



AUDIT AND RISK MANAGEMENT COMMITTEE MEETING AGENDA

To be 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**

9 April 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 AGENDA

To be held at the Council Chambers
15 April 2021 at 5.00pm

1 DECLARATION OF OPENING

Chairperson – Acknowledgment of Country

The Chairperson to acknowledge 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 along with any guests present.

2 ATTENDANCE

MEMBERS PRESENT

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

GUESTS PRESENT

2.1 APOLOGIES

2.2 APPROVED LEAVE OF ABSENCE

3 ANNOUNCEMENTS FROM CHAIRPERSON

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 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

6 PRESENTATIONS

6.1 DEPUTATIONS

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.

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.

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.

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.

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.

8 CLOSURE

The Chairperson to declare the meeting closed.

**AUDIT AND RISK MANAGEMENT MEETING
JANUARY 2021**

Mr John Bailey

- Q. As the Audit Committee has a delegation(1.1.1), will the meetings be public with question time as per the LG Act?
- A. The Audit Committee is open to the public and any member of the public can attend and ask questions in accordance with the Shire's meeting procedures or provide to the CEO questions in writing before the meeting.
-
- Q. What meeting was the 2018 Review presented to Council?
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 at least once every 2 calendar years. (3) The CEO is to report to the audit committee the results of that review. [Regulation 17 inserted in Gazette 8 Feb 2013 p. 868.]
- A. The Audit Regulation 17 Report by AMD Chartered Accountants for the period ending 2018 was presented to the Audit Committee at its January 2021, meeting and then to the Council at the February 2021, Ordinary Council Meeting.
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- Q. Will the Audit Committee report to council on the results of the review?
- (c) is to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to — (i) report to the council the results of that review; and (ii) give a copy of the CEO's report to the council.
- A. The Audit Committee reviewed the report commissioned by the CEO and the accompanying status update report and made a recommendation to the Council as per the answer above.
-

On the 3rd of December 2020, I put the following question to CEO Rose and Councillors. and received no response!

Re, Audit and risk committee charter.

Page 3 of the report of the Audit and Risk Committee Charter; The committee will ensure openness in the Shire's financial reporting.

- Q. Can anybody explain the rationale of removing the word, Ensure and replacing it with encourage ?
- A. The Committee considered the Draft Charter and requested a wording change from ensure to encourage as they felt the latter wording more appropriate to the Committee's oversight role.

Re, The Office of the Auditor General's Report.

- Q. Item 4 of that report states, During our sample testing of payments made throughout the year, we identified nine out of twenty five (36%) payments sampled where the authorised purchase order was dated after the corresponding supplier invoice. Does this indicate suppliers had a free rein to set their prices?
- A. No, the comment does not indicate that a breakdown in the procurement procedure has occurred that would permit the suppliers to set their own prices.

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT – Audit and Risk Management Committee Update

Item #5-

- 3. Development of a grant register to capture and classify revenue in accordance with AASB 15 and AASB 1058.
- 4. Developed an ongoing

Evidence of a grant register? (No Grants register in Annual Report)

SoDB Response: The OAG, when conducting the 2019-20 Audit, were provided with a copy of the Grants Register detailing the status of grants received and reconciling this to the associated current and non-current liability accounts. The OAG were satisfied that the requirements of the new accounting standards were in place and compliance was achieved. There is no statutory requirement to maintain or publish a Grant Register in any form.



Donnybrook-Balingup - Compliance Audit Return 2020

1	s3.59(2)(a) F&G Regs 7,9,10	Has the local government prepared a business plan for each major trading undertaking that was not exempt in 2020?	N/A		Ben Rose
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Would VC Mitchell met the criteria if leased to a Trading Entity?

SoDB Response: No, a lease to an entity that trades and a trading undertaking under the LG Act are completely different.

3	s7.3(1) & s7.6(3)	Was the person or persons appointed by the local government to be its auditor appointed by an absolute majority decision of council?	N/A	Auditor General	Paul Breman
4	s7.3(3)	Was the person(s) appointed by the local government under s7.3(1) to be its auditor a registered company auditor or an approved auditor?	N/A	Auditor General	Paul Breman

Is the answer to 3. No?

SoDB Response: The OAG was not appointed by the Shire they were appointed by legislation. Some Council are still audited by private Firms, so this is why the questions is still in the CAR. The correct answer is Not Applicable N/A to both rather than Yes or No

Has AMD been our Auditor for more than 7 years?

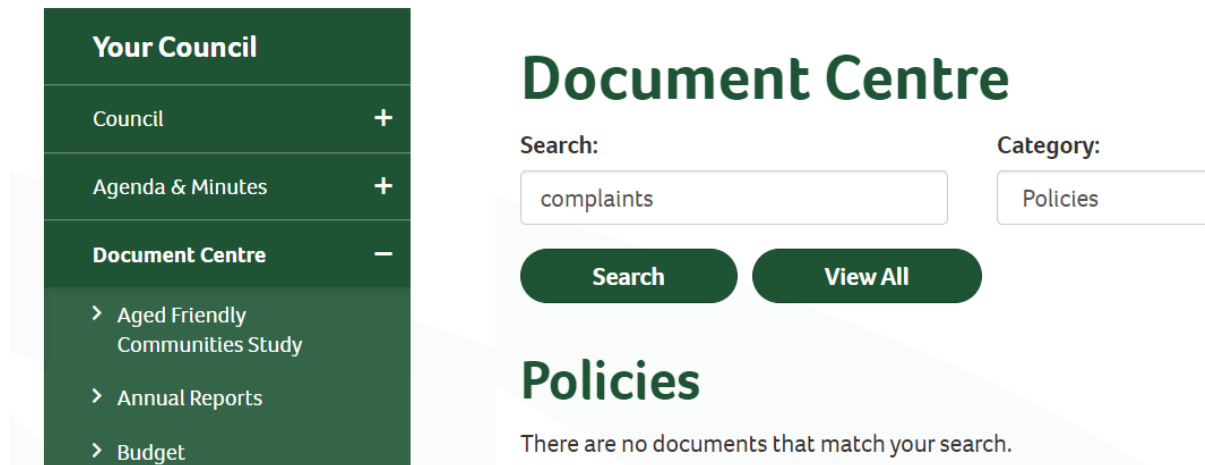
SoDB Response: We are no longer audited by AMD we are audited by the OAG. Who undertakes the onsite work for them is up to the OAG.

10	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives and scope of the audit, a plan for the audit, details of the remuneration and expenses paid to the auditor, and the method to be used by the local government to communicate with the auditor?	N/A	Auditor General	Paul Breman
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Is the answer No?

SoDB Response: See the response above to item 3.

4	s5.121(3)	Has the CEO published an up-to-date version of the register of the complaints on the local government's official website?	Yes	Loren Clifford
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Document Centre

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There are no documents that match your search.

No document found on SoDB website search.

SoDB Response: The complaints register is on the website (and was published during the CAR period) see below:



Your Council

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- Community
- Explore
- Contact

Website Search

Q **Help**

Content Type: Show Only:

- November Council Meeting 2020 - Attachments Ordinary Council Meeting 25 November 2020**
</council-meetings/ordinary-council-meeting/november-council-meeting-2020/270/documents/attachments-ordinary-council-meeting-25-november-2020.pdf>
- Attachments Agenda Briefing 18 November 2020**
</council-meetings/ordinary-council-meeting/november-council-meeting-2020/270/documents/attachments-agenda-briefing-18-november-2020.pdf>
- Complaints Register Minor Breaches**
Complaints Register Minor Breaches » Shire of Donnybrook-Balingup In accordance with Section ...
<https://www.donnybrook-balingup.wa.gov.au/your-council/council/complaints-register-minor-breaches.aspx>

No	Reference	Question	Response	Comments	Respondent
1	Financial Management Reg 5 (2)(c)	Did the CEO review the appropriateness and effectiveness of the local government's financial management systems and procedures in accordance with Financial Management Reg 5(2)(c) within the three years prior to 31 December 2020? If yes, please provide the date of council's resolution to accept the report.	Yes	Report completed but not received by the Council prior to completion of this return.	Paul Breman

Is the answer No?

SoDB Response: A closer reading of the questions will show that the appropriate answer is Yes as the review was undertaken but not put before the Council. It was disclosed in a note that it was not put before the Council. This oversight will be rectified at the April meetings of the Audit Committee and the Council.

2	Audit Reg 17	Did the CEO review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance in accordance with Audit Reg 17 within the three years prior to 31 December 2020? If yes, please provide date of council's resolution to accept the report.	Yes	Received by the Audit and Risk management Committee 29/01/2021	Paul Breman
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Is the answer No?

SoDB Response: A closer reading of the questions will show that the appropriate answer is Yes as the review was undertaken, with a note as to when it was received by the Audit Committee. When the Council received the ARM Committee minutes then the CAR will be updated on the DLG portal with the date.

7	s5.96A(1), (2), (3) & (4)	Did the CEO publish information on the local government's website in accordance with sections 5.96A(1), (2), (3), and (4)?	Yes		Loren Clifford
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- (f) confirmed minutes of council or committee meetings;
- (g) minutes of electors' meetings;
- (h) notice papers and agenda relating to council or committee meetings and reports and other documents that have been —
 - (i) tabled at a council or committee meeting; or
 - (ii) produced by the local government or a committee for presentation at a council or committee meeting and that have been presented at the meeting;

Committee meeting Agendas, Attachments not provided (Committee minutes can be found in OCM Minutes) Some OCM's agendas missing Attachments. No public notice Committee meeting & Agendas.

SoDB response: If any member of the public is aware of meeting documentation not present on the Shire Website that they consider should be, they are encouraged to provide the detail of such to the

CEO for investigation and rectification if required, providing such information is not confidential in nature.

10	s6.4(3)	By 30 September 2020, did the local government submit to its auditor the balanced accounts and annual financial report for the year ending 30 June 2020?	Yes	Approval gained for extension to 30 November 2020, submitted prior to this time.	Paul Breman
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Is the answer No?

SODB Response: There is a requirement to present the annual financial report to the Auditor before 30 September unless an extension is granted. The Shire received and extension of time and provided the accounts to the Auditor within the extended time, thus meeting compliance with the Act. The correct answer is Yes that compliance with S6.4(3) was met and the fact that approval was granted is fully disclosed.

2	F&G Reg 11A(1)	Did the local government comply with its current purchasing policy in relation to the supply of goods or services where the consideration under the contract was, or was expected to be, \$250,000 or less or worth \$250,000 or less?	Yes		Loren Clifford
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Did the Goods Shed kitchen go to Public Tender?

SODB Response: there was no requirement for this to go to Tender.

5.4. Tender Exemptions

Public tenders are not required under the Local Government (Functions and General) Regulations 1996, Regulation 11(2) when:

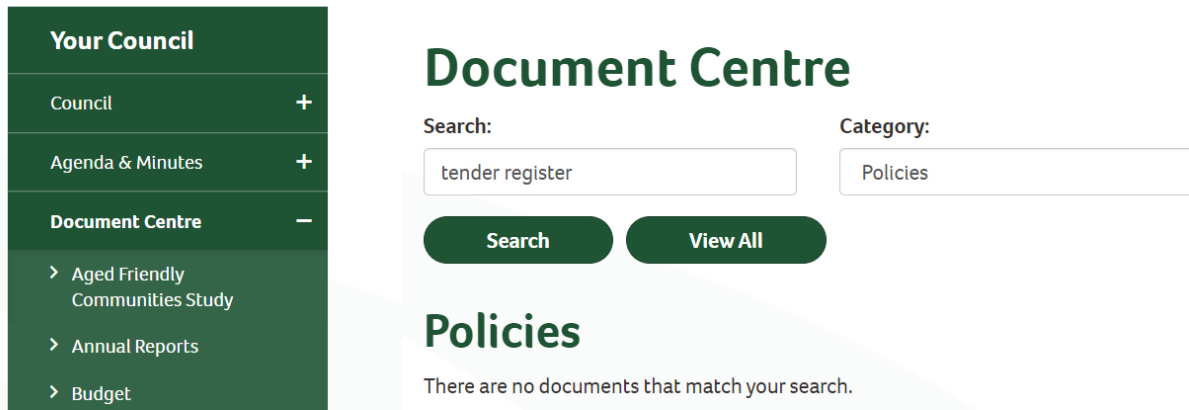
6	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer notice of the variation?	Yes		Loren Clifford
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The Fun Park tender price and date changed?

Was notice given?

SODB Response: The date was extended which was communicated via TenderLink, however the price did not change.

8	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17 and did the CEO make the tenders register available for public inspection and publish it on the local government's official website?	Yes		Loren Clifford
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No document found on SoDB website search.

SoDB Response: Tender information was recorded in the Register however it was not published on the Shire's website. This item was originally recorded as a "Yes" in the report to the Audit and Risk Management Committee however in the time between the Committee's meeting and the Council meeting it was established the Register is not published on the website. The website has a link to current tenders and the tender-link portal which was mistaken for compliance by the Officer undertaking the check. Members of the Audit and Risk Management Committee were advised of this development in relation to the CAR.



AUDIT AND RISK MANAGEMENT COMMITTEE MEETING MINUTES

Held on

Thursday 28 January 2021

Commencing at 4.00pm

Shire of Donnybrook Balingup Council Chambers, Donnybrook

A handwritten signature in black ink, appearing to read 'Ben Rose'.

Ben Rose
Chief Executive Officer

29 January 2021

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SHIRE OF DONNYBROOK BALINGUP
AUDIT AND RISK MANAGEMENT COMMITTEE MINUTES

Held at the Council Chamber
Thursday 28 January 2021 at 4.00pm

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 4.00pm 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
EXTERNAL MEMBERS	GUEST
Mr Ian Telfer – Chairperson Ms Carly Anderson	Cr Brian Piesse – Shire President (Ex-Officio)

2.1 APOLOGIES

Nil.

2.2 APPROVED LEAVE OF ABSENCE

Nil.

3 ANNOUNCEMENTS FROM CHAIRPERSON

Nil.

QUESTIONS RECEIVED PRIOR TO THE MEETING

Mr John Bailey

Good morning Ian, For your information.

As the Audit Committee has a delegation(1.1.1), will the meetings be public with question time as per the LG Act?

What meeting was the 2018 Review presented to Council?

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 at least once every 2 calendar years. (3) The CEO is to report to the audit committee the results of that review. [Regulation 17 inserted in Gazette 8 Feb 2013 p. 868.]

Will the Audit Committee report to council on the results of the review?

(c) is to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to — (i) report to the council the results of that review; and (ii) give a copy of the CEO's report to the council.

On the 3rd of December 2020, I put the following question to CEO Rose and Councillors. and received no response!

Re, Audit and risk committee charter.

Page 3 of the report of the Audit and Risk Committee Charter; The committee will ensure openness in the Shire's financial reporting.

Can anybody explain the rational of removing the word, Ensure and replacing it with encourage ?

Re, The Office of the Auditor General's Report.

Item 4 of that report states, During our sample testing of payments made throughout the year, we identified nine out of twenty five (36%) payments sampled where the authorised purchase order was dated after the corresponding supplier invoice. Does this indicate suppliers had a free rein to set their prices?

Shire Response

Questions noted by the Committee. Chief Executive Officer to co-ordinate advice.

Mr Shane Sercombe

Findings identified during the Interim Audit – Audit and Risk Management Committee Update
Item #5 -

- 3. Development of a grant register to capture and classify revenue in accordance with AASB 15 and AASB 1058.
- 4. Developed an ongoing

Evidence of a grant register? (No Grants register in Annual Report)



Donnybrook-Balingup - Compliance Audit Return 2020

1	s3.59(2)(a) F&G Regs 7,9,10	Has the local government prepared a business plan for each major trading undertaking that was not exempt in 2020?	N/A		Ben Rose
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Would VC Mitchell meet the criteria if leased to a Trading Entity?

3	s7.3(1) & s7.6(3)	Was the person or persons appointed by the local government to be its auditor appointed by an absolute majority decision of council?	N/A	Auditor General	Paul Breman
4	s7.3(3)	Was the person(s) appointed by the local government under s7.3(1) to be its auditor a registered company auditor or an approved auditor?	N/A	Auditor General	Paul Breman

Is the answer to 3. No?

Has AMD been our Auditor for more than 7 years?

10	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives and scope of the audit, a plan for the audit, details of the remuneration and expenses paid to the auditor, and the method to be used by the local government to communicate with the auditor?	N/A	Auditor General	Paul Breman
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Is the answer No?

4	s5.121(3)	Has the CEO published an up-to-date version of the register of the complaints on the local government's official website?	Yes		Loren Clifford
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No	Reference	Question	Response	Comments	Respondent
1	Financial Management Reg 5 (2)(c)	Did the CEO review the appropriateness and effectiveness of the local government's financial management systems and procedures in accordance with Financial Management Reg 5(2)(c) within the three years prior to 31 December 2020? If yes, please provide the date of council's resolution to accept the report.	Yes	Report completed but not received by the Council prior to completion of this return.	Paul Breman

Is the answer No?

2	Audit Reg 17	Did the CEO review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance in accordance with Audit Reg 17 within the three years prior to 31 December 2020? If yes, please provide date of council's resolution to accept the report.	Yes	Received by the Audit and Risk management Committee 29/01/2021	Paul Breman
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Is the answer No?

10	s6.4(3)	By 30 September 2020, did the local government submit to its auditor the balanced accounts and annual financial report for the year ending 30 June 2020?	Yes	Approval gained for extension to 30 November 2020, submitted prior to this time.	Paul Breman
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Is the answer No?

2	F&G Reg 11A(1)	Did the local government comply with its current purchasing policy in relation to the supply of goods or services where the consideration under the contract was, or was expected to be, \$250,000 or less or worth \$250,000 or less?	Yes		Loren Clifford
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Did the Goods Shed kitchen go to Public Tender?

5.4. Tender Exemptions

Public tenders are not required under the Local Government (Functions and General) Regulations 1996, Regulation 11(2) when:

6	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer notice of the variation?	Yes		Loren Clifford
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The Fun Park tender price and date changed?
Was notice given?

Shire Response

Questions noted by the Committee. Chief Executive Officer to co-ordinate advice.

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 CONFIRMATION OF MINUTES

Minutes of the Audit and Risk Management Committee meeting held 15 December 2020 are attached (Attachment 5(1)).

EXECUTIVE RECOMMENDATION

That the Minutes of the Audit and Risk Management Committee meeting held 15 December 2020 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 15 December 2020 be confirmed as a true and correct record.

CARRIED 4/0

6 REPORTS OF OFFICERS

6.1 AUDIT AND RISK MANAGEMENT COMMITTEE MEETINGS 2021

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

Executive Recommendation									
<p>That the Audit and Risk Management Committee:</p> <ol style="list-style-type: none"> Set the following schedule for Audit and Risk Management Committee Meetings in 2021: <table style="margin-left: 40px;"> <tr> <td>Thursday 15 April 2021</td> <td>5pm</td> <td>Council Chambers</td> </tr> <tr> <td>Thursday 15 July 2021</td> <td>5pm</td> <td>Council Chambers</td> </tr> <tr> <td>Thursday 14 October 2021</td> <td>5pm</td> <td>Council Chambers</td> </tr> </table> Acknowledge there may be requirement for additional meetings throughout the year at the discretion of the Presiding member. 	Thursday 15 April 2021	5pm	Council Chambers	Thursday 15 July 2021	5pm	Council Chambers	Thursday 14 October 2021	5pm	Council Chambers
Thursday 15 April 2021	5pm	Council Chambers							
Thursday 15 July 2021	5pm	Council Chambers							
Thursday 14 October 2021	5pm	Council Chambers							

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 2021-22 Draft Budget, Compliance Audit Return, and the Annual Financial Statements.

- Thursday 15 April 2021
- Thursday 15 July 2021
- Thursday 14 October 2021

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

The 28 January 2021 meeting is regarded as the first meeting of the 2021 year. An additional meeting may be called in November or December to review the Auditor's report.

BACKGROUND

Since the creation of the ARMC, meetings have been held as and when required, sometimes with minimal notice for staff to prepare the required reports or for members to be able to attend due to prior commitments.

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 C Anderson

Seconded Cr Wringe

That the Audit and Risk Management Committee:

- 1. Set the following schedule for Audit and Risk Management Committee Meetings in 2021:**

Thursday 15 April 2021	5pm	Council Chambers
Thursday 15 July 2021	5pm	Council Chambers
Thursday 14 October 2021	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 REPORT

Location	Shire of Donnybrook Balingup
Applicant	Shire of Donnybrook Balingup
File Reference	N/A
Author	Maureen Keegan, Manager Executive Services
Responsible Manager	Paul Breman, Executive Manager Corporate and Community
Attachments	6.2(1) – AMD LG (Audit) Regulations 17 Report 6.2(2) – Status LG (Audit) Regulations 17 Findings
Voting Requirements	Simple Majority

Executive Recommendation

That the Audit and Risk Management Committee:

- 1. Receive the attached report from the Chief Executive Officer in accordance with Local Government (Audit) Regulation 17(3).**

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 Local Government (Audit) Regulations 1996 r.17 states the CEO is 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 committee the results of that review - Regulation 17 Review (Review).

The last Review was undertaken by AMD Chartered Accountants in December 2018 and the results released to the Shire in February 2019 (attachment 6.3(1)).

A status report on the identified actions from the Review and their status of resolution is at attachment 6.3(2).

Whilst completing the 2020 Compliance Audit Return questionnaire, the Executive Manager Corporate and Community (EMCC) noticed that there is no record of the 2018 Review being presented to the Audit and Risk Management Committee.

To rectify this oversight in the process, the 2018 Regulation 17 Review and actions status report is presented to the Committee (6.3(1)).

BACKGROUND

The Shire engaged AMD Chartered Accountants in November 2014 and 2016 to conduct external assessments on the appropriateness and effectiveness of the Shire's systems and procedures, in accordance with Regulation 17 of the *Local Government (Audit) Regulations 1996*.

FINANCIAL IMPLICATIONS

Nil.

POLICY COMPLIANCE

Not Applicable.

STATUTORY COMPLIANCE

Local Government (Audit) Regulations 1996 r.17

CONSULTATION

Not Applicable.

OFFICER COMMENT/CONCLUSION

The next Regulation 17 Review is due to be conducted by December 2021. The Audit and Risk Management Committee will be updated with the progress of achieving the recommended changes at future meetings of the Committee.

EXECUTIVE RECOMMENDATION

Moved C Anderson

Seconded Cr Massey

That the Audit and Risk Management Committee:

- 1. Receive the attached report from the Chief Executive Officer in accordance with Local Government (Audit) Regulation 17(3).**

AMENDMENT

Moved Cr Wringe

Seconded Cr Massey

That the Audit and Risk Management Committee:

1. Receive the attached report, *including the updated status report*, from the Chief Executive Officer in accordance with Local Government (Audit) Regulation 17(3).

CARRIED 4/0

COMMITTEE RESOLUTION

Moved C Anderson

Seconded Cr Massey

That the Audit and Risk Management Committee:

1. Receive the attached report, including the updated status report, from the Chief Executive Officer in accordance with Local Government (Audit) Regulation 17(3).

CARRIED 4/0

6.3 LOCAL GOVERNMENT ACT REVIEW AND SHIRE COMMENT

Location	Shire of Donnybrook Balingup
Applicant	Shire of Donnybrook Balingup
File Reference	N/A
Author	Maureen Keegan, Manager Executive Services
Responsible Manager	Paul Breman, Executive Manager Corporate and Community
Attachments	6.3(1) – LG Review Recommendations and Shire Comment
Voting Requirements	Simple Majority

Executive Recommendation
<p>That the Audit and Risk Management Committee:</p> <p style="padding-left: 40px;">1. Receive the information provided in the Local Government Act Review document as attached in 6.3(1).</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

The Committee is requested to receive the LG ACT Review Recommendations and Shire comments as attached (6.3(1)).

The information is provided to the Committee to enable members to keep informed of current events in the Industry and consider the potential impacts of the proposed changes. Some of the recommended changes relate directly to the potential future role and function of the Audit and Risk Management Committee. No action by the Committee is expected in the initial instance as it is uncertain as to what extent these recommendations will be taken up by the State Government.

BACKGROUND

In 2017 the McGowan Government announced a review of the Local Government Act 1995 with the objective to have a new, modern Act that is Agile, Smart and Inclusive, to be undertaken by the Department Local Government, Sport and Cultural Industries.

The review was conducted in 2 stages:

Stage one – priority reforms – those issues that were identified as requiring immediate attention.

Stage two – wide ranging reforms

Extensive community consultation was undertaken on stage two of the review between 2018-2019 and the final report was released in May 2020.

A matrix of the 65 findings in the Final Report was created and where appropriate, brief commentary has been added on the potential impact to the Shire of Donnybrook Balingup in regard to the organisation and the Audit and Risk Management Committee.

FINANCIAL IMPLICATIONS

Nil.

POLICY COMPLIANCE

Not Applicable.

STATUTORY COMPLIANCE

Not Applicable

CONSULTATION

Not Applicable.

OFFICER COMMENT/CONCLUSION

As information becomes available in the future concerning the actions of the State Government, the Audit and Risk Management Committee will be updated.

EXECUTIVE RECOMMENDATION

Moved Cr Wringe

Seconded Cr Massey

That the Audit and Risk Management Committee:

- 1. Receive the information provided in the Local Government Act Review document as attached in 6.3(1).**

AMENDMENT

Moved Cr Wringe

Seconded Cr Massey

That the Audit and Risk Management Committee:

1. Receive the information provided in the Local Government Act Review document as attached in 6.3(1).
2. Request that the Council recognise the potential impacts to the Shire and the Audit and Risk Management Committee if mandated as legislation.
3. Request that Council instruct the CEO to review the LG Act Review recommendations to identify any initiatives that the Council may be able to implement within existing resource capacity.
4. Be kept updated as to the progress of the LG Act review and any legislative changes.

CARRIED 4/0

COMMITTEE RESOLUTION

Moved Cr Wringe

Seconded Cr Massey

That the Audit and Risk Management Committee:

1. Receive the information provided in the Local Government Act Review document as attached in 6.3(1).
2. Request that the Council recognise the potential impacts to the Shire and the Audit and Risk Management Committee if mandated as legislation.
3. Request that Council instruct the CEO to review the LG Act Review recommendations to identify any initiatives that the Council may be able to implement within existing resource capacity.
4. Be kept updated as to the progress of the LG Act review and any legislative changes.

CARRIED 4/0

6.4 OFFICE OF THE AUDITOR GENERAL FINDINGS – SHIRE IMPACT

Location	Shire of Donnybrook Balingup
Applicant	Shire of Donnybrook Balingup
File Reference	N/A
Author	Maureen Keegan, Manager Executive Services
Responsible Manager	Paul Breman, Executive Manager Corporate and Community
Attachments	6.4(1) – OAG Report Findings and Shire Comment
Voting Requirements	Simple Majority

Executive Recommendation

That the Audit and Risk Management Committee:

- 1. Receive the matrix of Shire responses to each of the findings in the Auditor General's General Performance Audit Reports as attached 6.4(1), and**
- 2. Acknowledge the work to be undertaken to align the findings of the individual Office of the Auditor General reports with Shire processes and systems.**

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 Committee is requested to receive the matrix of Shire responses to each of the findings in the Auditor General Performance Audit Reports (OAG) and acknowledge the work to be undertaken to align the findings with Shire processes and systems.

BACKGROUND

At the 12 November 2020 ARMC meeting, the Committee received the Recommendations and Findings from the Office of the Auditor General Performance Audits Reports and recommended to Council that the Chief Executive Officer prepare a matrix with Shire responses to each of the findings.

FINANCIAL IMPLICATIONS

Nil.

POLICY COMPLIANCE

Not Applicable.

STATUTORY COMPLIANCE

Not Applicable.

CONSULTATION

Not Applicable.

OFFICER COMMENT/CONCLUSION

The attached matrix of findings and recommendations published by the Office of Auditor General from their program of performance audits and the status, priority and progress toward achieving these outcomes demonstrates the increased expectation being applied to the development of local government systems and controls.

There is a steady and continual increase in the external review of local government systems and controls that placed considerable pressure on the level of resource required to meet these expectations.

EXECUTIVE RECOMMENDATION

Moved C Anderson

Seconded Cr Wringe

That the Audit and Risk Management Committee:

- 1. Receive the matrix of Shire responses to each of the findings in the Auditor General's General Performance Audit Reports as attached 6.4(1), and**
- 2. Acknowledge the work to be undertaken to align the findings of the individual Office of the Auditor General reports with Shire processes and systems.**

AMENDMENT

Moved Cr Massey

Seconded Cr Wringe

That the Audit and Risk Management Committee:

- 1. Receive the matrix of Shire responses to each of the findings in the Auditor General's General Performance Audit Reports as attached 6.4(1), and**

2. Acknowledge the work to be undertaken to align the findings of the individual Office of the Auditor General reports with Shire processes and systems.
3. **Request that Council consider the risk management implications associated with the findings and recommendations of the OAG Performance Audits and the Shire Executive's Comments in the attachment.**

CARRIED 4/0

COMMITTEE RESOLUTION

Moved Cr Massey

Seconded Cr Wringe

That the Audit and Risk Management Committee:

1. Receive the matrix of Shire responses to each of the findings in the Auditor General's General Performance Audit Reports as attached 6.4(1), and
2. Acknowledge the work to be undertaken to align the findings of the individual Office of the Auditor General reports with Shire processes and systems.
3. Request that Council consider the risk management implications associated with the findings and recommendations of the OAG Performance Audits and the Shire Executive's Comments in the attachment.

CARRIED 4/0

6.5 INTERNAL AUDIT FUNCTION

Location	Shire of Donnybrook Balingup
Applicant	Shire of Donnybrook Balingup
File Reference	N/A
Author	Maureen Keegan, Manager Executive Services
Responsible Manager	Paul Breman, Executive Manager Corporate and Community
Attachments	6.5(1) – Interim Audit Findings update
Voting Requirements	Simple Majority

Executive Recommendation
<p>That the Audit and Risk Management Committee recommends:</p> <p>1. Council include for consideration in the 2021-2022 Shire of Donnybrook Balingup Draft Budget an amount of up to \$45,000 toward the establishment of an internal audit function.</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 Committee recommend to the Council that the Chief Executive Officer prepare a report on the resourcing implications of establishing an internal audit function for presentation to the Committee.

There is no budget allocation in the Shire’s current 2020-21 Budget for a dedicated internal audit function and the recommendation is for the Council to consider such an allocation in the 2021-2022 Draft Budget.

BACKGROUND

Council at the 25 November 2020 ordinary meeting resolved (Resolution 166/20):

- 3. Request the Chief Executive Officer to prepare an item for consideration by the Audit and Risk Management Committee prior to the February 2021 Ordinary Council Meeting, to engage a suitably qualified person/organisation to undertake an Internal Audit function for the Shire of Donnybrook Balingup. The item is to identify an estimate of the employment/contract term***

and the indicative costs to allow Council to consider options for funding this function.

The Audit and Risk Management Committee Charter includes provision of the Shire undertaking internal audit functions which support the Committee objectives:

1. Accept responsibility for the annual external audit and liaise with the Shire's auditor so that Council can be satisfied with the performance of the Shire in managing its financial affairs.
2. Oversee the development, implementation and review of the Shire's risk management framework and monitor ongoing risk management practices across the organisation including the consideration of identified significant risks and the associated risk mitigation measures.

The Department of Local Government Sporting and Cultural Industries (DLGCSI) refer to internal auditing as an "independent, objective assurance and consulting activity designed to add value and improve an organisation's operations by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

There are two resourcing options for the establishment of a dedicated internal audit function being:

1. Resource the role through the recruitment of a skilled person (reporting directly to the Chief Executive Officer) who can undertake the function; or
2. Engage a qualified and experienced Internal Audit firm to conduct an audit program approved by the ARMC.

The internal audit function could include:

- a) Conduct a review of the internal control structure, monitoring the operations of the information systems and internal controls and providing recommendations for improvements;
- b) Risk management and review the Shire Risk Management Framework;
- c) Examination of financial operating information that includes detailed testing of transactions, balances, and procedures;
- d) Review the efficiency and effectiveness of operations and services including non-financial controls of a local government;
- e) Review of compliance with management policies and directives and any other internal requirements;
- f) Review of the annual Compliance Audit Return;
- g) Assist in the CEO's review of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance; and
- h) Specific tasks request

The internal auditor cannot be the same auditor as the external auditor but will provide information to the external auditors.

FINANCIAL IMPLICATIONS

Nil.

POLICY COMPLIANCE

Not Applicable.

STATUTORY COMPLIANCE

Not Applicable.

CONSULTATION

Not Applicable.

OFFICER COMMENT/CONCLUSION

Incorporating an internal audit component will contribute to good governance and has the capacity to add to improved compliance, productivity and efficiency over the longer term.

In relation to the resourcing options available to the Shire to establish an internal audit function, it may recruit for an internal position or procure the services of an experienced and qualified provider.

To successfully recruit an internal audit position will depend on the availability of a local resource with the experience, qualification and independence necessary to undertake the role. The cost of maintaining such a position would depend on the position description, and the scope of the duties, however an indicative resource allocation would be between 1 to 2 days a week. The upper resources requirement of 2 days a week would include a degree of duties around the risk management function. The cost range of 1 to 2 days per week is in the order of \$24,000 to \$48,000 per annum.

To successfully procure an internal audit function from an experienced and qualified provider would be in the order of \$30,000 to \$40,000 which would secure approximately 120 to 165 hours of service. This level of external cost has been estimated by the Executive Manager of Corporate and Community based on experience.

COMMITTEE RESOLUTION

Moved C Anderson

Seconded Cr Wringe

That the Audit and Risk Management Committee recommends:

- 1. Council include for consideration in the 2021-2022 Shire of Donnybrook Balingup Draft Budget an amount of up to \$45,000 toward the establishment of an internal audit function.**

CARRIED 4/0

6.6 COMPLIANCE AUDIT RETURN 2020

Location	Shire of Donnybrook Balingup
Applicant	Shire of Donnybrook Balingup
File Reference	N/A
Author	Maureen Keegan, Manager Executive Services
Responsible Manager	Paul Breman, Executive Manager Corporate and Community
Attachments	6.6(1) 2020 Compliance Audit Return
Voting Requirements	Simple Majority

Executive Recommendation
<p>That the Audit and Risk Management Committee recommends to Council that:</p> <p>1. The 2020 Compliance Audit Return for the Shire of Donnybrook Balingup for the period 1 January 2020 to 31 December 2020 be adopted.</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

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 contains a positive compliance response (or not applicable) for 97% of the 99 compliance items with a non-compliance response for 1 item 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

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

BACKGROUND

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 is to be 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 report the results of that review to Council for adoption.

A printed copy of the CAR and a copy of minute of the Audit Committee is to be presented to the Council at the next Ordinary Council Meeting for consideration. The minute and recommendation from the Audit and Risk Management Committee to the Council is considered to constitute the report referred to in the legislation.

Following presentation to 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, and any additional information, is to be submitted on-line to the Department of Local Government, Sport and Cultural Industries by 31 March 2021.

CONSULTATION

Not Applicable.

OFFICER COMMENT/CONCLUSION

The 2020 CAR contains 99 questions grouped in relation to various compliance areas. The result of the 2020 CAR was a positive compliance response or not applicable response to 96 (97%) of those requirements and three negative responses as set out below:

- **Did the local government prepare and adopt by absolute majority a policy dealing with the attendance of council members and the CEO at events?**
A full policy review was scheduled for March 2020 but due to the COVID Pandemic this was delayed and will be presented to Council in March 2021.
- **Did the CEO publish an up-to-date version of the attendance at events policy on the local government's official website?**
As above
- **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
A Financial Management System reviews was conducted by AMD Chartered Accountants in December 2018. The report will be presented to the Council at the next opportunity.

The above compliance items are recognised by staff as requiring attention and resources have already been applied to clear these items as soon as possible.

EXECUTIVE RECOMMENDATION

Moved Cr Massey

Seconded C Anderson

That the Audit and Risk Management Committee recommends to Council that:

1. **The 2020 Compliance Audit Return for the Shire of Donnybrook Balingup for the period 1 January 2020 to 31 December 2020 be adopted.**

AMENDMENT

Moved Cr Wringe

Seconded C Anderson

That the Audit and Risk Management Committee recommends to Council that:

1. The 2020 Compliance Audit Return for the Shire of Donnybrook Balingup for the period 1 January 2020 to 31 December 2020 be adopted.
2. The CEO prepare a report identifying the actions to be taken to achieve compliance with the items identified within the 2020 Compliance Audit Return and be presented to the next Audit and Risk Management Committee Meeting.

CARRIED 4/0

COMMITTEE RESOLUTION

Moved Cr Wringe

Seconded C Anderson

That the Audit and Risk Management Committee recommends to Council that:

1. The 2020 Compliance Audit Return for the Shire of Donnybrook Balingup for the period 1 January 2020 to 31 December 2020 be adopted.
2. The CEO prepare a report identifying the actions to be taken to achieve compliance with the items identified within the 2020 Compliance Audit Return and be presented to the next Audit and Risk Management Committee Meeting.

CARRIED 4/0

7 CLOSURE

The Chairperson declared the meeting closed at 6.07pm.

Item		Response	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)	Presentation to the April meeting of the ARM Committee. See separate item in this agenda/minutes	ONGOING
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	Policy development has yet to commence due to competing priorities	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)	Requires conversion of printed material to electronic form for publication on the Shire website.	ONGOING

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	ONGOING
2.2.2	Lease Management			
	No formal procedure in place to monitor lessee compliance with terms of Council leased properties. Lease register is not up to date, and our sample testing identified leases which were not current at the date of our review.	Moderate	Commercial Lease developed and endorsed by Council December 2020.	COMPLETED
				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 July 2021	ONGOING
2.2.4	Outdated Emergency and Evacuation Plans and Policies			
	Numerous Local Emergency Management plans and policies require review and updating.	Minor	To be reviewed	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 March 2021 to the OCM of Council	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	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
Internal Controls				
3.2.1	Procurement and Contract Management			

Ref	Issue	Risk Rating	Update	Status
	Currently no formal contract management framework in place resulting in an inconsistent approach implemented by those responsible for contract management.	Significant	A framework will be developed	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	A review of IT is required and will require dedicated project funding.	ONGOING
3.2.4	Post Tender Review Formal post tender reviews do not appear to be completed.	Moderate	To be addressed as part of the a procurement policy review.	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 grant 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 The Shire does not have a signature specimen in place.	Minor	No specimen signature register is in place. This will be developed in the future.	ONGOING
Legislative Compliance				
4.2.2	Audit Committee Meetings are not held quarterly as recommended by Local Government operational guideline best practice.	Moderate	Meetings are 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 EMCC as part of 2021-22 Budget. Item to the ARM Committee for a draft allocation in the 2021-122 Budget.	COMPLETED

Report Date	Report Title	Key Findings	Recommendations	Comments	Status
12/06/2018	1. Timely Payment to Suppliers	<p>Findings:</p> <p>1. Only 3 local governments had policies and procedures that addressed timely payment of suppliers.</p> <p>2. For 13% of payments there was no valid reason why payments were later than supplier requirements or management policy/procedures.</p>	<p>Local governments should:</p> <p>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)</p> <p>2. ensure they improve administrative processes so that all payments are made in accordance with their policies and procedures.</p> <p>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.</p>	<p>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.</p> <p>Outcome: A management policy be drafted and presented to the Audit and Risk Management Committee for their information.</p> <p>Priority: Low</p> <p>Resources: Internal</p>	ONGOING
7/05/2018	2. Controls Over Corporate Credit Cards	<p>Findings:</p> <p>1. Overall policies and administrative systems for managing corporate credit cards were appropriate.</p> <p>2. Suitable controls were generally in place for managing credit card use, however most local governments had opportunities for improvement.</p> <p>3. While local governments were reviewing credit card usage, there was inconsistent reporting to Council.</p>	<p>Local governments should:</p> <p>a. ensure policies specify requirements for all key credit card processes</p> <p>b. keep adequate records of all card transactions, including information that describes the nature/purpose of the expenditure and evidence of review and approval</p> <p>c. cancel redundant cards in a timely manner to avoid loss and/or misuse of cards</p> <p>d. regularly monitor outstanding transactions to identify and follow up on long outstanding un-acquitted transactions</p> <p>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.</p>	<p>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.</p> <p>Outcome: The existing policy is revised to include the Executive Managers Corporate and Community and Operations.</p> <p>Priority: Medium</p> <p>Resources: Internal</p>	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>	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	8. Local Government Contract Extensions and Variations and Ministerial Notice Not Required	<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: <ol 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>	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 	<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
			<p>7. perform periodic criminal background checks for positions which require it.</p> <p>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.</p>		



Shire of Donnybrook-Balingup Financial Management System Review December 2018



12 February 2019

Ben Rose
Chief Executive Officer
Shire of Donnybrook-Balingup
PO Box 94
DONNYBROOK WA 6239

Dear Ben

2018 FINANCIAL MANAGEMENT SYSTEMS REVIEW

We are pleased to present the findings and recommendations resulting from the Shire of Donnybrook-Balingup ("the Shire") 2018 Financial Management System Review.

The primary objective of our Financial Management System Review was to assess the adequacy and effectiveness of systems and controls in place within the Shire of Donnybrook-Balingup; in accordance with Section 2.4 and 2.5 of our proposal dated 30 October 2018.

We recommend this report be read in conjunction with the 2018 Regulation 17 Review Report prepared by AMD in February 2019 and the 30 June 2018 audit management letter prepared by AMD. Matters raised in these reports have not been raised again within this report.

Should there be matters outlined in our report requiring clarification or any other matters relating to our review, please do not hesitate to contact Rannon Salmon or myself.

Yours sincerely
AMD Chartered Accountants

MARIA CAVALLO CA
Director

Australian Institute of Internal Auditors No: 753 834

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Inherent limitations

Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that have been subject to review, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to its effectiveness of the greater internal control structure. This review is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed on the control procedures are on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, the Shire of Donnybrook-Balingup management and personnel. We have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted with the report. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed with Shire of Donnybrook-Balingup. The review findings expressed in this report have been formed on the above basis.

Third party reliance

This report was prepared solely for the purpose set out in this report and for the internal use of the management of Shire of Donnybrook-Balingup. This report is solely for the purpose set out in the 'Scope and Approach' of this report and for Shire of Donnybrook-Balingup's information, and is not to be used for any other purpose or distributed to any other party without AMD's prior written consent. This review report has been prepared at the request of the Shire of Donnybrook-Balingup's Chief Executive Officer in connection with our engagement to perform the review as detailed in AMD's Services Proposal dated 30 October 2018. Other than our responsibility to the Council and management of Shire of Donnybrook-Balingup, neither AMD nor any member or employee of AMD undertakes responsibility arising in any way from reliance placed by a third party, including but not limited to the Shire of Donnybrook-Balingup external auditor, on this report. Any reliance placed is that party's sole responsibility.

Executive Summary

Approach and Objectives

The primary objective of our Financial Management System Review was to assess the adequacy and effectiveness of systems and controls in place within the Shire of Donnybrook-Balingup; in accordance with Section 2.4 and 2.5 of our Proposal dated 30 October 2018.

The responsibility of determining the adequacy of the procedures undertaken by us is that of the Chief Executive Officer ("CEO"). The procedures were performed solely to assist the CEO in satisfying his duty under Section 6.10 of the Local Government Act 1995 and Regulation 5(1) of the Local Government (Financial Management) Regulations 1996.

Our findings included within this report are based on the site-work completed by us during the week commencing 10 of December 2018. Findings are based on information provided and available to us following our requests made during and subsequent to this site visit.

Summary of Findings

The procedures performed and our findings on each of the focus areas are detailed in the following sections of the report:

- Section 1 - Collection of money;
- Section 2 - Custody and security of money;
- Section 3 - Maintenance and security of the financial records;
- Section 4 - Accounting for municipal or trust transactions;
- Section 5 - Authorisation for incurring liabilities and making payments;
- Section 6 - Maintenance of payroll, stock control and costing records; and
- Section 7 - Preparation of budgets, budget reviews, accounts and reports required by the Act or the regulations.

In addition to the review of processes, procedures and testing completed at the Shire of Donnybrook-Balingup office, our FMSR included on site visits to the following locations:

- Tuia Lodge;
- Donnybrook Transit Park;
- Balingup Refuse Site;
- Donnybrook Refuse Site;
- Donnybrook Recreation Centre;
- Donnybrook Community Centre (Library);
- Balingup Library;
- Balingup Transit Park;
- Balingup Depot; and
- Donnybrook Depot.

The following tables provide a summary of the findings raised in this report:

	Significant Risk	Moderate Risk	Minor Risk
Number of issues reported	1	6	2

For details on the review rating criteria, please refer to Section 8.

Ref	Issue	Risk Rating
1. Collection of money		
	We have no findings to raise in respect to the collection of money held by the local government.	
2. Custody and security of money		
Refuse Sites Security		
2.2.1	Cash takings are taken home by the transfer station manager overnight. Daily reconciliations of cash received compared to cash receipts issued is not completed. Banking is not completed promptly.	Moderate
3. Maintenance and security of financial records		
Key Register		
3.2.1	Key register for Shire has not been updated since 15 August 2016.	Moderate
4. Accounting for municipal or trust transactions		
End of Month Reconciliations		
4.2.1	Key account reconciliations not completed and independently reviewed in a timely manner.	Significant
Bank Reconciliations		
4.2.2	Year end transfers to the reserve accounts from the municipal account were not completed in a timely manner. 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.	Moderate
Late Lodgement of BAS		
4.2.3	The August 2018 BAS was not lodged and paid in accordance with ATO's due date.	Moderate
5. Authorisation for incurring liabilities and making payments		
Fixed Asset Register		
5.2.1	The fixed asset register had not been updated since 30 June 2018.	Moderate
6. Maintenance of payroll, stock control and costing records		
Balingup Depot Security		
6.2.1	We identified a number of matters for enhancement and improvement in respect to access to the Balingup depot.	Moderate
Payroll/HR		
6.2.2	We identified enhancements in respect to payroll and human resource procedures for consideration.	Minor
Costing Records		
6.2.3	We note there was an over allocation of PWO for the period ended 31 October 2018. There is no documented methodologies or policies/procedures in place in respect of overhead allocations.	Minor
7. Preparation of budgets, budget reviews, accounts and reports required by the Act or the Regulations		
	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.	

1. Collection of money

1.1. Scope and approach

In accordance with the scope set out in our Financial Management Systems Review proposal, our review focused on the following:

- Documented internal controls, procedures and reconciliations in relation to all sources of income;
- Counted petty cash and float on hand ensuring materially correct;
- Reviewed fees and charges schedule and ensure adequate internal controls in place over invoicing and receipting;
- Tested collection, receipting, invoicing and posting procedures over receipts on a sample basis; and
- Reviewed credit control procedures in respect to sundry debtors and rates debtors.

1.2. Detailed findings and recommendations

Our review indicated key underlying policies and processes in relation to the proper collection of money owing to the Local Government are appropriate, in line with best practice and operating effectively.

Accordingly, we have no recommendations to raise in respect to the collection of money by the Local Government.

2. Custody and security of money

2.1. Scope and approach

In accordance with the scope set out in our Financial Management Systems Review proposal, our review focused on the following:

- Completed site visits to cash collection points and reviewed the controls and procedures over the collection, receipting, recording and banking of cash collected offsite; and
- Reviewed the security of cash and banking procedures to ensure appropriate controls and procedures are in place.

2.2. Detailed findings and recommendations

2.2.1. Refuse Sites Security

Finding Rating: Moderate

We noted the following in respect to the Balingup and Donnybrook refuse sites:

- Cash takings are taken home by the Transfer Station manager each night;
- Daily reconciliation of cash received compared to cash receipts issued is not completed; and
- Banking is not completed promptly, cash proceeds collected are forwarded to the Shire office at the end of each month.

Implication

Increased risk of fraud or error.

Recommendation

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.

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.

Management Comment

An onsite safe to be installed at both Transfer Stations. Cash management procedures as detailed in the above recommendation will be implemented.

Responsible Officer: Manager Development and Environmental Services/Accountant

Completion Date: 31 May 2019

3. Maintenance and security of the financial records

3.1. Scope and approach

In accordance with the scope set out in our Financial Management Systems Review proposal, our review focused on the following:

- Reviewed information technology systems to assess physical security, access security, data backups, contingency plans, compliance and systems development; and
- Reviewed registers maintained (including key register, tender register etc.) and Audit Committee and Council minutes.

3.2. Detailed findings and recommendations

3.2.1. Key Register

Finding Rating: Moderate

We note the key register for the Shire has not been updated since 15 August 2016.

Implication / Risks

Risk of incomplete key register.

Recommendation

We recommend the key register be maintained and updated as required to ensure all keys are accounted for and the key register is current.

Management Comment

Key register to be updated to reflect the current status of the Shire's keys.

New staff member soon to commence at the Shire will be assigned this task.

Responsible Officer: Manager – Works and Services

Completion Date: 30 September 2019

4. Accounting for municipal or trust transactions

4.1. Scope and approach

In accordance with the scope set out in our Financial Management Systems Review proposal, our review focused on the following:

- Reviewed all monthly reconciliations including bank, sundry debtors, sundry creditors, fixed assets, rates debtors and rateable value reconciliations ensuring correctly reconciled and independently reviewed;
- Reviewed and tested most recent municipal and trust bank reconciliations prepared;
- Reviewed processes in respect to BAS, FBT Return and other statutory returns preparation;
- Reviewed use of reserve funds and determined whether changes in reserve purposes had been budgeted or public notice provided;
- Reviewed self-supporting loan transactions ensuring debtor invoices raised in accordance with payment schedule;
- Reviewed trust ledger balances; and
- Reviewed policies and procedures in respect to insurance, recording claims and insuring newly acquired assets.

4.2. Detailed findings and recommendations

4.2.1. End of Month Reconciliations

Finding Rating: Significant

We noted the following in respect to end of month reconciliations we reviewed:

- Rates debtors had not been reconciled in a timely manner during the 2018/2019 financial year to date. We note the months of September, October and November 2018 were reconciled during our onsite visit completed in December 2018;
- Wages and salaries reconciliations for the month of June and October 2018 were not signed by the payroll officer as evidence of preparation or signed by the manager of finance as evidence of independent review;
- The fixed assets register had not been reconciled for the months July to October 2018; and
- The monthly management finance review checklist for the month of October 2018 had not been signed by the Manager of Finance as evidence of review at the time of our onsite visit.

Implications / Risks

- Risk of material misstatement or omission within accounting records.
- Lack of independent review.

Recommendation

We recommend the following:

- 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

- The monthly management finance review checklist be signed as evidence of independent review in a timely manner post the end of each month.

Management Comment

Key account reconciliations will be reconciled in a timely manner as part of the end-of-month financial reporting process. Account reconciliations will be signed by an appropriate person whom is independent of the reconciliation process.

As part of the monthly financial management reporting process the monthly management finance review checklist will be signed as evidence of independent review in a timely manner post the end of each month.

Responsible Officer: Manager – Corporate Services Completion Date: 31 March 2019

4.2.2. Bank Reconciliations

Finding Rating: Moderate

The bank reconciliation for the municipal and reserve accounts for the month ended October 2018 continued to include two 30 June 2018 bank transfers between accounts which have not been transferred in a timely manner. These include:

Transaction Date per Ledger	Description	Amount (\$)	Date of transfer
30 June 2018	Transfer fund to Roadworks reserve	149,840.55	30 November 2018
30 June 2018	Transfer funds from employee reserve	15,208.18	3 December 2018

The outstanding cheque listing at 31 October 2018 for the trust Account includes cheques greater than 15 months old. These include:

Date	Description	Cheque Number	Amount (\$)
23 October 2015	H Gamble	3308	100.00
29 June 2016	B McArthur	3392	780.00

We noted a number of bank reconciliations were not reviewed in a timely manner. These include:

Reconciliation date	Municipal review date	Trust review date
31 July 2018	18 October 2018	18 October 2018
30 September 2018	22 November 2018	22 November 2018

We also noted the bank reconciliations for the months of August and October 2018 had not yet been reviewed at the time of our onsite visit.

Implications / Risks

- Bank reconciliations continue to carry forward outstanding items; and
- Risk that error or fraud may not be detected in a timely manner.

Recommendation

We recommend the following:

- End of year transfers be completed in a timely manner following month end;

- Cheques outstanding for more than 15 months should be investigated with appropriate action taken accordingly including cancelling and reissuing the cheque if required; and
- Bank reconciliations are a key control and should be reviewed in a timely manner following month end by someone independent of the reconciliation function.

Management Comment

As part of the end-of-year financial process transfers be completed in a timely manner following month end.

Once cheques become 15 months old the appropriate action will be taken to resolve the cheques outstanding status.

As part of the end-of-month finance management review bank reconciliations will be reviewed in a timely manner following month end by someone independent of the reconciliation function.

Responsible Officer: Manager – Corporate Services Completion Date: 30 June 2019

4.2.3. Late Lodgement of BAS***Finding Rating: Moderate***

We note the Business Activity Statement ('BAS') for the month of August 2018 was lodged and paid on 26 September 2018 and not by the Australian Taxation Office ("ATO") required lodgement/payment date being 21 September 2018.

Implications / Risks

Risk of non-compliance with statutory requirements which could result in penalties.

Recommendation

We recommend all BAS's be prepared, lodged and paid by the specified dates as required by the ATO.

Management Comment

A monthly financial reporting timetable is being developed to record important dates for monthly and end-of-year financial reporting. The timetable will allow BAS to be lodged and paid on the required dates.

Responsible Officer: Accountant Completion Date: 31 March 2019

5. Authorisation for incurring liabilities and making payments

5.1. Scope and approach

In accordance with the scope set out in our Financial Management Systems Review proposal, our review focused on the following:

- Reviewed controls and procedures over the authorisation of purchase orders and making of payments;
- Tested a sample of payments to ensure compliance with stated procedures;
- Reviewed tender procedures and ensured compliance with stated procedures;
- Reviewed credit card processes and procedures, and tested transactions on a sample basis;
- Reviewed petty cash processes and procedures, and tested transactions on a sample basis;
- Completed sample tests in respect to asset additions and asset disposals;
- Reviewed asset capitalisation and depreciation policies and ensured compliance with stated policies; and
- Reviewed new loans received ensuring budgeted for or public notice provided.

5.2. Detailed findings and recommendations

5.2.1. Fixed Asset Register

Finding Rating: Moderate

At the time of our onsite review, Council's fixed asset register had not been updated since 30 June 2018 (as noted in 4.2.1). As a result, asset additions, disposals and depreciation had not been recorded, resulting in an inability for us to test and review these key internal controls, during our onsite review.

Implications / Risks

Risk of misstatement of asset written down values and depreciation expense.

Recommendation

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.

Management Comment

The fixed asset register will be part of a monthly financial reporting review. This monthly financial management review will identify all required monthly reconciliations that need to be completed in a timely manner.

Responsible Officer: Accountant **Completion Date:** 30 April 2019

6. Maintenance of payroll, stock control and costing records

6.1. Scope and approach

In accordance with the scope set out in our Financial Management Systems Review proposal, our review focused on the following:

- Completed a site visit to the Donnybrook and Balingup depots and reviewed security over stocks held and allocation/ costings of stocks used (including fuel and inventory stocks);
- Reviewed allocation of public works overheads, plant operating costs and administration overheads;
- Reviewed payroll controls and procedures to ensure effective controls are in place, and complete tests on a sample basis to ensure controls were operating effectively;
- Reviewed procedures and policies in place in respect of human resource management legislative and compliance requirements, recruitment, performance appraisal, disciplinary and termination procedures and leave entitlements;
- Reviewed listing of leave taken by employees ensuring authorised leave forms completed; and
- Reviewed annual leave balances and identified employees with excessive annual leave balances.

6.2. Detailed findings and recommendations

6.2.1. Balingup Depot Security

Finding Rating: Moderate

We note the Balingup depot site was not locked at the time of our onsite visit, and no staff were present at the time of our arrival (however the depot office was locked). Our observations and enquiries also indicated that the yard and fuel shed remain unlocked and on occasions are unattended when fuel deliveries are made.

Implication

Risk of unauthorised access and misappropriation of Council assets.

Recommendation

We recommend security and access to Council property at the Balingup depot be reviewed.

Management Comment

Security and access to Council property at the Balingup depot be reviewed. Any security upgrades required will be implemented.

Responsible Officer: Manager – Works & Services

Completion Date: 28 February 2019

6.2.2. Payroll/HR

Finding Rating: Minor

We noted the following in respect to payroll/human resources:

- The CEO's leave forms are not subject to independent authorisation; and
- An employee complaints register is not currently maintained.

Implications / Risks

- Risk of unauthorised leave taken; and
- Risk of incomplete records in respect of employee complaints.

Recommendation

We recommend the following:

- CEO leave forms be subject to independent authorisation and approval; and
- An employee complaints register be developed and maintained.

Management Comment

The CEO will request leave emailing to the Shire President. The Shire President will authorise the CEO' leave request via a return confirmation email. The Shire Presidents confirmation email will then be attached to an 'Application for Leave Form' and then forwarded to Human Resource for processing.

Internal/employee complaints are centrally coordinated by the Human Resource department (this process involves line managers).

Internal/employee complaints are recorded by records in PSN 31 files.

In addition to the centralised management of complaints an Employee Complaints Register will be developed and maintained.

Responsible Officer: Human Resource - Coordinator Completion: 15 April 2019

6.2.3. Costing Records

Finding Rating: Minor

We note there was a 27% over allocation of public works overheads for the period ended 31 October 2018. Discussions with management also indicated there is no documented policy/procedure or methodology in place in respect of how administration and public works overheads are allocated and how plant operating costs are calculated.

Implications/Risks

Risk that public works overheads rates are inaccurate.

Recommendation

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.

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.

Management Comment

The methodology used for public works overhead and administration allocations to be documented. A policy and procedure will be developed that will govern how the allocation rates are determined and reviewed.

Responsible Officer: Manager – Corporate Services Completion Date: 31 May 2019

7. Preparation of budgets, budget reviews, accounts and reports required by the Act or the Regulations

7.1. Scope and approach

In accordance with the scope set out in our Financial Management Systems Review proposal, our review focused on the following:

- Reviewed policy and procedure manuals;
- Reviewed the procedures for preparation of the monthly financial statements, annual financial statements and annual Budget, including assessment of accounting policy, notes and applicable reporting requirements and efficiency of the process;
- Reviewed monthly financial statements ensuring presented to Council within two months and information contained within monthly financial statements in accordance with Regulation 34 of Local Government (Financial Management) Regulations 1996;
- Reviewed the mid-year budget review to ensure compliance with Regulation 33A of the Local Government (Financial Management) Regulations 1996 and assessment of budgetary expenditure controls in place;
- Ensured prior year audit report and management letter have been presented to audit committee and Council;

7.2. Detailed findings and recommendations

Our review indicated key underlying policies and processes in relation to the preparation of budgets, budget reviews, accounts and reports required by the Act or Regulations are appropriate, in line with best practice and operating effectively.

Accordingly, we have no recommendations to raise in respect to the preparation of budgets, budget reviews, accounts and reports required by the Act or the Regulations.

8. Guidance on Risk Assessment

Risk is uncertainty about an outcome. It is the threat that an event, action or non-action could affect an organisation's ability to achieve its business objectives and execute its strategies successfully. Risk is an inherent component of all service activities and includes positive as well as negative impacts. As a result not pursuing an opportunity can also be risky. Risk types take many forms – business, economic, regulatory, investment, market, and social, just to name a few.

Risk management involves the identification, assessment, treatment and ongoing monitoring of the risks and controls impacting the organisation. The purpose of risk management is not to avoid or eliminate all risks. It is about making informed decisions regarding risks and having processes in place to effectively manage and respond to risks in pursuit of an organisation's objectives by maximising opportunities and minimising adverse effects.

Our guidance to risk classification in accordance with Risk Management- Principles and Guidelines Standard AS/ISO 31000-2018 is as follows:

Risk is the probability that an event or action may adversely affect the organisation. Risk is assessed based on the relationship between consequence and likelihood.

- Likelihood is the chance that the event may occur given knowledge of the organisation and its environment.
- Consequence is the severity of the impact that would result if the event were to occur.

Our risk rating for each finding was based on the following table:

		CONSEQUENCES		
		Insignificant	Significant	Highly Significant
LIKELIHOOD	Low	Minor	Moderate	Moderate
	Medium	Minor	Moderate	Significant
	High	Minor	Significant	Significant

Any compliance breaches identified have been communicated within our report.

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 to establish the current circumstances and recommendations made.	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.		
	Banking is not completed promptly.				
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.	<p>1. The key register and peg board for keys provided to community groups for hall hire is up to date; and</p> <p>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.</p>	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	<p>We recommend the following:</p> <p>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</p> <p>2. The monthly management finance review checklist be signed as evidence of independent review in a timely manner post the end of each month.</p>	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					

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.		
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					

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.	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

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