IT failure etc.*

Council's Business Continuity Plan is periodically tested and reviewed. In early 2018, a test of an IT disruption was conducted by Council's Statewide Risk Manager. The Plan was enacted during the early part of 2020 in response to the COVID19 pandemic. On 27 May 2021 a test of a sewer pollution disruption event was also conducted.

Following testing, the Business Continuity Plan and Sub-Plans are reviewed and amended as required.



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**NARROMINE SHIRE COUNCIL  
INTERNAL AUDIT COMMITTEE MEETING REPORT – 26 JULY 2021**

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**4. ENTERPRISE RISK MANAGEMENT FRAMEWORK (Cont'd)**

• **Policies**

Related Policies include:

- Code of Conduct and Procedures
- Fraud Policy
- Work Health Safety Policy/Manual
- Legislative Compliance Policy

A copy of the relevant Enterprise Risk Management Framework documentation is provided to the Committee under separate cover. Also included under separate cover is a copy of Council's policy register including review dates. This register is presented monthly to the Executive Leadership Team Meeting for consideration and action.

**RECOMMENDATION**

That the report on Council's Risk Management Framework be considered and noted.

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**5. PROCUREMENT POLICY**

The Director Infrastructure and Engineering Services has revised Council's Procurement Policy, a draft of which is attached. In addition, a copy of the proposed Standard Terms and Conditions is attached for consideration. The Standard Terms and Conditions will be attached to relevant Purchase Orders, where there is no formal written contract between the parties (**See Attachment No. 3**)

The Policy now provides for sustainable practices and environmental protection which was a recommendation from the Climate Change Audit Report.

**RECOMMENDATION**

That the proposed changes to the Procurement Policy and the Standard Terms and Conditions Report be accepted.

Marion Truscott  
**Director Governance**

## Narromine Shire Council

## Internal Audit Committee – Action List As At July 2021

Action No	Action	Responsible Officer	Due Date	Status	Comment
<b>Infrastructure Management Review Report</b>					
1	Review and update of Integrated Water Cycle Management Strategy to include a 30-year Total Asset Management Plan, Long Term Financial Plan and Drought Management Plan	Director Infrastructure and Engineering Services	Dec 2023	In progress	Consultant recently appointed. Gantt Chart to be provided to the next Internal Audit Committee meeting.
2	Full utilisation of infrastructure and asset data to manage the life, condition and full potential of existing infrastructure, including justifications for future planning infrastructure maintenance and investment decisions	Director Infrastructure and Engineering Services	Mar 2022	In progress	
3	Asset Management documentation to be reviewed as part of IP&R process after new Council is elected.	Director Infrastructure and Engineering Services	Mar 2022	Not due	

[Back to Report](#)

## OFFICE OF LOCAL GOVERNMENT CIRCULARS

Circular No.	Date	Title	Related Issue	Council Action
21-01	09 March 2021	Transitioning back to in-person council and committee meetings and consultation on proposed changes allowing remote attendance at meetings	OLG consultation paper with regards to proposed amendments to the Model Meeting Code, amendments will be made to the Local Government (General) Regulation 2005 (the Regulation) to allow councils to permit individual (but not all) councillors to attend meetings by audio-visual link.	Presented to Aprils Ordinary Council meeting– submission sent largely supporting amendments.
21-02	01 April 2021	Temporary exemption from the requirement for councillors to attend meetings in person	The Local Government (General) Regulation 2005 (the Regulation) has been amended to temporarily exempt councils from complying with the requirement under their codes of meeting practice for councillors to be personally present at meetings to participate in them. The exemption expires on <b>31 December 2021</b> .	Councillors advised
21-03	08 April 2021	Additional functionality and improvements to the NSW Companion Animals Register and Pet Registry	<p>From 12 April 2021, councils will have the ability in the CAR to charge a late fee for lifetime registration payments made more than 28 days after the animal turns six months old.</p> <p>Further clarification is now available regarding the operation of annual permits as well as various implementation issues that councils have raised since the introduction of annual permits and the date of desexing requirement in the CAR.</p>	<p>Provision of information to Manager Health, Building and Environmental Services for notation.</p> <p>Late fee will be applied as required.</p>

Circular No.	Date	Title	Related Issue	Council Action
21-04	19 April 2021	Information about Rating 2021-22	Councils should incorporate these determinations into their 2021-22 rating structures and Operational Plan Statement of Revenue Policies.	Forwarded to Executive Leadership Team.  Determinations incorporated into IP&R documents.
21-05	23 April 2021	Cat management requirements for councils	<p>Councils are reminded of their cat management responsibilities and of available companion animal and responsible pet ownership resources.</p> <p>Councils should review their companion animals' management practices, particularly their cat management functions, to ensure they are meeting their legislative responsibilities and are performing their required functions under the <i>Companion Animals Act 1998 (CA Act)</i> and the <i>Guideline on the Exercise of Functions under the Companion Animals Act</i>.</p>	<p>Information provided to Manager Health, Building and Environmental Services.</p> <p>Changes are being reviewed, website updated.</p>
21-06	13 May 2021	Determination of the Local Government Remuneration Tribunal	The Local Government Remuneration Tribunal (the Tribunal) has determined an increase of 2% to mayoral and councillor fees for the 2021-22 financial year, with effect from 1 July 2021.	Council adopted the 2.0% increase for Mayor and Councillor fees at its June Ordinary Meeting.

Circular No.	Date	Title	Related Issue	Council Action
21-07	27 May 2021	Commencement of Local Government Amendment Act 2021	<p>The <i>Local Government Amendment Act 2021 (Amendment Act)</i> was passed by the NSW Parliament on 13 May 2021 and has come into effect, although some reforms will commence by proclamation, as indicated below.</p> <p>This Amendment Act includes reforms to ensure a fairer and more flexible rating system for councils and ratepayers, councillor superannuation and minor changes that relate to council elections and the terms of office of chairs of county councils and joint organisations.</p>	Forwarded to Executive Leadership Team for notation.
21-08	28 May 2021	Consultation on draft Model Social Media and Councillor and Staff Interaction Policies and on development of a Model Media Policy	<p>The Office of Local Government (OLG) has issued consultation drafts of a Model Social Media Policy and Model Councillor and Staff Interaction Policy.</p> <p>OLG is seeking the views of councils and other stakeholders on the consultation drafts prior to finalising the model policies. OLG is also developing a Model Media Policy and is seeking input by councils on their existing media policies.</p> <p>The model policies will not be mandatory, and councils will be free to choose whether to use them or to adapt them for their own purposes. If adopted, the policies will operate to supplement the provisions of councils' adopted codes of conduct.</p>	Forwarded to Councillors and Executive Leadership Team

Circular No.	Date	Title	Related Issue	Council Action
21-09	7 June 2021	Crown Lands – Plans of Management – Funding extension	The CLM Regulation 2021 provides an exemption for councils from the requirement to adopt PoMs by 1 July 2021. Councils that received grants under OLG Funding Agreements will be able to utilise the funding for a further two years, up until 1 July 2023 for the purpose of developing new PoMs.	Council's Crown Land Plans of Management were adopted at its June Ordinary Meeting.
21-10	9 June 2021	Guidelines for Designated Rehoming Organisations under Section 88B of the Companion Animals Act 1998	<p>The Office of Local Government (OLG) has issued new <i>Guidelines for Designated Rehoming Organisations</i>. They replace the former "<i>Guidelines for Approval to be an Organisation Exempt from Companion Animal Registration under clause 16(d) of the Companion Animals Regulation 2008</i>".</p> <p>The new guidelines contain detailed information about:</p> <ul style="list-style-type: none"> <li>• the role and responsibilities of designated rehoming organisations including their record keeping and annual reporting obligations;</li> <li>• the process for applying for designation as a rehoming organisation under section 88B of the Companion Animals Act 1998 (the Act).</li> </ul>	<p>Forwarded to Manager Health Building and Environmental Services.</p> <p>Council is not a rehoming organisation for the purposes of the Act.</p>

Circular No.	Date	Title	Related Issue	Council Action
21-11	10 June 2021	Preparation of non-residential rolls	<p>The Local Government Act 1993 (the Act) requires council general managers to prepare and confirm the rolls of non-resident owners, occupiers and ratepaying lessees of rateable land in the council's area (the non-residential rolls). The non-residential rolls are to include the names of the persons who:</p> <ul style="list-style-type: none"> <li>○ have applied, <b>at any time</b>, for the inclusion of their name in any such roll; and</li> <li>○ on the closing date (40 days prior to the election) are, in the opinion of the general manager, qualified for inclusion in that roll.</li> </ul>	<p>Forwarded to Executive Leadership Team and Manager of Revenue &amp; Customer Relations.</p> <p>Relevant application forms uploaded to Council's website.</p> <p>No applications received.</p>
21-12	11 June 2021	"Electoral matter" and use of council resources prior to local government elections	<p>Council officials must not use council resources, property (including intellectual property), and facilities for the purposes of assisting their election campaign or the election campaign of others unless the use is lawfully authorised and proper payment is made where appropriate.</p> <p>In the 40 days preceding the election, councils need to consider whether their publications could amount to an "electoral matter".</p>	Forwarded to Councillors and Executive Leadership Team for notation

Circular No.	Date	Title	Related Issue	Council Action
21-13	21 June 2021	Review of General Manager and Senior Staff Remuneration	<p>The Minister for Local Government has announced a review of general manager and senior staff remuneration.</p> <p>A consultation paper has been issued to seek the views of the local government sector, other stakeholders and the broader community. The consultation paper is available on the Office of Local Government's (OLG) website.</p>	<p>Forwarded to Executive Leadership Team and Councillors for review.</p> <p>No Submission made.</p>
21-14	28 June 2021	COVID-19 restrictions and council meetings	<p>New restrictions impacting council's ability to hold council and committee meetings during the period in which the restrictions are in force.</p>	<p>Forwarded to Executive Leadership Team.</p> <p>Not applicable for Regional NSW.</p>
21-15	30 June 2021	Introduction of free lifetime registration for rescued pets and increases to companion animal fees for 2021/22	<p>From 1 July 2021, the NSW Government is introducing free lifetime registration for people who adopt a rescue pet from council pounds and animal shelters, and rehoming organisations.</p> <p>All registration and annual permit fees have been adjusted for 2021/22.</p>	<p>Fees and Charges have been updated.</p>
21-16	30 June 2021	Annual Report and Annual Performance Statement Checklists	<p>An annual report checklist has been drafted for councils to ensure that all information required under relevant legislations and guidelines is included within their annual report</p>	<p>Forwarded to Executive Leadership Team.</p> <p>Annual Report to be checked against this criteria.</p>



Circular No.	Date	Title	Related Issue	Council Action
21-17	8 July 2021	Council decision-making prior to the September 2021 local government elections	Councils are expected to assume a "caretaker" role during election periods to ensure that major decisions are not made which would limit the actions of an incoming council.	Forwarded to Councillors and Executive Leadership Team for notation.



# Procurement Policy

Created By	Version	First Adopted	Last Modified	Review Period	Adopted by Council
Director Infrastructure and Engineering Services	2.0	09/12/15	8/11/2017	2 Years	Resolution 2017/328
Director Infrastructure and Engineering Services	3.0		12/06/19	2 Years	Resolution 2019/125
Director Infrastructure and Engineering Services	4.0				

## 1. Objectives

To ensure that ~~all~~ principles in ~~the~~ legislation concerning the acquisition and disposal of goods and services are applied and sound procedures are implemented concerning the expenditure of public funds to ensure the ~~most cost effective benefit best value~~ is obtained for the community ~~of the Narromine Shire~~.

To allow the management of Council's affairs to proceed without disruption, and to enhance the overall control and supervision of procurement ~~and disposal of assets~~.

~~This policy does not apply to real estate property acquisitions and other non-procurement expenditure such as sponsorships, donations and employment contracts.~~

## 2. Preamble

~~This Procurement Policy defines Council's procurement function. The procurement process consists of all activities required to obtain works, goods, materials, consultancies and services or the disposal of surplus or second-hand equipment or materials by external providers.~~

~~Council has extensive business dealings across all of its service delivery areas. In all of these dealings Council is committed to ensuring a fair, transparent and accountable process in the purchase of goods and the contracting in of works and services.~~

~~At the core of Council's Values are the principles of:~~

- ~~• Best value for money;~~
- ~~• Mutual respect;~~
- ~~• Service provision to residents and rate payers;~~
- ~~• Open, honest, ethical, fair and consistent actions; and~~
- ~~• Open and effective competition.~~

~~The key objective of this Procurement Policy is to ensure that procurement activities achieve best value for money in supporting the delivery of Council's Community Strategic Plan by incorporating Quadruple Bottom Line (QBL) measurements as a consideration for all procurement activities.~~

~~Successful procurement provides opportunities to use the community's money wisely and in a sustainable way, while meeting governance requirements and promoting open and effective competition. In summary this means Council will ensure its business dealings are fair, ethical, transparent, impartial, meet high standards of probity and avoid any conflict of interest.~~

~~Council will consider local content in its procurement activities by incorporating the QBL in evaluation of all procurement activities where possible, by identifying opportunities for local economic development, social benefit and environmental protection.~~

~~Furthermore, Council will ensure that all procurement activities are conducted in accordance with the legislative requirements set out in the Local Government Act (1993) and General~~

Regulation (2005), in conjunction with Council's Code of Conduct, Statement of Business Ethics, Fraud Control Policy and Risk Management Framework.

The objectives of this policy will be fulfilled in accordance with Procurement Procedures for consistency in the procurement activities. The procedures detail the procurement methods and processes for quotation and tendering requirements for the Council.

### 3. Definitions

<b>Accountable Supervisor</b>	Person to whom the Council Officer is directly accountable.
<b>Authorised Purchasing Officer</b>	Person with delegated powers by Council or the General Manager to approve the issue of an order
<b>Contract</b>	The act of entering into an agreement for the supply or disposal of goods, services or materials under this policy (over a 12 month period).
<b>Gross Value</b>	The total estimated cost of the purchase excluding any trade in value or goods which forms part of the purchase or disposal cost and including any Goods and Services Tax and cartage.
<del><b>Small-sized contract</b></del>	<del>A contract worth \$20,000 or more but is less than \$150,000.</del>
<del><b>Medium-sized contract</b></del>	<del>A contract worth \$150,000 or more but less than \$250,000</del>
<del><b>Large-sized contract</b></del>	<del>A contract worth \$250,000 or more (or \$150,000 and over where services are currently being provided by employees of Council)</del>
<b>Order</b>	The form approved by the General Manager for the ordering of goods or services for Council works
<b>Local Preference</b>	A preference given to local suppliers e.g. locally based contractors and suppliers with a permanent office and staff located within Narromine Shire.
<b>Requisition</b>	The form approved by the General Manager for Officers of Council or contractors working on Council's behalf to request the purchase of goods or services for Council works.

<b>Valuable non-current asset contract</b>	A contract for the disposal of a valuable non-current asset
<b>Valuable non-current asset</b>	A valuable non-current asset is - <ul style="list-style-type: none"> <li>(a) land</li> <li>(b) another other tangible non-current asset item used in the supply of goods or services that is expected to be used for more than one year. An arbitrary limit is applied by Council of more than \$1,000</li> </ul>

#### 4. Legislative Obligations and/or Relevant Standards

The procurement of goods and services for the Council is governed by the following:

- Local Government Act 1993
  - Section 55 and 55a with the calling for tenders.
  - Section 7(e) and 8(1) with regard to principles of ecologically sustainable development.
- Local Government (General) Regulations 2005.
  - Part 7 Tendering.
  - Part 9 Divisions 1-4 deals with financial management and the authorisation of expenditure.
- Environmental Planning and Assessment Act 1979
- Work Health and Safety Act 2011
- ICAC and guidelines,
- NSW Ombudsman and guidelines.
- OLG Tendering Guidelines of NSW Local Government 2009
- Councils Values,
- Council Procurement Procedures.
- Council Code of Conduct Policy.
- Council Statement of Business Ethics.
- Council Fraud Control Policy.
- Council Risk Management Policy

Any inconsistency that may arise between Council Policies or Procedures and relevant legislation shall be resolved in favour of the requirements of legislation.

No officer of the Council shall order goods, works or services without first quoting an official Council order number and complying with the policies and procedures contained in this document except:

- in situations of genuine emergency where an order can be raised as soon as practicable; or
- where specific exemptions apply; or

- where the purchase is being undertaken utilising an approved Council credit card or fuel card.

## **5. CONTENT:**

### **5.1. Procurement Thresholds**

Procurement thresholds (GST inclusive) are dollar value levels which detail the appropriate method for Council staff to undertake any procurement. The aim of these thresholds is to enable Council in achieving best value for money whilst effectively managing risk.

Purchases of \$250,000 and over (or \$150,000 and over for provision of services where those services are currently being provided by employees of Council) must be made in accordance with the OLG Tendering Guidelines for NSW Local Government.

Council staff will be required to adhere to these thresholds in the conduct of all procurement related activities.

### **5.2 Value for Money**

Value for money is the differential between the total benefit derived from a good or a service against its total cost, when assessed over the period the goods or services are to be utilised. The method of procurement must be cost effective and efficient and take into account all relevant costs and benefits over the whole of life from the sourcing of raw materials to disposal of goods or services being procured.

Value for money is achieved when the 'right sized' procurement solution is selected to meet the organisation's need.

### **5.3 Local Content**

Council is committed to supporting the local economy and enhancing the capabilities of local business and industry. Council will give due consideration to the actual and potential benefits to the local economy when sourcing goods and services, whilst maintaining a value for money approach at all times.

Consideration needs to be given to local value when determining value for money. Where local content can be applied, either directly or via the Quadruple Bottom line, a weighting should be applied to the evaluation. This weighting, taking into account all other weightings will help determine the overall best outcome for Council. In order to apply local content, the weighting is not applied to price, rather the weighting is applied to the overall evaluation.

### **5.4 Sustainable Practices and Environmental Protection**

Where reasonable, all Procurement activities within Council will consider sustainable practices and environmental principles.

Council will work to lead the region by example. This will include (but not limited to):

- Water use,

- Energy use (including greenhouse gas emissions),
- Waste management,
- Fleet management,
- Sustainable procurement practices which includes, but is not limited to, supply chain and operations, modern slavery (as defined in the Modern Slavery Act, 2018), etc.,
- Natural resource management,
- Pollution control,
- Environmental compliance, and
- Parks management.

## **5.5 Exemptions**

### **a) For Tenders**

Exemptions of public tendering are listed in Section 55, Part 3 of the Local Government Act 1993. These are the only exemptions that apply. Extenuating circumstances and cases of emergency are not defined by the Act and should be used as an exemption to the tendering requirements only after careful consideration with the reasons clearly documented to ensure the procurement activity is defensible.

### **b) For Quotations**

The General Manager may consider extenuating circumstances and cases of emergency (i.e plant breakdown, break-in, or where a situation is an immediate threat to work health and safety or to the environment). These could be used as an exemption to the quotation requirements only after careful consideration with the reasons clearly documented to ensure the procurement activity is defensible.

## **5.6 Systems Management**

Procurement activities must be recorded in Council's financial system. Relevant documentation in regards to Council's procurement activities must be recorded in the Council's document management system. The guidelines of these requirements are detailed in the Procurement Procedures.

## **5.7 Accountability and Responsibility**

The authorisation of the procurement of goods and services and financial value permitted for Council can only be delegated by the General Manager. These delegations are contained within Council's Delegation Register.

The Council is responsible for establishing effective governance arrangements and processes for acquisition of works, goods, materials, consultancies and services.

Staff whose position descriptions include responsibilities for procurement are responsible for purchasing in accordance with this Policy subject to their delegated authority.

## **6. Procurement Principles and Standards of Behaviour and Ethical Principles**

Council should be mindful to act in the interests of residents, ratepayers and the wider community and that, when considering expenditure of public monies, Council:

- is open, transparent and accountable in all dealings.
- ensures that all dealings are ethical and promote fairness and competition, and
- obtains best value

All Council dealings shall have regard to following principles:

### **Best Value for Money**

Purchasing practices must demonstrate value for money, having consideration for the following factors (in no order of precedence):

- Availability, reliability and fitness for the purpose;
- Standardisation of equipment or plant;
- Price;
- Total cost over the life of an asset, in the case of plant and equipment this shall include assessment of the purchase, installation and operating costs over the life of the asset;
- Resale value, and/or end of life destination
- After sales service and warranty;
- Past performance of the supplier;
- Assessment of satisfaction of other users (when appropriate);
- Adherence to work, health, operational, environmental, safety and risk management requirements of the Council as required;
- Where practical consideration will be given to the use of recycled material and user-friendly equipment; and
- Innovation or alternative solutions that meets or exceeds required standards.

### **Honesty and fairness**

Council must conduct all tendering, procurement and business relationships with honesty, fairness and probity at all levels. Council must not disclose confidential or proprietary information.

### **Accountability and transparency**

Council must ensure that the process for awarding contracts is open, clear, fully documented and defensible.

### **Consistency in Procurement**

Council must ensure consistency in all stages of the procurement. For example, conditions of tendering/ quotations must be the same for each tenderer on any particular tender; all requirements must be clearly specified in the tender documents and criteria for evaluation must be clearly indicated; all potential tenderers should be given the same information; and the evaluation of tenders must be based on the conditions of tendering and selection criteria as defined in the tender documents. In saying this, advice given to potential tenderers clarifying aspects of the tender need not be circulated to all tenderers.



### **Service provision for residents and rate payers**

When considering service provision, Council will ensure that:

- There is consistency with Council's Strategic Management Plans,
- Service delivery approaches will be on the basis of both best short term and long-term value,
- **A binding Contract will be formed between Council and the Services Provider comprising of Standard Terms and Conditions or General Conditions and /or Special Conditions of Contract;**
- Quality and cost standards will be met,
- **Work will be completed within agreed and realistic timeframes,**
- The service will be responsive to the needs of the community,
- The service will be accessible to those for whom it is intended,
- Efficiency, effectiveness, accountability and transparency measures are observed,
- Consideration is given to the impact of service delivery approaches on local businesses,
- Staff impacts are evaluated,
- It complies with statutory obligations and the National Competition Policy,
- It complies with Council's Work, Health and Safety Policy,
- Council will retain control over the way in which services are provided and its response to emergency situations,
- Consideration will be given to opportunities for creating or maintaining economic development and growth in the area,
- Participation with other spheres of government, community groups and the private sector in service provision are maximised.
- Sustainable principles are embedded in its service delivery.

### **Rule of law**

Council must comply with all legal obligations. These include the provisions of the *Local Government Act* and the *Regulation*.

### **No anti-competitive practices**

Council must not engage in practices that are anti-competitive or engage in any form of collusive practice.

**Open and effective competition is to be achieved by ensuring that activities are visible to the Council, community and persons seeking to do business with the Council by ensuring:**

- **there is no bias or favouritism,**
- **competition is encouraged, and persons seeking to do business with the Council are provided with every opportunity to submit quotations and offers,**
- **Council officers responsible for purchasing maintain their independence and uphold acceptable standards of conduct,**
- **that any registers of interest are maintained and updated annually**

### **No improper advantage**

Council must not engage in practices, **whether perceived or not**, that aim to give a potential tenderer/supplier/contractor an advantage over others, unless such advantage stems from an adopted Council procurement policy such as a local preference policy.

### **Intention to proceed**

Council must not invite or submit tenders or quotations without a firm intention and capacity to proceed with a contract, including having funds available.

### **Co-operation**

Council must encourage business relationships based on open and effective communication, respect and trust, and adopt a non-adversarial approach to dispute resolution.

## **6. Conflict of Interests**

The NSW Government established the Independent Commission Against Corruption (ICAC) to protect the public interest, prevent breaches of public trust and guide the conduct of public officials. ICAC investigations have identified a number of examples that highlight the need for all public agencies, including councils, to ensure that they adhere to high standards of probity in tendering.

Conflict of interests may occur when an individual could be influenced, or a reasonable and informed person would perceive that an individual could be influenced, by a personal interest when carrying out public duties. There is a requirement that where such a conflict occurs, it will be declared, assessed and resolved in favor of the public interest.

Council officials have an obligation to disclose potential or actual conflict of interests between their public duties and their personal or private interests. The benefit or loss may be financial or non-financial. The objective of disclosing interests that are or could be in conflict with official duties is to ensure prompt consideration, comprehensive assessment and, where necessary, the implementation of alternative working arrangements or other action by the council concerned.

A conflict of interests can be of two types:

- Pecuniary – an interest that a person has in a matter because of a reasonable likelihood or expectation of appreciable financial gain or loss to the person (s442 of the Act). A person's pecuniary interest may arise because their spouse, de facto partner, relative, partner or employer, or company or other body of which the person or a nominee, partner or employer is a member has a pecuniary interest in a matter (s443 of the Act).
- Non-pecuniary – a private or personal interest the council official has that does not amount to a pecuniary interest as defined by the Act. For example a non-pecuniary interest could be a friendship, membership of an association, society or trade union or involvement or interest in an activity and may include an interest of a financial nature.

The *Model Code of Conduct for Local Councils in NSW* and Procedures for Administration of the Model Code of Conduct provides further information regarding conflict of interests and the requirements of the Act in relation to conflict of interests.

## 6. Delegation

Council has delegated its powers to enter into contracts to the General Manager as set out in [Appendix B](#) of this policy.

The General Manager has further delegated the powers delegated to the General Manager by Council to Officers of Council as set out in the Delegations Register.

The General Manager's delegation provides the nominated Council Officers with delegated authority to requisition, order and/or approve the payment of accounts on the Council's behalf to prescribed expenditure limits in their area of responsibility and within the constraints of the approved and/or amended Budget.

## 7. Purchase procedure of Goods, Services and Consultancies – Principles to apply to different thresholds

In determining the relevant threshold applicable to a particular purchase, the gross value of the purchase must be used.

The procedures applicable to purchases with the following gross value will apply ([Table 1](#)):

Value	Minimum Number and Form of Quotations				
	Goods	Works & Services	Works & Services (Panel Contract)	Consultancy	Local Preference Score
\$50 to \$2,000	1 verbal	1 verbal	1 verbal	1 verbal	10%
\$2,001-\$10,000	3 verbal	2 written	2 written	2 written	8%
\$10,001-\$25,000	2 written	3 written	2 written	2 written	5%
\$25,001 - \$250,000	3 written	3 written	3 written	3 written	3.5%
>\$250,000 or \$150,000 and over where services are currently being provided by employees of Council	TENDER	TENDER	TENDER	TENDER	0%

**Table 1: Procurement thresholds and minimum number and form of quotations**

Purchasing procedures are described in Appendix "A"

By using the tendering process in circumstances other than those prescribed by Section 55 of the Act, councils will be able to provide assurance of openness and accountability, build anti-corruption capacity and achieve the best value for money.

For high risk projects such as projects with a high reputational, financial, environmental, safety, etc. risks, a formal tender process could be followed to manage and mitigate risks.

## 8. Disposals – Valuable Non-current assets

Council promotes the reuse or recycling of goods. Where goods and materials in surplus of Council's requirements cannot be reused then it will be disposed of in the following manner:

- The following will be considered as a minimum when making a determination:
  - a) Compliance with Strategic Plans;
  - b) Remaining useful life;
  - c) Current value;
  - d) Any present WHS&E risks;
  - e) Re-use potential at another site; and
  - f) Current and Predicted Operational Expenditure

All goods (other than land) with an apparent value of less than \$250,000 may be disposed of with the authorisation of the General Manager.

- Valuable non-current assets
  - (a) Invites written quotations or tenders for the contract
  - (b) Offers the non-current asset for sale by auction.

Council's policy on the disposal is as follows -

- a) Where goods have reached its end of useful life, or if in the opinion of the General Manager, goods will not be able to be recycled or re-used, goods/assets can be disposed of by means of landfill.
- b) Where goods are not suitable for sale by a competitive process then those goods are to be stored in a secure area and kept until sold by public auction at a time when there are sufficient goods to warrant the holding of such an auction;
- c) The timing and location of such public auctions shall be at the discretion of the General Manager having regard to the timing and location being such as to attract the most interest and accessibility to the auction to achieve the best sale price of the auction items;

- d) The General Manager may utilise any available method of public auction as is compliant with the requirements of the Act and Regulation.

## 9. Workplace Health & Safety and Safety in Design

The risks associated with procurement of goods and services must be managed in accordance with Narromine Shire Council risk management procedure. A risk assessment must be undertaken for all new or changed items with regards to its potential use at the workplace. In undertaking the risk assessment, the following factors are to be considered but not limited to: **its intended or future use**, hazards introduced, impact on personnel and operations, legal requirements, training requirements, changes to work procedures and impact on environment.

If the level of risk associated with the item to be purchased cannot be **mitigated** and is **therefore not** acceptable, the item is not to be purchased. An alternate item is to be sourced and the process started again.

All contractors and suppliers of goods and services shall ensure that the work undertaken or goods supplied comply with relevant statutes, regulations and standards that pertain to the 2011 NSW Work Health and Safety Act and Council's WHS Contractor Management Policy.

In respect of the purchase of plant and equipment, **procurement of professional consulting services**, including furniture, the supplier, **consultant or contractor** will be requested to provide information regarding the hazards associated with the items and recommended controls to manage these hazards. **A Safety in Design (SiD), Hazard and Operational Assessment (HAZOP) or a Construction Hazard Assessment Implication Review (CHAIR) shall be undertaken for any structure (as defined in the Work Health and Safety Act, 2011) with operator involvement by an independent facilitator who is experienced in the relevant field.**

Safety Data Sheets (SDS) and instructions for use **and storage** for all hazardous substances must be obtained before the purchase of hazardous substances. All substances must meet labelling and usage requirements of the **current** NSW Work Health and Safety Regulations **or Australian Standards**.

**Where Legislation or an Australian Standard does not exist, or no Council Standard or Specification exist, then the relevant International Standard will apply.**

## 10. Requisition Forms and Asset Creation

Any officer may complete a requisition form. The completion of requisition forms by officers is required to allow orders for the relevant goods and services to be obtained by the preparation of a Council order form under the authority of an authorised officer and a Purchasing Officer. **A requisition form is not a purchase order.**

The requisition form, once completed and authorised by an officer with the relevant authority under this policy to purchase the goods or services being sought, must be presented to a Purchasing Officer for the determination of the person/firm from whom the goods/services are to be obtained and the preparation of a purchase order or the issue of the relevant goods from the Council store. If a requisition is not authorised by an officer with the appropriate authority under this policy, then no goods or services may be ordered nor may any such goods or services be issued from the Council store.

The Store Purchasing Officer or other Purchasing Officer preparing the order form will utilise this purchasing policy to determine the appropriate supplier for such goods or services.

An Asset Creation form must be completed and submitted for any new assets.

### **11. Purchase Order Forms**

The issue of a purchase order under the terms of contract represents the acceptance of an offer, thereby establishing a contract with the legal implications that this entails, provided that Terms and Conditions are attached to the Purchase Order. It is important to note that Council orders must be raised before the supply of goods and services wherever practicable.

Purchase orders must specify where and to whom the goods are to be delivered along with delivery instructions and completion date. Purchase orders must contain a quoted price or estimated quoted price apportioned to the relevant budget numbers.

Expenditure limits and threshold limits have been set in this policy to ensure proper controls and checks are carried out on all purchases. No officer shall break down a procurement of products or services into its components or reduce quantities or take any other action in order to avoid complying with this policy or obtaining the prescribed approvals.

Narromine Shire Council operates a centralised purchasing system where possible, with purchase orders prepared at the Council Stores, Finance and Customer Services Office and the Main Council Office.

The preparation of a Council order at these locations will only be undertaken where a duly authorised requisition form has been presented, or a direction has been issued by an appropriately authorised officer for the preparation of the order form after the appropriate supplier has been determined by the relevant purchasing officer having regard to the requirements set out in Section 5 of this policy.

All orders must have a realistic order value included on the order. This should be supported by the written quotes received if applicable.

The Officer nominated on the order form as the authorising officer should be the officer who has authorised the requisition or directed that the order be prepared. This officer must also be the officer who signs the order unless their accountable supervisor signs the order in lieu.

Once a Purchase Order is printed a copy shall be provided to the supplier, along with a copy of the standard terms and conditions, if applicable<sup>1</sup>.

## 12. Receipt of Goods and Services

### Nominated receivable point

All Goods ordered shall have a nominated receivable point and officer on the order unless the goods (other than tools, consumables major and minor plant and equipment normally used in an outdoor environment) are directly picked up by the officer nominated on the order.

The nominated receivable points are to be one of the following: -

Council Offices - Dandaloo Street, Narromine

Council Depot – Store – Manildra Street, Narromine (for tools, consumables, major and minor plant and equipment normally used in an outdoor environment)

Council Depot - Temoin Street, Trangie

Council Depot – Workshop – Manildra Street, Narromine

The area where the goods are to be received shall be a secure area and goods shall not leave that area until such time as they are checked against the order, found to match the goods ordered, and the order copy is signed by the receiving officer as showing the goods being received by completing the certificate on the reverse of the receiving copy of the order. This copy is then sent to accounts payable.

Where applicable, goods shall, before leaving the secure area of the nominated receivable point, be Security Marked, have any serial numbers noted and have details recorded for inclusion on the 'Small Tools Register'.

A nominated officer can sign the order copy as the goods having been received.

The attachment of the signature of the officer to the order copy as being satisfactorily received is the authority for the Accounts Payable Officer to process any subsequent invoice received for these goods and services for payment provided all other relevant authorities are in place.

Any variations of the invoice to the order shall be referred by the accounts payable officer to the relevant purchasing officer for clarification and appropriate authorisation of any variations prior to any payment being processed.

## 13. Authorising of the payment of invoices without an order

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<sup>1</sup> For purchases such as flowers and stationary and the like, no Terms and Conditions would be required.

Whilst all goods and services should ideally have a Council order issued before an invoice is received there will be times when Council receives invoices for goods and services for which no order has been issued.

At those times a copy of the relevant invoice shall be forwarded to the relevant officer for authorisation for payment. The same authority levels as are applicable for ordering shall apply to the authorities for payment of such invoices.

#### **14. Credit Cards**

Narromine Shire Council has corporate credit cards held by the following -

- Mayor
- General Manager
- Director Finance and Corporate Strategy
- Director Community and Economic Development
- Director Infrastructure and Engineering Services
- Director Governance
- Manager of Community Facilities
- Workshop Mechanic
- Manager Human Resources
- Manager Information Technology
- Manager Utilities
- Payroll/Human Resources Officer

No private expenditure is allowable on such credit cards. No personal "flybuy points" or other such similar incentives are to be garnered from the use of this card. Monthly summaries of the use of such cards shall be provided to the Director Finance and Corporate Strategy along with copies of the supporting tax invoice/receipts for any purchases and sufficient detail to allow such purchases to be appropriately allocated. All credit card purchases must be approved by the General Manager and be within the limits delegated in this policy. The General Manager's credit card purchases must be approved by the Mayor.

#### **15. Fuel Cards**

Narromine Shire Council provides fuel cards for use with various Council vehicles. Such fuel cards shall only be utilised for the purchase of fuel for the nominated vehicles and any purchase receipts provided to the Council Office with the officer's next time sheet.

#### **16. Coles Customer Account Cards**

Narromine Shire Council has customer account cards with Coles which are held by the following -

- Payroll/Human Resources Officer
- Customer Service Officers
- Governance Support Officer
- Infrastructure and Engineering Services Assistant



Corporate Information Team Leader  
Manager Human Resources  
Records Officer  
Procurement Depot Officer  
Director Community & Economic Development

Executive Assistant Planning and Regulatory

No private expenditure is allowable on such cards. Invoices for any purchases must be provided to the Director Finance & Corporate Strategy immediately after use with sufficient detail to allow such purchases to be appropriately allocated. No personal "flybuy points" or other such similar incentives are to be garnered from the use of this card.

### **17 Other Policies**

This policy should be read in conjunction with other Policies and Contract Management Framework documentation.

### **18. Performance Indicator**

Procurement related activities will form part of Council's internal audit process.

**APPENDIX 'A'****Purchasing Procedures**

The procedures below set out the minimum requirements for purchasing up to the relevant thresholds. Refer to **Table 1** for procurement thresholds and minimum number and form of quotations. All verbal quotations shall be documented and records shall be stored appropriately in Council's electronic records management system. Thresholds are GST inclusive.

(a) Purchases up to \$50

Purchases up to \$50 may be made out of Petty Cash.

(b) Purchases up to \$2,000

A Purchase Order will be raised after obtaining 1 verbal quote except:

~~— A Purchase Order will be raised except:~~

- in situations of genuine emergency where an order can be raised as soon as practicable; or
- where specific exemptions apply; or
- Where the purchase is being undertaken utilising an approved Council credit card or fuel card.

(c) Purchases from \$2,001 up to \$10,000

A Purchase Order will be raised after:

- a) Accessing a Preferred Supplier Arrangement (including Registers of Pre-qualified Suppliers and Panels of Suitable Providers) within delegated authority and budget constraints; or
- b) Accessing a Local buy arrangement; or
- c) Quotations are sought, provided that the principles of purchasing are adhered to and expenditure is within delegated authority and budget constraints.
- d) Council may decide not to accept any of the quotes it receives. However, if Council does decide to accept a quote, it must accept the quote most advantageous to it having regard to the sound contracting principles.
- e) The Authorised Purchasing Officer shall ensure that a record of the firms contacted for a quote is kept on the Accounts Payable copy of the order and may obtain additional competitive quotes.

- f) Details of all quotations received including a copy of the quote accepted must be attached to the accounts payable copy of the order issued to allow for retrieval for audit purposes.

Where it is not possible to obtain the required amount of quotations the requisition must be approved by the relevant Accountable Supervisor who must note the reason for not being able to obtain the required amount of quotations.

- g) All known local suppliers shall be asked to give a quote for the works or services unless a Panel Contract is used.

- h) When purchasing parts for plant & machinery or specialised servicing/repair services in this category and original parts are required or an accredited dealer must be used to retain the required warranties and only one local accredited supplier exists, only one written quote will be required from that supplier.

(d) Purchases from \$10,001 up to \$25,000

1. Council cannot enter into a written contract unless it first invites written quotes
2. The invitation must be given to persons/businesses who Council considers can meet its requirements, at competitive prices.
3. Council may decide not to accept any of the quotes it receives.
4. However, if Council does decide to accept a quote, it must accept the quote most advantageous to it having regard to the sound contracting principles
5. A Purchase Order will be raised after:
  - i. Accessing a Preferred Supplier Arrangement (including Registers of Pre-qualified Suppliers and Panels of Suitable Providers) within delegated authority and budget constraints; or
  - ii. Accessing a Local buy arrangement; or
  - iii. Quotations are sought, provided that the principles of purchasing are adhered to and expenditure is within delegated authority and budget constraints.
6. Council may decide not to accept any of the quotes it receives. However, if Council does decide to accept a quote, it must accept the quote most advantageous to it having regard to the sound contracting principles.
7. The Authorised Purchasing Officer shall ensure that a record of the firms contacted for a quote is kept on the Accounts Payable copy of the order and may obtain additional competitive quotes.

8. Details of all quotations received including a copy of the quote accepted must be attached to the accounts payable copy of the order issued to allow for retrieval for audit purposes.
9. Where it is not possible to obtain the required amount of quotations the requisition must be approved by the relevant Accountable Supervisor who must note the reason for not being able to obtain the required amount of quotations.
  - i) ~~All local suppliers shall be asked to give a quote for the works or services unless a preferred (pre-qualified) supplier arrangement is utilised.~~ All known local suppliers shall be asked to give a quote for the works or services unless a Panel Contract is used.
10. When purchasing parts for plant & machinery or specialised servicing/repair services in this category and original parts are required or an accredited dealer must be used to retain the required warranties and only one local accredited supplier exists, only one written quote will be required from that supplier.

(e) Purchases \$25,001 or more but less than \$250,000

(1) Council cannot enter into a written contract unless it first invites written quotes

(2) The invitation must be given to persons/businesses who Council considers can meet its requirements, at competitive prices.

(3) Council may decide not to accept any of the quotes it receives.

(4) However, if Council does decide to accept a quote, it must accept the quote most advantageous to it having regard to the sound contracting principles

(1) (e) Council can consider to call for Tenders if a risk-based assessment indicates a "High" ranking or score.

(g) Purchases more than \$250,000 or \$150,000 for a contract involving the provision of services where those services are, at the time of entering the contract, being provided by employees of the Council.

As per Tendering Guidelines for NSW Local Government -

Councils must use the tendering method set out in the Regulation before entering into any of the types of contracts specified in section 55(1) of the Act. In addition to the types of contracts outlined in this section, councils are encouraged to use the tendering process in the following circumstances:

- iv. Where estimated expenditure **or receipt of an amount** (including on-costs such as GST) is close to the tendering threshold specified in the Regulations (currently \$250,000) **or \$150,000 for a contract involving the provision of services where those services are, at the time of entering the contract, being provided by employees of the Council.** The calculation of estimated expenditure should be a critical element of planning and contract scoping.
- Councils should not invoice or order split to avoid tendering requirements as such activities would be contrary to the requirements of council's charter under the *Act*.
  - Where the aggregated or cumulative cost of a contract conducted over more than one accounting period is likely to exceed the tendering threshold specified in the Regulation.
  - Where the sale or purchase of goods or services may be considered controversial, contentious or political.
  - Where the sale or purchase of land may be considered controversial, contentious or political. Acknowledging that the sale or purchase of land is specifically exempt under 55(3) of the *Act*, Council should still consider using the tender process in such circumstances.
  - Where there is a risk that 'would be' tenderers could claim that Council has 'preferential' arrangements with a single supplier.
  - Where there is a risk that 'would be' tenderers could claim that they would have tendered for the work if a public tendering process had been undertaken.

## **APPENDIX 'B'**

### **Delegated Expenditure Limits for Authorised Officers**

The following schedule indicates the authorised officers and expenditure limits for orders, requisitions and cheques other than for quotations and tenders approved by the General Manager.

Council delegates to the General Manager the authority to incur financial expenditure on behalf of Council under the following provisions:

- (a) where expenditure has been provided for in Council's budget; or
- (b) in the opinion of the General Manager such expenditure is required because of genuine emergency or hardship (Section 184 of the Regulation).

Other officers may only incur expenditure on behalf of Council if:

- (a) the officer has been granted financial delegation by the General Manager and such delegation is recorded in the Register of Delegations; and
- (b) the expenditure is provided for in Council's budget; or
- (c) in the case of genuine emergency or hardship and the power to incur expenditure in these circumstances has also been delegated.

Any officer incurring expenditure may only do so in accordance with any constraints imposed by Council or by the General Manager in respect to a financial delegation.

The General Manager is authorised to enter into contracts on behalf of Council within the expenditure delegation provided for.

**APPENDIX 'C'****FINANCIAL/PURCHASING DELEGATIONS  
NARROMINE SHIRE COUNCIL****Delegations by Narromine Shire Council****Purchasing Delegations**

The delegations set out in TABLE 1 below are made by Council to the Mayor and the General Manager subject to the condition that all requisitions and purchases made under this delegation shall be made in accordance with the requirements of the Local Government Act 1993 and the current adopted Narromine Shire Council Procurement Policy.

These delegations apply to the position indicated including persons temporarily relieving in those positions.

**TABLE 1**

<b>POSITION</b>	<b>DELEGATED EXPENDITURE LIMIT</b>	<b>Conditions</b>
Mayor	\$10,000	Urgent works - in consultation with the General Manager and in between Council Meetings, authorise urgent works for which there is no budget provision up to an amount of \$10 000.
General Manager	Unlimited but in accordance with budget	To accept all tenders except tenders to provide services currently provided by Council staff in accordance with Section 377 (1)(i) of the Act.

## APPENDIX 'D'

### FINANCIAL/PURCHASING DELEGATIONS NARROMINE SHIRE COUNCIL

#### Delegations by the General Manager

The delegations set out in Delegations Register are made by the General Manager to Officers of Council subject to the following conditions: -

- All requisitions and purchases made under this delegation shall be made in accordance with the requirements of the Local Government Act 1993 and the current adopted Narromine Shire Council Procurement Policy.
- Goods and services ordered, requisitioned or approved for payment may only be done by officers with the responsibility to manage the relevant budget item to which such goods or services are to be charged.
- Goods and services may only be ordered if the estimate of the value of the goods or services being sought falls within the approved budget for the relevant budget item to which such goods or services are to be charged.
- An officer delegated purchasing powers under this delegation will remove themselves from exercising the delegated powers in any instance where the Officer has a Material Interest as defined under the Local Government Act 1993 in the matter. Where the Officer has a Conflict of Interest in the matter they shall refer the purchase to their Accountable Supervisor for direction as to whether they may exercise their purchasing authority.

These delegations apply to the position indicated including persons temporarily relieving in those positions.



**APPENDIX 'B'**

**LIGHT VEHICLE CHANGEOVER**

~~Changeover of light vehicles shall be undertaken in accordance with conditions contained herein:~~

- ~~• The General Manager determines the suitable make and model of motor vehicle, appropriate to the purpose;~~
- ~~• Prices are sought for this type of vehicle using the NSW Government Prequalification Scheme: Supply of Motor Vehicles to NSW Government (SCM0653).~~
- ~~• The Local Preference discount is not applied due to a discount having already being applied in the above Contract;~~
- ~~• Vehicles can be traded directly to auction houses or offered as trade to dealers depending on best value. This will ensure that the transaction of light motor vehicle changeover remains transparent.~~
- ~~• Should the NSW Government Prequalification Scheme cease, purchase of light vehicles will be in accordance with small size contracts (page 8).~~

**Narromine Shire Council Purchase Order - Standard Terms and Conditions**

**1. General**

These conditions apply to any Purchase Order for goods and/or services ("Goods/Services") placed by "Narromine Shire Council" and must be read in conjunction with any contract specified in an individual Purchase Order. If there is any inconsistency between these conditions and of the contract, the contract terms and conditions will prevail.

**2. Quality and Delivery**

The Supplier must, as specified in the Scope of Work or Request for Quotation or Purchase Order:

- (a) Provide Goods/Services safely and appropriately to protect the Goods/Services from damage or degradation; and
- (b) deliver the Goods/Services:
  - (i) by the date and/or time specified;
  - (ii) to the place specified; and
  - (iii) in the quantity specified.

**3. Ownership and Risk**

- (a) Title in the Goods/Services will pass to "Narromine Shire Council" on delivery.
- (b) The Supplier assumes all risk in the Goods/Services until it is accepted by "Narromine Shire Council".

**4. Warranties**

- (a) In addition to any other warranties implied by law, the Supplier warrants that:
  - (i) the Goods/Services are free from defects in material and workmanship and are of merchantable quality, including being acceptable in appearance and finish, free from defects, safe and durable;
  - (ii) it has a right to provide the Goods/Services, and in the case of a sale the Supplier has a right to sell the Goods, and in the case of an agreement to sell the Supplier will have a right to sell the Goods at the time when the property is to pass to "Narromine Shire Council";
  - (iii) "Narromine Shire Council" shall have and enjoy the right to quiet possession of the goods;
  - (iv) the Goods/Services are free from any charge or encumbrance in favour of any third party not declared or known to "Narromine Shire Council" before or at the time the Purchase Order is made;
  - (v) the Goods are of the description and quality specified in the Purchase Order;
  - (vi) in the case of a Purchase Order for the sale of Goods by sample, the bulk shall correspond with the sample in quality, state or condition, and "Narromine Shire Council" shall have a reasonable opportunity of comparing the bulk with the sample, and the Goods shall be free from any defect rendering them not merchantable which would not be apparent on reasonable examination of the sample;
  - (vii) where there is a Purchase Order for the sale of Goods by sample as well as by description, it is not sufficient that the bulk of the Goods corresponds with the sample if the Goods do not also correspond with the description;
  - (viii) the Goods are fit for purpose, including all the purposes for which Goods of that kind are commonly supplied and any other purpose made known explicitly or implicitly by "Narromine Shire Council" to the Supplier or a person by whom any prior negotiations or arrangements in relation to the acquisition of the Goods were conducted or made;
  - (ix) the manufacturer of the Goods will take reasonable action to ensure that facilities for the repair of the Goods, and parts for the Goods, are reasonably available for a reasonable period after the Goods are supplied;
  - (x) the manufacturer of the Goods will comply with any express warranty given or made by the manufacturer in relation to the Goods;
  - (xi) the Supplier of the Goods will comply with any express warranty given or made by the Supplier in relation to the Goods;
  - (xii) the Goods/Services comply with all applicable Australian standards and legislation;
  - (xiii) the Goods do not infringe any patent, registered design, trademark or name, copyright or any other protected right; and
  - (xiv) the Supplier personnel will have all necessary experience, skill, knowledge and competence to perform the Services and the Services will be rendered with due care and skill.
- (b) The Supplier will ensure that any warranty offered by a manufacturer of the Goods/Services is enforceable by "Narromine Shire Council".
- (c) For the avoidance of doubt "Narromine Shire Council" may treat any breach of the warranties in this clause 4 by the Supplier as a repudiation of the Purchase Order giving rise to the remedies specified in clause 5.
- (d) By agreeing to provide Goods and/or Services in accordance with this Purchase Order the Supplier warrants that it complies with the *Fair Trading Act 1987 (NSW)*, the *Sale of Goods Act 1923 (NSW)* and the *Competition and Consumer Act 2010 (Cth)*.

**5. Acceptance and Rejection**

- (a) "Narromine Shire Council" may, at any time before acceptance, reject the Goods/Services if "Narromine Shire Council" believes the Goods/Services is/are defective, do not comply with the warranties specified in clause 4 above or clause 13 below or do not meet the Purchase Order. "Narromine Shire Council" prior to rejection may unpack, inspect and test the Goods/Services for this purpose.
- (b) "Narromine Shire Council" may, at any time after acceptance, reject the Goods/Services if "Narromine Shire Council" believes the Goods/Services is defective, do not comply with the warranties specified in clause 4 above or clause 13 below or does not meet the Purchase Order, provided that the defect could not have been discovered prior to acceptance.
- (c) If "Narromine Shire Council" rejects the Goods/Services (or any part of the Goods/Services) the Supplier must comply with a requirement of "Narromine Shire Council" to:
  - (i) collect the defective Goods/Services and replace it at the Supplier's expense; or
  - (ii) refund "Narromine Shire Council" any amount paid for the defective Goods/Services.
- (d) The parties expressly agree that the rights of "Narromine Shire Council" pursuant to paragraph (c) above apply notwithstanding that the matters in clause 4 or clause 13 are described as warranties.

**6. Cancellation**

- (a) If the Supplier is unable to supply the Goods/Services as specified, it must promptly notify "Narromine Shire Council", and if the Goods/Services are completely unavailable, the Supplier may offer another Good/Service as a substitution. "Narromine Shire Council" may accept or reject the substitute Goods/Services in its absolute discretion.
- (b) The substitution of the Goods/Services must be approved by both parties in writing.
- (c) "Narromine Shire Council" may (at any time before delivery), cancel or change the Purchase Order. If this occurs, and:
  - (i) the change causes an increase or decrease in the cost of the Goods/Services, or time required to deliver the Goods/Services, an equitable adjustment will be made appropriate to the circumstances; or
  - (ii) the Supplier has already incurred any reasonable expense(s) in satisfying the Purchase Order, "Narromine Shire Council" will pay those reasonable expense(s).

**7. Price, Payment Terms, GST**

- (a) The Supplier must have an Australian Business Number (ABN). "Narromine Shire Council" requests the Supplier to issue a tax invoice for the Goods/Services within twenty-eight days from the date of the Purchase Order. The Supplier's tax invoice(s) are to show all the details required by *A New Tax System (Goods and Services Tax) Act 1999*.
- (b) If the Supplier is not registered for GST and is not required to be registered for GST, "Narromine Shire Council" requests the Supplier to issue an invoice for the Goods/Services within twenty-eight days from the date of this order.

- (c) A (tax) invoice must identify the Purchase Order Number. Each (tax) invoice must also include ABN and the name of the Supplier that is recorded in the Australian Business Register for that ABN. Otherwise, PAYG Withholding (No ABN) law requires "Narromine Shire Council" to withhold an amount from the payment and send it to the Australian Taxation Office.
- (d) Unless otherwise agreed "Narromine Shire Council" will pay the Supplier 30 days from the date of the invoice.

**8. Exclusion and/or Limitation of Liability**

- (a) The Supplier indemnifies "Narromine Shire Council" or any of its agents, representatives, officers or employees against any and all liability resulting from:
  - (i) any and all breaches by "Narromine Shire Council" or any of its agents, representatives, officers or employees of any and all implied conditions and warranties to the extent permitted by law;
  - (ii) any and all negligence by "Narromine Shire Council" or any of its agents, representatives, officers or employees and is satisfied that doing so will not remove the consideration flowing;
  - (iii) any and all special, indirect, consequential and pure economic loss arising out of or in connection with an act or omission of "Narromine Shire Council" or any of its agents, representatives, officers or employees; and
  - (iv) any and all types of work, supplies, events, acts or omissions outside of the area(s) of expertise of "Narromine Shire Council" or any of its agents, representatives, officers or employees;
- (b) The *contra proferentum* rule does not apply to these conditions or to any Purchase Order or contract between the Supplier and "Narromine Shire Council" or any of its agents, representatives, officers or employees.
- (c) Where liability cannot be excluded, it is limited to \$100 per breach in respect of any claim arising out of or in connection with these conditions or the relationship established by any Purchase Order or contract between the Supplier and "Narromine Shire Council" or any of its agents, representatives, officers or employees.

**9. Indemnity**

The Supplier indemnifies "Narromine Shire Council" or any of its agents, representatives, officers or employees against any and all claims by a third party and any loss, personal injury, death or damage arising out of or in connection with an act or omission of the Supplier in supplying the Goods/Services or any and all obligations or warranties under any Purchase Order or contract between the Supplier and "Narromine Shire Council" or any of its agents, representatives, officers or employees or under these conditions.

**10. General**

- (a) The Supplier must not assign the benefit of the Purchase Order without "Narromine Shire Council" prior written approval.
- (b) No variation of the Purchase Order will be binding on "Narromine Shire Council" unless in writing and signed by a duly authorised representative of "Narromine Shire Council".
- (c) "Narromine Shire Council's" failure or delay to enforce a condition, or to exercise a right or remedy for breach, is not a waiver of any other breach.
- (d) These conditions will be governed by the law of New South Wales and the parties submit to the jurisdiction in that State.

**11. Insurance**

The Supplier must maintain the following policies of insurances (and provide copies on request):

- (a) Public Liability (where applicable): Amount per occurrence shall not be less \$20,000,000 (AUD), where applicable;
- (b) Product Liability (where applicable): Amount per occurrence shall not be less \$10,000,000 (AUD);
- (c) Professional Indemnity (where applicable): Amount per occurrence shall not be less than \$5,000,000 (AUD). The policy must include the provision for one automatic reinstatement of the sum insured;
- (d) Motor vehicle insurance for any vehicles used to provide the goods/services.
- (e) Workers Compensation; and
- (f) Cyber security (where applicable).

**12. WH&S and Work Cover regulations**

- (a) All suppliers and contractors must comply with current WHS legislation.
- (b) Where required, suppliers are required to comply with "Narromine Shire Council's" WHS requirements.

**13. Time is of the Essence**

- (a) If the Supplier supplies Goods or Services to "Narromine Shire Council" and the time within which the Goods or Services are to be supplied is fixed by the contract for the supply of the Goods or Services or is to be determined in a manner agreed to by "Narromine Shire Council" and the Supplier, then time is of the essence.
- (b) If the Supplier supplies Services to "Narromine Shire Council" and the time within which the Services are to be supplied is not fixed by the contract for the supply of the Services or is not to be determined in a manner agreed to by "Narromine Shire Council" and the Supplier, then the Supplier warrants that the Services will be supplied within a reasonable time.
- (c) For the avoidance of doubt "Narromine Shire Council" may treat any breach of the warranties in this clause 13 by the Supplier as a repudiation of the Purchase Order giving rise to the remedies specified in clause 5.



Ms Jane Redden  
General Manager  
Narromine Shire Council  
PO Box 115  
NARROMINE NSW 2821

Contact: Unaib Jeffrey  
Phone no: 02 9275 7450  
Our ref: D2102519/1769

18 February 2021

Dear Ms Redden

**Audit of the Narromine Shire Council  
for the year ending 30 June 2021**

Attached is the Annual Engagement Plan (AEP) for the audit of the Narromine Shire Council's financial statements for the year ending 30 June 2021. The AEP reflects conditions unique to this engagement. You will find the standard Terms of Engagement on the Audit Office website at <https://www.audit.nsw.gov.au/our-stakeholders/local-government>.




If you would like to discuss the AEP, please call me on please call me on (02) 9275 7450 or Alex Hardy on (02) 8262 8705. The AEP will be presented to the next Audit, Risk and Improvement committee on 8 March 2021.

This AEP is not intended for publication. It may not be distributed to persons other than those who will sign the Statement by Councillors and Management made pursuant to section 413(2)(c) of the *Local Government Act 1993* or others you determine to be charged with governance of the Council.

Yours sincerely

A large black rectangular redaction box covering the signature of the Audit Leader.

  
Audit Leader, Financial Audit Services

cc: , Mayor  
, Chair of the Audit, Risk and Improvement Committee  
, Director of Finance and Corporate Strategy.

# Annual Engagement Plan

for the year ending 30 June 2021

Narromine Shire Council



# contents

<b>1. SCOPE</b>	<b>1</b>
<b>2. KEY ISSUES</b>	<b>1</b>
<b>3. AUDIT APPROACH</b>	<b>4</b>
<b>4. ENGAGEMENT COMMUNICATIONS</b>	<b>4</b>
<b>5. ENGAGEMENT TIMETABLE</b>	<b>5</b>
<b>6. OTHER ENGAGEMENTS</b>	<b>6</b>
<b>7. ENGAGEMENT FEES</b>	<b>7</b>
<b>8. ENGAGEMENT TEAM</b>	<b>7</b>
<b>9. FINANCIAL REPORTING MATTERS</b>	<b>8</b>
<b>10. REPORTING TO PARLIAMENT</b>	<b>8</b>
<b>11. OTHER MATTERS</b>	<b>9</b>
<b>APPENDIX ONE – AUDIT APPROACH FOR KEY BUSINESS AND ACCOUNTING PROCESSES</b>	<b>11</b>
<b>APPENDIX TWO – FINANCIAL REPORTING DEVELOPMENTS</b>	<b>13</b>
<b>APPENDIX THREE – RECENTLY TABLED AUDITOR-GENERAL’S REPORTS TO PARLIAMENT</b>	<b>15</b>

## 1. SCOPE

This Annual Engagement Plan (AEP) contains important information about this year's audit.

The scope of our audit comprises an:

- audit of the Council's general purpose financial report, with:
  - an Independent Auditor's Report on the general purpose financial statements in accordance with section 417 of the *Local Government Act 1993* (LG Act)
  - a Report on the Conduct of the Audit in accordance with section 417(3) of the LG Act
- Independent Auditor's Report on the special purpose financial statements (SPFS) for all business activities declared by the Council in accordance with section 413(2) of the LG Act
- Independent Auditor's Report on the Special Schedule 'Permissible income for general rates' in accordance with section 413(2) of the LG Act
- Independent Auditor's Report(s) for the engagements listed under Section 6 Other Engagements.

### Special purpose reporting framework

The Council will prepare the SPFS, mentioned in the scope above, using frameworks prescribed by the Local Government Code of Accounting Practice and Financial Reporting (the Code). Management's disclosures will alert users that the SPFS are not prepared in accordance with all standards within the Australian Accounting Standards framework.

The audit team's objective is to express an opinion on whether these SPFS are prepared in accordance with the requirements of the Code, solely for the purposes of reporting to the Office of Local Government (OLG) within the Department of Planning, Industry and Environment. As a result, the Independent Auditor's Reports will include a 'Basis of Accounting' paragraph identifying that the SPFS may not be suitable for another purpose.

## 2. KEY ISSUES

The table below details our audit assessment of issues and risks that may impact this year's audit and how the audit team will respond to them.

Issue or risk	Exposure	Audit response
<b>Key audit issues and risks</b>		
<b>Assessing the fair value of Council's infrastructure, property, plant and equipment (IPPE)</b>		
<p>Australian Accounting Standards require Council to annually assess:</p> <ul style="list-style-type: none"> <li>• whether the carrying value of IPPE materially reflects fair value</li> <li>• useful lives remain reasonable</li> <li>• whether any assets are impaired.</li> </ul> <p>This annual assessment along with significant judgements and assumptions should be documented.</p> <p>For assets not subject to comprehensive valuation in 2020–</p>	<p>Heightened risk of carrying values of IPPE being materially different from fair value. This could lead to the financial statements being materially misstated.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• review management's annual assessment for reasonableness</li> <li>• consider recent events and relevant externally available information (such as indices) when assessing whether assets' carrying amounts materially reflect fair value</li> <li>• ensure the financial statements include the required disclosures in accordance with Australian Accounting Standards.</li> </ul>

Issue or risk	Exposure	Audit response
<p>21, management should assess whether their carrying values continue to approximate fair value and whether any indicators of impairment may exist</p>		
<b>Information Technology General Controls</b>		
<p>Australian Auditing Standards require the auditor to understand the Council's control activities and obtain an understanding of how it has responded to risks arising from Information Technology (IT).</p>	<p>Weaknesses in the IT control environment may lead to:</p> <ul style="list-style-type: none"> <li>• weakened segregation of duties where staff gain access privileges beyond those required for their role</li> <li>• unauthorised access</li> <li>• inaccurate and/or invalid transactions and data produced by systems</li> <li>• inappropriate/unauthorised changes to programs</li> <li>• inability to recover from incident or disaster impacting IT operation</li> <li>• inability of the audit team to place reliance on system controls and/or data/reports generated from business systems. This may require the audit team to perform additional procedures that may not be within the normal scope of the audit.</li> </ul>	<p>For all IT systems relevant to financial reporting, we will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the IT general controls and IT dependencies and identify related risks relevant to our audit approach</li> <li>• understand, evaluate and, where appropriate, validate the IT general controls management has implemented to address these risks.</li> </ul> <p>We will look at the following aspects of the IT control environment:</p> <ul style="list-style-type: none"> <li>• IT risk management policy framework</li> <li>• user access provisioning and removal</li> <li>• periodic user access review</li> <li>• monitoring of privileged user accounts' activities</li> <li>• use of unique user IDs</li> <li>• password configuration</li> <li>• system change testing and approvals</li> <li>• segregation between developer and implementer of system development/change</li> <li>• system monitoring/incident management and data recovery.</li> </ul>
<b>Procurement and contract management risk</b>		
<p>The Council spends a substantial amount each year to procure goods and services and enters into numerous contracts which vary in nature, size and complexity. The Council has a significant capital works program of \$8.6 million for 2020-21. The following are the key projects:</p> <ul style="list-style-type: none"> <li>• Aerodrome Industrial Estate \$4.5 million over 2 years</li> </ul>	<p>Lack of probity, accountability or transparency in procurement operations increases the risk of:</p> <ul style="list-style-type: none"> <li>• unauthorised purchases</li> <li>• corruption and /or fraudulent behaviour</li> <li>• value for money not being achieved</li> <li>• non-compliance with the <i>Local Government Act 1993</i>, Local</li> </ul>	<p>We will:</p> <ul style="list-style-type: none"> <li>• gain an understanding of Council's procedures around procurement and contract management</li> <li>• review tendering procedures to identify any probity and related party issues.</li> </ul>

Issue or risk	Exposure	Audit response
<ul style="list-style-type: none"> <li>Pool renewal \$0.6 million</li> <li>Regional Roads Updates and Reseal \$1.2 million</li> <li>Rural Roads Updates and Reseal \$1.8 million</li> <li>Wetlands Updates \$0.7 million over 2 years</li> <li>Extension of Narromine Rising Main \$0.4 million</li> </ul>	<p>Government Regulations and the <i>Government Information (Public Access) Act 2009</i>.</p> <p>If contracts are not managed appropriately, this increases the risk of service delivery failure, unapproved scope variations and potential legal disputes.</p>	
<b>Restricted Cash Balances</b>		
<p>The Council's December 2020 quarterly budget review forecasted an unrestricted cash and investments balance of \$4.4 million at 30 June 2021. This represents a decrease of \$0.4 million from 30 June 2020.</p>	<p>There is a risk that externally restricted assets may be used for inappropriate purposes. The Council may breach the LG Act if restricted cash is not guaranteed for appropriate purposes.</p>	<p>We will review the Council's processes for managing restricted assets including reconciliations and monitoring.</p>
<b>AASB 1059 'Service Concession Arrangements: Grantors'</b>		
<p>AASB 1059 'Service Concession Arrangements: Grantors' issued by the Australian Accounting Standards Board became effective from 1 January 2020.</p> <p>Preparation is required to apply AASB 1059 to ensure the 2021 financial statements have materially complied with the requirements.</p> <p>Further details on the requirements of this standard is in <a href="#">Appendix two</a>.</p>	<p>Not being sufficiently prepared to retrospectively apply AASB 1059 in the 2021 financial statements.</p>	<p>We will review the Council's assessment of existing arrangements with private sector operators to assess whether they have been appropriately classified as a service concession arrangement, lease or outsourcing arrangement.</p> <p>For arrangements within the scope of AASB 1059 we will review management's assessment of the impact on the 2021 financial statements to ensure the:</p> <ul style="list-style-type: none"> <li>opening balance adjustments are appropriate and have been reflected in opening equity at 1 July 2019</li> <li>recognition and measurement requirements have been applied for service concession assets and liabilities</li> <li>financial statements include the required disclosures.</li> </ul>

The significance of the issues and risks may change and new developments may emerge during the audit. We will inform you of significant new matters as they arise and the likely impact on the audit.



### 3. AUDIT APPROACH

#### Audit approach for key business and accounting processes

The audit approach is developed based on our understanding of the issues, new developments and key risks that may impact the financial statements. We have obtained an understanding of the Council's business and accounting processes and internal controls relevant to the financial statements to help us identify risks that may impact the financial statements.

[Appendix one](#) details our observations on the business and accounting processes relevant to the financial statements and our planned audit approach. We will inform you of significant matters that impact the audit as they are identified.

#### Revisions to auditing accounting estimates

As part of this year's audit, we would like to highlight our approach for reviewing accounting estimates, specifically our review of management's process to developing accounting estimates. This is not a new procedure but rather an expanded procedure in response to revisions within ASA 540 'Auditing Accounting Estimates and Disclosures' (ASA 540) issued by the Australian Auditing and Assurance Standards Board, effective for financial reporting periods commencing 15 December 2019.

Although the standard contains requirements specifically for auditors, it will impact on the audit process as the requirements to understand and document management's process in relation to accounting estimates are now more prescriptive, particularly where the estimates are complex, involve significant management judgement and are sensitive to changes to inputs and assumptions.

Further details on this Standard are included in [Appendix two](#).

#### Audit approach in relation to cyber security risks

Local Government relies on digital technology to deliver services, organise and store information, manage business processes, and control critical infrastructure. The increasing global interconnectivity between computer networks has dramatically increased the risk of cyber security incidents. Such incidents can harm government service delivery and may include the theft of information, denial of access to critical technology, or even the hijacking of systems for profit or malicious intent.

Australian Auditing Standards require the audit team to identify and assess the risks that the financial statements are materially misstated whether due to fraud or error. As part of this year's audit, we will assess whether cyber security risks represent a risk of material misstatement to the Council's financial statements. As part of our audit procedures, we will obtain an understanding of the controls management has in place at the Council to address the risk of cyber security incidents and respond to any incidences which may have occurred during the year, including its impact on the audit.

Your feedback on the planned audit approach is welcomed.

#### Follow up of issues identified in the previous audit

The audit team will examine, update and report on the status of issues raised in last year's Engagement Closing Report and Management Letter.

### 4. ENGAGEMENT COMMUNICATIONS

#### Communications to 'Those Charged with Governance'

Senior members of the audit team will attend relevant Council and Audit, Risk and Improvement Committee meetings and brief those charged with governance on audit progress, identified issues and their resolution.

We have discussed the meeting schedule(s) with management and those charged with governance. The [engagement timetable](#) details the meetings we plan to attend.

We have identified those charged with governance for the Council as:

- the General Manager who will receive our Engagement Closing Report, identifying audit findings, and the type of opinion we anticipate issuing prior to signing the financial statements. The General Manager will also receive the Management Letter containing detailed explanations of significant matters, governance matters, significant weaknesses and recommendations for improvement identified in the current audit
- the Mayor, who will receive the Independent Auditor's Report for the general purpose financial statements and special purpose financial statements and the Report on the Conduct of the Audit. The Mayor will also receive copies of the Engagement Closing Report and Management Letter.

The Audit, Risk and Improvement Committee will receive copies of the Engagement Closing Report and Management Letter.

Please advise the audit team if additional persons charged with governance should be included in these communications. The [Terms of Engagement](#) contains more information on the Audit Office's communication obligations.

## 5. ENGAGEMENT TIMETABLE

### General purpose and special purpose financial statements

The engagement timetable, designed to achieve statutory financial reporting requirements, has been discussed and agreed with Mr John Sevil (Director of Finance and Corporate Strategy).

The Engagement Information Request accompanies this AEP with dates agreed with management to deliver the information required for the audit. Whilst we make every effort to identify all information requirements in the Engagement Information Request, we may need to request further information during the audit.

Event	Date
• Audit team emails Engagement Information Request John Sevil, Director of Finance and Corporate Strategy of the Council	26 February 2021
• Audit team attend the Audit, Risk and Improvement Committee meeting to present the AEP	8 March 2021
• Audit team starts interim audit	27 April 2021
• Council drafts and gives 'Letter of Enquiry to Legal Counsel; to the audit team for posting (sample available on the Audit Office website: <a href="http://www.audit.nsw.gov.au/Publications/Client-Service-Resource">http://www.audit.nsw.gov.au/Publications/Client-Service-Resource</a> )	1 June 2021
• Audit Office issues management letter detailing issues from the interim audit	30 June 2021
• Audit team attends Audit, Risk and Improvement Committee meeting to present the interim management letter	5 July 2021
• Audit team starts audit of financial statements	6 September 2021
• Council gives financial statements and supporting working papers listed in the Engagement Information Request to the audit team for the: <ul style="list-style-type: none"> <li>– general purpose financial statements</li> <li>– special purpose financial statements (declared business activities and Special Schedule 'Permissible income for general rates')</li> </ul>	8 September 2021
• Audit clearance meeting	1 October 2021
• Audit Office issues Engagement Closing Report	8 October 2021

Event	Date
<ul style="list-style-type: none"> <li>• Council signs and gives Management Representation Letter to audit team (sample on the Audit Office website: <a href="https://www.audit.nsw.gov.au/our-stakeholders/local-government">https://www.audit.nsw.gov.au/our-stakeholders/local-government</a>)</li> </ul>	13 October 2021
<ul style="list-style-type: none"> <li>• Council approves / reapproves financial statements for lodgement to OLG and for public exhibition, and the Mayor, a Councillor, the General Manager and the Responsible Accounting Officer sign / re-sign the statement</li> </ul>	13 October 2021
<ul style="list-style-type: none"> <li>• Audit Office issues to the Council and to the Secretary of the Department of Planning, Industry and Environment (the Department), in accordance with section 417 of the LG Act the:               <ul style="list-style-type: none"> <li>– Independent Auditor's Report on the general purpose financial statements</li> <li>– Report on the Conduct of the Audit</li> </ul> </li> </ul>	20 October 2021
<ul style="list-style-type: none"> <li>• Audit Office issues Independent Auditor's Report on the special purpose financial statements for the Council's declared business activities and Special Schedule 'Permissible income for general rates' to Council and the Secretary of the Department</li> </ul>	20 October 2021
<ul style="list-style-type: none"> <li>• Audit Office reports any identified significant issues to the Minister in accordance with section 426 of the LG Act</li> </ul>	20 October 2021
<ul style="list-style-type: none"> <li>• Council gives the audit team final version of draft Annual Report to review for consistency with the financial statements</li> </ul>	When available
<ul style="list-style-type: none"> <li>• Audit Office issues final Management Letter</li> </ul>	29 October 2021
<ul style="list-style-type: none"> <li>• Audit team attends Audit, Risk and Improvement Committee meeting to present the Engagement Closing Report, audit reports and year-end management letter</li> </ul>	8 November 2021
<ul style="list-style-type: none"> <li>• Council presents audited financial statements and the Independent Auditor's Reports at the Council meeting</li> </ul>	10 November 2021
<ul style="list-style-type: none"> <li>• Audit Office gives the Chief Executive of OLG and the Minister the draft Auditor-General's Report to Parliament. Specific comments referring to Council are given to the General Manager</li> </ul>	When available

## Other audits and acquittals

The audit timetable has been discussed and agreed with Mr John Sevil, Director of Finance and Corporate Strategy.

The Engagement Information Request will detail workpapers and other supporting documentation needed for timely completion of the audit.

The other audits and acquittals will be conducted at the same time as the audit of the General Purpose and Special Purpose Financial Statements.

## 6. OTHER ENGAGEMENTS

### Application for Payment of Pensioner Concession Subsidy and Roads to Recovery Program

The Audit Office [website](#) provides additional information on the terms and scope of the audits for the Application for Payment of Pensioner Concession Subsidy and the Roads to Recovery Program.

### Additional Engagements

The Council may require audits of grant acquittals, compliance with legislation, or to provide assurance on information, reports or returns under the terms of a contract, lease or agreement.

Please advise the audit team if the Council wishes to engage the Audit Office to perform additional audits, reviews or acquittals. Separate engagement letters will be issued to confirm the terms, scope, key issues and fee arrangements for requests received after the issue of this AEP.

## 7. ENGAGEMENT FEES

	2021	2020	Increase/(decrease)	
	\$	\$	\$	%
Estimated audit fee	60,000	59,450	550	1.0
Review of the new accounting standards impact on the Council financial statements	--	2,500	(2,500)	(100.0)
<b>Total audit fee (excluding GST)</b>	<b>60,000</b>	<b>61,950</b>	<b>(1,950)</b>	<b>(3.1)</b>
<b>Total audit hours</b>	<b>283</b>	<b>295</b>	<b>(12)</b>	<b>(4.1)</b>
Average hourly rate	212	210	2	1.0

The 2021 estimated audit fee includes:

- Independent Auditor's Reports in accordance with section 417 of the LG Act:
  - a report on the general purpose financial statements
  - a Report on the Conduct of the Audit
- Independent Auditor's Reports on the special purpose financial statements of Council's declared business activities and Special Schedule 'Permissible income for general rates'
- Independent Auditor's Report on the Application for Payment of Pensioner Concession Subsidy
- Independent Auditor's Report on the Chief Executive Officer's Financial Statement for the Roads to Recovery Program under Part 8 of the *National Land Transport Act 2014*.

The estimated audit fee is based on estimated hours, the audit team structure and charge-out rates, known changes in the Council's operations and audit requirements.

The fee may change if matters, not known at the date of this plan, emerge during the audit and significantly change the estimated audit cost. Proposals for additional fees will be discussed with management.

The Audit Office has published its 'pricing approach' to provide transparency about its pricing model and hourly charge-out rates for each role. The Audit Office performs multi-layered benchmarking to promote accountability for its use of public resources. For more information, please refer to the publication on the Audit Office's [website](#).

The Council will be invoiced monthly as costs are incurred. The Audit Office's payment terms are 14 days.

Please provide the Audit Office with a purchase order for the total estimated audit fee.

## 8. ENGAGEMENT TEAM

### Engagement team

The proposed audit team for this engagement is:

Engagement Controller:

Mr Unaib Jeoffrey

Audit Leader

02 9275 7450

Email: [unaib.jeoffrey@audit.nsw.gov.au](mailto:unaib.jeoffrey@audit.nsw.gov.au)

Audit Service Provider Engagement Partner: Mr Luke Malone  
 Director, Prosperity Audit Services  
 02 8262 8700  
 Email: lmalone@prosperity.com.au

Audit Service Provider Engagement Manager: Mr Alex Hardy  
 Associate Director, Prosperity Audit Services  
 02 8262 8700  
 Email: ahardy@prosperity.com.au

## Auditor independence

We confirm, to the best of our knowledge and belief, the proposed audit team meets the independence requirements of the Australian Auditing Standards, and other relevant ethical requirements relating to the audit of the financial statements. In conducting the audit of the financial statements, should any contraventions to independence arise you will be notified of these on a timely basis.

Ethical standards have specific restrictions on employment relationships between an auditee and members of its current or previous audit teams. Please discuss the prospective employment of a current or former audit team member before starting formal employment negotiations with them.

## 9. FINANCIAL REPORTING MATTERS

[Appendix two](#) provides an overview of new accounting standards effective for the first time in the current financial year that may have an impact on the Council's financial statements. The transition to and implementation of these standards may take a significant amount of time and effort. It is important for management to assess the impact of these standards on the Council's financial statements and adequately plan for their implementation.

## 10. REPORTING TO PARLIAMENT

The Auditor-General's Report to Parliament (the Report) will report on trends and provide an independent assessment of the sector focusing on the following areas:

- the results of the council and joint organisation audits of the 2020–21 financial statements
- themes and key observations relating to financial reporting, performance, governance and internal controls.

We will advise of the specific topics the Auditor-General intends to comment on in the Report, the relevant performance data to be collected and the timetable for submitting the information to the audit team. The information reported may change depending on the matters identified during the audit. We will advise you if this occurs.

We may include commentary on specific councils or joint organisations with extreme or high risk issues reported in our management letters. The Report may make recommendations for specific councils, joint organisations or the sector more generally.

The draft Report commentary will be given to the Secretary of the Department and the Minister for Local Government for consideration. If there are specific comments about your Council, they will be given to Mr John Sevil (Director of Finance and Corporate Strategy) for consideration. The Audit Office would appreciate receiving your Council's specific comments, within five working days of receiving the draft commentary. Responses should only be provided where there is fundamental disagreement with the factual content of the Report or the Audit Office's interpretation of the data. This helps ensure the Report is not unduly delayed.

The draft Report needs to remain confidential during this process.

[Appendix three](#) provides details of recently tabled reports which may be relevant to the Council.

## 11. OTHER MATTERS

### Workplace Health and Safety Legislation

Workplace health and safety (WHS) laws make the Council responsible for meeting legislated standards to ensure the health, safety and welfare for the audit team when they are at your premises.

It is the Council's responsibility to:

- provide the audit team with suitable accommodation and appropriate WHS induction
- implement effective health and safety management systems to manage any hazards and risks
- ensure the audit team is aware of and complies with special personal protective equipment requirements
- appropriately brief the audit team and issue them with the necessary personal protective equipment and training in its proper use.

Further details are provided in the [Terms of Engagement](#).

### Matters covered elsewhere

Please read the AEP together with the standard [Terms of Engagement](#), which provides additional information on:

- the Auditor-General's responsibilities
- auditee resources
- engagement approach
- communication and reports
- submitting financial statements for audit
- materiality, risk and the inherent limitations of an audit
- provision of working papers
- representations
- access
- clearance meetings
- accommodation, facilities and staff amenity
- determination of fees for engagements.

### Publications

The Audit Office has the following useful publications on our website:

- ['Annual Work Program'](#) explains how the Audit Office decides what to focus on and what we intend to cover in the next year. It also gives Parliament, the entities we audit and the broader community some certainty over future topics and the timing of our reports
- ['Professional Update'](#) published quarterly to help auditees and our staff keep abreast of key accounting, auditing and legislative developments in the NSW public sector, including pronouncements by professional standard setters and changes in the regulatory environment.

To subscribe or access previous editions please visit our website at:

<https://www.audit.nsw.gov.au/our-work/resources>

- [‘Financial Reporting Issues and Developments’](#) for the local government sector detailing:
  - current issues and financial reporting developments that may impact the audit
  - accounting standards and pronouncements issued during the year that may impact the financial statements and/or annual report
- [‘Local Government Pronouncements Guidance Note’](#) listing key reporting pronouncements issued by OLG.

## APPENDIX ONE – AUDIT APPROACH FOR KEY BUSINESS AND ACCOUNTING PROCESSES

The table below details our observations on the business and accounting processes relevant to the financial statements and our planned audit approach.

Business / accounting process	Observation of business / accounting process	Audit approach
Infrastructure, plant and equipment (IPPE), depreciation and asset remediation	<p>The Council uses system Authority Enterprise Software Suite for Local Government to initiate, process and record IPPE. It relies on automated and IT-dependent manual controls to ensure that all valid IPPE transactions are processed and accurately recorded in accordance with the Council's policies.</p> <p>We have identified the following risks:</p> <ul style="list-style-type: none"> <li>• completeness of asset registers</li> <li>• valuations</li> <li>• disclosures in the financial report.</li> </ul>	<p>We will evaluate the design and implementation of relevant controls. Section two Key issues details the audit procedures we will perform over:</p> <ul style="list-style-type: none"> <li>• Management's assessment of the fair value of the Council's IPPE at 30 June 2021,</li> </ul> <p>Our substantive audit procedures will be designed to address other identified risks.</p>
Purchasing and payables	<p>The Council uses Authority Enterprise Software Suite for Local Government) to initiate, process and record purchases. It relies on automated and IT-dependent manual controls to ensure that all valid purchasing transactions are processed and accurately recorded in accordance with the Council's policies.</p> <p>We have identified the following risks:</p> <ul style="list-style-type: none"> <li>• non-compliance with policies and procedures</li> <li>• incorrectly classifying transactions</li> <li>• ineffective procurement controls</li> <li>• fraud and error.</li> </ul>	<p>We will evaluate the design and implementation of relevant controls with a plan to test their operating effectiveness. This will include assessing management controls ensuring the Council's procurement policies are complied with. Our substantive audit procedures will be designed to address other identified risks.</p>
Revenue and receivables	<p>The Council uses Civica Authority system to initiate, process and record revenue. It relies on automated and IT-dependent manual controls to ensure that all valid revenue transactions are processed and accurately recorded in accordance with the Council's policies.</p> <p>The Council revenue comprises rates and annual charges, user charges and fees, interest and investment revenue and grants and contributions. The auditing standards presume a risk of fraud in relation to the revenue recognition.</p> <p>We have identified the following areas with risks:</p> <ul style="list-style-type: none"> <li>• Cut-off</li> <li>• Accuracy</li> </ul>	<p>Our audit procedures will include:</p> <ul style="list-style-type: none"> <li>• testing of sales of goods, rendering services, interest income, rental income and grants and contributions systems and controls.</li> <li>• assessment of the compliance with accounting standards and legislation</li> <li>• sample testing of invoices and cash receipts</li> <li>• test cut-off of revenue transactions</li> <li>• verify material grants revenue and review of obligations under grant agreements</li> <li>• review the authorisation of bad debts and credit note adjustments</li> <li>• analytical review procedures.</li> </ul>



Business / accounting process	Observation of business / accounting process	Audit approach
Payroll and related provisions	<ul style="list-style-type: none"> <li>• Completeness</li> <li>• Occurrence</li> <li>• Disclosure.</li> </ul> <p>The Council uses Civica Authority system to initiate, process and record payroll transactions. Management relies on automated and IT-dependent manual controls to ensure that all valid payroll transactions are processed and accurately recorded in accordance with the Council's policies.</p> <p>We have identified the following risks:</p> <ul style="list-style-type: none"> <li>• non-compliance with policies and procedures</li> <li>• incorrectly estimating provisions and on-costs</li> <li>• ineffective payroll controls, including lack of segregation of duties</li> <li>• fraud and error.</li> </ul>	<p>We will evaluate the design and implementation of relevant controls with a plan to test their operating effectiveness. Our substantive audit procedures will be designed to address other identified risks.</p>

## Information Systems Audit

We will obtain an understanding of and, where applicable, test the design, implementation and operating effectiveness of controls in key financial systems. This provides assurance over the integrity of system reports and operations. The work on Information Technology General Controls (ITGCs) focuses on controls over the following domains:

- **Access to Programs and Data** - To ensure access to programs and data are granted to authorised individual and monitored for appropriateness.
- **Computer Operations** - To ensure financial transactions and data are processed and recoverable in the event of a disaster.
- **Program Changes** - To ensure changes to programs and related infrastructure components are requested, authorised, performed, tested and appropriately implemented.
- **Program Development** - To ensure system development, data migration and implementation follow a formal IT change methodology.

By integrating ITGC work with financial audit procedures, audit teams are better equipped to focus on key risks to the integrity of automated and IT-dependent controls for financial statement assertions.

## APPENDIX TWO – FINANCIAL REPORTING DEVELOPMENTS

### New accounting standards

#### AASB 1059 ‘Service Concession Arrangements: Grantors’

AASB 1059 provides guidance for public sector entities (grantors) who enter into service concession arrangements with private sector operators for the delivery of public services.

An arrangement within the scope of AASB 1059 typically involves a private sector operator designing, constructing or upgrading assets used to provide public services, and operating and maintaining those assets for a specified period of time (e.g. roads, prisons, hospitals and energy suppliers). In return, the private sector operator is compensated by the public sector entity.

AASB 1059 may result in councils recognising more service concession assets (SCAs) and liabilities in their financial statements. SCA and liabilities of service concession arrangements will be recognised earlier (when construction of the asset commences, rather than at its completion).

AASB 1059 is effective for councils for the 2020–21 financial year. The AASB deferred the effective date of AASB 1059 from 1 January 2019 to 1 January 2020 to assist stakeholders with their implementation efforts.

To effectively implement AASB 1059, the Council will need to have:

- an understanding of the new requirements
- adequately planned and prepared for its application including providing training for staff
- assessed the terms and conditions of existing arrangements with private sector operators to assess whether they fall within the scope of AASB 1059 and meet the criteria for recognition as a service concession arrangement or whether they are a leasing or outsourcing arrangement
- develop an implementation plan to apply AASB 1059 if an arrangement falls within the scope of AASB 1059
- considered the impact on reporting to stakeholders regarding the Council’s financial position and performance
- ensured proper guidance is provided to the Internal Audit Committee.

The Council will need to keep detailed working papers evidencing how it has complied with the requirements of AASB 1059, such as working papers to support:

- key decisions and judgements made, for example whether the arrangement falls within the scope of AASB 1059, the current replacement cost of the SCA at the inception of the arrangement, determining the asset and service components of the arrangement, pattern of revenue recognition under the grant of a right to the operator model
- financial statement disclosures.

### New auditing standards

#### Revised ASA 540 ‘Auditing Accounting Estimates and Related Disclosures’

ASA 540 contains the mandatory audit requirements for auditing accounting estimates and their disclosures.

ASA 540 was revised to:

- recognise that audit risks are evolving due to a more complex business environment
- increase the emphasis on professional scepticism
- improve communication and transparency.

While it is the auditor’s responsibility to conform to the new requirements, it may be helpful for the Council to be aware of matters management should consider when preparing for audit requests under the revised standard.

In November 2019, the International Standard on Auditing (ISA) 540 (Revised) Implementation Working Group prepared an audit client briefing Considerations for Management When Determining Accounting Estimates and Related Disclosures (the Briefing).

The Briefing provides an overview of:

- management's responsibilities in determining when accounting estimates are needed
- management's responsibilities regarding the main components of an estimation process
- the impact on management due to changes to the auditor's responsibilities, including broad questions auditors may ask those involved in the detailed aspects of the estimation process.

This Briefing is not meant to be exhaustive, however it may be a helpful resource for the Council in your process for determining accounting estimates and the related disclosures within the financial statements.

## APPENDIX THREE – RECENTLY TABLED AUDITOR-GENERAL'S REPORTS TO PARLIAMENT

Each year the Auditor-General produces Financial Audit, Performance Audit and Special Reports to Parliament (collectively referred to as Reports). Recently tabled Reports which may be relevant to the Council include:

Name	Issued	Overview
<b>Financial Audit</b>		
Local Government 2019	5 March 2020	<p>This report focuses on key observations and findings from the 2018–19 financial audits of 134 councils and 11 joint organisations in New South Wales and the 2017–18 audit of Bayside Council.</p> <p>The report highlights a number of areas where there has been improvement. There was a reduction in errors identified in council financial statements and high risk issues reported in audit management letters. More councils have audit, risk and improvement committees and internal audit functions. Risk management practices and fraud control systems have also improved.</p> <p>The report also found that councils could do more to be better prepared for the new accounting standards, asset management practices could be strengthened, and information technology controls and cyber security management could be improved.</p>
Internal Controls and Governance	24 November 2020	<p>This report analyses the internal controls and governance at 40 of the largest agencies in the NSW public sector for the year ended 30 June 2020. However, the matters covered in this report are relevant to all public sector entities.</p> <p>The report provides insights into the effectiveness of controls and governance processes in the NSW public sector by:</p> <ul style="list-style-type: none"> <li>highlighting the potential risks posed by weaknesses in controls and governance processes</li> <li>helping agencies benchmark the adequacy of their processes against their peers</li> <li>focusing on new and emerging risks, and the internal controls and governance processes that might address those risks.</li> </ul>
<b>Performance Audit</b>		
Procurement management in Local Government	17 December 2020	<p>This audit assessed the effectiveness of procurement management practices in six councils: Cumberland City Council, Georges River Council, Lockhart Shire Council, Tweed Shire Council, Waverley Council and Wollongong City Council. All six councils had procurement management policies that were consistent with legislative requirements, but the audit found compliance gaps in some councils. The audit also identified opportunities for councils to address risks to transparency and accountability, and to</p>

Name	Issued	Overview
Support for regional town water infrastructure	24 September 2020	<p>ensure value for money is achieved when undertaking procurement.</p> <p>The audit recommended that the Department of Planning, Industry and Environment review the Local Government (General) Regulation 2005 and publish updated and more comprehensive guidance on procurement management for the Local Government sector. The report also generated insights for the Local Government sector on opportunities to strengthen procurement practices.</p> <p>This audit assessed the effectiveness the Department of Planning, Industry and Environment's (the Department's) support for planning and funding town water infrastructure in regional NSW towns and cities. The audit found that the Department has not effectively supported or overseen town water infrastructure planning since at least 2014 and has not had a strategy in place to target investments in town water infrastructure to the areas of greatest priority.</p> <p>The audit made seven recommendations to the Department, aimed at improving the administration and transparency of its oversight, support and funding for town water infrastructure, and at strengthening its sector engagement and interagency coordination on town water planning issues and investments.</p>
Governance and internal controls over local infrastructure contributions	17 August 2020	<p>This audit assessed the effectiveness of governance and internal controls over Local Infrastructure Contributions (LICs) collected by four councils during the 2017–18 and 2018–19 financial years: Blacktown City Council, Central Coast Council, City of Sydney Council and Liverpool City Council. As at June 2018 these councils held the four highest LIC balances, each in excess of \$140 million.</p> <p>The audit answered these questions:</p> <ul style="list-style-type: none"> <li>• Do councils have effective governance arrangements and internal controls in place over the collection, management, and disbursement of local infrastructure contributions and which include accountability for each part of the process?</li> <li>• Do councils regularly report to those charged with governance or other senior officers on the status, investment performance, and risks related to local infrastructure contributions?</li> <li>• Can councils demonstrate that local infrastructure contributions have been spent on, or are being used for, their intended purpose as described in the development contributions plan?</li> <li>• Are local infrastructure contributions managed by individuals with the appropriate knowledge and skills to perform their duties?</li> </ul>
Credit card management in Local Government	3 September 2020	This audit assessed the effectiveness of credit card management practices in six councils: Dubbo

Name	Issued	Overview
		<p>Regional Council, Junee Shire Council, Lane Cove Council, Nambucca Valley Council, Penrith City Council and Shellharbour City Council. The councils selected represent a mix of rural, regional and metropolitan councils. They were also among the top ten users of credit cards within their geographical classification, in terms of the number of credit cards issued or the number of transactions per credit card.</p> <p>The audit found important gaps in each of the six audited councils' credit card management practices. Their policies and procedures covered the essential aspects of credit card use and management, but a lack of coverage or clarity in some areas could lead to inconsistent and inappropriate use of credit cards. These areas included: eligibility to hold a credit card, aligning credit card limits with financial delegations, and the reconciliation procedures.</p>

A full list of our tabled Reports is available on the Audit Office [website](#).

## OUR VISION

Our insights inform and challenge government to improve outcomes for citizens.

## OUR PURPOSE

To help parliament hold government accountable for its use of public resources.



Ms Jane Redden  
General Manager  
Narromine Shire Council  
PO Box 115  
NARROMINE NSW 2821

Contact: Unaib Jeffrey  
Phone no: 02 9275 7450  
Our ref: D2110061/1769

15 June 2021

Dear Ms Redden

### **Management Letter on the Interim Phase of the Audit for the Year Ending 30 June 2021**

The interim phase of our audit for the year 30 June 2021 is complete. This letter outlines:

- matters of governance interest we identified during the current audit
- unresolved matters identified during previous audits
- matters we are required to communicate under Australian Auditing Standards.

We planned and carried out our audit to obtain reasonable assurance the financial statements are free from material misstatement. Because our audit is not designed to identify all matters that may be of governance interest to you, there may be other matters that did not come to our attention.

The audit is ongoing and we will inform you if we identify any new matters of governance interest as they arise.

For each matter in this letter, we have included our observations, risk assessment and recommendations. The risk assessment is based on our understanding of your business. Management should make its own assessment of the risks to the organisation.

I have kept management informed of the issues included in this letter as they have arisen. A formal draft of this letter was provided on 9 June 2021. This letter includes management's formal responses, the person responsible for addressing the matter and the date by which this should be actioned.


The Auditor-General may include items listed in this letter in the Report to Parliament. We will send you a draft of this report and ask for your comments before it is tabled in Parliament.






If you would like to discuss any of the matters raised in this letter, please contact me on 9275 7450 or Alex Hardy (Associate Director, Prosperity Audit Services) on 8262 8700.

Yours sincerely

A large black rectangular redaction box covering the signature area.

  
Audit Leader, Financial Audit

cc: , Mayor  
, Chair of the Audit, Risk and Improvement Committee  
 Director of Finance and Corporate Strategy

# Interim Management Letter

for the Year Ending 30 June 2021

Narromine Shire Council







We have rated the risk of each issue as 'Extreme', 'High', 'Moderate' or 'Low' based on the likelihood of the risk occurring and the consequences if the risk does occur.

The risk assessment matrix used is broadly consistent with the risk management framework in [TPP12-03 'Risk Management Toolkit for the NSW Public Sector'](#).

This framework may be used as better practice for councils.

		CONSEQUENCE			
		Low	Medium	High	Very high
LIKELIHOOD	Almost certain	M	M	H	E
	Likely	L	M	H	H
	Possible	L	M	M	H
	Rare	L	L	M	M

The risk level is a combination of the consequences and likelihood. The position within the matrix corresponds to the risk levels below.

RISK LEVELS	MATRIX REFERENCE
 Extreme:	E
 High:	H
 Moderate:	M
 Low:	L

For each issue identified, we have used the consequence and likelihood tables from [TPP12-03](#) to guide our assessment.


### Consequence levels and descriptors

Consequence level	Consequence level description
Very high	<ul style="list-style-type: none"> <li>Affects the ability of your entire entity to achieve its objectives and may require third party intervention;</li> <li>Arises from a fundamental systemic failure of governance practices and/or internal controls across the entity; or</li> <li>May result in an inability for the auditor to issue an audit opinion or issue an unqualified audit opinion.</li> </ul>
High	<ul style="list-style-type: none"> <li>Affects the ability of your entire entity to achieve its objectives and requires significant coordinated management effort at the executive level;</li> <li>Arises from a widespread failure of governance practices and/or internal controls affecting most parts of the entity; or</li> <li>May result in an inability for the auditor to issue an unqualified audit opinion.</li> </ul>
Medium	<ul style="list-style-type: none"> <li>Affects the ability of a single business unit in your entity to achieve its objectives but requires management effort from areas outside the business unit; or</li> <li>Arises from ineffective governance practices and/or internal controls affecting several parts of the entity.</li> </ul>
Low	<ul style="list-style-type: none"> <li>Affects the ability of a single business unit in your entity to achieve its objectives and can be managed within normal management practices; or</li> <li>Arises from isolated ineffective governance practices and/or internal controls affecting a small part of the entity.</li> </ul>

### Likelihood levels and descriptors

Likelihood level	Frequency	Probability
Almost certain	The event is expected to occur in most circumstances, and frequently during the year	More than 99 per cent
Likely	The event will probably occur once during the year	More than 20 per cent and up to 99 per cent
Possible	The event might occur at some time in the next five years	More than 1 per cent and up to 20 per cent
Rare	The event could occur in exceptional circumstances	Less than 1 per cent

## Summary of issues


Issue	Detail	Likelihood	Consequence	Risk assessment
<b>Current year matter</b>				
1	<a href="#">Privileged user accounts</a>	Possible	Moderate	 Moderate

### Appendix

[Review of matters raised in prior year management letters that have been addressed](#)

## Current year matters

### Issue 1: Privileged user accounts

Likelihood	Consequence	Systemic issue	Category	Risk assessment
Possible	Moderate	Yes	Operational	 Moderate

#### Observation

We noted that the Council has three users with privileged access to Civica Authority. Out of the three users with privileged access to Civica Authority, two users are from the finance team who are also banking EFT signatories within the online banking system, as follows:

#	Employee	Privilege access to Civica Authority	Bank EFT signatories
1	Director Finance and Corporate Strategy	✓	✓
2	Manager Accounting Services	✓	✓
3	Manager Information Technology	✓	✗

We acknowledge management has several compensating controls in place including dual approvers required for online banking payments and vendor Masterfile exception reporting.

#### Implications

Without processes to adequately restrict and manage the privileged user's activity (i.e. review of access logs), there is an increased risk of erroneous, fraudulent or unauthorised transactions being posted without detection.

#### Recommendation

We recommend Council to:


- restrict privileged user access and ensure no employee has privileged access to both the banking and finance system; and
- implement an independent review process over the audit logs of privileged users.

#### Management response

Agree

Director of Finance and Corporate Strategy will no longer have full administrative rights. All change requests will go to IT Support system to document and action changes. Manager Accounting Services will retain administration rights but only use as backup.

#### Person responsible:

, Director of Finance and Corporate Strategy


#### Date to be actioned:

31 October 2021

## Appendix

### Review of matters raised in prior year management letters that have been addressed

The issue in this appendix was raised in previous management letters. For this issue, we have determined how management has addressed the issue in the current year.

Prior issues raised	Risk assessment	Assessment of action taken	Recommendation
<b>2019-20 Interim Management Letter</b>			
Legislative Compliance Register and Framework (June 2020)	 Low	<b>Resolved.</b> Management developed a legislative compliance register and policy to strengthen the Council's legislative framework. The updated policy has been adopted by Council on 9 December 2020.	Matter has been satisfactorily resolved.



16 March 2021

# Narromine Shire Council

## Internal Audit Report

### Community Safety

Audit / Tax / Advisory

Smart decisions. Lasting value.



# Contents

1. Executive Summary.....	3
2. Scope and Approach.....	4
2.1 Audit Objective .....	4
2.2 Scope and Approach.....	4
2.3 Review Approach .....	4
2.4 Recommendations and Assigned Priority Ratings .....	4
3. Detailed Findings .....	5
Appendix 1 – Summary of Overdue Works .....	6
Appendix 2 – Scope Document .....	7
Appendix 3 – Personnel Contacted .....	12
Appendix 4 – Priority Key Rating .....	13
Contact Us.....	14

# 1. Executive Summary

Crowe, in its capacity as an outsourced internal audit provider, has completed a review of Narromine Shire Council's (the Council) Community Safety. This report presents the outcome, observations and recommendations arising from the audit.

Through inquiries and discussions with key staff, our audit identified that overall, the Council fully understands its obligations when it comes to the Community it serves. Over and above all services provided, the Council puts the safety of the Community first. Interview with the General Manager indicated that Mobile CCTV cameras are in place to enhance community safety surveillance. Crime prevention programs are on the Council to do priorities, connecting different sporting groups and ensuring the aged and the disabled members of the community are provided appropriate facilities all form part of the core's Council's focus in relation to, among other things, safety and service delivery in the community. All this is a clear demonstration that the Council is prioritising Community Safety among other services it provides to the region.

We further obtained and reviewed the Community Strategic Plan 2027 which clearly articulates the safe, active and health community target outcome in relation to its theme on vibrant communities. Among other things, the maintenance of roads in a manner that ensures the safety of the community is yet another observable strategic plan which has been well articulated by the Council and achieving all this in partnerships with key stakeholders such as the State Government, businesses and other groups.

Further to the review of high-level documentation which articulated the "tone at the top" in relation to Community Safety, our review selected to focus more on the key data and information which detail activities that are necessary to sustain community safety.

Through the review of Council's Workflows activity data which detail all actions taken to repair and maintain any assets which could pose a risk to the Community we identified that documented action requirements are not being attended to in a timely manner. The system: Authority provides a detailed summary of performance which shows, by individual custodians, areas which are not tracking well with respect to set performance targets aimed at ensuring all actions are completed on time.

Our review of detailed reports extracted on our behalf from Authority Information System indicated that the Council is significantly behind with regards to works which are necessary to ensure ongoing safety of the community is maintained. Our analysis of information contained in activity reports extracted from the key asset management system; Authority showed that there is a total of 65% works which are overdue by 1 day or more. Of the 65% indicated above, 39% of the works are more than 15 days overdue.

Further Interview with staff indicated that there has been some progress made with respect to attending to all outstanding works. At the time of the review the central system; Authority, updates were not made to reflect fully the extent of outstanding works. Other separate tools are used to track progress with the intention of updating Authority at a certain point in time.

## **Our key recommendations:**

The Council prioritise and attend to all outstanding works recorded and produced through monitoring reports in Authority. In addition, Council should ensure that the data contained in Authority is up to date and reflect the status quo at any given point in time. Individual officers recording lower performance targets should be closely scrutinised by the Executive Leadership Team to ensure delays are minimised (H).

## 2. Scope and Approach

### 2.1 Audit Objective

The objective of this review was to assess the adequacy and effectiveness with which the Council manages Community Safety.

### 2.2 Scope and Approach

The Scope of this review focussed on the following:

- Existence and effectiveness of a framework for Community Safety defining the Council's Community Safety Strategies
- Existence and effectiveness of policies and procedures supporting each Community Safety Strategy in the management of Community Safety
- Effectiveness of ongoing stakeholder management activities in relation to Community Safety strategies
- Availability, adequacy and effectiveness of tools and measurements of success in achieving Community Safety by the Council
- Level of rigour in articulating the role of political leadership in relation to Community Safety
- Overall posture of the Council's Community Safety strategies against best practice.

### 2.3 Review Approach

The review was conducted primarily by applying discussion, observation and review techniques with sample testing being undertaken, concentrating on:

- Interviews was undertaken with key targeted staff members to understand the Council's risk current practices for Community Safety
- Detailed review of identified and selected information embodied in Council documents was assessed
- Corroborative inquiry was undertaken regarding and regarded all facts supported by information provided by the Council
- Analysis of qualitative data was undertaken to support conclusions reached in this review

### 2.4 Recommendations and Assigned Priority Ratings

Recommendations were provided for low risk findings and these are documented in section 4 below.

We have assigned and agreed with management, priority rating for the recommendation in accordance with priority rating criteria set out in **Appendix 4**.

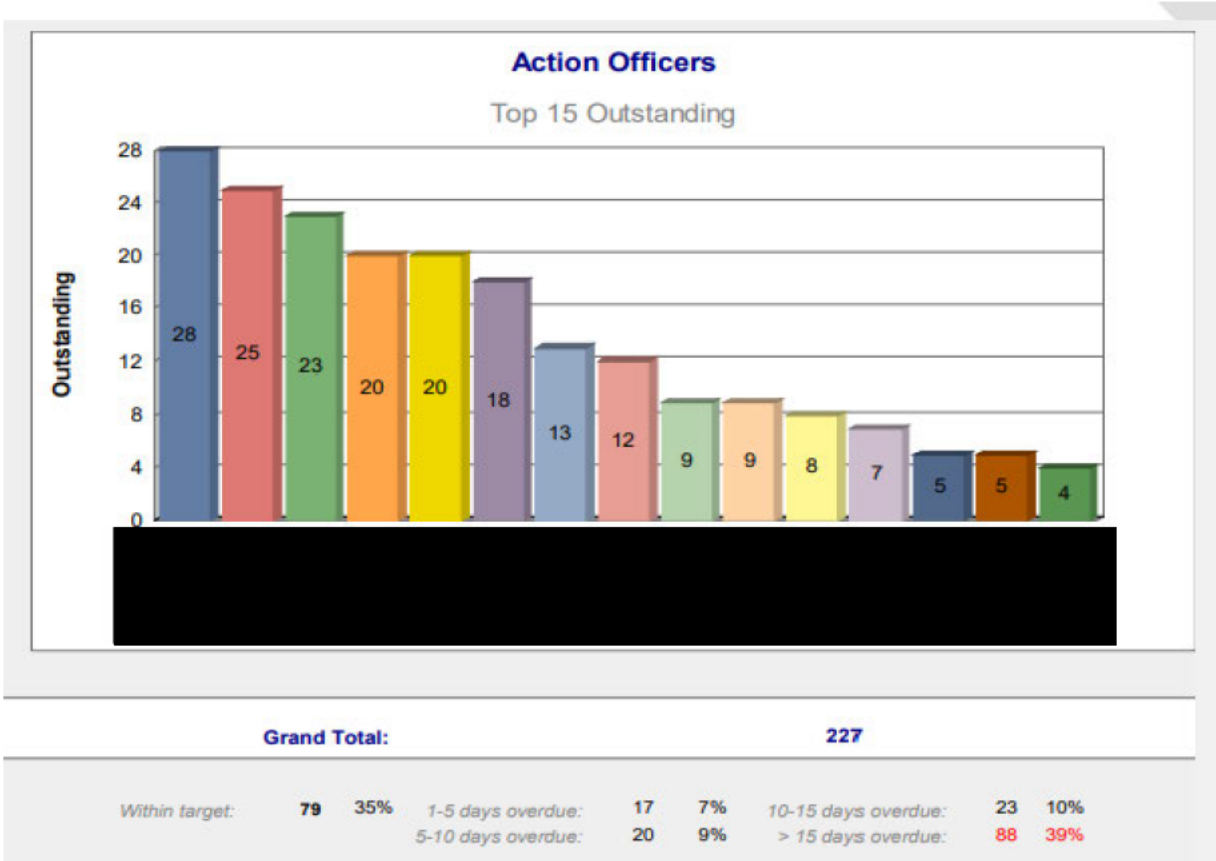
### 3. Detailed Findings

The following Findings were identified during the audit.

Finding Reference	Observation	Priority Rating			Recommendation	Management Response	Due Date for Completion
		H	M	L			
<b>The Council has a significant amount of maintenance activities which are overdue for attendance and closure</b>							
F1	<p>We identified that the Council has an aggregated 39% of activities which require attention but have not been addressed for more than 15 days. Each activity is allocated to an action officer and monitored for performance with respect to timely delivery of allocated activities. Activities include actions needed to restore identified anomalies related to but not limited to matters under the following:</p> <ul style="list-style-type: none"> <li>• Footpath Management</li> <li>• Unsealed road maintenance</li> <li>• Storm water and Drainage</li> <li>• Weed Spraying</li> <li>• Clearing Parks and Gardens</li> <li>• Defects Management</li> </ul> <p>Refer to Appendix 1 below for the aggregate summary of overdue actions by each staff member allocated the activity/action responsibility.</p>	H			We recommend that The Council prioritise and attend to all outstanding works recorded and produced through monitoring reports in Authority. Individual officers recording lower performance targets should be brought to the Executive Leadership Team for closer scrutiny and decision making.		

# Appendix 1 – Summary of Overdue Works

The table below is an extract from Authority showing the state of outstanding activities and performance to date by each staff allocated responsibility to deal with an identified action. A total of 65% of works is overdue for attendance. Of the 65%, 39% is more than 15 days overdue.





## Appendix 2 – Scope Document



# Narromine Shire Council

## **Community Safety Review**

25 March 2021



Name of Organisation	Narromine Shire Council							
Name of Task	Community Safety							
Location of Audit	Remotely							
Primary Contact Officer(s) for Audit	[REDACTED], Director Governance, Narromine Shire Council							
Expected Date of Commencement	27 January 2021							
Expected Date of Completion	15 February 2021							
Objective	The objective of this review was to assess the adequacy and effectiveness with which the Council manages Community Safety							
Scope and Approach	<p>The Scope of this review focussed on the following:</p> <ul style="list-style-type: none"> <li>• Existence and effectiveness of a framework for Community Safety defining the Council's Community Safety Strategies</li> <li>• Existence and effectiveness of policies and procedures supporting each Community Safety Strategy in the management of Community Safety</li> <li>• Effectiveness of ongoing stakeholder management activities in relation to Community Safety strategies</li> <li>• Availability, adequacy and effectiveness of tools and measurements of success in achieving community safety by the Council</li> <li>• Level of rigour in articulating the role of political leadership in relation to Community Safety</li> <li>• Overall posture of the Council's Community Safety strategies against best practice.</li> </ul>							
Proposed Team	<table border="1"> <thead> <tr> <th>Name</th> <th>Category</th> </tr> </thead> <tbody> <tr> <td>Gabriel Faponle</td> <td>Partner</td> </tr> <tr> <td>Levy Mpofo</td> <td>Manager</td> </tr> </tbody> </table>	Name	Category	Gabriel Faponle	Partner	Levy Mpofo	Manager	
Name	Category							
Gabriel Faponle	Partner							
Levy Mpofo	Manager							
Scope Limitations	<p>Our Internal Audit work will be performed in accordance with the International Standards for the Professional Practice of Internal Auditing and the Crowe Horwath Risk Consulting (Risk and Internal Audit) Methodology. This will not constitute an examination or a review in accordance with Australian Accounting Standards. Accordingly, we provide no opinion or other form of assurance with regards to our work or the information upon which our work was based. We will not audit or otherwise verify the information supplied to us in connection with this engagement, except to the extent specified in this report or our approved objectives and scope.</p>							
Crowe Contact	Gabriel Faponle							
Expected Outcome of the Audit/Deliverables	<p>The final deliverables will include:</p> <ul style="list-style-type: none"> <li>▪ End of fieldwork verbal update to discuss key observations</li> </ul>							





	<ul style="list-style-type: none"><li>▪ An exit meeting with key staff to agree on the draft report and recommendations made; and</li><li>▪ A final audit report the findings and suggested recommendations</li></ul>
Consultation with Contract Officer	Preliminary and closing meetings will be held in the first instance with the Director Governance and the identified key stakeholder(s) if required.

**Internal Audit Report**

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## Appendix 3 – Personnel Contacted

We would like to thank the staff who participated in our interview process and following personnel for their key role in this audit.

Contact Name	Position
[REDACTED]	General Manager
[REDACTED]	Manager Engineering Services
[REDACTED]	Asset Inspector
[REDACTED]	Director Infrastructure & Engineering Services

## Appendix 4 – Priority Key Rating

The following criteria are used to assign priority ratings to each internal audit recommendations. In relation to this audit, there were no recommendations requiring priority key ratings. Areas of further improvements to already existing processes were made and are detailed in section 3 above.

Priority Rating Key	
<b>H (High)</b>	Issue represents a control weakness, which could cause or is causing major disruption of the process or major adverse effect on the ability of the process to achieve its objectives. Urgent attention from senior management required.
<b>M (Medium)</b>	Issue represents a control weakness, which could cause or is causing moderate adverse effect on the ability of the process to achieve its objectives. Immediate management attention required.
<b>L (Low)</b>	Issue represents a control weakness, which could cause or is causing less than a moderate adverse impact on the ability of the process to achieve its objectives. Requires management attention in the short to medium term.

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**Narromine Shire Council**  
**Internal Audit Committee**  
**Annual Report to Council 2021**

Report prepared by the Chair of  
Narromine Shire Council Internal Audit Committee

## Contents

1. Introduction.....	3
2. Internal Audit Committee Report.....	4
2.1 Charter .....	4
2.2 Committee Membership .....	4
2.3 Committee Meeting Attendance.....	5
2.4 Role of the Committee .....	5
2.5 Key Activities Undertaken During the Reporting Period .....	6
2.6 Enterprise Risk .....	6
2.7 Internal Audit.....	7
Internal Audit Plan.....	7
A New Risk Management and Internal Audit Framework for Local Councils in NSW .....	7
Independent Assessment of the Internal Audit Function .....	8
2.8 External Audit .....	8
3. Committee Priorities for 2021/22 .....	9

## 1. Introduction

The Charter of the Internal Audit Committee (the Committee) adopted by Council requires the Committee to report to Council on its activities, at least annually.

This report covers the period from 1 July 2020 – 30 June 2021. Prior to its presentation to Council, the report was reviewed and endorsed by the members of the Committee.

Narromine Shire Council's Internal Audit Committee has been established by Council as a key component of its governance framework. The Charter for the Committee has been developed with reference to guidelines issued by the Office of Local Government.

The Internal Audit Committee Charter sets out the roles and responsibilities of the Committee, its authority and operational guidelines, membership and the tenure of its members, and their reporting responsibilities.

The Committee was established by Council resolution on 14 February 2018, with the Charter adopted at the same time. No reviews or amendments to the original Charter by the Committee have occurred since that date, however the Committee are required to review it at least once every four years.

Membership of the Committee comprises one (1) Councillor and two (2) independent members. Independent members of the Committee are selected following an expression of interest process.



## 2. Internal Audit Committee Report

### 2.1 Charter

At its first meeting in December 2018, the Committee was made aware of changes introduced by the Local Government Amendment (Governance and Planning) Act 2016 requiring Councils to appoint an Audit, Risk and Improvement Committee. The amendment specified (amongst other things) a range of aspects of Council's operations that the Committee must keep under review.

As the new Act provisions are still yet to be proclaimed, the Committee will defer any immediate revision of the Charter until such time that the provisions have been proclaimed. However, the Committee will work with Council to progressively ensure the new requirements are adequately considered as part of the continuous improvement process, and in anticipation of them being proclaimed. Council adopted the original Internal Audit Committee Charter in February 2018.

### 2.2 Committee Membership

The Committee members during the period covered by this report were:

#### **Councillor member:**

- Cr James Craft  
*Council appointed delegate since 14 February 2018*

#### **Independent members:**

- Neil Maltby  
*Member since 10 October 2018; Chair from 10 December 2018 to 9 March 2020*
- Ron Gillard  
*Member since 10 October 2018; Chair from 9 March 2020 to present*

#### **Background of Independent Members**

**Neil Maltby** has over 47 years of senior commercial business management experience in medium sized entities operating in numerous industries across Australia, and has operated his own consulting business for the past 13 years. He is currently an independent member or Chair on two regional Council Audit and Risk Committees. Neil is a Fellow of Chartered Accountants Australia and New Zealand.

**Ron Gillard** has had an extensive 33 year commercial sector career in Australia and with significant business ventures in the US and Europe, and brings to the committee wide ranging specialist accounting and business management skills. He currently operates his own consulting business and has done so for the last 17 years. In addition, Ron has held executive roles on a number of community organisations and has been an independent member or Chair on Audit and Risk Committees of several regional Councils for the past six years. Ron holds a Master's Degree in Commerce.

### 2.3 Committee Meeting Attendance

The table below sets out the meetings of the Committee held during the reporting period and the attendance of Committee members at these meetings.

**Table 1 Summary of Committee Meetings and Member Attendance**

Meeting Date	Cr James Craft	Neil Maltby	Ron Gillard
6/7/2020	✓	✓	✓
31/8 - 2/9/2020 <i>(Financial Statements review and referral via circular resolution)</i>	✓	✓	✓
9/11/2020	✓	✓	✓
8/3/2021	✓	✓	✓

### 2.4 Role of the Committee

The role of the Committee is to oversight risk, compliance, external accountability and internal control in Council. The Committee does this by:

- reviewing and commenting on Council's enterprise risk management framework and practices, including review of internal control mechanisms;
- reviewing financial reporting, including reviewing the work of the Council's external auditors;
- monitoring legislative compliance, including compliance with policies and guidelines issued by the Office of Local Government;
- reviewing the work of Council's internal audit function, including achievement of Council's Strategic Internal Plan and advising management on the annual program of internal audits, as well as overseeing progress with the implementation of the recommendations of completed audit reports;
- monitoring progress of internal process improvement projects, including the implementation of internal and external audit recommendations; and,
- reporting to Council on significant governance, risk, and internal control issues.

The Committee has instituted key management compliance declarations with Council management and these are monitored and reported on progressively throughout the year at Committee meetings, as well as via the scope and deliverables from internal and external audits.

## 2.5 Key Activities Undertaken During the Reporting Period

The following summarises key activities undertaken by the Committee during the reporting period:

- ✓ Approved and submitted its inaugural annual report to Council.
- ✓ Reviewed and monitored management's responses to the internal audit recommendations from projects listed below at 2.7, as well as those to external audit recommendations resulting from the 2017/18 and 2019/20 financial year audits, which strengthen Council's internal control environment.
- ✓ Reviewed the performance to date of the internal audit function and agreed KPI's for future internal audit performance reporting.
- ✓ Reporting of material COVID-19 impacts to Council at each Committee meeting, including Council actions/responses undertaken to mitigate any actual/potential risks, as well as impact to the financial statements.
- ✓ Presentation of selected Council projects and business cases, including discussion on potential risks and mitigation strategies employed.
- ✓ Reporting of OLG Circulars to the Committee, including how Council are addressing the matters covered, are reviewed at each Committee meeting as a standing agenda item.
- ✓ Reporting of any Council's legislative non-compliance reviewed at each meeting as a standing agenda item.
- ✓ Reviewed and reassessed the residual Strategic Internal Audit Plan.
- ✓ Out of session 'in principle consent' given to Council for the draft 2019/20 financial statements to be referred for audit following the Committee's review.
- ✓ Oversight of the delivery of an unqualified opinion on Council's 2019/20 financial statements by the external auditors.
- ✓ Reviewed Council's draft Annual Report for 2019/20 to ensure the financial information included in the Annual Report was consistent with the signed financial statements.
- ✓ Reviewed and recognised Council's progress with their second year in the 'Local Government Performance Excellence Program' (FY19).
- ✓ Reviewed and monitored progress of Council's proposed legislative compliance system, and endorsed an amended Legislative Compliance Policy for Council approval.
- ✓ Reviewed the results and recommendations of an external cyber-security penetration test undertaken independently by Council.
- ✓ Endorsed an updated/amended Corporate Credit Card Policy for approval by Council following management's annual credit card review and reporting to the Committee.
- ✓ Reviewed the 2020/21 Audit Engagement Plan with management and external auditors.
- ✓ Monitored the progress of the OLG's draft paper titled "A New Risk Management and Internal Audit Framework for local councils in NSW" to ensure Council and the Committee are ready to implement the proposed requirements once OLG makes their amendments and/or decisions.

## 2.6 Enterprise Risk

As noted above, Council presented a Strategic Risk Register to the Committee in December 2018 which was developed through an assessment review with the internal auditor. This process included determining Council's risk appetite via a workshop with Council staff, as well as the identification of strategic risk areas and their respective risk ratings.

As part of the process, the Council's risk maturity was initially self-assessed as being at Level 2 (Repeatable) in the maturity scale from lowest Level 1 (Reactive) to Level 5 (Optimise). It would be reasonably expected from the work undertaken and completed to date, that Council's risk maturity level has improved since the initial self-assessment and will continue to improve in the coming years.

The Committee will undertake a formal review of the Strategic Risk Register and Council's risk management framework in the balance of the 2021 calendar year.

Further to the above, it is duly noted that the Committee is routinely informed about any issues or matters that have arisen between meetings that could affect the Councils risk profile.

## 2.7 Internal Audit

### Internal Audit Plan

The Committee adopted the Strategic Internal Audit Plan 2018/19 – 2020/21 at its inaugural meeting on 10<sup>th</sup> December 2018.

Planned internal audit projects reviewed by the Committee during the reporting period were:

- Community Engagement
- Infrastructure Management

Planned internal audit projects scheduled to be presented to the 2021/22 Committee meetings are:

- Community Safety (Jul)
- Workforce Planning, Recruitment and Retention (Nov)

The Committee is satisfied with the work undertaken, the reported outcomes, and management's response/progress toward corrective action where necessary.

### A New Risk Management and Internal Audit Framework for Local Councils in NSW

In 2016, the NSW Government made it a requirement under the Local Government Act 1993 ("Act") that each council have an Audit, Risk and Improvement Committee ("ARIC") in place. This requirement was intended to take effect from March 2021, however COVID-19 and the submissions received by the OLG appear to have deferred it a couple of years. Councils are also required to proactively manage any risks they face under the new guiding principles of the Act.

The Discussion Paper published in September 2019 outlined the legislative framework to provide guidance on how Council should establish and operate an ARIC and complementing internal audit and risk management functions. It is understood that some of the previous guidance has been amended due to the submissions received.

Originally, it was proposed that there would be nine core requirements that Councils will be required to comply with when establishing their ARIC, risk management framework and internal audit function. These requirements are based on international standards and the experience of Australian and NSW Government public sector agencies who have already implemented risk management frameworks and internal audit functions.

There are also components of the originally proposed framework that are designed to reflect the unique needs and structure of NSW Councils. The framework, when finalised, will apply to Councils, County Councils and Joint Organisations.

The original implementation timeline for the new guidelines allows for a transitional period which ends in March 2021. Originally, Councils would have had until this date to establish an ARIC. Then, by December 2022, Councils would have been required to have developed a risk management framework, including appointment of a Risk Management Coordinator (Core Requirement 2). In addition, an internal audit function should be established, including employment of a Chief Audit Executive and personnel (Core Requirements 3-4 or 9 for shared arrangements). It is also expected that Councils will fully implement and operate a risk management framework and an internal audit function which are both compliant with the new requirements by 2024. Full compliance with section 428A of the Act was originally expected by 2026 with Councils that have established ARIC's, mature risk management and internal audit functions, being encouraged to comply sooner.

Council and the Independent Members made submissions to the Office of Local Government on this draft paper at the end of 2019 and are still awaiting formal feedback and/or resolutions.

#### [Independent Assessment of the Internal Audit Function](#)

As part of the internal framework for the professional practice of internal auditing (IPPF) it is expected that an independent assessment of the internal audit function be performed to ensure that the practice of internal auditing is in accordance with professional standards.

Given Council's relative infancy in this area, an effective review is unlikely to occur until such time that we have at least completed the initial three year Strategic Internal Audit Plan (which is still currently in operation).

## [2.8 External Audit](#)

The Local Government Amendment (Governance and Planning) Act 2016 gave the Auditor-General the mandate to also audit NSW local councils. During the reporting period the NSW Audit Office undertook the external audit of Council's 2019/20 financial statements.

The Committee met with the NSW Audit Office and their Agent during the period and oversaw the delivery of the Council's Client Service Plan – Year Ending 30 June 2020, and also reviewed the audit plan in March 2021 for the current financial year.

The 2019/20 audit produced an unqualified audit opinion, with no significant areas of concern noted. The Committee reported to Council that they are not aware of any issues that would preclude Council from adopting the audited Annual Financial Statements for 2019/20.

The Committee notes that no new issues were identified during the final 2019/20 audit, and that the external auditors reported that management had satisfactorily addressed all but one minor issue from previous management letters during their final audit. Management was commended for achieving this significant and exceptional result.

### 3. Committee Priorities for 2021/22

The Committee recognises that their key priorities for 2021/22 should be:

- Closely monitor progression/finalisation of the current Strategic Internal Audit Plan's remaining projects, to develop a new Strategic Internal Audit Plan for the next three years, and to ensure the agreed audits are completed in a timely manner.
- Review an updated Strategic Risk Register and review the documentation supporting the operation of Council's risk management framework.
- Review a register of current Council policies for completeness, and ensure existing policies are routinely reviewed and updated.
- Review Council's business continuity plan, including its IT disaster recovery plan.
- Review the performance to date of the internal audit function, and consider the requirements of Council's internal audit function for the next 3-5 years.
- Review the Committee's responsibilities outlined in the Charter on a cyclical basis.
- Continue to monitor OLG's final decision following input to their draft paper titled "A New Risk Management and Internal Audit Framework for local councils in NSW" in late 2019, and assist Council in preparing for and implementing the 'yet to be determined' requirements.

**Ron Gillard**

Chair – Narromine Shire Council Internal Audit Committee

26<sup>th</sup> July 2021