

SHIRE OF WANDERING

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Our Vision:

Wandering is a community of responsible, resilient and adaptable residents thriving in our scenic, economically diverse environment.

Audit Committee

Agenda 19 August 2019

Dear Committee Member

The next Meeting of the Audit Committee of the Shire of Wandering will be held on 19/08/2021 in the Council Chambers, 22 Watts Street, Wandering, commencing at 2:30pm

BELINDA KNIGHT
CHIEF EXECUTIVE OFFICER

We wish to acknowledge the traditional custodians of the land we are meeting on today. We acknowledge and respect their continuing culture and the contribution they make to the Shire of Wandering, and convey our respects to Elders past and present.

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1. DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS

1.1. DISCLOSURE OF INTEREST AFFECTING IMPARTIALITY

Division 6 Subdivision 1 of the Local Government Act 1995 requires Council Members and Employees to declare any direct or indirect financial interest or general interest in any matter listed in this Agenda.

The Act also requires the nature of the interest to be disclosed in writing before the meeting or immediately before the matter be discussed.

NB: A Council member who makes a disclosure must not preside or participate in, or be present during, any discussion or decision-making procedure relating to the declared matter unless the procedures set out in Sections 5.68 or 5.69 of the Act have been complied with.

DISCLOSURE OF INTEREST AFFECTING IMPARTIALITY

Disclosures of Interest Affecting Impartiality are required to be declared and recorded in the minutes of a meeting. Councillors who declare such an interest are still permitted to remain in the meeting and to participate in the discussion and voting on the particular matter. This does not lessen the obligation of declaring financial interests etc. covered under the Local Government Act.

To help with complying with the requirements of declaring Interests Affecting Impartiality the following statement is recommended to be announced by the person declaring such an interest and to be produced in the minutes.

"I (give circumstances of the interest being declared, eg: have a long-standing personal friendship with the proponent). As a consequence, there may be a perception that my impartiality on this matter may be affected. I declare that I will consider this matter on its merits and vote accordingly".

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

Present:

Cr I Turton	Chairman		Ms B Knight	CEO - observer
Cr G Parson		Cr P Treasure	Mr Jay Teichert	OAG
Cr J Price			Ms Maria Cavallo	Auditor
Cr B Whitely				
Cr M Watts				

Apologies:

Nil

3. PUBLIC QUESTION TIME

4. STATUS REPORT FROM PREVIOUS MEETINGS

Nil

5. REGULATION 17 REVIEW - REPORT

5.1. REGULATION 17 REVIEW

Proponent	Shire of Wandering
Owner	
Location/Address	
Author of Report	Belinda Knight, CEO
Date of Meeting	19/08/2021
Previous Reports	Nil
Disclosure of any Interest	Nil
File Reference	
Attachments	Regulation 17 Report (extract) and Risk Management Report

BRIEF SUMMARY

To present for discussion the Regulation 17 Review.

BACKGROUND

Staff have now actioned the majority of the Regulation 17 Review.

STATUTORY/LEGAL IMPLICATIONS

Local Government (Audit) Regulation 1996

17. CEO to review certain systems and procedures

(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.

POLICY IMPLICATIONS

Policies amended as noted.

FINANCIAL IMPLICATIONS

No financial implications are known.

CONSULTATION/COMMUNICATION

Nil

COMMENT

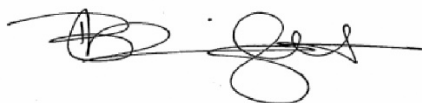
As per the attached extract from the Regulation 17 Review, and Risk Assessment Report

VOTING REQUIREMENTS

Absolute Majority.

OFFICER'S RECOMMENDATION – ITEM 2021 REGULATION 17 REVIEW

That Council notes the Regulation 17 Review as prepared by Moore Australia, and the actions taken by the CEO.

AUTHOR'S SIGNATURE:

Heading / Topic	Risk Assessment Category Risk Issue and Failure Modes	Primary Officer Responsible	Risk Category	Mitigation and Management Strategy (Possible Future Controls)	Action Date	Actions
Corporate Transactions Card Policy No. 2	The policy does not define the process for approval of the CEO's credit card statement. Under the Local Government Act 1995 the Shire President has no administrative authority and as such no authority to approve the CEO's credit card statement.	CSC	High	Review the policy/procedure to detail the authorisation process of the CEO's credit card. Periodic reports to Council should be undertaken acknowledging transactions as having been made and authorised by the CEO. The practice of separately highlighting transactions made on the CEO's credit card for presentation to Council should continue. This is in line with the Western Australian Auditor General's Report dated 7 May 2018 relating to Controls Over Corporate Credit Cards.	16/09/2021	Include the agreement form - no other change required - Updated
Equal Opportunity, Harassment and Bullying Policy No. 3	The Policy does not provide any reporting or whistleblowing mechanisms.	CSC	High	Review the policy/procedure to detail the process to be followed in instances of harassment or bullying occurring.	16/09/2021	Updated
Council Member Entitlements Policy No. 5	The policy sets out the rate for travel reimbursements for elected members in performing their duties is to be calculated at the same rate as determined by the Australian Taxation Office. This mileage rate does not align with the provisions of the most recent determination published by the Salaries and Allowances Tribunal (SAT) which sets out the reimbursement rate where elected members are discharging their duties.	CSC	High	Review and amend the policy to correctly reflect mileage reimbursements permitted under the current SAT determination.	16/09/2021	Updated

Materiality Threshold Policy No. 9	Legislation requires materiality thresholds to be adopted annually. The policy may conflict with statutory requirements.	CSC	High	Rescind policy no. 9 and adopt materiality threshold as part of the adoption of the annual budget.	16/09/2021	Delete Policy
Investment Policy No. 10	The policy requires a monthly report be presented to Council to detail the investment portfolio in terms of performance, percentage exposure of total portfolio and maturity date. We did not note a report to support the Monthly Statement of Financial Activity, as required by the policy, being presented to Council each month.	CSC	High	Provide a monthly report to Council as required by the policy.	19/08/2021	Actioned as per recommendation
Investment Policy No. 10	The investment register required by the policy was not available for our review.	CSC	High	Establish and maintain an investment register as required by the policy.	19/08/2021	Actioned as per recommendation
Investment Policy No. 10	It is not apparent what exactly the statement requiring the Shire to allocate an appropriate and agreed amount to provide for leave and other liabilities annually means.	CSC	High	Review policy and amend requirement to allocate an appropriate and agreed amount to provide for leave and other liabilities annually.	16/09/2021	Delete dot point 5 from Policy - considered as part of Budget & Annual Financial reporting requirements. Updated.
Purchasing and Tenders Policy No. 12	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.	CSC	High	Amend the policy to prohibit price variations to existing contracts awarded by tender other than those provided within the original contract, as required by Local Government (Functions and General) Regulations 1996 Regulation 11(2) (j) (iv). Amend the policy to provide purchasing requirements for the issuing of contract variations and extensions for contracts not awarded by public tender. Consideration should be given to circumstances where the contract value increase over a policy threshold level, due to the variation or extension.	16/09/2021	Action as per recommendation.

Purchasing and Tenders Policy No. 12	Policy states the Local Government Purchasing and Tender Guide produced by the Western Australian Local Government Association (WALGA) should be consulted for further details and guidance. This is not a policy position and should be rather included within operating procedures due to the potential for conflict.	CSC	High	Remove reference to guidance within the policy.	16/09/2021	Action as per recommendation.
Purchasing and Tenders Policy No. 12	Legislated tender exemptions are restated within the policy. To avoid conflict with interpretation, legislative requirements are best removed from policies.	CSC	High	State all purchases exceeding \$250,000 should be by public tender unless a legislated tender exemption applies. To minimise risk and ensure appropriate governance and controls, policy should provide controls and governance requirements where tender exemptions are used. E.g. requirement to obtain multiple written quotes and assessment requirements when using a WALGA Preferred Supplier E-Quote or State Government Common Use Agreement.	16/09/2021	Action as per recommendation.
Purchasing and Tenders Policy No. 12	Policy provides limited guidance and parameters to the application of sole source of supply arrangements. To ensure appropriate controls, sole source of supply should only be utilised with the authority of the CEO.	CSC	High	Amend policy to require CEO approval to only obtain a single quote under sole source of supply arrangements.	16/09/2021	Action as per recommendation
Purchasing and Tenders Policy No. 12	Anti-avoidance requirements only apply to purchases over \$250,000.	CSC	High	Apply the anti-avoidance provisions to all procurement.	16/09/2021	Action as per recommendation.
Related Parties Policy No. 16	Key Management Personnel (KMP) are only required to make an initial declaration and a subsequent declaration should anything change. As disclosure requirements relate to transactions with KMP, a declaration should be made at least annually.	CSC	High	Review policy to require declarations to be made annually, in time to ensure capture within the Annual Financial Report.	16/09/2021	Amend Policy for KMP only - no requirement for Council Members to make annual declarations unless circumstances change.

Audit Committee – Functions and Membership Policy No. 18	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.	CSC	High	Review policy to amend the audit committee responsibility to be for the process of selecting and appointing an internal auditor.	16/09/2021	Amend Policy to delete dot point 1(b) and 3(b) and 3(c).
Private Use of Plant and Equipment Policy No. 27	Private use of plant by Shire employees should only be in accordance with the same terms and conditions as the hire of plant by the general public.	CSC	High	Rescind policy or alternatively amend policy to apply to all plant hire.	16/09/2021	Delete Policy & related delegation
Conference Attendance – Council Members and Employees Policy No. 57	The policy provides for the president to authorise requests for the CEO. The president has no administrative powers to authorise any expenditure. Note the policy does not provide guidance in relation to elected members. The policy also conflicts with policy no. 70 Attendance at Events by Council Members and CEO.	CSC	High	Rescind the policy or alternatively review the policy to provide for material expenditure in relation to conferences to be authorised by Council prior to being incurred. Ensure no conflicts exist with policy no. 70 (policy required by legislation).	16/09/2021	Delete Policy & related delegation
Fair Value Groupings and Frequency Policy No. 67	We note the policy does not comply with current legislative requirements or the requirement of the Australian Accounting Standards to ensure the written down value is not materially different to the fair value.	CSC	High	Rescind policy as it restates legislative requirements.	16/09/2021	Delete Policy & related delegation
Building Site – Refuse Disposal Bond Policy No. 68	Bonds and deposits should be set annually when Council adopts the schedule of fees and charges. In this instance the bond is effectively a waste disposal fee.	CSC	High	Consider rescinding the policy.	16/09/2021	Delete Policy as covered by Fees & Charges
Internal Control Policy	Currently, no policy on internal controls has been adopted by Council.	CEO	High	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.	21/09/2020	Policy 31 - applies
Temporary Appointment of CEO Policy	At the time of our review, a policy relating to the appointment of an Acting CEO had not been adopted by Council.	CEO	High	Develop and adopt a policy to sufficiently address compliance with section 5.39C of the Local Government Act 1995 and align to the current organisational structure.	15/07/2021 Policy 79	Completed

Strategic Community Plan	The 2013-23 Strategic Community Plan underwent a major review in 2018, five years after the plan had been adopted. The reviewed plan was not adopted by Council by an absolute majority within four years as required by Local Government (Administration) Regulations 1996.	CEO	High	To help ensure compliance and provide sound planning direction to the Shire, ensure all future reviews are undertaken within statutory timeframes.	Pending	To be scheduled for major review in 2021/2022
Strategic Community Plan	The Annual Report contains a section which describes activities and strategies included within the Strategic Community Plan and Corporate Business Plan (Plan for the Future). It does not highlight the activities from the plans which have commenced during the reporting period or are continuing as required by DLGSCI Integrated Planning and Reporting Advisory Standard (September 2016).	CEO	High	Include within the Shire's Annual Report information relating to the Plan for the Future as required by section 5.53(2)(e) of the Local Government Act 1995.	1/08/2021	To be included in 2020/2021 Annual Report
Workforce Plan	A Workforce Plan was not available for our inspection. 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.	CEO	High	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).	15/07/2021 Item 10.1	Completed
Business Continuity Plan	A Business Continuity Plan was not available for inspection.	CSC	High	Develop a Business Continuity Plan and test it to ensure validity. Identify and document key business continuity risks along with the treatments, to reduce the risk to an acceptable level.	10/06/2021	Disaster Recovery Plan covering loss of records.
ICT Strategic Plan	An ICT Strategic Plan was not available for our review.	CSC	High	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.	Pending	In Progress

ICT Strategic Plan	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.	CSC	High	Consider implementation of routine review and verification of skills, competencies, qualifications and experience for IT service providers. Careful development of an IT 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.	Pending	In Progress
ICT Disaster Recovery Plan	An ICT Disaster Recovery Plan was not available for inspection.	CSC	High	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.	1/07/2021	Covered in the Shire's Record Keeping plan which has recently been submitted to the State Records Office for approval.
Checklists	Checklists (or an alternative form of documentation) are not maintained and evidenced for all standard routine functions such as end of month reconciliations and reporting across the organisation.	CEO/FO	High	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 develop checklists and procedures for routine functions, including evidencing independent review.	1/08/2021	Checklists created for: - End of month processes - Agenda Preparation - New employees - Employee Exit
Procedure Changes	Process for amending or changing procedures are not formalised. This creates opportunities for unilateral unauthorised changes to procedures and a breakdown in key controls.	CSC	High	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 and maintaining version control and history.	9/08/2021	Procedure changes to be checked off by CEO before being published. Recording in SynergySoft is the catalyst for this, and will be the recording mechanism for changes

End of Month Processes	Whilst end of month procedures are being followed in preparing/collating the documentation and reviewed by an independent officer, this review is not always evidenced.	CEO	High	Develop checklists and procedures to demonstrate appropriate controls and reviews are in place when preparing month end transactions as a key control.	1/08/2021	Checklist created and in use
ICT Security	The Shire is reliant on the advice of IT consultants to maintain the security of the IT system, with no independent oversight or review.	CEO	High	Undertake a comprehensive independent IT security review, document current policies and practices, and implement findings of the review. This review should be undertaken by those with the appropriate expertise, skills, qualifications and credentials.	Pending	To be done as part of the ICT Strategy
General Journal Entries	There are limited documented internal control procedures for general journals. We noted review and evidence of independent review of journals after posting has not been maintained.	CEO	High	Document internal controls to ensure any journal requests initiated are reviewed and approved/authorised prior to posting by an appropriate officer, with independent review of journals to be applied. Where possible, segregation of duties should exist where employees responsible for processing general journal entries are independent from those initiating the request.	1/07/2021	CEO is the only processor of journals. Checked by Finance Officer in all instances except clearing (auto) journals.
Material Variances	Materiality thresholds have not been adopted by Council as required by legislation. Policy 09 has been utilised to calculate the percentage / value to report material variances which may conflict with statutory requirements.	CSC SEE 6.2.5	High	Adopt annually a percentage / value to report material variances in the monthly statement of financial activity as required by regulation 34 of the <i>Local Government (Financial Management) Regulations 1996</i> . Consider adopting annually as part of annual budget.	15/07/2021	Adopted as part of Budget Process

<p>Grants Management</p>	<p>Limited procedures exist to support processes and controls in respect to:</p> <ul style="list-style-type: none"> • application of grants; • acquittal of grants; • compliance with grant conditions; and • governance and administration arrangements. <p>Where grants are not effectively managed, there is a risk funds may be returned due to poor performance or missed opportunities in the future. In circumstances where controls are not effective for grant application processes, unbudgeted and unauthorised financial commitments may be undertaken on behalf of the Shire.</p>	CRC	High	<p>Document and implement procedures to consider the need for grant programs, if objectives are clearly defined, whether relevant factors and risks are thoroughly analysed and assessed (needs analysis, cost/benefit, risk analysis etc) and appropriate options for delivery are considered prior to applying for grants. Systems should include controls for the monitoring of grants with funding conditions and acquittal processes. Incomplete consideration of these factors may contribute to the Shire's ability to effectively deliver grant programs.</p>	Pending	
<p>Security Controls for Cash Handling</p>	<p>Security controls for physical cash held at some Shire facilities are considered inadequate. Controls are not consistently documented to ensure appropriate review and authorisation processes occur in relation to the storage, management and handling of cash by staff.</p>	EMTS	High	<p>Ensure access to any cash held is restricted only to authorised personnel through secure storage. Implement appropriate documented procedures and controls for cash maintained by staff including processing of cash donations received. Processes should also include reference to insured amounts relating to cash, to ensure adequate insurance levels are maintained relating to cash.</p>	1/07/2021	<p>Physical cash held outside administration office is limited, not considered high risk. Transfer Station - \$300 CRC - \$100</p>
<p>Revenue Controls at Shire Facilities</p>	<p>Revenue controls for the collection of fees and charges as well as the sale of goods and provision of services at some Shire facilities are considered inadequate. We observed during our review, discounts being provided for some services by an officer without the appropriate level of authority. There was no oversight or reporting to the executive to record the discounts for reporting in the annual financial report as required by legislation.</p>	CRC	High	<p>A full review of procedures and controls is required to determine practical procedures, documentation and controls for the sale of goods and provision of services at Shire facilities. Procedures should ensure compliance with the regulatory requirements in relation to the setting of fees and charges and granting of discounts or concessions.</p>	Pending	

Credit Cards	An agreement for a staff member with a Shire credit card, signed by the credit card holder, setting out cardholder responsibilities and legal obligations when using Shire credit cards was not available for our inspection or maintained on the employee's files.	CSC SEE 6.2.1	High	Review systems and procedures to ensure all credit card holders have acknowledged and signed the documentation setting out cardholder responsibilities and legal obligations when using Shire credit cards. Ensure credit cards are issued only after this has occurred and documentation has been appropriately filed as required.	16/09/2021	Policy updated.
Credit Cards	A policy exists guiding staff as to the appropriate use, exclusions, and management of Shire credit cards. An instance was noted where the Shire's credit card incurred expenditure which was of a personal nature, despite a request from the staff member to be separately billed for the personal portion of the accommodation expense.	CEO	High	Controls were in place to detect this occurrence, which was also reported by the officer in possession of the credit card as soon as the issue was noted. Records were maintained to support the correspondence surrounding the event, as well as documentary evidence that the personal portion of the expenditure was repaid at the earliest opportunity. These controls and practices are strongly encouraged to continue.	16/09/2021	Noted - controls in place & Policy 2 updated.
Stock Controls	Limited controls are in place to monitor potential erroneous allocations or misuse of stock. Fuel dips are not independently reviewed for accuracy at periodic intervals, nor mechanisms to detect where excess stock (including fuels, oils, materials etc) may be allocated inappropriately or erroneously.	EMTS	High	Review security and access to bulk fuel stores at the depot, including fuel bowser meters which monitor the distribution of bulk fuel stores. Develop and implement procedures for the monitoring of fuel stock on hand in an effort to improve opportunities to detect any issues or potential misuse with fuel allocations in a timely manner.	1/07/2021	CEO processing end of month balancing, which will highlight errors or misuse of stock.
Stock Controls	Processes to monitor fuel stock allocated through bulk fuel stores and the fuel facility are considered inadequate. Monthly reconciliations note dips may not be accurate with discrepancies noted.	EMTS	High	Review and implement processes to undertake regular stock reconciliations and allocations. Ensure appropriate controls exist to evidence independent review of data as required.	1/07/2021	New fuel system in place, weekly dips undertaken. Risk minimised.

Stock Controls	Controls in relation to management of stock at Shire facilities are considered inadequate. Periodic and routine stocktakes for management of stock at Shire facilities are not consistently performed, or reconciliations of items of value to validate effectiveness of controls are not implemented.	EMTS	High	Review and update systems and procedures relating to stock controls at the Shire facilities, including the requirement to undergo periodic stocktakes with reconciliations and independent review of data etc. to be performed.	1/07/2021	Stocktake carried out annually. Considered sufficient for minimal amount of stock on hand.
Changes to Banking Details	The current controls to restrict changes to bank details are considered inadequate. 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.	FO	High	Review and update procedures to ensure the following matters are appropriately considered and controls are adequate to: <ul style="list-style-type: none"> • Validate the change request and its origin; • Authority exists for the change request; and • Validate and control the changes once completed. 	1/07/2021	Controls in place, will review again in December.
Asset Disposals	Our limited testing noted two instances where an asset had not been disposed of in accordance with section 3.58 of the <i>Local Government Act 1995</i> and the <i>Local Government (Functions and General) Regulations 1996</i> . This appeared to be the result of a plant item being traded at the same time of purchasing a new plant item. Although the purchasing policy and legislative requirements allows for new plant items to be purchased without going to tender in some instances, the disposition of the traded plant item is not captured by these same exclusions.	EMTS	High	Ensure future asset disposals are in accordance with the requirements of section 3.58 of the <i>Local Government Act 1995</i> and the <i>Local Government (Functions and General) Regulations 1996</i> .	1/07/2021	Noted - corrected and new procedure in place.
Risk Management Procedures	Risk management activities currently undertaken are largely undocumented and are performed independently within individual departments. Some of these activities may not align with the Shire's Risk Management Policy and Framework.	CSC	High	Communicate throughout the Shire current risk management procedures and processes to assist with routine and consistent applications in accordance with Council policy.	Pending	

Procurement	Instances were noted where requirements of the purchasing policy had not been adhered to.	ALL STAFF	High	All procurement of goods or services should be undertaken in accordance with the purchasing policy, legislative requirements and documented internal processes. Review systems and processes to ensure staff understand their compliance obligations.	1/07/2021	Noted - spot checked by CEO and managed in-house.
Procurement Assessment	We did not observe any documented formal requirements when undertaking assessments of responses to requests for quotations.	ALL STAFF	High	To help ensure probity and fairness when assessing high value procurement, at least three persons should assess the procurement responses independently of each other. Documented processes should require a higher level of probity and due diligence, for higher value or higher risk purchases.	1/07/2021	Process in place to review quotes to ensure value for money. NFA
Procurement Assessment	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.	CEO	High	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.	Pending	
Segregation of Duties and Internal Controls	We note segregation of duties occurs for some key roles, however these controls are sometimes segregated between closely related parties and are considered inadequate. Where a single individual or closely related parties are responsible for or involved in multiple stages of various processes, there is an increased risk and opportunity for misconduct to occur.	CEO	High	Interventions should be available at various stages for a number of operational functions, including routine independent reviews of controls to ensure they are being observed and maintained as required. Where resourcing constraints exist (such as small local governments with limited staff), other considerations should be applied such as training and engaging officers within the organisation who may not normally	1/07/2021	Moore Aust managing monthly reporting. Other controls considered adequate.

				be involved in these processes, to assist with checks and controls, or engaging independent parties to provide sufficient levels of oversight.		
Staff Induction Process	Staff inductions are inconsistently applied throughout the organisation, with only some employees being required to undergo an induction at the time of appointment.	CSC	High	Ensure all new employees are appropriately inducted, with evidence of inductions retained on employee files.	1/07/2021	An induction document has been prepared for use for new employees and will be retained on the employee file
Employee Termination Procedures	No formal process or procedure is currently in place to ensure the appropriate termination of employees. Departmental managers have the responsibility of ensuring Shire assets are recovered, however there is no formal policy, procedure or practice in place to ensure IT permissions are restricted, or for Shire property (phones, vehicles, keys) to be returned prior to the employee finishing with the Shire.	CSC	High	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.	1/08/2021	Exit Checklist created
Payroll Exception Reporting	The officers responsible for processing and reviewing payroll are tasked with review and capture of employee entitlements, allowances, deductions, etc. Staff have advised more formal documentation / checklists are intended to be created to assist with payroll processing, review and authorisation.	CEO	High	Review of procedures and controls to define procedures, documentation and controls for the accurate processing of payroll each fortnight. Details for each employee should be reviewed against individual employment contracts to capture allowances, deductions, entitlements etc, into a master list, with appropriate review and authorisation for changes. Payroll exception reporting and review of audit trails should be undertaken to capture anomalies or unauthorised changes.	1/08/2021	Spot checks to occur during the year.
Employee Identity and Credentials	Practices and procedures for verifying employee identity, right to work in Australia, verification of employment history and qualifications are considered inadequate.	CSC	High	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	1/08/2021	Recruitment checklist form created

				Australian Auditor General's Report in June 2019 relating to Verifying Employee Identity and Credentials.		
Contractor Insurance	Contractors' insurances are appropriately filed in the records systems. Reliance is placed on contract managers to ensure copies of insurances are provided when they are renewed.	EMTS	High	To help ensure all contractors have the relevant licences and have adequate insurance cover for the works they undertake for the Shire, a contractors insurance register should be maintained to ensure copies of contractor's insurances are obtained and held on file prior to award of contracts and on expiration of the insurance certificate.	Pending	
Events Insurance	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.	CRC	High	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.	Pending	To be included in Event Application form
Council and Committee Minutes	Our testing noted an elected member making a declaration in relation to an item to be considered by Council later at the meeting, however this declaration does not clarify the type or extent of interest being declared. We also noted there was no further record relating to this declaration in the minutes, the elected member who made the declaration voted on the matter being considered, and no written record of the declaration by the elected member was available for our review.	COUNCILLORS	High	Ensure interests declared at meetings are properly disclosed and recorded as required by legislation, including within the Financial Interest Register.	1/08/2021	Noted. Register maintenance in-house and on website.
Council and Committee Minutes	It was noted at the Ordinary Meeting of Council held in February 2021, three elected members declared a financial interest in an item and remained at the meeting to participate in discussions as well as vote on the matter being considered. Although reasons for this were noted in the minutes, there was no formal decision to support the	COUNCILLORS	High	Review systems and processes to ensure any participation in matters being considered by Council or Committees align with the requirements of section 5.68 of the Local Government Act 1995.	1/08/2021	Noted. Will be included in Councillor Induction

	extent of the participation allowed by Council.					
Asbestos Containing Material Register	The register of asbestos containing materials was last updated in 2015 and does not contain sufficient information to document whether control measures and recommendations have been implemented for properties under the control of the Shire which may contain hazardous materials.	EMTS	High	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.	Pending	
Investment Register	An investment register detailing the nature and location of all investments and all related transactions was not available for our inspection. Certain items required by the Investment policy should be recorded in the investment register as detailed in Section 6.2.	CEO	High	Recording the nature and location of all investments and related transactions is required by regulation 19 (2) of the Local Government (Financial Management) Regulations 1996. Tracing of funds on maturity of investments is essential and record of where funds are transferred and who authorised the transfer should be maintained within the register. Maintaining printed copies of the investment register, reviewed and authorised by a senior officer, independent of the control of the investments, prevents subsequent amendment to the register.	1/07/2021	Noted. To be included in monthly financial reporting.
Community Complaints Procedures	No formal procedures for handling of customer complaints currently exist. A customer complaints register is not currently maintained to follow up and ensure all complaints are adequately addressed. Currently, customer complaints are entered and managed through the records management system and allocated to relevant managers with no formal process for review.	CSC	High	To help ensure all complaints are adequately resolved, a register of customer complaints received should be maintained.	Pending	CEO & CSC to develop a procedure for recording and monitoring customer complaints utilising SynergySoft Customer Service Requests module.

Official Complaints Register	The official complaints register is not published on the Shire's official local government website as required by section 5.121(3) of the Local Government Act 1995.	CSC	High	To ensure compliance with the Act, an official up to date complaints register should be maintained and published on the Shire's official local government website.	14/07/2021	Completed
Significant Adverse Trend Report	A significant adverse trend was identified during the 2019-20 audit. Matters noted within the auditor's report for 2019-20 were discussed between the Audit Committee and Council's auditor. We noted the following: <ul style="list-style-type: none"> • A report was not prepared stating actions intended to be taken in relation to the adverse trend noted; • The above mentioned report is required to be considered by the audit committee and Council; • The report is required to be submitted to the Minister; and • The report is required to be published on the official local government website. as required by legislation. 	CEO	High	Prepare a report stating actions intended to be taken relating to the significant adverse trend and present for consideration by the Audit Committee and Council, forward to the Minister after adoption, and publish the report on the Shire's website. Ensure any future reports are prepared and published as required by section 7.12A of the Local Government Act 1995.	1/07/2021	Noted.

Heading / Topic	Risk Assessment Category Risk Issue and Failure Modes	Primary Officer Responsible	Risk Category	Mitigation and Management Strategy (Possible Future Controls)	Action Date	Actions
Financial Management Policy No. 8	The policy seeks to achieve the maximum useful life for assets which conflicts with Policy 26 Asset Management, which seeks to renew assets at optimum time.	CSC	Medium	Review policy and amend requirement to maximise life of assets. Ideally assets should be managed in accordance with documented asset management plans.	16/09/2021	Delete Policy - potential for conflict as topic covered in other policies
Investment Policy No. 10	Policy allows borrowings for investment in community business activities.	CSC	Medium	Whilst unclear what form this investment may take, care should be taken to ensure any investment in business activities is in line with regulatory requirements.	16/09/2021	Remove section on acceptable borrowing as this may conflict with regulatory requirements. Updated.

Risk Management Policy No. 23	We note the associated documents stated within the policy refer to the old risk management standard.	CSC	Medium	Amend policy to remove reference to superseded risk management standard AS/NZ ISO 31000:2009.	16/09/2021	Action as per recommendation.
Occupational Health and Safety Policy No. 24	We note the policy does not promote a risk based approach to Occupational Safety and Health (OSH).	CSC	Medium	Review policy to provide for a risk-based approach to OSH in accordance with the risk management policy.	1/08/2021	Action as per recommendation
Self-Supporting Loans Policy No. 36	We note under the policy Council reserves the right to control or carry out a number of functions. It is not apparent whether this only relates to self supporting loans for construction on Shire controlled land. No mention is made relating to any liability in relation to functions undertaken by the Shire in the event of an accident or failure.	CSC	Medium	Review policy to clarify the provision of self-supporting loans will only be at the sole discretion of Council and on terms agreed between Council and the entity seeking funding.	16/09/2021	Action as per recommendation.
Rating Policy No. 73	We noted the policy restates legislation and departmental guidance, this practice may result in conflict between the policy and legislation or guidance in the instance of a change in legislation or guidance.	CSC	Medium	Review the policy to provide the guidance stated in the policy objective.	16/09/2021	Action as per recommendation.
Legislative Compliance Policy	Currently, no policy on internal legislative compliance has been adopted by Council.	CEO	Medium	Development and adoption of a legislative compliance policy may help formalise Council's commitment and approach to legislative compliance.	31/07/2021	Compliance Calendar in place - managed by CSC
Policy Review	Policies are reviewed annually by Council to help ensure they remain current. There is no 'history' (adoption / review) to indicate where policies have been reviewed and amended.	CSC	Medium	Following review of policies by Council, update the latest 'history' date on the policy to provide evidence and an accurate record of when the policy was reviewed, amended and adopted.	3/08/2021	Action as per recommendation - have set up table on the contents page
Code of Conduct for Council Members, Committee Members, Employees and Contractors	Contractors are not bound by a Code of Conduct when performing functions on behalf of the Shire.	CEO	Medium	Expand the scope of the Employee Code of Conduct to include actions by contractors. Alternatively, a separate Code of Conduct be developed for contractors.	8/07/2021	WALGA Template used to create Employee Code of Conduct (CEO-I-15) includes contractors

Code of Conduct for Council Members, Committee Members, Employees and Contractors	Council members, committees, contractors and employees are not required to sign the Code of Conduct acknowledging they have read and understand the requirements within.	CSC	Medium	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.	Pending	Staff induction form has been updated to include a follow up to have the signed code returned. New Employee COC in progress
Record Keeping Practices	The Shire's Record Keeping Plan as required by the State Records Act 2000, was last reviewed / updated in 2011. The plan is required to be reviewed at least once every five years.	CSC	Medium	Review systems and processes to ensure currency of the Record Keeping Plan including reviews required to be submitted to the State Records Office, as well as implementation of any improvements noted within the plan, including self evaluated improvements and any actions noted by the State Records Office.	11/06/2021	This plan was submitted to the State Records office on 11 June 2021 for consideration at it's July 2021 meeting and was approved.
Mid-Year Budget Review	The Shire's 2020-21 budget review examined accounts with a review date at 31 December 2020, and was presented to Council for adoption on 18 February 2021. To comply with regulations whereby the budget review is considered within 30 days of the review date, the review would have been required to be considered by 30 January 2021. We also noted the 2019-20 mid year budget review was not considered within timeframes required by legislation. The 2020-21 budget review considered in February 2021 was not in the format required by legislation, in that it did not set out reviewed outcomes forecast for the end of the financial year as part of the review.	CEO	Medium	Review systems and procedures to ensure future budget reviews are undertaken as required by regulation 33A of the Local Government (Financial Management) Regulations 1996.	1/07/2021	Moore Aust managing financial reporting. NFA required.

Annual Report	The 2019-20 annual report adopted on 18 February 2021 has omitted some information required by legislation, namely: <ul style="list-style-type: none"> • Details about official complaints; • Information on payments to employees; • Statement relating to the process to apply for information under the Freedom of Information Act 1992; and • National Competition Policy. 	CEO	Medium	Ensure future annual reports include all information required by legislation.	1/07/2021	Noted.
Annual Report	The 2019-20 annual report was uploaded to the Shire's website on 11 March 2021.	CSC	Medium	Ensure process is in place for the annual report to be uploaded to the Shire's website within 14 days of acceptance by Council, as required by section 5.55A of the Local Government Act 1995.	3/08/2021	Noted in the Shire's internal procedures.
Information Required to be Published on Official Local Government Website	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: <ul style="list-style-type: none"> • Up to date consolidated version of local laws; • Up to date version of each policy of the local government; and • Local and statewide public notices. 	CSC	Medium	Ensure information is published on the Shire's official website as required by section 5.96A of the Local Government Act 1995 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.	4/08/2021	Updated & Actioned
Staff Contracts	Different forms of contract exist, with some employees having a signed conditional offer of employment. Our testing highlighted some instances where some incumbents have not signed their offer of employment, and where varying levels of support documentation such as police clearances and copies of licences etc. are on file.	CSC	Medium	Ensure contracts of employment, defining roles, responsibilities and remuneration, are signed by both parties prior to employment commencing for all staff. Undertake a review of all personnel and establish contracts of employment for employees who do not have one, documenting their conditions of employment, roles and responsibilities, and verifying the accuracy of payrates, allowances and deductions.	Pending	Pending advice from HR Consultant

Staff Training	Planned and required staff training needs for some employees are currently identified and recorded in a training matrix. 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.	CSC	Medium	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.	Pending	
Council and Audit Risk Committee	Identified risks are not included within agenda items for Council member consideration or recorded in an appropriate risk register.	CEO	Medium	Identified risks relating to a Council decision should be communicated within the agenda item, to enable Council members to be fully informed of the identified risks when making decisions. Risks should also be appropriately recorded in a risk register.	1/08/2021	OSH Report presented to Council monthly, including risks.
Monthly Statement of Financial Activity	We noted the December 2019, October 2020 and December 2020 statements of financial activity were not presented or considered by Council within two months after the end of the month to which the statements relate.	CEO	Medium	Ensure all monthly statements of financial activity are presented and considered by Council as required by regulation 34 of the Local Government (Financial Management) Regulations 1996.	1/08/2021	No meeting in January - December financials to be presented in February each year.
Audit Committee	It was noted at the Ordinary Meetings of Council held in October 2019 and March 2020, Council considered nominations of delegates to Council and external committees, which included the Audit Committee. The officer recommendation was adopted unanimously. The voting requirement in agenda papers noted a simple majority decision of Council was required, rather than an absolute majority as required by section 7.1A of the Local Government Act 1995.	CEO	Medium	To help ensure compliance, agenda papers should include correct legislative references and requirements when being considered by Council.	1/07/2021	Noted.
Audit Committee	Minutes of Audit Committee meetings are not published on the official local government website.	CSC	Medium	Ensure all Council / Committee minutes are published on the official local government website as required by legislation.	18/02/2021	Completed

Risk Registers	A consolidated risk register was not available for our inspection to reflect identified risks, and if they have been adequately treated.	CEO	Medium	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 review of the risk register is required for sound risk management.	Pending	OSH Risk Register in progress
Hazard Reporting Register	The Hazard Reporting Register and program appears to be utilized by some staff. No reporting of OSH incident numbers to the Audit and Risk Committee is currently occurring.	CSC	Medium	Maintain the Hazard Reporting Register in alignment with the Shire's Risk Management Framework and report OSH incident numbers to the Audit and Risk Committee through risk management reports.	Pending	
Contracts Register	A contracts register was not available for our inspection detailing the status of contracts held by the Shire.	CSC	Medium	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.	Pending	
Regulatory Health Inspection Register	Services relating to health inspections are outsourced to a third party. A register of health inspections undertaken is not routinely maintained by the Shire.	EMTS	Medium	Maintain a register to record details of health inspections undertaken, registered premises within the district, and to ensure inspections are undertaken within required timeframes.	Pending	
Swimming Pool Inspection Register	A register of inspections of private swimming pools within the district was not available for our inspection.	EMTS	Medium	Develop and maintain a register to assess the current status of private swimming pool inspections. Routine monitoring and review of the register will assist to ensure inspections are undertaken within required timeframes.	1/07/2021	Register in place. EMTS will undertake inspections as required.

Gifts Register	We noted the register of gifts contains record of disclosures made under the former provision of the Local Government Act 1995 (sections 5.82 and 5.83) and are published on the Shire's website as required. We did not observe a register of gifts in the prescribed form as required.	CSC	Medium	Establish a register of gifts in the prescribed form and publish on the Shire's official website as required.	21/07/2020	Completed
Delegation Register	A review/amendment history is not currently recorded within the delegations register.	CEO	Medium	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.	1/07/2021	Adopted and reviewed dates in place at front of Register and on each Delegation, Authorisation or Appointment.
Delegation Register	Delegation 02 relating to appointment of an Acting CEO refers to a Council policy however does not comply with current legislative requirements. A policy is required to be adopted by absolute majority decision of Council, setting out the process for temporary employment or appointment of a CEO.	CEO	Medium	Adopt a policy as required by section 5.39C of the Local Government Act 1995 and either rescind delegation 02 or review it to align and comply with policy and legislation.	15/07/2021	Policy updated and Delegation deleted.
Delegation Register	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.	CEO	Low	Review Council delegations to the CEO to ensure they relate to decisions of Council delegated to the CEO and update the register accordingly.	16/09/2021	Action as per recommendation
Financial Interest Register	A primary return for two relevant persons were not available for inspection upon examination of the Financial Interest Register.	CSC	Medium	Ensure systems and procedures are in place to obtain all returns required under the Local Government Act 1995. Undertake necessary actions to rectify and report this matter as required.	1/08/2021	A procedure has been written up for this process to ensure returns are checked and filed correctly.
Financial Interest Register	We noted a number of returns within the register contained incomplete information, in that the start date on primary returns for some relevant persons were omitted from the forms and where return periods for annual reports were not completed. We also noted other instances where annual returns contained several	CSC	Medium	Establish procedures to ensure all primary and annual returns are properly completed at the time of providing acknowledgement of receipt of the returns.	1/08/2021	A procedure has been written up for this process to ensure returns are checked and filed correctly.

	blank fields / incomplete information within the forms.					
Financial Interest Register	Evidence of acknowledgements of primary returns for one current and two non current relevant persons, were not available for review.	CSC	Medium	Review systems and procedures to ensure the acknowledgement of receipt of all returns occurs and are appropriately filed in the register of financial interests as required by section 5.77 of the Local Government Act 1995.	1/08/2021	A procedure has been written up for this process to ensure returns are checked and filed correctly.
Financial Interest Register	A record of all disclosures of interests made at meetings were not included in the Financial Interest Register as required by regulation 28 of the Local Government (Financial Management) Regulations 1996.	CSC	Medium	Update the register to include all disclosures as required by legislation and are maintained in the correct register. Ensure procedures are in place to capture and record information as declarations are received.	21/07/2020	CEO Comment: Use website to record - can be downloaded to Excel. Document has been prepared in Excel. F:/Council/Disclosure of Interests Register
Financial Interest Register	We noted some disclosures of interest made by current relevant persons were filed in the non current register of financial interests.	CSC	Medium	Update the register to include all disclosures as required by legislation and are maintained in the correct register. Ensure procedures are in place to capture and record information as declarations are received.	1/08/2021	A procedure has been written up for this process to ensure returns are checked and filed correctly.
Financial Interest Register	Some primary returns recorded in the register are not in the prescribed form required by legislation.	CSC	Medium	Review and update forms used to capture primary and annual returns to ensure they are in the format as prescribed by legislation.	1/08/2021	A procedure has been written up for this process to ensure returns are checked and filed correctly.
Compliance Audit Return	The CAR for 2019 was not reviewed by the Audit Committee as required, prior to adoption by Council. This matter was reported to Council at the following meeting with the 2020 CAR undergoing review by the Audit Committee prior to Council adoption as required by legislation.	CEO	Medium	Maintain processes and procedures to ensure all future CARs are reviewed and reported by the Audit Committee to Council for adoption as required by regulation 14 of the Local Government (Audit) Regulations 1996.	1/07/2021	Noted.

Internal Audit	Currently, no internal auditors have been appointed, and limited internal audit functions have been undertaken. We accept the high level of review undertaken by the financial consultant and probity auditor achieves many of the outcomes of an internal audit though this is not formalised and they do not report to the audit committee.	CEO	Medium	We suggest the level of documentation in relation to the external review procedures undertaken increases. This may help to confirm adherence to documented policies and procedures in relation to high-risk areas as recommended by the OAG in their report to Parliament on the Audit Results Report – Annual 2017-18 Financial Audits of Local Government Entities.	1/07/2021	Internal audit appointment not possible due to limited financial staff, and <i>LG (Financial Management) Regs - r6</i> stating that a LG employee whom is delegated responsibility for the day to day account or financial management operations of a LG is not also delegated the responsibility for conducting an internal audit or reviewing the discharge of duties by that employee. Requirement for external review.
Audit Regulation 17 Review	No evidence of a previous review being undertaken was available. Regulation 17 of Local Government (Audit) Regulations 1996 requires reviews to be undertaken every three years.	CEO	Medium	Ensure future reviews are undertaken within timeframes as required by legislation.	1/07/2021	Noted
Financial Management Review	A financial management review was last undertaken in April 2016. We noted some items raised which have not been addressed to date.	CEO	Medium	Ensure future reviews are undertaken within the timeframes as required by legislation and matters raised are addressed.	1/07/2021	Noted - to be completed as part of Reg 17 Review.



Review of Risk Management, Legislative Compliance and Internal Controls – Report

Shire of Wandering

June 2021



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1.0 Engagement Overview

1.1. Scope of Services

The Shire of Wandering engaged Moore Australia (WA) Pty Ltd to undertake a review service to provide the basis for a report by the CEO to the Audit Committee on the appropriateness and effectiveness of the Shire's risk management, internal controls and legislative compliance systems and procedures as required by Regulation 17 of the *Local Government (Audit) Regulations 1996*.

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

1.1.1. Procedures – Risk Management, Legislative Compliance and Internal Controls Review

Our procedures for the systems and procedures review, as required by regulation 17 of the *Local Government (Audit) Regulations 1996*, on behalf of the CEO encompassed the following services:

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

To undertake these procedures, we applied the following methodology:

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

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

1.2. Legislative Changes

Our review was undertaken in March 2021, at this time changes to regulations were being progressively implemented following royal assent to the *Local Government Legislation Amendment Act 2019* on the 5 July 2019.

2.0 Review Context

2.1. Review Context - Shire of Wandering

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

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

External Influences	Internal Influences
Increasing community expectations in relation to service levels and delivery.	The objectives and strategies contained in the current Strategic Community Plan.
Proximity to metropolitan area and trend toward more transient based service delivery / access to services.	The timing and actions contained in the current Corporate Business Plan.
Increased compliance requirements due to Government Policy and Legislation.	Human resourcing levels and staff retention.
Cost shifting by the Federal and State Governments.	The financial capacity of the Shire.
Climate change and subsequent response.	Maintenance of corporate records.
Reducing external funding for infrastructure and operations.	Allocation of resources to achieve strategic outcomes.
COVID 19 and impact on the external environment.	Organisational size, structure, activities and location.
	COVID 19 and impact on the internal environment.

3.0 Review Summary

3.1. Risk Management

The Shire initially developed its formal risk management processes with the adoption of a Risk Management Policy in July 2019 and is supported by a Risk Management Framework. The policy document and framework form the basis for risk management activities within the Shire.

3.1.1. Appropriateness

Currently, a documented entity wide Risk Management Policy and Framework is in existence to guide the implementation of risk management throughout the Shire. The current policy and strategy are aligned to the current Risk Management Standard, AS/NZ ISO 31000:2018. The updates to this Standard in February 2018 were to highlight the leadership of top management and integration of risk management in organisations, along with the iterative nature of risk management.

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

3.1.2. Effectiveness

The current risk management framework reflects the Shire's commitment to organisation wide risk management principles, systems and processes aimed at optimising the achievement of objectives, embedding controls to mitigate risk, improving corporate governance and planning for continuity of critical operations. Elements of risk management processes, such as updating and reviewing of risk registers and documented risk assessments, are not consistently applied. Further development and application of risk management systems and processes are required to be implemented throughout the organisation in order for risk management processes and procedures to be considered effective.

3.1.3. Improvements

Improvements to risk management practices and policies are detailed within the framework design and implementation sections of this report, with key matters summarised as follows:

- Align risk management activities and practices throughout the organisation and apply consistently in accordance with the Shire's risk management policy and framework;
- Review contractor insurance to ensure contractors have appropriate insurance;
- Undertake a comprehensive ICT security review;
- Apply a risk based assessment of key roles within the Shire where segregation of duties is considered inadequate (including where segregation occurs between closely related parties), to provide for regular evaluation, reporting and management of high level risks which may result;
- Document risks within minutes of meetings; and
- Ensure appropriate management of operational risks for high risk areas.

3.0 Review Summary

3.2. Internal Control

A formal internal control policy has not been adopted by the Shire. A policy to guide the Shire may assist to ensure an iterative approach to evaluating the internal controls, systems and procedures, as well as providing a mechanism whereby regular review and updates occur.

3.2.1. Appropriateness

Considering the size, resources, operations and the internal/external context in which the Shire operates, the internal control framework, procedures and systems as described to us are considered appropriate for most areas of operations, subject to the identified improvements being in place. The proposed consideration to use an independent consultant to assist with segregation of some duties each month is considered appropriate given the small staff base. Developing and evidencing improved operational controls for independent review through signed checklists would further enhance this oversight. A number of internal controls were identified where these controls are not considered appropriate, as described with section 7.0 Framework Implementation of this report.

3.2.2. Effectiveness

Considering the overall results of monitoring and compliance practices undertaken by the Shire of Wandering, the current internal control framework, procedures and systems (where documented and routinely tested) may be considered effective. Our assessment as to effectiveness is subject to the implementation of the improvements detailed at Section 7.0 Framework Implementation of this report.

3.2.3. Improvements

Recommended improvements to the current internal control framework, procedures and systems are detailed later within the framework design and implementation sections of this report with selected key improvements to internal controls summarised as follows:

- Development of a documented internal control policy, promoting a risk-based approach to the development and maintenance of documented internal controls and procedures should provide an appropriate internal control framework. Continual risk based assessment of appropriate controls throughout the organisation will assist to identify the need for new controls and identify existing outdated and unnecessary controls to be discontinued;
- Development, testing and maintenance of an IT Disaster Recovery Plan;
- Development and maintenance of a Business Continuity Plan;
- Key internal controls should be documented either as checklists or workflow diagrams and independently reviewed where required;
- Undertake appropriate training at induction and at regular intervals to ensure staff are fully aware of, and understand, relevant internal controls;
- Develop and maintain a number of registers to improve existing internal controls as discussed at Section 8.2 of this report; and
- Define procedures to manage changes to internal controls.

3.0 Review Summary

3.3. Legislative Compliance

Currently, no legislative compliance policy exists to communicate expectations of Council in relation to legislative breaches and regulatory compliance. Reliance in this regard is dependent upon the knowledge and experience of senior staff and their individual desire to achieve high levels of legislative and regulatory compliance.

3.3.1. Appropriateness

Considering local governments generally maintain a low risk appetite for breaches of legislation, a documented legislative compliance policy would be considered appropriate and good governance. Whilst reliance on experienced senior staff for legislative compliance is considered appropriate it carries high risk where the number of experienced senior staff is low.

3.3.2. Effectiveness

Maintaining legislative compliance is heavily reliant on the knowledge, experience and commitment of senior staff, to identify and prevent breaches of legislation. As a consequence, competing priorities and variations in workloads may have a significant negative impact on legislative compliance. Therefore, one of the most effective controls in maintaining legislative compliance is a motivated, stable, experienced and knowledgeable senior management group with adequate support staff.

Instances of non-compliance with legislative requirements were identified during our review. Apart from the identified non-compliance with legislation, and in the instances where the effectiveness was able to be assessed, the current legislative compliance framework is considered effective.

3.3.3. Improvements

Improvements to the current legislative compliance framework, are set out later within this report and summarised as follows:

- Development of a legislative compliance policy dealing with legislative compliance;
- Ensure all items required by legislation to be on the website are maintained on the website with procedures to document when they are uploaded or modified.
- Adopt policies as required by legislation;
- Maintain the Financial Interests Register as required by legislation;
- Ensure all items required to be presented to Council are presented to Council within regulatory timeframes.
- Further development and approval of authorised checklists or calendars for functions which require a high level of legislative compliance; and
- Develop and maintain a staff training matrix and coordinate training across the Shire. A risk based training matrix should help ensure staff with the responsibility for preventing, identifying and reporting breaches of legislation, are offered relevant training to ensure their knowledge of legislative requirements is maintained and qualifications are maintained and up to date where required.

4.0 Methodology

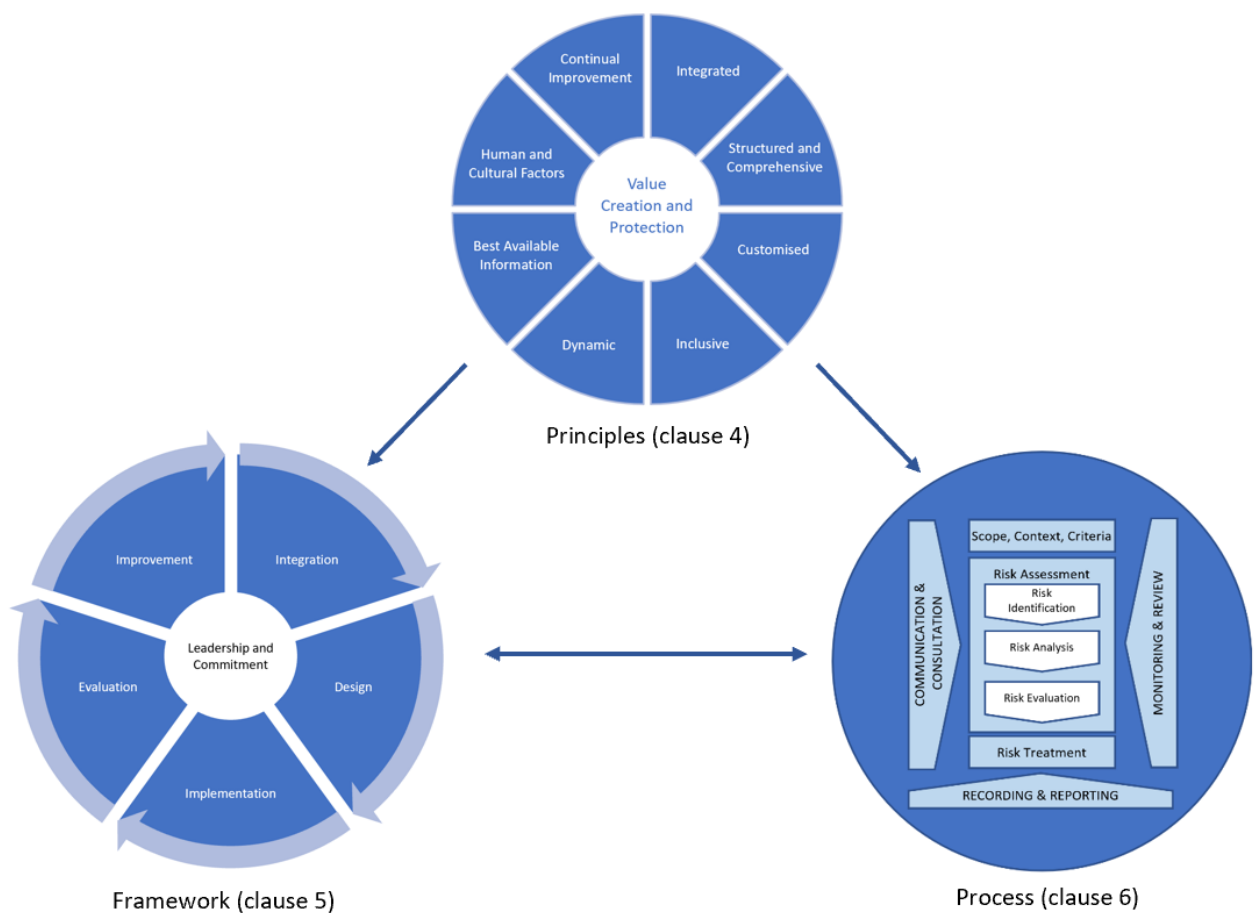
4.1. Review Methodology – Risk Management, Legislative Compliance and Internal Controls

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

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

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

Diagram 1. Risk Management Principles, Framework and Process



Source: Australia/New Zealand Standard ISO 31000:2018

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

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

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

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

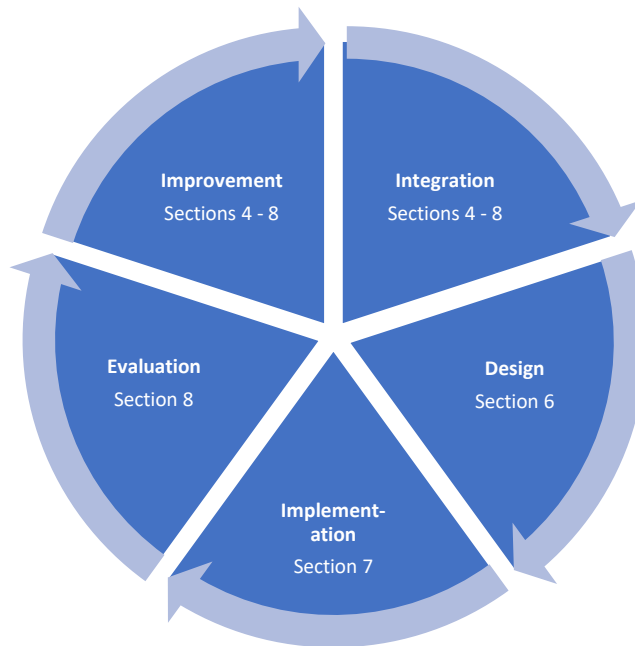
5.0 Appropriate Framework

5.1. Risk Management, Internal Control and Legislative Compliance

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

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

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



Source: Australia/New Zealand Standard ISO 31000:2018

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

Design	Implementation	Evaluation
6.1 Strategic Plans	7.1 Strategic and Operational Plans	8.1 Council and Audit and Risk Committee
6.2 Council Policies	7.2 Operational and Financial Procedures	8.2 Strategic and Operational Registers
	7.3 Human Resource Management and Practices	8.3 Annual Compliance Audit Returns
	7.4 Insurance	8.4 Complaint Handling
		8.5 Audit Practices
		8.6 Reviews required by the CEO

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

6.0 Framework Design

6.1. Strategic Plans

The Shire has adopted two key strategic documents, the Strategic Community Plan 2018-2028 and the Corporate Business Plan 2019-2023. These plans identify the Council's organisational objectives and key outcomes, as the Shire progress on its stated vision "*Wandering is a community of responsible, resilient and adaptable residents thriving in our scenic, economically diverse environment*".

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

1. **Financial:** Improve our financial position;
2. **Economic:** Improve the economic growth of our community;
3. **Social:** Retain and grow our population; and
4. **Governance:** Provide strong leadership.

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

The Strategic Community Plan references strategic challenges which might affect the Shire, the community's aspirations / vision, and the projects and programs which will be implemented through the plan.

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

6. CLOSURE OF MEETING