

Review of Financial Management,
Risk Management, Legislative
Compliance and Internal Controls

Shire of Wyndham-East Kimberley
March 2022



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1.0 Engagement Overview

1.1. Scope of Services

The Shire of Wyndham-East Kimberley engaged Moore Australia to undertake a review service with a dual purpose, firstly to provide the basis for a report by the CEO to the Audit Committee on the appropriateness and effectiveness of the Shire's risk management, internal controls and legislative compliance systems and procedures as required by the *Local Government (Audit) Regulations 1996* Regulation 17. Secondly, a review of financial management systems to assess the appropriateness and effectiveness of these systems and procedures, as required by *Local Government (Financial Management) Regulations 1996* Regulation 5(2)(c).

For efficiency, the reviews were undertaken simultaneously, and the results contained in this single report. Financial management systems and procedures are considered a subset of broader overall risk management, legislative compliance and internal controls. The matters examined in respect of financial management systems are detailed in Appendix A and where opportunities for improvement were identified, they are reported within the relevant section of the risk management, legislative compliance and internal controls framework design, implementation and evaluation sections of this report.

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

1.1.1. Procedures – Financial Management Review

Our procedures for the Financial Management Review encompassed a review of the Shire's financial systems including, but not necessarily limited to:

- Collection of money owed;
- Custody and security of money and investments held;
- Rates;
- Maintenance and security of financial records;
- Accounting and controls for revenue and expenses;
- Accounting and controls for assets and liabilities;
- Accounting and controls for trust transactions;
- Authorisation of purchases;
- Authorisation of payments;
- Borrowings;
- Maintenance and processing of payroll;
- Stock controls and costing records;
- Record keeping for financial records;
- Preparation of budgets and budget reviews; and
- Preparation of financial reports.

Our procedures and approach have been developed over a number of years taking into account our extensive local government background and seeks to examine both financial systems and procedures in use.

The financial management review does not examine systems and procedures which are non-financial in nature and did not specifically test for legislative breaches.

1.0 Engagement Overview

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

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

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

To undertake these procedures, we applied the following methodology:

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

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

2.0 Review Context

2.1. Review Context - Shire of Wyndham-East Kimberley

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

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

External Influences	Internal Influences
Increasing community expectations in relation to service levels and delivery.	The objectives and strategies contained in the current Strategic Community Plan.
Rapid changes in information technology, changing the service delivery environment.	The timing and actions contained in the current Corporate Business Plan.
Increased compliance requirements due to government policy and legislation.	Organisational size, structure, activities and location.
Cost shifting by the Federal and State governments.	Human resourcing levels and staff retention.
Climate change and subsequent response.	The financial capacity of the Shire.
Reducing external funding for infrastructure and operations.	Maintenance of corporate records.
Increasing risk of cyber-attack resulting in compromised or lost data.	Allocation of resources to achieve strategic outcomes.
Changing regulatory requirements.	COVID 19 and impact on the internal environment.
Housing shortage and it's impact on attracting and retaining staff within the community.	
Increase in size of aircraft landing at the regional airport.	
COVID 19 and impact on the external environment.	

3.0 Review Summary

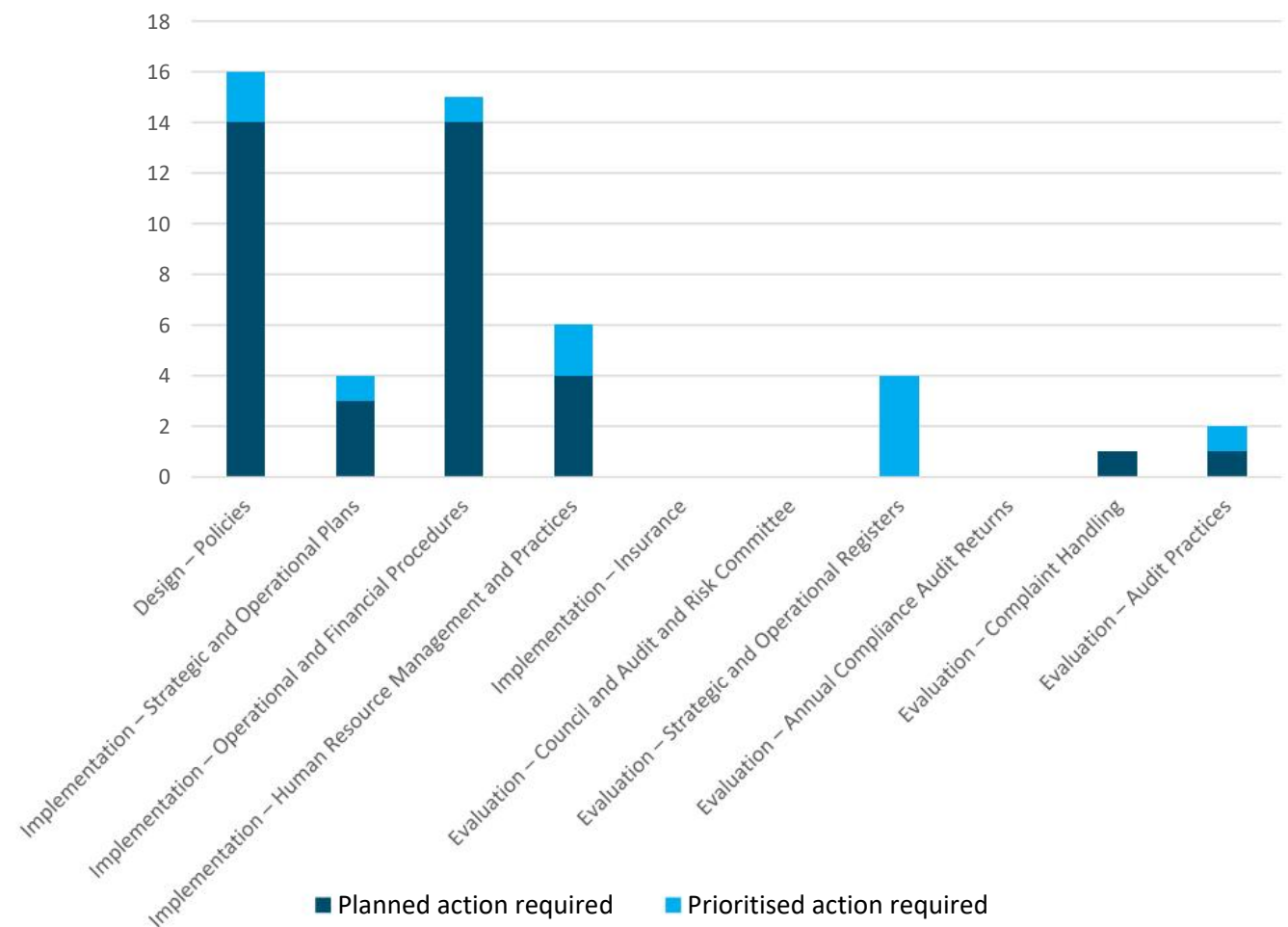
3.1. Overall

Operations of a regional local government are complex and involve a number of people making decisions across a large number of areas of operations. The Shire of Wyndham-East Kimberley is highly reliant on a small team of senior decision makers to govern its operations whilst trying to ensure sound financial and risk management through internal controls whilst seeking to achieve a high level of compliance.

This review was undertaken by first determining an appropriate framework for the Shire against which current policies, procedures and actions could be assessed and this is described further in Section 5.0. A number of areas for improvement were identified during the review. As the Shire has limited resources the areas identified for improvement have been split between those requiring prioritised action and those requiring planned action as it will require resources and time to address a number of the matters raised.

The chart below reflects the number of improvements identified within each area of the framework elements examined.

Number of improvements identified by framework element



Details of each improvement identified under each framework element are provided in Sections 6.0 through 8.0 of this report. Key improvements are provided under each of the review areas, financial management, risk management, internal control and legislative compliance on the following pages.

A summary of improvements listed by prioritised and planned action is provided at Appendix F.

3.0 Review Summary (continued)

3.2. Financial Management

The Shire has a number of financial management system controls to cover the wide variety of operations undertaken. Council has responsibility for the adoption of the annual budget and annual report, review of the monthly statement of financial activity and review of the monthly list of payments. Responsibility for the financial management of the Shire rests with the CEO, as detailed under Regulation 5(1) of the *Local Government (Financial Management) Regulations 1996*.

3.2.1. Appropriateness

Considering the size, resources, variety of operations and the context in which the Shire operates, documented internal control procedures relating to financial management systems, are considered largely appropriate as a means of maintaining a high level of control over the financial management of the Shire. Our assessment as to appropriateness is subject to identified weaknesses being addressed and provided internal control procedures are routinely and consistently applied.

Some weaknesses were identified with current controls and procedures, these are explained within Section 6.0 Framework Design.

3.2.2. Effectiveness

Current financial management systems and process undertaken by the Shire of Wyndham-East Kimberley are considered generally effective, where routinely documented and tested. Our assessment as to effectiveness is subject to the implementation of the improvements highlighted in Section 7.0 Framework Implementation of this report.

Whilst generally considered effective, weaknesses were identified where internal controls are not considered effective. These are explained within Section 7.0 Framework Implementation of this report.

3.2.3. Improvements

Details of recommended improvements to the current financial management, procedures and systems for the Shire are set out within the framework design and implementation sections of this report. Key improvements to the appropriateness and effectiveness of these procedures and internal controls include:

- Payroll controls;
- Revenue controls at Shire facilities;
- Procurement controls;
- Fixed asset processes;
- Accounts receivables systems;
- Financial reporting processes;

3.0 Review Summary (continued)

3.3. Risk Management

The Shire has progressed its formal risk management processes with the adoption of a Risk Management Policy in July 2017, supported by a Risk Management Framework. The policy documents and framework forms the basis for risk management activities within the Shire.

3.3.1. Appropriateness

Currently, a documented entity wide Risk Management Policy is in existence to guide the implementation of risk management throughout the Shire. The current policy is aligned with the current Risk Management Standard, AS/NZ ISO 31000: 2018.

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

3.3.2. Effectiveness

The current risk management policy reflects the Shire's commitment to organisation wide risk management principles, systems and processes aimed at optimising the achievement of objectives, embedding controls to mitigate risk, improving corporate governance and planning for continuity of critical operations. Further development and application of risk management systems and processes are required to be implemented throughout the organisation in order for risk management processes and procedures to be considered effective.

3.3.3. Improvements

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

- Development, testing and maintenance of an ICT Disaster Recovery and Continuity Plan;
- Consider timing and currency parameters around the Covid-19 Financial Hardship policy;
- Develop risk management activities and practices throughout the organisation, apply these consistently in accordance with the Shire's risk management policy and framework;
- Develop a hazardous material register for all Shire locations;
- Undertake regular OSH audits; and
- Consider an internal audit function.

3.0 Review Summary (continued)

3.4. Internal Control

A formal internal control policy is yet to be developed and adopted by the Shire. A policy to guide the Shire may assist to ensure an iterative risk based approach to evaluating the internal controls, systems and procedures, as well as providing a mechanism whereby regular review and updates occur.

3.4.1. Appropriateness

Considering the size, resources, operations and the internal/external context in which the Shire operates, the internal control framework, procedures and systems as described to us are considered appropriate for most areas of operations, subject to the identified improvements being in place. A number of internal controls were identified which are not considered appropriate, as described in section 7.0 Framework Implementation of this report.

3.4.2. Effectiveness

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

3.4.3. Improvements

The knowledge and experience of senior staff has contributed to a number of preventative controls being implemented throughout the Shire. Further enhancement to these controls may be considered through the implementation of detective controls, as noted within Section 7.0 of this report.

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

- Development of a documented internal controls policy, promoting a risk-based approach to the further development and maintenance of documented internal controls and procedures should provide an appropriate internal control framework;
- Ensure each policy includes a consistent format and an accurate review history;
- Amend the Complaint Management policy to set out process for complaints against the CEO;
- Develop and maintain a number of registers to improve existing internal controls as discussed as Section 8.2 of this report;
- Develop and maintain stock controls;
- Maintain credit card controls;
- Develop record systems to manage the Shire's vital records;
- Develop and maintain employee credential controls;
- Develop a staff training matrix;
- Develop an ICT framework to outline the service level requirements for ICT contractors and internal services; and
- Key internal controls should be documented either as checklists or workflow diagrams and independently reviewed where required.

3.0 Review Summary (continued)

3.5. Legislative Compliance

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

3.5.1. Appropriateness

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

3.5.2. Effectiveness

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

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

3.5.3. Improvements

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

- Develop a legislative compliance policy;
- Adopt and maintain policies as required by legislation;
- Ensure all procedure charges have appropriate authorisations;
- Review and update key strategic plans;
- Adopt Employee Code of Conduct as required by model regulations;
- Review and update the delegations register.

4.0 Methodology

4.1. Review Methodology – Financial Management Review

The objective of this review is to assist the CEO of the Shire of Wyndham-East Kimberley to discharge responsibilities in respect to Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996 (as amended)*.

In carrying out our review, we examined documented policies / procedures, undertook walkthroughs of key systems and procedures and performed limited detailed testing procedures to identify weaknesses in the financial management system and report to the CEO on the appropriateness and effectiveness of the control environment within the Shire, as required by regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*.

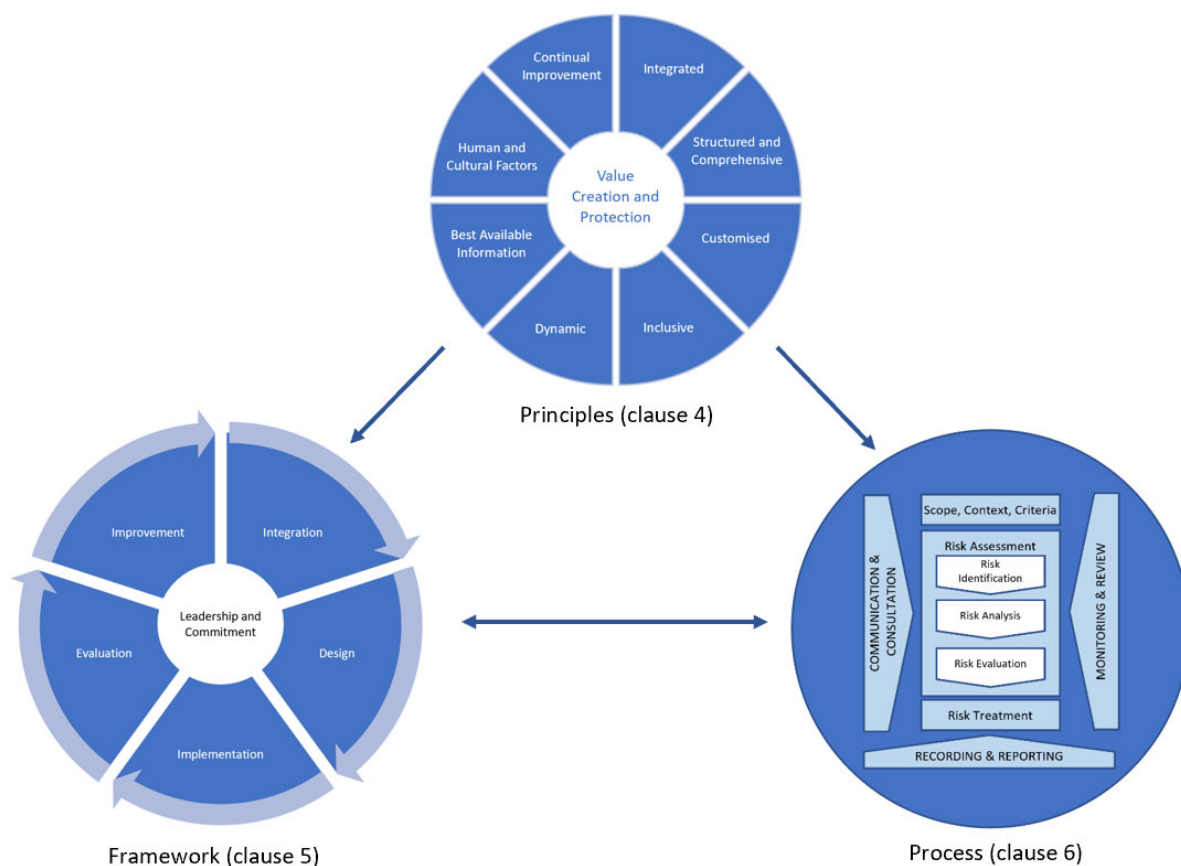
4.2. Review Methodology – Risk Management, Legislative Compliance and Internal Controls

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

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

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

Diagram 1. Risk Management Principles, Framework and Process



Source: Australia/New Zealand Standard ISO 31000:2018

4.0 Methodology (continued)

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

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

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

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

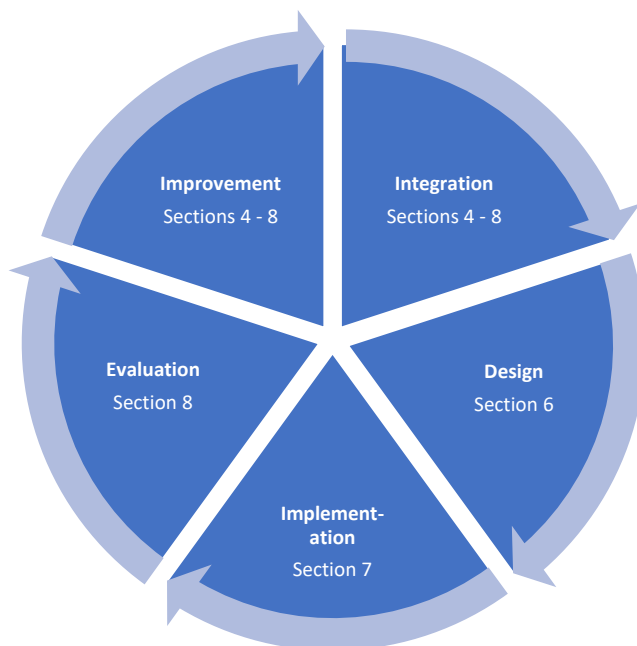
5.0 Appropriate Framework

5.1. Risk Management, Internal Control and Legislative Compliance

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

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

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



Source: Australia/New Zealand Standard ISO 31000:2018

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

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

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

6.0 Framework Design

6.1. Strategic Plans

The Shire has adopted two key strategic documents, the Strategic Community Plan 2017-2027 and the Corporate Business Plan 2020-2024. These plans identify the Council's organisational objectives and key outcomes, as the Shire progress on its stated vision *"To be a thriving community with opportunities for all"*.

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

- **Inclusivity** - We recognise the diversity of our community and want to ensure that everyone can actively participate in community life.
- **Unity** - We will work collaboratively with the community, united in a common purpose.
- **Sustainability** - Ensure that the aspirations of the community can be met within budget in order to remain socially, environmentally and financially sustainable.
- **Responsibility for our own future** - We will actively participate in providing input to decision making at a state and national level on issues that affect our region.
- **Leadership** - We will listen to the community's concerns and advocate for issues that are important to residents.

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

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

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

6.0 Framework Design (continued)

6.2. Council Policies

Whilst the operations of the Shire are the responsibility of the CEO, the Council is responsible for setting the framework for operations via adopted Council policies. These policies represent an overarching framework relevant to risk management, internal controls and legislative compliance and have been reviewed for appropriateness and effectiveness.

In general, Council policies are well formulated and provide clear guidance regarding Council's position on certain matters. A list of policies reviewed is provided in Appendix B - Council Policies Examined. The table below details matters identified and associated suggested improvements.

Policy	Purpose / Goal	Matters Identified / Improvements
6.2.1. Covid-19 Financial Hardship – Rates and Sundry Debtors Policy CP FIN-3219	To provide fair, equitable, consistent and dignified support to ratepayers suffering hardship arising from the COVID 19 pandemic.	The policy scope applies to the 2020/21 and 2021/22 financial year and only references financial hardship as a result of the COVID 19 pandemic. The policy scope should consider the term and currency of the order beyond the Covid-19 state of emergency. Improvement: Update the policy to apply timing parameters which align with the COVID 19 state of emergency declaration. Consider reviewing the policy to apply to financial hardship circumstances other than the COVID 19 pandemic if the intent of the policy is to consider more general circumstances of financial hardship.
6.2.2. Significant Accounting Policy CP FIN-3201	Policy to guide the Shire's financial framework in addition to the Australian Accounting Standards (AAS).	Formalisation of accounting policies within a separate Council policy may result in a conflict with policies required by Australian Accounting Standards due to changes in the Australian Accounting Standard. Improvement: To avoid conflict with the standards and legislation the policy should not include legislative and standards requirements and should enhance these requirements or provide a policy decision where an accounting standard allows a policy choice. Consider rescinding the policy and adopt accounting policies annually within the Annual Statutory budget.
6.2.3. CP PMG-3780 and CP PMG-3781 Leasing of Council Managed Land	Policy to guide the leasing of Council's owned and reserve land to Commercial or community organisations.	Lease fees included in this policy are not included as part of the 2020/21 Fees and Charges. All charges by a local government are required to have appropriate approval as per the <i>Local Government Act 1995</i> . Improvement: Ensure all charges within this policy have an appropriate legislative authorisation.
6.2.4. CP CS-3280 Complaints Management Policy	Policy to provide an efficient, effective and consistent approach to the management of complaints.	The policy does not provide for the handling of complaints made against the CEO. Improvement: Review and amend the policy to provide a mechanism for the handling and resolution of complaints regarding the CEO.
6.2.5. CP CS-3281 Customer Service Policy	Policy is to establish Council's commitment to delivering professional and quality customer services.	The policy refers to superseded <i>Local Government (Rules and Conduct) Regulations 2007</i> legislation and a superseded Strategic Community Plan. Improvement: Review and update the policy to remove detailed reference to legislation and other external documents to minimise occurrences where policies are not up to date.

6.0 Framework Design (continued)

Policy	Purpose / Goal	Matters Identified / Improvements
6.2.6. CP FIN-3213 Corporate Credit Cards	Policy to regulate the use of corporate credit cards issued to employees.	<p>The policy requires the Shire President to approve and sign the CEO's credit card statement. The current practice is to use a subordinate to sign off on the CEO's credit card. All credit card transactions are reported to Council as part of the monthly payments report, however the CEO's credit card transactions are not separately presented for noting.</p> <hr/> <p>Improvement:</p> <p>Review the policy/procedure to amend the authorisation process of the CEO's credit card. Periodic reports to Council should be considered acknowledging transactions as having been made and authorised by the CEO in line with the Western Australian Auditor General's Report dated 7 May 2018 relating to Controls Over Corporate Credit Cards.</p>
6.2.7. CP FIN-3218 Pre-Qualified Supplier Panel Policy	Procedures for the procurement of goods and services.	<p>The following provisions required by <i>Local Government (Functions and General) Regulation 1996</i> regulations 24(A) and (C) within the pre-qualified supplier policy could not be identified:</p> <p>(b) how the local government will ensure that each pre-qualified supplier on a panel of pre-qualified suppliers will be invited to quote for the supply of the goods or services that the pre-qualified suppliers will be expected to supply; and</p> <p>(c) how the local government will ensure clear, consistent and regular communication between the local government and pre-qualified suppliers; and</p> <p>(e) the recording and retention of written information, or documents, in respect of —</p> <p>(ii) all purchases made from pre-qualified suppliers.</p> <hr/> <p>Improvement:</p> <p>Review and update the preferred suppliers policy to ensure it complies with relevant legislation.</p>
6.2.8. CP CNC-3144 Elected Member Continuing Professional Development Policy & CP CNC - 3141 Elected Members Allowances and Entitlements	To enable council members to meet their obligations for training.	<p>Applications to undertake professional development are to be submitted to either the Council or the Shire President in conjunction with the CEO, and where the application is made by the Shire President, the Deputy Shire President in conjunction with the CEO. Under the <i>Local Government Act 1995</i> the Shire President or Deputy President has no administrative authority and as such no authority to approve applications for professional development.</p> <hr/> <p>Under the CP CNC 3141 Elected Members Allowances and Entitlements policy the reimbursement for a hire care can be permitted by either the Shire President or CEO if deemed more effective. Under the <i>Local Government Act 1995</i> the Shire President has no administrative authority and as such no authority to approve reimbursement as stated within the policy.</p> <hr/> <p>Improvement:</p> <p>Review and update the policy to require applications for professional development to be considered either by a council resolution or by the CEO.</p> <hr/> <p>Review and update the policy to require reimbursement for a hire car to be considered either by a council resolution or by the CEO.</p>

6.0 Framework Design (continued)

Policy	Purpose / Goal	Matters Identified / Improvements
6.2.9. CP GOV -3112 Policy Management Policy	To set out parameters for the implementation of Policies.	<p>This policy provides parameters for the CEO to make amendments to policies. Section 2.7 (2)(b) of the <i>Local Government Act 1995</i> provides for policies to be determined by Council. Setting policy is not a responsibility of the CEO.</p> <hr/> <p>Improvement:</p> <p>Review and update this policy to consider the appropriate separation of the roles of the council and the CEO.</p>
6.2.10. Internal Control Policy	A policy to evidence Council's commitment to internal controls and their importance to the organisation.	<p>Currently, no policy on internal controls has been adopted by Council.</p> <hr/> <p>Improvement:</p> <p>We suggest an internal control policy be formulated and adopted to formalise Council's commitment and approach to internal controls, based on a risk management process.</p>
6.2.11. Legislative Compliance Policy	A policy to evidence Council's commitment to legislative compliance and its importance to the organisation.	<p>Currently, no policy on internal legislative compliance has been adopted by Council.</p> <hr/> <p>Improvement:</p> <p>Development and adoption of a legislative compliance policy may help formalise Council's commitment and approach to legislative compliance.</p>
6.2.12. Temporary Appointment of CEO Policy	Policy to provide for the appointment of a suitably qualified Acting Chief Executive Officer during limited absences of the Chief Executive Officer, in accordance with the provisions of the <i>Local Government Act 1995</i> .	<p>At the time of our review, a policy relating to the appointment of an Acting CEO had not been adopted by Council. This policy is required to be published on the Shire's official website as required by section 5.96A of the <i>Local Government Act 1995</i>, and any other relevant section of the Act.</p> <hr/> <p>Improvement:</p> <p>Develop and adopt a policy to sufficiently address compliance with section 5.39C of the <i>Local Government Act 1995</i> and align to the current organisational structure. Once adopted, ensure information is published on the Shire's official website</p>
6.2.13. Policy Reference to Legislation and External Information	To support the link between Council policy, legislation and other information sources.	<p>We noted several policies contain specific detail relating to legislation and other external references, including:</p> <ul style="list-style-type: none"> • Compliance & Enforcement Policy; • Customer Service Policy; and • Sundry Debt Collection <p>We noted the references within these policies may be outdated or superseded by changes to legislation, Australian Standards or other external references.</p> <hr/> <p>Improvement:</p> <p>Update policies to remove specific and / or detailed references to legislation and other external references to assist with appropriate alignment and consistency in Council policies is maintained.</p>
6.2.14. Policy Review	Routine review of Policies to help ensure they remain current.	<p>Policies are reviewed annually by Council to help ensure they remain current. Multiple policies appear to be overdue for review. One policy did not include an adoption date.</p> <hr/> <p>Improvement:</p> <p>Following review of policies by Council, update the latest 'history' date on the policy to provide evidence and an accurate record of when the policy was reviewed, amended and adopted.</p>

6.0 Framework Design (continued)

Policy	Purpose / Goal	Matters Identified / Improvements
6.2.15. Policy Publication	To provide access to current and consolidated policies of Council.	<p>The formatting and presentation of policies is inconsistent and presented in alternative formats within different policies. Maintaining a consistent format across all policies allows for better controls for their review and maintenance.</p> <hr/> <p>Improvement:</p> <p>Review and amend policies to maintain a consistent format and structure across all policies.</p>
6.2.16. General Policy Actions	To set out parameters for the implementation of policies.	<p>We noted some council policies which may be operational in nature. Council policies are not necessarily intended to provide direction on how different operational functions are to be executed as these are the responsibility of the CEO.</p> <hr/> <p>Improvement:</p> <p>Review and update this policy to consider the appropriate separation of the roles of the council and the CEO. Consider review and update of policies to articulate the strategic direction of Council, particularly where legislation does not provide such direction.</p>

7.0 Framework Implementation

7.1. Strategic and Operational Plans

The Council has several strategic and operational plans which form the basis of entity level controls and entity level risk assessments.

A list of plans reviewed is provided in Appendix C - Plans Examined. The table below details areas for possible improvement in relation to the plans examined.

Plan	Purpose / Goal	Matters Identified / Improvements
7.1.1. ICT Service Level Agreement	A framework to set the service level requirement of ICT services.	<p>A current ICT service level agreement framework was not in place to set out the service level requirements of ICT contracts.</p> <p>Improvements:</p> <p>Develop an ICT framework, policy or agreement outlining the service level requirements for ICT contractors and internal services.</p>
7.1.2. ICT Disaster Recovery Plan	Plan to address the handling of ICT disaster recovery.	<p>An ICT Disaster Recovery Plan was not available for inspection.</p> <p>Improvement:</p> <p>Develop an ICT Disaster Recovery Plan. Identify and document key ICT risks, along with the treatments to reduce the risk to an acceptable level. Maintain, review and test the plan to ensure validity.</p>
7.1.3. Integrated Planning and Reporting	Documents to enable appropriate long-term planning for the Shire.	<p>The Asset Management Plan, Workforce Plan and the Long-Term Financial Plan 2017-2027 are currently overdue for review. Although there is no statutory obligation to adopt a plan to include all required data and information, it is required by the DLGSCI Integrated Planning and Reporting Advisory Standard (September 2016) and is to be aligned to the Corporate Business Plan and annual budget.</p> <p>Improvement:</p> <p>Review and update the following integrated planning documents. Documents should align them with the Community Strategic Plan and the Corporate Business Plan</p> <ul style="list-style-type: none"> • Asset Management Plan 2017-2027 • Workforce Plan 2017-2027 • Long-Term Financial Planning 2017-2027
7.1.4. Code of Conduct for Employees and Contractors	To provide guidance to contractors and employees of enforceable rules and requirements as prescribed in relevant legislation.	<p>Regulations gazetted on the 3 February 2021 introduced minimum requirements for an employee and contractors code of conduct and introduced a model code of conduct for council members. The Code of Conduct for employees was not developed by 3 May 2021 as required, with the existing Code of Conduct still being utilised for employees.</p> <p>Improvement:</p> <p>Develop a new code of conduct for employees and contractors as required by legislation and undertake a re-induction with all employees.</p>

7.0 Framework Implementation (continued)

7.2. Operational and Financial Procedures

In seeking to achieve its stated vision, the Shire delivers a number of services to the community. Meetings were undertaken with key staff in each of the areas of service responsibility, as well as examination of documented processes, to determine the practices applied to issues of risk management, internal controls and legislative compliance. A summary of the reviews undertaken to evaluate the controls is included at Appendix C.

We observed a number of practices and procedures in place, however their application was not always consistent. Considering the number of services provided and current staff resourcing, a risk based approach to the prioritisation of the review and development of new procedures is recommended. The table below details areas of suggested improvement in relation to policies and procedures examined.

Component	Purpose / Goal	Matters Identified / Improvements
7.2.1. Bank Reconciliations	Processes for the control of the Shire's bank funds.	<p>Reconciliations for the bank were not conducted in a timely manner as of 30 June 2021, having only been completed to the end of May 2021 at the time of our visit in August 2021. Staff representations detail this was being due to the unavailability of key staff to perform the task. Bank reconciliations are a key control and any untimely, non-reconciled bank accounts are considered a high risk to an organisation.</p> <hr/> <p>Improvement: Review systems and processes to ensure staff capacity for the regular and timely completion and review of bank reconciliations.</p>
7.2.2. Asset Reconciliations	Processes for the control of the asset register.	<p>Reconciliations for the asset register have not been conducted in a timely manner as of 30 June 2021, having only been completed to the end of May 2021 at the time of our visit in August 2021. Staff representations detail this was due to the unavailability of key staff to perform the task.</p> <hr/> <p>Improvement: Review systems processes and staff capacity for the regular and timely review of asset reconciliations.</p>
7.2.3. Accounts Receivable	Procedures for the management and control of accounts receivable.	<p>Controls relating to accounts receivable are considered inadequate. Our testing noted instances where documentation supporting issued invoices was not available for review. Individual departments are responsible for managing invoice requests to be prepared and issued by accounts receivable staff without supporting documentation.</p> <hr/> <p>Improvement: Review, update and maintain systems and processes for accounts receivable functions to minimise the risks of erroneous an/or unauthorised transactions being processed. Procedures should minimally provide for review, verification and authorisation controls.</p>

7.0 Framework Implementation (continued)

Component	Purpose / Goal	Matters Identified / Improvements
7.2.4. Accounts Payable	Procedures for the payment of goods or services.	<p>Our testing noted multiple instances where creditors invoices were approved by only one officer. We noted instances where purchase orders and invoices were authorised by the same officer, without independent reviews.</p> <hr/> <p>Improvement:</p> <p>Invoices signed by only one employee increase the risk that an improper invoice is paid. A second signature verifying the payment of an invoice will assist in providing independent review.</p>
7.2.5. Stock Control	Process to ensure stock is correctly allocated, as well as to reduce the potential for theft or misappropriation.	<p>Stocktakes are not undertaken routinely at some Shire facilities. Annual stocktakes for some items are performed, however regular reconciliations of stock are not performed.</p> <hr/> <p>Improvements:</p> <p>Conduct regular stocktakes of items within the Shire facilities and integrate these stocktakes with a reconciliation process to monitor usage.</p>
7.2.6. Attractive Items Register	Register to maintain listing of portable / desirable assets as required by <i>Local Government (Financial Management) Regulations 1996</i> .	<p>The Shire's listing of attractive items as required by the <i>Local Government (Financial Management) Regulations 1996</i> was not available for review.</p> <hr/> <p>Improvement:</p> <p>Develop an attractive item listing for all non-consumable assets susceptible to theft or loss.</p>
7.2.7. Security Controls for Cash Handling	Procedure to allow for appropriate and secure handling of cash across all facilities.	<p>Weaknesses in cash handling controls between certain facilities and administration were identified. Documented controls to ensure appropriate review and authorisation process were not available for review for all facilities.</p> <hr/> <p>Improvement:</p> <p>Develop a receipting process for all transfers of cash from an external facility to the administration office to create greater transparency and control between both departments.</p>
7.2.8. Revenue Controls at Shire Facilities	Procedures and systems for the collection of revenue at Shire Facilities.	<p>A monthly reconciliation of receipts from some Shire facilities to income within the Shire's ERP was unavailable for our review. We were unable to reconcile income between the Shire's ERP and Shire facility management systems.</p> <hr/> <p>Improvement:</p> <p>A review of procedures and controls is required to determine practical procedures, documentation and controls for the receipt and reconciliation of revenue across all facilities. Procedures should ensure compliance with associated regulatory requirement required under the <i>Local Government Act 1995</i> and subsidiary regulations.</p>

7.0 Framework Implementation (continued)

Component	Purpose / Goal	Matters Identified / Improvements
7.2.9. Records	Procedures and practices to ensure the appropriate maintenance and recording keeping of physical and digital records	<p>No systems or procedures are in place for vital records.</p> <hr/> <p>Based on our inquiries with staff, electronic records are stored in various locations such as shared drives, rather than the Shire's electronic document and records management system (EDRMS). Where compliance with required controls is low, information may become compromised in that deletions, loss and compromised security or confidentiality of records may occur.</p> <hr/> <p>Improvement: Development systems and procedures for the correct maintenance of the Shire's vital records.</p> <hr/> <p>Review, update and communicate procedures for the record keeping practices and enforce individual accountability for compliance with established procedures.</p>
7.2.10. Operational Procedures at Shire Facilities	Procedures to set out guidance for expected processes, systems and controls to be maintained at Shire Facilities.	<p>Controls in relation to the use of some Shire facilities are considered inadequate. Documented procedures and controls are required to ensure appropriate controls and reconciliations are applied to minimise risks of misuse and breakdowns in key controls occurring.</p> <hr/> <p>Improvement: Update systems and controls to ensure staff at Shire facilities are aware of and understand the control environment required to be adhered to.</p>
7.2.11. Fuel Cards	Procedures to ensure stock is correctly allocated. As well as to reduce the potential for theft or misappropriation.	<p>Formal process to monitor fuel stock purchased and allocated were not available. Fuel is recorded as it is allocated and reviewed for reasonableness periodically, however controls to reconcile fuel usage against purchases are considered inadequate.</p> <hr/> <p>Improvement: Develop and implement procedures for the monitoring of fuel purchased in an effort to detect any issue or potential misuse with cards. Procedures should provide for standard procurement systems and controls to be maintained when purchasing fuel.</p>
7.2.12. Fixed Assets Register	Fixed Assets are properly accounted for and controls are operating effectively.	<p>Limited controls exist to record the acquisition, disposal and adjustment of assets into the fixed asset register.</p> <hr/> <p>Improvement: Improve procedures and controls for updating the fixed assets register including evidencing review and authorisation by an independent officer.</p>
7.2.13. Checklists	Checklists document the completion of multiple steps within an overall process.	<p>Checklists of key functions are maintained for selected functions. Checklists were not maintained and evidenced for all standard routine functions such as end of month reconciliations and reporting across the organisation. It was noted some staff have commenced with the creation of checklists and procedures.</p> <hr/> <p>Improvement: Creation and maintenance of standard checklists may assist in evidencing key points of control. Checklists assist in ensuring compliance with repetitive legislative compliance tasks. Staff are encouraged to continue with the development of checklists and procedures for routine functions, including evidencing independent review.</p>

7.0 Framework Implementation (continued)

Component	Purpose / Goal	Matters Identified / Improvements
7.2.14. Workflow Diagrams	Workflow process diagrams create a visual representation of a process, clearly identifying key points of control and responsibility.	<p>Workflow diagrams have not been compiled for undocumented / documented procedures.</p> <hr/> <p>Improvement: In conjunction with, or as an alternative to, the development of documented procedures and checklists, development of workflow process diagrams may assist in clearly identifying controls and processes to be followed.</p>
7.2.15. Procedure Changes	Process to control and manage change to procedures.	<p>Process for amending or changing procedures are not formalised. We noted this had resulted in several instances of unilateral unauthorised changes to procedures and a risk of breakdown in key controls within internal and financial controls.</p> <hr/> <p>Improvement: Establish a process for the development, review, amendment and authorisation of procedures, checklists and other internal control documentation, throughout the Shire to assist with managing changes to procedures.</p>

7.0 Framework Implementation (continued)

7.3. Human Resource Management and Practices

A number of components constitute the Shire's human resource management practices and form an essential element of risk management, internal control and legislative compliance. Each of these elements is examined in the table below.

Component	Purpose / Goal	Matters Identified / Improvements
7.3.1. Employee Identity and Credentials	Systems and controls for screening and monitoring existing employees for changes in their circumstances which may impact their employment.	<p>Practices and procedures for verifying employee identity, right to work in Australia, verification of employment history and qualifications are managed internally by human resources at appointment with some procedures subsequent to appointment managed by individual departments. Our limited testing identified an instance where evidence of these processes having been completed was not available for our review.</p> <hr/> <p>Improvement:</p> <p>Develop, implement and maintain appropriate policies and procedures to reduce the risk of unqualified or unsuitable staff being employed by the Shire, in line with the Western Australian Auditor General's Report in June 2019 relating to Verifying Employee Identity and Credentials.</p>
7.3.2. Staff Training	To ensure staff have access to ongoing and appropriate training.	<p>Planned staff training needs for employees are not currently identified and recorded in a central training matrix.</p> <hr/> <p>Improvement:</p> <p>Create a current organisation wide staff training matrix to identify staff training needs relevant to their role, ensuring it is co-ordinated across the organisation and monitors currency of required licences and qualifications.</p>
7.3.3. Staff Employment Contracts	To provide a documented record of the terms and conditions of each employee's contract of employment.	<p>Our testing highlighted instances where some incumbents have not signed their offer of employment.</p> <hr/> <p>Improvement:</p> <p>Ensure contracts of employment, defining roles, responsibilities and remuneration, are signed by both parties prior to employment commencing for all staff. Where a change to employee conditions takes effect, such as award increases, consider a mechanism to communicate the change to employees. The practice of updating employment agreements where a change in roles and responsibilities (signed by both parties) should also continue.</p>
7.3.4. Staff Contracts Amendments	To provide a documented record of the terms and conditions during any amendment to an employee's contract of employment.	<p>Evidence of correspondence on an employee file to support the current rate of pay applied through the payroll was not available.</p> <hr/> <p>Improvement:</p> <p>Undertake a review of all personnel files to reconcile documentation relating to conditions of employment, remuneration, roles and responsibilities.</p>
7.3.5. Payroll Audit Trails	Procedure to allow for appropriate review and approval of changes made within the payroll system.	<p>Limited review of changes made to employee master file and parameters is currently undertaken when each payroll is processed. An independent review is only taken on a modified Audit Trail only showing adjustments to bank account details and not to other payroll information.</p> <hr/> <p>Improvement:</p> <p>Procedures to minimise risk of erroneous or unauthorised changes to employee details should be implemented. Regular reviews of software audit trails in its entirety is one form of control and should be undertaken as a minimum. Where possible, segregation of duties should exist where those responsible for processing payroll transactions are unable to make changes to employee master file.</p>

7.0 Framework Implementation (continued)

Component	Purpose / Goal	Matters Identified / Improvements
7.3.6. Payroll	Procedures and practices to ensure appropriate payment of wages to employees.	<p>There were several samples of whereby employee timesheets are only signed off by the Manager or Supervisor of the employee and not by the employee themselves. During testing we found a mixture of timesheet signed and unsigned by the employees. We found one case whereby the payroll reconciliation did not balance.</p> <hr/> <p>Improvement:</p> <p>Timesheets that are unsigned by the employee may create a risk of misrepresentation and dispute between the employee and the organisation. Timesheets should be signed off by the employee and relevant supervisor or manager.</p>

7.4. Insurance

At present, the Chief Executive Officer, Director Corporate Services and the Accountant annually review the completeness of insurances. Discussions are also held with the insurers annually and adjustments to policies and insurance levels made as considered appropriate. The insurance values of buildings, plant and equipment are based on the three to five yearly valuations of building assets undertaken by registered valuers. This practise is considered appropriate for an organisation the size of the Shire.

8.0 Framework Evaluation

Developing and implementing systems and procedures for risk management, legislative compliance and internal controls within a Shire can be a time consuming and expensive exercise with the potential to divert resources away from direct services. Considering the level of investment necessary to establish these systems, actions to monitor their effectiveness are an essential practice.

Over time, the relevancy of established controls may change, their purpose may be forgotten, or technology may offer a more efficient or effective way to achieve the initial goal. For these reasons, formal review procedures are required to ensure the resources applied to maintaining these systems, practices and controls are done so in the most efficient way.

Evidence of the monitoring of risk management, internal controls and legislative compliance is sourced from Minutes of Meetings, Registers of Disclosures and reports reviewed.

8.1. Council and Audit and Risk Committee

Regular monthly financial statements and lists of payments, made in the intervening period between each meeting, have been presented to the Council for review, as required by legislation. This provides the basis for high level oversight of the expenditure transactions of the organisation and review of performance in delivering the budget.

8.0 Framework Evaluation (continued)

8.2. Strategic and Operational Registers

A number of registers are maintained by the Shire. The table below details areas for possible improvement in relation to these registers.

Register	Purpose / Goal	Matters Identified / Improvements
8.2.1. Risk Register	Provide a record of risk breaches and remedial action taken.	<p>A risk register to reflect identified risks, and if they have been adequately treated exists, however appropriate record keeping regarding the dates of risk identification and risk treatment was not recorded.</p> <hr/> <p>Improvement:</p> <p>Maintaining risk registers for all identified risks is important to help ensure appropriate recording and communication of high rated risks, along with providing a record to enable the verification of whether treatment plans have appropriately reduced the risk. Routine (at least quarterly) review of the risk register is required to assist in ensuring identified risks are adequately treated.</p>
8.2.2. Register of Hazardous Material	Provide a record of properties under the Shire's control containing hazardous materials.	<p>A register of hazardous materials was not available for our inspection, to reflect properties under the control of the Shire which may contain hazardous materials such as asbestos, and if associated risks have been adequately treated. It is noted some locations did contain material safety data sheets.</p> <hr/> <p>Improvement:</p> <p>Develop and maintain a register to record details of hazardous materials, such as asbestos, for properties under the control of the Shire.</p>
8.2.3. Delegation Register	Statutory register of delegations of authority.	<p>Our testing identified a number of issues with several delegations. We noted common occurrences where:</p> <ul style="list-style-type: none"> The delegation replicates relevant legislation Relevant legislation prohibits the delegation The delegation is not a decision of Council The delegation contains information not aligned with the relevant current legislation. <hr/> <p>Improvements:</p> <p>Review and update the delegations register to ensure that the delegations are appropriate and are consistent with relevant legislation.</p>
8.2.4. Financial Interest Register	Statutory register of primary and annual returns.	<p>Acknowledgement of annual returns were not recorded as required by section 5.77 of the <i>Local Government Act 1995</i>.</p> <hr/> <p>The current register does not contain financial interest returns for prior years as required by section 5.88 of the <i>Local Government Act 1995</i>.</p> <hr/> <p>Improvements:</p> <p>Review systems and procedures to ensure the acknowledgement of receipts of all returns occurs and are appropriately filed in the register of financial interests as required by legislation.</p>

8.0 Framework Evaluation (continued)

8.3. Annual Compliance Audit Returns (CAR)

Returns have been completed on a self-assessment basis and approved by Council each year. A matter of non-compliance was noted in the 2018 return regarding the annual and primary return lodgement date and 2019 regarding the primary return within lodgement date. These matters were reported to the Audit Committee and to Council, with improvements noted within the agenda report attachment to address matters identified. The 2019 matters of non compliance were reported to relevant regulators bodies as required by legislation.

8.4. Complaint Handling

Community complaints are received by administration staff and allocated to the relevant manager to address. Responsibility for the routine follow up of complaints to ensure they have been adequately addressed remain with the manager who has been allocated the complaint.

Component	Purpose / Goal	Matters Noted / Improvements
8.4.1. Community Complaints Procedures	Procedures for the recording, handling and resolution of customer complaints.	No formal procedures for handling of customer complaints currently exist. A customer complaints register is currently being maintained. Improvement: To help ensure all complaints are adequately resolved, procedures around the handling of complaints and the maintenance and review of the complaints register should be developed.

8.5. Audit Practices

The table below details areas for possible improvement in relation to audit practices.

Component	Purpose / Goal	Matters Noted / Improvements
8.5.1. OSH Audit	Review of occupational safety and health procedures.	Evidence of a recent OSH audit was not available for our review. Improvement: Undertake an OSH audit, ensuring subsequent actions and matters identified through the Audit are Adequately addressed.
8.5.2. Internal Audit	Internal audit monitors the level of compliance with internal procedures and process along with assessing the appropriateness of these procedures.	Currently, no internal auditors have been appointed, and limited internal audit functions have been undertaken. Improvement: We suggest as the level of documented procedures increases, an expanded internal audit function to confirm adherence to documented policies and procedures may be required as recommended by the OAG in their report to Parliament on the Audit Results Report – Annual 2017-18 Financial Audits of Local Government Entities.

8.6. Review required to be undertaken by the CEO

The CEO is required to undertake reviews of systems and procedures of the local government. Prior reviews have been undertaken within timeframes required by legislation. We noted some instances whereby recommendations may not be considered to have been implemented.

9.0 Other Matters

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Appendix A – Financial Management Systems Review

The following reviews were undertaken to evaluate the appropriateness and effectiveness of financial management system controls:

System	Description
Bank reconciliation and petty cash management	Examination of procedures and review of maintenance and management practices undertaken by staff
Trust funds	Examination of trust funds to determine proper accountability in the Shire's financial management system and compliance with regulatory requirements
Receipts and receivables	Examination of end of day banking procedures to determine if they were adequate in ensuring cash collection is being recorded and allocated properly to the general ledger. The receivables system including raising of invoices was also reviewed with limited testing in respect to allocation/posting
Rates	<p>The Shire's rating procedures were examined to determine if they were adequate in ensuring rates were being imposed or raised correctly. This also included inspection of the rate record, rate notices, instalment notices, valuation reconciliations and general ledger. We randomly selected and tested rate notices which included:</p> <ul style="list-style-type: none"> • sighting the notices; • re-performing the calculations; • ascertaining whether the valuations applied agree to Landgate's valuation roll/report and rates per dollar imposed are as per adopted budget; • ensuring the rate system is properly updated; and • checking proper posting to the general ledger
Purchases, payments and payables (including purchase orders)	<p>Random selection of payment transactions to determine whether purchases were authorised/budgeted and payments were supported, certified/authorised and correctly allocated. The Shire's purchases, payments and payables system was also examined to determine if adequate controls were in place in ensuring liabilities are properly recorded and payments are properly controlled.</p> <p>We are aware of many incidents of payment scams/frauds within the local government industry during recent years. As a consequence of this activity, we have had a specific focus on the controls around the changes to supplier details within the EFT payment system</p>
Payroll	<p>A sample of eight employees were randomly selected from four pay runs and detailed testing of each employee's pay was performed to help ensure:</p> <ul style="list-style-type: none"> • the employee existed; • the correct rate of pay was used; • non-statutory deduction authorities are on hand; • time sheets were properly completed and authorised; • hours worked were properly authorised; and • allocations were reasonable and correctly posted <p>The Shire's payroll system was also reviewed to determine if adequate controls were in place to help ensure wages and salaries are properly processed and payments are properly controlled</p>
Credit card procedures	<p>A review of the Shire's credit card procedures was performed to determine if adequate controls were in place. We randomly selected and tested credit card transactions to determine whether they are legitimate and usual in the context of the Shire's operations. This included:</p> <ul style="list-style-type: none"> • sighting tax invoices; • ascertaining whether the transaction is for bona fide Shire business; and • determining whether transactions are in line with the Shire's policy.

Appendix A – Financial Management Systems Review (continued)

System	Description
Fixed assets (including depreciation, acquisition, and disposal of property)	<p>The fixed assets system including controls over acquisition and disposal of assets, updating of the fixed assets register, depreciation of fixed assets and reconciliation of the fixed assets register to the general ledger was examined. A sample of asset additions and disposals were judgmentally selected, and testing performed to ensure:</p> <ul style="list-style-type: none"> • the tax invoices existed; • correct posting to the general ledger; • fixed assets register was promptly updated; and • classification of assets was correct. <p>In addition, a sample of four assets were judgmentally selected and testing performed to ensure the depreciation rates used are in line with the Shire's policy</p>
Cost and administration allocation	<p>The Shire's cost and administration allocation system was examined to determine if indirect costs have been properly reallocated to various jobs/programs. This included review of the allocation basis and rates used to ensure they are appropriate and regularly reviewed</p>
Financial reports controls	<p>The format of the annual report, annual financial report and monthly financial reports were reviewed for compliance with legislative requirements</p>
Budget and budget review	<p>The 2019-20 budget document and documents surrounding budget adoption were reviewed to ensure compliance with regulatory requirements</p>
Borrowings	<p>Reconciliation of borrowings to the WATC loan schedules were examined</p>
Inventory	<p>Inventory reconciliations and stocktake procedures were examined</p>

Appendix B – Council Policies Examined

The Council Policies examined as part of the review were as follows:

Policy Topic (as at 23 August 2021)

COMMUNITY DEVELOPMENT	
Community	
CP COM-3580	Community Development
CP COM-3583	Baby Tree Program
CP COM-3582	Community Grant Program
CP COM-3100	Community Engagement Policy
CP COM-3584	Alcohol Management Policy
CP COM-3585	Hire of Banner Poles
CP COM-3586	Future Leaders Award
Planning and Development	
CP HTH-3761	Licensing of Overflow Sites in Caravan Parks and Camping Grounds
CP HTH-3762	Licensing of Temporary Caravan Parks and Camping Grounds
CP PMG-3781	Leasing of Council Managed Owned Land-Commercial
CP PMG-3780	Leasing of Council Managed Reserve Land - Community
CP PMG-3782	Property Street Numbering Policy
CP PMG-3783	Communication Antennae
CP LPP-3827	Trading in Public Places - Mobile Food Vehicle (MFV)
LPP 2	Compliance & Enforcement Policy
LPP 5	Sea Shipping Containers
LPP 6	Caretakers Dwelling in Light Industrial Areas
LPP 7	Relocated and Transportable Buildings
LPP 11	Transient Accommodation
LPP 12	Temporary Workers Accommodation Camp
LPP 15	Signage
CORPORATE SERVICES	
Customer Services	
CP CS-3280	Complaints Management Policy
CP CS-3281	Customer Service Policy
Finance	
CP FIN-3200	Strategic Rating Policy
CP FIN-3201	Significant Accounting Policies
CP FIN-3203	Investments
CP FIN-3204	Purchasing Policy
CP FIN 3208	Rates Exemptions for Charitable Organisations (Non-Rateable Land)
CP FIN-3212	Rates and Charges Debt Collection
CP FIN-3213	Corporate Credit Cards
CP FIN-3214	Sundry Debt Collection
CP FIN-3215	Self-Supporting Loans
CP FIN-3217	Regional Price Preference
CP FIN-3218	Pre-Qualified Supplier Panel Policy
CP FIN-3219	COVID-19 Financial Hardship – Rates and Sundry Debtors
CP FIN-3211	Fees and Charges Pricing Policy - Adopted
Audit (Finance and Risk) Committee Terms of Reference	
Information Communication Technology	
CP ICT-3260	Information Management and ICT Acceptable Use
CP ICT-3282	Closed Circuit Television (CCTV) Management and Operational Manual

Appendix B – Council Policies Examined (continued)

GOVERNANCE	
Elected Members	
CP GOV-3105	Public Question Time
CP GOV-3106	Council Elections - Caretaker Period
CP GOV-3108	Risk and Opportunity Management
CP CNC-3140	Council Briefing Sessions
CP CNC-3141	Elected Member Allowances and Entitlements Adopted
CP CNC-3142	Recording of Meetings
CP CNC-3143	Attendance at Events and Functions Policy
CP CNC-3144	Elected Member Continuing Professional Development Policy
CP CNC-3145	Code of Conduct for Council Members, Committee Members and Candidates for local government elections
CP HR-3352	Chief Executive Officer Recruitment, Performance Review and Termination
Governance	
CP GOV-3101	Celebrity Tree Park, Tree Planting, Removal and Upkeep
CP GOV-3102	Media and Corporate Communications
CP GOV-3107	Filming within the Shire
CP GOV-3110	Common Seal Policy
CP GOV-3111	Social Media Policy
CP GOV-3112	Policy Management Policy
CP GOV 3113	Surveillance Devices
CP GOV 3114	Coronavirus (COVID-19) Emergency Response and Recovery Policy
Organisational Development	
CP HR-3350	Designation of Senior Employees
CP HR-3351	Severance Policy
CP GOV-3103	Legal Representation for Council Members and Employees
CP GOV-3110	Occupational Safety and Health
INFRASTRUCTURE	
CP OPS-3649	Maintenance of Shire Assets
CP OPS-3650	Private Works
CP OPS-3651	Private Works and Developments on Road Verges and Shire Managed Land
CP OPS-3652	Cattle Grids
CP OPS-3653	Vehicle Crossover Subsidy
CP OPS-3654	Roadside Memorials
CP OPS 3655	Road Development
CP OPS 3656	Construction Security Deposits
CP OPS 3657	Directional Signage
CP OPS 3658	Roadside Advertising Signage
CP OPS 3659	Asset Management Policy
CP OPS 3660	Stormwater Management for Developments
CP OPS-3661	Shire Road Network
CP REM-3620	Fire Breaks
CP REM-3621	Plant Mobilisation in Emergency

Appendix C – Plans Examined

The Plans examined as part of the review were as follows:

Plan	Status
Strategic Community Plan	2017-2027
Corporate Business Plan	2021-2025
Asset Management Plan	2017-2027
Workforce Plan	2017-2027
Code of Conduct – Elected Members	March 2021
Record Keeping Plan	Approved by State Records Office 24 October 2017
Local Recovery Plan	August 2016
Local Emergency Management Arrangements	2016
Local Recovery Plan	2016
ICT Strategy	2020 - 2023
Annual Report	2017-18, 2018-19 & 2019-20

Appendix D – Strategic and Operational Registers Examined

The registers examined as part of the review were as follows:

Register
Tender Register
Gifts Register
Delegation Register
Financial Interests Register
Official Complaints Register
Investment Register
Asbestos Register
Cemeteries Register
Swimming Pool Register
Development Applications Register
Easements Register
Lodging Houses Register
Risk Register
Hazardous Materials

Appendix E – Operational Guidelines

Risk Management

The internal control and risk management systems and programs are a key expression of a local government's attitude to effective controls. Good audit committee practices in monitoring internal control and risk management programs typically include:

Reviewing whether the local government has an effective risk management system and material operating risks to the local government are appropriately considered;

Reviewing whether the local government has a current and effective Business Continuity Plan (including disaster recovery) which is tested from time to time;

Assessing 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 prove to be wrong*
- litigation and claims*
- misconduct, fraud and theft*
- 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*

Obtaining regular risk reports, which identify key risks, the status and the effectiveness of the risk management systems, to ensure identified risks are monitored and new risks are identified, mitigated and reported;

Assessing the adequacy of local government processes to manage insurable risks and ensure the adequacy of insurance cover, and if applicable, the level of self-insurance;

Reviewing the effectiveness of the local government's internal control system with management and the internal and external auditors;

Assessing 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;

Assessing 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;

Should the need arise, meeting periodically with key management, internal and external auditors, and compliance staff, to understand and discuss any changes in the local government's control environment; and

Ascertaining 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.

Legislative Compliance

'The compliance programs of a local government are a strong indication of attitude towards meeting legislative requirements. Audit committee practices in regard to monitoring compliance programs typically include:

- a) Monitoring compliance with legislation and regulations*
- b) Reviewing the annual Compliance Audit Return and reporting to Council the results of that review*
- c) Staying informed about how management is monitoring the effectiveness of its compliance and making recommendations for change as necessary*
- d) Reviewing whether the local government has procedures for it to receive, retain and treat complaints, including confidential and anonymous employee complaints*
- e) Obtaining assurance that adverse trends are identified and review management's Plans to deal with these*

Appendix E – Operational Guidelines (continued)

Legislative Compliance (continued)

- f) *Reviewing management disclosures in financial reports of the effect of significant compliance issues*
- g) *Reviewing whether the internal and / or external auditors have regard to compliance and ethics risks in the development of their Audit Plan and in the conduct of audit projects, and report compliance and ethics issues to the audit committee*
- h) *Considering the internal auditor's role in assessing compliance and ethics risks in their Plan;*
- i) *Monitoring the local government's compliance frameworks dealing with relevant external legislation and regulatory requirements*
- j) *Complying with legislative and regulatory requirements imposed on audit committee members, including not misusing their position to gain an advantage for themselves or another or to cause detriment to the local government and disclosing conflicts of interest*

Internal Controls

Internal controls are systems of policies and procedures that safeguard assets, ensure accurate and reliable financial reporting, promote compliance with laws and regulations and achieve effective and efficient operations.

These systems not only relate to accounting and reporting but also include communication processes both internally and externally, staff management and error handling.

Operational Guidelines prepared by the Department of Local Government and Communities (Audit in Local Government number 09 September 2013) provide the background to Internal Controls in the context of this review as follows:

'Internal control is a key component of a sound governance framework, in addition to leadership, long-term planning, compliance, resource allocation, accountability and transparency. Strategies to maintain sound internal controls are based on risk analysis of the internal operations of a local government.

An effective and transparent internal control environment is built on the following key areas:

- a) *integrity and ethics;*
- b) *policies and delegated authority;*
- c) *levels of responsibilities and authorities;*
- d) *audit practices;*
- e) *information system access and security;*
- f) *management operating style; and*
- g) *human resource management and practices.*

Internal control systems involve policies and procedures that safeguard assets, ensure accurate and reliable financial reporting, promote compliance with legislation and achieve effective and efficient operations and may vary depending on the size and nature of the local government.

Aspects of an effective control framework will include:

- a) *delegation of authority;*
- b) *documented policies and procedures;*
- c) *trained and qualified employees;*
- d) *system controls;*
- e) *effective Policy and process review;*
- f) *regular internal audits;*

Appendix E – Operational Guidelines (continued)

Internal Controls (continued)

- g) documentation of risk identification and assessment; and*
- h) regular liaison with auditor and legal advisors.*

The following are examples of controls that are typically reviewed:

- a) separation of roles and functions, processing and authorisation;*
- b) control of approval of documents, letters and financial records;*
- c) comparison of internal data with other or external sources of information;*
- d) limit of direct physical access to assets and records;*
- e) control of computer applications and information system standards;*
- f) limit access to make changes in data files and systems;*
- g) regular maintenance and review of financial control accounts and trial balances;*
- h) comparison and analysis of financial results with budgeted amounts;*
- i) the arithmetical accuracy and content of records;*
- j) report, review and approval of financial payments and reconciliations; and*
- k) comparison of the result of physical cash and inventory counts with accounting records.*

Appendix F – Improvements Identified

Risk Area	Prioritised action required
Design – Policies	6.2.10 Internal Control Policy 6.2.12 Temporary Appointment of CEO Policy
Implementation – Strategic and Operational Plans	7.1.1 ICT Service Level Agreement
Implementation – Operational and Financial Procedures	7.2.1 Bank Reconciliations
Implementation – Human Resource Management and Practices	7.3.1 Employee Identity and Credentials 7.3.5 Payroll Audit Trails
Evaluation – Strategic and Operational Registers	8.2.1 Risk Register 8.2.2 Register of Hazardous Material 8.2.3 Delegation Register 8.2.4 Financial Interest Register
Evaluation – Audit Practices	8.5.1 OSH Audit

Appendix F – Improvements Identified

Risk Area	Planned action required
Design – Policies	6.2.1 Covid–19 Financial Hardship – Rates and Sundry Debtors Policy CP FIN-3219 6.2.2 Significant Accounting Policy CP FIN-3201 6.2.3 CP PMG-3780 and CP PMG-3781 Leasing of Council Managed Land 6.2.4 CP CS-3280 Complaints Management Policy 6.2.5 CP CS-3281 Customer Service Policy 6.2.6 CP FIN-3213 Corporate Credit Cards 6.2.7 CP FIN- 3218 Pre-Qualified Supplier Panel Policy 6.2.8 CP CNC-3144 Elected Member Continuing Professional Development Policy & CP CNC-3141 Elected Members Allowances and Entitlements 6.2.9 CP GOV -3112 Policy Management Policy 6.2.11 Legislative Compliance Policy 6.2.13 Policy Reference to Legislation and External Information 6.2.14 Policy Review 6.2.15 Policy Publication 6.2.16 General Policy Actions
Implementation – Strategic and Operational Plans	7.1.2 ICT Disaster Recovery Plan 7.1.3 Integrated Planning and Reporting 7.1.4 Code of Conduct for Employees and Contractors
Implementation – Operational and Financial Procedures	7.2.2 Asset Reconciliations 7.2.3 Accounts Receivable 7.2.4 Accounts Payable 7.2.5 Stock Control 7.2.6 Attractive Items Register 7.2.7 Security Controls for Cash Handling 7.2.8 Cash Receipting and Reconciliation 7.2.9 Records 7.2.10 Operational procedures 7.2.11 Fuel Cards 7.2.12 Fixed Assets Register 7.2.13 Checklists 7.2.14 Workflow Diagrams 7.2.15 Procedure Changes
Implementation – Human Resource Management and Practices	7.3.2 Staff Training 7.3.3 Staff Employment Contracts 7.3.4 Staff Contracts Amendments 7.3.6 Payroll Procedures
Evaluation – Complaint Handling	8.4.1 Community Complaints Procedure
Evaluation – Audit Practices	8.5.2 Internal Audit

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