



AGENDA

AUDIT COMMITTEE

23 JULY 2024

SHIRE OF WAGIN
NOTICE OF MEETING

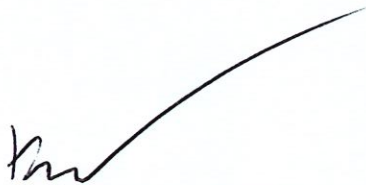
Dear Councillors Blight, Ball, Chilcott, Kilpatrick, Longmuir, O'Brien and West

The next Audit Committee meeting will be held:

ON: Tuesday 23 July 2024

WHERE: Council Chambers

AT: 6.00pm



Dr Kenneth Parker
CHIEF EXECUTIVE OFFICER

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Dr Kenneth Parker
CHIEF EXECUTIVE OFFICER

SHIRE OF WAGIN

Agenda for the Audit Committee meeting to be held in the Council Chambers,
Wagin on Tuesday 23 July 2024 commencing at 6.00pm

CONTENTS

1.	OFFICIAL OPENING	5
2.	RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE (PREVIOUSLY APPROVED)	5
3.	DISCLOSURE OF FINANCIAL AND OTHER INTERESTS	5
4.	CONFIRMATION OF PREVIOUS MEETING MINUTES	5
4.1.	MINUTES FROM THE AUDIT COMMITTEE MEETING HELD 12 MARCH 2024	5
5.	REPORTS TO COMMITTEE.....	6
5.1.	REGULATION 17 FINANCIAL MANAGEMENT AND REGULATION 5 INTERNAL CONTROL, GOVERNANCE AND RISK MANAGEMENT REVIEWS.....	6
5.2.	INTERIM AUDIT 2023-24.....	18
6.	CLOSURE.....	20

1. OFFICIAL OPENING

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

3. DISCLOSURE OF FINANCIAL AND OTHER INTERESTS

4. CONFIRMATION OF PREVIOUS MEETING MINUTES

**4.1. MINUTES FROM THE AUDIT COMMITTEE MEETING HELD 12 MARCH
2024**

COMMITTEE DECISION

That the minutes of the Audit Committee meeting held on 12 March 2024 and circulated to all Councillors, be confirmed as a true and accurate record.

5. REPORTS TO COMMITTEE

5.1. REGULATION 17 FINANCIAL MANAGEMENT AND REGULATION 5 INTERNAL CONTROL, GOVERNANCE AND RISK MANAGEMENT REVIEWS

SENIOR OFFICER:	Chief Executive Officer
PREVIOUS REPORT(S):	4348 - August 2020
DISCLOSURE OF INTEREST:	Nil
FILE REFERENCE:	FM.AD.1
STRATEGIC DOCUMENT REFERENCE:	Nil
ATTACHMENTS:	Attachment 1 – Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls - Summary Report - Final Attachment 2 - Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls – Detailed Report to the CEO – Final Attachment 3 – Compliance Action Timeline August 2020

OFFICER RECOMMENDATION

That the Audit Committee **RECOMMENDS** that Council:

1. **NOTES** the Regulation 17 and Regulation 5 Review reports in attachment 1 and attachment 2 prepared pursuant to Regulation 17 of the *Local Government (Audit) Regulations 1996* and Regulation 5 of the *Local Government (Financial Management) Regulations 1996* contained in Attachments 1 and 2.
2. **NOTES** that a separate report to Council regarding Information Communications Technology and the Shire will be presented to Council.
3. **NOTES** that the Shire Administration is implementing organisational improvements to financial management, internal control and legislative compliance that include but are not limited to the recommendations contained in the review reports.

BRIEF SUMMARY

Legislation requires a local government to undertake a review of financial management, compliance, internal control and risk management not less than every three financial years. With the review overdue, in October 2023, the Acting Chief Executive Officer commissioned Moore to undertake the review on behalf of the Shire.

The review reports identify many matters that the external consultants have identified for attention. In reviewing the report, however, Officers believe that the recommendations do not necessarily align with reasonable expectations of the Shire's capacity. Further Officers contend that responding narrowly to the matters identified could detract from wider organisational improvement efforts being undertaken by the new executive team.

After the last review in 2019-20, Officers presented a response action plan for Council to endorse that exceeded the organisation's capability to deliver. Many of the actions contained in the action plan never eventuated because the organisational capacity to deliver on the actions exceeded the organisation's capacity to deliver. Officers suggest that this is an important organisational lesson and propose a proportional response to current Regulation 17 and 5 reviews.

Officers note that the vast majority of the 13 priority recommendations of the most recent Regulation 5 and 17 report have been completed, with many completed by the Shire's new executive in the period between the new executive commencing and the reviewing being completed.

With this context, the review is presented to the Committee with a recommendation that Council notes the review's findings and that the Shire's executive is working to implement organisational improvement in a manner that aligns with organisational capacity and risk.

BACKGROUND/COMMENT

Regulations require the Chief Executive Officer to undertake period reviews of financial management, internal control, risk management and governance at intervals not greater than every three financial years.

The previous Regulation 17 and Regulation 5 reviews were undertaken by audit firm Moore Stephens and presented to Council in the 2019/20 financial year.

The resulting report recommended a raft of change and improvements to financial management, governance, internal control and risk management. The Shire's response included the adoption of a series of new policies related to these matters. At the August 2020 Ordinary Council Meeting, a Compliance Action Timeline was endorsed by Council (attachment 3).

In reviewing the Compliance Action Timeline endorsed by Council in 2020, Officers today would suggest that the ambition of past Officers exceeds the organisational capacity to deliver (certainly by the timeframes proposed). Many of the actions contemplated did not eventuate. In hindsight, this approach created an expectation of action that the administration could follow through on. Officers suggest that this is an important lesson when considering the response to the current review reports.

In October 2023 with the respective reviews overdue, the Acting Chief Executive Officer commissioned the same firm, (now named Moore) to undertake the reviews.

Much like the 2020 review, the 2024 Moore review has identified many matters and suggested improvements. Both the 2020 and 2024 reports identify 70 areas for improvement with some of the areas of improvement featuring both the 2020 and 2024 reviews. This is despite actions to address the matters in the Compliance Action Timeline endorsed by Council.

The Moore review has been conducted based on what could be expected at a band 1 local government like Joondalup, Wanneroo or Stirling.

Officers have concerns regarding the methodology employed by the Moore review and did not believe that it represented an entirely appropriate measurement of the organisation and it relates to financial management, legislative compliance and internal control.

When provided a copy of the draft review in May of this year, Officers outlined their concerns with Moore's approach. While it would be inappropriate for Officers to direct Moore to alter their report, Moore acknowledged Officers concerns and agreed to prioritise recommendations.

Following this meeting Moore opted to produce two review reports, a summary report for Council (Attachment 1) and a detailed report for the CEO (attachment 2). These were provided to the Chief Executive Officer on 5 June 2024.

This was not the Officer's preferred approach as it presents one message to Council and a different message to the administration. Reading Attachment 1 alone would provide a very different perspective than Attachment 2.

In the interests of transparency and to ensure that Council has access to all the information required to perform its role, both reports are presented for Council.

As Attachment 2 represents the more fulsome report that identifies explicit concerns and recommendations, it is Attachment 2 that Officers have focused on in compiling this report and recommend that the Committee gives most attention to.

However, in reviewing the report contained in Attachment 2, Officers have reflected that many of the recommendations:

- were based on an incorrect view that the Shire was non-compliant where in fact the Shire is compliant (for example the Shire's website does contain a code of conduct; complaints register, and training register); or
- have either already been addressed in their entirety (for example committees, agendas, minutes; delegations, Compliance Audit Return, Annual Report, procedures for appointment of staff); or
- do not represent a significant risk to the organisation such as legacy policies with old legislative references and instigating processes for regular reviews of infrequently used registers such as pools and eating houses; or
- are not appropriate for a local government of the scale of the Shire of Wagin, such as the appointment of an internal auditor.

Since the appointment of Moore to undertake the review and throughout the fieldwork, the Shire has been undergoing significant change. This has included the appointment of a new Chief Executive Officer, a Deputy Chief Executive Officer and a Manager of Finance.

As a result, since the review was undertaken Council has adopted an overhauled delegations register and amended several critical policies. Changes have been made to the committees structure and an Occupational Health and Safety review and response action plan has been adopted.

Within that context the Moore report is presented to the Committee for the purposes of transparency and accountability in Attachment 1.

As such, the usual practice following a review conducted by a consultant is for management to recommend to Council a response to each of the recommendations made by the consultant that will be implemented overtime and monitored by the Audit, Risk and Governance Committee in accordance with Regulation 16 of the *Local Government (Audit) Regulations 1996*.

While management may usually disagree with some of the recommendations, most commonly the management position is to accept the findings of a review and chart a recommended response for Council which in turn informs the administration's approach going forward to address.

This was the approach used following the 2019-20 review and resulted in the Compliance Action Timeline endorsed by Council in August 2020.

While the approach used in 2019-20 is understandable, preparing a systematic action response to the recommendations of the 2020 Moore review did not yield the improvements to organisation hoped.

Officers recommend that further scrutiny should be applied to whether the recommendations of the review is a proportional response. In some cases, actions

taken response to the 2020 review like adoption of an internal control and legislative compliance policies resulted in the local government committing to a level of governance that was not proportionate to risk. When the local government failed to meet the bar it set for itself, this resulted in a further black mark in the most recently conducted review.

One example of this is the Legislative Compliance Policy adopted by Council in 2021 as a recommendation of the previous Regulation 17 review. This policy provides that the CEO shall report annually to the Audit Committee on risk management, internal control and legislative compliance. This has not occurred since the policy's adoption and adoption of the policy is not considered by the Officers now to add value.

Officers contend that identifying critical actions and gaps and implementing actions that can be delivered upon is more critical. This is particularly the case in a small organisation where there is an opportunity cost associated with deploying resources.

Officers contend that Council should focus on the priority actions identified in Appendix F of Attachment 2. A breakdown of Moore's recommended priority actions in Attachment 2 (Appendix F) and an Officer response is detailed in the table:

Priority action responses

Action	Moore recommendation	Officer response
4.2.2 - Occupational Safety and Health	Review policy to align with the <i>Work Health and Safety Act 2020</i> and to provide for a risk based-based approach to WHS to align with the risk management policy	Substantially complete A WHS Action Plan was adopted by Council at the June 2024 Ordinary Council Meeting. A new policy is part of the action plan but embedding a safety culture through a consultative group is the first priority for Officers.
4.2.3 - Continuing Professional Development	Review and prepare a policy that satisfies section 5.128 of the Local Government Act 1995 for ongoing elected member professional development. Controls should exist to ensure the policy is reviewed and adopted by absolute majority after each ordinary local government election as required by legislation	Complete Council policy A.21 was adopted by Council by Absolute Majority at the May 2024 Ordinary Council Meeting
4.2.12 - Purchasing and Tender Guide	Amend the policy to: <ul style="list-style-type: none"> Require CEO approval to obtain a single quote under 	Substantially complete Revised procurement policy is to be presented to Council

Action	Moore recommendation	Officer response
	<p>sole source arrangements, and to reference the risks and control environment when considering these arrangements</p> <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 the Local Government (Functions and General) Regulations 1996 Regulation 11(2)(j)(iv) • Provide for purchasing requirements for the issuing of contract variations and extensions for contracts not awarded by public tender. Consideration should be given to circumstances where the contract value increases over a policy threshold level, due to variation or extension 	<p>at the July 2024 Ordinary Council Meeting</p>
<p>5.1.1 – Corporate Business Plan</p>	<p>Develop and present a Corporate Business Plan for consideration by Council. To help ensure compliance and provide sound planning direction to the organisation once developed, the Corporate Business Plan is to be reviewed annually as required by legislation.</p>	<p>Substantially complete The Corporate Business Plan will be presented for consideration by Council at the time of the 2024-25 budget adoption</p>
<p>5.1.5 – ICT Strategic Plan</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. Consider independent review of identified ICT risks.</p> <p>Consider implementation of routine review and verification of skills, competencies, qualifications and experience of IT service providers</p> <p>Review the service agreement and terms of engagement in accordance with purchasing and system requirements.</p>	<p>Not commenced ICT is a significant and evolving issue for organisations of all sizes. An ICT Strategic Plan is an activity in the draft 2024-25 CBP.</p> <p>The matters dealt with in the recommendation will be considered in a separate paper to Council.</p>

Action	Moore recommendation	Officer response
	<p>Careful development of a strategy may 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>	
<p>5.1.6 – ICT Disaster Recovery Plan</p>	<p>Review and plan regularly to update references and currency of information. Test the ICT Disaster Recovery Plan to ensure validity and effectiveness.</p>	<p>Not commenced The matters dealt with in the recommendation will be considered in a separate paper to Council.</p>
<p>5.2.1 – Evidencing Routine Reviews, Authorisations and Approvals</p>	<p>Review systems and formalised to establish approved consistent application of controls within operational activities and functions. Controls should be maintained to evidence and demonstrate the appropriate segregation of duties and independent review being undertaken.</p>	<p>Partially complete With a new management team, processes are being reviewed and updated. The Shire has extensive internal procedures. The task present is to transfer those procedures from a shared network drive which lacks version control to a single source of truth linked to the Shire’s record keeping software. This is a workplace culture challenge as longtime servicing employees are used to accessing the templates and procedures from the network drive.</p> <p>In the first instance and in the absence of an intranet page, procedures and templates are being progressively uploaded to the Shire’s website.</p> <p>Given the extensive range of functions that local government provide this documenting and continuous improvement is unlikely to have an end point.</p>

Action	Moore recommendation	Officer response
5.2.2 – Operational Procedures	Undertake a review of existing operational procedures and where appropriate, develop and implement additional procedures, to provide operational guidance aligned with adopted Council policies and legislation. Procedures should provide for activities not necessarily covered by legislation to communicate expected standards to staff from management. Development and routine review of documented procedures and checklists, and/or workflow process diagrams may assist in clearly identifying controls and processes to be followed.	<p>Partially complete With a new management team processes are being reviewed to ensure their appropriateness. Executive procedures are also being prepared for key activities.</p> <p>Given the extensive range of functions that local government provide this documenting and continuous improvement is unlikely to have an end point.</p>
5.2.4 – Risk management	Review and update the Risk Management Governance Framework and ensure alignment to the adopted policy requirements. Implement and maintain risk management procedures and processes throughout the Shire aligned to adopted risk management policy.	<p>Partially complete Officers are preparing a new risk management policy for Council's consideration.</p> <p>Officers do not agree that the risk management policy must accord with ISO 31000:2018 to be appropriate or effective for the Shire.</p> <p>Sound risk management for an organisation like the Shire is better served focusing on a risk culture to ensure that Council and administration alike are aware of the operating context, the need to identify hazards and ways to reduce potential harm to the community and organisation.</p>
5.2.8 – ICT Security	Undertake a comprehensive independent ICT security review, document current policies and practices and implement the findings of the review. This review should be undertaken by those with the appropriate expertise, skills, qualifications and credentials and independent of ICT providers.	<p>Not commenced The matters dealt with in the recommendation will be considered in a separate paper to Council.</p>

Action	Moore recommendation	Officer response
	<p>Ensure all staff using IT systems undertake routine cyber security training.</p> <p>Perform a review of the ICT Agreement and undertake the appropriate procurement process to establish a new agreement to ensure any contracted service provision for ICT supply, maintenance and security requirements of the Shire are being met and comply with procurement requirements.</p>	
5.2.12 - Procurement	<p>Review and update procedures to ensure invoices are not paid prior to appropriate review and authorisation has occurred, evidencing receipt of goods and/or services requested by the Shire.</p> <p>All procurement of goods or services should be undertaken in accordance with legislative requirements and purchasing policy. A review of the purchasing policy may be required to ensure the policy reflects the purchasing objectives and risks of the Shire.</p>	<p>Complete Additional controls have been implemented as part of an overhaul of internal procurement procedures.</p>
6.2.2 – Delegations Register	<p>Review and update the delegations register to ensure delegations are appropriate and consistent with relevant legislation. Amend and update to ensure delegation and policy limitations and aligned. Systems and procedures should be in place to ensure consistent alignment to policies and other external references is achieved during reviews.</p> <p>Review the register of delegations to ensure all delegations made to the CEO and employees are correctly recorded as required by section 5.46(1) of the <i>Local Government Act 1995</i>.</p>	<p>Complete Adopted at the June 2024 Ordinary Council Meeting</p>
6.3.1 – Compliance Audit Return	<p>Review procedures and controls for the accurate completion of CARs and reporting to the Audit Committee and Council, including independent review of responses by an</p>	<p>Complete The Moore review did not review the 2023 CAR</p>

Action	Moore recommendation	Officer response
	appropriate officer and evidencing of responses	

As noted above, with the exception of ICT, many of the issues identified in the review were dealt with by Officers in the first few months of the appointment of the new CEO.

The remaining areas where Moore has identified where planned actions required and being worked through by Officers within the overall operating context.

Officers emphasise to the Audit Committee that the journey of organisational improvement being undertaken by the organisation should not be restricted to those identified in the Moore review. In the coming weeks and months, Officers will be presenting to Council on a range of matters where organisational improvement requires Council's attention.

In addition, Officers are working internally to reform processes and procedures as they relate to human resources, financial management, creditors, records management, project management, procurement, service team planning, and most importantly, service delivery.

The Moore Review provides examples of areas where attention could be required and Officers will be referencing the Moore report as part of the Shire's journey. Officers will also be referencing internal reviews and observations, informal lessons learned, the findings of local government performance audits conducted at other local governments, publications by integrity organisations and experiences from other local governments.

This approach will help ensure that issues that were not identified by the Moore Review will be addressed on a priority basis. One such example, is the execution of documents policy, which was identified by Officers and addressed by Council in February 2024 but did not feature in the Moore review.

While most of the priority areas have been addressed, ICT is an area that requires additional consideration. Officers do not concur entirely with the observations of Moore but acknowledge that ICT is of critical importance to all organisations. Officers also note that the Shire's Auditor has made observations regarding ICT in the 2023-24 financial audit which is in progress.

ICT involves many dimensions from cybersecurity, hardware, software, enterprise resource planning, network connectivity and licencing. While acknowledging that ICT is a matter of significant importance, Officers request that Council provide the organisation with sufficient time to enable a considered approach to be prepared. As well as ICT risks, there are financial risks and pitfalls.

Reflecting the complexity and importance, ICT at the Shire will be discussed in a separate report to Council, once Officers have had the opportunity to consider a recommended approach to Council.

Attachment 1, being the report to Council, presents general observations of the perceived appropriateness and effectiveness of financial management, risk management, internal control and legislative compliance within context of the organisation's constraints. The report in Attachment 1 observes:

“The Shire of Wagin is highly reliant on a small team of senior decision makers to govern its operations whilst trying to ensure sound financial and risk management through internal controls whilst seeking to achieve a high level of compliance. These efforts were highlighted throughout our review with management noting planned action across a number of matters raised and maintaining efforts towards improvements, particularly to embed processes following recent staff turnover.”

In respect to the appropriateness of financial management:

“Considering the size, resources and variety of operations and the context in which the Shire operates, documented internal control procedures relating to financial management systems, are largely appropriate...”

In respect to the appropriateness of risk management:

“Considering the size, resources and variety of operations and the context in which the Shire operates a documented risk management policy and procedures aligned to ISO 31000:2018 is considered an appropriate means of uniformly supporting decision making and document the organisation's responses to risks”

In respect to the appropriateness of internal control:

“Considering the size, resources and variety of operations and the context in which the Shire operates the internal control framework, procedures and systems as described to us are considered appropriate for most areas of operations, such to the identified improvements being in place.”

In respect to the effectiveness of legislative compliance:

“One of the most effective controls in maintaining legislative compliance is a motivated, stable, experienced and knowledgeable senior management group, in addition to a compliance framework to ensure required compliance tasks are considered and actioned.”

Overall, while Officers believe that the review's findings do not reflect the recent initiatives undertaken to enhance financial management, risk management, internal

control and legislative compliance, the review provides Council with an example of the efforts required to deliver a high performing local government organisation delivering in respect to these matters.

As evidenced by the reports taken to Council under the new executive, Officers take the responsibility to improve the organisation very seriously and look forward to the next review which must be conducted in 2026-27.

CONSULTATION/COMMUNICATION

Nil.

STATUTORY/LEGAL IMPLICATIONS

Regulation 16 of the *Local Government (Audit) Regulations 1996*, provides that the Audit Committee is to:

- review a report given to it by the CEO related to the Regulation 5 and 17 reviews;
- monitor and advise the CEO regarding the reviews; and
- oversee the implementation of any action that the local government has accepted should be taken following receipt of a report.

POLICY IMPLICATIONS

The review relates to many Council policies which are being reviewed and presented to Council based on an assessment of importance and risk as well as organisational capacity.

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

Council leadership.

VOTING REQUIREMENTS

Simple Majority

Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls

Summary Report - Final

Shire of Wagin

June 2024

Contents

1.0	Engagement Overview	3
2.0	Review Context	5
3.0	Review Summary	6
4.0	Methodology	11
5.0	Appropriate Framework	13
6.0	Other Matters	14
	Appendix A – Financial Management Systems Review	15
	Appendix B – Council Policies Examined	17
	Appendix C – Plans Examined	20
	Appendix D – Strategic and Operational Registers Examined	21
	Appendix E – Operational Guidelines	22

1.0 Engagement Overview

1.1 Scope of Services

The Shire of Wagin (the shire) engaged Moore Australia to provide consultancy and advisory services with a dual purpose, firstly to provide a report to assist the CEO to perform select reviews required by legislation. This engagement set out to assist the CEO to report to the Audit Committee on the appropriateness and effectiveness of the shire's risk management, internal controls and legislative compliance systems and procedures as required by the *Local Government (Audit) Regulations 1996* Regulation 17. Secondly, to examine financial management systems to highlight the appropriateness and effectiveness of these systems and procedures to assist the CEO in undertaking a review as required by *Local Government (Financial Management) Regulations 1996* Regulation 5(2)(c).

For efficiency, these services were undertaken simultaneously, and the summary results contained in this report. Financial management systems and procedures are considered a subset of broader overall risk management, legislative compliance and internal controls. The matters examined in respect of financial management systems are detailed in Appendix A. Where opportunities for improvement were identified, they are detailed within a separate report provided to the CEO setting out the relevant sections of risk management, legislative compliance and internal controls framework design, implementation and evaluation for determination of actions and prioritisation in the context of the shire's operations.

The results of the examination of risk management, legislative compliance and internal controls review are to be reviewed by the CEO and reported by the CEO to the Audit Committee. The Audit Committee is required to review the CEO's report and on-report to Council. The report from the Audit Committee to Council is required to have attached a copy of the CEO's initial report to the Audit Committee.

1.1.1 Procedures – Financial Management Review

Our procedures for the Financial Management Review encompassed a review of the shire's financial systems including, but not necessarily limited to:

- Collection of money owed;
- Custody and security of money and investments held;
- Rates;
- Maintenance and security of financial records;
- Accounting and controls for revenue and expenses;
- Accounting and controls for assets and liabilities;
- Accounting and controls for trust transactions;
- Authorisation of purchases;
- Authorisation of payments;
- Borrowings;
- Maintenance and processing of payroll;
- Stock controls and costing records;
- Record keeping for financial records;
- Preparation of budgets and budget reviews; and
- Preparation of financial reports.

Our procedures and approach have been developed over a number of years, taking into account our extensive local government background and seeks to examine both financial systems and procedures in use.

The consulting services to assist the CEO to undertake the financial management review does not examine systems and procedures which are non-financial in nature and did not specifically test for legislative breaches. These were examined as part of the analysis of risk management, legislative compliance and internal control systems and processes.

1.0 Engagement Overview

1.1.2 Procedures – Risk Management, Legislative Compliance and Internal Controls Review

Our procedures to assist the CEO to perform their systems and procedures review, as required by Regulation 17 of the *Local Government (Audit) Regulations 1996*, encompassed the following services:

- A review of the risk management systems policies, procedures and plans in place at the shire;
- Evaluate the non-financial/operational internal control systems and procedures at the shire;
- Assess systems and procedures for maintaining legislative compliance; and
- Prepare a report of matters identified during our engagement to assist the CEO to assess the appropriateness and effectiveness of the relevant systems and procedures in accordance with Regulation 17 of the *Local Government (Audit) Regulations 1996*.

To undertake these procedures, we applied the following methodology:

- Conduct interviews with key personnel involved in risk management, financial management and the shire's adherence to legislative requirements;
- Identify the extent of commitment and mandate to risk management principles, using AS/NZS ISO 31000:2018 as the framework, within the overall risk management framework;
- Review each component of risk management, legislative compliance and internal controls after considering the overall risk environment, governance structure and internal control environment;
- Assess the gaps, if any, between the current processes and the expected risk management, internal controls and legislative compliance systems and procedures and recommend suggested improvements; and
- Report to the CEO to assist their assessment on the appropriateness and the effectiveness of current systems and procedures.

The service was undertaken through a high level analysis given the scale, variety and breadth of non-financial activities and considered, as a minimum, the issues identified by the Department of Local Government, Sport and Cultural Industries to Local Government Operational Guideline Number 09 – Audit in Local Government (listed in Appendix E).

2.0 Review Context

2.1 Review Context - Shire of Wagin

Understanding the external and internal context in which the shire operates, relevant to financial management, risk, the internal control environment and its legislative compliance obligations, as it seeks to achieve its overall strategic objectives is important to the review of the related systems and procedures.

The external and internal environmental influences identified during the review are set out below:

External Influences	Internal Influences
Increasing community expectations in relation to service levels and delivery.	The objectives and strategies contained in the current Council Plan for the Future.
Rapid changes in information technology, changing the service delivery environment.	The timing and actions contained in the current Council Plan for the Future.
Increased compliance requirements due to government policy and legislation.	Organisational size, structure, activities and location.
Cost shifting by the Federal and State governments.	Human resourcing levels and staff retention.
Climate change and subsequent response.	The financial capacity of the shire.
Reducing external funding for infrastructure and operations.	Maintenance of corporate records.
Increasing risk of cyber attack resulting in compromised or lost data.	Allocation of resources to achieve strategic outcomes.
Changing regulatory requirements.	COVID 19 and any long term impacts on the internal environment.
COVID 19 and any long term impacts on the external environment.	Executive staff turnover in recent years.
Changing global economic environment.	

3.0 Review Summary

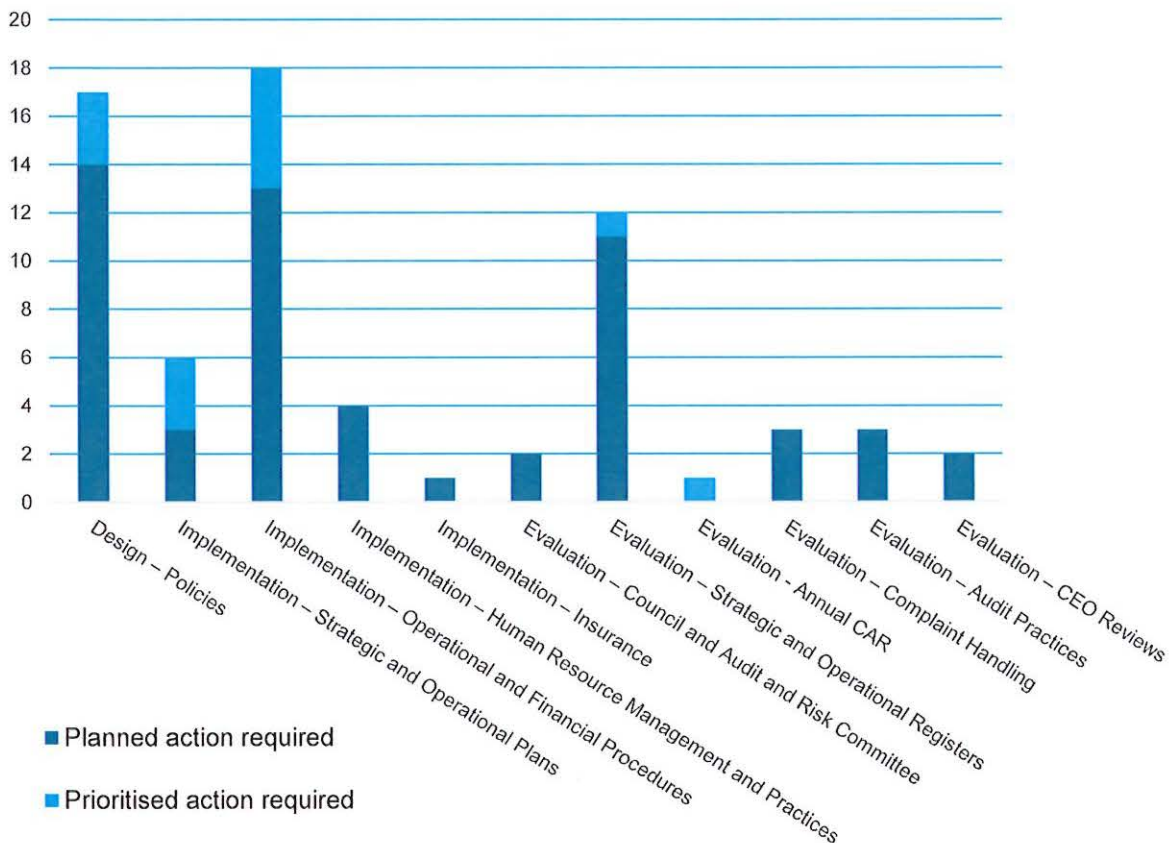
3.1 Overall

Operations of a regional local government seek to provide numerous services across multiple business areas to deliver the objectives and aspirations of the community. This involves commitment and dedication from staff, and while local government operations are diverse, they are also complex and involve a number of people making decisions across a large number of areas of operations. The Shire of Wagin is highly reliant on a small team of senior decision makers to govern its operations whilst trying to ensure sound financial and risk management through internal controls whilst seeking to achieve a high level of compliance. These efforts were highlighted throughout our review with management noting planned action across a number of the matters raised and maintaining efforts toward improvements, particularly to embed processes following recent staff turnover.

The onsite component of our services was undertaken (performed in late January 2024) by first determining an appropriate framework for the shire against which current policies, procedures and actions could be assessed this is described further in Section 5.0. Some areas for improvement were identified during the review. To assist the shire, and with consideration to limited resources, the areas identified for improvement have been split between those requiring prioritised action and those requiring planned action as it will require resources and time to address some of the matters raised.

The chart below reflects the number of improvements identified within each area of the framework examined.

3.1.1 Number of Improvements Identified by Framework Element



Details of each matter and improvement identified under the framework elements has been provided to the CEO and management within a separate document. Key improvements are provided for each of the examined areas, financial management, risk management, internal control and legislative compliance within the report provided to the CEO.

3.0 Review Summary

3.2 Financial Management

The shire has a number of financial management system controls to cover the wide variety of operations undertaken. Council has responsibility for the adoption of the annual budget and annual report, review of the monthly statement of financial activity and review of the monthly list of payments and payments made by authorised employees using transaction cards. Responsibility for the financial management of the shire rests with the CEO, as detailed under *Local Government (Financial Management) Regulations 1996* Regulation 5(1).

3.2.1 Appropriateness

Considering the size, resources, variety of operations and the context in which the shire operates, documented internal control procedures relating to financial management systems, are considered largely appropriate as a means of maintaining a high level of control over the financial management of the shire, subject to control weaknesses being addressed.

Some weaknesses were identified with current financial controls and procedures. These are explained within a separate report provided to the CEO. Our assessment as to appropriateness is subject to identified weaknesses being addressed, and provided internal control procedures are routinely and consistently applied.

3.2.2 Effectiveness

Considering the results of other elements of financial management systems and processes where controls are documented and routinely tested, the current practices undertaken by the Shire of Wagin may be considered effective. Our assessment as to effectiveness is subject to the implementation of the improvements detailed in the report provided to the CEO.

Controls currently exist in relation to a number of key financial management systems, though some weaknesses were identified where internal controls are not considered effective, which are explained in the report provided to the CEO.

3.2.3 Improvements

Key improvements to the appropriateness and effectiveness of these procedures and internal controls include:

- Rating controls;
- Procurement controls;
- Contract management;
- Corporate Transaction Cards;
- Debtor management procedures;
- Receipting and banking controls;
- Portable and attractive asset register; and
- Financial reporting.

3.0 Review Summary

3.3 Risk Management

Risk management activities in local government should aim to facilitate an integrated and organisation wide approach to risk management practices. These activities would generally include routine and consistent consideration of risks (existing, new and emerging), as well as mitigations available to minimise risk levels, from both a 'top down' perspective as well as 'bottom up' perspective. These activities should be consistently applied through operational systems, processes and controls.

The shire updated its Risk Management Framework, aligned to ISO 31000:2009 which includes a Risk Management Policy and procedures to formalise its risk management processes in June 2014. The Risk Management Policy was most recently reviewed in February 2021 to refer to the current Risk Management Standard ISO 31000:2018. The Risk Management Framework, risk management policy and supporting procedures form the basis for risk management activities within the shire.

3.3.1 Appropriateness

Currently, a documented entity wide Risk Management Policy, Risk Management Framework and supporting procedures is in existence to guide the implementation of risk management throughout the shire. The current policy refers to the current Risk Management Standard, AS/NZ ISO 31000:2018, while the Risk Management Framework is aligned to a superseded standard ISO 31000:2009. The Standard was updated in 2018 to highlight the leadership of top management and integration of risk management in organisations, along with the iterative nature of risk management. Update of the framework for alignment to Council policy and the current standard is encouraged to help ensure the appropriateness of risk management practices.

Considering the size, resources, operations and the context in which the shire operates, a documented risk management policy and procedures aligned to ISO 31000:2018 is considered an appropriate means of uniformly supporting decision making and documenting the organisation's response to risks.

3.3.2 Effectiveness

The risk management framework and policy have been developed to reflect the shire's commitment to organisation wide risk management principles, systems and processes aimed at optimising the achievement of objectives, embedding controls to mitigate risk, improving corporate governance and planning for continuity of critical operations. To assist with the delivery and application of these processes, updates and further development of risk management systems and processes are required to be implemented throughout the organisation in order for risk management processes and procedures to be considered effective.

3.3.3 Improvements

Key matters for improvements to risk management practices and policies are summarised as follows:

- Review and update the Risk Management Framework aligned to the current Risk Management Standard, ISO 31000:2018 and consider any required complementary policy review;
- Activate the risk management policy by implementing documented risk management practices and procedures to ensure risk management activities are developed and applied to existing practices in accordance with the updated Risk Management Framework;
- Undertake a comprehensive ICT security review;
- Develop and maintain an ICT strategic plan; and
- Ensure appropriate management of operational risks for high risk areas.

3.0 Review Summary

3.4 Internal Control

A formal internal control policy has been adopted by the shire and was last reviewed in February 2021. The policy is in place to ensure effective management of the Shire and its resources and intends to provide for an effective internal control environment to successfully mitigate risks.

Internal controls are of critical importance to operations and should provide for appropriate segregation of duties, experienced and qualified staff, risk management, documented procedures and effective monitoring and adherence. However inherent limitations will always be present in internal control frameworks and mechanisms where routine review and regular updates occur and may assist to ensure control environments are suitable.

We observed officers are aware a number of improvements to internal controls are required to be reviewed or developed with the objective of improving the existing framework and reducing gaps where weaknesses have been identified and have commenced addressing these.

3.4.1 Appropriateness

Considering the size, resources, operations and the internal/external context in which the shire operates, the internal control framework, procedures and systems as described to us are considered appropriate for most areas of operations, subject to the identified improvements being in place. We identified internal controls where further improvements may be implemented, as described within the report provided to the CEO.

3.4.2 Effectiveness

Considering the overall results of monitoring and compliance practices undertaken by the Shire of Wagin, the current internal control framework, procedures and systems (where documented and routinely tested) may be considered effective. Our assessment as to effectiveness is subject to the implementation of the improvements provided in the report to the CEO addressing weaknesses where breakdown in controls have contributed to non compliance matters and other risks.

3.4.3 Improvements

Detail of the recommended improvements to the current internal control framework, procedures and systems are provided in detail to the CEO with selected key improvements to internal controls summarised as follows:

- Activate the internal control policy by implementing the monitoring, review and reporting activities described within the policy. This may assist with achieving policy objectives and to promote a risk-based approach to the further development and maintenance of documented internal controls and procedures for an appropriate internal control framework. Continual risk based assessment of appropriate controls throughout the organisation may assist to identify the need for new controls and identify existing outdated and unnecessary controls to be discontinued;
- Finalisation, testing and maintenance of the Incident Management / Business Continuity Response Plan;
- Key internal controls should be formally documented either as procedures, checklists or workflow diagrams, and routinely reviewed;
- Define procedures to manage changes to internal controls;
- Develop and maintain registers to improve existing internal controls; and
- Implement financial management control recommendations discussed at Section 3.2 of this report.

3.0 Review Summary

3.5 Legislative Compliance

General principles of good governance often refer to the application of appropriate policies and procedures to assist with ensuring appropriate measures are in place to uphold high levels of legislative compliance. The resources allocated to these structures will vary according to the context of individual local government operations. Formalised processes are designed to provide a consistent structure to guide the prioritisation of resources toward achieving compliance requirements and integration into the operations of the local government.

A legislative compliance policy exists to communicate expectations of Council in relation to legislative compliance and responsibilities. Reliance in this regard is also dependent upon the knowledge and experience of senior staff and their individual desire to achieve high levels of legislative and regulatory compliance.

3.5.1 Appropriateness

Considering local governments generally maintain a low risk appetite for breaches of legislation, the current legislative compliance policy provides for good governance and should be adhered to. A number of areas were noted where improvements for managing compliance may be made, these are detailed in a separate report provided to the CEO.

3.5.2 Effectiveness

Maintaining legislative compliance is heavily reliant on the knowledge, experience and commitment of senior staff, to identify and prevent breaches of legislation. As a consequence, staff turnover, competing priorities and variations in workloads may have a significant negative impact on legislative compliance. Therefore, one of the most effective controls in maintaining legislative compliance is a motivated, stable, experienced and knowledgeable senior management group in addition to a compliance framework to ensure required compliance tasks are considered and actioned.

Some minor instances of non-compliance with legislative requirements were identified during our review. Apart from the identified breaches of legislation, and in the instances where effectiveness was able to be assessed, the current legislative compliance framework is considered somewhat effective. Our assessment as to effectiveness is subject to the implementation of the improvements detailed in the report provided to the CEO.

3.5.3 Improvements

Improvements to the current legislative compliance framework, including ongoing development of processes to monitor and report on legislative compliance have been identified and are summarised as follows:

- Review the legislative compliance policy to ensure required processes and structures included in the policy are in place, are achievable and appropriate for the Shire, including for training, assignment of responsibility, monitoring and reporting;
- Ensure plans are made about planning for the future of the district as required by legislation;
- Maintain financial interest and tender registers as required by legislation;
- Ensure all items required by legislation to be published on the website are updated and maintained on the website with procedures to document when they are uploaded or modified;
- Further development and approval of authorised checklists for functions which require a high level of legislative compliance; and
- Develop and maintain a staff training matrix and coordinate training across the shire. A risk based training matrix should help ensure staff with the responsibility for preventing, identifying and reporting breaches of legislation, are offered relevant training to ensure their knowledge of legislative requirements is maintained and qualifications are maintained and up to date where required.

4.0 Methodology

4.1 Review Methodology – Financial Management Review

The objective of this review is to assist the CEO of the Shire of Wagin to discharge responsibilities in respect to Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* (as amended).

In performing this consulting service, we examined documented policies / procedures, undertook walkthroughs of key systems and procedures and performed limited detailed testing procedures to identify weaknesses and identify opportunities for improvement in the financial management system and report to the CEO on the appropriateness and effectiveness of the control environment within the shire, as required by Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*.

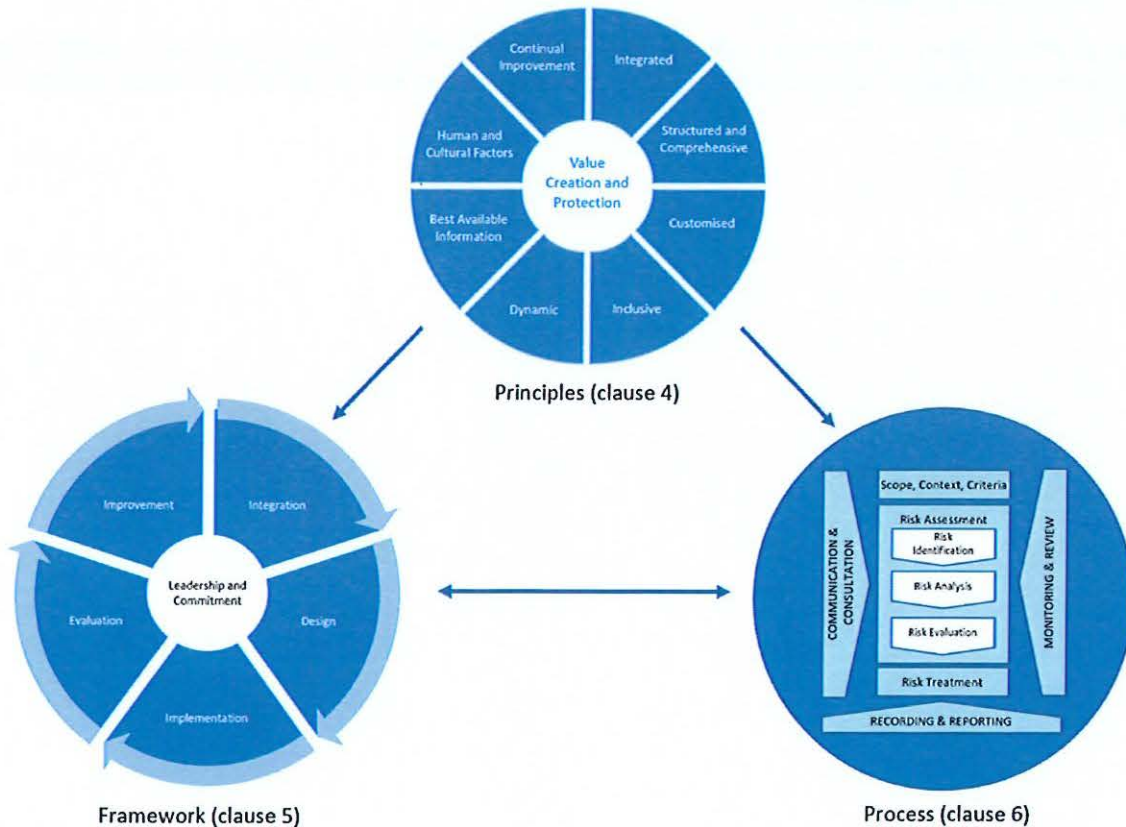
4.2 Review Methodology – Risk Management, Legislative Compliance and Internal Controls

The primary goal of this service is to assist the CEO in their assessment as to the appropriateness and effectiveness of the shire systems and procedures in relation to risk management, legislative compliance and internal controls.

Internal controls are designed to treat risks and form part of the risk management process. Non-compliance with legislation is one of the risks that would usually be identified as a consequence of applying a risk management process.

The Australian Standard for Risk Management, ISO 31000:2018(E), identifies three components in the application of risk management, being Principles, Framework and Process, as set out in Diagram 1 below.

Diagram 1. Risk Management Principles, Framework and Process



Source: Australia/New Zealand Standard ISO 31000:2018

4.0 Methodology

4.2 Review Methodology – Risk Management, Legislative Compliance and Internal Controls (continued)

In undertaking this consulting engagement, we have applied the three ISO 31000:2018 framework components, as set out on the previous page, to the review topics (risk management, internal controls and legislative compliance). This involves a process incorporating the five risk management framework components, *Integration, Design, Implementation, Evaluation and Improvement*, into the review of systems and processes:

- Identify the extent of leadership and commitment to the principles;
- Assess the extent of integration of risk management within the shire;
- Assess the design of the current framework through an understanding of the shire and the context within which it operates (risk management, legislative compliance and internal controls) after considering the overall context in which the review occurs;
- Assess the implementation of the current framework;
- Assess the extent of evaluation of the current framework and its effectiveness in supporting the shire's objectives;
- Assess the current framework and improvements to the suitability, adequacy and effectiveness of the framework;
- Examine the current process for the shire's systematic application of policies, procedures and practices to the activities of communicating and consulting, establishing context, assessing, treating, monitoring, reviewing, recording and reporting risk, internal controls and legislative compliance; and
- Report to the CEO to assist their assessment on the appropriateness and effectiveness of current systems and procedures.

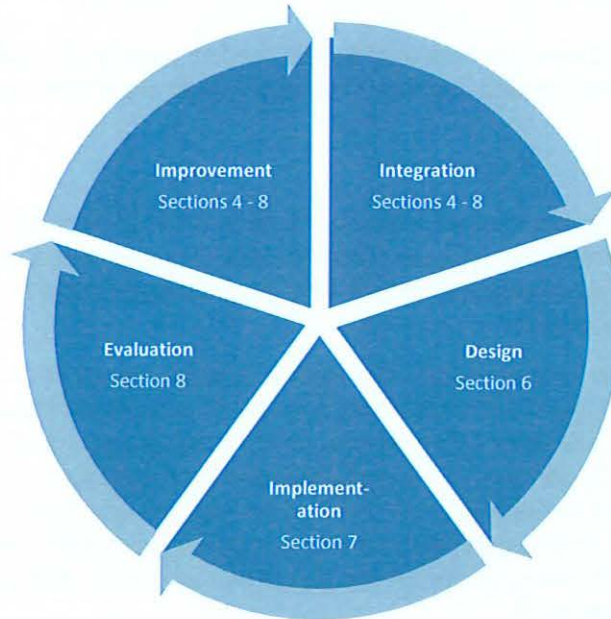
This evaluation is based on interviews with key staff, examination of requested documentation listed in the Appendices and reference to any external audit reports or reviews previously conducted and provided for our inspection.

5.0 Appropriate Framework

5.1 Risk Management, Internal Control and Legislative Compliance

The following framework was identified as being appropriate for risk management, internal control and legislative compliance for the Shire of Wagin, after consideration of the current internal and external influences, detailed in Section 2.1.

Diagram 2. Risk Management, Internal Control and Legislative Compliance Framework



Source: Australia/New Zealand Standard ISO 31000:2018

A high-level analysis of risk management systems, internal controls and legislative compliance was undertaken which precluded detailed testing in all areas.

The results of our service, as outlined and detailed within the report to the CEO for implementation of improvements, are set out with reference to the structure of the above framework. We assessed the following areas:

Design	Implementation	Evaluation
Strategic Plans	Strategic and Operational Plans	Council and Audit and Risk Committee
Council Policies	Operational and Financial Procedures	Strategic and Operational Registers
	Human Resource Management and Practices	Annual Compliance Audit Returns
	Insurance	Complaint Handling
		Audit Practices
		Reviews required by the CEO

Integration along with Leadership and Commitment were assessed within each of the elements of the framework.

6.0 Other Matters

Disclaimer

Since the service provided in terms of this engagement comprise an advisory engagement and is not an assurance engagement, we are not required to verify the reliability, accuracy or completeness of the information provided to us by management in undertaking the consulting engagement. Accordingly, we do not express an audit opinion or a review conclusion to convey assurance for the service/s performed within our report.

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Document Management

Version: 2.0
Status: Final
Date: June 2024

Appendix A – Financial Management Systems Review

The following assessments were undertaken to evaluate the appropriateness and effectiveness of financial management system controls. Where we were unable to examine systems and procedures, comment has been provided throughout our report.

System	Description
Bank reconciliation and petty cash management	Examination of procedures and review of maintenance and management practices undertaken by staff.
Trust funds	Examination of trust funds to determine proper accountability in the shire's financial management system and compliance with regulatory requirements.
Receipts and receivables	Examination of end of day banking procedures to determine if they were adequate in ensuring cash collection is being recorded and allocated properly to the general ledger. The receivables system including raising of invoices was also reviewed with limited testing in respect to allocation/posting.
Rates	<p>The shire's rating procedures were examined to determine if they were adequate in ensuring rates were being imposed or raised correctly. This also included inspection of the rate record, rate notices, instalment notices, valuation reconciliations and general ledger. We randomly selected and tested rate notices which included:</p> <ul style="list-style-type: none"> • sighting the notices; • re-performing the calculations; • ascertaining whether the valuations applied agree to Landgate's valuation roll/report and rates per dollar imposed are as per adopted budget; • ensuring the rate system is properly updated; and • checking proper posting to the general ledger.
Purchases, payments and payables (including purchase orders)	Random selection of payment transactions to determine whether purchases were authorised/budgeted and payments were supported, certified/authorised and correctly allocated. The shire's purchases, payments and payables system was also examined to determine if adequate controls were in place in ensuring liabilities are properly recorded and payments are properly controlled.
Payroll	<p>A sample of employees were randomly selected from pay runs during the reporting period and detailed testing of each employee's pay was performed to help ensure:</p> <ul style="list-style-type: none"> • the employee existed; • the correct rate of pay was used; • non-statutory deduction authorities are on hand; • time sheets were properly completed and authorised; • hours worked were properly authorised; and • allocations were reasonable and correctly posted. <p>The shire's payroll system was also reviewed to determine if adequate controls were in place to help ensure wages and salaries are properly processed and payments are properly controlled.</p>

Appendix A – Financial Management Systems Review

System	Description
Transaction card procedures	<p>A review of the shire's transaction card procedures was performed to determine if adequate controls were in place. We randomly selected and tested credit card transactions to determine whether they are legitimate and usual in the context of the shire's operations. This included:</p> <ul style="list-style-type: none"> • sighting tax invoices; • ascertaining whether the transaction is for bona fide shire business; and • determining whether transactions are in line with the shire's policy.
Fixed assets (including depreciation, acquisition, and disposal of property)	<p>The fixed assets system including controls over acquisition and disposal of assets, updating of the fixed assets register, depreciation of fixed assets and reconciliation of the fixed assets register to the general ledger was examined. A sample of asset additions and disposals were judgmentally selected, and testing performed to ensure:</p> <ul style="list-style-type: none"> • the tax invoices existed; • correct posting to the general ledger; • fixed assets register was promptly updated; and • classification of assets was correct. <p>In addition, a sample of assets were judgmentally selected and testing performed to ensure the depreciation rates used are in line with the shire's policy.</p>
Cost and administration allocation	<p>The shire's cost and administration allocation system was examined to determine if indirect costs have been properly reallocated to various jobs/programs. This included review of the allocation basis and rates used to ensure they are appropriate and regularly reviewed.</p>
Financial reports controls	<p>The format of the annual report, annual financial report and monthly financial reports were reviewed for compliance with legislative requirements.</p>
Budget and budget review	<p>The 2023-24 budget document and documents surrounding budget adoption were reviewed to ensure compliance with regulatory requirements.</p>
Borrowings	<p>Reconciliation of borrowings to the WATC loan schedules were examined.</p>
Inventory	<p>Inventory reconciliations and stock take procedures were examined.</p>

Appendix B – Council Policies Examined

The Council Policies examined as part of the review were as follows:

Policy Topic

ADMINISTRATION POLICIES

- A.1 Employees
- A.2 Circus Site – Sportsground
- A.3 Wagin Community Bus Charter
- A.4 Wagin Fire Tender
- A.5 Shire of Wagin Firearms
- A.6 Use of Shire Logo
- A.7 Occupational Safety and Health
- A.8 Elected Member and Employee Loyalty Service Recognition
- A.9 Elected Members Records Management
- A.10 Grievance
- A.11 Release of Staff to Assist Emergency Services
- A.12 Fitness for Work and Drug and Alcohol Testing
- A.13 Customer Aggressive Behaviour
- A.14 Equal Opportunity Employment
- A.15 Integrated Workforce Planning and Management Policy
- A.16 Recruitment and Selection of Employees
- A.17 Social Media
- A.18 Asset Management
- A.19 Emergency Management
- A.20 Employee Housing Policy
- A.21 Continuing Professional Development – Elected Members
- A.22 Temporary Employment or Appointment of Acting Chief Executive Officer (CEO)
- A.23 Attendance to Events
- A.24 Wagin Shire Electronic Advertising Sign
- A.25 Internal Control
- A.26 Legislative Compliance
- A.27 Standard for CEO Recruitment, Performance and Termination Policy
- A.28 Use of Information and Communications Technology
- A.29 Child Safe Awareness

BUSHFIRE POLICIES

- B.1 Expenditure Limit
- B.2 Suspension of Prohibited Burning Period
- B.3 Use of Council Equipment and Machinery for Bushfire Control
- B.4 Harvest Bans – Authorised Officers
- B.5 Fire Control Officer Training
- B.6 Authority to Issue Infringements
- B.7 Bushfire Risk Management Plan
- B.8 Bushfire Communication Policy
- B.9 Management of Bushfire Volunteers Policy

Appendix B – Council Policies Examined

COUNCIL POLICIES

- C.1 Standing Committees
- C.2 Councillors – Out of Pocket Expenses
- C.3 Council Seal
- C.4 Administration and Council Chamber
- C.5 Meetings Resulting from Council Meetings
- C.6 Tenders
- C.7 Petitions
- C.8 Civic Awards
- C.9 Administration and Elected Members Records Management
- C.10 Service Compliant

FINANCE POLICIES

- F.1 Annual Fees & Charges
- F.2 Instalment Payment of Rates
- F.3 Townscape Painting and Improvements
- F.4 Wagin District High Schol – Use of Council Buildings
- F.5 Accounts Certifying Officers – Authorisation Policy
- F.6 Issuing of Council Purchase Orders
- F.7 Cheque Signing Policy
- F.8 Gratuity Payments
- F.9 Reserve Account
- F.10 Rates Concession Incentives – Commercial Properties
- F.11 Corporate Credit Card
- F.12 Legal Representation – Costs Indemnification
- F.13 Group Valuation for Contiguous Rural Land
- F.14 Rate Recovery
- F.15 Purchasing and Tender Guide
- F.16 Recovery of Non Rates Charges
- F.17 Investment Policy
- F.18 Council Vehicle Replacement and Procurement Policy
- F.19 Risk Management
- F.20 Related Party Disclosures
- F.21 Covid-19 Financial Hardship

HEALTH, BUILDING & PLANNING POLICIES

- HBP.1 Swimming Pool Inspections
- HBP.2 Sportsground
- HBP.3 Discount Sale – Outside Vendor
- HBP.4 Approval/ Refusal of Building Application
- HBP.5 Dumping of Grain
- HBP.6 Health and Safety Requirements of Contractors
- HBP.7 Smoking at Swimming Pool and Council Buildings
- HBP.8 Smoking in Enclosed Council Buildings and Vehicles
- HBP.9 Relocated Building and Dwellings
- HBP.10 Land Subject to Dampness and Flooding

Appendix B – Council Policies Examined

HBP.11 Development of Lots Abutting Unconstructed Roads

HEALTH, BUILDING & PLANNING POLICIES (Continued)

HBP.12 Residential Development Standards – Proposed Subdivision of Wagin Town Lots 7 41 & 752 Pederick Drive Wagin

HBP.13 Agistment and Stabling of Horses on “Residential” Zoned Land

HBP.14 Industrial Zoned Land

HBP.15 Caretakers Dwelling on Industrial Zoned Land

HBP.16 Development of Outbuildings in the Townsite of Wagin

HBP.17 Home Occupations

HBP.18 Installation of Satellite Dishes, Microwave, Antennae and Radio Masts

HBP.19 Use of Sea Containers and Transportable Structures

HBP.20 Extractive Industries

HBP.21 Authority to Deal with Applications for Planning Approval

HBP.22 Rural Zone Building Setbacks

HBP.23 Camping on Reserve 29817 Lake Norring

HBP.24 Farm/ Bed & Breakfast Accommodation

HBP.25 Local Planning Policy for Heritage

HBP.26 Advertising Signs

HBP.27 Mobile and Itinerant Vendors and Commercial Activities in Public Places

HBP.28 Recreational Vehicle Site – Recreation Ground

HBP.29 Local Planning Policy – Wind Turbines

WORKS POLICIES

W.1 School Bus Policy

W.2 Street Tree Policy

W.3 Roadside Clearing of Fencelines and Road Reserves

W.4 Road Trains/ Pocket Road Trains and B Double Trucks on Local Roads

W.5 Rural Driveways and Farm Crossovers

W.6 Farm Crossovers

W.7 Gravel Pit Rehabilitation

W.8 Private Works

W.9 Water Pipelines

W.10 Firewood Collection on Road Reserves

W.11 Gate Permit

W.12 Urban Crossovers General

W.13 Staff of Local Government Equipment – Private Use of Council Plant

W.14 Road Making Material Acquisition

W.15 Rural Road Signs

W.16 Road Closure

W.17 Wagin Refuse Site Key Policy

W.18 Remembrance Walk Policy

Appendix C – Plans Examined

The Plans examined as part of the review were as follows:

Plan	Status
Code of Conduct for Council Members, Committee Members and Candidates	Adopted 25 May 2021
Code of Conduct for Employees	March 2022
Draft Incident Management / Business Continuity Response Plan	April 2020
Annual Report	2020/21, 2021/22, 2022/23
Strategic Community Plan – 2020 – 2030	23 August 2022
Strategic Resource Plan (Incl. Long Term Financial Plan and Asset Management Planning)	2018 - 2035
Record Keeping Plan	Approved by State Records Office 27 November 2023
Integrated Workforce Plan	2013 - 2017
ICT Disaster Recovery Plan	Approved by Council June 2023

Appendix D – Strategic and Operational Registers Examined

The registers examined as part of the review were as follows:

Registers
Delegation Register
Tender Register
Risk Register
Financial Interest Register
Gifts Register
Complaints Register
Outstanding Works Complaints Register
Swimming Pool Register
Development Applications Register – Building Register
Eating Houses Register
Contracts Register – Legal Agreements
IT Assets Register
Key Register
Hazardous Substances Register

Appendix E – Operational Guidelines

Risk Management

The internal control and risk management systems and programs are a key expression of a local government's attitude to effective controls. Good audit committee practices in monitoring internal control and risk management programs typically include:

Reviewing whether the local government has an effective risk management system and material operating risks to the local government are appropriately considered;

Reviewing whether the local government has a current and effective Business Continuity Plan (including disaster recovery) which is tested from time to time;

Assessing the internal processes for determining and managing material operating risks in accordance with the local government's identified tolerance for risk, particularly in the following areas:

- potential non-compliance with legislation, regulations and standards and local government's policies
- important accounting judgements or estimates prove to be wrong
- litigation and claims
- misconduct, fraud and theft
- significant business risks, recognising responsibility for general or specific risk areas, for example, environmental risk, occupational health and safety, and how they are managed by the local government

Obtaining regular risk reports, which identify key risks, the status and the effectiveness of the risk management systems, to ensure identified risks are monitored and new risks are identified, mitigated and reported;

Assessing the adequacy of local government processes to manage insurable risks and ensure the adequacy of insurance cover, and if applicable, the level of self-insurance;

Reviewing the effectiveness of the local government's internal control system with management and the internal and external auditors;

Assessing whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk;

Assessing the local government's procurement framework with a focus on the probity and transparency of policies and procedures/processes and whether these are being applied;

Should the need arise, meeting periodically with key management, internal and external auditors, and compliance staff, to understand and discuss any changes in the local government's control environment; and

Ascertaining whether fraud and misconduct risks have been identified, analysed, evaluated, have an appropriate treatment plan which has been implemented, communicated, monitored and there is regular reporting and ongoing management of fraud and misconduct risks.

Legislative Compliance

The compliance programs of a local government are a strong indication of attitude towards meeting legislative requirements. Audit committee practices in regard to monitoring compliance programs typically include:

- a) *Monitoring compliance with legislation and regulations*
- b) *Reviewing the annual Compliance Audit Return and reporting to Council the results of that review*

Appendix E – Operational Guidelines (Continued)

Legislative Compliance (continued)

- c) *Staying informed about how management is monitoring the effectiveness of its compliance and making recommendations for change as necessary*
- d) *Reviewing whether the local government has procedures for it to receive, retain and treat complaints, including confidential and anonymous employee complaints*
- e) *Obtaining assurance that adverse trends are identified and review management's Plans to deal with these*
- f) *Reviewing management disclosures in financial reports of the effect of significant compliance issues*
- g) *Reviewing whether the internal and / or external auditors have regard to compliance and ethics risks in the development of their Audit Plan and in the conduct of audit projects, and report compliance and ethics issues to the audit committee*
- h) *Considering the internal auditor's role in assessing compliance and ethics risks in their Plan;*
- i) *Monitoring the local government's compliance frameworks dealing with relevant external legislation and regulatory requirements*
- j) *Complying with legislative and regulatory requirements imposed on audit committee members, including not misusing their position to gain an advantage for themselves or another or to cause detriment to the local government and disclosing conflicts of interest*

Internal Controls

'Internal control is a key component of a sound governance framework, in addition to leadership, long-term planning, compliance, resource allocation, accountability and transparency. Strategies to maintain sound internal controls are based on risk analysis of the internal operations of a local government.

An effective and transparent internal control environment is built on the following key areas:

- a) *integrity and ethics;*
- b) *policies and delegated authority;*
- c) *levels of responsibilities and authorities;*
- d) *audit practices;*
- e) *information system access and security;*
- f) *management operating style; and*
- g) *human resource management and practices.*

Internal control systems involve policies and procedures that safeguard assets, ensure accurate and reliable financial reporting, promote compliance with legislation and achieve effective and efficient operations and may vary depending on the size and nature of the local government.

Appendix E – Operational Guidelines (Continued)

Internal Controls (continued)

Aspects of an effective control framework will include:

- a) delegation of authority;*
- b) documented policies and procedures;*
- c) trained and qualified employees;*
- d) system controls;*
- e) effective Policy and process review;*
- f) regular internal audits*
- g) documentation of risk identification and assessment; and*
- h) regular liaison with auditor and legal advisors.*

The following are examples of controls that are typically reviewed:

- a) separation of roles and functions, processing and authorisation;*
- b) control of approval of documents, letters and financial records;*
- c) comparison of internal data with other or external sources of information;*
- d) limit of direct physical access to assets and records;*
- e) control of computer applications and information system standards;*
- f) limit access to make changes in data files and systems;*
- g) regular maintenance and review of financial control accounts and trial balances;*
- h) comparison and analysis of financial results with budgeted amounts;*
- i) the arithmetical accuracy and content of records;*
- j) report, review and approval of financial payments and reconciliations; and*
- k) comparison of the result of physical cash and inventory counts with accounting records.*

CONTACT US

Level 15, 2 The Esplanade,
Perth WA 6000

T 08 9225 5355

F 08 9225 6181

E localgov-wa@moore-australia.com.au

www.moore-australia.com.au



Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls

Detailed Report to CEO - Final

Shire of Wagin

June 2024

Contents

1.0	Engagement Overview	3
2.0	Methodology	4
3.0	Appropriate Framework.....	6
4.0	Framework Design	7
5.0	Framework Implementation.....	13
6.0	Framework Evaluation	23
7.0	Other Matters	32
	Appendix A – Financial Management Systems Review	33
	Appendix B – Council Policies Examined	35
	Appendix C – Plans Examined	38
	Appendix D – Strategic and Operational Registers Examined.....	39
	Appendix E – Operational Guidelines	40
	Appendix F – Improvements Identified.....	43

1.0 Engagement Overview

1.1 Scope of Services

The Shire of Wagin (the Shire) engaged Moore Australia to provide consultancy and advisory services with a dual purpose, firstly to provide a report to assist the CEO to perform select reviews required by legislation. This engagement set out to assist the CEO to report to the Audit Committee on the appropriateness and effectiveness of the Shire's risk management, internal controls and legislative compliance systems and procedures as required by the *Local Government (Audit) Regulations 1996* Regulation 17. Secondly, to examine financial management systems to highlight the appropriateness and effectiveness of these systems and procedures to assist the CEO in undertaking a review as required by *Local Government (Financial Management) Regulations 1996* Regulation 5(2)(c).

For efficiency, these services were undertaken simultaneously, and the results contained in this single report. Financial management systems and procedures are considered a subset of broader overall risk management, legislative compliance and internal controls. The matters examined in respect of financial management systems are detailed in Appendix A. Where opportunities for improvement were identified, they are reported within the relevant section of the risk management, legislative compliance and internal controls framework design, implementation and evaluation sections of this report.

The results of the examination of risk management, legislative compliance and internal controls review are to be reviewed by the CEO and reported by the CEO to the Audit Committee. The Audit Committee is required to review the CEO's report and on-report to Council. The report from the Audit Committee to Council is required to have attached a copy of the CEO's initial report to the Audit Committee.

Our assessment as to appropriateness and effectiveness of the abovementioned review topics have been provided separately as a Summary Report which includes the review context and summary of the reviews carried out and findings for reporting to the Audit and Risk Committee and Council. This supplementary detailed report is provided for the CEO and highlights where opportunities for improvement were identified. This report sets out the relevant sections of risk management, legislative compliance and internal controls framework design, implementation and evaluation for determination of actions and prioritisation in the context of the Shire's operations.

In the following pages, Sections 2.0 to 6.0 provide information on the methodology, appropriate framework, framework design, implementation and evaluation for the CEO's information and action as determined appropriate.

2.0 Methodology

2.1 Review Methodology – Financial Management Review

The objective of this review is to assist the CEO of the Shire of Wagin to discharge responsibilities in respect to Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* (as amended).

In performing this consulting service, we examined documented policies / procedures, undertook walkthroughs of key systems and procedures and performed limited detailed testing procedures to identify weaknesses and identify opportunities for improvement in the financial management system and report to the CEO on the appropriateness and effectiveness of the control environment within the Shire, as required by Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*.

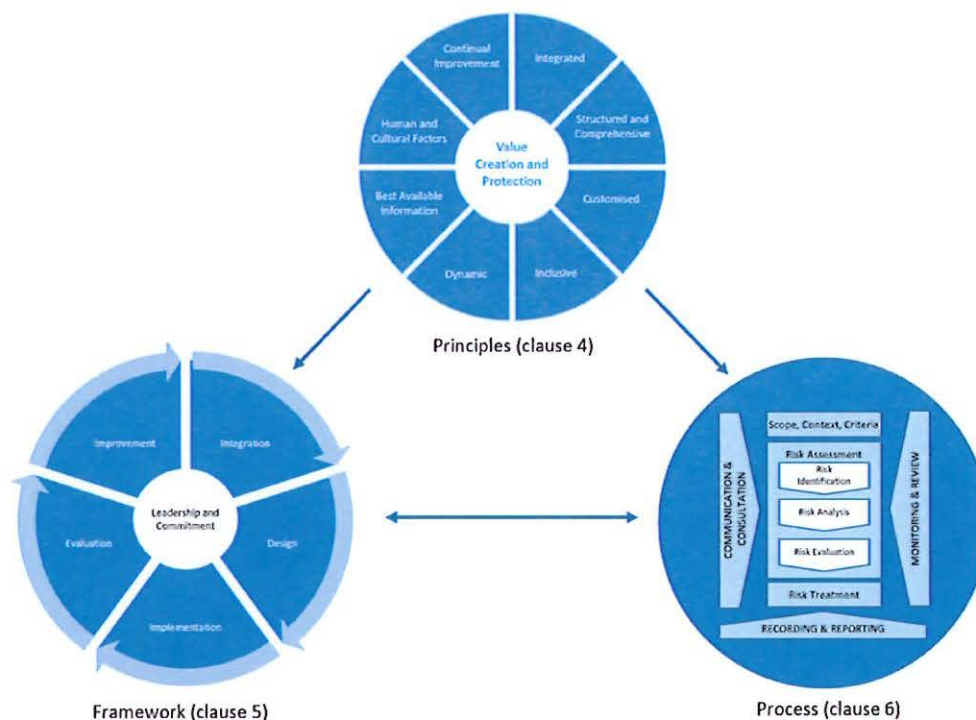
2.2 Review Methodology – Risk Management, Legislative Compliance and Internal Controls

The primary goal of this service is to assist the CEO in their assessment as to the appropriateness and effectiveness of the Shire systems and procedures in relation to risk management, legislative compliance and internal controls.

Internal controls are designed to treat risks and form part of the risk management process. Non-compliance with legislation is one of the risks that would usually be identified as a consequence of applying a risk management process.

The Australian Standard for Risk Management, ISO 31000:2018(E), identifies three components in the application of risk management, being Principles, Framework and Process, as set out in Diagram 1 below.

Diagram 1. Risk Management Principles, Framework and Process



Source: Australia/New Zealand Standard ISO 31000:2018

2.0 Methodology

2.2 Review Methodology – Risk Management, Legislative Compliance and Internal Controls (continued)

In undertaking this consulting engagement, we have applied the three ISO 31000:2018 framework components, as set out on the previous page, to the review topics (risk management, internal controls and legislative compliance). This involves a process incorporating the five risk management framework components, *Integration, Design, Implementation, Evaluation and Improvement*, into the review of systems and processes:

- Identify the extent of leadership and commitment to the principles;
- Assess the extent of integration of risk management within the Shire;
- Assess the design of the current framework through an understanding of the Shire and the context within which it operates (risk management, legislative compliance and internal controls) after considering the overall context in which the review occurs;
- Assess the implementation of the current framework;
- Assess the extent of evaluation of the current framework and its effectiveness in supporting the Shire's objectives;
- Assess the current framework and improvements to the suitability, adequacy and effectiveness of the framework;
- Examine the current process for the Shire's systematic application of policies, procedures and practices to the activities of communicating and consulting, establishing context, assessing, treating, monitoring, reviewing, recording and reporting risk, internal controls and legislative compliance; and
- Report to the CEO to assist their assessment on the appropriateness and effectiveness of current systems and procedures.

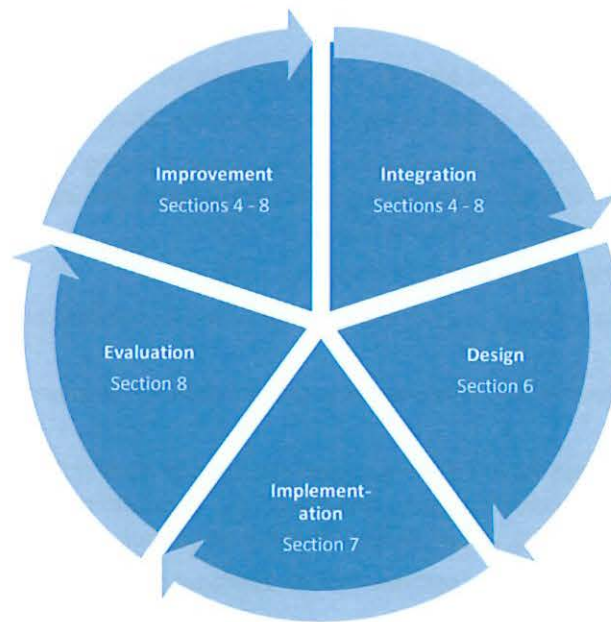
This evaluation is based on interviews with key staff, examination of requested documentation listed in the Appendices and reference to any external audit reports or reviews previously conducted which were available for our inspection.

3.0 Appropriate Framework

3.1 Risk Management, Internal Control and Legislative Compliance

The following framework was identified as being appropriate for risk management, internal control and legislative compliance for the Shire of Wagin, after consideration of the current internal and external influences, detailed in Section 2.1.

Diagram 2. Risk Management, Internal Control and Legislative Compliance Framework



Source: Australia/New Zealand Standard ISO 31000:2018

A high-level analysis of risk management systems, internal controls and legislative compliance was undertaken which precluded detailed testing in all areas.

The results of our service, as detailed on the following pages, are set out with reference to the structure of the above framework. We assessed the following areas:

Design	Implementation	Evaluation
4.1 Strategic Plans	5.1 Strategic and Operational Plans	6.1 Council and Audit and Risk Committee
4.2 Council Policies	5.2 Operational and Financial Procedures	6.2 Strategic and Operational Registers
	5.3 Human Resource Management and Practices	6.3 Annual Compliance Audit Returns
	5.4 Insurance	6.4 Complaint Handling
		6.5 Audit Practices
		6.6 Reviews required by the CEO

Integration along with Leadership and Commitment were assessed within each of the elements of the framework.

4.0 Framework Design

4.1 Strategic Plans

The Shire has adopted a key strategic document, the Strategic Community Plan 2020 - 2030. This plan identifies the Council's organisational objectives, as the Shire progress on its stated mission "The Shire of Wagin is a focussed Local Government providing progressive and innovative leadership that builds a sustainable future while supporting a vibrant, healthy and caring community".

The Strategic Community Plan recognises the community's aspirations and values through the following key result areas:

- Economic Development;
- Buildings and Infrastructure;
- Community Services and Social Environment;
- Town and Natural Environment; and
- Council Leadership.

In seeking to achieve its objectives, the Shire of Wagin faces both inherent and business risks. Whilst striving to fulfil expectations, it is also expected to meet compliance with numerous legislative requirements. To manage these risks, the Shire has established various processes, systems and controls.

The Corporate Business Plan was previously incorporated with the Strategic Community Plan, though was removed during the 2022 review of the Strategic Community Plan as adopted by Council on 23 August 2022. The Strategic Community Plan references strategic challenges which might affect the Shire, and the key activities and strategies for the short term 2021 – 2025.

This review examines the appropriateness and effectiveness of the organisation's risk management systems, internal controls and legislative compliance in the context of the Shire striving to achieve its stated objectives.

4.0 Framework Design

4.2 Council Policies

Whilst the operations of the Shire are the responsibility of the CEO, the Council is responsible for setting the framework for operations via adopted Council policies. These policies represent an overarching framework relevant to risk management, internal controls and legislative compliance and have been reviewed for appropriateness and effectiveness.

In general, Council policies are well formulated, however we observed some are non consistent with the delegations register. Staff representations during our review noted the policy manual is currently under ongoing review to update policy content and format. A list of policies reviewed is provided in Appendix B - Council Policies Examined. The table below details matters identified and associated suggested improvements.

	Policy	Purpose / Goal	Matters Identified / Improvements
4.2.1	A1 Employees	To provide employees and management with a clear understanding of their responsibilities in the employment of new employees and their entitlements.	Policy provides for a loyalty allowance for the term of employment to be paid at termination. This may not align with the limits prescribed by legislation in some circumstances. Improvements: Review and update the policy to ensure clear alignment with section 5.50 of the <i>Local Government Act 1995</i> and Regulation 19A of the <i>Local Government (Administration) Regulations 1996</i> .
4.2.2	A7 Occupational Safety and Health	To ensure the safety and health of its employees, contractors, volunteers and visitors and in meeting this duty will comply with the requirements of the <i>Occupational Safety and Health Act 2020</i> and any other legislations.	We note the policy referenced outdated legislation and does not promote a risk-based approach to Work, Health and Safety (WHS). Improvement: Review policy to align with the <i>Work Health and Safety Act 2020</i> and to provide for a risk-based approach to WHS to align with the risk management policy.
4.2.3	A21 Continuing Professional Development	To provide Elected Members with the knowledge and resources that will enable them to fulfill their role.	A policy for Councillors attending mandatory training with reference to broader procedures was adopted in 2020. This policy has not been updated since that time. Improvements: Review and prepare a policy which satisfies section 5.128 of the <i>Local Government Act 1995</i> for Ongoing Elected Member Professional Development. Controls should exist to ensure the policy is reviewed and adopted by absolute majority after each ordinary local government election as required by legislation.
4.2.4	A25 Internal Control	Provides a basis for establishing documented internal controls that are implemented based on risk management policies and standards.	The policy refers to monitoring and review activities to assist with risk management, internal controls and legislative compliance practices. The monitoring, review and reporting described in the policy do not appear to be routinely occurring or being reported to the Audit and Risk Committee. Improvements: Consider reviewing the policy to ensure monitoring, review and reporting activities required reflect the context of the organisation. Procedures should exist to appropriately support policy activation.

4.0 Framework Design

	Policy	Purpose / Goal	Matters Identified / Improvements
4.2.5	B1 Bushfire	For approval of expenditure to control a fire.	<p>Under this policy the Shire President can authorise commitment of funds where necessary to control a fire. Under legislation expenditure from the municipal funds cannot be authorised by only the Shire President, except during an emergency (as defined in the <i>Emergency Management Act 2005</i>).</p> <p>Improvement: While the policy may consider the circumstances or conditions for expenditure to be incurred to combat a bush fire, clarity is required on the legislative conditions for instances where the Shire President may authorise any expenditure to comply with legislation. Consider review and update of the policy accordingly.</p>
4.2.6	B2 Suspension of Prohibited Burning Period	Authorised to amend or suspend the prohibited burning period.	<p>The policy contains authorisation to the Chief Fire Control Officer and Shire President to amend or suspend the prohibited burning period. This is a delegable function under the <i>Bush Fires Act 1954</i> and included in the delegation register under Delegation No: 10, which conflicts with current policy statements.</p> <p>Improvement: Review and update the policy and/or the delegation to clarify conflicting authorisations. Update the register of delegations to ensure compliance with the <i>Bush Fire Act 1954</i> and alignment with Council policies.</p>
4.2.7	B7 Bushfire Risk Management	To allow owners of property within the Shire of Wagin to view their bushfire risk rating as stated in the Bushfire Risk Management Plan.	<p>The policy refers to processes based on the superseded risk management standard <i>AS/NZ ISO 31000:2009</i>.</p> <p>Improvement: Review the Bushfire Risk Management Policy to align with the updated Office of Bushfire Management (OBRM) - Guidelines for Preparing a Bushfire Risk Management Plan and <i>Risk Management Standard ISO 31000:2018</i>.</p>
4.2.8	F2 Instalment Payment of Rates	To delegate authority to accept reasonable requests for alternative instalment payment of rates.	<p>The policy sets out the delegated function for s.6.49 of the <i>Local Government Act 1995</i>. To avoid conflict with the delegation, the policy should not restate the delegation of power, but rather should enhance these requirements if necessary and where a policy decision exists.</p> <p>Improvements: Amend the policy to remove repetition of the delegation detail, particularly where sub-delegations by the CEO may exist. Consider inclusion of direction for consistent alignment of financial hardship considerations and treatments, particularly where sub-delegations by the CEO may exist.</p>
4.2.9	F4 Wagin District High School – Use of Council Buildings	That the Wagin District High School be able to utilise Council's Town Hall, Recreation Centre Lounge Area or Eric Farrow Pavilion for educational purposes free of charge.	<p>The policy provides for use of council facilities at no charge. Facility hire fees should be set annually when Council adopts the schedule of fees and charges, along with discounts, concessions or waivers. The current policy does not align with the fees and charges set for 2023/24.</p> <p>Improvement: Review and update the policy to require all fees and charges to be applied at the rates adopted, and discounts, concessions and waivers are only applied as permitted by legislation.</p>

4.0 Framework Design

Policy	Purpose / Goal	Matters Identified / Improvements
4.2.10 F9 Reserve Account	Setting the purpose of the reserve accounts.	<p>The policy sets out the objectives to state the purpose of the reserve funds. These do not align with information included in the notes supporting the 2023/24 adopted budget relating to financially backed reserves. We note some of the reserves currently held have varied purposes and / or names.</p> <p>Improvement:</p> <p>Consider reviewing and updating the policy to clearly convey the policy intent. Alternatively, consider rescinding the policy and address long term reserve fund considerations through the long-term financial plan to avoid policy conflict and non-compliance.</p>
4.2.11 F11 Corporate Credit Card	To ensure appropriate controls are in place regarding usage of credit cards in accordance with legislation	<p>The policy does not provide for controls for purchases made with transaction cards other than credit cards, e.g., fuel cards, store cards etc. and does not require user agreements to be established setting out cardholder responsibilities and obligations.</p> <p>Improvement:</p> <p>Consider review of policy F11 to encompass a broader title and scope for corporate transaction cards (including credit cards, fuel cards, debit cards etc.). Procedures should be in place to support the policy, procurement systems and robust controls prior to payment being deducted for corporate transaction cards.</p>
4.2.12 F15 Purchasing and Tender Guide	To provide compliance with the <i>Local Government Act 1995</i> and Regulations and deliver a best practice approach to purchasing.	<p>Authorisation for a sole source of supply arrangement considered under the policy is not defined, and system requirements to evidence market testing are not sufficiently detailed in the policy.</p> <p>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 for variations.</p> <p>Improvements:</p> <p>Amend the policy to:</p> <ul style="list-style-type: none"> Require CEO approval to obtain a single quote under sole source of supply arrangements, and to reference the risks and control environment when considering these arrangements. Prohibit price variations to existing contracts awarded by tender other than those provided within the original contract, as required by the <i>Local Government (Functions and General) Regulations 1996</i> Regulation 11(2) (j) (iv). Provide for purchasing requirements for the issuing of contract variations and extensions for contracts not awarded by public tender. Consideration should be given to circumstances where the contract value increases over a policy threshold level, due to the variation or extension.

4.0 Framework Design

Policy	Purpose / Goal	Matters Identified / Improvements
4.2.13 HBP9 Relocated Buildings and Dwelling	Provides guidance on the conditions for any person wishing to relocate a building within the Shire of Wagin.	<p>A refundable bond is required to be paid by applicants through the policy. Bonds are to be set annually when Council adopts the schedule of fees and charges.</p> <hr/> <p>Improvement: Review and update the policy to require all fees and charges to be applied at the rates within the fees and charges schedule adopted annually by Council.</p>
4.2.14 General Policy Actions	To set out parameters for the implementation of policies.	<p>We noted the content of several council policies which may be operational in nature. Council policies are not necessarily intended to provide direction on how different operational functions are to be executed as these are the responsibility of the CEO. Some policies where this may occur include:</p> <ul style="list-style-type: none"> • A1 Employees • A5 Shire of Wagin Firearms • A6 Use of Shire Logo • A9 Elected members Records Management • A10 Grievance • A11 Release of Staff to Assist Emergency Services • A12 Fitness for Work and Drug and Alcohol Testing • A13 Customer Aggressive Behaviour • A16 Recruitment and Selection of Employees • A19 Emergency Management • A20 Employee Housing Policy • F14 Rate Recovery • HBP Health and Safety Requirements of Contractors <hr/> <p>Improvements: Review and update policies to consider the appropriate separation of the role of the Council and the CEO.</p> <hr/> <p>Consider review and update of policies to articulate the strategic direction of Council and set out a high-level position to follow at an operational level, particularly where legislation does not provide such guidance.</p>
4.2.15 Policy Reference to External Information	To ensure policy parameters consider delegated authority.	<p>We noted some council policies which restate delegated authority. Council policies are not necessarily intended to restate delegated authority. Policy is not required if the delegation provides the required detail.</p> <hr/> <p>Improvement: Review and update policies, or rescind policies where not required, to ensure alignment with the Delegations Register.</p>

4.0 Framework Design

Policy	Purpose / Goal	Matters Identified / Improvements
4.2.16 Policy Publication	To provide access to current and consolidated policies of Council.	<p>We noted the policy manual includes policy headings with no detail or history references. Legislation requires up to date policies of Council to be published on the website.</p> <p>Improvement: Ensure processes and systems are in place for the update and publication of up to date policies on the official website as required by Regulation 29C of the <i>Local Government (Administration) Regulations 1996</i>. Remove outdated policy references from the policy manual.</p>
4.2.17 Policy Review	Routine review of Policies to help ensure they remain current.	<p>Policies are reviewed periodically by Council to help ensure they remain current. The document control history in some policies (adoption / review) to indicate where policies have been reviewed and amended has not been updated in all instances, with some policies containing no recorded history.</p> <p>We noted the majority of the Health, Building and Planning Policies are showing the last review, or adoption date more than 10 years ago. Legislation and council position may have changed over time and review of these policies should be considered for policies to remain current.</p> <p>Improvements: Review and update all policies regularly to ensure policies are aligned to current legislation and council's position.</p> <p>Following review of policies by Council, ensure document control history on the policy is updated to provide evidence and an accurate record of when the policy was reviewed, amended and adopted.</p>

5.0 Framework Implementation

5.1 Strategic and Operational Plans

The Council has several strategic and operational plans which form the basis of entity level controls and entity level risk assessments.

A list of plans inspected is provided in Appendix C - Plans Examined. The table below details areas for possible improvement in relation to the plans examined.

Plan	Purpose / Goal	Matters Identified / Improvements
5.1.1 Corporate Business Plan	A plan to guide the internal operations of the Shire in delivering services to the community.	<p>A Corporate Business Plan was not available for our review. The Corporate Business Plan was previously included in the Strategic Community Plan and was removed through the 2022 review of the Strategic Community Plan as adopted by Council on 23 August 2022.</p> <p>Improvement: Develop and present a Corporate Business Plan for consideration by Council. To help ensure compliance and provide sound planning direction to the organisation once developed, the Corporate Business Plan is to be reviewed annually as required by legislation.</p>
5.1.2 Integrated Workforce Plan	Document to enable appropriate planning of the workforce to deliver the Corporate Business Plan and consider workforce implications of the Strategic Community Plan.	<p>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 a Workforce Plan, it is necessary to integrate matters relating to resources, including workforce planning into the Corporate Business Plan and annual budget.</p> <p>Improvement: Review and update the Workforce Plan to maintain effective alignment with Integrated Planning and Reporting (IPR) documents, and to include all required data and information as published within the DLGSCI IPR Advisory Standard (September 2016).</p>
5.1.3 Draft Incident Management / Business Continuity Response Plan	Plan to facilitate organised decision-making in the event of a major incident impacting the Shire's ability to continue normal operations.	<p>A Draft Incident Management / Business Continuity Response Plan was developed in April 2020 and has not been finalised or reviewed. The plan includes persons no longer employed by the Shire.</p> <p>Improvement: Finalise and routinely (at least annually) review, update and test the Plan to ensure validity. Identify and document key business continuity risks along with the treatments, to reduce the risk to an acceptable level.</p>
5.1.4 Evacuation Plans	To ensure emergency evacuation plans and procedures are current.	<p>We noted through our review a number of evacuation plans and procedures which have not undergone regular review.</p> <p>Improvement: Review systems and procedures to ensure regular update of evacuation plans and procedures in alignment with risk management processes.</p>

5.0 Framework Implementation

	Plan	Purpose / Goal	Matters Identified / Improvements
5.1.5	ICT Strategic Plan	Plan to guide the future development and delivery of ICT services and address the handling of ICT disaster recovery.	<p>An ICT Strategic Plan was not available for our review.</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>Improvements: Develop an ICT Strategic Plan identifying and documenting key ICT risks along with the treatments to reduce the risk to an acceptable level. 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>Review the service agreement and terms for engagement in accordance with purchasing and system requirements.</p> <p>Careful development of a strategy may 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>
5.1.6	ICT Disaster Recovery Plan	Plan to address the handling of ICT disaster recovery.	<p>An ICT Disaster Recovery Plan was prepared in 2023. At the time of this review, the plan had not yet been tested and contains some outdated references to key contacts.</p> <p>Improvement: Review the plan regularly to update references and currency of information. Test the ICT Disaster Recovery Plan to ensure validity and effectiveness.</p>

5.0 Framework Implementation

5.2 Operational and Financial Procedures

In seeking to achieve its stated vision, the Shire delivers a number of services to the community. Meetings were undertaken with key staff in each of the areas of service responsibility, as well as examination of documented processes, to determine the practices applied to issues of risk management, internal controls and legislative compliance. A summary of the assessments undertaken to evaluate the controls is included in the appendices to this report.

We observed a number of practices and procedures in place, however their application was not always consistent. Considering the number of services provided and current staff resourcing, a risk based approach to the prioritisation of the review and development of new and existing procedures is recommended. The table below details areas of suggested improvement in relation to policies and procedures examined.

	Component	Purpose / Goal	Matters Identified / Improvements
5.2.1	Evidencing Routine Reviews, Authorisations and Approvals	Systems and controls to allow for appropriate review of the completion of tasks and evidencing key points of control.	<p>We noted procedures and controls for recording and evidencing the routine review, approval and authorisation processes for a number of key operational functions are not formalised. Whilst these processes may occur in some instances, we observed the implementation is not uniform or consistent. This may result in weaknesses in their application and the control environment.</p> <p>Improvement: Review systems and processes to establish approved and consistent application of controls within operational activities and functions. Controls should be maintained to evidence and demonstrate the appropriate segregation of duties and independent review being undertaken.</p>
5.2.2	Operational Procedures	To provide direction to staff in the delivery of day-to-day operational tasks, as well as guidance for expected processes, systems, and controls to be maintained.	<p>Procedures are formalised for some key operational functions throughout the Shire, though there is no regular or routine review of procedures. Workflow process diagrams and checklists may assist to create a visual representation of a process, clearly identifying key points of control and responsibility to be evidenced and independently reviewed.</p> <p>Improvement: Undertake a review of existing operational procedures, and where appropriate, develop and implement additional procedures, to provide operational guidance aligned with adopted Council policies and legislation. Procedures should provide for activities not necessarily covered by legislation to communicate expected standards to staff from management. Development and routine review of documented procedures and checklists, and / or workflow process diagrams may assist in clearly identifying controls and processes to be followed.</p>
5.2.3	Procedure Changes	Process to control and manage change to procedures.	<p>Processes for implementing, amending or changing procedures are not formalised. This will assist to prevent a breakdown in key controls within internal and financial controls.</p> <p>Improvement: 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.</p>

5.0 Framework Implementation

	Component	Purpose / Goal	Matters Identified / Improvements
5.2.4	Risk Management Procedures	Procedures and practices to set out a uniform approach to the identification, assessment, management, reporting and monitoring of risks.	<p>Risk management activities currently undertaken are largely undocumented, with the existing Risk Management Governance Framework based on risk management standard ISO 31000:2009, which is superseded by ISO 31000:2018.</p> <p>The risk management profiles / reporting tool was developed in December 2016, and no subsequent review has been undertaken since that time.</p> <p>Improvements: Review and update the Risk Management Governance Framework and ensure alignment to the adopted policy requirements.</p> <p>Implement and maintain risk management procedures and processes throughout the Shire aligned to adopted risk management policy.</p>
5.2.5	Annual Report	Ensure the annual report contains all information required by legislation, is accepted by Council and published to the local government website as required.	<p>The 2022/23 annual report adopted on 19 December 2023 has omitted some information required by legislation, namely:</p> <ul style="list-style-type: none"> • Information on payments to Council Members; • Capital Grants, subsidies and contributions for replacing and renewing assets; and • Information regarding Freedom of Information applications received, and access to the Shire's Information Statement. <p>Improvement: Ensure future annual reports include all information required by legislation.</p>
5.2.6	Information Required to be Published on Official Local Government Website	Ensure information is published for public information as required by legislation.	<p>At the time of our review, we noted the Objects and reasons for differential rates (in addition to other matters noted elsewhere in this report) has not been published on the Shire's official website as required by legislation.</p> <p>Improvement: Ensure information is published on the Shire's official website as required by Section 5.96A of the <i>Local Government Act 1995</i> and any other relevant sections of the Act.</p>
5.2.7	Report on Elected Member Training	Report detailing training completed by elected members each financial year as required by <i>Local Government Act 1995</i> .	<p>The Shire's report on training completed by elected members for the year ending 30/6/2020 was available, though a report for elected member training during the 2020/21, 2021/22 and 2022/23 financial year was not available for our review. This report is required to be completed and published on the official local government website by 31 July each year.</p> <p>Improvement: Complete the report on training completed by elected members since the 2019/20 period and publish on the official local government website. Review and update systems and processes to ensure the report is completed annually as required by section 5.127 of the <i>Local Government Act 1995</i>.</p>

5.0 Framework Implementation

	Component	Purpose / Goal	Matters Identified / Improvements
5.2.8	ICT Security	Procedures and practices to ensure the security of ICT information, systems and data.	<p>The Shire is reliant on the advice of ICT consultants to maintain the security of the ICT system, with limited independent oversight or review. The current ICT Managed Service Agreement was effective from 1 September 2021 to 31 August 2022, and while there have been letters of extension, no review of the agreement appears to have been carried out.</p> <hr/> <p>Through staff representations we noted there was no routine cyber security training for staff.</p> <hr/> <p>Through staff representations we noted there was no requirement for regular rotation or change for staff IT passwords.</p> <hr/> <p>Improvements:</p> <p>Undertake a comprehensive independent ICT security review, document current policies and practices, and implement findings of the review. This review should be undertaken by those with the appropriate expertise, skills, qualifications and credentials and independent of current ICT providers.</p> <hr/> <p>Ensure all staff using IT systems undertake routine cyber security training.</p> <hr/> <p>Perform a review of the ICT Agreement and undertake the appropriate procurement process to establish a new agreement to ensure any contracted service provision for ICT supply, maintenance and security requirements of the Shire are being met and comply with procurement requirements.</p>
5.2.9	Record Keeping Practices	To demonstrate compliance of record keeping systems and practices with legislative requirements.	<p>Based on our enquiries with staff, regular refresher training for the use of the records system is not currently in place to support and direct staff and contractors to the appropriate procedures to save records in accordance with the Shire's record keeping plans and policies. This may increase risks associated with compliance with required record keeping controls. Where compliance with required controls is low, information may become compromised in that deletions, loss and compromised security or confidentiality of records may occur.</p> <hr/> <p>Improvement:</p> <p>Review systems and processes to monitor the practice of record keeping within the organisation and identify any misuse and correct appropriately. Ensure any improvements noted within the Record Keeping Plan and implementation of the plan is actioned and monitored, including self evaluated improvements, ongoing training and any actions noted by the State Records Office.</p>

5.0 Framework Implementation

Component	Purpose / Goal	Matters Identified / Improvements
5.2.10	Stock Control Process to ensure stock is correctly allocated and monitored as to reduce the potential for theft or misappropriation.	<p>Stocktakes were noted to have been undertaken at some Shire facilities for certain inventory items, however the regularity and level of independence for the stocktake and verification is not considered adequate. Journal entries note stock being allocated to jobs to balance the stock on hand value to the stocktake performed with no explanatory detail to support the allocation.</p> <hr/> <p>Improvement: Review and update systems and procedures relating to stock controls at Shire facilities, including permission/authorisation requirements for stock write offs. Routine / periodic stocktakes should minimally include reconciliation of stock movements against sales and independent review of data etc. Ensure appropriate controls exist to evidence independent review of data as required.</p>
5.2.11	Contract Management To provide clear documentation of key contract / agreement information entered into with third parties by the Shire.	<p>Our testing identified a contractor providing services to the Shire on an ongoing basis, however the executed contract detailing agreed service levels made available during the review has expired, with an informal extension in place. This severely limits controls relating to cost or performance management, as well as minimum service levels for works and/or services performed and may result in non compliance with procurement requirements.</p> <hr/> <p>Improvement: Review and update systems and processes to provide for higher level controls and oversight of contracts entered into with third parties by the Shire. Agreements should be reviewed regularly to ensure contract obligations are met by both parties.</p>

5.0 Framework Implementation

Component	Purpose / Goal	Matters Identified / Improvements
5.2.12	Procurement	<p>Procedures for the procurement of goods or services.</p> <p>Delegation CS1 – Payments from Municipal Fund and Trust Fund includes sub delegations to officers who may also carry out the processing of payments within the financial system.</p> <hr/> <p>The Shire’s current process of changing supplier banking details is inadequate, with no formal documented procedures in place. We are aware of many incidents of payment scams/frauds within the local government industry in recent years. As a consequence of this activity, controls around the changes to supplier details within the EFT payment system are essential.</p> <hr/> <p>Through limited testing of payments, instances were noted where:</p> <ul style="list-style-type: none"> • The purchase orders did not pre-date the invoice; • Evidence to support goods having been received prior to invoices being presented for authorisation for payment was not included. • An instance where insufficient evidence of quotes being sourced to comply with the purchasing policy existed. • A tax invoice was not attached to the payment record, the statement attached did not reference an invoice number. <hr/> <p>Improvements: Review and update procedures to ensure invoices are not paid prior to appropriate review and authorisation has occurred, evidencing receipt of goods and/or services requested by the Shire.</p> <hr/> <p>All procurement of goods or services should be undertaken in accordance with legislative requirements and the purchasing policy. A review of the purchasing policy may be required to ensure the policy reflects the purchasing objectives and risks of the Shire.</p>
5.2.13	Corporate Transaction Cards	<p>Procedures for the use and reporting of transactions through transaction cards.</p> <p>Our review noted credit card transactions where insufficient support documentation was included with the credit card statement.</p> <hr/> <p>Our testing identified one instance of the monthly credit card statement not being reviewed and signed.</p> <hr/> <p>Improvements: Maintain updated systems and processes relating to credit cards, to ensure adequate controls exist relating to compliance with adopted policy and approved procedure requirements. These should also provide for robust control and review processes prior to payments being deducted through automated bank payments.</p> <hr/> <p>Update procedures to require cardholders to review and certify expenses incurred on their credit cards each month, which are subsequently reviewed by an independent more senior member of staff.</p>

5.0 Framework Implementation

Component	Purpose / Goal	Matters Identified / Improvements
5.2.14	Receipting and Banking Processes for the accurate receipting of payments made to the Shire.	<p>Evidence of an independent review of end of day receipting reports selected for testing was not always recorded.</p> <p>Supporting documentation was not available within the receipting batch records relating to receipts from other facilities where tested to evidence support and the amount received.</p> <p>Improvements: Review and implement procedures to require supporting information for all funds receipted into the Shire's system. Update procedures and controls to ensure an appropriate review process has been undertaken for all end of day receipting activities processed for banking.</p>
5.2.15	Debtors Processes for the follow up of debtors.	<p>Procedures to evidence the routine review of receivables are not formalised.</p> <p>Improvement: Develop and implement formalised procedures and controls to ensure appropriate reconciliation and review of outstanding debtors.</p>
5.2.16	Rate notices and information accompanying rate notices Compliance with statutory requirements when issuing rates notices.	<p>The 2023/24 rate notice and the 2023/24 information accompanying the rate notice did not refer to the correct legislative reference for the <i>Rates and Charges (Rebates and Deferments) Act 1992</i>.</p> <p>Improvement: Ensure all information required by the <i>Local Government Act 1995</i> and associated regulations to be contained within rates notices is included in annual rates notices or information accompanying the rates notice.</p>
5.2.17	Rates Rates are correctly imposed and rate system is properly maintained.	<p>The 2023/24 statutory budget contains information highlighting a difference between advertised differential rates and adopted differential rates for 2023/24. The information does not include reasons for the difference as required by regulation 23(b) of the <i>Local Government (Financial Management) Regulations 1996</i>.</p> <p>Improvement: Ensure information relating to the reasons for differences between advertised differential rates and those adopted is included in the adopted annual budget as required by legislation.</p>
5.2.18	Regulatory Reporting To submit financial reports to the auditor within regulatory timeframes.	<p>The 2022/23 balanced accounts and annual financial report was not submitted to the auditor by 30 September 2023 as required by Section 6.4 of the <i>Local Government Act 1995</i>.</p> <p>Improvement: Review systems and procedures to ensure future regulatory compliance and timeframes are able to be met.</p>

5.0 Framework Implementation

5.3 Human Resource Management and Practices

A number of components constitute the Shire's human resource management practices and form an essential element of risk management, internal control and legislative compliance. Each of these elements is examined in the table below.

Component	Purpose / Goal	Matters Identified / Improvements
5.3.1 Employee Appointment Procedures	Procedures to ensure appointment of staff are appropriately authorised, and onboarding processes are consistently and routinely applied.	<p>Procedures to support onboarding processes for new staff are not documented. Staff representations in the course of our review noted conflicts of interest are informally considered, though a declaration is not required to be undertaken by interviewers on an interview panel.</p> <hr/> <p>Improvements: Include the requirement to complete conflict of interest declarations by all members of an interview panel to promote fair and unbiased processes being undertaken in recruitment processes. These declarations may assist with appropriate risk management considerations being applied where an actual or perceived conflict of interest may exist through human resource management practices.</p> <hr/> <p>Establish policies, procedures or checklists to manage and document the appointment of employees.</p>
5.3.2 Employee Identity and Credentials	Systems and controls for screening of new employee and monitoring existing employees for changes in their circumstances which may impact their employment.	<p>While some procedures for verifying employee identity, verification of employment history and qualifications appear to be undertaken, weaknesses may exist in routinely validating these checks to ensure qualifications are kept up to date as required.</p> <hr/> <p>Improvement: 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.</p>
5.3.3 Staff Contracts and Employee Files	To provide a documented record of the terms and conditions of each employee's contract of employment.	<p>In the course of performing our review, it was noted position descriptions are not consistent for all roles, and not in place for some positions.</p> <hr/> <p>Improvement: Ensure position descriptions exist to articulate roles and responsibilities for each position within the organisation. These should be signed to acknowledge roles and responsibilities associated with individual employment. Undertake a review of all personnel files and establish position descriptions for employees who do not have one.</p>

5.0 Framework Implementation

Component	Purpose / Goal	Matters Identified / Improvements
5.3.4 Staff Training	To ensure staff have access to ongoing and appropriate training.	<p>Planned and required staff training needs for employees are currently identified and recorded in a central training matrix for some operational areas/departments. Further value from current practices can be added through refining the current matrix toward a more formal required staff training structure, applied throughout the organisation.</p> <p>Improvement: Develop 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.</p>

5.4 Insurance

At present, the Payroll/Rates Officer annually reviews the completeness of insurance, which is presented to the Deputy Chief Executive Officer for final review. Discussions are also held with relevant departmental personnel and the insurers annually and adjustments to policies and insurance levels made as considered appropriate. The insurance values of buildings, plant and equipment are based on the three to five yearly valuations of building assets undertaken by registered valuers.

Component	Purpose / Goal	Matters Noted / Improvements
5.4.1 Insurance Claims	Systems and processes to provide high level monitoring of risks and to ensure controls are maintained prior to lodging insurance claims.	<p>We noted in the course of our review, there is no formal requirement to report on the status/action of insurance claims made against and by the Shire. As insurers will generally manage many components of the claims process an informal recording system has been established to assist with monitoring and tracking pending claims. Formalisation of this initiative may assist with monitoring and evaluation of pending insurance claims by the executive leadership team.</p> <p>Improvement: Review systems and processes relating to insurance claims to formalise and maintain an insurance claims register to provide for high level monitoring and management insurance claims.</p>

6.0 Framework Evaluation

Developing and implementing systems and procedures for risk management, legislative compliance and internal controls within a local government can be a time consuming and expensive exercise with the potential to divert resources away from direct services. Considering the level of investment necessary to establish these systems, actions to monitor their effectiveness are an essential practice.

Over time, the relevancy of established controls may change, their purpose may be forgotten, or technology may offer a more efficient or effective way to achieve the initial goal. For these reasons, formal review procedures are required to ensure the resources applied to maintaining these systems, practices and controls are done so in the most efficient way.

Evidence of the monitoring of risk management, internal controls and legislative compliance is sourced from Minutes of Meetings, Registers of Disclosures and reports reviewed.

6.1 Council and Audit and Risk Committee

Regular monthly financial statements and lists of payments, made in the intervening period between each meeting, have been presented to the Council for review, as required by legislation. This provides the basis for high level oversight of the expenditure transactions of the organisation.

	Component	Purpose / Goal	Matters Noted / Improvements
6.1.1	Monthly Financial Report	Monthly financial report, including statements of financial activity, prepared in accordance with legislative requirements.	<p>The monthly statements of financial activity prepared between 31 January 2023 and 31 May 2023 and presented for consideration by Council in accordance with <i>Local Government (Financial Management) Regulations 1996</i> included balances for Closing Surplus Funds on separate statements that did not agree.</p> <p>Improvement: Ensure the monthly statement of financial activity is completed accurately, contains all items required by legislation and appropriately reviewed to enable accurate preparation of the monthly financial reports for consideration by Council.</p>

6.0 Framework Evaluation

	Component	Purpose / Goal	Matters Noted / Improvements
6.1.2	Council and Committee Minutes	Official record of proceedings and decisions.	<p>Through review of the Council Minutes, instances were noted where:</p> <ul style="list-style-type: none"> • The commencement time on the contents page and opening time listed at item 1 – Official Opening of the Minutes were inconsistent. • Statutory references in item 8 of the Agenda and Minutes regarding the requirement to disclose interests were incorrect. • Minutes did not include a mover, seconder, or details of the vote taken for some report items presented to Council. • Attachments to the agenda include information of a personal nature, or information that may endanger the security of the local government's property. <hr/> <p>We noted the resolution for the Schedule of Accounts Payments listings submitted to Council includes that Council endorse the list of accounts. In accordance with Regulation 13(3) of the <i>Local Government (Financial Management) Regulations 1996</i> the list is to be presented and should be received by Council.</p> <hr/> <p>Improvements:</p> <p>Review procedures for submission of items for council consideration, and the appropriate recording of resolutions of Council.</p> <hr/> <p>Review procedures for recording of official minutes to ensure all detail, decisions and proceedings required to be recorded by legislation and Standing Orders are correctly captured.</p> <hr/> <p>Update systems and controls for agenda items to ensure correct statutory references are included to allow council members to understand the legislative environment relating to the item being considered.</p> <hr/> <p>Ensure all attachments supporting the minutes which contain confidential information are included as confidential attachments in the official minutes as provided for by legislation.</p>

6.0 Framework Evaluation

6.2 Strategic and Operational Registers

A number of registers are maintained by the Shire. The table below details areas for possible improvement in relation to these registers.

Register	Purpose / Goal	Matters Identified / Improvements
6.2.1 Risk Register	Provide a record of risk breaches and remedial action taken.	<p>A risk profile and reporting tool was available for our inspection, though had not been maintained or updated since April 2017. A strategic risk register was not available for inspection.</p> <p>Improvement: Risk registers for all identified key risks are 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 and should be developed and maintained.</p>
6.2.2 Delegations Register	Statutory register of delegations of authority.	<p>Our testing identified the following issues with several delegations where:</p> <ul style="list-style-type: none"> The delegation refers to irrelevant legislation which is not relevant to the matter; The delegation replicates existing policies (and detail within each may cause conflict between the delegation and the policy); The delegation is sub delegated to officer positions that are no longer current; The delegation is sub delegated to the Shire President; The delegation is not a decision or power of Council; and The delegations to the CEO are responsibilities of the CEO, and not decisions of Council to be delegated to the CEO. <p>Improvement: Review and update the delegations register to ensure delegations are appropriate and consistent with relevant legislation. Amend and update to ensure delegation and policy limitations are aligned. Systems and procedures should be in place to ensure consistent alignment to policies and other external references is achieved during reviews.</p> <p>Review the register of delegations to ensure all delegations made to the CEO and employees are correctly recorded as required by section 5.46(1) of the <i>Local Government Act 1995</i>.</p>
6.2.3 Portable & Attractive Items Register	Register to maintain listing of portable / desirable assets as required by <i>Local Government (Financial Management) Regulations 1996</i> .	<p>A listing of portable and attractive electronic items is kept though staff representations noted a complete listing of attractive items as required by the <i>Local Government (Financial Management) Regulations 1996</i> has not been developed.</p> <p>Improvement: Develop and maintain a portable and attractive item listing for all non-consumable assets susceptible to theft or loss as required by legislation.</p>

6.0 Framework Evaluation

	Register	Purpose / Goal	Matters Identified / Improvements
6.2.4	Contracts Register	Provide a record of contracts entered into by the Shire.	<p>A contracts register has been established, and contains detail for contracts, leases and grants, however it does not provide information detailing the current status of some contracts held by the Shire.</p> <p>Improvement: Update the register to record details of all contracts (current and expired) and their status in a form to assist with ensuring contracts are monitored and actioned as required and reflecting the value of the contracts.</p>
6.2.5	Investment Register	Register of investments held to evidence the nature and location of all investments and all transactions in relation to investments.	<p>An investment register was available for our inspection, however it did not adequately detail the nature and location of all investments and all related transactions. There was also no evidence to support the register being reviewed by a more senior officer independent of preparation of routine updates.</p> <p>Improvement: Recording the nature and location of all investments and related transactions is required by Regulation 19 (2) of the <i>Local Government (Financial Management) Regulations 1996</i>. 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.</p>
6.2.6	Financial Interest Register	Records details required under the Act relating to financial circumstances of relevant persons.	<p>Upon inspection of the register, we noted several returns did not include an acknowledgement of receipt of the return as required by legislation, and some returns contain blank fields / incomplete information.</p> <p>Improvement: Review systems and procedures to ensure the acknowledgement of receipt for all returns is by the CEO or President as required by legislation.</p>

6.0 Framework Evaluation

	Register	Purpose / Goal	Matters Identified / Improvements
6.2.7	Tender Register	Statutory register of tenders called.	<p>Inspection of the register noted non compliance with some requirements of the <i>Local Government (Functions and General) Regulations 1996</i>. A copy of the advertisement for the invitation to tender was not available on, or via a link to, the register, contrary to requirements of Regulation 17(2)(d) of the <i>Local Government (Functions and General) Regulations 1996</i>.</p> <hr/> <p>Inspection of the register noted the inclusion of some procurement activities which were not tenders, but rather requests for quotations. Procurement processes which are not tenders should be maintained separate to the tender register.</p> <hr/> <p>Improvements: Ensure the tender register contains all information required to comply with Regulation 16 and 17 of the <i>Local Government (Functions and General) Regulations 1996</i> for future tenders called.</p>
6.2.8	Grants Register	Register of grants to provide high level monitoring of compliance with grant conditions.	<p>While evidence of grants being tracked and records kept within a folder system was available, a register of all grants being managed by the Shire was not being maintained. Understanding the current status of grants (as well as the number of grants currently being managed by the Shire) may assist in assessing the risks of undertaking additional programs, performance with current programs (e.g. where programs are not efficiently delivered) and detecting any issues or non compliance in a timely manner for appropriate action.</p> <hr/> <p>Improvement: Maintain a register of grants to evidence the routine review of status, compliance and performance of grants being managed by the Shire.</p>
6.2.9	Hazardous Substances Register	Provide a record of properties under the Shire's control containing hazardous materials.	<p>A register of hazardous materials was available, however did not appear to have been recently updated. Therefore the current status of hazards or any corrective activities is unknown.</p> <hr/> <p>Improvement: Maintain a register to record details of hazardous materials, such as asbestos, for properties under the control of the Shire.</p>
6.2.10	Building Register	Provide a record of the receipt and status of applications received.	<p>A register to record and track applications for building permits and development applications was available though not maintained. Through staff representations it appears reliance for compliance with statutory processing timeframes of applications received remains with only one officer, with services outsourced and limited independent oversight, monitoring or reporting being undertaken.</p> <hr/> <p>Improvement: Update and maintain a register to record the details and status of applications for building permits and development, to assist with ensuring applications are processed within mandated timeframes.</p>

6.0 Framework Evaluation

	Register	Purpose / Goal	Matters Identified / Improvements
6.2.11	Swimming Pool Register	Register of inspections undertaken.	<p>A register of inspections of private swimming pools within the district is kept, although it was noted the register has not been updated and some routine inspections are currently overdue.</p> <hr/> <p>Improvement: Update systems and processes to ensure routine monitoring and review of the register occurs for future private swimming pool inspections to be undertaken within required timeframes.</p>
6.2.12	Eating Houses Register	Register of inspections undertaken.	<p>A register of inspections of eating houses and inspections within the district is kept, although it was noted the register has not been updated.</p> <hr/> <p>Improvement: Update systems and processes to ensure routine monitoring and review of the register occurs for eating house inspections.</p>

6.0 Framework Evaluation

6.3 Annual Compliance Audit Returns (CAR)

Returns have been completed on a self-assessment basis and approved by Council each year. The CAR was completed in house by staff for the 2020, 2021 and 2022 return periods. Non compliances noted in the returns were commented on within the returns to explain to the Audit Committee and to Council. An improvement is noted within the table below relating to CAR processes.

	Component	Purpose / Goal	Matters Noted / Improvements
6.3.1	Compliance Audit Return	Checklist concentrating on areas of compliance considered "high risk" of a local government's compliance with the requirements of the Act and its Regulations.	<p>Some responses in the CARs reviewed were inconsistent with findings and documentation examined during our overall review.</p> <p>Matters of non compliance were listed in the CARs however the officer report accompanying the CAR did not highlight these matters, or actions to correct them.</p> <p>Improvement: Review procedures and controls for the accurate completion of CARs and reporting to the Audit Committee and Council, including independent review of responses by an appropriate officer and evidencing of responses.</p>

6.4 Complaint Handling

Community complaints are received by administration staff, recorded in Shire's records management system and assigned to the relevant department to address in accordance with the documented procedure. The procedure includes for follow up with the relevant Manager to see if the complaint has been dealt with.

	Component	Purpose / Goal	Matters Noted / Improvements
6.4.1	Community Complaints Procedures	Procedures for the recording, handling and resolution of community complaints.	<p>Registers for dog complaints and other general community complaints were available for our review to November 2023. The registers had not been updated as required by documented procedures.</p> <p>Improvement: To help ensure all complaints are adequately monitored, reported and resolved, update and maintain the register for all customer complaints received. Systems and processes should ensure staff are aware of their required actions in accordance with approved procedures or adopted policies.</p>
6.4.2	Public Interest Disclosure Procedures	Procedures for the dealing with public interest disclosures.	<p>From our review, there was no evidence of information available for public or staff awareness of the process to enquire about or make a public interest disclosure.</p> <p>Improvement: In accordance with the <i>Public Interest Disclosure Act 2003</i> (PID Act) the Shire must prepare and publish internal procedures about public interest disclosures.</p>
6.4.3	Official Complaints Register	A complaint register is required to be maintained in accordance with Section 5.121 of the <i>Local Government Act 1995</i> .	<p>At the time of our review, we noted the official complaints register was not published on the Shire's official local government website as required by section 5.121(3) of the <i>Local Government Act 1995</i>.</p> <p>Improvement: To ensure compliance with the Act, an official up to date complaints register should be maintained and published on the Shire's official local government website.</p>

6.0 Framework Evaluation

6.5 Audit Practices

The 2020/21, 2021/22 and 2022/23 reporting periods were audited by the Office of the Auditor General (OAG) using third party auditors. The auditor raised significant adverse trends within the 2020/21 audit report.

The table below details areas for possible improvement in relation to audit practices.

Component	Purpose / Goal	Matters Noted / Improvements
6.5.1 Significant Audit Matters Report	To ensure action is taken to improve significant matters raised by auditors.	<p>Significant adverse trends were raised in the 2020/21 audit report.</p> <p>Legislation requires:</p> <ul style="list-style-type: none"> • A report to be prepared stating actions intended to be taken in relation to any significant audit matters noted; • The report is required to be submitted to the Minister; and • The report is required to be published on the official local government website. <p>Evidence of the report being prepared, submitted to the Minister, and published on the local government website were not available for our review.</p> <p>Improvement: Ensure any future reports are prepared and published within required time frames as required by Section 7.12A of the <i>Local Government Act 1995</i>.</p>
6.5.2 WHS Audit	Review of work health and safety procedures.	<p>Evidence of a recent WHS audit was not available for our review.</p> <p>Improvement: Undertake a WHS audit, ensuring subsequent actions and matters identified through the audit are adequately addressed.</p>
6.5.3 Internal Audit	Internal audit monitors the level of compliance with internal procedures and process along with assessing the appropriateness of these procedures.	<p>Currently, no internal auditors have been appointed, and limited internal audit functions have been undertaken.</p> <p>Improvement: We suggest as the level of documented procedures increase, 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.</p>

6.0 Framework Evaluation

6.6 Review required to be undertaken by the CEO

The CEO is required to undertake reviews of systems and procedures of the local government. We noted not all recommendations from the prior review have been fully implemented. These recommendations have been included within this report.

The table below details areas for possible improvements in relation to CEO reviews.

	Component	Purpose / Goal	Matters Noted / Improvements
6.6.1	Audit Regulation 17 Review	CEO's review of the appropriateness and effectiveness of systems and procedures for Risk Management, Internal Controls and Legislative Compliance in accordance with Regulation 17 of <i>Local Government (Audit) Regulations 1996</i> .	A review was last undertaken in May 2020, outside the time period required by Regulation 17 of <i>Local Government (Audit) Regulations 1996</i> . Improvement: Ensure future review are undertaken within timeframes as required by legislation.
6.6.2	Financial Management Review	Review of the appropriateness and effectiveness of the Financial Management systems and procedures of the local government required to be undertaken every three years by Regulation 5(2) of <i>Local Government (Financial Management) Regulations 1996</i> .	A review was last undertaken in May 2020, outside the time period required by Regulation 5(2) of <i>Local Government (Financial Management) Regulations 1996</i> . Improvement: Ensure the next review is undertaken within the time period as required by Regulation 5(2) of <i>Local Government (Financial Management) Regulations 1996</i> .

7.0 Other Matters

Disclaimer

Since the service provided in terms of this engagement comprise an advisory engagement and is not an assurance engagement, we are not required to verify the reliability, accuracy or completeness of the information provided to us by management in undertaking the consulting engagement. Accordingly, we do not express an audit opinion or a review conclusion to convey assurance for the service/s performed within our report.

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Document Management

Version: 1.0
Status: Final
Date: June 2024

Appendix A – Financial Management Systems Review

The following assessments were undertaken to evaluate the appropriateness and effectiveness of financial management system controls. Where we were unable to examine systems and procedures, comment has been provided throughout our report.

System	Description
Bank reconciliation and petty cash management	Examination of procedures and review of maintenance and management practices undertaken by staff.
Trust funds	Examination of trust funds to determine proper accountability in the Shire's financial management system and compliance with regulatory requirements.
Receipts and receivables	Examination of end of day banking procedures to determine if they were adequate in ensuring cash collection is being recorded and allocated properly to the general ledger. The receivables system including raising of invoices was also reviewed with limited testing in respect to allocation/posting.
Rates	The Shire's rating procedures were examined to determine if they were adequate in ensuring rates were being imposed or raised correctly. This also included inspection of the rate record, rate notices, instalment notices, valuation reconciliations and general ledger. We randomly selected and tested rate notices which included: sighting the notices; re-performing the calculations; ascertaining whether the valuations applied agree to Landgate's valuation roll/report and rates per dollar imposed are as per adopted budget; ensuring the rate system is properly updated; and checking proper posting to the general ledger.
Purchases, payments and payables (including purchase orders)	Random selection of payment transactions to determine whether purchases were authorised/budgeted and payments were supported, certified/authorised and correctly allocated. The Shire's purchases, payments and payables system was also examined to determine if adequate controls were in place in ensuring liabilities are properly recorded and payments are properly controlled.
Payroll	A sample of employees were randomly selected from pay runs during the reporting period and detailed testing of each employee's pay was performed to help ensure: the employee existed; the correct rate of pay was used; non-statutory deduction authorities are on hand; time sheets were properly completed and authorised; hours worked were properly authorised; and allocations were reasonable and correctly posted. The Shire's payroll system was also reviewed to determine if adequate controls were in place to help ensure wages and salaries are properly processed and payments are properly controlled.

Appendix A – Financial Management Systems Review

System	Description
Transaction card procedures	<p>A review of the Shire's transaction card procedures was performed to determine if adequate controls were in place. We randomly selected and tested credit card transactions to determine whether they are legitimate and usual in the context of the Shire's operations. This included:</p> <ul style="list-style-type: none"> • sighting tax invoices; • ascertaining whether the transaction is for bona fide Shire business; and • determining whether transactions are in line with the Shire's policy.
Fixed assets (including depreciation, acquisition, and disposal of property)	<p>The fixed assets system including controls over acquisition and disposal of assets, updating of the fixed assets register, depreciation of fixed assets and reconciliation of the fixed assets register to the general ledger was examined. A sample of asset additions and disposals were judgmentally selected, and testing performed to ensure:</p> <ul style="list-style-type: none"> • the tax invoices existed; • correct posting to the general ledger; • fixed assets register was promptly updated; and • classification of assets was correct. <p>In addition, a sample of assets were judgmentally selected and testing performed to ensure the depreciation rates used are in line with the Shire's policy.</p>
Cost and administration allocation	<p>The Shire's cost and administration allocation system was examined to determine if indirect costs have been properly reallocated to various jobs/programs. This included review of the allocation basis and rates used to ensure they are appropriate and regularly reviewed.</p>
Financial reports controls	<p>The format of the annual report, annual financial report and monthly financial reports were reviewed for compliance with legislative requirements.</p>
Budget and budget review	<p>The 2023-24 budget document and documents surrounding budget adoption were reviewed to ensure compliance with regulatory requirements.</p>
Borrowings	<p>Reconciliation of borrowings to the WATC loan schedules were examined.</p>
Inventory	<p>Inventory reconciliations and stock take procedures were examined.</p>

Appendix B – Council Policies Examined

The Council Policies examined as part of the review were as follows:

Policy Topic

ADMINISTRATION POLICIES

- A.1 Employees
- A.2 Circus Site – Sportsground
- A.3 Wagin Community Bus Charter
- A.4 Wagin Fire Tender
- A.5 Shire of Wagin Firearms
- A.6 Use of Shire Logo
- A.7 Occupational Safety and Health
- A.8 Elected Member and Employee Loyalty Service Recognition
- A.9 Elected Members Records Management
- A.10 Grievance
- A.11 Release of Staff to Assist Emergency Services
- A.12 Fitness for Work and Drug and Alcohol Testing
- A.13 Customer Aggressive Behaviour
- A.14 Equal Opportunity Employment
- A.15 Integrated Workforce Planning and Management Policy
- A.16 Recruitment and Selection of Employees
- A.17 Social Media
- A.18 Asset Management
- A.19 Emergency Management
- A.20 Employee Housing Policy
- A.21 Continuing Professional Development – Elected Members
- A.22 Temporary Employment or Appointment of Acting Chief Executive Officer (CEO)
- A.23 Attendance to Events
- A.24 Wagin Shire Electronic Advertising Sign
- A.25 Internal Control
- A.26 Legislative Compliance
- A.27 Standard for CEO Recruitment, Performance and Termination Policy
- A.28 Use of Information and Communications Technology
- A.29 Child Safe Awareness

BUSHFIRE POLICIES

- B.1 Expenditure Limit
- B.2 Suspension of Prohibited Burning Period
- B.3 Use of Council Equipment and Machinery for Bushfire Control
- B.4 Harvest Bans – Authorised Officers
- B.5 Fire Control Officer Training
- B.6 Authority to Issue Infringements
- B.7 Bushfire Risk Management Plan
- B.8 Bushfire Communication Policy
- B.9 Management of Bushfire Volunteers Policy

Appendix B – Council Policies Examined

COUNCIL POLICIES

- C.1 Standing Committees
- C.2 Councillors – Out of Pocket Expenses
- C.3 Council Seal
- C.4 Administration and Council Chamber
- C.5 Meetings Resulting from Council Meetings
- C.6 Tenders
- C.7 Petitions
- C.8 Civic Awards
- C.9 Administration and Elected Members Records Management
- C.10 Service Compliant

FINANCE POLICIES

- F.1 Annual Fees & Charges
- F.2 Instalment Payment of Rates
- F.3 Townscape Painting and Improvements
- F.4 Wagin District High Schol – Use of Council Buildings
- F.5 Accounts Certifying Officers – Authorisation Policy
- F.6 Issuing of Council Purchase Orders
- F.7 Cheque Signing Policy
- F.8 Gratuity Payments
- F.9 Reserve Account
- F.10 Rates Concession Incentives – Commercial Properties
- F.11 Corporate Credit Card
- F.12 Legal Representation – Costs Indemnification
- F.13 Group Valuation for Contiguous Rural Land
- F.14 Rate Recovery
- F.15 Purchasing and Tender Guide
- F.16 Recovery of Non Rates Charges
- F.17 Investment Policy
- F.18 Council Vehicle Replacement and Procurement Policy
- F.19 Risk Management
- F.20 Related Party Disclosures
- F.21 Covid-19 Financial Hardship

HEALTH, BUILDING & PLANNING POLICIES

- HBP.1 Swimming Pool Inspections
- HBP.2 Sportsground
- HBP.3 Discount Sale – Outside Vendor
- HBP.4 Approval/ Refusal of Building Application
- HBP.5 Dumping of Grain
- HBP.6 Health and Safety Requirements of Contractors
- HBP.7 Smoking at Swimming Pool and Council Buildings
- HBP.8 Smoking in Enclosed Council Buildings and Vehicles
- HBP.9 Relocated Building and Dwellings
- HBP.10 Land Subject to Dampness and Flooding
- HBP.11 Development of Lots Abutting Unconstructed Roads

Appendix B – Council Policies Examined

HEALTH, BUILDING & PLANNING POLICIES (Continued)

HBP.12 Residential Development Standards – Proposed Subdivision of Wagin Town Lots 7 41 & 752 Pederick Drive Wagin

HBP.13 Agistment and Stabling of Horses on “Residential” Zoned Land

HBP.14 Industrial Zoned Land

HBP.15 Caretakers Dwelling on Industrial Zoned Land

HBP.16 Development of Outbuildings in the Townsite of Wagin

HBP.17 Home Occupations

HBP.18 Installation of Satellite Dishes, Microwave, Antennae and Radio Masts

HBP.19 Use of Sea Containers and Transportable Structures

HBP.20 Extractive Industries

HBP.21 Authority to Deal with Applications for Planning Approval

HBP.22 Rural Zone Building Setbacks

HBP.23 Camping on Reserve 29817 Lake Noring

HBP.24 Farm/ Bed & Breakfast Accommodation

HBP.25 Local Planning Policy for Heritage

HBP.26 Advertising Signs

HBP.27 Mobile and Itinerant Vendors and Commercial Activities in Public Places

HBP.28 Recreational Vehicle Site – Recreation Ground

HBP.29 Local Planning Policy – Wind Turbines

WORKS POLICIES

W.1 School Bus Policy

W.2 Street Tree Policy

W.3 Roadside Clearing of Fencelines and Road Reserves

W.4 Road Trains/ Pocket Road Trains and B Double Trucks on Local Roads

W.5 Rural Driveways and Farm Crossovers

W.6 Farm Crossovers

W.7 Gravel Pit Rehabilitation

W.8 Private Works

W.9 Water Pipelines

W.10 Firewood Collection on Road Reserves

W.11 Gate Permit

W.12 Urban Crossovers General

W.13 Staff of Local Government Equipment – Private Use of Council Plant

W.14 Road Making Material Acquisition

W.15 Rural Road Signs

W.16 Road Closure

W.17 Wagin Refuse Site Key Policy

W.18 Remembrance Walk Policy

Appendix C – Plans Examined

The Plans examined as part of the review were as follows:

Plan	Status
Code of Conduct for Council Members, Committee Members and Candidates	Adopted 25 May 2021
Code of Conduct for Employees	March 2022
Draft Incident Management / Business Continuity Response Plan	April 2020
Annual Report	2020/21, 2021/22, 2022/23
Strategic Community Plan – 2020 – 2030	23 August 2022
Strategic Resource Plan (Incl. Long Term Financial Plan and Asset Management Planning)	2018 - 2035
Record Keeping Plan	Approved by State Records Office 27 November 2023
Integrated Workforce Plan	2013 - 2017
ICT Disaster Recovery Plan	Approved by Council June 2023

Appendix D – Strategic and Operational Registers Examined

The registers examined as part of the review were as follows:

Registers
Delegation Register
Tender Register
Risk Register
Financial Interest Register
Gifts Register
Complaints Register
Outstanding Works Complaints Register
Swimming Pool Register
Development Applications Register – Building Register
Eating Houses Register
Contracts Register – Legal Agreements
IT Assets Register
Key Register
Hazardous Substances Register

Appendix E – Operational Guidelines

Risk Management

The internal control and risk management systems and programs are a key expression of a local government's attitude to effective controls. Good audit committee practices in monitoring internal control and risk management programs typically include:

Reviewing whether the local government has an effective risk management system and material operating risks to the local government are appropriately considered;

Reviewing whether the local government has a current and effective Business Continuity Plan (including disaster recovery) which is tested from time to time;

Assessing the internal processes for determining and managing material operating risks in accordance with the local government's identified tolerance for risk, particularly in the following areas:

potential non-compliance with legislation, regulations and standards and local government's policies

important accounting judgements or estimates prove to be wrong

litigation and claims

misconduct, fraud and theft

significant business risks, recognising responsibility for general or specific risk areas, for example, environmental risk, occupational health and safety, and how they are managed by the local government

Obtaining regular risk reports, which identify key risks, the status and the effectiveness of the risk management systems, to ensure identified risks are monitored and new risks are identified, mitigated and reported;

Assessing the adequacy of local government processes to manage insurable risks and ensure the adequacy of insurance cover, and if applicable, the level of self-insurance;

Reviewing the effectiveness of the local government's internal control system with management and the internal and external auditors;

Assessing whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk;

Assessing the local government's procurement framework with a focus on the probity and transparency of policies and procedures/processes and whether these are being applied;

Should the need arise, meeting periodically with key management, internal and external auditors, and compliance staff, to understand and discuss any changes in the local government's control environment; and

Ascertaining whether fraud and misconduct risks have been identified, analysed, evaluated, have an appropriate treatment plan which has been implemented, communicated, monitored and there is regular reporting and ongoing management of fraud and misconduct risks.

Legislative Compliance

The compliance programs of a local government are a strong indication of attitude towards meeting legislative requirements. Audit committee practices in regard to monitoring compliance programs typically include:

- a) *Monitoring compliance with legislation and regulations*
- b) *Reviewing the annual Compliance Audit Return and reporting to Council the results of that review*

Appendix E – Operational Guidelines (Continued)

Legislative Compliance (continued)

- c) *Staying informed about how management is monitoring the effectiveness of its compliance and making recommendations for change as necessary*
- d) *Reviewing whether the local government has procedures for it to receive, retain and treat complaints, including confidential and anonymous employee complaints*
- e) *Obtaining assurance that adverse trends are identified and review management's Plans to deal with these*
- f) *Reviewing management disclosures in financial reports of the effect of significant compliance issues*
- g) *Reviewing whether the internal and / or external auditors have regard to compliance and ethics risks in the development of their Audit Plan and in the conduct of audit projects, and report compliance and ethics issues to the audit committee*
- h) *Considering the internal auditor's role in assessing compliance and ethics risks in their Plan;*
- i) *Monitoring the local government's compliance frameworks dealing with relevant external legislation and regulatory requirements*
- j) *Complying with legislative and regulatory requirements imposed on audit committee members, including not misusing their position to gain an advantage for themselves or another or to cause detriment to the local government and disclosing conflicts of interest*

Internal Controls

'Internal control is a key component of a sound governance framework, in addition to leadership, long-term planning, compliance, resource allocation, accountability and transparency. Strategies to maintain sound internal controls are based on risk analysis of the internal operations of a local government.

An effective and transparent internal control environment is built on the following key areas:

- a) *integrity and ethics;*
- b) *policies and delegated authority;*
- c) *levels of responsibilities and authorities;*
- d) *audit practices;*
- e) *information system access and security;*
- f) *management operating style; and*
- g) *human resource management and practices.*

Internal control systems involve policies and procedures that safeguard assets, ensure accurate and reliable financial reporting, promote compliance with legislation and achieve effective and efficient operations and may vary depending on the size and nature of the local government.

Appendix E – Operational Guidelines (Continued)

Internal Controls (continued)

Aspects of an effective control framework will include:

- a) delegation of authority;*
- b) documented policies and procedures;*
- c) trained and qualified employees;*
- d) system controls;*
- e) effective Policy and process review;*
- f) regular internal audits*
- g) documentation of risk identification and assessment; and*
- h) regular liaison with auditor and legal advisors.*

The following are examples of controls that are typically reviewed:

- a) separation of roles and functions, processing and authorisation;*
- b) control of approval of documents, letters and financial records;*
- c) comparison of internal data with other or external sources of information;*
- d) limit of direct physical access to assets and records;*
- e) control of computer applications and information system standards;*
- f) limit access to make changes in data files and systems;*
- g) regular maintenance and review of financial control accounts and trial balances;*
- h) comparison and analysis of financial results with budgeted amounts;*
- i) the arithmetical accuracy and content of records;*
- j) report, review and approval of financial payments and reconciliations; and*
- k) comparison of the result of physical cash and inventory counts with accounting records.*

Appendix F – Improvements Identified

Risk Area	Prioritised Action Required
Design – Policies	4.2.2 A7 Occupational Safety and Health
	4.2.3 A21 Continuing Professional Development
	4.2.12 F15 Purchasing and Tender Guide
Implementation – Strategic and Operational Plans	5.1.1 Corporate Business Plan
	5.1.5 ICT Strategic Plan
	5.1.6 ICT Disaster Recovery Plan
Implementation – Operational and Financial Procedures	5.2.1 Evidencing Routine Reviews, Authorisations and Approvals
	5.2.2 Operational Procedures
	5.2.4 Risk Management Procedures
	5.2.8 ICT Security
	5.2.12 Procurement
Implementation – Human Resource Management and Practices	None
Implementation – Insurance	None
Evaluation – Council and Audit and Risk Committee	None
Evaluation – Strategic and Operational Registers	6.2.2 Delegations Register
Evaluation – Annual Compliance Audit Returns	6.3.1 Compliance Audit Return
Evaluation – Complaint Handling	None
Evaluation – Audit Practices	None
Evaluation – CEO Reviews	None

Appendix F – Improvements Identified

Risk Area	Planned Action Required
Design – Policies	4.2.1 A1 Employees
	4.2.4 A25 Internal Control
	4.2.5 B1 Bushfire
	4.2.6 B2 Suspension of Prohibited Burning Period
	4.2.7 B7 Bushfire Risk Management
	4.2.8 F2 Instalment Payment of Rates
	4.2.9 F4 Wagin District High School – Use of Council Buildings
	4.2.10 F9 Reserve Account
	4.2.11 F11 Corporate Credit Card
	4.2.13 HBP9 Relocated Buildings and Dwelling
	4.2.14 General Policy Actions
	4.2.15 Policy Reference to External Information
	4.2.16 Policy Publication
	4.2.17 Policy Review
Implementation – Strategic and Operational Plans	5.1.2 Integrated Workforce Plan
	5.1.3 Draft Incident Management / Business Continuity Response Plan
	5.1.4 Evacuation Plans
Implementation – Operational and Financial Procedures	5.2.3 Procedures Changes
	5.2.5 Annual Report
	5.2.6 Information Required to be Published on Official Local Government Website
	5.2.7 Report on Elected Member Training
	5.2.9 Record Keeping Practices
	5.2.10 Stock Control
	5.2.11 Contract Management
	5.2.13 Corporate Transaction Cards
	5.2.14 Receipting and Banking
	5.2.15 Debtors
	5.2.16 Rate notices and information accompanying rate notices
5.2.17 Rates	
5.2.18 Regulatory Reporting	

Appendix F – Improvements Identified

Risk Area	Planned Action Required
Implementation – Human Resource Management and Practices	5.3.1 Employee Appointment Procedures
	5.3.2 Employee Identity and Credentials
	5.3.3 Staff Contracts and Employee Files
	5.3.4 Staff Training
Implementation – Insurance	5.4.1 Insurance Claims
Evaluation – Council and Audit and Risk Committee	6.1.1 Council and Committee Minutes
	6.1.2 Monthly Financial Report
Evaluation – Strategic and Operational Registers	6.2.1 Risk Register
	6.2.3 Portable & Attractive Items Register
	6.2.4 Contracts Register
	6.2.5 Investment Register
	6.2.6 Financial Interest Register
	6.2.7 Tender Register
	6.2.8 Grants Register
	6.2.9 Hazardous Substances Register
	6.2.10 Building Register
	6.2.11 Swimming Pool Register
	6.2.12 Eating Houses Register
	Evaluation – Annual Compliance Audit Returns
Evaluation – Complaint Handling	6.4.1 Community Complains Procedures
	6.4.2 Public Interest Disclosure Procedures
	6.4.3 Official Complaints Register
Evaluation – Audit Practices	6.5.1 Significant Audit Matters Report
	6.5.2 WHS Audit
	6.5.3 Internal Audit
Evaluation – CEO Reviews	6.6.1 Audit Regulation 17 Review
	6.6.2 Financial Management Review

CONTACT US

Level 15, 2 The Esplanade,
Perth WA 6000

T 08 9225 5355

F 08 9225 6181

E localgov-wa@moore-australia.com.au

www.moore-australia.com.au



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
6.2	6. FRAMEWORK DESIGN					
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.		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. 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 Local Government Financial Management Regulations 1996.	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)(f)(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). 	Review Policy Manual	DCEO		Sept-20
Finance Policy No. 16 - Significant Accounting Policies		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.	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 Local Government (Financial Management) Regulations 1996 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 Local Government (Financial Management) Regulations 1996.	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 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.	DCEO		Feb-21
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.	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.	EA		Feb-21

Review Policy Manual

Item	Matters Identified	Suggested Improvements	Action Plan	Resp. Officer	Status to Date	Due Date for Completion
7.1	7. FRAMEWORK IMPLEMENTATION					
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 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>	<ul style="list-style-type: none"> Develop Business Continuity Plan 	CLO	In Progress	
Business Continuity Plan Stage 2	<p>A Business Continuity Plan was not available for inspection.</p>	<p>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.</p>				
Workforce Plan Stage 2	<p>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.</p>	<p>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).</p>	<ul style="list-style-type: none"> Review and Update Workforce Plan 	DCEO		Dec-20
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. 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	<p>An ICT Disaster Recovery Plan was not available for inspection.</p>	<p>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.</p>	<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	Feb-21
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"> Liaise 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 Local Government Act 1995 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 Charitable Uses Act 1601.	<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.	Risk management procedures be updated, and a process developed in accordance with any update to the risk management policy. Implement and maintain risk management procedures and processes throughout the Shire.	<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.	To help ensure probity and fairness when assessing high value procurement, at least three persons should assess the procurement responses independently of each other. Documented processes should require a higher level of probity and due diligence, for higher value or higher risk purchases. 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.	<ul style="list-style-type: none"> To be assessed as part of Policy Review 	DCEO		Sept-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.	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. 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.	<ul style="list-style-type: none"> To be assessed as part of Policy Review 	DCEO		Sept-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	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. 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. 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.	Update procedures to require cardholders to review and certify expenses incurred on their credit cards each month. 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.	<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 duly 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		Sept-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/CFO		Sept-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		Sept-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	
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
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. 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.	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. 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.	<ul style="list-style-type: none"> 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.	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. 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.	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Currently Underway 	Aug-20
7.4 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.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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 acted on as required.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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.</p> <p>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 of Delegation No. 30 to ensure any exercise of the delegation is compliant with the adopted procurement policy of Council.</p> <p>Review and update Delegation No. 20 to ensure any exercise of the delegation is 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 split 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.</p> <p>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		Sept-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
	<p>Notifiable Gifts Register</p> <p>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, and publish on the Shire's official website as required.</p> <p>Gifts Register</p> <p>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.</p>	<p>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.</p> <p>Establish a register of gifts in the prescribed form and publish on the Shire's official website as required.</p>	<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-20
8.3	<p>ANNUAL COMPLIANCE AUDIT RETURNS (CAR)</p> <p>Compliance Audit Return</p> <p>The CARs for 2017, 2018 and 2019 were not reviewed by the Audit Committee as required, prior to adoption by Council.</p> <p>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.</p>	<p>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.</p> <p>Review procedures and controls for the accurate completion of CARs including independent review of responses by an appropriate officer.</p>	<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	<p>COMPLAINT HANDLING</p> <p>Community Complaints Procedures</p> <p>A community complaints register is not currently maintained to follow up and ensure all complaints are adequately addressed.</p>	<p>To help ensure all complaints are adequately resolved, a register of customer complaints received should be maintained.</p>	<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	<p>AUDIT PRACTICES</p> <p>Internal Audit</p> <p>Currently, no internal auditors have been appointed, and limited internal audit functions have been undertaken.</p>	<p>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.</p>	N/A	DCEO/CEO		
8.6	<p>REVIEW REQUIRED TO BE UNDERTAKEN BY CEO</p> <p>Audit Regulation 17 Review</p> <p>A review was last undertaken in December 2016. Regulation 17 of Local Government (Audit) Regulations 1996 requires reviews to be undertaken every three years.</p> <p>Previous review undertaken contained no recommendations in relation to the appropriateness and effectiveness of risk management, internal control and legislative compliance.</p> <p>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.</p>	<p>Ensure the next review is undertaken within the next three years as required by legislation.</p> <p>Ensure future reviews identifies operational and financial risk, control weaknesses and compliance weaknesses.</p> <p>Ensure the next review is undertaken within the next three years as required by legislation.</p>	<p>N/A</p> <p>N/A</p>	DCEO/CEO	Review has been completed - next due 2023	COMPLETED
	<p>Financial Management Review</p>	<p>Ensure the next review is undertaken within the next three years as required by legislation.</p>	N/A	MF/CEO	Review has been completed - next due 2023	COMPLETED

5.2. INTERIM AUDIT 2023-24

SENIOR OFFICER:	Chief Executive Officer
PREVIOUS REPORT(S):	Nil
DISCLOSURE OF INTEREST:	Nil
FILE REFERENCE:	FM.AD.1
STRATEGIC DOCUMENT REFERENCE:	Nil
ATTACHMENTS:	Attachment 1 – Findings identified in the interim audit

OFFICER RECOMMENDATION

That the Committee RECOMMENDS that Council NOTES the 2023-24 Interim Audit findings and management response

BRIEF SUMMARY

Each year when conducting the audit, the Shire is provided with interim findings. This process allows the Shire to correct matters prior to the release of the final audit position.

The final interim audit letter was provided on 4 July 2024.

The interim audit has identified one significant issue and four moderate issues in the view of the auditor. As per the normal process the Shire has provided a response to the issues identified.

BACKGROUND/COMMENT

The interim audit findings are contained in Attachment 1.

In summary issues were identified with:

- End of day reconciliation
- Review of policies and procedures
- Cyber security assessment
- IT consulting contract
- Credit Card Policy

The issues identified with end of day reconciliation and credit card policy have already been addressed. In both cases while there were issues the audit did not find instances of improper behaviour.

The cyber security assessment and IT consulting contract represent a known issue for the Shire. ICT is a critical and technical area that is becoming increasingly important and complex for government organisations. This was also identified in the

Regulation 17 and 5 review presented to this meeting of the Committee. As noted in the management comment, Officers are working with the Shire's ICT provider on these matters.

In relation to policies, Officers do not agree with the interim audit finding that the currency of policies is a significant issue. The definition of a significant issue according to the OAG is one where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. While Officers recognise that many policies have not been formally reviewed by Council in some time, the focus of the organisation has been on ensuring the currency of the Shire's most important policies.

The finding of a significant issue because certain policies have not been formally reviewed by Council in several years is disappointing, but Officers do not believe that it is an accurate reflection of the Shire's governance.

Officers will continue to present policies where opportunities for improvement have been identified for Council's consideration but contend that an approach where policies are presented en bloc for consideration by Council is ineffective and goes against good governance principles.

Officers note that since January 2024, several policies have been presented for Council's consideration including procurement, risk management, execution of documents and a range of policies related to human resource management. In addition, the Shire has recently completed an overhaul of delegations which is an important aspect of governance.

CONSULTATION/COMMUNICATION

Nil.

STATUTORY/LEGAL IMPLICATIONS

Legislation does not require the interim audit findings to be presented to the Audit Committee but in the interests of transparency, the 2023-24 findings have been submitted for noting.

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

Council leadership

Index of findings	Potential impact on audit opinion	Rating		
		Significant	Moderate	Minor
1. End of day reconciliation	No		✓	
2. Review of policies & procedures	No	✓		
3. Cyber security assessment	No		✓	
4. IT consulting contract	No		✓	
5. Credit Card Policy	No		✓	

Key to ratings

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

Significant - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating could indicate the need for a modified audit opinion in the current year, or in a subsequent reporting period if not addressed. However even if the issue is not likely to impact the audit opinion, it should be addressed promptly.

Moderate - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.

Minor - Those findings that are not of primary concern but still warrant action being taken.

1. End of day reconciliation

Finding

End of day reconciliations at the administration office are completed by the customer service officers at the end of each day, however these are not subject to independent review on the day of completion. We acknowledge the end of the day reconciliations are reviewed as part of the month end reconciliation process.

Rating: Moderate

Implication

Increased risk of fraud and error due to lack of independent review on a timely basis

Recommendation

End of day reconciliations are a key control and should be appropriately signed off by both the preparer and reviewer on a timely basis once completed.

Management comment

Officers have amended process to ensure independent review through the Manager of Finance now reviewing the end of day reconciliations each day.

Responsible person: Chief Executive Officer

Completion date: 12 June 2024

2. Review of policies & procedures

Finding

During the audit we noted the following in respect to policies and procedures:-

- (I) Policies, Procedures and Guides Requiring Review.
 - Purchasing and tender guide was last reviewed in September 2020;
 - Issuing of purchase order policy was last reviewed in February 2021;
 - Authorisation policy was last reviewed in November 2018;
 - Cheque signing policy was last reviewed in November 2018;
 - Risk management policy was last reviewed in November 2021; and
 - The Investment policy was last reviewed in November 2018;
- (II) IT Policies to be Developed.
 - There is no cyber security policy in place;
 - There is no policy in place governing the physical access and logical access to IT applications;
 - There is no formal change management policy in place which is crucial for controlling and tracking changes to IT Systems and infrastructure;
- (III) Investment Strategy to be Developed
 - There is no documented investment strategy in place.

Rating: Significant

Implication

- (I) Risk that stated policies, procedures and guides may be out of date or require amendment.
- (II) The absence of clear IT policies exposes organisations to security risks, data breaches and inefficiencies.

The absence of policies for physical and logical access to the Shire's IT applications such as Synergysoft and infrastructure poses a significant security risk, potentially increasing the risk of unauthorised individuals gaining access to sensitive information and systems;

The absence of a formal change management policy makes it difficult to track and control changes to IT systems and infrastructure, increasing the risk of unintended consequences and disruptions to operations;
- (III) An investment strategy/plan is crucial to aligning the investments with the business objectives. The absence of an investment strategy hinders the Shire's ability to make informed decisions potentially leading to inefficiencies and missed opportunities.

Recommendation

We recommend :

- (I) All policies, procedures and guides be reviewed in accordance with stated review dates.
- (II) The Shire should develop and implement the cyber security policy, policies and procedures for physical access and logical access to IT applications and formal change policy that details how the IT changes and infrastructure is done.

Establish policies and procedures for physical and logical access control to safeguard sensitive information and systems from unauthorised access.

Establish and implement a formal change management policy to track and control changes to IT systems and infrastructure, minimising potential disruptions
- (III) Establish and implement an investment strategy to guide critical decisions and initiatives, aligning them with the Shire's overall business objectives.

Management comment

- (I) *Council has adopted close to one hundred policies. Council policies are routinely evaluated and considered by Officers for currency and appropriateness. Those that are considered to meet a threshold for need are presented for formal review by Council. Since January 2024 policies have been created or amended by Council in relation to the execution of documents, CEO performance review, recreational sites, recording of council meetings, Councillor professional development, out of pocket expenses and three policies related to workforce management. This pragmatic approach ensures that the Shire's limited resources are invested in areas of greatest need and that policies requiring amendment are presented to Council in a considered fashion. The policies identified by the Auditor as requiring review will be assessed by Officers and if improvements are identified recommendations for amendment will be presented to Council in due course.*
- (II) *Access to the physical server is currently available to staff as it is kept in the stationery store room. We will investigate possible solutions to restrict access to the equipment itself. There are currently some good logical access protections in place but these are not documented. We agree that these should be documented and covered by an administrative policy.

There is no formal arrangements in place for change management, our IT service provider operates a user request portal which documents all requests for user IT systems and user permission changes and these all require sign off by the CEO or DCEO.

We will work with the IT service provider to put a cyber security policy in place as well as the associated procedures for physical access and logical access to IT applications and formal change policy that details how the IT changes and infrastructure is done.*
- (III) *The Shire currently has an Investment Policy which sets out the Shire's approach to investment in a prudent and responsible manner. We envisage that the next iteration of the long-Term Financial Plan will incorporate an Investment strategy that that plans for the future and provides cash backed reserves to meet business objectives.*

Responsible person: Chief Executive Officer
Completion date: 30 June 2025

3. Cyber security assessment

Finding

During the audit we noted the following:-

- (I) There is no cyber security response plan in place;
- (II) Management have not formally evaluated the risks associated with the overall security policy;
- (III) Vulnerability assessment and penetration testing have not been performed as part of the cyber security risk assessment process;
- (IV) Sensitive data is not encrypted when being stored;
- (V) Machines are not set to "time out" when the user is not at their station; and
- (VI) No multi factor authenticator set up for synergy.

Rating: Moderate

Implication

- (I) Without an appropriate plan in place, the Shire may not be sufficiently prepared to act in the event of a cyber security threat or staff may not be aware of processes that should be followed. This may lead to the Shire's system being compromised, impacts on service delivery, unauthorised access to sensitive information, and potentially financial loss to the Shire.
- (II) Lack of adequate risk assessment identification, evaluation and mitigating internal control processes in relation to Information Technology and Cyber Security risks
- (III) Failure to conduct Vulnerability Assessment and Penetration testing leaves the shire unaware of potential security vulnerabilities, increasing the risk of cyber-attacks and data breaches with potential consequential impact to operations.
- (IV) In the absence of appropriate sensitive data encryption, there is an increased risk that unprotected sensitive data could lead to identity theft, fraud or theft of financial resources from employees and / or third parties in the event of a data breach.
- (V) Increased risk of unauthorised access to the Shire's IT systems and sensitive data

Recommendation

We recommend:-

- (I) A cyber security plan should be developed, including (but not limited to) covering the following key areas:-
 - Risk assessment of the Shire's IT security control environment
 - Identification of safeguards and protections in place
 - Action plan in the event of a cyber security event, including outlining the roles and responsibilities of staff during such an event
- (II) We recommend a comprehensive risk identification, evaluation and mitigation process be undertaken to ensure all potential risks associated with Information technology, specifically Cyber Security are considered and documented. Subsequently we recommend the risk register be updated to include specific Information Technology and Cyber Security risks such as Ransomware breaches, data breaches due to phishing emails, general data breaches, reputational damage and related media which may be required in the event of a Cyber Security breach etc.
- (III) Conduct regular Vulnerability Assessment and Penetration testing to identify and address potential security vulnerabilities.
- (IV) The shire implement the use of encryption of sensitive data where considered appropriate.
- (V) All computers to be "timed out" if there is no activity for a certain time to ensure that there is no unauthorized access to the IT system and sensitive information.
- (VI) An application control/application hardening policy be implemented
- (VII) As part of the Shire's Cyber Security Framework, we suggest consideration be given to the implementation of Multifactor Authentication protocols for all access to the City's IT Systems and sensitive data, both internal and external.

Management comment

- (I) The Shire has recently been quoted on Cybersecurity Essential Compliance Plan. This is a solution that will meet the Australian Cyber Security Centre(ACSC) Essential 8 requirements. We agree that implementing the ACSC Essential 8 is important for local governments in order to strengthen cybersecurity resilience, protect sensitive citizen data, and ensures the continuity of essential services. We have decided to include this option in a new Request for Quote for the IT service provider. This will be an ongoing process to upgrade to Meet Essential 8 Maturity Level 2 over a 24 month period.*
- (II) A comprehensive risk identification, evaluation and mitigation process is a fairly significant undertaking to do properly. This would require a project to be developed and costed for budget purposes and therefore we do not envisage this taking place in the next 12 months. It would need to be prioritized along with actions from other findings.*
- (III) This is a valid undertaking but is an action that we foresee in the future after the risk identification process has been carried out and actioned. There would be very little point in this until we think we have some good systems and processes in place to then try to determine where the weak spots are.*
- (IV) We acknowledge the risks associated with unencrypted computers. With the new server changeout scheduled for later this year, the IT service provider will ensure that the new server and all the workstations will be set up so that all of the data on those will be encrypted.*
- (V) We have requested the IT service provider to implement a screen lockout on computers for Shire of Wagin in line with the above.*
- (VI) Application hardening will be dealt with as part of a Cybersecurity Essential Compliance Plan.*
- (VII) Multi factor authentication (MFA) is in place for office and remote network access and remote Office 365 access. The MFA in the office is that a staff member has to be in the office to log in to the network (If out of the office, access is by VPN, which requires MFA). Remote access is encrypted and subject to multi factor authentication.*
- (VIII) We have discussed MFA for Synergysoft. There is technically a way it can be done but would be onerous and expensive. As we will be implementing time out on PCs in the office soon, it is considered that there are minimal risks associated with not having this added layer of authentication.*

Responsible person: Chief Executive Officer
Completion date: 30 June 2026

4. IT consulting contract

Finding

The Shire entered into an IT support agreement with external IT consulting contractors in August 2021; which was subsequently extended to 31 August 2023.

Accordingly at the time of our onsite interim visit there was no current contract with the Shire's external IT consultants.

Rating: Moderate

Implication

Risk of significant delays and business interruption in the event of unforeseen IT circumstances given no current documented service level contract in place with external IT consultants.

Recommendation

We recommend the Shire enter into an updated agreement with the IT consultants to ensure scope, responsibilities, terms of conditions and costs are clearly documented.

Management comment

The ICT Managed Services contract with Wallis Computer Solutions was extended for a further period of six-month period on 1 March 2024 to 31 August 2024. A Request for Quote for ICT Managed Services will be issued by 31 August 2024.

Responsible person: Chief Executive Officer
Completion date: 31 August 2024

5. Credit card policy

The Shire's credit card policy dated February 2021 states the approved credit limit for the credit card held by the Manager of Finance as \$2,000 however, the current credit limit on this card as per the credit card statement is \$4,000.

Additionally, we noted the Acting Deputy CEO was issued with a credit card during their tenure which ended in September 2023, however, the card was still active as of April 2024.

Rating: Moderate

Implication

Non-compliance with the Shire's credit card policy.

Recommendation

We recommend updating the credit limit or credit card policy to ensure consistency. Additionally, credit cards should be cancelled and accounts settled upon vacating a position to comply with the credit card policy.

Management comment

The Manager of Finance's credit card limit has been reduced to \$2,000 in line with the Shire's credit card policy.

The former Acting Deputy CEO was issued with a corporate credit card during her tenure in that position, which began in October 2022 and ended on 29 September 2023. As part of the April 2023 audit pre-work, the Manager of Finance identified that the staff member still had possession of that credit card, but this was in contravention of the Credit Card policy, which specifies the allocation of credit cards to four senior staff. The card was de-activated in April 2024 (A letter was sent to Bankwest on 23 April 2024). The card was used multiple times between October 2023 and April 2024 for approved Shire purchases. All uses of the card were included in the monthly list of accounts reported to the Council. We note that credit cards should be cancelled upon vacating a position to comply with the credit card policy.

Responsible person: Chief Executive Officer
Completion date: 30 April 2024

VOTING REQUIREMENTS

Simple Majority

6. CLOSURE