



31 Burrowes Street, Darkan
Western Australia 6392
Telephone: (08) 97362222
Facsimile: (08) 97362212
shire@westarthur.wa.gov.au

CONFIRMED MINUTES

Shire of West Arthur Audit Committee Meeting 9th March 2022

MISSION STATEMENT

To value and enhance our community lifestyle and environment through strong local leadership, community involvement and effective service delivery.

DISCLAIMER

No responsibility whatsoever is implied or accepted by the Shire of West Arthur for any act, omission or statement or intimation occurring during Council or Committee meetings or during formal/informal conversations with staff. The Shire of West Arthur disclaims any liability for any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission or statement or intimation occurring during Council or Committee meetings or discussions. Any person or legal entity that act or fails to act in reliance upon any statement does so at the person's or legal entity's own risk.

The purpose of this council meeting is to discuss and, where possible, make resolutions about items appearing on the agenda. Whilst Council has the power to resolve such items and may in fact, appear to have done so at the meeting, no person should rely on or act on basis of such decision or on any advice or information provided by a member or officer, or on the content of any discussion occurring, during the course of the meeting.

In particular and without derogating in any way from the broad disclaimer above, in any discussion regarding any planning application or application for a licence, any statement or limitation of approval made by a member or officer of the Shire of West Arthur during the course of any meeting is not intended to be and is not taken as notice of approval from the Shire of West Arthur. The Shire of West Arthur warns that anyone who has an application lodged with the Shire of West Arthur must obtain and only should rely on WRITTEN CONFIRMATION of the outcome of the application, and any conditions attaching to the decision made by the Shire of West Arthur in respect of the application.

Persons should be aware that the provisions of the Local Government Act 1995 (section 5.25 (e)) establish procedures for revocation or rescission of a Council decision.

The Shire of West Arthur expressly disclaims liability for any loss or damage suffered by any person as a result of relying on or acting on the basis of any resolution of Council, or any advice or information provided by a member or officer, or the content of any discussion occurring, during the course of the Council meeting

These Minutes were confirmed at the Audit and Risk Committee meeting on 15 March 2022 and at the Ordinary Council meeting on 16 August 2022.

Signed: _____


Presiding Member at the meeting at which the Minutes were Confirmed.

SHIRE OF WEST ARTHUR AUDIT COMMITTEE

Minutes for the Audit Committee Meeting held on Wednesday 9th March 2022 in the Council Chambers commencing at 9.00am.

Contents

1.	Declaration of Opening/Announcement of Visitors	3
2.	Record of Attendance and Apologies	3
3.	Question Time	3
4.	Disclosures of Interest.....	3
5.	Previous Minutes	3
6.	Reports.....	3
6.1	Adoption of 2021 Compliance Audit Return.....	3
6.2	Financial Management Systems Review and Audit Reg 17 Review.....	19
6.3	Risk Register	44
6.4	2020-21 Significant Adverse Trend – Operating Surplus Ratio & Asset Sustainability Ratio.....	53
7.	Other Urgent Business by Decision of Meeting	60
8.	Tabling of Items for Next Meeting.....	60
9.	Closure and Next Meeting	60

1. Declaration of Opening/Announcement of Visitors**2. Record of Attendance and Apologies**Committee Members

Cr Neil Morrell (President)

Cr Neil Manuel

Cr Karen Harrington

Staff

Vin Fordham Lamont (Chief Executive Officer)

Melinda King (Manager Financial Reporting)

Darren Friend (Acting Manager Corporate Services)

3. Question Time

Nil

4. Disclosures of Interest

Nil

5. Previous Minutes

A copy of the minutes of the last Audit Committee meeting held on 16th March 2021 have been distributed.

Recommendation:

That the minutes of the Audit Committee meeting held on 16th March 2021, be confirmed as a true and correct record.

Moved: Cr Neil ManuelSeconded: Cr Karen Harrington**CARRIED: 3/0****6. Reports****6.1 Adoption of 2021 Compliance Audit Return**

FILE REFERENCE:	2.32.4
LOCATION:	N/A
APPLICANT:	N/A
AUTHOR:	V Fordham Lamont - CEO
AUTHORISING OFFICER:	V Fordham Lamont - CEO
DATE:	24 February 2022
DISCLOSURE OF INTEREST:	N/A
ATTACHMENTS:	2021 Compliance Audit Return

SUMMARY:

The Audit Committee is requested to consider recommending to Council the adoption of the Compliance Audit Return 2021, as presented, as the official return for the Shire of West Arthur for the period 1 January 2021 to 31 December 2021.

BACKGROUND:

Each year, the local government is required to carry out a compliance audit for the period 1 January to 31 December of the previous year. The local government's audit committee is required to review the compliance audit return and report the results of that review to Council.

COMMENT:

As the author only commenced at the Shire in 2022, it has been quite difficult completing the 2021 Compliance Audit Return (CAR). Whilst the Shire's compliance appears to have been done well up to the middle of the year, finding evidence of continuing compliance after that time has been much more difficult. With the departure of, or taking of leave by, senior officers, together with two acting CEOs in the interim, processes have been significantly interrupted.

When in doubt about a question, responses have been negative to err on the side of transparency. The actual success of the compliance regime, therefore, is likely to be more favourable than what the CAR indicates. In addition, many of the matters noted in the CAR as not having met requirements will be easily resolved over the course of 2022.

The Optional Questions section in the CAR were not addressed this year due to time constraints. In normal years, they would be completed but, in consideration of the upheavals within the organisation in 2021, the author determined it would be easier to exclude that section this year.

CONSULTATION:

Other Senior Staff

STATUTORY ENVIRONMENT:

Local Government Act 1995 – section 7.13(i) – audit of compliance. Local Government Audit Regulations 1996 – compliance audit of statutory requirements

POLICY IMPLICATIONS:

Nil

FINANCIAL IMPLICATIONS:

Nil

STRATEGIC IMPLICATIONS:

2031 Community Strategic Plan

Theme: Leadership and Management – Inspirational, Dynamic, Transparent

Outcome: Establish and maintain sound business and governance structures

Strategy: Comply with regulations and best practice standards to drive good decision making by Council and Staff.

RISK IMPLICATIONS:

A risk theme is the categorising of risk. For example, the collection of risks that represent compliance failure. The risk themes in the shire Risk Register include:

- Business Disruption
- Community Disruption
- IT or Communications Failure
- External Threat or Fraud
- Misconduct
- Inadequate safety or security practices
- Inadequate project or change management
- Errors Omissions or Delays
- Inadequate Document Management Processes
- Inadequate supplier / contract management
- Providing inaccurate advice / information
- Ineffective Employment practices
- Compliance failure
- Inadequate asset management
- Inadequate engagement practices
- Ineffective facility or event management
- Inadequate environmental management

Risk Matrix:

Consequence Likelihood		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Almost Certain	5	Medium (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Medium (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Medium (6)	Medium (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Medium (6)	Medium (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Medium (5)

Description of Key Risk	
Risk Rating (Prior to Treatment or Control): Likelihood x Consequence	Extreme (20)
Risk Likelihood (based on history and with existing controls)	Almost Certain (5)
Risk Consequence	Major (4)
Principal Risk Theme	Compliance Failure
Risk Action Plan (Controls or Treatment Proposed)	Review failures identified in CAR, add actions to compliance calendar to ensure failures are not repeated.

VOTING REQUIREMENTS:

Simple majority

OFFICER RECOMMENDATION:

That the Compliance Audit Return for 2021, as presented, be recommended to Council for adoption as the office return for the Shire of West Arthur for the period 1 January 2021 to 31 December 2021.

Moved: Cr Karen HarringtonSeconded: Cr Neil Manuel**CARRIED: 3/0****ATTACHMENT**

2021 Compliance Audit Return



Department of
**Local Government, Sport
 and Cultural Industries**

West Arthur - Compliance Audit Return 2021

Certified Copy of Return

Please submit a signed copy to the Director General of the Department of Local Government, Sport and Cultural Industries together with a copy of the relevant minutes.

Commercial Enterprises by Local Governments					
No	Reference	Question	Response	Comments	Respondent
1	s3.59(2)(a) F&G Regs 7,9,10	Has the local government prepared a business plan for each major trading undertaking that was not exempt in 2021?	N/A	The Shire had no major trading undertakings in 2021	Vin Fordham Lamont
2	s3.59(2)(b) F&G Regs 7,8A, 8, 10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2021?	N/A		Vin Fordham Lamont
3	s3.59(2)(c) F&G Regs 7,8A, 8,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2021?	N/A	The Shire did not enter into any major land transactions in 2021.	Vin Fordham Lamont
4	s3.59(4)	Has the local government complied with public notice and publishing requirements for each proposal to commence a major trading undertaking or enter into a major land transaction or a land transaction that is preparatory to a major land transaction for 2021?	N/A		Vin Fordham Lamont
5	s3.59(5)	During 2021, did the council resolve to proceed with each major land transaction or trading undertaking by absolute majority?	N/A		Vin Fordham Lamont



Department of
**Local Government, Sport
and Cultural Industries**

Delegation of Power/Duty					
No	Reference	Question	Response	Comments	Respondent
1	s5.16	Were all delegations to committees resolved by absolute majority?	N/A	No new delegations to committees made in 2021.	Vin Fordham Lamont
2	s5.16	Were all delegations to committees in writing?	N/A		Vin Fordham Lamont
3	s5.17	Were all delegations to committees within the limits specified in section 5.17?	N/A		Vin Fordham Lamont
4	s5.18	Were all delegations to committees recorded in a register of delegations?	N/A		Vin Fordham Lamont
5	s5.18	Has council reviewed delegations to its committees in the 2020/2021 financial year?	Yes	Item 8.1.10 OMC 15/6/21.	Vin Fordham Lamont
6	s5.42(1) & s5.43 Admin Reg 18G	Did the powers and duties delegated to the CEO exclude those listed in section 5.43 of the Act?	Yes		Vin Fordham Lamont
7	s5.42(1)	Were all delegations to the CEO resolved by an absolute majority?	Yes		Vin Fordham Lamont
8	s5.42(2)	Were all delegations to the CEO in writing?	Yes		Vin Fordham Lamont
9	s5.44(2)	Were all delegations by the CEO to any employee in writing?	Yes		Vin Fordham Lamont
10	s5.16(3)(b) & s5.45(1)(b)	Were all decisions by the council to amend or revoke a delegation made by absolute majority?	N/A		Vin Fordham Lamont
11	s5.46(1)	Has the CEO kept a register of all delegations made under Division 4 of the Act to the CEO and to employees?	Yes		Vin Fordham Lamont
12	s5.46(2)	Were all delegations made under Division 4 of the Act reviewed by the delegator at least once during the 2020/2021 financial year?	Yes		Vin Fordham Lamont
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record in accordance with Admin Reg 19?	No	Unable to ascertain if this was done on all occasions. Will ensure that register is maintained moving forward.	Vin Fordham Lamont

Disclosure of Interest					
No	Reference	Question	Response	Comments	Respondent
1	s5.67	Where a council member disclosed an interest in a matter and did not have participation approval under sections 5.68 or 5.69, did the council member ensure that they did not remain present to participate in discussion or decision making relating to the matter?	Yes		Vin Fordham Lamont



Department of
**Local Government, Sport
and Cultural Industries**

No	Reference	Question	Response	Comments	Respondent
2	s5.68(2) & s5.69 (5) Admin Reg 21A	Were all decisions regarding participation approval, including the extent of participation allowed and, where relevant, the information required by Admin Reg 21A, recorded in the minutes of the relevant council or committee meeting?	Yes		Vin Fordham Lamont
3	s5.73	Were disclosures under section sections 5.65, 5.70 or 5.71A(3) recorded in the minutes of the meeting at which the disclosures were made?	Yes		Vin Fordham Lamont
4	s5.75 Admin Reg 22, Form 2	Was a primary return in the prescribed form lodged by all relevant persons within three months of their start day?	Yes		Vin Fordham Lamont
5	s5.76 Admin Reg 23, Form 3	Was an annual return in the prescribed form lodged by all relevant persons by 31 August 2021?	Yes		Vin Fordham Lamont
6	s5.77	On receipt of a primary or annual return, did the CEO, or the mayor/president, give written acknowledgment of having received the return?	Yes		Vin Fordham Lamont
7	s5.88(1) & (2)(a)	Did the CEO keep a register of financial interests which contained the returns lodged under sections 5.75 and 5.76?	Yes		Vin Fordham Lamont
8	s5.88(1) & (2)(b) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70, 5.71 and 5.71A, in the form prescribed in Admin Reg 28?	Yes		Vin Fordham Lamont
9	s5.88(3)	When a person ceased to be a person required to lodge a return under sections 5.75 and 5.76, did the CEO remove from the register all returns relating to that person?	Yes		Vin Fordham Lamont
10	s5.88(4)	Have all returns removed from the register in accordance with section 5.88(3) been kept for a period of at least five years after the person who lodged the return(s) ceased to be a person required to lodge a return?	Yes		Vin Fordham Lamont
11	s5.89A(1), (2) & (3) Admin Reg 28A	Did the CEO keep a register of gifts which contained a record of disclosures made under sections 5.87A and 5.87B, in the form prescribed in Admin Reg 28A?	Yes		Vin Fordham Lamont
12	s5.89A(5) & (5A)	Did the CEO publish an up-to-date version of the gift register on the local government's website?	Yes		Vin Fordham Lamont
13	s5.89A(6)	When a person ceases to be a person who is required to make a disclosure under section 5.87A or 5.87B, did the CEO remove from the register all records relating to that person?	Yes		Vin Fordham Lamont



Department of
**Local Government, Sport
and Cultural Industries**

No	Reference	Question	Response	Comments	Respondent
14	s5.89A(7)	Have copies of all records removed from the register under section 5.89A (6) been kept for a period of at least five years after the person ceases to be a person required to make a disclosure?	Yes		Vin Fordham Lamont
15	Rules of Conduct Reg 11(1), (2) & (4)	Where a council member had an interest that could, or could reasonably be perceived to, adversely affect the impartiality of the person, did they disclose the interest in accordance with Rules of Conduct Reg 11(2)?* *Question not applicable after 2 Feb 2021	Yes		Vin Fordham Lamont
16	Rules of Conduct Reg 11(6)	Where a council member disclosed an interest under Rules of Conduct Reg 11(2) was the nature of the interest recorded in the minutes?*	Yes		Vin Fordham Lamont
		*Question not applicable after 2 Feb 2021			
17	s5.70(2) & (3)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to council or a committee, did that person disclose the nature and extent of that interest when giving the advice or report?	Yes		Vin Fordham Lamont
18	s5.71A & s5.71B (5)	Where council applied to the Minister to allow the CEO to provide advice or a report to which a disclosure under s5.71A(1) relates, did the application include details of the nature of the interest disclosed and any other information required by the Minister for the purposes of the application?	N/A		Vin Fordham Lamont
19	s5.71B(6) & s5.71B(7)	Was any decision made by the Minister under subsection 5.71B(6) recorded in the minutes of the council meeting at which the decision was considered?	N/A		Vin Fordham Lamont
20	s5.103 Admin Regs 34B & 34C	Has the local government adopted a code of conduct in accordance with Admin Regs 34B and 34C to be observed by council members, committee members and employees?*	Yes		Vin Fordham Lamont
		*Question not applicable after 2 Feb 2021			
21	Admin Reg 34B(5)	Has the CEO kept a register of notifiable gifts in accordance with Admin Reg 34B(5)?*	N/A		Vin Fordham Lamont
		*Question not applicable after 2 Feb 2021			



Department of
**Local Government, Sport
 and Cultural Industries**

No	Reference	Question	Response	Comments	Respondent
22	s5.104(1)	Did the local government prepare and adopt, by absolute majority, a code of conduct to be observed by council members, committee members and candidates within 3 months of the prescribed model code of conduct coming into operation (3 February 2021)?	Yes		Vin Fordham Lamont
23	s5.104(3) & (4)	Did the local government adopt additional requirements in addition to the model code of conduct? If yes, does it comply with section 5.104(3) and (4)?	N/A		Vin Fordham Lamont
24	s5.104(7)	Did the CEO publish an up-to-date version of the adopted code of conduct on the local government's website?	Yes		Vin Fordham Lamont
25	s5.51A(1) & (3)	Did the CEO prepare, and implement and publish an up-to-date version on the local government's website, a code of conduct to be observed by employees of the local government?	Yes		Vin Fordham Lamont

Disposal of Property

No	Reference	Question	Response	Comments	Respondent
1	s3.58(3)	Where the local government disposed of property other than by public auction or tender, did it dispose of the property in accordance with section 3.58(3) (unless section 3.58(5) applies)?	N/A	There were no disposal of property other than by public auction.	Vin Fordham Lamont
2	s3.58(4)	Where the local government disposed of property under section 3.58(3), did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property?	N/A		Vin Fordham Lamont



Department of
**Local Government, Sport
 and Cultural Industries**

Elections					
No	Reference	Question	Response	Comments	Respondent
1	Elect Regs 30G(1) & (2)	Did the CEO establish and maintain an electoral gift register and ensure that all disclosure of gifts forms completed by candidates and donors and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the forms relating to each candidate?	Yes		Vin Fordham Lamont
2	Elect Regs 30G(3) & (4)	Did the CEO remove any disclosure of gifts forms relating to an unsuccessful candidate, or a successful candidate that completed their term of office, from the electoral gift register, and retain those forms separately for a period of at least two years?	N/A	Nothing to remove.	Vin Fordham Lamont
3	Elect Regs 30G(5) & (6)	Did the CEO publish an up-to-date version of the electoral gift register on the local government's official website in accordance with Elect Reg 30G(6)?	N/A	No entries on the register.	Vin Fordham Lamont



Department of
**Local Government, Sport
 and Cultural Industries**

Finance					
No	Reference	Question	Response	Comments	Respondent
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act?	Yes	Item 12.1 OCM 19/10/21.	Vin Fordham Lamont
2	s7.1B	Where the council delegated to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority?	Yes		Vin Fordham Lamont
3	s7.9(1)	Was the auditor's report for the financial year ended 30 June 2021 received by the local government by 31 December 2021?	No		Vin Fordham Lamont
4	s7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under s7.9 (1) of the Act required action to be taken, did the local government ensure that appropriate action was undertaken in respect of those matters?	N/A	At the time of completing this return, the auditor had not completed the audit.	Vin Fordham Lamont
5	s7.12A(4)(a) & (4)(b)	Where matters identified as significant were reported in the auditor's report, did the local government prepare a report that stated what action the local government had taken or intended to take with respect to each of those matters? Was a copy of the report given to the Minister within three months of the audit report being received by the local government?	N/A	At the time of completing this return, the auditor had not completed the audit.	Vin Fordham Lamont
6	s7.12A(5)	Within 14 days after the local government gave a report to the Minister under s7.12A(4)(b), did the CEO publish a copy of the report on the local government's official website?	N/A	At the time of completing this return, the auditor had not completed the audit.	Vin Fordham Lamont
7	Audit Reg 10(1)	Was the auditor's report for the financial year ending 30 June received by the local government within 30 days of completion of the audit?	N/A	At the time of completing this return, the auditor had not completed the audit.	Vin Fordham Lamont



Department of
**Local Government, Sport
and Cultural Industries**

Integrated Planning and Reporting					
No	Reference	Question	Response	Comments	Respondent
1	Admin Reg 19C	Has the local government adopted by absolute majority a strategic community plan? If Yes, please provide the adoption date or the date of the most recent review in the Comments section?	Yes	27/7/21	Vin Fordham Lamont
2	Admin Reg 19DA (1) & (4)	Has the local government adopted by absolute majority a corporate business plan? If Yes, please provide the adoption date or the date of the most recent review in the Comments section?	Yes	27/7/21	Vin Fordham Lamont
3	Admin Reg 19DA (2) & (3)	Does the corporate business plan comply with the requirements of Admin Reg 19DA(2) & (3)?	Yes		Vin Fordham Lamont

Local Government Employees					
No	Reference	Question	Response	Comments	Respondent
1	Admin Reg 18C	Did the local government approve a process to be used for the selection and appointment of the CEO before the position of CEO was advertised?	Yes		Vin Fordham Lamont
2	s5.36(4) & s5.37 (3) Admin Reg 18A	Were all CEO and/or senior employee vacancies advertised in accordance with Admin Reg 18A?	Yes		Vin Fordham Lamont
3	Admin Reg 18E	Was all information provided in applications for the position of CEO true and accurate?	Yes		Vin Fordham Lamont
4	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position under section 5.36(4)?	Yes		Vin Fordham Lamont
5	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss senior employee?	N/A		Vin Fordham Lamont
6	s5.37(2)	Where council rejected a CEO's recommendation to employ or dismiss a senior employee, did it inform the CEO of the reasons for doing so?	N/A		Vin Fordham Lamont



Department of
**Local Government, Sport
and Cultural Industries**

Official Conduct					
No	Reference	Question	Response	Comments	Respondent
1	s5.120	Has the local government designated a senior employee as defined by section 5.37 to be its complaints officer?	No	CEO is the complaints officer.	Vin Fordham Lamont
2	s5.121(1) & (2)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that resulted in a finding under section 5.110(2)(a)? Does the complaints register include all information required by section 5.121 (2)?	No	Unable to locate a current complaints register but this will be re-established.	Vin Fordham Lamont
3	s5.121(3)	Has the CEO published an up-to-date version of the register of the complaints on the local government's official website?	No	There is a register on the shire website but it is empty. Will update moving forward.	Vin Fordham Lamont



Department of
**Local Government, Sport
and Cultural Industries**

Optional Questions						
No	Reference	Question	Response	Comments	Respondent	
1	Financial Management Reg 5 (2)(c)	Did the CEO review the appropriateness and effectiveness of the local government's financial management systems and procedures in accordance with Financial Management Reg 5(2)(c) within the three years prior to 31 December 2021? If yes, please provide the date of council's resolution to accept the report.	Yes	Not yet taken to Council.	Vin Fordham Lamont	
2	Audit Reg 17	Did the CEO review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance in accordance with Audit Reg 17 within the three years prior to 31 December 2021? If yes, please provide date of council's resolution to accept the report.	Yes	Not yet taken to Council.	Vin Fordham Lamont	
3	s5.87C	Where a disclosure was made under sections 5.87A or 5.87B, was the disclosure made within 10 days after receipt of the gift? Did the disclosure include the information required by section 5.87C?	N/A	Optional.	Vin Fordham Lamont	
4	s5.90A(2) & (5)	Did the local government prepare, adopt by absolute majority and publish an up-to-date version on the local government's website, a policy dealing with the attendance of council members and the CEO at events ?	N/A	Optional.	Vin Fordham Lamont	
5	s5.96A(1), (2), (3) & (4)	Did the CEO publish information on the local government's website in accordance with sections 5.96A(1), (2), (3), and (4)?	N/A	Optional.	Vin Fordham Lamont	
6	s5.128(1)	Did the local government prepare and adopt (by absolute majority) a policy in relation to the continuing professional development of council members?	N/A	Optional.	Vin Fordham Lamont	
7	s5.127	Did the local government prepare a report on the training completed by council members in the 2020/2021 financial year and publish it on the local government's official website by 31 July 2021?	N/A	Optional.	Vin Fordham Lamont	
8	s6.4(3)	By 30 September 2021, did the local government submit to its auditor the balanced accounts and annual financial report for the year ending 30 June 2021?	Yes		Vin Fordham Lamont	
9	s.6.2(3)	When adopting the annual budget, did the local government take into account all it's expenditure, revenue and income?	Yes		Vin Fordham Lamont	



Department of
**Local Government, Sport
and Cultural Industries**

Tenders for Providing Goods and Services					
No	Reference	Question	Response	Comments	Respondent
1	F&G Reg 11A(1) & (3)	Did the local government comply with its current purchasing policy [adopted under F&G Reg 11A(1) & (3)] in relation to the supply of goods or services where the consideration under the contract was, or was expected to be, \$250,000 or less or worth \$250,000 or less?	Yes		Vin Fordham Lamont
2	s3.57 F&G Reg 11	Subject to F&G Reg 11(2), did the local government invite tenders for all contracts for the supply of goods or services where the consideration under the contract was, or was expected to be, worth more than the consideration stated in F&G Reg 11(1)?	Yes		Vin Fordham Lamont
3	F&G Regs 11(1), 12(2), 13, & 14(1), (3), and (4)	When regulations 11(1), 12(2) or 13 required tenders to be publicly invited, did the local government invite tenders via Statewide public notice in accordance with F&G Reg 14(3) and (4)?	Yes		Vin Fordham Lamont
4	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than a single contract?	N/A		Vin Fordham Lamont
5	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer notice of the variation?	Yes		Vin Fordham Lamont
6	F&G Regs 15 & 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of F&G Regs 15 and 16?	Yes		Vin Fordham Lamont
7	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17 and did the CEO make the tenders register available for public inspection and publish it on the local government's official website?	No	Can't find it on the shire website but will ensure it is posted there in future. No tenders done in recent years.	Vin Fordham Lamont
8	F&G Reg 18(1)	Did the local government reject any tenders that were not submitted at the place, and within the time, specified in the invitation to tender?	N/A		Vin Fordham Lamont
9	F&G Reg 18(4)	Were all tenders that were not rejected assessed by the local government via a written evaluation of the extent to which each tender satisfies the criteria for deciding which tender to accept?	N/A		Vin Fordham Lamont
10	F&G Reg 19	Did the CEO give each tenderer written notice containing particulars of the successful tender or advising that no tender was accepted?	Yes		Vin Fordham Lamont



Department of
**Local Government, Sport
and Cultural Industries**

No	Reference	Question	Response	Comments	Respondent
11	F&G Regs 21 & 22	Did the local government's advertising and expression of interest processes comply with the requirements of F&G Regs 21 and 22?	Yes		Vin Fordham Lamont
12	F&G Reg 23(1) & (2)	Did the local government reject any expressions of interest that were not submitted at the place, and within the time, specified in the notice or that failed to comply with any other requirement specified in the notice?	N/A		Vin Fordham Lamont
13	F&G Reg 23(3) & (4)	Were all expressions of interest that were not rejected under F&G Reg 23 (1) & (2) assessed by the local government? Did the CEO list each person as an acceptable tenderer?	Yes		Vin Fordham Lamont
14	F&G Reg 24	Did the CEO give each person who submitted an expression of interest a notice in writing of the outcome in accordance with F&G Reg 24?	Yes		Vin Fordham Lamont
15	F&G Regs 24AD(2) & (4) and 24AE	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice in accordance with F&G Reg 24AD(4) and 24AE?	N/A		Vin Fordham Lamont
16	F&G Reg 24AD(6)	If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application notice of the variation?	N/A		Vin Fordham Lamont
17	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of F&G Reg 16, as if the reference in that regulation to a tender were a reference to a pre-qualified supplier panel application?	N/A		Vin Fordham Lamont
18	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers comply with the requirements of F&G Reg 24AG?	N/A		Vin Fordham Lamont
19	F&G Reg 24AH(1)	Did the local government reject any applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time, specified in the invitation for applications?	N/A		Vin Fordham Lamont
20	F&G Reg 24AH(3)	Were all applications that were not rejected assessed by the local government via a written evaluation of the extent to which each application satisfies the criteria for deciding which application to accept?	Yes		Vin Fordham Lamont
21	F&G Reg 24AI	Did the CEO send each applicant written notice advising them of the outcome of their application?	Yes		Vin Fordham Lamont



Department of
**Local Government, Sport
and Cultural Industries**

No	Reference	Question	Response	Comments	Respondent
22	F&G Regs 24E & 24F	Where the local government gave regional price preference, did the local government comply with the requirements of F&G Regs 24E and 24F?	Yes		Vin Fordham Lamont

I certify this Compliance Audit Return has been adopted by council at its meeting on _____

Signed Mayor/President, West Arthur

Signed CEO, West Arthur

6.2 Financial Management Systems Review and Audit Reg 17 Review

FILE REFERENCE:	2.32
LOCATION:	N/A
APPLICANT:	N/A
AUTHOR:	V Fordham Lamont - CEO
AUTHORISING OFFICER:	V Fordham Lamont - CEO
DATE:	24 February 2022
DISCLOSURE OF INTEREST:	N/A
ATTACHMENTS:	<ol style="list-style-type: none"> 1. Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls report 2. Action Plan based on report recommendations

SUMMARY:

The Audit Committee is requested to accept the attached Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls report and consider recommending it to Council for endorsement.

BACKGROUND:

Regulation 5(2) of the *Local Government (Financial Management) Regulations 1996* states that:

“The CEO is to —

- (a) ensure that the resources of the local government are effectively and efficiently managed; and
- (b) assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and
- (c) undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.”

Regulation 17 of the *Local Government (Audit) Regulations 1996* states that:

- (1) “The CEO is to review the appropriateness and effectiveness of a local government’s systems and procedures in relation to —
 - (a) risk management; and
 - (b) internal control; and
 - (c) legislative compliance.
- (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.
- (3) The CEO is to report to the audit committee the results of that review.”

COMMENT:

The last Audit Reg 17 Review was undertaken in November 2016 and the Financial Management Systems Review in March 2017. Both are required to be completed not less than once in every three financial years. Both reviews were carried out by Moore Australia in July 2021, but the subsequent report was not provided to the Shire until September 2021. The report has not been presented to the Audit Committee meeting until now due to significant upheavals at the Shire, particularly the loss of senior staff to LSL and resignation.

The report contains a suggested action plan to address shortcomings in Shire systems, processes and documentation. Officers will work through these recommendations moving forward and, in fact, have already started to do so.

CONSULTATION:

Other Senior Staff

STATUTORY ENVIRONMENT:

Local Government (Audit) Regulations 1996
Reg. 17 CEO to review certain systems and procedures

Local Government (Financial Management) Regulations 1996
Reg. 5 CEO's duties as to financial management

POLICY IMPLICATIONS:

Nil

FINANCIAL IMPLICATIONS:

Nil

STRATEGIC IMPLICATIONS:

2031 Community Strategic Plan

Theme: Leadership and Management – Inspirational, Dynamic, Transparent

Outcome: Establish and maintain sound business and governance structures

Strategy: Comply with regulations and best practice standards to drive good decision making by Council and Staff.

RISK IMPLICATIONS:

A risk theme is the categorising of risk. For example, the collection of risks that represent compliance failure. The risk themes in the shire Risk Register include:

- Business Disruption
- Community Disruption
- IT or Communications Failure
- External Threat or Fraud
- Misconduct
- Inadequate safety or security practices
- Inadequate project or change management
- Errors Omissions or Delays
- Inadequate Document Management Processes
- Inadequate supplier / contract management
- Providing inaccurate advice / information
- Ineffective Employment practices
- Compliance failure
- Inadequate asset management
- Inadequate engagement practices
- Ineffective facility or event management
- Inadequate environmental management

Risk Matrix:

Consequence Likelihood		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Almost Certain	5	Medium (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Medium (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Medium (6)	Medium (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Medium (6)	Medium (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Medium (5)

Description of Key Risk	
Risk Rating (Prior to Treatment or Control): Likelihood x Consequence	Extreme (20)
Risk Likelihood (based on history and with existing controls)	Almost Certain (5)
Risk Consequence	Major (4)
Principal Risk Theme	Compliance Failure
Risk Action Plan (Controls or Treatment Proposed)	Address recommended improvements in terms of action plan identified in report.

VOTING REQUIREMENTS:

Simple majority

OFFICER RECOMMENDATION:

That the Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls report, as presented and including the action plan, be recommended to Council for endorsement.

Moved: Cr Neil ManuelSeconded: Cr Karen Harrington**CARRIED: 3/0****ATTACHMENTS**

1. Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls report
2. Action Plan based on report recommendations

Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Existing Controls	Date of initial risk identification	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Column1
Elected Members Continuing Professional Development Policy G1.1												
Functional	6.2.1.	Applications to undertake professional development are required to be submitted to the President in writing, and where the application is by the President, to the Deputy President, for a joint decision to be made with the CEO. Under the <i>Local Government Act 1995</i> the Shire President or Deputy President has no administrative authority and as such no authority to approve applications for professional development.	Control risk			Possible	Minor	Minor	Medium	Planned action required	Review and update the policy to require applications for professional development to be considered either by a Council resolution, or by the CEO.	Noted.
Council Members Entitlements Policy G1.3												
Entity Wide	6.2.2.	The policy references circumstances where Council members may utilise a Shire owned vehicle, and where minor and incidental personal use may be permitted, subject to the approval of the Chief Executive Officer. We did not note any formal systems or processes to control the implementation of this policy.	Control risk			Possible	Minor	Minor	Medium	Planned action required	Develop and maintain processes to require elected members to acknowledge responsibilities and requirements when using a Shire vehicle as required by regulation 34AD (2) of the <i>Local Government (Administration) Regulations 1996</i> , and ensure the policy is updated to incorporate these controls.	Noted.
Audit Committee Terms of Reference Policy G1.9												
Functional	6.2.3.	The policy states one of the responsibilities of the audit committee is for the process of selecting and appointing an Auditor. Current legislation requires the Office of the Auditor General to be appointed as the Shire's auditor.	Internal control or compliance breach			Possible	Moderate	Moderate	Medium	Planned action required	Review the policy to amend the audit committee responsibility to be for the process of selecting and appointing an internal auditor	Noted.
Human Resources Policy G1.10												
Functional	6.2.4a	Section 5.50 of the <i>Local Government Act 1995</i> requires a policy to be in place setting out the circumstances where gratuities / payments in addition to a contract or award will be made, and that payments must not be made unless a policy has been adopted. Section 4.18 of policy G1.10 refers to gratuity gifts and payments in addition to a contract or award. This should be adopted as a separate policy of council.	Internal control or compliance breach			Possible	Moderate	Moderate	Medium	Planned action required	Prepare and adopt a separate policy relating to payments to employees in addition to contract or award as required by legislation.	Noted.
Functional	6.2.4b	Section 4.21 of the policy allows the Shire President to approve leave applications and expense reimbursement claims for the CEO. Under the <i>Local Government Act 1995</i> the Shire President has no administrative authority and as such no authority to approve the CEO's leave or reimbursement claims.	Internal control or compliance breach			Possible	Moderate	Moderate	Medium	Planned action required	Review and amend the policy to require the CEO to seek Council approval of leave. Where circumstances do not permit this to occur prior to the leave being taken, a report to Council should be prepared clearly detailing leave taken by the CEO as soon as practically possible after leave is taken. Update the policy or associated procedures to require independent review and authorisation of expense reimbursement claims, as well as acknowledging transactions as having been made and authorised by the CEO. Separately highlight transactions relating to reimbursement claims for the CEO for noting by Council.	Noted.
Risk Management Policy G1.11												
Entity Wide	6.2.5.	The current policy is based on a superseded risk management standard AS/ NZ ISO 31000:2009.	Compliance risk			Possible	Minor	Minor	Medium	Planned action required	Develop and adopt a risk management policy to align to Risk Management Standard ISO 31000:2018.	Noted.
Betty Brown Historical Centre Management and Collection Policy No C3.4												
Functional	6.2.6.	The policy sets out responsibilities of the Museum Reference Group (MRG), including updating policies and procedures associated with the Betty Brown Historical Centre. The policy does not stipulate whether policies and procedures are required to be approved by the Shire prior to update and implementation by the MRG.	Control risk			Possible	Minor	Minor	Medium	Planned action required	Amend the policy to require controls to be in place for any third party or operational policies and procedures relating to property and/or services under the auspices of the Shire. These controls should aim to ensure any third party procedures or policies do not contradict or circumvent compliance requirements or approved processes and systems of the Shire.	Noted.
Darkan Primary School Support Policy No. C3.6												
Functional	6.2.7.	Support to the Darkan Primary School is documented within the policy describing some parameters for types of services the Shire will offer to support the school, including use of machinery at no charge, where Shire plant operators volunteer their time to operate the machinery. The policy does not detail the application or approval process for these requests to be considered.	Control risk			Possible	Minor	Minor	Medium	Planned action required	Review and amend the policy to set out the application and approval requirements for the provision of services by the Shire to support the Darkan Primary School or require procedures to be developed.	Noted.

Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Existing Controls	Date of initial risk identification	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Column1
Purchasing Policy F4.1												
Entity Wide	6.2.8	<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>- The policy allows the CEO to approve purchases without complying with the purchasing practices of the policy. There is no requirement to report or monitor these activities when the policy provision is exercised.</p> <p>- Purchasing requirements for procurement of goods or services in accordance with the exemptions under Local Government (Functions and General) Regulations 1996 Regulation 11(2), are not consistent 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 often occurring, and the policy should be updated to reflect the expectation and requirement, regardless of whether the quotations are being sought from pre-qualified suppliers, WALGA Preferred Supply Contracts or other suppliers.</p>	Control risk, Fraud risk			Possible	Major	Moderate	High	Prioritised action required	<p>Amend the Policy to provide the following:</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 regulation 11(2) (j) (iv) of the Local Government (Functions and General) Regulations 1996. • Purchasing requirement for the issuing of contract variations and extensions for contracts not awarded by tender. Consideration should be given to circumstances where the contract value increases over a policy threshold level, due to the variation or extension. • Reporting mechanism where compliance with purchasing practices is permitted to be circumvented. This should aim to assist with accountable processes and transparent decision making with purchasing activities to report the circumstances, occasions and purchasing values where the policy provision is exercised. • Amend purchasing requirements for procurement of goods or services to be consistent regardless of where the quotations are being sought from, including those made under the exemptions under Local Government (Functions and General) Regulations 1996 Regulation 11(2). 	Noted.
Financial Hardship Policy F4.2												
Entity Wide	6.2.9.	<p>The policy scope applies only to the 2020/21 financial year and only references financial hardship as a result of the COVID 19 pandemic. As the COVID 19 state of emergency is still in effect, the policy scope should consider the term and currency of the order. The limited scope also doesn't provide consideration for financial hardship experienced other than as a result of the COVID 19 pandemic or how they are to be treated.</p>	Control risk, Probity loss			Possible	Moderate	Moderate	Medium	Planned action required	Update the policy to apply timing parameters which align with the COVID 19 state of emergency declaration. Consider reviewing the policy to apply to financial hardship circumstances other than the COVID 19 pandemic if the intent of the policy is to consider more general circumstances of financial hardship.	Noted.
Significant Accounting Policy F4.3												
Functional	6.2.10.	<p>Formalisation of accounting policies may result in a conflict with information prepared in annual financial reports, required to be prepared in accordance with AAS and the <i>Local Government (Financial Management) Regulations 1996</i>.</p>	Breakdown of internal controls Controls reliant on the capability and honesty of staff			Possible	Moderate	Moderate	Medium	Planned action required	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.	Noted.
Internal Control Policy												
Entity Wide	6.2.11.	<p>Currently, no policy on internal controls has been adopted by Council.</p>	Lack of strategic direction for implementation of internal controls.			Likely	Moderate	Moderate	High	Prioritised action required	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.	Noted.
Legislative Compliance Policy												
Entity Wide	6.2.12.	<p>Currently, no policy on internal legislative compliance has been adopted by Council.</p>	Lack of strategic direction for implementation of internal controls.			Possible	Moderate	Moderate	Medium	Planned action required	Development and adoption of a legislative compliance policy may help formalise Council's commitment and approach to legislative compliance.	Noted.
Temporary Appointment of CEO Policy												
Functional	6.2.13.	<p>At the time of our review, a policy relating to the appointment of an Acting CEO had not been adopted by Council.</p>	Internal control or compliance breach.			Likely	Minor	Minor	Medium	Planned action required	Develop and adopt a policy to sufficiently address compliance with section 5.39C of the <i>Local Government Act 1995</i> and align to the current organisational structure.	This has been implemented. Noted in report pg 18.
Policy Publication												
Functional	6.2.14.	<p>Policies are maintained individually in a folder on a shared server drive, rather than in an indexed document. We also noted not all policies of Council are published on the official local government website as required by legislation.</p>	Breakdown of internal controls Controls reliant on the capability and honesty of staff			Possible	Moderate	Minor	Medium	Planned action required	To provide access to up to date policies of Council, improve the indexing of policies for better identification and access. Publish policies on the Shire's official website as required by regulation 29C (2)(c) of the <i>Local Government (Administration) Regulations 1996</i> .	Work in progress Noted in report pg 18.

Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Existing Controls	Date of initial risk identification	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Column1
Complaints Handling												
Functional	6.2.15.	Policy G1.6 deals with vexatious or unreasonable persistence complaints however there is no policy document setting out the processes for management of general complaints and grievances. This should be easily accessible to all stakeholders who may require guidance to make a complaint.	Failure to identify risks or adequately treat identified risks.			Possible	Major	Major	High	Prioritised action required	Develop and adopt a Council policy for the handling and resolution of community complaints and grievances, which is published on the official local government website. Ensure the policy provides a mechanism for the handling and resolution of complaints regarding the CEO. Establish a complaints register (separate to the register required by section 5.121(1) of the Local Government Act 1995) or procedure to ensure complaints are monitored, managed and dealt with. Ensure procedures are easily accessible and available to facilitate a structured managed approach, and timely response to complaints and grievances.	Noted.
Business Continuity Disaster Recovery Plan												
Entity Wide	7.1.1.	A Business Continuity Plan was not available for our review.	Failure to identify risks or adequately treat identified risks.			Likely	Major	Major	High	Prioritised action required	Develop a Business Continuity Plan and test it to ensure its validity, including validity of any documented key business continuity risks along with the treatments. Ensure risk treatments are consolidated with overarching risk management activities.	Noted.
ICT Strategic Plan												
Entity Wide	7.1.2.	- An ICT Strategic Plan was not available for our review. - 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.	Loss of IT system, lack of internal controls			Likely	Major	Major	High	Prioritised action required	- 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. - Consider implementation of routine review and verification of skills, competencies, qualifications and experience for IT service providers. - 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.	Noted.
ICT Disaster Recovery Plan												
Entity Wide	7.1.3.	An ICT Disaster Recovery Plan was not available for inspection.	Failure to adequately manage a business disruption event Failure to identify risks or adequately treat risks			Likely	Major	Major	High	Prioritised action required	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.	Noted.
Workforce Plan												
Entity Wide	7.1.4.	The Workforce Plan 2013-2023 has not been reviewed since 2015 and is 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.	Failure to adequately manage a business disruption event Failure to identify risks or adequately treat risks			Possible	Moderate	Moderate	Medium	Planned action required	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).	Noted.
Asset Management Plan												
Entity Wide	7.1.5	The Shire's Asset Management Plans relating to buildings, plant and equipment were prepared in 2012. The plans have not been reviewed since 2017 and are now out of date. The plans also do not meet the standards set within the DLGSCI Integrated Planning and Reporting Advisory Standard (September 2016), in that the ratio data cannot be identified.	Lack of strategic direction for implementation of internal controls.			Possible	Major	Moderate	High	Prioritised action required	Review and update the Asset Management Plans 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).	Noted.

Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Existing Controls	Date of initial risk identification	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Column1
Long Term Financial Plan												
Entity Wide	7.1.6.	A Long Term Financial Plan document has been prepared in a spreadsheet format. We note the plan does not contain the matters recommended within the DLGSCI Integrated Planning and Reporting Advisory Standard (September 2016) and has not been adopted by Council.	Lack of strategic direction for implementation of internal controls.			Possible	Moderate	Moderate	Medium	Planned action required	To help ensure the robustness of the plan we suggest the plan be presented to Council for adoption and include all required data and information as published within the DLGSCI Integrated Planning and Reporting Advisory Standard (September 2016). This is not required by legislation but considered better practice	Corporate plan has been adopted to cover some requirements. <i>Noted in report page 21 .</i>
Administration Policies												
Entity Wide	7.1.7.	Not all administration policies were available for our review. We noted some policies are not aligned to current processes and systems.	Failure to identify risks or adequately treat identified risks			Possible	Moderate	Moderate	Medium	Planned action required	Undertake a review of the Administration Policies and update to provide operational guidance aligned with adopted Council policies and legislation, as well as activities not necessarily covered by legislation to communicate expected standards to staff from the CEO, in the course of implementing strategic direction and decisions of Council.	Noted.
Code of Conduct for Council Members, Committee Members, employees and contractors												
Entity Wide	7.1.8	- Regulations gazetted on the 3 February 2021 introduced minimum requirements for an employee code of conduct and introduced a model Code of Conduct for Council members. The Code of Conduct for employees was not developed by 3 May 2021. Subsequent to our initial draft report an employee code of conduct has been developed. - Contractors are not bound by a Code of Conduct when performing functions on behalf of the Shire. - Council members, committees, contractors and employees are not required to sign the Code of Conduct acknowledging they have read and understand the requirements within.	Failure to identify risks or adequately treat risks			Possible	Moderate	Moderate	Medium	Planned action required	- Adopt a new Code of Conduct for employees in accordance with the employee code regulations. - Expand the scope of the Employee Code of Conduct to include actions by contractors. Alternatively, a separate Code of Conduct be developed for 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 especially after adoption of the new Code of Conduct.	Employee code of conduct done. <i>Noted in report pg 21 .</i>
Checklists												
Functional	7.2.1.	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.	Compliance breach			Possible	Major	Major	High	Prioritised action required	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.	Work in progress <i>Noted in report pg 22 .</i>
Workflow Diagrams												
Entity Wide	7.2.2.	Workflow diagrams have not been compiled for undocumented / documented procedures.	Lack of strategic direction for implementation of internal controls.			Possible	Moderate	Moderate	Medium	Planned action required	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.	Noted.
Access to Shire Facilities												
Entity Wide	7.2.3.	We noted some security measures to prevent physical access to some Shire facilities, which are permitted to be accessed by the public (by agreement) without Shire staff present. The risk associated with this practice is not documented, measured or recorded appropriately to verify whether treatment plans have reduced the perceived level of risk to the Shire.	Lack of strategic direction for implementation of internal controls			Likely	Major	Major	High	Prioritised action required	Ensure adequate physical access security measures to prevent unauthorised individuals from accessing facilities and other controls when authorised individuals access facilities are appropriately documented. Risks and their treatment plans should be recorded in a risk register to communicate the risk aligned to the Shire of West Arthur's adopted risk management policy and framework.	Noted.
Procedure Changes												
Functional	7.2.4.	Process for amending or changing procedures are not formalised. We noted this had resulted in several instances of unilateral unauthorised changes to procedures and a breakdown in key controls within internal and financial controls.	Failure to identify risks or adequately treat risks			Possible	Major	Major	High	Prioritised action required	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.	Noted.

Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Existing Controls	Date of initial risk identification	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Column1
End of Month Processes												
Functional	7.2.5.	Evidence of end of month procedures being followed, completed or reviewed by an authorised officer independent of preparing/collating the documentation had not been consistently or routinely applied prior to preparation of monthly financial reports.	Breakdown of internal controls Financial loss			Possible	Major	Major	High	Prioritised action required	Develop checklists and procedures to demonstrate appropriate controls and reviews are in place when preparing monthly financial reports as a key control.	Bank reconciliations, rates reconciliations etc are prepared prior to preparation of financial reports. Monthly reports are reviewed by CEO prior to inclusion in agenda. <i>Noted in report pg 23.</i>
Rates												
Functional	7.2.6.	Evidence of routine reviews of rate exempt properties as defined by section 6.26(2)(g) of the <i>Local Government Act 1995</i> was not available for our inspection.	Internal control or compliance breach			Possible	Moderate	Moderate	Medium	Planned action required	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 rate exempt purpose.	Noted.
General Journal Entries												
Functional	7.2.7.	There are limited documented internal control procedures for general journals. We noted review and evidence of review of journals after posting appears to be consistently maintained. Best practice is to authorise journals prior to posting, however this may be impractical in all situations. No general journal audit trail is currently produced to ensure only no unauthorised journals have been posted.	Breakdown of internal controls Controls reliant on the capability and honesty of staff			Possible	Moderate	Major	High	Prioritised action required	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. A monthly journal audit trail report should be produced and independently reviewed prior to preparation of the monthly statement of financial activity.	Noted.
Information Required to be Published on Official Local Government Website												
Entity Wide	7.2.8.	At the time of our review, 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: •Tender register; •Bp to date schedule of fees and charges; •Bp to date version of each policy of the local government; and •Eocal and statewide public notices.	Internal control or compliance breach			Possible	Minor	Minor	Medium	Planned action required	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 section of the Act. Note there is additional information required to be published to the website in relation to annual and primary returns and Council member fees for financial years beginning on or after 1 July 2020.	Work in progress, fees and charges are on website <i>Noted in report pg 23.</i>
Risk Management Procedures												
Entity Wide	7.2.9.	- We noted some documented risk management activities being undertaken, however risk ratings were not calculated in line with the adopted risk management policy. - Risk management activities currently undertaken are largely undocumented.	Internal control or compliance breach			Possible	Moderate	Minor	Medium	Planned action required	- Risk management procedures be updated, and a process developed in accordance with any update to the risk management policy to ensure procedures align to the policy. - Implement and maintain documented risk management procedures and processes throughout the Shire.	Noted.
Procurement												
Functional	7.2.10.	Through limited testing of payments, an instance was noted where a purchase order was altered after it had been issued. Although the alteration was signed as authorised it is unclear whether the change was made prior to or after this approval had been obtained.	Lack of probity. Financial loss. Unauthorised purchasing. Fraud risk.			Likely	Major	Major	High	Prioritised action required	All procurement of goods or services should be undertaken in accordance with legislative requirements and the Purchasing Policy. Any instances where a purchase order is amended should be appropriately documented, reviewed and authorised to demonstrate controls have been developed to comply and ensure the purchasing policy has been adhered to.	Noted.
Procurement Assessment												
Entity Wide	7.2.11	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.	Lack of probity. Financial loss. Unauthorised purchasing. Fraud risk.			Likely	Moderate	Moderate	High	Prioritised action required	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.	Noted.

Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Existing Controls	Date of initial risk identification	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Column1
Creditors Audit Trails												
Entity Wide	7.2.12.	Audit trail reports are not routinely produced, however independent reviews appear to be routinely undertaken with each creditor payment run to ensure bank account details have not been altered or manipulated without prior verification and authorisation.	Internal control or compliance breach			Possible	Moderate	Moderate	Medium	Planned action required	Formalised 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.	Noted.
ICT Security												
Entity Wide	7.2.13.	We noted limited controls in relation to the access to IT systems including physical access to hardware. Some levels of permissions have been established to network access to software and data, however this is largely undocumented.	Loss of IT system Internal control risk			Possible	Major	Major	High	Prioritised action required	Undertake a comprehensive IT general security review, articulate current practices and implement findings of the review.	Noted.
Rates												
Functional	7.2.14.	A variance existed between the number of decimal places between the rate levy disclosed in the statutory annual budget, and the rate levy disclosed in the budget resolution and applied through the rating system for the 2020-21 financial year.	Internal control or compliance breach			Possible	Minor	Minor	Medium	Planned action required	Ensure the rates in the dollar adopted by Council are the same as those reflected in the statutory budget and other support documents.	Template rounds to reported decimal points. Implemented to remove rounding in 21/22 budget. <i>Noted pg 25 of report.</i>
Employee Appointment Procedures												
Entity Wide	7.3.1	Staff inductions appear to be routinely applied and performed, however these induction processes may not consistently communicate to staff required expectations and requirements when performing local government functions.	Internal control or compliance breach			Possible	Moderate	Moderate	Medium	Planned action required	Develop and implement procedures to ensure all new staff are appropriately inducted and aware of the parameters of their employment responsibilities and obligations including: •OH&S; •Duties and responsibilities; •IT and physical security; •Code of Conduct; •HR Policies and Procedures; •Legislative Compliance; •Risk Management; and •Other relevant and required topics.	Noted.
Employee Termination Procedures												
Entity Wide	7.3.2.	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 security and IT permissions are restricted, or for Shire property (phones, vehicles, keys) to be returned prior to the employee finishing with the Shire.	Lack of probity. Internal control or compliance breach. Financial loss.			Possible	Major	Moderate	High	Prioritised action required	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.	Noted.
Employee Identity and Credentials												
Entity Wide	7.3.3.	Practices and procedures for verifying employee identity, right to work in Australia, verification of employment history and qualifications are not consistently applied.	Failure to identify risks or adequately treat risks Breakdown of internal controls			Possible	Major	Major	High	Prioritised action required	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.	Noted.
Changes to Banking Details												
Functional	7.3.4.	Currently an independent review of changes to employee banking details is performed, however there are limitations within the ERP to support the controls intended. 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.	Breakdown of internal controls Controls reliant on the capability and honesty of staff			Possible	Major	Major	High	Prioritised action required	Review and update procedures to ensure the following matters are appropriately considered, documented and controls are adequate to: •Validate the change request and its origin; •Authority exists for the change request; and •Validate and control the changes once completed.	Noted.

Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Existing Controls	Date of initial risk identification	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Column1
Staff Training												
Entity Wide	7.3.5.	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 this initiative can be added through refining the current matrix toward a more formal required staff training structure, applied throughout the organisation.	Internal control or compliance breach.			Possible	Moderate	Moderate	Medium	Planned action required	Refine the current 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.	Noted.
Staff Contracts & Employee Files												
Entity Wide	7.3.6.	Through our limited testing, we noted instances where evidence of correspondence on employee files to support the current rate of pay applied through the payroll was not available. Where regulated award increases are applied, employees are not notified of the change to their agreed remuneration entitlements and this information is not recorded on individual employee files.	Failure to identify risks or adequately treat risks Breakdown of internal controls			Possible	Moderate	Moderate	Medium	Planned action required	Ensure contracts of employment, defining roles, responsibilities and remuneration, are signed by both parties prior to employment commencing for all staff. Where a change to employee conditions takes effect, such as award increases, consider a mechanism to communicate the change to employees. The practice of updating employment agreements where a change in roles and responsibilities (signed by both parties) should also continue.	Noted.
Payroll Audit Trails												
Entity Wide	7.3.7.	Audit trail reports are not produced, however independent reviews appear to be routinely undertaken with each payroll to ensure bank account details have not been altered or manipulated without prior verification and authorisation.	Internal control or compliance breach.			Possible	Major	Moderate	High	Prioritised action required	Control procedures to minimise the 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. Payroll exception reporting and review of audit trails should be undertaken to capture anomalies or unauthorised changes. If the Shire's ERP is unable to produce audit trails, urgent consideration should be given to alternative programs or controls to provide an appropriate level of review to detect fraud, errors or omissions.	Noted.
Events Insurance												
Entity Wide	7.4.1.	Community groups' insurances are not always assessed prior to events being held on Shire property. Reliance is placed on event organisers to ensure copies of insurances are provided.				Likely	Major	Major	High	Prioritised action required	To help ensure all events held on Shire property have relevant and adequate insurance cover, procedures should be developed, and records maintained to ensure current insurances are in place.	Noted.
Contractor Insurance												
Entity Wide	7.4.2.	Contractors' insurances for new suppliers appear to be assessed prior to award of contracts, with reliance placed on contract managers to ensure copies of insurances are provided. For long term service providers, insurances are not always re-assessed and check to ensure currency has been maintained prior to the award of future contracts.	Lack of probity. Financial loss. Breakdown in internal controls.			Likely	Major	Major	High	Prioritised action required	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 and they remain current.	Noted.
Council and Committee Minutes												
Functional	8.1.1.	Not all attachments to agenda items considered by Council are published in the minutes on the official local government website.	Compliance breach			Possible	Minor	Minor	Medium	Planned action required	Ensure all attachments supporting the minutes are included in the official minutes, and the minutes are published on the official local government website.	Noted.
Council and Audit Risk Committee												
Functional	8.1.2.	Identified risks are not consistently included within agenda items for elected member consideration for recording in the risk register. Since July 2021 a risk rating has been included as part of agenda items.	Failure to identify risks or adequately treat risks			Likely	Major	Major	High	Prioritised action required	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.	This has been implemented as part of the agenda. <i>Noted pg 29 of report .</i>
Risk Register												
Functional	8.2.1.	A risk register was not available for our inspection to reflect identified risks, and if they have been adequately treated.	Failure to identify risks or adequately treat risks			Likely	Moderate	Moderate	High	Prioritised action required	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.	Noted.

Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Existing Controls	Date of initial risk identification	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Column1
Contracts Register												
Functional	8.2.2.	A contracts register was not available for our inspection detailing the status of contracts held by the Shire.	Breakdown of internal controls.			Possible	Minor	Moderate	Medium	Planned action required	Maintain a 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.	Noted.
Asbestos Containing Material Register												
Functional	8.2.3.	The register of asbestos containing materials contains conflicting information relating to when it was last reviewed. It is not apparent if the register was amended in 2021 or whether a review and inspection of all properties was undertaken. For this reason it does not contain sufficient information to document whether control measures and recommendations have been recently reviewed, assessed and risk treatments remain effective. Review due June 2022.	Internal control or compliance breach OSH Incident			Possible	Major	Major	High	Prioritised action required	Update and maintain the register 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. A review of all properties should be undertaken at least annually.	Noted.
Delegation Register												
Functional	8.2.4.	- A review/amendment history is not currently recorded within the delegations register. - Delegation 1.2.19 Power to Invest and Manage Investments requires a report detailing the investment portfolio's performance, exposures, and changes since last reporting, is to be provided as part of the Monthly Financial Reports. We did not observe a report of this type being presented to Council each month. - 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.	Internal control or compliance breach.			Possible	Minor	Moderate	Medium	Planned action required	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. Include a report to Council each month as required by delegation 1.2.19 Power to Invest and Manage Investments, or review and update the delegation with the required appropriate levels of information to be reported within the monthly financial reports. Review Council delegations to the CEO to ensure they relate to decisions of Council delegated to the CEO and update the register accordingly.	Delegations were reviewed in 2021. Recommendations noted for review.
Financial Interest Register												
Functional	8.2.5.	- We noted a primary return was completed for a relevant person, as well as an annual return for a separate relevant person. The primary return was completed more than three months after the documented start date of the relevant person, and the annual return was submitted after 31 August for the reporting period noted. - Acknowledgements of two primary returns were not available for inspection upon examination of the Financial Interest Register. - Acknowledgements of three primary returns and three annual returns were not recorded in the Financial Interest Register as required by legislation. - A primary return for an individual who had completed annual returns was not available for inspection upon examination of the Financial Interest Register. It was later noted this individual was not a relevant person and therefore not required to complete primary or annual returns. - We noted a relevant person disclosed an interest at the December 2020 ordinary meeting of Council. This disclosure was not recorded in the Financial Interest Register as required by regulation 28 of the Local Government (Administration) Regulations 1996.	Breakdown of internal control. Compliance breach.			Possible	Moderate	Major	High	Prioritised action required	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 these matters to the appropriate regulatory body as required by legislation. Review systems and procedures in place to ensure the acknowledgement of receipt of all returns occurs as required under the Local Government Act 1995. Review filing of returns and acknowledgements to ensure records are maintained as required under the provisions of the Local Government Act 1995. Update systems and procedures to ensure returns completed and filed within the register are completed only by relevant persons as required by legislation. Update the Financial Interest Register to include all disclosures as required by legislation. Ensure procedures are in place to capture and record information as declarations are received.	Please see separate email.
Regulatory Health Inspection Register												
Functional	8.2.6.	A register of health inspections undertaken is not routinely maintained.	Failure to identify risks or adequately treat risks			Possible	Moderate	Moderate	Medium	Planned action required	Maintain a register to record details a central record of health inspections undertaken, registered premises within the district, and to ensure inspections are undertaken within required timeframes.	Health Officer, Narrogin

Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Existing Controls	Date of initial risk identification	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Column1
Tender Register												
Entity Wide	8.2.7.	We noted whilst no tenders have been called since 2016, the tender register recorded the value of the consideration being sought by tenderers. Recording such information within the register is contrary to regulation 16 (3)(c) of the <i>Local Government (Functions and General) Regulations 1996</i> .	Breakdown of internal control. Compliance breach.			Possible	Major	Major	High	Prioritised action required	Ensure the tender register contains only the information required to comply with regulation 16 & 17 of the <i>Local Government (Functions and General) Regulations 1996</i> for future tenders called.	Noted.
Community Complaints Procedures												
Functional	8.4.1.	A community complaints register is not currently maintained to follow up and ensure all complaints are adequately addressed.	Breakdown of internal control. Compliance breach.			Possible	Major	Major	High	Prioritised action required	To help ensure all complaints are adequately resolved, a register of customer complaints received should be maintained.	Noted.
Significant Adverse Trend Report												
Entity Wide	85.1.	A significant adverse trend was identified during the 2018-19 and 2019-20 audits. A report was prepared stating actions intended to be taken in relation to the adverse trends noted, which was considered by the audit committee and Council. We noted the following the reports were not considered within three months of receiving the audit report as required by legislation.	Breakdown of internal control. Compliance breach.			Possible	Major	Moderate	High	Prioritised action required	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> .	Noted.
OSH Audit												
Functional	8.5.2.	Evidence of a recent OSH audit was not available for our review.	Internal control or compliance breach OSH Incident			Possible	Moderate	Major	High	Prioritised action required	Undertake an OSH audit, ensuring subsequent actions and matters identified through the audit are adequately addressed.	Noted.
Internal Audit												
Entity Wide	8.5.3.	Currently, no internal auditors have been appointed, and limited internal audit functions have been undertaken.	Internal and compliance risks not identified.			Possible	Moderate	Moderate	Medium	Planned action required	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 <i>Audit Results Report – Annual 2017-18 Financial Audits of Local Government Entities</i> .	Noted.
Financial Management Review												
Entity Wide	8.6.1.	A review was last undertaken in March 2017, with the next review being undertaken in June 2021 which is outside of the time period as required by regulation 17 of <i>Local Government (Audit) Regulations 1996</i> . The financial management review undertaken in March 2017 was performed in house by staff responsible for financial management of the Shire. Regulation 6 of the <i>Local Government (Financial Management) Regulations 1996</i> sets out these employees are not to perform internal audits or reviews of this kind. The review report did not outline the level of consultation undertaken during the review and did not provide any detail to support measures / calculations noted, or whether testing of control activities had been undertaken as part of the review. No evidence of the results of the previous review being reported to Council as required by regulation 5 (2) (c) of the <i>Local Government (Financial Management) Regulations 1996</i> was available.	Internal and compliance risks not identified.			Possible	Moderate	Moderate	Medium	Planned action required	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> . Ensure future reviews are performed by appropriate parties with the required level of independence to undertake the review in accordance with the <i>Local Government (Financial Management) Regulations 1996</i> . When undertaking the next review, ensure recommendations are included following from the review as to the appropriateness and effectiveness of financial management systems and procedures. Ensure future reviews are reported and considered by Council as required by legislation.	Noted.
Audit Regulation 17 Review												
Entity Wide	8.6.2.	A review was last undertaken in November 2016, with the next review being undertaken in June 2021 which is outside of the time period as required by regulation 17 of <i>Local Government (Audit) Regulations 1996</i> . The previous review made no recommendations in relation to the appropriateness and effectiveness of risk management, legislative compliance and internal controls. No evidence was provided of the results of the previous review being reported to Council by the Audit Committee as required by regulation 16 (c) of the <i>Local Government (Audit) Regulations 1996</i> .	Internal and compliance risks not identified.			Possible	Moderate	Moderate	Medium	Planned action required	Ensure the next review is undertaken within the time period as required by legislation Ensure future reviews identifies operational and financial risk, control weaknesses and compliance weaknesses. Ensure future reviews are reported and considered by Council as required by legislation.	Noted.

Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Existing Controls	Date of initial risk identification	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Column1
Elected Members Continuing Professional Development Policy G1.1												
Functional	6.2.1.	Applications to undertake professional development are required to be submitted to the President in writing, and where the application is by the President, to the Deputy President, for a joint decision to be made with the CEO. Under the <i>Local Government Act 1995</i> the Shire President or Deputy President has no administrative authority and as such no authority to approve applications for professional development.	Control risk			Possible	Minor	Minor	Medium	Planned action required	Review and update the policy to require applications for professional development to be considered either by a Council resolution, or by the CEO.	Noted.
Council Members Entitlements Policy G1.3												
Entity Wide	6.2.2.	The policy references circumstances where Council members may utilise a Shire owned vehicle, and where minor and incidental personal use may be permitted, subject to the approval of the Chief Executive Officer. We did not note any formal systems or processes to control the implementation of this policy.	Control risk			Possible	Minor	Minor	Medium	Planned action required	Develop and maintain processes to require elected members to acknowledge responsibilities and requirements when using a Shire vehicle as required by regulation 34AD (2) of the <i>Local Government (Administration) Regulations 1996</i> , and ensure the policy is updated to incorporate these controls.	Noted.
Audit Committee Terms of Reference Policy G1.9												
Functional	6.2.3.	The policy states one of the responsibilities of the audit committee is for the process of selecting and appointing an Auditor. Current legislation requires the Office of the Auditor General to be appointed as the Shire's auditor.	Internal control or compliance breach			Possible	Moderate	Moderate	Medium	Planned action required	Review the policy to amend the audit committee responsibility to be for the process of selecting and appointing an internal auditor	Noted.
Human Resources Policy G1.10												
Functional	6.2.4a	Section 5.50 of the <i>Local Government Act 1995</i> requires a policy to be in place setting out the circumstances where gratuities / payments in addition to a contract or award will be made, and that payments must not be made unless a policy has been adopted. Section 4.18 of policy G1.10 refers to gratuity gifts and payments in addition to a contract or award. This should be adopted as a separate policy of council.	Internal control or compliance breach			Possible	Moderate	Moderate	Medium	Planned action required	Prepare and adopt a separate policy relating to payments to employees in addition to contract or award as required by legislation.	Noted.
Functional	6.2.4b	Section 4.21 of the policy allows the Shire President to approve leave applications and expense reimbursement claims for the CEO. Under the <i>Local Government Act 1995</i> the Shire President has no administrative authority and as such no authority to approve the CEO's leave or reimbursement claims.	Internal control or compliance breach			Possible	Moderate	Moderate	Medium	Planned action required	Review and amend the policy to require the CEO to seek Council approval of leave. Where circumstances do not permit this to occur prior to the leave being taken, a report to Council should be prepared clearly detailing leave taken by the CEO as soon as practically possible after leave is taken. Update the policy or associated procedures to require independent review and authorisation of expense reimbursement claims, as well as acknowledging transactions as having been made and authorised by the CEO. Separately highlight transactions relating to reimbursement claims for the CEO for noting by Council.	Noted.
Risk Management Policy G1.11												
Entity Wide	6.2.5.	The current policy is based on a superseded risk management standard AS/ NZ ISO 31000:2009.	Compliance risk			Possible	Minor	Minor	Medium	Planned action required	Develop and adopt a risk management policy to align to Risk Management Standard ISO 31000:2018.	Noted.
Betty Brown Historical Centre Management and Collection Policy No C3.4												
Functional	6.2.6.	The policy sets out responsibilities of the Museum Reference Group (MRG), including updating policies and procedures associated with the Betty Brown Historical Centre. The policy does not stipulate whether policies and procedures are required to be approved by the Shire prior to update and implementation by the MRG.	Control risk			Possible	Minor	Minor	Medium	Planned action required	Amend the policy to require controls to be in place for any third party or operational policies and procedures relating to property and/or services under the auspices of the Shire. These controls should aim to ensure any third party procedures or policies do not contradict or circumvent compliance requirements or approved processes and systems of the Shire.	Noted.
Darkan Primary School Support Policy No. C3.6												
Functional	6.2.7.	Support to the Darkan Primary School is documented within the policy describing some parameters for types of services the Shire will offer to support the school, including use of machinery at no charge, where Shire plant operators volunteer their time to operate the machinery. The policy does not detail the application or approval process for these requests to be considered.	Control risk			Possible	Minor	Minor	Medium	Planned action required	Review and amend the policy to set out the application and approval requirements for the provision of services by the Shire to support the Darkan Primary School or require procedures to be developed.	Noted.

Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Existing Controls	Date of initial risk identification	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Column1
Purchasing Policy F4.1												
Entity Wide	6.2.8	<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>- The policy allows the CEO to approve purchases without complying with the purchasing practices of the policy. There is no requirement to report or monitor these activities when the policy provision is exercised.</p> <p>- Purchasing requirements for procurement of goods or services in accordance with the exemptions under Local Government (Functions and General) Regulations 1996 Regulation 11(2), are not consistent 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 often occurring, and the policy should be updated to reflect the expectation and requirement, regardless of whether the quotations are being sought from pre-qualified suppliers, WALGA Preferred Supply Contracts or other suppliers.</p>	Control risk, Fraud risk			Possible	Major	Moderate	High	Prioritised action required	<p>Amend the Policy to provide the following:</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 regulation 11(2) (j) (iv) of the Local Government (Functions and General) Regulations 1996. • Purchasing requirement for the issuing of contract variations and extensions for contracts not awarded by tender. Consideration should be given to circumstances where the contract value increases over a policy threshold level, due to the variation or extension. • Reporting mechanism where compliance with purchasing practices is permitted to be circumvented. This should aim to assist with accountable processes and transparent decision making with purchasing activities to report the circumstances, occasions and purchasing values where the policy provision is exercised. • Amend purchasing requirements for procurement of goods or services to be consistent regardless of where the quotations are being sought from, including those made under the exemptions under Local Government (Functions and General) Regulations 1996 Regulation 11(2). 	Noted.
Financial Hardship Policy F4.2												
Entity Wide	6.2.9.	<p>The policy scope applies only to the 2020/21 financial year and only references financial hardship as a result of the COVID 19 pandemic. As the COVID 19 state of emergency is still in effect, the policy scope should consider the term and currency of the order. The limited scope also doesn't provide consideration for financial hardship experienced other than as a result of the COVID 19 pandemic or how they are to be treated.</p>	Control risk, Probity loss			Possible	Moderate	Moderate	Medium	Planned action required	Update the policy to apply timing parameters which align with the COVID 19 state of emergency declaration. Consider reviewing the policy to apply to financial hardship circumstances other than the COVID 19 pandemic if the intent of the policy is to consider more general circumstances of financial hardship.	Noted.
Significant Accounting Policy F4.3												
Functional	6.2.10.	Formalisation of accounting policies may result in a conflict with information prepared in annual financial reports, required to be prepared in accordance with AAS and the <i>Local Government (Financial Management) Regulations 1996</i> .	Breakdown of internal controls Controls reliant on the capability and honesty of staff			Possible	Moderate	Moderate	Medium	Planned action required	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.	Noted.
Internal Control Policy												
Entity Wide	6.2.11.	Currently, no policy on internal controls has been adopted by Council.	Lack of strategic direction for implementation of internal controls.			Likely	Moderate	Moderate	High	Prioritised action required	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.	Noted.
Legislative Compliance Policy												
Entity Wide	6.2.12.	Currently, no policy on internal legislative compliance has been adopted by Council.	Lack of strategic direction for implementation of internal controls.			Possible	Moderate	Moderate	Medium	Planned action required	Development and adoption of a legislative compliance policy may help formalise Council's commitment and approach to legislative compliance.	Noted.
Temporary Appointment of CEO Policy												
Functional	6.2.13.	At the time of our review, a policy relating to the appointment of an Acting CEO had not been adopted by Council.	Internal control or compliance breach.			Likely	Minor	Minor	Medium	Planned action required	Develop and adopt a policy to sufficiently address compliance with section 5.39C of the <i>Local Government Act 1995</i> and align to the current organisational structure.	This has been implemented. Noted in report pg 18 .
Policy Publication												
Functional	6.2.14.	Policies are maintained individually in a folder on a shared server drive, rather than in an indexed document. We also noted not all policies of Council are published on the official local government website as required by legislation.	Breakdown of internal controls Controls reliant on the capability and honesty of staff			Possible	Moderate	Minor	Medium	Planned action required	To provide access to up to date policies of Council, improve the indexing of policies for better identification and access. Publish policies on the Shire's official website as required by regulation 29C (2)(c) of the <i>Local Government (Administration) Regulations 1996</i> .	Work in progress Noted in report pg 18 .

Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Existing Controls	Date of initial risk identification	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Column1
Complaints Handling												
Functional	6.2.15.	Policy G1.6 deals with vexatious or unreasonable persistence complaints however there is no policy document setting out the processes for management of general complaints and grievances. This should be easily accessible to all stakeholders who may require guidance to make a complaint.	Failure to identify risks or adequately treat identified risks.			Possible	Major	Major	High	Prioritised action required	Develop and adopt a Council policy for the handling and resolution of community complaints and grievances, which is published on the official local government website. Ensure the policy provides a mechanism for the handling and resolution of complaints regarding the CEO. Establish a complaints register (separate to the register required by section 5.121(1) of the Local Government Act 1995) or procedure to ensure complaints are monitored, managed and dealt with. Ensure procedures are easily accessible and available to facilitate a structured managed approach, and timely response to complaints and grievances.	Noted.
Business Continuity Disaster Recovery Plan												
Entity Wide	7.1.1.	A Business Continuity Plan was not available for our review.	Failure to identify risks or adequately treat identified risks.			Likely	Major	Major	High	Prioritised action required	Develop a Business Continuity Plan and test it to ensure its validity, including validity of any documented key business continuity risks along with the treatments. Ensure risk treatments are consolidated with overarching risk management activities.	Noted.
ICT Strategic Plan												
Entity Wide	7.1.2.	- An ICT Strategic Plan was not available for our review. - 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.	Loss of IT system, lack of internal controls			Likely	Major	Major	High	Prioritised action required	- 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. - Consider implementation of routine review and verification of skills, competencies, qualifications and experience for IT service providers. - 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.	Noted.
ICT Disaster Recovery Plan												
Entity Wide	7.1.3.	An ICT Disaster Recovery Plan was not available for inspection.	Failure to adequately manage a business disruption event Failure to identify risks or adequately treat risks			Likely	Major	Major	High	Prioritised action required	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.	Noted.
Workforce Plan												
Entity Wide	7.1.4.	The Workforce Plan 2013-2023 has not been reviewed since 2015 and is 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.	Failure to adequately manage a business disruption event Failure to identify risks or adequately treat risks			Possible	Moderate	Moderate	Medium	Planned action required	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).	Noted.
Asset Management Plan												
Entity Wide	7.1.5	The Shire's Asset Management Plans relating to buildings, plant and equipment were prepared in 2012. The plans have not been reviewed since 2017 and are now out of date. The plans also do not meet the standards set within the DLGSCI Integrated Planning and Reporting Advisory Standard (September 2016), in that the ratio data cannot be identified.	Lack of strategic direction for implementation of internal controls.			Possible	Major	Moderate	High	Prioritised action required	Review and update the Asset Management Plans 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).	Noted.

Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Existing Controls	Date of initial risk identification	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Column1
Long Term Financial Plan												
Entity Wide	7.1.6.	A Long Term Financial Plan document has been prepared in a spreadsheet format. We note the plan does not contain the matters recommended within the DLGSCI Integrated Planning and Reporting Advisory Standard (September 2016) and has not been adopted by Council.	Lack of strategic direction for implementation of internal controls.			Possible	Moderate	Moderate	Medium	Planned action required	To help ensure the robustness of the plan we suggest the plan be presented to Council for adoption and include all required data and information as published within the DLGSCI Integrated Planning and Reporting Advisory Standard (September 2016). This is not required by legislation but considered better practice	Corporate plan has been adopted to cover some requirements. <i>Noted in report page 21 .</i>
Administration Policies												
Entity Wide	7.1.7.	Not all administration policies were available for our review. We noted some policies are not aligned to current processes and systems.	Failure to identify risks or adequately treat identified risks			Possible	Moderate	Moderate	Medium	Planned action required	Undertake a review of the Administration Policies and update to provide operational guidance aligned with adopted Council policies and legislation, as well as activities not necessarily covered by legislation to communicate expected standards to staff from the CEO, in the course of implementing strategic direction and decisions of Council.	Noted.
Code of Conduct for Council Members, Committee Members, employees and contractors												
Entity Wide	7.1.8	- Regulations gazetted on the 3 February 2021 introduced minimum requirements for an employee code of conduct and introduced a model Code of Conduct for Council members. The Code of Conduct for employees was not developed by 3 May 2021. Subsequent to our initial draft report an employee code of conduct has been developed. - Contractors are not bound by a Code of Conduct when performing functions on behalf of the Shire. - Council members, committees, contractors and employees are not required to sign the Code of Conduct acknowledging they have read and understand the requirements within.	Failure to identify risks or adequately treat risks			Possible	Moderate	Moderate	Medium	Planned action required	- Adopt a new Code of Conduct for employees in accordance with the employee code regulations. - Expand the scope of the Employee Code of Conduct to include actions by contractors. Alternatively, a separate Code of Conduct be developed for 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 especially after adoption of the new Code of Conduct.	Employee code of conduct done. <i>Noted in report pg 21 .</i>
Checklists												
Functional	7.2.1.	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.	Compliance breach			Possible	Major	Major	High	Prioritised action required	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.	Work in progress <i>Noted in report pg 22 .</i>
Workflow Diagrams												
Entity Wide	7.2.2.	Workflow diagrams have not been compiled for undocumented / documented procedures.	Lack of strategic direction for implementation of internal controls.			Possible	Moderate	Moderate	Medium	Planned action required	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.	Noted.
Access to Shire Facilities												
Entity Wide	7.2.3.	We noted some security measures to prevent physical access to some Shire facilities, which are permitted to be accessed by the public (by agreement) without Shire staff present. The risk associated with this practice is not documented, measured or recorded appropriately to verify whether treatment plans have reduced the perceived level of risk to the Shire.	Lack of strategic direction for implementation of internal controls			Likely	Major	Major	High	Prioritised action required	Ensure adequate physical access security measures to prevent unauthorised individuals from accessing facilities and other controls when authorised individuals access facilities are appropriately documented. Risks and their treatment plans should be recorded in a risk register to communicate the risk aligned to the Shire of West Arthur's adopted risk management policy and framework.	Noted.
Procedure Changes												
Functional	7.2.4.	Process for amending or changing procedures are not formalised. We noted this had resulted in several instances of unilateral unauthorised changes to procedures and a breakdown in key controls within internal and financial controls.	Failure to identify risks or adequately treat risks			Possible	Major	Major	High	Prioritised action required	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.	Noted.

Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Existing Controls	Date of initial risk identification	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Column1
End of Month Processes												
Functional	7.2.5.	Evidence of end of month procedures being followed, completed or reviewed by an authorised officer independent of preparing/collating the documentation had not been consistently or routinely applied prior to preparation of monthly financial reports.	Breakdown of internal controls Financial loss			Possible	Major	Major	High	Prioritised action required	Develop checklists and procedures to demonstrate appropriate controls and reviews are in place when preparing monthly financial reports as a key control.	Bank reconciliations, rates reconciliations etc are prepared prior to preparation of financial reports. Monthly reports are reviewed by CEO prior to inclusion in agenda. <i>Noted in report pg 23.</i>
Rates												
Functional	7.2.6.	Evidence of routine reviews of rate exempt properties as defined by section 6.26(2)(g) of the <i>Local Government Act 1995</i> was not available for our inspection.	Internal control or compliance breach			Possible	Moderate	Moderate	Medium	Planned action required	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 rate exempt purpose.	Noted.
General Journal Entries												
Functional	7.2.7.	There are limited documented internal control procedures for general journals. We noted review and evidence of review of journals after posting appears to be consistently maintained. Best practice is to authorise journals prior to posting, however this may be impractical in all situations. No general journal audit trail is currently produced to ensure only no unauthorised journals have been posted.	Breakdown of internal controls Controls reliant on the capability and honesty of staff			Possible	Moderate	Major	High	Prioritised action required	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. A monthly journal audit trail report should be produced and independently reviewed prior to preparation of the monthly statement of financial activity.	Noted.
Information Required to be Published on Official Local Government Website												
Entity Wide	7.2.8.	At the time of our review, 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: •Tender register; •Up to date schedule of fees and charges; •Up to date version of each policy of the local government; and •Local and statewide public notices.	Internal control or compliance breach			Possible	Minor	Minor	Medium	Planned action required	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 section of the Act. Note there is additional information required to be published to the website in relation to annual and primary returns and Council member fees for financial years beginning on or after 1 July 2020.	Work in progress, fees and charges are on website <i>Noted in report pg 23.</i>
Risk Management Procedures												
Entity Wide	7.2.9.	- We noted some documented risk management activities being undertaken, however risk ratings were not calculated in line with the adopted risk management policy. - Risk management activities currently undertaken are largely undocumented.	Internal control or compliance breach			Possible	Moderate	Minor	Medium	Planned action required	- Risk management procedures be updated, and a process developed in accordance with any update to the risk management policy to ensure procedures align to the policy. - Implement and maintain documented risk management procedures and processes throughout the Shire.	Noted.
Procurement												
Functional	7.2.10.	Through limited testing of payments, an instance was noted where a purchase order was altered after it had been issued. Although the alteration was signed as authorised it is unclear whether the change was made prior to or after this approval had been obtained.	Lack of probity. Financial loss. Unauthorised purchasing. Fraud risk.			Likely	Major	Major	High	Prioritised action required	All procurement of goods or services should be undertaken in accordance with legislative requirements and the Purchasing Policy. Any instances where a purchase order is amended should be appropriately documented, reviewed and authorised to demonstrate controls have been developed to comply and ensure the purchasing policy has been adhered to.	Noted.
Procurement Assessment												
Entity Wide	7.2.11	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.	Lack of probity. Financial loss. Unauthorised purchasing. Fraud risk.			Likely	Moderate	Moderate	High	Prioritised action required	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.	Noted.

Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Existing Controls	Date of initial risk identification	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Column1
Creditors Audit Trails												
Entity Wide	7.2.12.	Audit trail reports are not routinely produced, however independent reviews appear to be routinely undertaken with each creditor payment run to ensure bank account details have not been altered or manipulated without prior verification and authorisation.	Internal control or compliance breach			Possible	Moderate	Moderate	Medium	Planned action required	Formalised 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.	Noted.
ICT Security												
Entity Wide	7.2.13.	We noted limited controls in relation to the access to IT systems including physical access to hardware. Some levels of permissions have been established to network access to software and data, however this is largely undocumented.	Loss of IT system Internal control risk			Possible	Major	Major	High	Prioritised action required	Undertake a comprehensive IT general security review, articulate current practices and implement findings of the review.	Noted.
Rates												
Functional	7.2.14.	A variance existed between the number of decimal places between the rate levy disclosed in the statutory annual budget, and the rate levy disclosed in the budget resolution and applied through the rating system for the 2020-21 financial year.	Internal control or compliance breach			Possible	Minor	Minor	Medium	Planned action required	Ensure the rates in the dollar adopted by Council are the same as those reflected in the statutory budget and other support documents.	Template rounds to reported decimal points. Implemented to remove rounding in 21/22 budget. <i>Noted pg 25 of report.</i>
Employee Appointment Procedures												
Entity Wide	7.3.1	Staff inductions appear to be routinely applied and performed, however these induction processes may not consistently communicate to staff required expectations and requirements when performing local government functions.	Internal control or compliance breach			Possible	Moderate	Moderate	Medium	Planned action required	Develop and implement procedures to ensure all new staff are appropriately inducted and aware of the parameters of their employment responsibilities and obligations including: <ul style="list-style-type: none"> •H&S; •Duties and responsibilities; •IT and physical security; •Code of Conduct; •HR Policies and Procedures; •Legislative Compliance; •Risk Management; and •Other relevant and required topics. 	Noted.
Employee Termination Procedures												
Entity Wide	7.3.2.	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 security and IT permissions are restricted, or for Shire property (phones, vehicles, keys) to be returned prior to the employee finishing with the Shire.	Lack of probity. Internal control or compliance breach. Financial loss.			Possible	Major	Moderate	High	Prioritised action required	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.	Noted.
Employee Identity and Credentials												
Entity Wide	7.3.3.	Practices and procedures for verifying employee identity, right to work in Australia, verification of employment history and qualifications are not consistently applied.	Failure to identify risks or adequately treat risks Breakdown of internal controls			Possible	Major	Major	High	Prioritised action required	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.	Noted.
Changes to Banking Details												
Functional	7.3.4.	Currently an independent review of changes to employee banking details is performed, however there are limitations within the ERP to support the controls intended. 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.	Breakdown of internal controls Controls reliant on the capability and honesty of staff			Possible	Major	Major	High	Prioritised action required	Review and update procedures to ensure the following matters are appropriately considered, documented 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. 	Noted.

Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Existing Controls	Date of initial risk identification	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Column1
Staff Training												
Entity Wide	7.3.5.	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 this initiative can be added through refining the current matrix toward a more formal required staff training structure, applied throughout the organisation.	Internal control or compliance breach.			Possible	Moderate	Moderate	Medium	Planned action required	Refine the current 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.	Noted.
Staff Contracts & Employee Files												
Entity Wide	7.3.6.	Through our limited testing, we noted instances where evidence of correspondence on employee files to support the current rate of pay applied through the payroll was not available. Where regulated award increases are applied, employees are not notified of the change to their agreed remuneration entitlements and this information is not recorded on individual employee files.	Failure to identify risks or adequately treat risks Breakdown of internal controls			Possible	Moderate	Moderate	Medium	Planned action required	Ensure contracts of employment, defining roles, responsibilities and remuneration, are signed by both parties prior to employment commencing for all staff. Where a change to employee conditions takes effect, such as award increases, consider a mechanism to communicate the change to employees. The practice of updating employment agreements where a change in roles and responsibilities (signed by both parties) should also continue.	Noted.
Payroll Audit Trails												
Entity Wide	7.3.7.	Audit trail reports are not produced, however independent reviews appear to be routinely undertaken with each payroll to ensure bank account details have not been altered or manipulated without prior verification and authorisation.	Internal control or compliance breach.			Possible	Major	Moderate	High	Prioritised action required	Control procedures to minimise the 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. Payroll exception reporting and review of audit trails should be undertaken to capture anomalies or unauthorised changes. If the Shire's ERP is unable to produce audit trails, urgent consideration should be given to alternative programs or controls to provide an appropriate level of review to detect fraud, errors or omissions.	Noted.
Events Insurance												
Entity Wide	7.4.1.	Community groups' insurances are not always assessed prior to events being held on Shire property. Reliance is placed on event organisers to ensure copies of insurances are provided.				Likely	Major	Major	High	Prioritised action required	To help ensure all events held on Shire property have relevant and adequate insurance cover, procedures should be developed, and records maintained to ensure current insurances are in place.	Noted.
Contractor Insurance												
Entity Wide	7.4.2.	Contractors' insurances for new suppliers appear to be assessed prior to award of contracts, with reliance placed on contract managers to ensure copies of insurances are provided. For long term service providers, insurances are not always re-assessed and check to ensure currency has been maintained prior to the award of future contracts.	Lack of probity. Financial loss. Breakdown in internal controls.			Likely	Major	Major	High	Prioritised action required	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 and they remain current.	Noted.
Council and Committee Minutes												
Functional	8.1.1.	Not all attachments to agenda items considered by Council are published in the minutes on the official local government website.	Compliance breach			Possible	Minor	Minor	Medium	Planned action required	Ensure all attachments supporting the minutes are included in the official minutes, and the minutes are published on the official local government website.	Noted.
Council and Audit Risk Committee												
Functional	8.1.2.	Identified risks are not consistently included within agenda items for elected member consideration for recording in the risk register. Since July 2021 a risk rating has been included as part of agenda items.	Failure to identify risks or adequately treat risks			Likely	Major	Major	High	Prioritised action required	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.	This has been implemented as part of the agenda. <i>Noted pg 29 of report.</i>
Risk Register												
Functional	8.2.1.	A risk register was not available for our inspection to reflect identified risks, and if they have been adequately treated.	Failure to identify risks or adequately treat risks			Likely	Moderate	Moderate	High	Prioritised action required	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.	Noted.

Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Existing Controls	Date of initial risk identification	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Column1
Contracts Register												
Functional	8.2.2.	A contracts register was not available for our inspection detailing the status of contracts held by the Shire.	Breakdown of internal controls.			Possible	Minor	Moderate	Medium	Planned action required	Maintain a 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.	Noted.
Asbestos Containing Material Register												
Functional	8.2.3.	The register of asbestos containing materials contains conflicting information relating to when it was last reviewed. It is not apparent if the register was amended in 2021 or whether a review and inspection of all properties was undertaken. For this reason it does not contain sufficient information to document whether control measures and recommendations have been recently reviewed, assessed and risk treatments remain effective. Review due June 2022.	Internal control or compliance breach OSH Incident			Possible	Major	Major	High	Prioritised action required	Update and maintain the register 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. A review of all properties should be undertaken at least annually.	Noted.
Delegation Register												
Functional	8.2.4.	- A review/amendment history is not currently recorded within the delegations register. - Delegation 1.2.19 Power to Invest and Manage Investments requires a report detailing the investment portfolio's performance, exposures, and changes since last reporting, is to be provided as part of the Monthly Financial Reports. We did not observe a report of this type being presented to Council each month. - 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.	Internal control or compliance breach.			Possible	Minor	Moderate	Medium	Planned action required	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. Include a report to Council each month as required by delegation 1.2.19 Power to Invest and Manage Investments, or review and update the delegation with the required appropriate levels of information to be reported within the monthly financial reports. Review Council delegations to the CEO to ensure they relate to decisions of Council delegated to the CEO and update the register accordingly.	Delegations were reviewed in 2021. Recommendations noted for review.
Financial Interest Register												
Functional	8.2.5.	- We noted a primary return was completed for a relevant person, as well as an annual return for a separate relevant person. The primary return was completed more than three months after the documented start date of the relevant person, and the annual return was submitted after 31 August for the reporting period noted. - Acknowledgements of two primary returns were not available for inspection upon examination of the Financial Interest Register. - Acknowledgements of three primary returns and three annual returns were not recorded in the Financial Interest Register as required by legislation. - A primary return for an individual who had completed annual returns was not available for inspection upon examination of the Financial Interest Register. It was later noted this individual was not a relevant person and therefore not required to complete primary or annual returns. - We noted a relevant person disclosed an interest at the December 2020 ordinary meeting of Council. This disclosure was not recorded in the Financial Interest Register as required by regulation 28 of the Local Government (Administration) Regulations 1996.	Breakdown of internal control. Compliance breach.			Possible	Moderate	Major	High	Prioritised action required	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 these matters to the appropriate regulatory body as required by legislation. Review systems and procedures in place to ensure the acknowledgement of receipt of all returns occurs as required under the Local Government Act 1995. Review filing of returns and acknowledgements to ensure records are maintained as required under the provisions of the Local Government Act 1995. Update systems and procedures to ensure returns completed and filed within the register are completed only by relevant persons as required by legislation. Update the Financial Interest Register to include all disclosures as required by legislation. Ensure procedures are in place to capture and record information as declarations are received.	Please see separate email.
Regulatory Health Inspection Register												
Functional	8.2.6.	A register of health inspections undertaken is not routinely maintained.	Failure to identify risks or adequately treat risks			Possible	Moderate	Moderate	Medium	Planned action required	Maintain a register to record details a central record of health inspections undertaken, registered premises within the district, and to ensure inspections are undertaken within required timeframes.	Health Officer, Narrogin

Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Existing Controls	Date of initial risk identification	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Column1
Tender Register												
Entity Wide	8.2.7.	We noted whilst no tenders have been called since 2016, the tender register recorded the value of the consideration being sought by tenderers. Recording such information within the register is contrary to regulation 16 (3)(c) of the <i>Local Government (Functions and General) Regulations 1996</i> .	Breakdown of internal control. Compliance breach.			Possible	Major	Major	High	Prioritised action required	Ensure the tender register contains only the information required to comply with regulation 16 & 17 of the <i>Local Government (Functions and General) Regulations 1996</i> for future tenders called.	Noted.
Community Complaints Procedures												
Functional	8.4.1.	A community complaints register is not currently maintained to follow up and ensure all complaints are adequately addressed.	Breakdown of internal control. Compliance breach.			Possible	Major	Major	High	Prioritised action required	To help ensure all complaints are adequately resolved, a register of customer complaints received should be maintained.	Noted.
Significant Adverse Trend Report												
Entity Wide	85.1.	A significant adverse trend was identified during the 2018-19 and 2019-20 audits. A report was prepared stating actions intended to be taken in relation to the adverse trends noted, which was considered by the audit committee and Council. We noted the following the reports were not considered within three months of receiving the audit report as required by legislation.	Breakdown of internal control. Compliance breach.			Possible	Major	Moderate	High	Prioritised action required	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> .	Noted.
OSH Audit												
Functional	8.5.2.	Evidence of a recent OSH audit was not available for our review.	Internal control or compliance breach OSH Incident			Possible	Moderate	Major	High	Prioritised action required	Undertake an OSH audit, ensuring subsequent actions and matters identified through the audit are adequately addressed.	Noted.
Internal Audit												
Entity Wide	8.5.3.	Currently, no internal auditors have been appointed, and limited internal audit functions have been undertaken.	Internal and compliance risks not identified.			Possible	Moderate	Moderate	Medium	Planned action required	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.	Noted.
Financial Management Review												
Entity Wide	8.6.1.	A review was last undertaken in March 2017, with the next review being undertaken in June 2021 which is outside of the time period as required by regulation 17 of <i>Local Government (Audit) Regulations 1996</i> . The financial management review undertaken in March 2017 was performed in house by staff responsible for financial management of the Shire. Regulation 6 of the <i>Local Government (Financial Management) Regulations 1996</i> sets out these employees are not to perform internal audits or reviews of this kind. The review report did not outline the level of consultation undertaken during the review and did not provide any detail to support measures / calculations noted, or whether testing of control activities had been undertaken as part of the review. No evidence of the results of the previous review being reported to Council as required by regulation 5 (2) (c) of the <i>Local Government (Financial Management) Regulations 1996</i> was available.	Internal and compliance risks not identified.			Possible	Moderate	Moderate	Medium	Planned action required	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> . Ensure future reviews are performed by appropriate parties with the required level of independence to undertake the review in accordance with the <i>Local Government (Financial Management) Regulations 1996</i> . When undertaking the next review, ensure recommendations are included following from the review as to the appropriateness and effectiveness of financial management systems and procedures. Ensure future reviews are reported and considered by Council as required by legislation.	Noted.
Audit Regulation 17 Review												
Entity Wide	8.6.2.	A review was last undertaken in November 2016, with the next review being undertaken in June 2021 which is outside of the time period as required by regulation 17 of <i>Local Government (Audit) Regulations 1996</i> . The previous review made no recommendations in relation to the appropriateness and effectiveness of risk management, legislative compliance and internal controls. No evidence was provided of the results of the previous review being reported to Council by the Audit Committee as required by regulation 16 (c) of the <i>Local Government (Audit) Regulations 1996</i> .	Internal and compliance risks not identified.			Possible	Moderate	Moderate	Medium	Planned action required	Ensure the next review is undertaken within the time period as required by legislation Ensure future reviews identifies operational and financial risk, control weaknesses and compliance weaknesses. Ensure future reviews are reported and considered by Council as required by legislation.	Noted.

Likelihood

Probability of Occurrence or Likelihood.

Likelihood	Definition	Frequency of noted occurrences	Score
Almost Certain	Expected to occur in most circumstances or occurs regularly, A clear opportunity already apparent, which can easily be achieved	More than once per year	5
Likely	Occurrence is noticeable or is likely to occur, An opportunity that has been explored and may be achievable	At least once per year	4
Possible	Occurs occasionally or may occur, Possible opportunity identified	At least once in 5 years	3
Unlikely	Occurs infrequently or is not likely to occur, Opportunity that is fairly unlikely to happen	At least once in 10 years	2
Rare	Only occurs in exceptional circumstances, Opportunity that is very unlikely to happen	Less than once in 20 years	1

	Area Impacted	Impact	OPERATIONAL CONSEQUENCE				
			Catastrophic	Major	Moderate	Minor	Insignificant
OPERATIONAL IMPACTS	Service Delivery/ Business Disruption	loss of service,	Major including several important areas of service and/or a protracted period,	Complete loss of an important service area for a short period,	Major effect to an important service area for a short period, brief impact on multiple areas	Brief disruption of important service area, Noticeable effect to non-crucial service area,	Negligible impact on the effectiveness of the organisation's processes
		Improvement to service(s)	Exceptional	Major	Moderate	Minor	Negligible
		Disruption in business processes	Ongoing loss of business systems	Major	Moderate	Minor	Negligible
	Financial	Loss of assets,	>15% of asset value	5%-15% of asset value,	2%-5% of asset value	< 2 of asset value	Insignificant
		Impact on annual revenues or costs (Adverse or positive)	> 15% deviation from budget	5%→15% deviation from budget	2%→5% deviation from budget	<2% deviation from budget,	Negligible income and/or savings
	Physical	Level of Incident	Extreme effecting organisation's survival	Significant affecting multiple locations	Localised significant effect on operations	Localised no effect on operations	Not notifiable or reportable.
		Regulatory non-compliance	Criminal	Major Revenue or cost implications. Individuals at risk of harm.	Minor Revenue or cost implications		
	Legislative/Regulatory/ Policy/ OSH	Code of Conduct	Extreme	Significant	Breach	Minor breach	Little or no impact
		Personal details compromised/ revealed	All	Many	Some	Isolated	An individual's
		Level of Injury	Death	Multiple serious injuries	Serious injury and /or illness	First aid or minor lost time injury	Incident with or without minor injury

Area Impacted	Impact	STRATEGIC CONSEQUENCE				
		Catastrophic	Major	Moderate	Minor	Insignificant
Performance	Ability to achieve key objectives	Unable to achieve	Major impact	Moderate impact	Minor impact	Negligible impact
	Improvement on the delivery of key strategic objectives	Exceptional improvement	Major improvement	Moderate improvement	Minor improvement	Negligible improvement
	Ability to be managed with the current resources	External resources required	Impact cannot be managed	Significant adjustment to resource allocation	Additional internal management efforts required	Impact can be managed through routine activities
	Loss of Infrastructure	Ongoing loss of critical infrastructure	Long-term loss of critical infrastructure	Loss of support infrastructure	Interruption to support infrastructure	Negligible interruption to support infrastructure
Financial	Loss of assets,	>15% of asset value	5%-15% of asset value	2%-5% of asset value	< 2 of asset value	Insignificant loss
	Impact on annual revenues or costs	Adverse >15% deviation from budget	Adverse 5%→15% deviation from budget	Adverse 2%→5% deviation from budget	Adverse impact on revenues and costs <2% deviation from budget	Insignificant adverse impact on annual revenue or costs
	External Audit issues	Audit unable to be completed.	Audit qualification on the report and accounts	Management letter contains significant issues	Management letter contains minor issues	Matters discussed with management not reported.
Environmental	Environmental harm,	Catastrophic long term environmental harm,	Significant long-term environmental harm,	Significant short-term environmental harm,	Minor transient environmental harm,	Negligible transient environmental harm,
	Improvement to environment	Exceptional improvement and/or national environment	Major improvement	Moderate improvement	Minor improvement	Negligible improvement
Reputation	Adverse Publicity	Significant damage to public confidence leading to sustained compromise in the achievement of strategic objectives,	Local publicity of a major and persistent nature, affecting the perception/ standing within the community,	Damage to reputation to a specific audience, may not have significant long-term or community effects,	Minor damage to reputation to an small audience, complaint from a large group of people,	Minor unsubstantiated publicity or damage to reputation to a small audience, complaint from individual/small group.
	Positive Publicity	Extensive positive coverage in local and/or national press	Positive coverage in local press (e.g. extensive or front page)	Positive coverage in local press	Minimal positive coverage in local press	Negligible positive coverage in local press

STRATEGIC IMPACTS

Matrix Assessment

Likelihood	Score	CONSEQUENCE					
		0	Insignificant	Minor	Major	Critical	Extreme
			1	2	3	4	5
Almost Certain	5	Nil	Medium	High	High	Extreme/Exceptional	Extreme/Exceptional
Likely	4	Nil	Medium	Medium	High	High	Extreme/Exceptional
Possible	3	Nil	Low	Medium	Medium	High	High
Unlikely	2	Nil	Low	Low	Medium	Medium	High
Rare	1	Nil	Very low	Low	Low	Medium	Medium

Consequence Rating

Catastrophic	5	1	Insignificant
Insignificant	1	2	Minor
Major	4	3	Moderate
Minor	2	4	Major
Moderate	3	5	Catastrophic

Likelihood rating

	0		
Almost Certain	5	5	Almost Certain
Likely	4	4	Likely
Possible	3	3	Possible
Rare	1	2	Unlikely
Unlikely	2	1	Rare

Risk	Action Required
Extreme/Exceptional	Immediate corrective action
High	Prioritised action required
Medium	Planned action required
Low	Planned action required
Very low	Manage by routine procedures

6.3 Risk Register

FILE REFERENCE:	2.8
LOCATION:	N/A
APPLICANT:	N/A
AUTHOR:	V Fordham Lamont - CEO
AUTHORISING OFFICER:	V Fordham Lamont - CEO
DATE:	25 February 2022
DISCLOSURE OF INTEREST:	N/A
ATTACHMENTS:	Risk Register

SUMMARY:

The Audit Committee is requested to accept the attached Risk Register and consider recommending it to Council for endorsement.

BACKGROUND:

Regulation 17 of the *Local Government (Audit) Regulations 1996* states that:

- (1) "The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —
 - (a) risk management; and
 - (b) internal control; and
 - (c) legislative compliance."

The objectives of risk management are to:

- optimise the achievement of the Shire's vision, mission, strategies, goals and objectives.
- provide transparent and formal oversight of the risk and control environment to enable effective decision making.
- enhance risk versus return within our risk appetite.
- embed appropriate and effective controls to mitigate risk.
- achieve effective corporate governance and adherence to relevant statutory, regulatory and compliance obligations.
- enhance organisational resilience.
- optimise the achievement of our vision, mission, strategies, goals and objectives.
- provide transparent and formal oversight of the risk and control environment to enable effective decision making.
- identify and provide for the continuity of critical operations.

A review of risk management was undertaken by external consultants in July 2021 (refer to earlier item in this agenda). The subsequent report recommended that major risks should be identified and recorded in a Risk Register.

COMMENT:

The attached Risk Register has been created after major risks were identified. The Risk Register has been added as a standing item to the agenda of the regular Leadership Team meetings which are now held. The current register will be reviewed at those meetings to ensure that new risks are recorded, obsolete risks are removed, and current risks are being adequately controlled.

CONSULTATION:

Acting CEO
Manager Financial Reporting

STATUTORY ENVIRONMENT:

Local Government (Audit) Regulations 1996
Reg. 17 CEO to review certain systems and procedures

POLICY IMPLICATIONS:

G1.11 Risk Management Policy

FINANCIAL IMPLICATIONS:

Nil

STRATEGIC IMPLICATIONS:

2031 Community Strategic Plan

Theme: Leadership and Management – Inspirational, Dynamic, Transparent

Outcome: Establish and maintain sound business and governance structures

Strategy: Comply with regulations and best practice standards to drive good decision making by Council and Staff.

RISK IMPLICATIONS:

A risk theme is the categorising of risk. For example, the collection of risks that represent compliance failure. The risk themes in the shire Risk Register include:

- Business Disruption
- Community Disruption
- IT or Communications Failure
- External Threat or Fraud
- Misconduct
- Inadequate safety or security practices
- Inadequate project or change management
- Errors Omissions or Delays
- Inadequate Document Management Processes
- Inadequate supplier / contract management
- Providing inaccurate advice / information
- Ineffective Employment practices
- Compliance failure
- Inadequate asset management
- Inadequate engagement practices
- Ineffective facility or event management
- Inadequate environmental management

Risk Matrix:

Consequence		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood		1	2	3	4	5
Almost Certain	5	Medium (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Medium (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Medium (6)	Medium (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Medium (6)	Medium (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Medium (5)

Description of Key Risk	
Risk Rating (Prior to Treatment or Control): Likelihood x Consequence	High (12)
Risk Likelihood (based on history and with existing controls)	Possible (3)
Risk Consequence	Major (4)
Principal Risk Theme	Multiple
Risk Action Plan (Controls or Treatment Proposed)	Maintain risk register and review on a regular basis.

VOTING REQUIREMENTS:

Simple majority

OFFICER RECOMMENDATION:

That the Audit Committee accept the attached Risk Register and recommend it to Council for endorsement.

Moved: Cr Karen Harrington

Seconded: Cr Neil Manuel

CARRIED: 3/0

ATTACHMENT

Risk Register

IDENTIFY RISK			ANALYSE RISK					
Risk Description	Causal Factors	Resulting In	Existing/Proposed Controls	Control Rating	Consequence Category	Consequence	Likelihood	Level of Risk
End of ISDN service May 2022 telephony service at risk including numbers and CRC services	NBN rollout / end of life copper network	No telephony	Commenced project to transfer to fibre optic / new handsets /	Inadequate	Multiple Categories	5	5	25
Capturing corporate knowledge / ensuring continuity by Maxine end date 3 Feb. 2022	Maxine end date 3 Feb. 2022	Business disruption	Engagement of replacement staff / Preparations of handover materials / assessing resources	Inadequate	Service Interruption	4	4	16
Purchase of replacement workstations/notebooks/monitors	Existing hardware out of warranty and due for replacement	Business disruption	Programmed replacement within budget	Adequate	Service Interruption	3	3	9
Specialised electronic records system not in place; inability for new staff to find relevant records in a timely manner; records not all in both hard copy and electronic formats;	Inadequate systems in place, inadequate training; inadequate staff resourcing	Business disruption and high levels of uncertainty	Audit of records management to be conducted and implementation of manual records system with ability to be converted to specialised system.	Inadequate	Multiple Categories	5	5	25
Long term trend in non-compliance by delinquent ratepayers	Debt collection under resourcing; governance practices.	Increased levels of uncollected debt	Letters, budget for collection agency in 22/23	Inadequate	Multiple Categories	4	5	20
Capacity constraints; insufficient resources	Reliance on almost totally part-time workforce; loss of full time staff; under investment in human resources	Highly centralised governance with attendant risks	Unpaid work; delays; governance risk due to absence of separation of duties	Inadequate	Multiple Categories	4	5	20
Compliance failures	Capacity constraints; system failures	Highly centralised governance with attendant risks; some areas unaware or lowered expectation / priority	Low level of systemised approach; low level of trained staff; low levels of risk management and planning	Inadequate	Multiple Categories	4	5	20
Ranger Services MOU agreement required to ensure continuity.	Lack of review process; absence of risk register and risk management review; lack of register of expiring contracts.	Reactionary decision making	Informal agreement; Colie decides service standards	Adequate	Service Interruption	3	3	9
Waste sites below acceptable standard	Historical significant under-investment and management of waste sites	Non-compliance; risk of closure	Waste audit report recommendations being implemented.	Inadequate	Compliance	5	4	20
Poor safety framework; unsafe workplace; no risk management	Capacity constraints; system failures; lack of appropriate development	Inadequate safety framework or awareness; heightened risk	Some safety protocols within works; commenced engagement with LGIS and managers meetings; CEO policy; commit dedicated resource to WHS.	Inadequate	Multiple Categories	5	4	20
DRF approval by external regulator; risk of approval denied; inadequate funding; inadequate capacity - inability to access contractors; economic impacts; claims made against local govt	Delay in approval by regulator; capacity constraints	Roads not fit for purpose; shortened window for works	Awaiting advice; likely to be early Mar. 2022	Adequate	Multiple Categories	4	4	16
Compliance with requirement to be vaccinated; there could be impact on rosters, employment, community and workforce interactions.	Directions by Chief Health Officer	Compliance failure; service failure; business disruption	Relay advice to staff; public notice; registers	Inadequate	Multiple Categories	4	4	16
Delayed clearing permits	Regulator processes	Inability to deliver capital programme	Awaiting advice	Inadequate	Multiple Categories	4	4	16
Works crew structure / recruitment / allocation of workload	Market / incomplete workforce planning	Works and services constraints	Unpaid hours; coping mechanisms; diverting capacity to admin.	Inadequate	Multiple Categories	4	4	16
Admin workforce structure / recruitment / allocation of workload	Market / incomplete workforce planning / staff turnover	Admin constraints	Unpaid hours; coping mechanisms	Inadequate	Multiple Categories	4	5	20
Elected member incomplete training requirements; lowered standard of governance	Timing / capacity constraint	Poor decisions; poor accountability; compliance failure; heightened risk	Training being arranged.	Inadequate	Multiple Categories	5	4	20
Aboriginal Land management / facility access claims; opportunity to develop tourism, cultural growth; potential for Reconciliation Action Plan	Historical perceptions / positions of community engagement	Missed opportunities; suspicion; perception of lack of interest	Communication: seeking explicit statements	Adequate	Reputation	3	3	9
Low vaccination take-up resulting in public health management issues; possible health impacts on residents	Low vaccination; low understanding of possible health impacts; low levels of access to health services	Death or morbidity; impact on social cohesion or services;	Refer item 15; public notices.	Adequate	Multiple Categories	5	4	20
Delayed completion of audit	Regulator processes	Inability to complete audit / annual report / electors meeting / identify improvement opportunities.	Awaiting advice	Inadequate	Multiple Categories	4	5	20
Concern that the use of PPE and or safe working procedures may be compromised; this extent is unknown but asbestos handling and recording is of concern.	Historical perceptions of safe work; low level of risk assessments.	Little safety framework or awareness; heightened risk	Varied and inadequate	Inadequate	Health	5	5	25
HR policy overdue for review; risk of non-compliance with awards and allowances	Capacity constraints; lack of appropriate development	Policies not to standard; out of date; could lead to incorrect interpretation	Subject to review	Inadequate	Multiple Categories	4	4	16
Method of cost recognition time consuming	Use of non integrated system requiring entry of all staff time including CEO	Additional resources	In process of looking at new integrated system to address the issue	Adequate	Multiple Categories	3	3	9

6.4 2020-21 Significant Adverse Trend – Operating Surplus Ratio & Asset Sustainability Ratio

FILE REFERENCE:

LOCATION: N/A
APPLICANT: N/A
AUTHOR: M King – Manager of Financial Reporting
AUTHORISING OFFICER: V Fordham Lamont - CEO
DATE: 4 March 2022
DISCLOSURE OF INTEREST: N/A
ATTACHMENTS: Audit Exit Meeting Notes – Feb 22

SUMMARY:

If a significant matter is reported in an audit report, section 7.12A of the Local Government Act 1995 requires a response from the local government and a report to be prepared stating what action has been taken or is intended to be taken in respect to matters raised within the audit report. The operating surplus ratio of the Shire of West Arthur has been below the required level for three consecutive years and therefore has been included in this year's audit report. The asset sustainability ratio has been below the recommended standard for three years and is also raised this year.

BACKGROUND:

In November 2017, proclamation of the *Local Government Amendment (Auditing) Act 2017* introduced a number of reforms to auditing laws. The legislation requires local governments to examine an audit report it receives and implement appropriate action in respect to the significant matters raised.

The Auditor General's Independent Auditor's Report for 2020-21 identified a significant adverse trend in the financial position of the Shire (attached). Specifically, that the Operating Surplus Ratio has been below the Department of Local Government, Sport and Cultural Industries ("the Department") standard for the past three years. This matter was also raised in the 2018/19 and 2019/20 audit reports. The 2020/21 audit report also recognised the Asset Sustainability Ratio has been below the DLGSCI standard for the past three years.

The 2020/21 audit report also states that the Shire does not have a current and up to date asset management plan and long term financial plan which has resulted in the asset renewal funding ratio being unable to be determined.

Local governments must prepare a report addressing the significant matters identified in their audit report, which is to be considered by the local government's audit committee before being adopted by council.

Operating Surplus Ratio

$$\text{Operating Surplus Ratio} = \frac{\text{Operating Revenue MINUS Operating Expense}}{\text{Own Source Operating Revenue}}$$

The purpose of this ratio is a measure of a local government's ability to cover its operational costs and have revenues available for capital funding or other purposes. The Department has determined that a ratio below 0.01 (1%) is below the standard required. OAG standard is Zero.

The following table highlights the Shire's ratio as calculated for the last five financial years, including the figure for the 2020/21 financial year:

	2016/17	2017/18	2018/19	2019/20	2020/21
Operating surplus ratio	0.06	-0.14	-0.73	-0.33	-0.51

Own source operating revenue is made up of rates, fees and charges, interest income, profit on disposals of assets, reimbursements and recoveries, and other revenue. Small regional local governments are limited in their ability to increase own source revenue and are more reliant on grant funding for renewal of assets.

A significant expense recognised in operating expenditure and included in the ratio calculation is depreciation. The depreciation expense recognised in 2020/21 was \$2,128,074 (including \$499,841 bridge depreciation).

While the ratio recognises the depreciation on our fixed assets, the ratio does not recognise capital road or capital project funding and this income is specifically excluded from the ratio. Non-operating road grants including those received from Roads to Recovery (Federal) and Regional Road Group (State) were \$1,020,169. These capital grants are used to fund asset renewal as recognised in the depreciation expense.

The ratio reflects a reliance on sources of funding other than Council's own source funds such as rates, to be sustainable. To have an operating surplus ratio which does not meet the minimum requirements is typical of many local governments.

The ratio will also be affected by the timing of the Federal Assistance Grants. A substantial prepayment of the FAGS grants has been prepaid in recent years however if not consistently prepaid will influence the ratio.

Asset Sustainability Ratio

$$\text{Asset Sustainability Ratio} = \frac{\text{Capital Renewal and Replacement Expenditure}}{\text{Depreciation}}$$

The purpose of this ratio is to measure the extent to which assets are being renewed/replaced compared to the amount consumed (depreciation). The interpretation of this ratio is much improved if it is calculated as an average over time as this reduces skewing caused by large scale intermittent investment in major infrastructure (such as buildings and road upgrade)

The OAG has determined that a ratio of below 0.8 (80%) is below the standard required.

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Asset sustainability ratio	1.65	1.13	1.24	0.84	1.09	0.84	0.74	0.33	0.52

The average ratio based on the past five years is 0.70. Average ratio over 9 years is 0.93.

The allocation of available funds to new or upgraded infrastructure/buildings/roads as part of the annual capital program will influence this ratio negatively. In 2020/21 upgrade expenditure was \$348,049 (23% of capital expenditure) and included the construction of a new chalet and Growden Place expenditure. Sealing a previously unsealed road is an example of an upgrade.

Bridge depreciation of \$499,841 is recognised. This is not expected to be offset by renewal expenditure on an annual basis unless funding is also received.

The Shire has a current Long Term Financial Plan however this requires review to meet departmental guidelines. The Asset Management Plans require updating.

CONSULTATION:

The report has been prepared in consultation with other local governments. The majority of local governments cannot meet the recommended ratio standards.

STATUTORY ENVIRONMENT:

In November 2017, proclamation of the *Local Government Amendment (Auditing) Act 2017* introduced a number of reforms to auditing laws. The legislation requires local governments to examine an audit report it receives and implement appropriate action in respect to the significant matters raised.

POLICY IMPLICATIONS:

There are no policy implications.

FINANCIAL IMPLICATIONS:

The Operating Surplus Ratio is expected to be reported as having a significant adverse trend in the future. The ratio will continue to be monitored through the long term financial planning and budgeting process.

The Asset Sustainability ratio is also expected to be reported in some future years as having a significant adverse trend in the future however is dependent on the capital works program renewal/upgrade and grant funding for new capital projects received. This ratio will continue to be monitored through the Long Term Financial Plan and budgeting process.

The review of Asset Management Plan and Long Term Financial Plan will require resources.

STRATEGIC IMPLICATIONS:

This item aligns with the community's vision and aspirations as contained in the Shire of West Arthur Corporate Plan 2020 to 2024. Specifically, it relates to the following strategy(s):

5.2 Financial management and decision making will be transparent, accountable and in an accessible format for the public.

VOTING REQUIREMENTS:

Simple majority

OFFICER RECOMMENDATION – (ITEM 6.1.2)

That the Audit Committee recommends that Council:

1. Notes the significant adverse trends in the financial position of the Shire, as identified in the Auditor General's Independent Auditor's Report for 2020-21, stating that the Operating Surplus Ratio and the Asset Sustainability Ratio are below the Office of Auditor General and Department of Local Government, Sport and Cultural Industries standard and that the Shire of West Arthur monitor through the long term financial planning and budgeting process.
2. Acknowledge the comments made relating to the Asset Management Plan and Long Term Financial Plan and direct the CEO to prepare current plans for adoption by Council by the end of the current financial year.
3. Authorises a copy of this report to be forwarded to the Minister for Local Government and be published on the Shire's official website.

Moved: Cr Neil Manuel

Seconded: Cr Karen Harrington

CARRIED: 3/0

ATTACHMENT

Audit Exit Meeting Notes – Feb 22

**SHIRE OF WEST ARTHUR
EXIT MEETING NOTES**

**Date: 24 February 2022 at 10.00am
Shire of West Arthur Office, 31 Burrowes Street, Darkan**

ATTENDEES:**The Audit Committee Members:**

Neil Morrell	Shire President
Karen Harrington	Audit Committee
Neil Manuel	Audit Committee

Support Staff/Visitors:

Mr Vin Fordham Lamont	Chief Executive Officer
Ms Melinda King	Manager Financial Reporting

AMD Chartered Accountants (via phone conference):

Maria Cavallo	Director
---------------	----------

Office of the Auditor General (via phone conference):

Indika Dias	Acting Assistant Director, Financial Audit, Office of the Auditor General WA
-------------	---

AGENDA ITEMS:**1. Audit Approach**

Refer also attached Audit Planning Summary Dated May 2021, including Section 5 “Significant Risks” and Section 6 “Audit Emphasis and Significant Account Balances”

- Interim Visit / Testing Completed
- Year End Communications
- Final Visit / Testing Completed

2. Variations to Audit Plan (where applicable)

- No variations

3. Subsequent Events

- Discussion and reconfirmation regarding subsequent events.

NIL

4. Audit Issues

- Status of prior year audit issues:
Prior year management report has been implemented and resolved.
- Audit issues reported in the 2021 audit:
Refer to Final Management Letter document

30 June 2021 Final Findings	Action by Management
1. As required by: <ul style="list-style-type: none"> • Regulation 5(2)(c) of the <i>Local Government (Financial Management) Regulations 1996</i>, the CEO is to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once every 3 financial years) and report to the local government the results of that review. 	Email correspondence from CEO stating compliance return was uploaded prior to 31 March however submission was not complete, Compliance items have been included in new compliance calendar.

<p>The Shire of West Arthur’s last Financial Management Review took place in March 2017 with the next review undertaken in July 2021.</p> <ul style="list-style-type: none"> Regulation 17 of the <i>Local Government (Audit) Regulations 1996</i>, the CEO is to review the appropriateness and effectiveness of a local government’s systems and procedures in relation to risk management, internal control and legislative compliance not less than once in every 3 financial years and report to the audit committee the results of that review. <p>The Shire of West Arthur’s last Financial Management Review took place in November 2016 with the next review undertaken in July 2021.</p> Regulation 15(1) of the <i>Local Government (Audit) Regulations 1996</i>, after the compliance audit return has been presented to the Council, a certified copy of the return is to be submitted to the Departmental CEO by 31 March next following the period to which the return relates. The 31 December 2020 compliance audit return was submitted to the Departmental CEO on the 18 April 2021. 	
<p>2. As required by Regulation 50(1)(c) of the <i>Local Government (Financial Management) Regulations 1996</i>, the Shire is to disclose in its Annual Financial Report an “asset renewal funding ratio” and in terms of Regulation 10(3)(e) of the <i>Local Government (Audit) Regulations 1996</i> the auditor is required to provide an opinion on whether or not the following financial ratios included in the Annual Financial Report are supported by verifiable information and reasonable assumptions:</p> <ul style="list-style-type: none"> (i) The asset consumption ratio; and (ii) The asset renewal funding ratio. <p>An up-to-date asset management plan and long-term financial plan assists the local government to comply with the requirements stated above. The Shire of West Arthur does not have up to date asset management plan (dated 2013 – 2023) in place. In addition, the long-term financial plan had not been adopted by Council as at 30 June 2020 and does not meet the requirements of the Department of Local Government, Sport and Cultural Industries’ Long Term Financial Planning Framework and Guidelines considered to be best practice.</p>	Noted and will be reviewed before 30 June 2022.
<p>3. Sundry debtor and credit notes testing identified the following:</p> <ul style="list-style-type: none"> Credit notes are not raised, rather invoices are voided in the system; and There is no agreement to support a quarterly invoice which is raised to a customer for the use of Shire premises. 	Noted and procedures updated. Agreement with customer for contribution towards premises being drafted.
<p>4. Testing of balance sheet reconciliations identified the following:</p> <ul style="list-style-type: none"> Term deposit statements are not currently attached to Municipal and Reserve bank reconciliations; and 	Reserve bank reconciliations have term deposit statements attached. Noted and will be attached for Municipal reconciliation. Excel spreadsheet used for all account balances and term deposit statements available in investment register.

<ul style="list-style-type: none"> The increase in the value of the House Trust investment 2021 financial year of \$1,939 was not recorded. 	<p>Discussion was held with auditors as final movement in Local Government Trust was received at time of audit. Expected to make the adjustment.</p>
<p>5. The Shire of West Arthur has not developed a Risk Register identifying risks, the impact of the risks and controls to mitigate the risk. In addition, the Shire Risk Management Policy references the former AS/NZ 31000:2009 standard as opposed to the current standard, AS/ISO 31000:2018.</p>	<p>Risk register has now been implemented and to be reviewed at scheduled staff meetings. Noted to update policy to reflect guidance number.</p>
<p>6. The Shire of West Arthur does not have a Business Continuity Plan or an Information Technology Disaster Recovery Plan in place.</p>	<p>Business continuity plan draft started. Noted to follow up. IT disaster recovery plan to be drafted and 22/23 budget item.</p>
<p>7. One employee with an annual leave balance of greater than eight weeks</p>	<p>Add annual audit of leave balances to compliance calendar. Relevant manager to arrange leave for employee with excessive balance.</p>
<p>8. The Shire of West Arthur does not have an Information Technology Usage Policy outlining the rules and guidelines with respect to appropriate use of the Shire's IT resources.</p>	<p>Will source appropriate policy and take to Council for adoption.</p>
<p>9. Our testing identified there is no termination checklist in place for when an employee resigns or is terminated, to ensure the termination process has been properly completed e.g., employee's physical and system access being disabled and employee returning all Council's property i.e., laptop and credit cards.</p>	<p>Termination checklist will be included in review of HR processes.</p>

Audit Report

Refer DRAFT Audit Report attached

- Opinion Qualification Matters (where applicable):
 - No qualifications to audit opinion.

- Adverse Ratios:
 - The Operating Surplus Ratio as reported in Note 29 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries standard for the last three financial years.
 - The Asset Sustainability Ratio as reported in Note 29 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries' standard for the last three financial years.

- Report on Other Legal and Regulatory Requirements:
 - Management does not have a current and up to date asset management plan and long-term financial plan. As a result, the Asset Renewal Funding Ratio in the annual financial report as required by section 50(1)(c) of the Local Government (Financial Management) Regulations 1996 is not able to be supported by verifiable information or reasonable assumptions.

The Shire has a Long-Term Financial Plan. This will be reviewed to ensure it meets Department guidelines.

Issues Relevant To Next Audit

Proposed final audit dates of 5th and 6th September may be difficult to meet. Trial balance required to be sent to AMD one week prior to audit. Statements not required until time of audit. OAG and AMD will investigate if two weeks later is possible.

Closed: 4.00pm

7. Other Urgent Business by Decision of Meeting

Nil

8. Tabling of Items for Next Meeting

Nil

9. Closure and Next Meeting

Meeting closed at 9.45am. Next meeting date will be set as required.