



## Donnybrook-Balingup - Compliance Audit Return 2016

Commercial Enterprises by Local Governments					
No	Reference	Question	Response	Comments	Respondent
1	s3.59(2)(a)(b)(c) F&G Reg 7,9	Has the local government prepared a business plan for each major trading undertaking in 2016.	N/A		Lucy Bourne
2	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2016.	N/A		Lucy Bourne
3	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2016.	N/A		Lucy Bourne
4	s3.59(4)	Has the local government given Statewide public notice of each proposal to commence a major trading undertaking or enter into a major land transaction for 2016.	N/A		Lucy Bourne
5	s3.59(5)	Did the Council, during 2016, resolve to proceed with each major land transaction or trading undertaking by absolute majority.	N/A		Lucy Bourne



Delegation of Power / Duty					
No	Reference	Question	Response	Comments	Respondent
1	s5.16, 5.17, 5.18	Were all delegations to committees resolved by absolute majority.	N/A		Lucy Bourne
2	s5.16, 5.17, 5.18	Were all delegations to committees in writing.	N/A		Lucy Bourne
3	s5.16, 5.17, 5.18	Were all delegations to committees within the limits specified in section 5.17.	N/A		Lucy Bourne
4	s5.16, 5.17, 5.18	Were all delegations to committees recorded in a register of delegations.	N/A		Lucy Bourne
5	s5.18	Has Council reviewed delegations to its committees in the 2015/2016 financial year.	N/A		Lucy Bourne
6	s5.42(1),5.43 Admin Reg 18G	Did the powers and duties of the Council delegated to the CEO exclude those as listed in section 5.43 of the Act.	Yes		Lucy Bourne
7	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO resolved by an absolute majority.	Yes		Lucy Bourne
8	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO in writing.	Yes		Lucy Bourne
9	s5.44(2)	Were all delegations by the CEO to any employee in writing.	Yes		Lucy Bourne
10	s5.45(1)(b)	Were all decisions by the Council to amend or revoke a delegation made by absolute majority.	Yes		Lucy Bourne
11	s5.46(1)	Has the CEO kept a register of all delegations made under the Act to him and to other employees.	Yes		Lucy Bourne
12	s5.46(2)	Were all delegations made under Division 4 of Part 5 of the Act reviewed by the delegator at least once during the 2015/2016 financial year.	Yes		Lucy Bourne
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record as required.	Yes		Lucy Bourne

Disclosure of Interest					
No	Reference	Question	Response	Comments	Respondent
1	s5.67	If a member disclosed an interest, did he/she ensure that they did not remain present to participate in any discussion or decision-making procedure relating to the matter in which the interest was disclosed (not including participation approvals granted under s5.68).	Yes		Lucy Bourne
2	s5.68(2)	Were all decisions made under section 5.68(1), and the extent of participation allowed, recorded in the minutes of Council and Committee meetings.	Yes		Lucy Bourne



No	Reference	Question	Response	Comments	Respondent
3	s5.73	Were disclosures under section 5.65 or 5.70 recorded in the minutes of the meeting at which the disclosure was made.	Yes		Lucy Bourne
4	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly elected members within three months of their start day.	Yes		Lucy Bourne
5	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly designated employees within three months of their start day.	Yes		Lucy Bourne
6	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all continuing elected members by 31 August 2016.	Yes		Lucy Bourne
7	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all designated employees by 31 August 2016.	Yes		Lucy Bourne
8	s5.77	On receipt of a primary or annual return, did the CEO, (or the Mayor/ President in the case of the CEO's return) on all occasions, give written acknowledgment of having received the return.	Yes		Lucy Bourne
9	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained the returns lodged under section 5.75 and 5.76	Yes		Lucy Bourne
10	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70 and 5.71, in the form prescribed in Administration Regulation 28.	Yes		Lucy Bourne
11	s5.88 (3)	Has the CEO removed all returns from the register when a person ceased to be a person required to lodge a return under section 5.75 or 5.76.	Yes		Lucy Bourne
12	s5.88(4)	Have all returns lodged under section 5.75 or 5.76 and removed from the register, been kept for a period of at least five years, after the person who lodged the return ceased to be a council member or designated employee.	Yes		Lucy Bourne
13	s5.103 Admin Reg 34C & Rules of Conduct Reg 11	Where an elected member or an employee disclosed an interest in a matter discussed at a Council or committee meeting where there was a reasonable belief that the impartiality of the person having the interest would be adversely affected, was it recorded in the minutes.	Yes		Lucy Bourne
14	s5.70(2)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to the Council or a Committee, did that person disclose the nature of that interest when giving the advice or report.	Yes		Lucy Bourne



No	Reference	Question	Response	Comments	Respondent
15	s5.70(3)	Where an employee disclosed an interest under s5.70(2), did that person also disclose the extent of that interest when required to do so by the Council or a Committee.	Yes		Lucy Bourne
16	s5.103(3) Admin Reg 34B	Has the CEO kept a register of all notifiable gifts received by Council members and employees.	Yes		Lucy Bourne

### Disposal of Property

No	Reference	Question	Response	Comments	Respondent
1	s3.58(3)	Was local public notice given prior to disposal for any property not disposed of by public auction or tender (except where excluded by Section 3.58(5)).	Yes		Lucy Bourne
2	s3.58(4)	Where the local government disposed of property under section 3.58(3), did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property.	N/A		Lucy Bourne

### Elections

No	Reference	Question	Response	Comments	Respondent
1	Elect Reg 30G (1)	Did the CEO establish and maintain an electoral gift register and ensure that all 'disclosure of gifts' forms completed by candidates and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the candidates.	Yes		Lucy Bourne

### Finance

No	Reference	Question	Response	Comments	Respondent
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act.	Yes		Lucy Bourne
2	s7.1B	Where a local government determined to delegate to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority.	N/A		Lucy Bourne
3	s7.3	Was the person(s) appointed by the local government to be its auditor, a registered company auditor.	Yes		Lucy Bourne
4	s7.3, 7.6(3)	Was the person or persons appointed by the local government to be its auditor, appointed by an absolute majority decision of Council.	Yes		Lucy Bourne



No	Reference	Question	Response	Comments	Respondent
5	Audit Reg 10	Was the Auditor's report for the financial year ended 30 June 2016 received by the local government within 30 days of completion of the audit.	Yes		Lucy Bourne
6	s7.9(1)	Was the Auditor's report for the financial year ended 30 June 2016 received by the local government by 31 December 2016.	Yes		Lucy Bourne
7	S7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under s7.9 (1) of the Act required action to be taken by the local government, was that action undertaken.	Yes		Lucy Bourne
8	S7.12A (4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9 (1) of the Act) required action to be taken by the local government, was a report prepared on any actions undertaken.	Yes		Lucy Bourne
9	S7.12A (4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9 (1) of the Act) required action to be taken by the local government, was a copy of the report forwarded to the Minister by the end of the financial year or 6 months after the last report prepared under s7.9 was received by the local government whichever was the latest in time.	Yes		Lucy Bourne
10	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives of the audit.	Yes		Lucy Bourne
11	Audit Reg 7	Did the agreement between the local government and its auditor include the scope of the audit.	Yes		Lucy Bourne
12	Audit Reg 7	Did the agreement between the local government and its auditor include a plan for the audit.	Yes		Lucy Bourne
13	Audit Reg 7	Did the agreement between the local government and its auditor include details of the remuneration and expenses to be paid to the auditor.	Yes		Lucy Bourne
14	Audit Reg 7	Did the agreement between the local government and its auditor include the method to be used by the local government to communicate with, and supply information to, the auditor.	Yes		Lucy Bourne



Local Government Employees					
No	Reference	Question	Response	Comments	Respondent
1	Admin Reg 18C	Did the local government approve the process to be used for the selection and appointment of the CEO before the position of CEO was advertised.	Yes		Lucy Bourne
2	s5.36(4) s5.37(3), Admin Reg 18A	Were all vacancies for the position of CEO and other designated senior employees advertised and did the advertising comply with s.5.36(4), 5.37(3) and Admin Reg 18A.	Yes	CEO	Lucy Bourne
3	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position of CEO under section 5.36(4).	Yes		Lucy Bourne
4	Admin Regs 18E	Did the local government ensure checks were carried out to confirm that the information in an application for employment was true (applicable to CEO only).	Yes		Lucy Bourne
5	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss a designated senior employee.	Yes		Lucy Bourne

Official Conduct					
No	Reference	Question	Response	Comments	Respondent
1	s5.120	Where the CEO is not the complaints officer, has the local government designated a senior employee, as defined under s5.37, to be its complaints officer.	N/A		Lucy Bourne
2	s5.121(1)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that result in action under s5.110(6)(b) or (c).	Yes		Lucy Bourne
3	s5.121(2)(a)	Does the complaints register maintained by the complaints officer include provision for recording of the name of the council member about whom the complaint is made.	Yes		Lucy Bourne
4	s5.121(2)(b)	Does the complaints register maintained by the complaints officer include provision for recording the name of the person who makes the complaint.	Yes		Lucy Bourne
5	s5.121(2)(c)	Does the complaints register maintained by the complaints officer include provision for recording a description of the minor breach that the standards panel finds has occurred.	Yes		Lucy Bourne
6	s5.121(2)(d)	Does the complaints register maintained by the complaints officer include the provision to record details of the action taken under s5.110(6)(b) or (c).	Yes		Lucy Bourne



<b>Tenders for Providing Goods and Services</b>						
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>	
1	s3.57 F&G Reg 11	Did the local government invite tenders on all occasions (before entering into contracts for the supply of goods or services) where the consideration under the contract was, or was expected to be, worth more than the consideration stated in Regulation 11 (1) of the Local Government (Functions & General) Regulations (Subject to Functions and General Regulation 11 (2)).	Yes		Lucy Bourne	
2	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than inviting tenders for a single contract.	N/A		Lucy Bourne	
3	F&G Reg 14(1) & (3)	Did the local government invite tenders via Statewide public notice.	Yes		Lucy Bourne	
4	F&G Reg 14 & 15	Did the local government's advertising and tender documentation comply with F&G Regs 14, 15 & 16.	Yes		Lucy Bourne	
5	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer, notice of the variation.	Yes		Lucy Bourne	
6	F&G Reg 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of F&G Reg 16.	Yes		Lucy Bourne	
7	F&G Reg 18(1)	Did the local government reject the tenders that were not submitted at the place, and within the time specified in the invitation to tender.	N/A		Lucy Bourne	
8	F&G Reg 18 (4)	In relation to the tenders that were not rejected, did the local government assess which tender to accept and which tender was most advantageous to the local government to accept, by means of written evaluation criteria.	Yes		Lucy Bourne	
9	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17.	Yes		Lucy Bourne	
10	F&G Reg 19	Was each tenderer sent written notice advising particulars of the successful tender or advising that no tender was accepted.	Yes		Lucy Bourne	
11	F&G Reg 21 & 22	Did the local governments's advertising and expression of interest documentation comply with the requirements of F&G Regs 21 and 22.	N/A		Lucy Bourne	
12	F&G Reg 23(1)	Did the local government reject the expressions of interest that were not submitted at the place and within the time specified in the notice.	N/A		Lucy Bourne	



No	Reference	Question	Response	Comments	Respondent
13	F&G Reg 23(4)	After the local government considered expressions of interest, did the CEO list each person considered capable of satisfactorily supplying goods or services.	N/A		Lucy Bourne
14	F&G Reg 24	Was each person who submitted an expression of interest, given a notice in writing in accordance with Functions & General Regulation 24.	N/A		Lucy Bourne
15	F&G Reg 24AD(2)	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice.	Yes	Invited but not awarded.	Lucy Bourne
16	F&G Reg 24AD(4) & 24AE	Did the local government's advertising and panel documentation comply with F&G Regs 24AD(4) & 24AE.	Yes		Lucy Bourne
17	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of F&G Reg 16 as if the reference in that regulation to a tender were a reference to a panel application.	Yes		Lucy Bourne
18	F&G Reg 24AD(6)	If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application, notice of the variation.	N/A		Lucy Bourne
19	F&G Reg 24AH(1)	Did the local government reject the applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time specified in the invitation for applications.	N/A		Lucy Bourne
20	F&G Reg 24AH(3)	In relation to the applications that were not rejected, did the local government assess which application (s) to accept and which application(s) were most advantageous to the local government to accept, by means of written evaluation criteria.	N/A	No contract awarded. All applicants advised.	Lucy Bourne
21	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers, comply with the requirements of F&G Reg 24AG.	Yes		Lucy Bourne
22	F&G Reg 24AI	Did the local government send each person who submitted an application, written notice advising if the person's application was accepted and they are to be part of a panel of pre-qualified suppliers, or, that the application was not accepted.	Yes	No contract awarded	Lucy Bourne



Department of Local Government and Communities - Compliance Audit Return



Government of Western Australia  
Department of Local Government and Communities

No	Reference	Question	Response	Comments	Respondent
23	F&G Reg 24E	Where the local government gave a regional price preference in relation to a tender process, did the local government comply with the requirements of F&G Reg 24E in relation to the preparation of a regional price preference policy (only if a policy had not been previously adopted by Council).	N/A	Policy previously adopted by Council.	Lucy Bourne
24	F&G Reg 24F	Did the local government comply with the requirements of F&G Reg 24F in relation to an adopted regional price preference policy.	N/A		Lucy Bourne
25	F&G Reg 11A	Does the local government have a current purchasing policy in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, \$150,000 or less.	Yes		Lucy Bourne



**AMD**  
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31 January 2017

**Mr B Rose**  
**Chief Executive Officer**  
**Shire of Donnybrook-Balingup**  
**PO Box 94**  
**DONNYBROOK WA 6239**

Dear Ben

**AGREED UPON PROCEDURE – LOCAL GOVERNMENT (AUDIT) REGULATIONS 1996  
REGULATION 17 REVIEW**

Pursuant to our Proposal dated 31 July 2015, we have performed the procedures agreed with you to report factual findings for the purpose of assisting you in complying with the Local Government (Audit) Regulations 1996 Regulation 17 Review.

The Shire of Donnybrook-Balingup is responsible for the adequacy or otherwise of procedures agreed to be performed by us. The Shire of Donnybrook-Balingup is responsible for determining whether the factual findings provided by us, in combination with any other information obtained, provide a reasonable basis for any conclusions which you or other intended users wish to draw on the review.

Our responsibility is to report factual findings obtained from conducting the procedures agreed. We conducted the engagement in accordance with the Standard on related services ASRS 4400 Agreed Upon Procedure Engagements to Report Factual Findings. We have complied with ethical requirements equivalent to those applicable to Other Assurance Engagements.

Information acquired by us in the course of our engagement is subject to strict ethical and confidentiality requirements and will not be disclosed by us to other parties except as required or allowed for by law or professional standards, or with your express consent.

**1.0 SCOPE OF REVIEW**

In accordance with our Proposal, we performed the following procedures and hereby report to you the factual findings resulting from our review, incorporating the following:

**1.1 Terms of Reference – Risk Management**

As part of our review in respect to risk management, we performed the following procedures:

- Assessed whether the Local Government has an effective risk management system and that material operating risks to the Local Government are appropriately considered.
- Assessed whether the Local Government has a current and effective business continuity plan (including disaster recovery) which is tested from time to time;

- Assessed the internal processes for determining and managing material operating risks in accordance with the local government's identified tolerance for risk, particularly in the following areas:
  - Potential non-compliance with legislation, regulations and standards and local government's policies;
  - Important accounting judgements or estimates that prove to be wrong;
  - Litigation and claims;
  - Misconduct, fraud and theft; and
  - Significant business risks, recognising responsibility for general or specific risk areas, for example, environmental risk, occupational health and safety, and how they are managed by the local government;
- Ensured the Audit Committee obtained regular risk reports, which identify key risks, the status and the effectiveness of the risk management systems, to ensure that identified risks are monitored and new risks are identified, mitigated and reported;
- Assessed the adequacy of Local Government processes to manage insurable risks and ensured the adequacy of insurance cover, and if applicable, the level of self-insurance;
- Reviewed the effectiveness of the local government's internal control system with management and the internal and external auditors;
- Assessed whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk;
- Assessed the local government's procurement framework with a focus on the probity and transparency of policies and procedures/processes and whether these are being applied;
- Assessed Audit Committee meeting practices ensuring periodically meeting with key management, internal and external auditors, and compliance staff, to understand and discuss any changes in the local government's control environment; and
- Ascertained whether fraud and misconduct risks have been identified, analysed, evaluated, have an appropriate treatment plan which has been implemented and communicated, monitored and there is regular reporting and ongoing management of fraud and misconduct risks.

### **1.2 Terms of Reference – Internal Controls**

As part of our review in respect to internal controls, we performed the following procedures:

- Review of segregation of roles and functions, processing and authorisation controls;
- Review of documented policies and procedures;
- Assessed approval of documents, letters and financial records;
- Assessed management internal reviews undertaken in respect to comparison of internal data with external sources of information;
- Assessed security controls in respect to physical access to assets and records;
- Assessed security controls in respect to computer applications and information systems (general and application IT controls);
- Assessed access limits placed on data files and systems;
- Assessed whether the maintenance and review of financial control accounts and trial balances is regular and appropriate;
- Assessed key management internal reviews undertaken in respect to comparison and analysis of financial results with budgeted amounts;
- Assessed key management internal reviews undertaken in respect to the arithmetical accuracy and content of records;
- Assessed controls in respect to purchasing and payment of accounts;
- Assessed reporting, review and approval of financial payment and reconciliations; and Assessed physical cash and inventory count records when compared to accounting records

## **1.3 Terms of Reference – Legislative Compliance**

As part of our review in respect to legislative compliance, we performed the following procedures:

- Assessed internal monitoring of compliance with legislation and regulations;
- Assessed the local government's completion of the annual Compliance Audit Return and reporting the results of that review to the Audit Committee and Council;
- Assessed communications between key management and the Audit Committee to ensure the Audit Committee is informed in respect to the effectiveness of the local government's compliance and recommendations for changes as required;
- Reviewed the local government's procedures in respect to receiving, retaining and handling complaints, including confidential and anonymous employee complaints;
- Reviewed key managements internal review processes in respect to the identification of adverse trends and management plans to address these;
- Reviewed management disclosures in financial reports of the effect of significant compliance issues (if any);
- Ensured the internal and / or external audit contracts include an assessment of compliance and ethics risks in the development of the audit plan and in the conduct of audit projects, and report compliance and ethical issues to the Audit Committee; and
- Reviewed the Audit Committee's processes and procedures in respect to compliance with legislative and regulatory compliance ensuring no misuse of position through adequate disclosure of conflicts of interest.

Our assessment and review of the areas above were undertaken on a sample basis. As the above procedures do not constitute either an audit in accordance with Australian Auditing Standards or a review in accordance with Australian Auditing Standards applicable to review engagements, we do not express any assurance opinion on the areas outlined above. Had we performed additional procedures or had we performed an audit in accordance with Australian Auditing Standards or a review in accordance with Australian Auditing Standards applicable to review engagements, other matters might have come to our attention that would have been reported to you.

## **2.0 FINDINGS AND RECOMMENDATIONS ARISING FROM REVIEW**

Our findings on each of the three areas are detailed in the attached appendices as follows:

- Appendix A – Risk Management;
- Appendix B – Internal Controls; and
- Appendix C – Legislative Compliance.

Findings reported by us are on an exceptions basis, and do not take into account various areas where we confirmed compliance, and various appropriate internal controls tested during our review which were determined to operate effectively.

In addition, findings reported within the attached appendices also do not include matters raised during the Financial Management Systems Review completed during 2016.

During our interim audit for 30 June 2017 we will revisit recommendations raised within our 2016 Regulation 17 review, to assess action and recommendations implemented by management.

## **2.1 Implementation of Previous Review Recommendations**

We would like to acknowledge the significant effort made by the Shire of Donnybrook-Balingup staff in addressing the majority of matters raised in the previous 2014 Local Government (Audit) Regulations 1996 Regulation 17 Review report.

We noted staff have been proactive in designing policies and procedures to address the majority of areas of weakness, with most of our 2014 recommendations either implemented or in the process of being implemented at the time of our December 2016 visit.

On an overall basis we consider the Shire of Donnybrook-Balingup's plans, policies, procedures, checklist and registers are of a very high standard, comprehensive and ensure management / staff are aware of legislative and internal requirements.

Our review indicates the Shire of Donnybrook-Balingup team is proactive in managing risk, internal controls and legislative compliance subject to the findings attached.

### **3.0 FINANCIAL MANAGEMENT SYSTEMS REVIEW ("FMSR")**

AMD completed a FMSR in 2016 and we note recommendations raised within the FMSR report have not been raised again in this Regulation 17 report. However we take this opportunity to highlight matters outlined within Appendix C of the FMSR report particularly those relating to the lack of a Business Continuity Plan and various information technology weaknesses identified.

During our interim audit for 30 June 2017 we will revisit recommendations raised within our FMSR, to assess action and recommendations implemented by management.

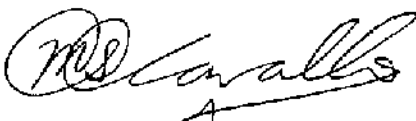
### **4.0 OTHER MATTERS**

We would like to express our appreciation to Greg and the team for the assistance provided to us in completing our review.

Should there be any matters outlined within the appendix of our report requiring clarification we would be pleased to discuss further. I would be pleased to meet with the Audit Committee should we be requested to.

This report relates only to procedures and items specified above and do not extend to any financial report of Shire of Donnybrook-Balingup taken as a whole.

Yours sincerely  
AMD Chartered Accountants



**MARIA CAVALLO CA**  
Director

## APPENDIX A

## SHIRE OF DONNYBROOK-BALINGUP

## RISK MANAGEMENT

- Assessed whether the Local Government has an effective risk management system and that material operating risks to the Local Government are appropriately considered.
- Assessed whether the Local Government has a current and effective business continuity plan (including disaster recovery) which is tested from time to time;
- Assessed the internal processes for determining and managing material operating risks in accordance with the local government's identified tolerance for risk, particularly in the following areas:
  - Potential non-compliance with legislation, regulations and standards and local government's policies;
  - Important accounting judgements or estimates that prove to be wrong;
  - Litigation and claims;
  - Misconduct, fraud and theft; and
  - Significant business risks, recognising responsibility for general or specific risk areas, for example, environmental risk, occupational health and safety, and how they are managed by the local government;
- Ensured the Audit Committee obtained regular risk reports, which identify key risks, the status and the effectiveness of the risk management systems, to ensure that identified risks are monitored and new risks are identified, mitigated and reported;
- Assessed the adequacy of Local Government processes to manage insurable risks and ensured the adequacy of insurance cover, and if applicable, the level of self-insurance;
- Reviewed the effectiveness of the local government's internal control system with management and the internal and external auditors;
- Assessed whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk;
- Assessed the local government's procurement framework with a focus on the probity and transparency of policies and procedures/processes and whether these are being applied;
- Assessed Audit Committee meeting practices ensuring periodically meeting with key management, internal and external auditors, and compliance staff, to understand and discuss any changes in the local government's control environment; and
- Ascertained whether fraud and misconduct risks have been identified, analysed, evaluated, have an appropriate treatment plan which has been implemented communicated, monitored and there is regular reporting and ongoing management of fraud and misconduct risks.

APPENDIX A

SHIRE OF DONNYBROOK-BALINGUP

RISK MANAGEMENT

FINDINGS:

1	Finding	Finding Rating	Implication	Recommendation	Management Comment
1	<p>We noted the following Local Emergency Recovery documents were last reviewed during July 2011:</p> <ul style="list-style-type: none"> <li>(a) Prevention Plan – Part A;</li> <li>(b) Emergency Contacts &amp; Resources – Part B;</li> <li>(c) Response to Emergency – Part C; and</li> <li>(d) Emergency Evacuation Plan – Part D.</li> </ul>	Medium	Risk of significant delays and business interruption in the event of unforeseen circumstances in respect to Donnybrook—Balingup Community and District operations.	<p>We recommend the Local Emergency Recovery Plan be reviewed and adopted by Council. Once the plan and encompassing documents have been adopted, we recommend it is endorsed and communicated to all staff, implemented and monitored on a regular basis including testing the appropriate sections of the plan to ensure that in the event of a disaster, appropriate actions can be taken.</p>	<p>Recommendation noted and accepted. The Emergency Recovery Plan documents are being reviewed with an exercise undertaken annually.</p>
2	<p>We noted that the following integrated strategy planning documents are currently under review, requiring finalisation and Council approval:</p> <ul style="list-style-type: none"> <li>(a) Long Term Financial Plan 2016 – 2031; and</li> <li>(b) Asset Management Plans 2016 – 2025 (covering Waste Management, Transport, Property, Plant and Equipment and Recreation).</li> </ul>	Medium	<p>Risk of long term strategic objectives and asset management objectives of Council not being met.  Risk of non-compliance with statutory requirements.</p>	<p>We recommend the Long Term Financial Plan and Asset Management Plan be finalised and adopted by Council. Once the plans have been adopted, we recommend they are endorsed and communicated to all staff, implemented and monitored on a regular basis.</p>	<p>Recommendation supported. The timeline for the finalisation of these plans are yet to be determined.</p>

Finding	Finding Rating	Implication	Recommendation	Management Comment
<p>3 We noted there is no centrally maintained register that records any disclosed Councillor and staff conflicts of interests over and above those disclosed at Council / Committee meetings.</p>	<p>Medium</p>	<p>Risk that a Councillor/staff have a perceived/actual conflict of interest which is not recorded and managed appropriately by the Council.</p>	<p>We recommend that the Shire of Donnybrook-Balingup design and implement a conflict of interest register. This register should be monitored to ensure that all conflicts (whether perceived/actual) are disclosed. All conflicts of interest should be managed accordingly by the Shire.</p>	<p>Recommendation noted and accepted.</p>
<p>4 Our inquiries indicated there is no formal procedure to monitor lessee compliance with Terms of Council leased properties for example obtaining a copy of current insurance policies held by the lessee.</p>	<p>Medium</p>	<p>Risk the Shire is exposed to risks due to lessee non-compliance with lease terms.</p>	<p>We recommend a formal procedure is implemented to monitor lessee compliance with terms of Council leased properties which could include updating the lease register to include insurance details and any other lessee reporting requirements.</p>	<p>Recommendation noted and accepted. A letter shall be designed and sent annually to leasees.</p>
<p>5 We noted Shire of Donnybrook-Balingup's risk policies and procedures do not include:                      (a) Litigation/Claims Policy;                      (b) Fraud Control Policy; and                      (c) Environment Management Policy.</p>	<p>Medium</p>	<p>Lack of documentation evidencing Litigation/Claims, Fraud Control and Environment Management policies and procedures.                       Possibility of risks identified not being dealt with in accordance with Council's applicable risk management framework and risk appetite.</p>	<p>As best practice, and as outlined within operational guidelines we suggest the Risk Management Framework include a:                      (a) Litigation/Claims Policy;                      (b) Fraud Control Policy;                      and                      (c) Environment Management Policy.</p>	<p>Recommendation Noted and Supported. Shire staff will investigate the development of a Draft Environmental Policy for consideration by Council.</p>



Finding	Finding Rating	Implication	Recommendation	Management Comment
6 We noted the Shire of Donnybrook-Balingup does not maintain a central contractor/sub-contractor insurance register and that the Responsible Officer who has arranged the contract.	Medium	Risk contractors/sub-contractors insurances expire whilst providing the service to the Shire and that this is not identified in a timely manner.	We recommend management designs and implements a central contractor/sub-contractor insurance register which is maintained by one individual to ensure that all contractor insurances are up to date.	Recommendation is accepted. Shire will look at developing internal procedures/systems.
7 We note Shire of Donnybrook-Balingup does not currently hold cybercrime insurance.	Low	Risk of being uninsured against cybercrime.	We recommend Council investigate obtaining cybercrime insurance.	Recommendation supported. The Shire will obtain a quote to include Cybercrime insurance at the time of the next renewal.
8 Our review identified the Public Interest Disclosure (PID) procedure has not been reviewed since August 2013.  In addition while we understand all Shire of Donnybrook-Balingup policies were last reviewed May 2016 we noted engineering policy, 4.5 refers to engineering policy 4.10, however there is no engineering policy 4.10.	Low	Risk that outdated documents are being referenced by Council and staff.	We recommend that the PID procedure is reviewed and updated on a regular basis.  We also recommend that policy manual reviews include ensuring any cross referencing between policies is updated accordingly.	The recommendation is noted and accepted. The PID procedure will be reviewed and updated.  The Policy Manual is reviewed annually. The review typically includes ensuring cross between policies.

## APPENDIX B

## SHIRE OF DONNYBROOK-BALINGUP

## INTERNAL CONTROLS

- Reviewed segregation of roles and functions, processing and authorisation controls;
- Reviewed documented policies and procedures;
- Assessed approval of documents, letters and financial records;
- Assessed management internal reviews undertaken in respect to comparison of internal data with external sources of information;
- Assessed security controls in respect to physical access to assets and records;
- Assessed security controls in respect to computer applications and information systems (general and application IT controls);
- Assessed access limits placed on data files and systems;
- Assessed whether the maintenance and review of financial control accounts and trial balances is regular and appropriate;
- Assessed key management internal reviews undertaken in respect to comparison and analysis of financial results with budgeted amounts;
- Assessed key management internal reviews undertaken in respect to the arithmetical accuracy and content of records;
- Assessed controls in respect to purchasing and payment of accounts;
- Assessed reporting, review and approval of financial payment and reconciliations; and
- Assessed physical cash and inventory count records when compared to accounting records.

APPENDIX B

SHIRE OF DONNYBROOK-BALINGUP

INTERNAL CONTROLS

FINDINGS:

Finding	Finding Rating	Implication	Recommendation	Management Comment
<p>1</p> <p>Our discussions with management indicated no Contract Manager is currently employed. As a result projects are managed within each directorate and we understand the process with which each directorate manages projects is different.</p> <p>In addition, our inquiries indicated no contract compliance checklists are utilised in managing project contracts.</p> <p>Furthermore, we noted that there is currently no Contractor Induction process in place.</p>	<p>Medium</p>	<p>Risk of non-compliance with project contracts.</p> <p>Risk of non-compliance with the Shire of Donnybrook-Balingup policies, procedures including relevant health and safety requirements.</p>	<p>We recommend a Contract Management framework is designed and documented to ensure project contracts are uniformly managed appropriately and in accordance with stated framework. This uniform approach will also include the mandatory requirement of Contractors completing some level of induction (the level of induction completed should be determined based on the risks associated with the service or product provided).</p> <p>In addition, we recommend compliance checklists be utilised to ensure compliance is met on all project contracts.</p>	<p>Currently contracts are managed by the responsible staff and or line managers. The recommendations are supported and we will look at developing an internal framework consisting of procedures and policies.</p>
<p>2</p> <p>For the sample of purchases tested we noted three exceptions where quotes that should have been obtained were not attached to the purchase order in accordance with the Purchasing and Tender Policy.</p>	<p>Medium</p>	<p>Risk of non-compliance with stated policies and/or procedures.</p> <p>Risk fraud or error not identified in a timely manner.</p>	<p>We recommend management re-communicates the requirements of the Purchasing and Tender Policy with those who have the ability to purchase goods on behalf of the Shire.</p>	<p>The recommendation is noted and supported. We will revisit the Purchasing and Tendering Policy and associated accounting directions and communicate this to the staff.</p>

Finding	Finding Rating	Implication	Recommendation	Management Comment
<p>3 For the sample of petty cash reconciliations tested we noted four exceptions where the receipt/invoice had not been stamped 'PAID' in accordance with the Petty Cash Policy.</p>	<p>Low</p>	<p>Risk of non-compliance with stated policies and/or procedures.  Risk fraud or error not identified in a timely manner.</p>	<p>We recommend management re-communicates the requirements of the Petty Cash Policy with those with access to petty cash.</p>	<p>The recommendation is noted and supported. The requirements of the Petty Cash Policy will be re-communicated with relevant staff</p>
<p>4 Comparison of the Shire of Donnybrook-Balingup Credit Card Policy to Local Government Operational Guideline Number 11 – Use of Corporate Credit Cards identified that the current policy does not include:                      (a) What the cardholder should do in the event their employment ceases, an extended period of leave is taken or they have moved to a position which does not require the use of credit card;                      (b) What action is to be taken in the event that a cardholder fails to comply with the policies; and                      (c) How purchases by facsimile, telephone or over the Internet are to be dealt with.</p>	<p>Low</p>	<p>Risk fraud or error not identified in a timely manner.  Lack of evidence to support expenditure.</p>	<p>We recommend the current Credit Card Policy be updated to reflect all considerations and requirements outlined within Local Government Operational Guideline Number 11 – Use of Corporate Credit Cards.</p>	<p>The recommendation is supported. The Shire currently has 3 staff with corporate credit cards. This Policy is currently being reviewed and points (a) (b) and (c) shall be incorporated into the Policy.</p>

## APPENDIX C

## SHIRE OF DONNYBROOK-BALINGUP

## LEGISLATIVE COMPLIANCE

- Assessed internal monitoring of compliance with legislation and regulations;
- Assessed the local government's completion of the annual Compliance Audit Return and reporting the results of that review to the Audit Committee and Council;
- Assessed communications between key management and the Audit Committee to ensure the Audit Committee is informed in respect to the effectiveness of the local government's compliance and recommendations for changes as required;
- Reviewed the local government's procedures in respect to receiving, retaining and handling complaints, including confidential and anonymous employee complaints;
- Reviewed key management internal review processes in respect to the identification of adverse trends and management plans to address these;
- Reviewed management disclosures in financial reports of the effect of significant compliance and ethics issues (if any);
- Ensured the internal and/or external audit contracts include an assessment of compliance and ethics risks in the development of the audit plan and in the conduct of audit projects, and report compliance and ethical issues to the Audit Committee; and
- Reviewed the Audit Committee's processes and procedures in respect to compliance with legislative and regulatory compliance ensuring no misuse of position through adequate disclosure of conflicts of interest.

**APPENDIX C**  
**SHIRE OF DONNYBROOK-BALINGUP**  
**LEGISLATIVE COMPLIANCE**

**FINDINGS:**

Finding	Finding Rating	Implication	Recommendation	Management Comment
1 We note the Audit Committee agenda does not include a standing item assessing the effectiveness of compliance.	Low	Risk of Local Government Act and Regulations are not being regularly assessed.	We recommend a standing agenda item be included within the Audit Committee meeting agenda to assess the effectiveness of compliance.	This recommendation is supported. A standing item will be incorporated into the Audit Committee Agenda
2 We noted Shire of Donnybrook-Balingup does not currently have an internal audit function in place.	Low	Risk of non-compliance with Local Government Guidelines and recommended practices.	Department of Local Government guidelines recommend an internal audit function be established incorporating an internal audit program which is re-assessed annually.  Should Shire of Donnybrook-Balingup consider an internal audit function not be required, we suggest the Audit Committee formally document they have considered the best practice guideline and the reasons they feel it is not necessary.	The Shire currently has 3 external audits each year and a further external as per the Local Government Audit Regulations. Your recommendation is noted and will be put to the Risk Management Committee for their consideration
3 While we acknowledge three Audit Committee meetings were held during the 2015/2016 financial year, we note the Department of Local Government recommend meetings be held on at least a quarterly basis.	Low	Risk of governance and oversight responsibilities not being met.	Local Government Operational Guideline Number 09 – Audit in Local Government outlines it is best practice for the Audit Committee to meet on at least a quarterly basis.	Your recommendation is noted shall be considered by the Risk Management Committee.