



AGENDA

AUDIT COMMITTEE

28 JULY 2020



SHIRE OF WAGIN

NOTICE OF MEETING

Dear President and Councillors,

The next Audit Committee meeting will be held

ON: Tuesday 28 JULY 2020

WHERE: Council Chambers, Shire Office, 2 Arthur Road, WAGIN

AT: 6:00pm



Bill Atkinson
ACTING CHIEF EXECUTIVE OFFICER

Note: That, under section 5.65 of the Local Government Act 1995, care should be exercised by all councillors to ensure that a 'financial interest' is declared and that they refrain from voting on any matters which are considered that may come within the ambit of the Act.



DISCLAIMER

No responsibility is implied or accepted by the Shire of Wagin for any act, omission or statement or intimation occurring during Council or committee meetings.

The Shire of Wagin disclaims any liability for any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission or statement or intimation occurring during Council or committee meetings.

Any person or legal entity who acts or fails to act in reliance upon any statement, act or omission made in a Council or committee meeting does so at that person's or legal entity's own risk.

In particular and without detracting in any way from the broad disclaimer above, in any discussion regarding any planning application or application for a licence, any statement or intimation of approval made by any member or officer of the Shire of Wagin during the course of any meeting is not intended to be and is not taken as notice of approval from the Shire of Wagin

The Shire of Wagin advises that anyone who has any application lodged with the Shire of Wagin shall obtain and should only rely on **WRITTEN CONFIRMATION** of the outcome of the application, and any conditions attaching to the decision made by the Shire of Wagin in respect of the application.

Bill Atkinson
ACTING CHIEF EXECUTIVE OFFICER



SHIRE OF WAGIN

Agenda for the Audit Committee meeting to be held in the Council Chambers, Wagin on
Tuesday 28 July 2020 commencing at 6pm

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1. OFFICIAL OPENING

The Presiding Member, Cr Phil Blight opened the meeting at _____pm.

2. RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE (PREVIOUSLY APPROVED)

2.1 ATTENDANCE

Cr Phillip Blight	Shire President
Cr Greg Ball	Deputy Shire President
Cr Bronwyn Hegarty	
Cr Bryan Kilpatrick	
Cr Jason Reed	
Bill Atkinson	Acting Chief Executive Officer
Brian Roderick	Deputy Chief Executive Officer
Tegan Hall	Manager of Finance
Emily Edwards	Executive Assistant

2.2 APOLOGIES

3. PUBLIC FORUM

Council conducts open Council Meetings. Members of the public are asked that if they wish to address the Council that they state their name and put the purpose of their address as precisely as possible. A minimum of 15 minutes is allocated for public forum. The length of time an individual can speak will be determined at the President's discretion.

4. PETITIONS/DEPUTATIONS/PRESENTATIONS

5. DISCLOSURE OF FINANCIAL AND OTHER INTERESTS

5.1 DISCLOSURE OF FINANCIAL INTEREST – Local Government Act Section 5.60a

5.2 DISCLOSURE OF PROXIMITY INTEREST – Local Government Act Section 5.6

5.3 DISCLOSURE OF IMPARTIALITY INTEREST – Administration Regulation Section 34c

6. CONFIRMATION OF PREVIOUS MEETING MINUTES



6.1 MINUTES FROM THE AUDIT COMMITTEE MEETING HELD 23 JUNE 2020

COUNCIL DECISION

Moved Cr

Seconded Cr

That the minutes of the Audit Committee meeting held on Thursday 18 June 2020 and circulated to all Councillors, be confirmed as a true and accurate record.

Carried 0/0

7. CORRESPONDENCE AND REPORTS

7.1 ACTING CHIEF EXECUTIVE OFFICER

7.1.1. CEO REG 17 AND FINANCIAL MANAGEMENT REVIEW COMPLIANCE IMPROVEMENT TIMELINE REPORT

PROPONENT:	N/A
OWNER:	Shire of Wagin
LOCATION/ADDRESS:	N/A
AUTHOR OF REPORT:	Deputy Chief Executive Officer
SENIOR OFFICER:	Acting Chief Executive Officer
DATE OF REPORT:	20 July 2020
PREVIOUS REPORT(S):	<i>6.1 Audit Regulation 17 – Risk Management Review and Financial Management Review – 18 June 2020</i>
DISCLOSURE OF INTEREST:	Nil
FILE REFERENCE:	FM.AD.1
ATTACHMENTS:	CEO Reg 17 & Financial Management Review Compliance Improvement Timeline Report

OFFICER RECOMMENDATION

Moved Cr

Seconded Cr

That the CEO Regulation 17 and Financial Management Review Compliance Improvement Timeline Report be endorsed.

Carried 0/0



BRIEF SUMMARY

The CEO Regulation 17 and Financial Management Review Compliance Timeline document be endorsed.

BACKGROUND/COMMENT

Accounting and audit firm, Moore Stephens were engaged to undertake both the Regulation 17 - Risk Management, Legislative Compliance and Internal Controls Review and the Financial Management Review. The reviews have been undertaken simultaneously and the results are contained in a single report which was presented to the Audit Committee in June.

There was a significant number of matters identified and raised requiring attention and improvement. Some of these matters are of non-compliance and some of the matters relate to procedure and process.

The Committee and Council adopted the reports however the Audit Committee requested the following:

COMMITTEE RECOMMENDATION

Moved: Cr. G R Ball

Seconded: Cr. J P Reed

That a report of compliance and Improvement timelines be presented to the Audit Committee prior to the July Ordinary meeting of Council.

Carried 5/0

The Compliance Project Officer has put together a comprehensive compliance improvement report. The document has been reviewed by senior staff, with each compliance improvement task assigned to an officer with an appropriate and achievable due date.

The report will be updated over the next seven months and it can be re-presented to future Audit Committee meetings for the Committee to review progress.

CONSULTATION/COMMUNICATION

Shire of Wagin Senior Staff

STATUTORY/LEGAL IMPLICATIONS

- Local Government Act 1995
- Local Government (Financial Management) Regulation ("FM Reg") 5(2)(c)
- Local Government (Audit) Regulations 1996

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

Nil

VOTING REQUIREMENTS

Simple Majority



8. GENERAL BUSINESS

9. CLOSURE

**Regulation 17 and Financial Management Review June 2020
Compliance Action Timeline**

Item	Matters Identified	Suggested Improvements	Action Plan	Resp. Officer	Status to Date	Due Date for Completion
6. FRAMEWORK DESIGN						
6.2	COUNCIL POLICIES					
Finance Policy No. 6 - Issuing of Council Purchase Orders	The policy contains a table with individual employee names and limits of delegated authority. The table is not current with current employee names, and we did not observe an official delegation to support the policy.	Review and update the policy, or alternatively include sufficient provision of information to support delegations within the procurement policy and rescind finance policy no. 6.	Review Policy Manual	MF		Feb-21
Finance Policy No. 10 - Rates Concession Incentives Commercial Properties	Concessions for new businesses to the district are provided for within the policy, however some exclusions are included which may require review to ensure equitable competitiveness is maintained within the policy.	Review the policy and consider seeking professional advice where required relating to equitable competitiveness		MF		Feb-21
Finance Policy No. 11 - Corporate Credit Card	The policy requires the Shire President to approve and sign the CEO's credit card statement. Under the Local Government Act 1995 the Shire President has no administrative authority and as such no authority to approve the CEO's credit card statement. The list of credit cards approved to be held by the Shire by the policy does not include a credit card currently held and in use by the local SES.	Review the policy/procedure to amend the authorisation process of the CEO's credit card. Periodic reports to Council should be undertaken acknowledging transactions as having been made and authorised by the CEO. The practice of separately highlighting transactions made on the CEO's credit card for presentation to Council should continue. This is in line with the Western Australian Auditor General's Report dated 7 May 2018 relating to Controls Over Corporate Credit Cards. Review and update the policy and credit cards currently held by the Shire.		MF		Feb-21
Finance Policy No. 15 - Purchasing Tender Guide	The policy provides limited direction regarding contract variations and extensions awarded or against a written specification not awarded by tender. Extension of contracts and associated price changes are also not covered by the policy. For contracts awarded by tender, legislation provides minimum requirements. Purchasing requirements for procurement of goods or services in accordance with the exemptions under Local Government (Functions and General) Regulations 1996 Regulation 11(2), regardless of the value of expenditure are not included within the policy. The CEO is required to ensure controls exist for all purchases including those made using these exemptions. It is noted the practice of testing the market through sourcing multiple quotations when using the exemptions is sometimes occurring, and the policy should be updated to reflect the expectation and requirement.	Amend the Policy to provide the following: <ul style="list-style-type: none"> Prohibit price variations to existing contracts awarded by tender other than those provided within the original contract, as required by Local Government (Functions and General) Regulations 1996 Regulation 11(2)(j)(iv). Purchasing requirements of the issuing of contract variations and extensions for contracts not awarded by public tender. Consideration should be given to circumstances where the contract value increase over a policy threshold level, due to the variation or extension. Inset purchasing requirements for procurement of goods or services made under the exemptions under Local Government (Functions and General) Regulations 1996 Regulation 11(2). 		DCEO		Aug-20
Finance Policy No. 16 - Significant Accounting Policies	Formalisation of accounting policies may result in a conflict with information prepared in annual financial reports, required to be prepared in accordance with AAS and the <i>Local Government Financial Management Regulations 1996</i> .	Ideally, to avoid conflict with the standards and legislation the policy should not include legislative and standards requirements and should enhance these requirements or provide a policy decision where an accounting standard allows a policy choice. Consider rescinding the policy or reviewing and amending the policy accordingly.		MF		Feb-21
Finance Policy No. 20 - Risk Management, Governance Framework & Policy	The current policy is based on a superseded risk management standard AS/ NZ ISO 31000:2009.	Develop and adopt a risk management policy to align to Risk Management Standard ISO 31000:2018. Ensure risk management policy and strategy adequately considers and addresses risks relating to contractors and volunteers periodically or sporadically engaged by Council.		DCEO		Dec-20

Item	Matters Identified	Suggested Improvements		Resp. Officer	Status to Date	Due Date for Completion
Admin Policy No. 10 - Grievance	The policy does not provide for the handling of complaints against the CEO. A number of documents are required to be maintained within the policy, however limited supporting documentation was available for our inspection.	Review and amend the policy to provide a process for the handling and resolution of complaints regarding the CEO. Review systems and processes to align with the policy, or alternatively amend the policy to refer to operational processes.	Review Policy Manual	DCEO		Feb-21
Admin Policy No. 18 - Asset Management	The current policy scope refers to all assets with a replacement value higher than \$3,000. Regulation 17A paragraph 5 of the <i>Local Government (Financial Management) Regulations 1996</i> requires that assets less than \$5,000 are not to be capitalised	Review and amend the policy to update the asset value, or alternatively remove the specific amount referred to in the policy and refer to the <i>Local Government (Financial Management) Regulations 1996</i> .		MF		Sep-20
Council Policy No. 2 - Councillors Out of Pocket Expenses	The policy sets out the rate for travel reimbursements for elected members in performing their duties is to be calculated at the same rate as Clause 42 of the Local Government Officers (Western Australia) Award 1988. This Award is no longer current, and the policy does not align with the provisions of the most recent determination published by the Salaries and Allowances Tribunal (SAT) which sets out the reimbursement rate where elected members are discharging their duties.	Review and amend the policy to correctly reflect mileage reimbursements permitted under the current SAT determination.		CEO		Feb-21
Policy Reference to Legislation and External Information	We noted several policies contain specific detail relating to legislation and other external references, including: <ul style="list-style-type: none"> • Finance Policy No. 8; • Health Policy No. 7,8,12,16 and 23; • Bushfire Policy No. 7; and • Works Policy No. 8 and 11. We noted the references within these policies may be outdated or superseded by changes to the legislation, Australian Standards, the Town Planning Scheme or other external references.	Update policies to remove specific and / or detailed references to legislation and other external references to assist with appropriate alignment and consistency in Council policies is maintained.		relevant manager		Feb-21
Policy Reference to Fees and Charges	Several Council policies include statements defining fees and charges for services, including: <ul style="list-style-type: none"> • Health Building and Planning Policy No. 1,9 and 27; and • Works Policy No. 11. We noted the fees and charges stated within the above policies do not align with the current schedule of fees and charges.	Update policies to reflect the schedule of fees and charges.		relevant manager		Feb-21
General Policy Actions	Legislation provides for policies to be determined by Council, and for the CEO to manage the day to day operations of the local government. We noted a number of Council policies which provide for elected members to become involved in operational activities and decision making. Examples included: <ul style="list-style-type: none"> • Works Policy No. 3; • Administration Policy No. 1 & 21; • Council Policy No. 2, 10; and • Finance Policy No. 11. Policies are not necessarily intended to provide direction on how different functions are to be executed, except where legislation requires it.	Review and update policies to ensure they provide guidance to articulate the strategic direction of Council and set out a high level position to follow at an operational level (e.g. we shall, we shall not), particularly where legislation does not provide such guidance.		relevant manager		Feb-21
Internal Control Policy	Currently, no policy on internal controls has been adopted by Council.	We suggest an internal control policy be formulated and adopted to formalise Council's commitment and approach to internal controls, based on a risk management process.		<ul style="list-style-type: none"> • Assess need for internal control policy • Develop Policy 	DCEO	
Legislative Compliance Policy	Currently, no policy on internal legislative compliance has been adopted by Council.	Development and adoption of a legislative compliance policy may help formalise Council's commitment and approach to legislative compliance.	<ul style="list-style-type: none"> • Assess need for internal control policy • Develop Policy 	DCEO		Feb-21
Policy Review	Policies are reviewed annually by Council to help ensure they remain current. There is no 'history' (adoption / review) to indicate where policies have been reviewed and amended	Following review of policies by Council, update the latest 'history' date on the policy to provide evidence and an accurate record of when the policy was reviewed, amended and adopted.	<ul style="list-style-type: none"> • Correct as part of Policy Review Process • Ensure delegation details are correct • Put Review date on Policies 	EA		Feb-21

Item	Matters Identified	Suggested Improvements	Action Plan	Resp. Officer	Status to Date	Due Date for Completion
7. FRAMEWORK IMPLEMENTATION						
7.1	STRATEGIC AND OPERATIONAL PLANS					
Strategic Community Plan Stage 1	<p>The Strategic Community Plan underwent a major review within four years as required in June 2018 and was adopted unanimously. The voting requirement in agenda papers noted a simple majority decision of Council was required to adopt the plan, rather than an absolute majority as required by Local Government (Administration) Regulations 1996 19C (4).</p> <p>The Strategic Community Plan lists results of community engagement but does not clearly set out the engagement mechanisms and processes utilised for community engagement, the consideration of demographics/trends or resource capacity as required by Department Local Government, Sport and Cultural Industries (DLGSCI) Integrated Planning and Reporting Advisory Standard (September 2016)..</p> <p>The Annual Report contains a section which describes activities and strategies included within the Strategic Community Plan and Corporate Business Plan (plan for the future). It does not highlight the activities from the plans which have commenced during the reporting period or are continuing as required by DLGSCI Integrated Planning and Reporting Advisory Standard (September 2016)..</p>	<p>To help ensure compliance and provide sound planning direction to the Shire, agenda papers should include correct legislative references and requirements when being considered by Council.</p> <p>Document information within the Strategic Community Plan to include all required data and information as published within the Department Local Government, Sport and Cultural Industries Integrated Planning and Reporting Advisory Standard (September 2016).</p> <p>Include within the Shire's Annual Report information relating to the Plan for the Future as required by section 5.53(2)(e) of the Local Government Act 1995.</p>	<ul style="list-style-type: none"> • Hold Integrated Planning Day <ul style="list-style-type: none"> • Prepare Plan • Issue Local Public Notice • Publish Plan on Website 	DCEO	<ul style="list-style-type: none"> • Integrated Planning Day 16/07/2020 	Jul-20
Corporate Business Plan Stage 1	<p>The Corporate Business Plan was last reviewed in June 2018 has not been reviewed annually as required by section 6.2(2) of the Local Government Act 1995 and Local Government (Administration) Regulations 1996 19DA (4).</p> <p>The Corporate Business Plan was adopted by Council in June 2018 with the voting requirement in agenda papers noting a simple majority decision of Council required to adopt the plan, rather than an absolute majority as required by Local Government (Administration) Regulations 1996 19C (4).</p> <p>Linkages between capital projects and key activities within the plan are not clearly identified.</p>	<p>Ensure the Corporate Business Plan is reviewed annually prior to the adoption of the annual budget, in accordance with the requirements of section 6.2(2) of the Local Government Act 1995 and Local Government (Administration) Regulations 1996 19DA (4).</p> <p>Document information within the plan to include all required data and information as published within the DLGSCI Integrated Planning and Reporting Advisory Standard (September 2016).</p>				
Business Continuity Plan Stage 2	A Business Continuity Plan was not available for inspection.	Develop a Business Continuity Plan and test it to ensure validity. Identify and document key business continuity risks along with the treatments, to reduce the risk to an acceptable level.	<ul style="list-style-type: none"> • Develop Business Continuity Plan 	CLO	In Progress	Dec-20
Workforce Plan Stage 2	The Workforce Plan 2013-2017 has not been reviewed since it was developed and is now out of date. Although there is no statutory obligation to adopt the plan, it is required by the DLGSCI Integrated Planning and Reporting Advisory Standard (September 2016), and to be aligned to the Corporate Business Plan and annual budget.	Review and update the Workforce Plan to maintain effective alignment with IPR documents, and to include all required data and information as published within the DLGSCI Integrated Planning and Reporting Advisory Standard (September 2016).	<ul style="list-style-type: none"> • Review and Update Workforce Plan 	DCEO		
ICT Strategic Plan	<p>A four year ICT Replacement Plan was prepared in 2016 summarising ICT infrastructure and future considerations for improvements. The plan had limited overview of ICT risks and how they are to be addressed, and has not been reviewed since it was prepared in 2016. .</p> <p>Presently a single consultant is engaged to provide IT support services and advice regarding security etc. A high level of risk could be assumed by engaging a single entity to provide all IT services.</p>	<p>Develop an ICT Strategic Plan identifying and documenting key ICT risks along with the treatments to reduce the risk to an acceptable level.</p> <p>Consider independent review of identified ICT risks.</p> <p>Consider implementation of routine review and verification of skills, competencies, qualifications and experience for IT service providers</p> <p>Careful development of a strategy will assist in considering the risks of utilising a single IT provider, and may assist in developing a scope to articulate service level agreements for a range of IT services to be potentially issued to different providers.</p>	<ul style="list-style-type: none"> • Develop ICT Strategic Plan in conjunction with Consultant IT Firm 	DCEO/EA		Feb-21
ICT Disaster Recovery Plan	An ICT Disaster Recovery Plan was not available for inspection.	Develop an ICT Disaster Recovery Plan. Identify and document key ICT risks, along with the treatments to reduce the risk to an acceptable level. Maintain, review and test the plan to ensure validity.	<ul style="list-style-type: none"> • Develop ICT Disaster Recovery Plan in conjunction with Consultant IT Firm 	DCEO/EA		Feb-21

Item	Matters Identified	Suggested Improvements	Action Plan	Resp. Officer	Status to Date	Due Date for Completion
	Code of Conduct	Section 2.3 Disclosure of Interest is not consistent with current legislative requirements and refers only to employees. Section 3.4 Gifts refers only to employees. Elected members have obligations in relation to disclosure of gifts in accordance with legislation. In its current form there is no clarity for elected members and employees as to their disclosure obligations. Contractors and volunteers are not bound by a Code of Conduct when performing functions on behalf of the Shire. Elected members, committees, contractors and volunteers are not required to sign the Code of Conduct acknowledging they have read and understand the requirements within.	Review the section of the Code of Conduct relating to interest disclosure requirements and disclosure requirements for gifts to highlight these need to be made in accordance with legislation. Given the complexities involved in amending the Code of Conduct when changes are made to legislation, consider amending the Code of Conduct so legislative requirements are not restated. Where legislative requirements are unclear or there is a desire for greater requirements, suggest this be covered by relevant policies Expand the scope of the Code of Conduct to include actions by volunteers and contractors. Alternatively, a separate Code of Conduct be developed for volunteers and contractors. Update the Code of Conduct as well as induction procedures to ensure all persons subject to the Code of Conduct sign and acknowledge they understand the content.	<ul style="list-style-type: none"> Review and Update Code of Conduct where necessary 	CEO	Aug-20
7.2	OPERATIONAL AND FINANCIAL PROCEDURES					
	Checklists	Checklists of key functions are maintained for selected functions. Checklists were not maintained and evidenced for all standard routine functions such as end of month reconciliations and reporting across the organisation. It was noted some staff have commenced with the creation of checklists and procedures	Creation and maintenance of standard checklists may assist in evidencing key points of control. Checklists assist in ensuring compliance with repetitive legislative compliance tasks. Staff are encouraged to continue with the development of checklists and procedures for routine functions, including evidencing independent review.	<ul style="list-style-type: none"> Implement further checklist items to address 	MF	COMPLETED
	Workflow Diagrams	Workflow diagrams have not been compiled for undocumented / documented procedures.	In conjunction with, or as an alternative to, the development of documented procedures and checklists, development of workflow process diagrams may assist in clearly identifying controls and processes to be followed.	<ul style="list-style-type: none"> Not Mandatory - If Capacity Staff believe checklists will suffice 		Feb-21
	Access to Shire Facilities	We noted limited physical access security measures to some Shire facilities.	Ensure adequate physical access security measures exist to prevent unauthorised individuals from accessing facilities.	<ul style="list-style-type: none"> Part of staff daily procedures and will be monitored 	ALL	COMPLETED
	Procedure Changes	Process for amending or changing procedures are not formalised. This creates opportunities for unilateral unauthorised changes to procedures and a breakdown in key controls.	Establish a process for the development, review, amendment and authorisation of procedures, checklists and other internal control documentation, throughout the Shire to assist with managing changes to procedures.	<ul style="list-style-type: none"> Not Mandatory - If Capacity 		Feb-21
	Overhead & Admin Allocations	No process is currently in place to determine the allocation of indirect costs. From staff representations, current allocation rates are based on historical estimates and reviewed informally during budget preparations each year. No calculation method to support overhead allocations was available.	Undertake a review of activity based costings to support calculation of overhead and administration allocations	<ul style="list-style-type: none"> Undertaken extensively at budget time 	MF	COMPLETED
	End of Month Processes	Evidence of end of month procedures being followed or reviewed by an authorised officer independent of preparing/collating the documentation is not routinely applied prior to preparation of monthly financial reports.	Develop checklists and procedures to demonstrate appropriate controls and reviews are in place when preparing monthly financial reports as a key control.	<ul style="list-style-type: none"> Liase with Auditor as to checklist format Make adjustments to current checklists 	MF	COMPLETED
	Asset Disposals	Our limited testing noted instances where assets have not been disposed of in accordance with section 3.58 of the Local Government Act 1995 and the Local Government (Functions and General) Regulations 1996. Several instances noted were the result of plant items being traded at the same time of purchasing a new plant item. Although the purchasing policy and legislative requirements allowed for the new plant item to be purchased without going to tender, the disposition of the traded plant item is not captured by these same exclusions. Examples included a grader and a tip truck.	Ensure future asset disposals are in accordance with the requirements of section 3.58 of the Local Government Act 1995 and the Local Government (Functions and General) Regulations 1996.	<ul style="list-style-type: none"> Staff to ensure disposals adhere to requirements 	MF	COMPLETED
	Rates	Debt recovery agents are authorised to enter into payment arrangement agreements with debtors on the Shire's behalf. Payment arrangements are not required to finalise debts by the end of financial year. Evidence of routine reviews of rate exempt properties as defined by section 6.26(2)(g) of the <i>Local Government Act 1995</i> was not available for our inspection.	Review agreement with debt recovery agent to require payment arrangements to be cleared within an appropriate agreed period. Develop and maintain systems and processes whereby routine reviews are undertaken of rate exempt properties within the Shire, confirming these properties are used exclusively for charitable purposes as defined by <i>Charitable Uses Act 1601</i> .	<ul style="list-style-type: none"> Staff to monitor as part of monthly reconciliations 	Rates/MF	COMPLETED

Item	Matters Identified	Suggested Improvements	Action Plan	Resp. Officer	Status to Date	Due Date for Completion
ICT Security	Limited controls for access to IT systems including physical access to hardware exist. Some levels of permissions have been established to network access to data, however this is largely undocumented.	Undertake a comprehensive IT security review, document current policies and practices, and implement findings of the review.	<ul style="list-style-type: none"> • May be formalised when staff have availability • Not mandatory 	DCEO		
General Journal Entries	There are limited documented internal control procedures for general journals. We noted review and evidence of review of journals after posting has not been consistently maintained.	Document internal controls to ensure journals requests initiated are reviewed and approved/authorised prior to posting by an appropriate officer, the current practice of independent review is maintained, and evidence of review is consistently applied.	<ul style="list-style-type: none"> • May be formalised when staff have availability • Not mandatory 	MF		
Risk Management Procedures	Risk management activities currently undertaken are largely undocumented, with existing procedures based on risk management standard ISO 31000:2009, which is superseded by ISO 31000:2018. The risk management profiles / reporting tool has not been reviewed since its initial development in December 2016.	<p>Risk management procedures be updated, and a process developed in accordance with any update to the risk management policy.</p> <p>Implement and maintain risk management procedures and processes throughout the Shire.</p>	<ul style="list-style-type: none"> • May be formalised when staff have availability • Not mandatory 	CLO/DCEO		Dec-20
Procurement Assessment	We did not observe any documented formal requirements when undertaking assessments of responses to requests for quotations. Documented procedures are not in place to require declarations of interest and confidentiality to be signed prior to assessments being undertaken for high value purchases.	<p>To help ensure probity and fairness when assessing high value procurement, at least three persons should assess the procurement responses independently of each other.</p> <p>Documented processes should require a higher level of probity and due diligence, for higher value or higher risk purchases.</p> <p>Persons assessing any significant procurement should be required to declare any matters which may impact or be perceived to impact on their independence. Procedures for the declaration of interests prior to procurement assessments being undertaken should also be documented for high value purchases and tenders.</p>	<ul style="list-style-type: none"> • To be assessed as part of Policy Review 	DCEO		Aug-20
Tender Assessment	No procedures were available for the assessment of tenders against the selection criteria. No procedures or correspondence were available to ensure the independence of persons in assessing tenders.	<p>To help ensure probity and fairness when assessing tenders, procedures for the process to be undertaken in assessing tenders should be followed and documented with at least three persons assessing the tender independently of each other. Persons assessing any significant procurement should be required to declare any matters which may impact or be perceived to impact on their independence.</p> <p>For tenders already awarded, ensure dual reviews of invoices submitted continues to occur by appropriately authorised officers. Consider a review of existing tenders which are still open to determine any systems, processes or controls required to maintain probity and fairness.</p>	<ul style="list-style-type: none"> • To be assessed as part of Policy Review 	DCEO		Aug-20
Creditors Audit Trails	Limited review of changes made to creditor master file details is currently undertaken when each payment run is processed.	Procedures to minimise risk of unauthorised changes to creditor details should be implemented. Independent regular reviews of software audit trails is one form of control and should be undertaken as a minimum. Where possible, segregation of duties should exist where employees responsible for processing creditors transactions are unable to make changes to creditor master file details.	<ul style="list-style-type: none"> • Currently done as part of eom processes • Implement change to do review at every payment run 	MF	COMPLETED	Jun-20
Credit Cards	<p>Agreements signed by credit card holders setting out cardholder responsibilities and legal obligations when using Shire credit cards were not available for our inspection or maintained on employee files.</p> <p>A credit card is held by a volunteer group for incidental expenditure with the Shire being responsible for managing grant funds for the group. Limited documented procedures are in place to ensure appropriate controls are applied and there is no evidence of volunteers having been briefed through the Shire's standard code of conduct, or other inductions required when operating a local government service function and incurring expense on behalf of the Shire.</p> <p>An instance of unauthorised expenditure was noted by the Shire's external auditors. This had not been detected by staff prior to being raised by the auditors.</p>	<p>Update procedures to require cardholders to review and certify expenses incurred on their credit cards each month.</p> <p>Volunteers should not be involved in credit card transactions on behalf of the Shire. Systems and processes should be established to account for reimbursement and allocation of grant funds with sufficient authorisation processes in place. Appropriate inductions for volunteers, including the Code of Conduct when performing functions on behalf of the Shire should be undertaken as required.</p> <p>Update systems and processes relating to credit cards and implement accordingly. Maintain and regularly review these controls and ensure staff responsible for processing of credit card transactions are appropriately educated with approved systems and processes.</p>	<ul style="list-style-type: none"> • Create Credit Card Agreements • Investigate SES CC Issue 	MF		Feb-21

Item	Matters Identified	Suggested Improvements	Action Plan	Resp. Officer	Status to Date	Due Date for Completion
Security controls for Cash Handling	Security controls for cash held at Shire facilities are considered inadequate. Controls are not consistently documented to ensure appropriate review and authorisation processes occur in relation to the management and handling of cash by staff.	Ensure access to any cash held is restricted only to authorised personnel through secure storage. Implement appropriate documented procedures and controls for cash maintained by staff. Processes should also include reference to insured amounts relating to cash, to ensure adequate insurance levels are maintained relating to cash.	<ul style="list-style-type: none"> Offsite Facilities, no real practical solution Assessment of potential mismanagement - not material in nature 	MF	COMPLETED	
Contracts/Agreements	Our testing noted no formal contract / agreement was in place for a long term service currently in place with a third party for waste management services. Tender documentation was utilised to form the agreement, however this does not sufficiently address contract obligations etc.	Review systems and procedures for all services with third parties currently in place to ensure appropriate contracts / agreements have been dually executed to assist in ensuring contract obligations are met by both parties.	<ul style="list-style-type: none"> Contract Register to be established Gather information in regards to contracts 	DCEO		Aug-20
Asset Revaluations	The Shire's 2017-18 audit report contained a qualification, due to some drainage infrastructure assets having not undergone a revaluation within statutory timeframes. Limited documented processes were available to monitor the required timing of revaluations against asset classes.	Review systems and procedures to ensure all asset revaluations are undertaken as required by regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996.	<ul style="list-style-type: none"> Establish a revaluation timeline 	MF	COMPLETED	
Local Laws	We noted a number of local laws exist. Evidence of any recent reviews of the local laws were not available for our inspection. Local Laws are not published on Shire's website.	Review local laws within an eight year period as required by section 3.16 of the Local Government Act 1995, or alternatively consider repealing inoperative (if applicable) local laws as detailed in section 3.12 of the Local Government Act 1995. Publish local laws on the official local government website as required by section 5.96A(a) of the Local Government Act 1995.	<ul style="list-style-type: none"> Review currently underway Update local laws where necessary Upload to website 	CSO/CEO		Sep-21
Information Required on Website	We noted the following information (in addition to other matters noted throughout this report) has not been published on the Shire's official website as required by legislation: <ul style="list-style-type: none"> Confirmed minutes of all committee meetings; and Notice papers, agenda, reports and other documents presented at Council and committee meetings. 	Ensure information is published on the Shire's official website as required by section 5.96A of the Local Government Act 1995.	<ul style="list-style-type: none"> EA to ensure all Council & Committee agendas, reports & other papers are published on Shire's website 	EA		Sep-20
Bank Account Authorisations	Two elected members are listed as authorising parties on the Shire's bank accounts as at the time of our review. Bank authority listings should be reviewed regularly to ensure they are current.	Elected members have no administrative authority and therefore should not be listed as an authorising party on Shire bank accounts. The authority for elected members should be removed immediately.	<ul style="list-style-type: none"> Confirm account authorities with bank Remove any persons not required 	MF		Feb-21
Changes to Banking Details	Currently no independent review of changes to employee and creditor banking details is performed. Formal procedures relating to changes to banking details for employees and creditors should be developed to ensure sufficient controls exist in both substantiating the change request and the changes performed within the Shire's ERP system.	Update procedures to ensure the following matters are appropriately considered and controls are adequate to: <ul style="list-style-type: none"> Validate the change request and its origin; Authority exists for the change request; and Validate and control the changes once completed. 	<ul style="list-style-type: none"> All requests are currently validated Create method to document validation Audit Trails to be conducted 	MF	COMPLETED	
7.3 HUMAN RESOURCE MANAGEMENT AND PRACTICES						
Staff Contracts	Different forms of contract exist, with some employees having a signed conditional offer of employment. Our testing highlighted some instances where some incumbents have not signed their offer of employment, and several instances where employees were issued with official offers of employment after their start date.	Ensure contracts of employment, defining roles, responsibilities and remuneration, are signed by both parties prior to employment commencing for all staff. Undertake a review of all personnel and establish contracts of employment for employees who do not have one, documenting their conditions of employment, roles and responsibilities.	<ul style="list-style-type: none"> Review to be undertaken 	DCEO		Oct-20
Employee Termination Procedures	No formal process or procedure is currently in place to ensure the appropriate termination of employees. Departmental managers have the responsibility of ensuring Shire assets are recovered, however there is no formal policy, procedure or practice in place to ensure IT permissions are restricted, or for Shire property (phones, vehicles, keys) to be returned prior to the employee finishing with the Shire.	Establish policies, procedures or checklists to manage and document the termination of employees, ensuring access to IT systems, etc. is appropriately restricted and all allocated Shire assets are recovered.	<ul style="list-style-type: none"> Create Staff Termination Checklist 	DCEO		Oct-20
Staff Training	Planned and required staff training needs for employees are not currently identified and recorded in a central training matrix.	Develop and maintain a staff training matrix to identify staff training needs relevant to their role, ensuring it is co-ordinated across the organisation and monitors currency of required licences and qualifications.	<ul style="list-style-type: none"> Sufficient Controls are in place 	DCEO	COMPLETED	Oct-20

Item	Matters Identified	Suggested Improvements	Action Plan	Resp. Officer	Status to Date	Due Date for Completion	
7.4	Payroll Audit Trail	Limited review of changes made to employee master file and parameters is currently undertaken when each payroll is processed. No independent review is undertaken to ensure bank account details have not been altered or manipulated without prior verification and authorisation.	Procedures to minimise risk of erroneous or unauthorised changes to employee details should be implemented. Regular reviews of software audit trails is one form of control and should be undertaken as a minimum. Where possible, segregation of duties should exist where those responsible for processing payroll transactions are unable to make changes to employee master file.	• Audit Trails are being carried out for all payroll runs	FO/MF	COMPLETED	
	Payroll Exception Reporting	The officers responsible for processing and reviewing payroll are tasked with review and capture of employee entitlements, allowances, deductions, etc. Staff have advised more formal documentation / checklists have been created to assist with payroll processing, review and authorisation and are being implemented.	Review procedures and controls for the accurate processing of payroll each fortnight. Details for each employee should be reviewed against individual employment contracts to capture allowances, deductions, entitlements etc, into a master list, with appropriate review and authorisation for changes. Payroll exception reporting and review of audit trails should be undertaken to capture anomalies or unauthorised changes.	• Audit Trails are being carried out for all payroll runs	FO/MF	COMPLETED	
	Employee Identity and Credentials	Practices and procedures for verifying employee identity, right to work in Australia, verification of employment history and qualifications are considered inadequate.	Develop, implement and maintain appropriate policies and procedures to reduce the risk of unqualified or unsuitable staff being employed by the Shire, in line with the Western Australian Auditor General's Report in June 2019 relating to Verifying Employee Identity and Credentials.	N/A	Records/DCEO	• Currently Underway	Aug-20
	INSURANCE Contractor Insurance	Contractors' insurances are not always assessed prior to award of contracts in all cases. Reliance is placed on contract managers to ensure copies of insurances are provided.	To help ensure all contractors have the relevant licences and have adequate insurance cover for the works they undertake for the Shire, procedures should be developed, and records maintained to ensure copies of contractor's insurances are obtained and held on file prior to award of contracts.	• Look at options to automate • Develop procedure	CLO/DCEO		Nov-20
8. FRAMEWORK EVALUATION							
8.1	COUNCIL AND AUDIT AND RISK COMMITTEE						
	Council and Audit Risk Committee	Identified risks are not included within agenda items for elected member consideration or recorded in an appropriate risk register.	Identified risks relating to a Council decision should be communicated within the agenda item, to enable elected members to be fully informed of the identified risks when making decisions. Risks should also be appropriately recorded in a risk register.	• Not Mandatory • Audit Committee not in favour	EA/CEO	COMPLETED	
	Annual Electors Meeting	Decisions made at the annual meeting of electors' meetings in 2019 was not considered by Council as required by legislation.	Ensure decisions made at electors' meetings are considered by Council in accordance with section 5.33 of the Local Government Act 1995.		EA/CEO	COMPLETED	
	Council and Committee Minutes	Not all attachments are published in the minutes on the official local government website.	Ensure all documents supporting Council / Committee decisions are included in the official minutes, and the minutes are also published on the official local government website as required.		EA/CEO	COMPLETED	
8.2	STRATEGIC AND OPERATIONAL REGISTERS						
	Risk Register	A risk register was not available for our inspection to reflect identified risks, and if they have been adequately treated.	Maintaining risk registers for all identified key risks is important to help ensure appropriate identification, recording and communication of high rated risks, along with providing a record to enable the verification of whether treatment plans have appropriately mitigated to within accepted risk appetite. Routine (at least quarterly) review of the risk register is required for sound risk management.	• Not Mandatory	DCEO		
	Register of Hazardous Materials	A register of hazardous materials was not available for our inspection, to reflect properties under the control of the Shire which may contain hazardous materials such as asbestos, and if associated risks have been adequately treated.	Develop and maintain a register to record details of hazardous materials, such as asbestos, for properties under the control of the Shire.	• Register in Place	EHO	COMPLETED	
	Contracts Register	A contracts register was not available for our inspection detailing the status of contracts held by the Shire.	Maintain a register to record details of contracts and their status to assist with ensuring contracts are monitored and actioned as required.	• Prepare Register	DCEO		Aug-20
	Investment Register	An investment register was not available for our inspection detailing the nature and location of all investments and all related transactions.	Recording the nature and location of all investments and related transactions is required by Regulation 19 (2) of the Local Government (Financial Management) Regulations 1996. Tracing of funds on maturity of investments is essential and record of where funds are transferred and who authorised the transfer should be maintained within the register. Maintaining printed copies of the investment register, reviewed and authorised by a senior manager, independent of the control of the investments, prevents subsequent amendment to the register.	• Prepare Register	MF/CEO		Feb-21

Item	Matters Identified	Suggested Improvements	Action Plan	Resp. Officer	Status to Date	Due Date for Completion
Delegations Register	<p>A review/amendment history is not currently recorded within the delegations register.</p> <p>Delegations have not undergone a review within twelve months as required by legislation.</p> <p>A number of items recorded in the delegations register as delegations to the CEO are responsibilities of the CEO, and not decisions of Council delegated to the CEO.</p> <p>Limits within Delegation No. 30 do not align to the current procurement policy.</p> <p>Delegation No. 20 includes an authorisation to the Shire President for the payment of accounts. Under the Local Government Act 1995 the Shire President has no administrative authority and as such no authority to authorise payment of accounts as an individual elected member.</p>	<p>Following review of Delegations by Council, update the latest 'history' date on each delegation to provide an accurate record of when the delegation was reviewed, amended and adopted. Review the register of delegations as soon as possible. Review systems and processes to ensure all delegations are reviewed at least once every twelve months as required by section 5.46 of the Local Government Act 1995</p> <p>Review Council delegations to the CEO to ensure they relate to decisions of Council delegated to the CEO and update the register accordingly</p> <p>Review and update the procurement policy or Delegation No. 30 to ensure any exercise of the delegation in compliant with the adopted procurement policy of Council.</p> <p>Review and update Delegation No. 20 to ensure any exercise of the delegation in compliant with legislation.</p>	<ul style="list-style-type: none"> Inspect Delegations Register to identify errors Correct at time of Policy Review Reformat Presentation of Register to include summary and timeline pages (as per NGN) 	EA/CEO		Nov 2020 - Feb 2021
Financial Interest Register	<p>We noted primary returns were completed for two relevant persons. In both instances these primary returns have been completed more than three months after the documented start date.</p> <p>Acknowledgements of annual returns for several relevant persons, as well as acknowledgement of a primary return for a relevant person, were not compliant with section 5.77 of the Local Government Act 1995.</p> <p>A primary return for a relevant person was not available for inspection upon examination of the Financial Interest Register.</p> <p>The register interests of current relevant persons are maintained in two separate files, with returns for individual relevant persons spilt across both files.</p> <p>Returns for an individual who has ceased to be a relevant person have not been removed to the folder for individuals who have ceased to be a relevant person.</p> <p>Annual returns for two relevant persons were noted to have incomplete information, in that the relevant persons had omitted to sign the forms. These returns were still acknowledged and filed.</p>	<p>Ensure systems and procedures are in place to obtain all returns required under the Local Government Act 1995. Undertake necessary actions to rectify and report this matter as required.</p> <p>Review systems and procedures place to ensure the acknowledgement of receipt of all returns occurs as required under the Local Government Act 1995.</p> <p>Update the folders of current relevant persons' financial interests to collate individual relevant persons' returns in an effort to reduce the risk of returns being misplaced. Undertake a thorough examination of files to locate the primary returns and file within the register as required within the provisions of section 5.88 of the Local Government Act 1995, or take action to rectify and report this matter as required.</p> <p>Review filing of returns and disclosures individuals who have ceased to be relevant persons of the organisation, to ensure records are maintained as required under the provisions of the Local Government Act 1995.</p> <p>Establish procedures to ensure all primary and annual returns are properly completed at the time of providing acknowledgement of receipt of the returns.</p>	<ul style="list-style-type: none"> Review to be undertaken 	EA/CEO	<ul style="list-style-type: none"> In Progress 	
Tender Register	<p>Inspection of the register noted the inclusion of several procurements which were not tenders, but rather purchases made under exemptions allowed by regulation 11(2) of the Local Government (Functions and General) Regulations 1996 or requests for quotations and expressions of interest called. Procurement processes which are not tenders should be maintained separate to the tender register.</p> <p>We noted the tender register contained documentation which could identify the value of the consideration being sought by tenderers if it were inspected by the public. Recording such information within the register is contrary to Regulation 16(3)(c) of the Local Government (Functions and General) Regulations 1996.</p>	<p>Ensure the tender register contains only the information required to comply with Regulation 16 & 17 of the Local Government (Functions and General) Regulations 1996 for future tenders called.</p>	<ul style="list-style-type: none"> Review Tender Register Requirements Remove items which are not tenders from register Ensure details not required are removed from public tender register as per legislation 	DCEO		Aug-20
Swimming Pool Inspection Register	<p>A register of inspections of private swimming pools within the district was available for our inspection which was last updated in 2017. Several entries had not been correctly updated to record the required date of next inspections.</p>	<p>Update the register to accurately present the current status of private swimming pool inspections. Routine monitoring and review of the register will assist to ensure inspections are undertaken within required timeframes.</p>	<ul style="list-style-type: none"> Review and Update Register 	EHO		Feb-21
Credit Card Register	<p>A register of current credit card holders detailing card number, expiry date, credit limits and details of goods and services the cardholder is authorised to purchase was not available for our inspection.</p>	<p>Develop and maintain a register to comply with Finance Policy No. 11 Corporate Credit Card.</p>	<ul style="list-style-type: none"> Create Register 	MF		Feb-21

Item	Matters Identified	Suggested Improvements	Action Plan	Resp. Officer	Status to Date	Due Date for Completion	
	Notifiable Gifts Register	A notifiable gifts register was not available for our inspection or published on the Shire's website as required by regulation 34B(5) of the Local Government (Administration) Regulations 1996.	Maintain a register to record details of notifications given in relation to gifts as required by regulation 34B(5) of the Local Government (Administration) Regulations 1996, and publish on the Shire's official website as required.	<ul style="list-style-type: none"> Develop procedure for gift notification Create gift form Prepare flyer for Councillors and Staff 	EA/CEO	<ul style="list-style-type: none"> Register Updated and uploaded online Draft Form prepared 	Aug-21
	Gifts Register	We noted the register of gifts contains record of disclosures made under the former provision of the Local Government Act 1995 (sections 5.82 & 5.83) and are published on the Shire's website as required. We did not observe a register of gifts in the prescribed form as required.	Establish a register of gifts in the prescribed form and publish on the Shire's official website as required.	See above	EA/CEO	See above	Aug-21
8.3	ANNUAL COMPLIANCE AUDIT RETURNS (CAR)						
	Compliance Audit Return	The CARs for 2017, 2018 and 2019 were not reviewed by the Audit Committee as required, prior to adoption by Council. Matters of non compliance were listed in the CARs for 2017, 2018 and 2019, however the officer report accompanying the CAR did not highlight these matters, or actions to correct them. Some responses in the CAR were inconsistent with documents examined during our overall review.	Ensure future CARs are reviewed and reported by the Audit Committee to Council for adoption as required by regulation 14 of the Local Government (Audit) Regulations 1996. Review procedures and controls for the accurate completion of CARs including independent review of responses by an appropriate officer.	<ul style="list-style-type: none"> Ensure future CARs are presented to Audit Committee Ensure CAR is prepared and reviewed by appropriate officers 	DCEO		Mar-21
8.4	COMPLAINT HANDLING						
	Community Complaints Procedures	A community complaints register is not currently maintained to follow up and ensure all complaints are adequately addressed.	To help ensure all complaints are adequately resolved, a register of customer complaints received should be maintained.	<ul style="list-style-type: none"> Ensure format of Complaints register is correct Develop procedure in regards to complaints handling 	Records		Oct-20
8.5	AUDIT PRACTICES						
	Internal Audit	Currently, no internal auditors have been appointed, and limited internal audit functions have been undertaken.	We suggest as the level of documented procedures increases, an expanded internal audit function to confirm adherence to documented policies and procedures may be required as recommended by the OAG in their report to Parliament on the Audit Results Report – Annual 2017-18 Financial Audits of Local Government Entities.	N/A	DCEO/CEO		
8.6	REVIEW REQUIRED TO BE UNDERTAKEN BY CEO						
	Audit Regulation 17 Review	A review was last undertaken in December 2016. Regulation 17 of Local Government (Audit) Regulations 1996 requires reviews to be undertaken every three years. Previous review undertaken contained no recommendations in relation to the appropriateness and effectiveness of risk management, internal control and legislative compliance.	Ensure the next review is undertaken within the next three years as required by legislation. Ensure future reviews identifies operational and financial risk, control weaknesses and compliance weaknesses.	N/A	DCEO/CEO	Review has been completed - next due 2023	COMPLETED
	Financial Management Review	A financial management review was last undertaken in April 2014 and not within the time period as required by Regulation 5(2) of Local Government (Financial Management) Regulations 1996.	Ensure the next review is undertaken within the next three years as required by legislation.	N/A	MF/CEO	Review has been completed - next due 2023	COMPLETED