



ATTACHMENTS

Audit and Risk Management Committee Meeting 7 December 2021

- 5(1) Minutes Audit and Risk Management Committee Meeting - 14 October 2021
- 6.1(1) Office of the Auditor General – Interim Audit Opinion



**AUDIT AND RISK MANAGEMENT COMMITTEE MEETING
UNCONFIRMED MINUTES**

Held on
Thursday 14 October 2021

Commencing at 5.00pm

Shire of Donnybrook Balingup Council Chambers, Donnybrook

Ben Rose
Chief Executive Officer

22 October 2021

Disclaimer

Please note the items and recommendations in this document are not final and are subject to change or withdrawal.

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SHIRE OF DONNYBROOK BALINGUP
AUDIT AND RISK MANAGEMENT COMMITTEE MINUTES

Held at the Council Chambers
14 October 2021 at 5.00pm

1 DECLARATION OF OPENING

Chairperson – Acknowledgment of Country

The Chairperson acknowledged the traditional custodians of the land, the Wardandi People, and the Noongar Nation, paying respects to Elders, past and present and emerging.

The Chairperson to declare the meeting open and welcome the members of the committee.

2 ATTENDANCE

MEMBERS PRESENT

COUNCILLORS	STAFF
Cr Jackie Massey (Deputy Shire President) Cr Leanne Wringe Cr Chaz Newman	Mr Kim Dolzadelli – Director Corporate Community
EXTERNAL MEMBERS	GUEST
Mr Ian Telfer – Chairperson	Nil

2.1 APOLOGIES

Ms Carly Anderson
Mr Ben Rose – Chief Executive Officer

2.2 APPROVED LEAVE OF ABSENCE

Nil.

3 ANNOUNCEMENTS FROM CHAIRPERSON

Nil.

4 DECLARATION OF INTEREST

Division 6: Sub-Division 1 of the *Local Government Act 1995*. Care should be taken by all Committee Members to ensure that a financial/impartiality interest is declared and that they refrain from voting on any matter, which is considered to come within the ambit of the *Act*.

5 CONFIRMATION OF MINUTES

Minutes of the Audit and Risk Management Committee meeting held **15 April 2021** are attached (Attachment 5(1)).

EXECUTIVE RECOMMENDATION

That the Minutes of the Audit and Risk Management Committee meeting held 15 April 2021 be confirmed as a true and correct record.

COMMITTEE RESOLUTION

Moved Cr Wringe Seconded Cr Newman

That the Minutes of the Audit and Risk Management Committee meeting held 15 April 2021 be confirmed as a true and correct record.

CARRIED 4/0

6 REPORTS OF OFFICERS

6.1 AUDIT AND RISK MANAGEMENT COMMITTEE MEETINGS 2022

Location	Shire of Donnybrook Balingup
Applicant	Shire of Donnybrook Balingup
File Reference	N/A
Author	Maureen Keegan, Manager Executive Services
Responsible Manager	Kim Dolzadelli, Director Corporate and Community
Attachments	Nil
Voting Requirements	Simple Majority

Executive Recommendation

That the Audit and Risk Management Committee:

- 1. Set the following schedule for Audit and Risk Management Committee Meetings in 2022:**

Wednesday 9 February 2022	5pm	Council Chamber
Wednesday 11 May 2022	5pm	Council Chamber
Wednesday 17 August 2022	5pm	Council Chamber
Wednesday 15 November 2022	5pm	Council Chamber

- 2. Acknowledge there may be requirement for additional meetings throughout the year at the discretion of the Presiding Member.**

STRATEGIC ALIGNMENT

The following outcomes from the Corporate Business Plan relate to this proposal:

Outcome	4.2	A respected, professional and trusted organisation
Strategy	4.2.1	Effective and efficient operations and service provision
Action	4.2.1.3	Monitor and measure organisational performance

EXECUTIVE SUMMARY

The Department of Local Government Sport and Cultural Industries (DLGSCI) recommends the Audit and Risk Management Committee (ARMC) meet at least quarterly with additional meetings convened at the discretion of the presiding member. The ARMC Charter adopted in October 2020, outlines that the Committee shall meet as often as it determines.

To allow staff and committee members the opportunity to plan and prepare for meetings and to ensure the ARMC has the opportunity for regular oversight of the Shires functions, it is recommended that quarterly meetings dates are set each calendar year.

The meeting dates suggested are in line with the Council's Meeting schedule and generally align with the expected timing of the Draft Budget preparation, Compliance Audit Return, and the Annual Financial Statements.

Wednesday 9 February 2022
Wednesday 11 May 2022
Wednesday 17 August 2022
Wednesday 15 November 2022

Meetings are scheduled to commence at 5pm and are held in the Council Chambers.

The 9 February 2022 meeting is regarded as the first meeting of the 2022 year. An additional meeting may be called in December to review the Auditor's report.

BACKGROUND

The Audit and Risk Management Committee met quarterly in 2021 and 2022.

FINANCIAL IMPLICATIONS

Nil.

POLICY COMPLIANCE

Not Applicable.

STATUTORY COMPLIANCE

Not Applicable.

CONSULTATION

Not Applicable.

OFFICER COMMENT/CONCLUSION

Setting a structure for meetings will ensure the Committee members can incorporate meetings into their diaries well in advance.

COMMITTEE RESOLUTION

Moved Cr Massey Seconded Cr Wringe

That the Audit and Risk Management Committee:

- 1. Set the following schedule for Audit and Risk Management Committee Meetings in 2022:**

Wednesday 9 February 2022	5pm	Council Chambers
Wednesday 11 May 2022	5pm	Council Chambers
Wednesday 17 August 2022	5pm	Council Chambers
Wednesday 15 November 2022	5pm	Council Chambers

- 2. Acknowledge there may be requirement for additional meetings throughout the year at the discretion of the Presiding member.**

CARRIED 4/0

6.2 LOCAL GOVERNMENT (AUDIT) REGULATIONS 17 – STATUS UPDATE AND APPOINTMENT OF AUDITOR TO UNDERTAKE THE 2022 REVIEW

Location	Shire of Donnybrook Balingup
Applicant	Shire of Donnybrook Balingup
File Reference	N/A
Author	Maureen Keegan, Manager Executive Services
Responsible Manager	Kim Dolzadelli, Director Corporate and Community
Attachments	6.2(1): LG (Audit) Regulation 17 - Status Update
Voting Requirements	Simple Majority

Executive Recommendation
<p>That the Audit and Risk Management Committee:</p> <ol style="list-style-type: none"> 1. Receive the LG (Audit) Regulation 17 Status Update Report as attached at <u>Attachment 6.2(1)</u> in relation to the progress of items identified on the current Audit Regulation 17 Report; 2. Request the CEO seek quotes to undertake the Local Government (Audit) Regulation 17 Review and present the quotes at the 9 February 2022 Audit and Risk Management Committee meeting.

STRATEGIC ALIGNMENT

The following outcomes from the Corporate Business Plan relate to this proposal:

Outcome	4.2	A respected, professional and trusted organisation
Strategy	4.2.1	Effective and efficient operations and service provision
Action	4.2.1.3	Monitor and measure organisational performance

EXECUTIVE SUMMARY

The attached LG (Audit) Regulation 17 Status Update Report is presented to the Audit and Risk Management committee (ARMC) for their information and to monitor progress toward actioning items identified in the most recent Audit Regulation 17 report.

The ARMC are also advised that the Shire will be required to undergo the Local Government (Audit) Regulation 17 Review during 2022. Quotes will require to be sourced from South West Accountancy firms and presented to the ARMC for consideration.

BACKGROUND

The last Review was undertaken by AMD Chartered Accountants in December 2018 and the results received by the Shire in February 2019.

A status report on the identified actions from the Review and their status of resolution is attached at Attachment 6.2(1).

FINANCIAL IMPLICATIONS

Nil.

POLICY COMPLIANCE

Not Applicable.

STATUTORY COMPLIANCE

Reg. 7 of the Local Government (Audit) Regulations 1996 requires the CEO to review the appropriateness and effectiveness of a local government's systems and procedures not less than once in every 3 financial years in relation to:

- risk management; and
- internal control; and
- legislative compliance.

The CEO is to report to the Audit and Risk Management Committee the results of that review.

CONSULTATION

Not Applicable.

OFFICER COMMENT/CONCLUSION

The Audit and Risk Management Committee considered a report from the Executive Manager Corporate and Community Services in January 2021 and subsequent meetings thereafter, presenting the finding of a review of risk management, internal controls and legislative compliance as required by the Local Government (Audit) Regulation (Reg 17).

The next Audit Regulation 17 Review is due to be conducted in the 2021/22 Financial Year.

The attached status update report, will be presented to successive meetings of the Audit and Risk Management Committee until all items raised in the report are completed.

COMMITTEE RESOLUTION

Moved Cr Wringe Seconded Cr Massey

That the Audit and Risk Management Committee:

- 1. Receive the LG (Audit) Regulation 17 Status Update Report as attached at Attachment 6.2(1) in relation to the progress of items identified on the current Audit Regulation 17 Report;**

- 2. Request the CEO seek quotes to undertake the Local Government (Audit) Regulation 17 Review and present the quotes at the 9 February 2022 Audit and Risk Management Committee meeting.**

CARRIED 4/0

6.3 OFFICE OF THE AUDITOR GENERAL FINDINGS – STATUS UPDATE REPORT

Location	Shire of Donnybrook Balingup
Applicant	Shire of Donnybrook Balingup
File Reference	N/A
Author	Maureen Keegan, Manager Executive Services
Responsible Manager	Kim Dolzadelli, Director Corporate and Community
Attachments	6.3(1): OAG Report Findings – Status Update Report
Voting Requirements	Simple Majority

Executive Recommendation
<p>That the Audit and Risk Management Committee:</p> <p>Receive the Status Update Report on the progress of aligning the findings of the individual Office of the Auditor General performance audit reports with Shire processes and systems as attached at <u>Attachment 6.3(1)</u>.</p>

STRATEGIC ALIGNMENT

The following outcomes from the Corporate Business Plan relate to this proposal:

Outcome	4.2	A respected, professional and trusted organisation
Strategy	4.2.1	Effective and efficient operations and service provision
Action	4.2.1.3	Monitor and measure organisational performance

EXECUTIVE SUMMARY

Staff intend to keep the Committee updated on status of these matters and work on strategies to progress the Office of the Auditor General (OAG) findings and recommendations in the context of their impact on risk and resources.

BACKGROUND

At the 12 November 2020 Audit and Risk Management Committee meeting, the Committee received the recommendations and findings from the Industry-based OAG Performance Audits Reports and recommended to the Council that the Chief Executive Officer prepare a matrix with Shire responses to each of the findings.

The matrix of OAG Performance Audits Reports was presented to the January 2021, meeting of the Audit and Risk Management Committee and then to the February 2021 meeting of the Council, at which the Council adopted the following resolution:

That Council:

- 1. Receive the matrix of Shire responses to each of the findings in the Auditor General's General Performance Audit Reports as attached 6.2(1); and*
- 2. Acknowledge the work to be undertaken to align the findings of the individual Office of the Auditor General's reports with Shire processes and systems; and*
- 3. Consider the risk management implications associated with the findings and recommendations of the Office of the Auditor General Performance Audits and the Shire Executive's Comments in the attachment.*

FINANCIAL IMPLICATIONS

Nil.

POLICY COMPLIANCE

Not Applicable.

STATUTORY COMPLIANCE

Not Applicable.

CONSULTATION

Not Applicable.

OFFICER COMMENT/CONCLUSION

The attached OAG General Findings - Status Update Report (*Attachment 6.3(1)*), will be presented to successive meetings of the Audit and Risk Management Committee to monitor the progress made toward aligning these industry-based findings and recommendations to the Shire's internal processes and systems.

COMMITTEE RESOLUTION

Moved Cr Wringe Seconded Cr Massey

That the Audit and Risk Management Committee:

Receive the Status Update Report on the progress of aligning the findings of the individual Office of the Auditor General performance audit reports with Shire processes and systems as attached at Attachment 6.3(1).

CARRIED 4/0

7 General Business

COMMITTEE RESOLUTION

Moved Cr Massey Seconded Cr Newman

That updated status reports contain track changes with verbal updates.

CARRIED 4/0

8 CLOSURE

The Chairperson declared the meeting closed at 6.10pm.



AUDIT AND RISK MANAGEMENT COMMITTEE MEETING MINUTES

Held on

Thursday, 15 April 2021

Commencing at 5.00pm

Shire of Donnybrook Balingup Council Chambers, Donnybrook

A handwritten signature in black ink, appearing to read 'BGR' followed by a flourish.

Ben Rose
Chief Executive Officer

16 April 2021

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SHIRE OF DONNYBROOK BALINGUP
AUDIT AND RISK MANAGEMENT COMMITTEE MINUTES

Held at the Council Chambers
15 April 2021 at 5.00pm

1 DECLARATION OF OPENING

Chairperson – Acknowledgment of Country

The Chairperson acknowledged the traditional custodians of the land, the Wardandi People, and the Noongar Nation, paying respects to Elders, past and present and emerging.

The Chairperson declared the meeting open at 5.00pm and welcomed the members of the committee.

2 ATTENDANCE

MEMBERS PRESENT

COUNCILLORS	STAFF
Cr Jackie Massey (Deputy Shire President) Cr Leanne Wringe Cr Chaz Newman	Ben Rose - CEO Paul Breman – EMCC Jaimee Earl – Minute Taker
EXTERNAL MEMBERS	GUEST
Mr Ian Telfer – Chairperson	Cr Brian Piesse – Shire President (Ex-Officio)

GUESTS PRESENT

No guests in attendance.

2.1 APOLOGIES

Carly Anderson was an apology to the meeting.

2.2 APPROVED LEAVE OF ABSENCE

Nil.

3 ANNOUNCEMENTS FROM CHAIRPERSON

Nil.

4 DECLARATION OF INTEREST

Division 6: Sub-Division 1 of the *Local Government Act 1995*. Care should be taken by all Committee Members to ensure that a financial/impartiality interest is declared and that they refrain from voting on any matter, which is considered to come within the ambit of the *Act*.

Nil.

5 PUBLIC QUESTION TIME

5.1 RESPONSES TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE

Questions were received from Mr John Bailey prior to the January 2021 Meeting and taken on notice. Questions and answers are provided at [Attachment 5.1\(1\)](#).

Questions were received from Mr Shane Sercombe prior to the January 2021 Meeting and taken on notice. Questions and answers are provided at [Attachment 5.1\(2\)](#).

5.2 PUBLIC QUESTION TIME

Nil.

6 PRESENTATIONS

6.1 DEPUTATIONS

Nil.

7 CONFIRMATION OF MINUTES

Minutes of the Audit and Risk Management Committee meeting held **28 January 2021** are attached (*Attachment 7.1*).

EXECUTIVE RECOMMENDATION

That the Minutes of the Audit and Risk Management Committee meeting held 28 January 2021 be confirmed as a true and correct record.

COMMITTEE RESOLUTION

Moved Cr Massey Seconded Cr Wringe

That the Minutes of the Audit and Risk Management Committee meeting held 28 January 2021 be confirmed as a true and correct record.

CARRIED 4/0

8 REPORTS OF OFFICERS

8.1 COMPLIANCE AUDIT RETURN – STATUS UPDATE REPORT

Location	Shire of Donnybrook Balingup
Applicant	Shire of Donnybrook Balingup
File Reference	N/A
Author	Paul Breman, Executive Manager Corporate and Community
Responsible Manager	Paul Breman, Executive Manager Corporate and Community
Attachments	8.1(1): 2020 CAR Update Report
Voting Requirements	Simple Majority

Executive Recommendation
<p>That the Audit and Risk Management Committee:</p> <p>Receive the Compliance Audit Return (CAR) Report as attached at <u>Attachment 8.1(1)</u> as a status update of the actions taken to date to achieve compliance with regard to selected items identified as non-compliant within the 2020 Compliance Audit Return.</p>

STRATEGIC ALIGNMENT

The following outcomes from the Corporate Business Plan relate to this proposal:

Outcome	4.2	A respected, professional and trusted organisation
Strategy	4.2.1	Effective and efficient operations and service provision
Action	4.2.1.2	Seek a high level of legislative compliance and effective internal controls.

EXECUTIVE SUMMARY

At the February 2021 Ordinary Council Meeting the Council passed the following resolution:

That Council:

- 1. Adopt the 2020 Compliance Audit Return as presented at attachment 8.4(1) for the Shire of Donnybrook Balingup for the period 1 January 2020 to 31 December 2020; and*
- 2. Instruct the CEO prepare a report identifying the actions to be taken to achieve compliance with the items identified within the 2020 Compliance Audit Return to be presented to the next Audit and Risk Management Committee Meeting.*

The above resolution contains an instruction to the Chief Executive Officer to report on the actions to be achieved toward compliance for those items reported as non-compliant in the 2020 Compliance Audit Return. This item serves to action that instruction by presenting a status update report to the Committee.

BACKGROUND

A Local Government Compliance Audit Return (CAR) is required to be undertaken in accordance with the *Local Government (Audit) Regulations 1996* Reg. 14(1).

The Audit was conducted by staff for the period 1st January to 31st December 2020, within the scope and in the format required by the Department of Local Government, Sport and Cultural Industries.

After conducting the checking process, the 2020 CAR contained a compliance item for as set out below:

Topic	Item Number	Matter
Optional Questions	5	Did the local government prepare and adopt by absolute majority a policy dealing with the attendance of council members and the CEO at events?
Optional Questions	6	Did the CEO publish an up-to-date version of the attendance at events policy on the local government's official website?
Optional Questions	1	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 2020? If yes, please provide the date of council's resolution to accept the report
Tenders for Providing Goods and Services	8	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?

These compliance items have been noted by Staff and are not expected to occur again in the future.

The Department of Local Government, Sport and Cultural Industries (DLGSCI) requires local governments to conduct an annual assessment of their compliance with key

components of the *Local Government Act 1995* (the Act) and associated Regulations. The 2020 CAR must be adopted and provided to the DLGSCI by 31 March 2021.

FINANCIAL IMPLICATIONS

Nil.

POLICY COMPLIANCE

Not Applicable.

STATUTORY COMPLIANCE

Under *Regulation 14 of the Local Government (Audit) Regulations 1996* the 2020 CAR is to be reviewed by Council's Audit Committee and then the results reported to Council for adoption.

Following presentation to Council at the February ordinary meeting of the Council, a certified copy of the 2020 CAR, along with an extract of the minutes of the meeting at which the CAR was adopted by Council, was submitted to the DLGSCI on 17 March 2021, well within the 31 March 2021 deadline.

No feedback has been received to date from the DLGSCI on the contents of the 2020 CAR.

CONSULTATION

Not Applicable.

OFFICER COMMENT/CONCLUSION

The attached CAR - Status Update Report, will be presented to successive meetings of the Audit and Risk Management Committee until all items raised in the report are completed.

EXECUTIVE RECOMMENDATION

Moved Cr Wringe Seconded Cr Massey

That the Audit and Risk Management Committee:

Receive the Compliance Audit Return (CAR) Report as attached at Attachment 8.1(1) as a status update of the actions taken to date to achieve compliance with regard to selected items identified as non-compliant within the 2020 Compliance Audit Return.

AMENDMENT

Moved Cr Wringe Seconded Cr Massey

That the Audit and Risk Management Committee:

Receive the Compliance Audit Return (CAR) Report ~~as attached~~ at Attachment 8.1(1) as a status update of the actions taken to date to achieve compliance with regard to selected items identified as non-compliant within the 2020 Compliance Audit Return, subject to priority and timelines being included for Council consideration.

CARRIED 4/0

COMMITTEE RESOLUTION

Moved Cr Wringe Seconded Cr Massey

That the Audit and Risk Management Committee:

Receive the Compliance Audit Return (CAR) Report at Attachment 8.1(1) as a status update of the actions taken to date to achieve compliance with regard to selected items identified as non-compliant within the 2020 Compliance Audit Return, subject to priority and timelines being included for Council consideration.

8.2 LOCAL GOVERNMENT (AUDIT) REGULATIONS 17 – STATUS UPDATE

Location	Shire of Donnybrook Balingup
Applicant	Shire of Donnybrook Balingup
File Reference	N/A
Author	Paul Breman, Executive Manager Corporate and Community
Responsible Manager	Paul Breman, Executive Manager Corporate and Community
Attachments	8.2(1): LG (Audit) Regulation 17 - Status Update
Voting Requirements	Simple Majority

Executive Recommendation
<p>That the Audit and Risk Management Committee:</p> <p>Receive the LG (Audit) Regulation 17 Status Update Report as attached at <u>Attachment 8.2(1)</u> in relation to the progress of items identified on the current Audit Regulation 17 Report.</p>

STRATEGIC ALIGNMENT

The following outcomes from the Corporate Business Plan relate to this proposal:

Outcome	4.2	A respected, professional and trusted organisation
Strategy	4.2.1	Effective and efficient operations and service provision
Action	4.2.1.3	Monitor and measure organisational performance

EXECUTIVE SUMMARY

The attached LG (Audit) Regulation 17 Status Update Report is presented to the Audit and Risk Management committee for their information and to monitor progress toward actioning items identified in the most recent Audit Regulation 17 report.

BACKGROUND

The last Review was undertaken by AMD Chartered Accountants in December 2018 and the results received by the Shire in February 2019 are attached (Attachment 8.4(1)).

A status report on the identified actions from the Review and their status of resolution is attached at Attachment 8.2(1).

FINANCIAL IMPLICATIONS

Nil.

POLICY COMPLIANCE

Not Applicable.

STATUTORY COMPLIANCE

Reg. 7 of the Local Government (Audit) Regulations 1996 requires the CEO to review the appropriateness and effectiveness of a local government's systems and procedures not less than once in every 3 financial years in relation to:

- risk management; and
- internal control; and
- legislative compliance.

The CEO is to report to the Audit and Risk Management Committee the results of that review.

CONSULTATION

Not Applicable.

OFFICER COMMENT/CONCLUSION

The Audit and Risk Management Committee considered a report from the Executive Manager Corporate and Community Services in January 2021, presenting the finding of a review of risk management, internal controls and legislative compliance as required by the Local Government (Audit) Regulation (Reg 17).

The next Audit Regulation 17 Review is due to be conducted by December 2021.

The attached status update report, will be presented to successive meetings of the Audit and Risk Management Committee until all items raised in the report are completed.

EXECUTIVE RECOMMENDATION

Moved Cr Newman Seconded Cr Wringe

That the Audit and Risk Management Committee:

Receive the LG (Audit) Regulation 17 Status Update Report as attached at Attachment 8.2(1) in relation to the progress of items identified on the current Audit Regulation 17 Report.

AMENDMENT

Moved Cr Newman Seconded Cr Wringe

That the Audit and Risk Management Committee:

Receive the LG (Audit) Regulation 17 Status Update Report ~~*as attached*~~ at *Attachment 8.2(1)* in relation to the progress of items identified on the current Audit Regulation 17 Report, *subject to more specific information being provided to Council in relation to resource constraints under the Update column.*

CARRIED 4/0

COMMITTEE RESOLUTION

Moved Cr Newman Seconded Cr Wringe

That the Audit and Risk Management Committee:

Receive the LG (Audit) Regulation 17 Status Update Report at *Attachment 8.2(1)* in relation to the progress of items identified on the current Audit Regulation 17 Report, subject to more specific information being provided to Council in relation to resource constraints under the Update column.

CARRIED 4/0

8.3 OFFICE OF THE AUDITOR GENERAL FINDINGS – STATUS UPDATE REPORT

Location	Shire of Donnybrook Balingup
Applicant	Shire of Donnybrook Balingup
File Reference	N/A
Author	Paul Breman, Executive Manager Corporate and Community
Responsible Manager	Paul Breman, Executive Manager Corporate and Community
Attachments	8.3(1): OAG Report Findings – Status Update Report
Voting Requirements	Simple Majority

Executive Recommendation
<p>That the Audit and Risk Management Committee:</p> <p>Receive the Status Update Report on the progress of aligning the findings of the individual Office of the Auditor General performance audit reports with Shire processes and systems as attached at <u>Attachment 8.3(1)</u>.</p>

STRATEGIC ALIGNMENT

The following outcomes from the Corporate Business Plan relate to this proposal:

Outcome	4.2	A respected, professional and trusted organisation
Strategy	4.2.1	Effective and efficient operations and service provision
Action	4.2.1.3	Monitor and measure organisational performance

EXECUTIVE SUMMARY

Staff intend to keep the Committee updated on status of these matters and work on strategies to progress the Office of the Auditor General (OAG) findings and recommendations in the context of their impact on risk and resources.

BACKGROUND

At the 12 November 2020 Audit and Risk Management Committee meeting, the Committee received the recommendations and findings from the Industry-based OAG Performance Audits Reports and recommended to the Council that the Chief Executive Officer prepare a matrix with Shire responses to each of the findings.

The matrix of OAG Performance Audits Reports was presented to the January 2021, meeting of the Audit and Risk Management Committee and then to the February 2021 meeting of the Council, at which the Council adopted the following resolution:

That Council:

- 1. Receive the matrix of Shire responses to each of the findings in the Auditor General's General Performance Audit Reports as attached 8.2(1); and*
- 2. Acknowledge the work to be undertaken to align the findings of the individual Office of the Auditor General's reports with Shire processes and systems; and*
- 3. Consider the risk management implications associated with the findings and recommendations of the Office of the Auditor General Performance Audits and the Shire Executive's Comments in the attachment.*

FINANCIAL IMPLICATIONS

Nil.

POLICY COMPLIANCE

Not Applicable.

STATUTORY COMPLIANCE

Not Applicable.

CONSULTATION

Not Applicable.

OFFICER COMMENT/CONCLUSION

The attached OAG General Findings - Status Update Report (*Attachment 8.3(1)*), will be presented to successive meetings of the Audit and Risk Management Committee to monitor the progress made toward aligning these industry-based findings and recommendations to the Shire's internal processes and systems.

EXECUTIVE RECOMMENDATION

Moved Cr Wringe Seconded Cr Massey

That the Audit and Risk Management Committee:

Receive the Status Update Report on the progress of aligning the findings of the individual Office of the Auditor General performance audit reports with Shire processes and systems as attached at Attachment 8.3(1).

AMENDMENT

Moved Cr Wringe Seconded Cr Massey

That the Audit and Risk Management Committee:

1. Receive the Status Update Report on the progress of aligning the findings of the individual Office of the Auditor General performance audit reports with Shire processes and systems as attached at Attachment 8.3(1).
2. Notes the priorities attached to each item in Attachment 8.3(1) and the associated resource requirements, and the Audit and Risk Management Committee will work towards prioritisation of these items for Council's future consideration.

CARRIED 4/0

COMMITTEE RESOLUTION

Moved Cr Wringe Seconded Cr Massey

That the Audit and Risk Management Committee:

1. Receive the Status Update Report on the progress of aligning the findings of the individual Office of the Auditor General performance audit reports with Shire processes and systems as attached at Attachment 8.3(1).
2. Notes the priorities attached to each item in Attachment 8.3(1) and the associated resource requirements, and the Audit and Risk Management Committee will work towards prioritisation of these items for Council's future consideration.

CARRIED 4/0

8.4 FINANCIAL MANAGEMENT REVIEW

Location	Shire of Donnybrook Balingup
Applicant	Shire of Donnybrook Balingup
File Reference	N/A
Author	Paul Breman, Executive Manager Corporate and Community
Responsible Manager	Paul Breman, Executive Manager Corporate and Community
Attachments	8.4(1): Financial Management Review – AMD 8.4(2): Financial Management Review Status Report
Voting Requirements	Simple Majority

Executive Recommendation
<p>That the Audit and Risk Management Committee:</p> <p>Receive from the Chief Executive Officer the Financial Management Review report dated 12 February 2019, undertaken in accordance with Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996, including the accompanying status update report (Attachment 8.4(1) and 8.4(2)).</p>

STRATEGIC ALIGNMENT

The following outcomes from the Corporate Business Plan relate to this proposal:

Outcome	4.2	A respected, professional and trusted organisation
Strategy	4.2.1	Effective and efficient operations and service provision
Action	4.2.1.2	Seek a high level of legislative compliance and effective internal controls.

EXECUTIVE SUMMARY

Regulations 5(2)(c) of the Local Government (Financial Management) Regulations 1996, requires the Chief Executive Officer to undertake a review of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every four financial years) and report to the local government the results of than Review.

BACKGROUND

To comply with the requirements of the Regulations, AMD Accountants were engaged by the Chief Executive Officer to undertake an independent review and report on Council's financial management systems and procedures. The review was undertaken by AMD in late 2018 and received in January 2019.

For reasons unknown, this item was not presented to the Audit and Risk Committee or to the Council after receipt. The timing of this oversight does correspond with some staff changes at the time.

As part of preparing the 2020 Compliance Audit return, this oversight was recognised and planning commenced to present this report to the Audit and Risk Management Committee for review.

FINANCIAL IMPLICATIONS

Nil.

POLICY COMPLIANCE

Not Applicable.

STATUTORY COMPLIANCE

Local Government (Financial Management) Regulations 1996 The financial management responsibilities of the Chief Executive Officer are established under Regulation 5 of the Local Government (Financial Management) Regulations 1996:

“(1) Efficient systems and procedures are to be established by the CEO of a local government:

- (a) for the proper collection of all money owing to the local government;
- (b) for the safe custody and security of all money collected or held by the local government;
- (c) for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process);
- (d) to ensure proper accounting for municipal or trust:
 - (i) revenue received or receivable;
 - (ii) expenses paid or payable; and
 - (iii) assets and liabilities;
- (e) to ensure proper authorisation for the incurring of liabilities and the making of payments;
- (f) for the maintenance of payroll, stock control and costing records; and
- (g) to assist in the preparation of budgets, budget reviews, accounts and reports Required by the Act or these Regulations.”

In addition, the Chief Executive Officer is to:

- “(2) (a) ensure that the resources of the local government are effectively and efficiently managed;
- (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 no less than once in every 3 financial years) and report to the local government the results of those reviews.”

CONSULTATION

Not Applicable.

OFFICER COMMENT/CONCLUSION

Although the report was not presented to the Council in a timely manner, it can be seen from the accompanying status update report, that the recommendations and matters raised in the Audit Regulation 17 report have been substantially actioned over the subsequent period.

A status update report will be presented to the Audit and Risk Management Committee at each subsequent meeting to monitor progress until all actions have been completed.

The timing for the next financial management review is during the 2021-22 financial year. In addition, the timing for the next Audit reg 17 (Risk Management, Internal controls and Legislative Compliance) review is before December 2021.

It would seem efficient to have the reviews combined into one exercise and potentially procure the services of an independent and experienced provider to undertake this role and provide the reports to the Chief Executive Officer.

COMMITTEE RESOLUTION

Moved Cr Newman Seconded Cr Massey

That the Audit and Risk Management Committee:

Receive from the Chief Executive Officer the Financial Management Review report dated 12 February 2019, undertaken in accordance with Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996, including the accompanying status update report (Attachment 8.4(1) and 8.4(2)).

CARRIED 4/0

8 CLOSURE

Paul Breman noted the next meeting is scheduled for 15 July 2021 and his last day with the Shire will be 30 June 2021.

The Chairperson acknowledged the Committee's appreciation for Paul's dedication and hard work with the Shire and particularly the Audit and Risk Management Committee.

The Chairperson declared the meeting closed at 6.11pm.

Item		Response	Risk/Priority	Update	Status
Optional Questions					
1	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 2020?	Yes (Not submitted to the Council)	Significant	Report presentation to the April meeting of the ARM Committee. See separate item in this agenda/minutes	COMPLETED
5	Did the local government prepare and adopt by absolute majority a policy dealing with the attendance of council members and the CEO at events?	No	Moderate	Policy development is underway using internal resources and expected to be included in the major policy review to go to the OCM of Council in November 2021.	ONGOING
6	Did the CEO publish an up-to-date version of the attendance at events policy on the local government's official website?	No		Compliance dependent on completion of task above.	
Tenders for Providing Goods and Services					
8	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?	Yes, (But not published on Website)	Minor	Requires conversion of printed material to electronic form for publication on the Shire website. Internal resources will be applied to this to be published on the Shire Website by the end of June 2021.	COMPLETED

Ref	Issue	Risk Rating	Update	Status
Risk management				
2.2.1	Risk Management Framework			
	Risk Management framework review and update required.	Moderate	Being developed, will be presented to ARMC July 2021	COMPLETED
2.2.2	Lease Management			
	No formal procedure in place to monitor lessee compliance with terms of Council leased	Moderate	Commercial Lease developed and endorsed by Council December 2020.	COMPLETED
	Lease register is not up to date, and our sample testing identified leases which were not current at the date of our review.	Moderate	The lease register is up to date as to its contents, however there are a number of leases (community group leases) that have expired and are being progressively renewed in negotiation with the other parties. At present, this is expected to be completed using internal resources in January/February 2022.	ONGOING
2.2.3	Risk Management Policies and Procedures			
	No documented policies and procedures in place to manage a number of risks applicable to the Shire i.e. Litigation/claims and environmental risk policies	Moderate	Being developed to be presented to ARMC in 2022 due to other operational requirement Policy review will be presented to Council in November 2021	ONGOING
2.2.4	Outdated Emergency and Evacuation Plans and Policies			
	Numerous Local Emergency Management plans and policies require review and updating.	Minor	All policies are the subject of a review at present which is scheduled to be presented to the ARMC in 2022 due to other operational requirement Policy review will be presented to Council in November 2021.	ONGOING
2.2.5	Outdated Policies/Plan			
	We noted numerous outdated Council policies, procedures and plans which have not been reviewed by the scheduled review date.	Minor	Policy Review to be presented to Council in November 2021	ONGOING
2.2.6	Consolidated Asset Management Plan			
	Council's Consolidated Asset Management Plan dated 2017-2027 has not been adopted approved by Council.	Minor	All asset management plans have now been adopted by the Council and are updated annually.	COMPLETED
2.2.7	Community Survey			
	The Community Survey Results, actions and follow up procedures from Council's 2017 survey were not provided to us following our requests.	Minor	Completed with action plan developed	COMPLETED

Ref	Issue	Risk Rating	Update	Status
<i>Internal Controls</i>				
3.2.1	Procurement and Contract Management			
	Currently no formal contract management framework in place resulting in an inconsistent approach implemented by those responsible for contract management.	Significant	The development of a framework would need to take into account the Performance Audits by the OAG released in May 2020 with regard to contract extensions and variations. Action on progressing this item is currently restricted due to current governance resources being allocated to implementing new legislation and operations resources being occupied on projects. External resources will be required to undertake this review in the future. Oh hold pending allocation of additional resources.	ONGOING
3.2.2	General Journals			
	General journals are not currently being independently reviewed and supporting documentation is not being retained with journal records.	Significant	All general Journals are reviewed by the EMCC and supporting information attached.	COMPLETED
Information Technology (IT)				
3.2.3	We identified various enhancements and improvement recommendations in relation to the Shire's IT.	Moderate	The review highlighted the lack of policies and strategies concerning IT systems and security. To implement these recommendations would require a comprehensive review of IT with dedicated project funding and also additional FTE employees to implement and maintain the recommended activities. This project is on hold pending the allocation of the additional financial resources. A security access review has been undertaken on Councils main ERP System Synergysoft. An Audit of ITC infrastructure and setup is expected to be completed by February 2022.	ONGOING
3.2.4	Post Tender Review			
	Formal post tender reviews do not appear to be completed.	Moderate	To be considered as part of the a procurement policy review to be completed 2021/22	ONGOING
3.2.5	Grant Funding Plan			
	No grant funding summary plan in place, to record key dates and milestones in respect to individual grants.	Moderate	A grants register with milestones has been developed and implemented as part of compliance with the new accounting standards AASB15 and AASB105	COMPLETED
3.2.6	Signature Specimen			

Ref	Issue	Risk Rating	Update	Status
	The Shire does not have a signature specimen in place.	Minor	No specimen signature register is in place. This will be developed by internal resources in the future. The likely timing of this action is December 2021.	COMPLETED
<i>Legislative Compliance</i>				
4.2.2	Audit Committee			
	Meetings are not held quarterly as recommended by Local Government operational guideline best practice.	Moderate	Meetings are now scheduled quarterly as a minimum.	COMPLETED
4.2.3	Internal Audit Function			
	Currently no formal internal audit function in place.	Moderate	To be reviewed by DCC as part of 2021-22 Budget. \$15k included in 2021-22 Budget.	ONGOING

Ref		Risk Rating	AMD Recommendation	Update	Status
1. Collection of money					
	We have no findings to raise in respect to the collection of money held by the local government.			No actions recommended.	COMPLETED
2. Custody and security of money					
2.2.1 Refuse Sites Security					
	Cash takings are taken home by the transfer station manager overnight.	Moderate	Due to the lack of internal control and security over cash receipts received at Council operated refuse sites which are currently taken home by employees or contractors, we recommend consideration to be given to utilising an onsite safe, or end of day/end of week cash delivery to Council's bank or administration office.	The cash takings at the refuse site will be subject to a review and any required changes will be reflected in new contract terms at the commencement of the new contract term.	ONGOING
	Daily reconciliations of cash received compared to cash receipts issued is not completed.		We also recommend the refuse site employees/contractors complete a daily reconciliation of cash received against receipt book records, and banking be completed at least weekly.	EFTPOS introduced which will limit amount of Cash transaction.	
	Banking is not completed promptly.			Will be further reviewed with potential to eliminate cash transactions	
3. Maintenance and security of financial records					
3.2.1 Key Register					

Ref		Risk Rating	AMD Recommendation	Update	Status
	Key register for Shire has not been updated since 15 August 2016.	Moderate	We recommend the key register be maintained and updated as required to ensure all keys are accounted for and the key register is current.	1. The key register and peg board for keys provided to community groups for hall hire is up to date; and 2. Works and Services maintains a key register for all infrastructure and the buildings and key-to-like (master keys) register which is also up to date.	COMPLETED
4. Accounting for municipal or trust transactions					
4.2.1 End of Month Reconciliations					
	Key account reconciliations not completed and independently reviewed in a timely manner.	Significant	We recommend the following: 1. Key account reconciliations should be reconciled at the end of each month in a timely manner and signed by someone independent of the reconciliation function as evidence of review; and 2. The monthly management finance review checklist be signed as evidence of independent review in a timely manner post the end of each month.	Month end reconciliations are completed and documented by the Accountant and reviewed by the EMCC in a timely manner.	COMPLETED
4.2.2 Bank Reconciliations					

**FINANCIAL MANAGEMENT REVIEW
2018 (Status Update - April 2021)**

Ref		Risk Rating	AMD Recommendation	Update	Status
	Year end transfers to the reserve accounts from the municipal account were not completed in a timely manner.	Moderate	We recommend the following: 1. End of year transfers be completed in a timely manner following month end; 2. Cheques outstanding for more than 15 months should be investigated with appropriate action taken accordingly including cancelling and reissuing the cheque if required; and 3. Bank reconciliations are a key control and should be reviewed in a timely manner following month end by someone independent of the reconciliation function.	1. Recommendation noted and end of year transfers have been undertaken in a timely manner subsequent to the Financial Management Review with no issue raised in the most recent Audit; 2. Stale cheques have been cleared and are monitored; and 3. Reconciliations including bank reconciliations are completed in a timely way and reviewed by the EMCC.	COMPLETED
	Old outstanding cheques were included within the trust account bank reconciliation.				
	Bank reconciliations tested indicated a lack of independent review on a timely basis following month end.				
4.2.3 Late Lodgement of BAS					
	The August 2018 BAS was not lodged and paid in accordance with ATO's due date.	Moderate	We recommend all BAS's be prepared, lodged and paid by the specified dates as required by the ATO.	All BAS returns are up to date and reviewed by the EMCC.	COMPLETED
5. Authorisation for incurring liabilities and making payments					
5.2.1 Fixed Asset Register					

Ref		Risk Rating	AMD Recommendation	Update	Status
	The fixed asset register had not been updated since 30 June 2018.	Moderate	We recommend the fixed asset register is reconciled to the end of each month, in a timely manner with associated asset additions, disposals, depreciation expense movements monitored in accordance with the adopted budget.	The asset register is reconciled monthly and depreciation expenses calculated and posted to the ledger each month (commencing as soon as possible after the end of financial year)	COMPLETED
6. Maintenance of payroll, stock control and costing records					
6.2.1 Balingup Depot Security					
	We identified a number of matters for enhancement and improvement in respect to access to the Balingup depot.	Moderate	We recommend security and access to Council property at the Balingup depot be reviewed.	Security at the Depot was reviewed by the Manager of Works and Services recently and instructions issued regarding access to the Depot. This matter is considered addressed in terms of the review.	COMPLETED
6.2.2 Payroll/HR					
	We identified enhancements in respect to payroll and human resource procedures for consideration.	Minor	we recommend the following: 1. CEO leave forms be subject to independent authorisation and approval; and 2. An employee complaints register be developed and maintained.	1. The CEO leave forms are approved by the Shire President 2. The Records officer maintains an employee complaints register.	COMPLETED
6.2.3 Costing Records					

**FINANCIAL MANAGEMENT REVIEW
2018 (Status Update - April 2021)**

Ref		Risk Rating	AMD Recommendation	Update	Status
	We note there was an over allocation of PWO for the period ended 31 October 2018.	Minor	We recommend allocation rates and the method of allocations to jobs be reviewed periodically during the year to ensure there are no major under or over allocations.	1. Recommendation noted, and allocations rates are being reviewed regularly and have been the subject of adjustment during 2020-21 budget to reflect changes and current circumstances. This review was undertaken by Finance in conjunction with MWS. Monthly monitoring in place.	COMPLETE (No new procedure is considered necessary)
	There is no documented methodologies or policies/procedures in place in respect of overhead allocations.	Minor	We recommend the methodology used for public works overheads and administration allocations be documented and supported by a policy/procedure governing how allocation rates are determined and how frequently they must be reviewed.	2. The methodology for Public Works Overhead allocations rates was reviewed by the EMCC in the preparation of the 2020-21 budget with the methodology documented in a worksheet and reviewed with the MWS and the Accountant. PWOH rates are reviewed monthly with reports prepared for the MWS; and 3. The methodology for Administration overheads (ABC) was reviewed by the EMCC in the preparation of the 2020-21 budget with the methodology documented in a worksheet. ABC rates are reviewed annually.	
7. Preparation of budgets, budget reviews, accounts and reports required by the Act or the Regulations					

FINANCIAL MANAGEMENT REVIEW
2018 (Status Update - April 2021)

Ref		Risk Rating	AMD Recommendation	Update	Status
	We have no findings to raise in respect to the preparation of budgets, budget reviews, accounts and reports required by the Act of the Regulations.			No actions recommended	COMPLETED

Report Date	Report Title	Key Findings	Recommendations	Comments	Status
12/06/2018	1. Timely Payment to Suppliers	Findings: 1. Only 3 local governments had policies and procedures that addressed timely payment of suppliers. 2. For 13% of payments there was no valid reason why payments were later than supplier requirements or management policy/procedures.	Local governments should: 1. have polices or procedures that clearly require payment of invoices within specified periods after receiving the invoice or after the receipt of goods and services (whichever is later) 2. ensure they improve administrative processes so that all payments are made in accordance with their policies and procedures. 3. improve recordkeeping to ensure that for all payments there are records of the date that the invoice and goods or services were received. Ideally, this information should be recorded in the financial information management system and used as a key date for determining when payments should be made.	The Shire does not have a policy in relation to payment to suppliers. It does have practices that allow it to identify the date of the invoice and the due date. Outcome: A management policy be drafted and presented to the Audit and Risk Management Committee for their information. Priority: Low Resources: Internal	ONGOING
7/05/2018	2. Controls Over Corporate Credit Cards	Findings: 1. Overall policies and administrative systems for managing corporate credit cards were appropriate. 2. Suitable controls were generally in place for managing credit card use, however most local governments had opportunities for improvement. 3. While local governments were reviewing credit card usage, there was inconsistent reporting to Council.	Local governments should: a. ensure policies specify requirements for all key credit card processes b. keep adequate records of all card transactions, including information that describes the nature/purpose of the expenditure and evidence of review and approval c. cancel redundant cards in a timely manner to avoid loss and/or misuse of cards d. regularly monitor outstanding transactions to identify and follow up on long outstanding un-acquitted transactions e. ensure senior management periodically reviews credit card use, to confirm compliance with policies and to identify any abnormal trends. The results of these reviews should be documented and retained.	The Shire has a Corporate Credit Card policy that relates to the CEO. This policy needs to be reviewed and expanded to include OAG recommendations and all CC holders. Outcome: The existing policy is revised to include the Directors of Corporate and Community and Operations . Priority: Medium Resources: Internal	ONGOING

Report Date	Report Title	Key Findings	Recommendations	Comments	Status
5/10/2018	3. Local Government Procurement	<p>Findings: While all LGs audited had procurement policies and procedures, they are not always effectively and consistently used</p> <ol style="list-style-type: none"> 1. LGs do not always purchase in line with their own policy 2. All LGs had procurement policies but there is opportunity to improve 3. LGs provided staff with procurement training 4. LGs need better procurement oversight and controls 5. Controls over raising and approving purchase orders could be improved 6. LGs should strengthen processes for checking goods and services when receiving them 7. LGs had weaknesses in their segregation of duties 8. Procurement decisions and conflict of interest considerations need to be better documented 9. Exemptions from seeking quotes are regularly used, but are poorly documented and not always justified 10. Recording of tender processes and conflict of interests could be improved 	<p>Local governments should:</p> <ol style="list-style-type: none"> a. All LGs, including those not sampled in this audit, should review their policies, processes and controls against the focus areas of our audit in Appendix 1. b. Each LG we audited should provide an action plan to address this recommendation, table it with their Council, and make it available on their website, as per the Local Government Act 1995. 	<p>The Shire has a Purchasing-Tendering-and-Buy-Local-Policy. However, the implementation of the policy and adherence requires greater focus.</p> <p>Outcome:</p> <ol style="list-style-type: none"> 1. Policy to be reviewed. 2. Purchasing policy to be included in the Shire Induction. 3. Internal auditing of purchase orders and invoice dates and sign off to be conducted. 4. Utilisation of the Requisition creation in Synergy. 5. Account owners to be set up for oversight and accountability of budget expenditure. <p>Priority: Medium</p> <p>Resources: Internal for the Policy review. Internal Audit services may require external resources to be procured or additional staff resources.</p> <p>Scheduled for 2021/22</p> <p>Investigation of upgrade to Software that ensures Purchasing Policy is adhered to has occurred, consultation with stakeholders required to look at implementation – software is compatible with the Shire’s current ERP SYNERGYSOFT.</p>	ONGOING
16/03/2019	4. Management of Supplier Master Files	<p>Findings:</p> <ol style="list-style-type: none"> 1. Most entities need to improve their policies and procedures. 2. Entities need better controls over creation and amendment of supplier records. 3. Most entities need to improve the management of their supplier master files. 4. Most entities need to formally monitor compliance with their policies on a periodic basis. 5. Conflicts of interest were not declared or effectively managed at 3 entities. 	<p>Entities (including local governments) should:</p> <ol style="list-style-type: none"> a. have policies and procedures that include comprehensive guidance for employees to effectively manage supplier master files. b. ensure that all additions or amendments to supplier master files are subject to a formal independent review to confirm validity and correctness. c. regularly review employees’ access to create or amend supplier master files to prevent any unauthorised access, and ensure adequate segregation of duties between those amending the master files and those approving payments. d. ensure all key information is input at the time of creating a new supplier record 	<p>Basic internal controls are in place surrounding changes to the Supplier master files. These controls have been reviewed as part of the annual audit and include reviews and documentation of changes to the supplier master file.</p> <p>Segregation of duties occur to the degree permitted by staff numbers however declarations of interest are not documented or proactively investigated.</p> <p>No formal or periodic review or audit of the supplier Masterfile data is undertaken by management or staff due to resource levels.</p> <p>Access controls are applied by the Synergy ERP system.</p>	ONGOING

Report Date	Report Title	Key Findings	Recommendations	Comments	Status
			<p>e. apply consistent naming conventions for supplier records, to avoid suppliers being registered under multiple names.</p> <p>f. ensure that documentary evidence is retained for all additions and amendments to supplier master files and there is a record of the reason for amending the supplier record.</p> <p>g. include a requirement for a formal and periodic internal review to identify incomplete, incorrect, duplicate, or redundant supplier records.</p> <p>h. ensure any actual, potential, or perceived conflicts of interest are declared and effectively managed, and that relevant employees are not involved in the procurement from, or management of supplier records in respect of their related suppliers.</p>	<p>Outcome: Internal Policy and procedure review.</p> <p>Priority: Medium</p> <p>Resources: Internal for the Policy and Procedure review. The application of Internal Audit practices and data consistency review would require external resources to be procured or additional staff resources.</p>	
17/04/2019	5. Records Management in Local Government	<p>Findings: Recordkeeping plans are approved but lack supporting policies and procedures.</p> <ol style="list-style-type: none"> 1. Recordkeeping plans are current and approved. 2. Recordkeeping plans are not supported by adequate LG policies and procedures. or <ul style="list-style-type: none"> · Records are often held too long. · Important records are not properly managed. · Some records were missing or difficult to find. · Records were often stored outside records management systems. · Protection of records is mixed. · Physical records were generally well managed. · Digital records recovery could be better. 3. Implementation of recordkeeping plans is poor. 4. More regular and thorough records training is needed. 5. LGs do limited monitoring of staff records management practice. 	<p>All local governments, including those not sampled in this audit, should review their recordkeeping policies and procedures to ensure they adequately support their RKP.</p> <ol style="list-style-type: none"> a. regular and thorough records training b. regular reviews of staff recordkeeping practices c. timely disposal of records d. adequate protection over digital records. 	<p>Outcome: The Shire electronic records programme requires updating. To enable the Shire to adequately meet the OAG recommendations requires:</p> <ol style="list-style-type: none"> 1. New policy and procedures to support the Recordkeeping plan. 2. Upgrade of the SynergySoft Records programme. The new module allows for greater integration with Microsoft products and ease of recording documentation. 3. Training to be conducted for all staff. <p>Priority: High</p> <p>Resources: This is an organisation wide issue which would require dedicated project resources to be advanced. Records management is a fundamental internal control that has resources and additional overhead implications across the organisation. Internal audit resources required and software upgrades and entity wide staff training as well as dedicated project resources.</p>	ONGOING

Report Date	Report Title	Key Findings	Recommendations	Comments	Status
15/06/2019	6. Fraud Prevention in Local Government	<p>Findings:</p> <p>1. Entities have not implemented a coordinated approach to manage their fraud risks.</p> <p>1.1 Entities have not assessed their business for fraud risks.</p> <p>1.2 Entities have not planned how to manage fraud risks.</p> <p>2. Entities could make themselves more fraud resistant if they strengthen their controls.</p> <p>2.1 Entities need to raise staff awareness of fraud risks.</p> <p>2.2 Not all conflicts of interest are captured.</p> <p>2.3 More screening of employees and suppliers would help entities reduce risks.</p> <p>3. Better reporting avenues would help entities detect and respond to fraud.</p> <p>3.1 Entities need to better communicate how staff, suppliers and the public can report suspicious behaviour.</p> <p>3.1.1 Entities should include anonymous reporting options to encourage reporting.</p> <p>3.2 Entities need to better use information they receive about suspected fraud.</p>	<p>Local governments should:</p> <p>1. assess fraud risks across their business.</p> <p>2. develop a Fraud and Corruption Control Plan and review it at least once every 2 years.</p> <p>3. develop and implement a periodic fraud awareness training program for all staff.</p> <p>4. ensure that all conflicts of interest are recorded, assessed and appropriate management plans are in place.</p> <p>5. have policies and procedures in place to verify the identity and integrity of employees and suppliers.</p> <p>6. document clear internal processes and systems to report any potential fraud, that include anonymous reporting.</p> <p>7. collect and analyse information received about potential fraud to identify any trends or emerging issues.</p>	<p>Outcome:</p> <p>1. Fraud and Corruption Control Plan to be created.</p> <p>2. Fraud awareness training to be provided to staff.</p> <p>3. Internal Audit activities to be conducted to ensure policies and procedures are in place and implemented and processes are adhered to.</p> <p>Priority: Low</p> <p>Resources: The development and implementation of a fraud and corruption plan with the supporting policies, procedures and ongoing training would require a dedicated resource in relation to the internal audit and training aspect of the plan and any new procedures. The additional training for all staff would also have an immediate impact on productivity across the organisation.</p>	ONGOING

Report Date	Report Title	Key Findings	Recommendations	Comments	Status
28/06/2019	7. Local Government Building Approvals	<p>Findings:</p> <p>1. LG Entities adequately assess permit application but can improve their processes.</p> <p>1.1 LG entities only issued permits when legislative requirements were met.</p> <p>1.2 Weak controls may lead to inappropriate permit approvals. 1.2.1 Conflicts of interest are not recorded and managed transparently.</p> <p>1.2.2 Inadequate approval controls increase the rise of unauthorised issue of permits.</p> <p>2. Process and systems differ across LG entities which leads to inefficiencies.</p> <p>2.1 Applications are lodged differently.</p> <p>2.1 LG entities assess certified applications with varying rigour, creating uncertainty for applicants.</p> <p>2.1 Two LG entities incorrectly recorded application processing times</p> <p>3. Most permits were issued on time.</p> <p>3.1 LG entities issued permits in required timeframes.</p> <p>3.2 Incomplete and incorrect applications often result in longer approval times.</p> <p>3.3 Reporting of permit information could be improved.</p> <p>4. LG entities do not effectively monitor and enforce compliance with permits.</p> <p>4.1 LG entities carried out limited monitoring and inspections of building work.</p> <p>4.2 LG entities could improve complaints processes to achieve timelier compliance</p>	<p>1. Albany, Gosnells, Joondalup and Mandurah should:</p> <p>a. require written declarations of interest from assessment staff and ensure appropriate mitigation action is taken for any conflicts.</p> <p>b. improve the transparency of their building control activities by providing information about permits, monitoring and enforcement activities, and building related complaints to B&E, community and industry stakeholders.</p> <p>c. develop and implement a risk-based approach to monitor and inspect building works</p> <p>d. improve guidance to staff on how to prioritise and manage building related complaints and enforcement activities to resolve community concerns and non-compliance issues in a timely way.</p> <p>2. Joondalup and Mandurah should limit the authority and delegation to issue permits only to appropriately trained staff who assess and issue permits.</p> <p>3. Albany and Joondalup should only start, pause, and stop the clock in accordance with the requirements of the Act.</p> <p>4. B&E should consult further with LG entities and stakeholders:</p> <p>a. on ways to assist LG entities to implement consistent practices.</p> <p>b. to determine if it will progress or cease development of the centralised e-lodgement and assessment system.</p>	<p>The Executive Manager Operations and the Principal Planner are reviewing the actions suggested and are developing processes and tools to assist with the relevant checks to meet compliance.</p> <p>Outcome: Internal Policy and Procedure review.</p> <p>Priority: High</p> <p>Resources: There is a finite technical resource in the Building and Planning area, which if redirected to achieve the suggested outcomes would have an impact on other service areas including customer service.</p> <p>To achieve increased monitoring and inspection role would require additional technical resources.</p>	ONGOING

Report Date	Report Title	Key Findings	Recommendations	Comments	Status
4/05/2020	<p>8. Local Government Contract Extensions and Variations and Ministerial Notice Not Required</p>	<p>Findings: Policies and procedures need to be enhanced to ensure consistent application by staff</p> <p>Contract registers did not include key information for effective contract oversight</p> <p>Some entities need to improve their assessment of contractors' performance before extending contracts</p> <p>Contract variations were not always adequately explained at 2 entities</p> <p>Delegation levels were not always complied with when extending or varying contracts</p>	<p>1. All local government entities, including those not sampled in this audit, should:</p> <p>a. ensure their policies and procedures include comprehensive guidance to staff on recording of contract information and management of contract extensions and variations, so that better practices are consistently applied across the organisation</p> <p>b. establish specific delegated authorisation limits for the approval of contract extensions and variations</p> <p>c. ensure their contract summaries include all key information relating to contracts. The level of information should be based on their assessment of the significance, number and complexity of their contractual arrangements.</p> <p>d. ensure that records of key decisions are retained in accordance with their recordkeeping plans and are readily available</p> <p>e. improve review processes relating to contract extensions, including timely and documented reviews of contractor performance before exercising contract extension options</p> <p>f. ensure that contract variations are supported by adequate documentation describing the nature and reasons for the variations, including the associated cost, time and scope implications. The cumulative impact of variations on a contract should also be reviewed and an assessment made of whether a separate procurement process should be undertaken</p> <p>g. ensure that all contract extensions and variations are approved in accordance with approved delegations, to ensure that all contracting decisions are subject to appropriate levels of scrutiny.</p> <p>2. Entities should review their policies and procedures against the principles in Appendix 1.</p>	<p>Policies and procedures to be developed. Greater Governance oversight of tender process and contract agreements and extensions is required to achieve the outcomes and expectations the OAG report.</p> <p>Outcome: Internal Policy and Procedure review.</p> <p>Priority: High</p> <p>Resources: There is a finite technical resource in the Building and Planning area, which if redirected to achieve the suggested outcomes would have an impact on other service areas including customer service.</p> <p>To achieve increased monitoring and inspection role would require additional technical resources.</p>	ONGOING

Report Date	Report Title	Key Findings	Recommendations	Comments	Status
25/06/2020	9. Information Systems Audit Report 2020 – Local Government Entities	<p>Findings:</p> <ol style="list-style-type: none"> 1. All of the audited entities had significant gaps in meeting the good practice standard across several control areas (Figure 2). Only 4 entities demonstrated that they were effective, or partially effective in at least 7 of the 14 areas 2. Security policies did not provide direction and support for information security 3. Poor controls risked network and operations security 4. Most entities had business continuity strategies, but few had tested these 5. Poor access management controls resulted in inappropriate access 6. Entities risked not effectively responding to security incidents 7. Information was at risk due to inadequate supplier management controls 8. Physical and environmental security could be improved 9. Information security controls were not considered over the lifecycle of information systems 10. Inadequate human resource security controls could threaten information security 	<p>Locals government entities should:</p> <ol style="list-style-type: none"> 1. understand and assess the risks unique to their business activities and environment to inform their strategy for information security management 2. assess their controls against good practice standards to identify gaps and develop plans to improve information security. Entities can seek further guidance from other good practice standards. For instance, the Australian Cyber Security Centre maintains the Australian Government Information Security Manual: <ul style="list-style-type: none"> 1 to assist entities in protecting their information and systems. The National Institute of Standards and Technology publishes NIST Cybersecurity Framework 2 to help organisations improve the management of cybersecurity risks 3. implement processes to continuously monitor and improve information security controls to ensure they meet entity needs. 	<p>Policies and procedures to be developed. Greater Governance oversight of tender process and contract agreements and extensions is required to achieve the outcomes and expectations the OAG report.</p> <p>Outcome:</p> <ol style="list-style-type: none"> 1. A corporate wide review of IT systems and applications software to establish the gaps and the functionality required to support improvements in productivity. 2. A corporate wide review of IT infrastructure, communications and cabling to establish the gaps in the current setup and how productivity can be improved. 3. Development of a Strategic IT Plan 4. Review of IT practices and procedures 5. Review of IT security practices and systems 6. Review of IT disaster recovery planning and testing regimes. 7. Review of password and access controls and integrate these with HR practices. 8. Implement regular IT security training for all staff with It access. <p>Priority: High</p> <p>Resources: The current internal resource and technical expertise does not cover the scale of skills required to implement the recommended outcomes.</p> <p>External services would be required to undertake the assessment and the planning phase of the outcomes.</p> <p>The findings from the planning and assessment reviews listed in outcomes above would require additional dedicated project resources to implement the major improvements expected to be required.</p> <p>A security access review has been undertaken on Councils main ERP System Synergysoft. An Audit of ITC infrastructure and setup is expected to be completed by February 2022.</p>	ONGOING

Report Date	Report Title	Key Findings	Recommendations	Comments	Status
30/06/2020	10. Regulation of Consumer Food Safety by Local Government Entities	Findings: 1. Nearly 30% of high and medium risk food business inspections were overdue 2. Record management shortcomings have reduced LG entities' ability to effectively regulate food businesses 3. LG entities did not always follow-up food safety issues consistently and enforce compliance	Local government entities should: 1. ensure food business inspections are prioritised and carried out according to their risk classification 2. ensure changes to inspection frequencies are only made based on a documented assessment of compliance history or another urgent requirement. 3. improve recordkeeping for food business inspections and compliance reporting to: a. better understand inspection and compliance history b. identify compliance issues and follow-up activities c. respond to emerging food safety issues 4. develop procedures and staff guidance to ensure non-compliant food businesses are followed up and Standards enforced in a consistent and timely manner 5. work with the Department of Health in the development and implementation of new electronic food safety inspection and recordkeeping systems.	The Shire is also experiencing a backlog of inspections of food premises not dissimilar to the level identified in the OAG report. Automated record keeping systems and alert systems are not in place but have the potential to increase efficiency and improve monitoring. Outcomes: 1. Increased priority for food premises inspections. 2. Improved record keeping systems and data relating to food premises inspections. 3. Improved automated risk-based systems to update inspection frequencies. Priority: High Resources: There is a finite technical capacity to undertake food premises inspections with the current level of internal resources. Any change to the current level of resources applied with have a compensating reduction in other service levels. External resources may be an option by this would depend on the level of technical qualifications available.	ONGOING
20/08/2020	11. Waste Management Service Delivery	Findings: 1. LG entities deliver essential waste collection and drop off services, but few are likely to meet State and community expectations to avoid and recover waste. 2. State and local waste planning and data capture is inadequate. 3. Wider uptake of existing better practice waste management methods could be key to improving waste recovery. 4. The State Government has made good progress since 2016, but LG entities need more support to address local challenges.	The Waste Authority and Department of Water and Environmental Regulation (DWER) should work together to: 1. provide support to LG entities by: a. preparing a State waste infrastructure plan to ensure alignment with the State planning framework b. identifying local Perth, Peel and regional reprocessing facility requirements and markets for recyclable materials, particularly for organic materials c. continuing to develop better practice guidance for LG entities to manage key waste streams and problematic wastes d. engaging with individual Perth, Peel and regional LG entities to help understand, identify and address their local challenges, risks and waste management requirements 2. support LG entities to improve the accuracy of their waste and recycling data in line with the Waste Data Strategy by: a. providing additional training and guidance for LG entities on data collection, reporting and quality control requirements b. developing and implementing appropriate controls to minimise the risk of inaccurate data supplied by contractors 3. provide LG entities with materials that explain the cost and environmental benefits of adopting a 3-bin FOGO system	The Shire will await actions by the Waste Authority and Department of Water and Environmental Regulation (DWER) to support and lead local governments in relations to the finding in the OAG report. Outcome: No action at this stage. Priority: Low Resources: There may be some resourcing implications coming from the actions of the Waste Authority and DWER.	ON-HOLD

Report Date	Report Title	Key Findings	Recommendations	Comments	Status
			<p>4. engage with LG entities to develop consistent and regular statewide messages, education and behaviour change programs for all LG entities and contractors that align with Waste Strategy 2030 targets. Waste Authority response: Recommendations supported DWER response: Recommendations supported LG response: LG entities in our sample supported the recommendations for the Waste Authority and DWER. Full responses from LG entities for each of the recommendations, where provided, are included in Appendix 3 Implementation timeframe: December 2021 The Department of Local Government, Sport and Cultural Industries (DLGSC), Waste Authority and DWER should work together to:</p> <p>5. provide guidance for LG entities to collect and publicly report consistent waste and recovery financial and performance data.</p> <p>DLGSC response: Recommendation supported Waste Authority response: Recommendation supported DWER response: Recommendation supported</p> <p>LG response: LG entities in our sample supported the recommendations for the Waste Authority and DWER. Full responses from LG entities for each of the recommendations, where provided, are included in Appendix 3 Implementation timeframe: progressively through to December 2022 LG entities should:</p> <p>6. provide regular community updates on efforts to recover waste and meet Waste Strategy 2030 targets and seek community feedback where appropriate</p> <p>7. consider preparing waste plans, which demonstrate how the LG will contribute to relevant Waste Strategy 2030 headline strategies. These plans should be publicly available</p> <p>8. include performance measures in contracts with service providers to recover more waste without adding significant costs</p> <p>9. consider preparing waste plans, which demonstrate how the LG will contribute to relevant Waste Strategy 2030 headline strategies. These plans should be publicly available</p> <p>8. include performance measures in contracts with service providers to recover more waste without adding significant costs</p> <p>10. consider providing incentives for the community to minimise waste production. LG response: LG entities in our sample generally agreed with the recommendations and indicated that they were</p>		

Report Date	Report Title	Key Findings	Recommendations	Comments	Status
			preparing waste plans and considering initiatives to improve waste management and help achieve Waste Strategy 2030 targets. Full responses from LG entities for each of the recommendations are included in Appendix 3		
30/06/2019	12. Verifying Employee Identity and Credentials	<p>Findings:</p> <ol style="list-style-type: none"> Only 3 entities had policies for verifying employee identity and credentials. There were many instances where staff identity or eligibility to work in Australia was not checked. Reference checks were not done for more than half the new employees tested. Some entities were not consistently obtaining work with children checks. Entities need to improve how they monitor existing employees for change in their status 	<p>Public sector entities (including local governments) should:</p> <ol style="list-style-type: none"> have approved policies and procedures for verifying employee identity and credentials which cover: <ul style="list-style-type: none"> using a 100-point identity check criminal background checks, based on the risks associated with the position periodic monitoring of existing employees assess the positions which may require a criminal background or working with children check and ensure that these requirements are clearly documented in position description forms for high risk positions, or positions where there is an ongoing requirement to hold a licence or professional qualification, obtain regular declarations from employees that there is no significant change in their circumstances ensure that sufficient documentary evidence is obtained prior to appointment which supports an employee's <ul style="list-style-type: none"> identification and right to work in Australia professional qualifications and memberships criminal background or capacity to work with children (where necessary) perform appropriate referee checks for all potential employees and ensure that all employees' reference checks are retained in their employee or recruitment file develop a procedure for monitoring the expiry dates of licences, certificates or working with children checks so that they can be followed up with the employee close to expiry date perform periodic criminal background checks for positions which require it. 	<p>Policies are to be developed; however, recruitment practices and onboarding are in place to adhere to the OAG requirements.</p> <p>100-point check is conducted Police Clearance is required – however this is a standard clearance across the organisation.</p> <p>There is no periodical monitoring of existing employees' criminal history. Licence and registration of accreditation are captured, and reminders sent when renewed documents are required. Reference checks are undertaken however there is not a current minimum required.</p> <p>Outcome:</p> <ol style="list-style-type: none"> Policies and procedures to be written and implemented. Regular checks of criminal record in high-risk roles to be undertaken. A minimum of 3 referee checks to be undertaken. Internal audit to be conducted at random intervals to ensure compliance. <p>Priority: Low</p> <p>Resources: Internal resources for policy and procedures review. There will be some resourcing implications in relation to any internal audit function.</p>	ONGOING

Report Date	Report Title	Key Findings	Recommendations	Comments	Status
12 May 2021	13 Local Government General Computer Controls				

Under section 7.12A of the Local Government Act 1995, all sampled entities are required to prepare an action plan addressing significant matters relevant to their entity for submission to the Minister for Local Government within 3 months of this report being tabled in Parliament and for publication on the entity's website. This action plan should address the points above, to the extent that they are relevant to their entity, as indicated in this report.



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Dear Mr Rose

**ANNUAL FINANCIAL REPORT
INTERIM AUDIT RESULTS FOR THE YEAR ENDING 30 JUNE 2021**

We have completed the interim audit for the year ending 30 June 2021. We performed this phase of the audit in accordance with our audit plan. The focus of our interim audit was to evaluate the overall control environment, but not for the purpose of expressing an opinion on the effectiveness of internal control, and to obtain an understanding of the key business processes, risks and internal controls relevant to our audit of the annual financial report.

The result of the interim audit was satisfactory. An audit is not designed to identify all internal control deficiencies that may require management attention. It is possible that irregularities and deficiencies may have occurred and not been identified as a result of our audit.

This letter has been provided for the purposes of your local government and may not be suitable for other purposes.

We have forwarded a copy of this letter to the President. A copy will also be forwarded to the Minister for Local Government when we forward our auditor's report on the annual financial report to the Minister on completion of the audit.

Feel free to contact me on 6557 7581 if you would like to discuss these matters further.

Yours faithfully

MAHMOUD SALAHAT
ASSISTANT DIRECTOR
FINANCIAL AUDIT
10 NOVEMBER 2021

Attach