I hereby certify that the Minutes of the Special Audit (Finance and Risk) Committee Meeting are a true and accurate record of the proceedings contained therein.

_____

Chairperson

_____

Date

SHIRE OF WYNDHAM | EAST KIMBERLEY

MINUTES SPECIAL AUDIT (FINANCE AND RISK) COMMITTEE

20 December 2016

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CONTENTS

SHIRE OF WYNDHAM EAST KIMBERLEY
MINUTES OF THE SPECIAL AUDIT (FINANCE AND RISK) COMMITTEE MEETING
KUNUNURRA COUNCIL CHAMBERS
HELD ON TUESDAY, 20 DECEMBER 2016 AT 4:30 PM

---

1. DECLARATIONS OF OPENING

The Commissioner declared the meeting open at 4:32pm .

2. RECORD OF ATTENDANCE/APOLOGIES

ATTENDANCE

R Yuryevich   Commissioner

C Askew   Chief Executive Officer
L Gee   Director Community Development
M Le Riche   Executive Assistant (Minute Taker)

APOLOGIES

D Klye   Director Infrastructure

GALLERY

K Wright   Private
V McEvoy   Kununurra Visitors Centre

3. PUBLIC QUESTION TIME/PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE

Nil

4. DECLARATION OF INTEREST

● Financial Interest

   Nil

● Impartiality Interest

Nil

● Proximity Interest

Nil

5. ACCEPTANCE OF MINUTES OF PREVIOUS MEETING

Nil

6. DEPUTATIONS/PRESENTATIONS/SUBMISSIONS/NOTICES OF MOTIONS

Nil

7. REPORTS

7.1. REVIEW OF RISK MANAGMENT, LEGISLATIVE COMPLIANCE AND INTERNAL CONTROLS

DATE:	20 December 2016
AUTHOR:	Senior Governance & Risk Officer
RESPONSIBLE OFFICER:	Carl Askew, Chief Executive Officer
FILE NO:	FM.02.8
DISCLOSURE OF INTERESTS:	Nil

VOTING REQUIREMENT

Simple Majority

OFFICER'S RECOMMENDATION

> **That the Audit (Finance & Risk) Committee:**
> 1. **Notes the results of the Chief Executive Officer's review on the appropriateness and effectiveness of the Shire's systems and procedures in relation to risk management, internal control and legislative compliance;**
> 2. **Notes that the implementation of the improvements outlined will continue in a staged approach;**
> 3. **Reports to Council the results of the review; and**
> 4. **Provides a copy of the report to Council.**

> **COMMITTEE RESOLUTION**
>
> **Minute No. AC432-20/12/2016**
>
> **Commissioner resolved:**
>
> **That the Audit (Finance & Risk) Committee:**
>   1. **Notes the results of the Chief Executive Officer's review on the appropriateness and effectiveness of the Shire's systems and procedures in relation to risk management, internal control and legislative compliance;**
>   2. **Notes that the implementation of the improvements outlined will continue in a staged approach;**
>   3. **Reports the results of the review via quarterly reports to Council; and**
>   4. **Provides a copy of the report to Council.**
>
> **Carried 1/0**

PURPOSE

For the Audit (Finance & Risk) Committee to review the Chief Executive Officer's report on the appropriateness and effectiveness of the Shire's systems and procedures in relation to risk management, internal control and legislative compliance and to report to the Councils the results of the review.

NATURE OF COUNCIL'S ROLE IN THE MATTER

Leader - plan and provide direction through policy and practices

BACKGROUND/PREVIOUS CONSIDERATIONS BY COUNCIL/COMMITTEE

The *Local Government (Audit) Regulations 1996* prescribe the requirements for local government in relation to the engagement of auditors, the annual compliance audit return and the functions of the audit committee.

In February 2013 the Department of Local Government released Circular No. 05-2013 advising local governments of amendments to the *Local Government (Audit) Regulations 1996* which would be gazetted on 8 February 2013 and come into effect on 9 February 2013.

The amendments extend the functions and responsibilities of the Audit (Finance and Risk) Committee to include reviewing the appropriateness and effectiveness of the local government's systems in regard to risk management, internal control and legislative compliance.

Specifically, the amendments require a local government's Chief Executive Officer to review, at least once every two years, the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance and provide a report of that review to the local governments Audit Committee for their consideration.

The Audit (Finance and Risk) Committee is to consider the Chief Executive Officer's review and report the results of the consideration of that review to the Council.

This expansion of responsibilities for the Audit (Finance & Risk) Committee is intended to enable local governments to better manage legislative compliance within their own timeframes and with increased transparency and involvement for elected members.

STATUTORY IMPLICATIONS

Local Government (Audit) Regulations 1996 - Reg 16 and 17

16 .   Audit committee, functions of
An audit committee —
(a)   is to provide guidance and assistance to the local government —
(i)   as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act; and
(ii)   as to the development of a process to be used to select and appoint a person to be an auditor; and

(b)   may provide guidance and assistance to the local government as to —
(i)   matters to be audited; and
(ii)   the scope of audits; and
(iii)   its functions under Part 6 of the Act; and
(iv)   the carrying out of its functions relating to other audits and other matters related to financial management; and

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

[Regulation 16 inserted in Gazette 31 Mar 2005 p. 1043; amended in Gazette 8 Feb 2013 p. 867.]

17.   CEO to review certain systems and procedures
(1)   The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —
(a)   risk management; and
(b)   internal control; and
(c)   legislative compliance.

(2)   The review may relate to any or all of the matters referred to in sub regulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.

(3)   The CEO is to report to the audit committee the results of that review.

[Regulation 17 inserted in Gazette 8 Feb 2013 p. 868.]

POLICY IMPLICATIONS

There are no specific policy implications for this report. The report has identified that the Shire has made significant progress and improvements in policy management since the initial report from February 2015.

FINANCIAL IMPLICATIONS

There cost of this review was included in the 2016/17 annual budget and there are no additional financial implications associated with this report.

STRATEGIC IMPLICATIONS

Strategic Community Plan 2012-2022

Goal 1: Strong leadership and governance that underpins a more strategic approach to community engagement, regional development and organisational sustainability

Objective 1.4: Business innovation, efficiency and improved services

 Strategy 1.4.1 : Ensure legislative compliance and follow best practice principles in planning and service delivery

RISK IMPLICATIONS

Risk: Failure to comply with legislative requirements leading to damage of reputation and/or financial loss.

Control: Review policies and procedures in accordance with review schedule.

COMMUNITY ENGAGEMENT

The Shire of Wyndham East Kimberley's CP/GOV-3100 Community Engagement Policy has been considered in relation to this item.

No community engagement is required.

COMMENTS

This is the second review the Shire of Wyndham East Kimberley has undertaken in relation to these legislative requirements. Moore Stephens, the Council's appointed auditors, were able to provide the service via their independent "Advisory Services" team.

The Advisory Services team are independent of the Audit Services team and the two audits are completely separate.

Moore Stephens terms of reference for this audit were:

1. To undertake a high level review of the risk management systems, policies, procedures and plans in place at the Shire;
2. To evaluate the financial internal control systems and procedures at the Shire;
3. To evaluate the operational internal controls systems and procedures;
4. To assess systems and processes for maintaining legislative compliance;
5. To provide a "gap analysis" of any improvements identified during the assessment; and
6. To provide, in the report, recommendations identified during the assessment of the systems and procedures relating to risk management, internal audit and legislative compliance to assist the Chief Executive Officer assess the appropriateness and effectiveness of these systems and procedures.

The Review of Risk Management, Legislative Compliance and Internal Controls, December 2016 has been received by the Shire of Wyndham East Kimberley.

The report notes that significant progress has been made since the initial review in 2014, particularly in relation to work on policies. While progress is noted, the report provides a detailed list of recommended improvements to continue and expand on the progress to date.

Officers have considered how best to prioritise these improvements, and a schedule detailing proposed timeframes is attached to this report.

<u>ATTACHMENTS</u>

Attachment 1 - Review of Risk Management, Legislative Compliance and Internal Controls, December 2016.

Attachment 2 - Reg 17 Audit Priority Listing

MOORE STEPHENS

Review of Risk Management, Legislative Compliance and Internal Controls

Shire of Wyndham East Kimberley

December 2016

Contents

1.0   Background

1.1   Scope of Services

The Shire of Wyndham East Kimberley engaged Moore Stephens to provide services in relation to the requirements of Regulation 17 of the *Local Government (Audit) Regulations 1996*, as follows:

- To undertake a high level review of the risk management systems policies, procedures and plans in place at the Shire;

- To evaluate the financial internal control systems and procedures at the Shire;

- To evaluate the operational internal control systems and procedures at the Shire;

- To assess systems and processes for maintaining legislative compliance;

- To develop a list of any improvements identified during this assessment; and

- To provide in our report recommendations, identified during our assessment of the systems and procedures, relating to risk management, internal audit and legislative compliance to assist the Chief Executive Officer assess the appropriateness and effectiveness of these systems and procedures.

1.2   Review Required by Legislation

The *Local Government (Audit) Regulations 1996*, Regulation 17, requires the following:

1. *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to:*

   a) *risk management; and*

   b) *internal control; and*

   c) *legislative compliance.*

2. *The review may relate to any or all of the matters referred to in sub regulation (1) (a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.*

3. *The CEO is to report to the audit committee the results of that review.*

This review was undertaken in response to the above requirements and our report has been prepared for the Chief Executive Officer (CEO) to assist with the task of achieving legislative compliance.

In accordance with Regulation 16(c) of the same Audit Regulations, the Audit and Risk Committee is required to review a report prepared by the CEO, and subsequently report to the Council the results of the Committee's review, while at the same time, attaching a copy of the CEO's report to the Audit Committee.

We recognise the current appointment of a Commissioner at the Shire of Wyndham East Kimberley in place of the Council. In our report we have continued to make reference to the Council of the Shire of Wyndham East Kimberley on the basis that a Commissioner is regarded as being the Council under Section 2.38(2) of the *Local Government Act 1995.*

Operational Guidelines prepared by the Department of Local Government and Communities (Audit in Local Government, number 09 September 2013) provides background to the intended outcomes from the review. An extract of the relevant content of the operational guidelines has been reproduced at Appendix D.

Shire of Wyndham East Kimberley
Review of Risk Management, Legislative Compliance and Internal Controls   **Moore Stephens (WA) Pty Ltd I 3**

Minutes Special Audit (Finance and Risk) Committee Meeting 20 December 2016   Page 12 of 61

2.0   Introduction

2.1   Review Methodology

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

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

The Australian Standard for Risk Management (ISO 31000) 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
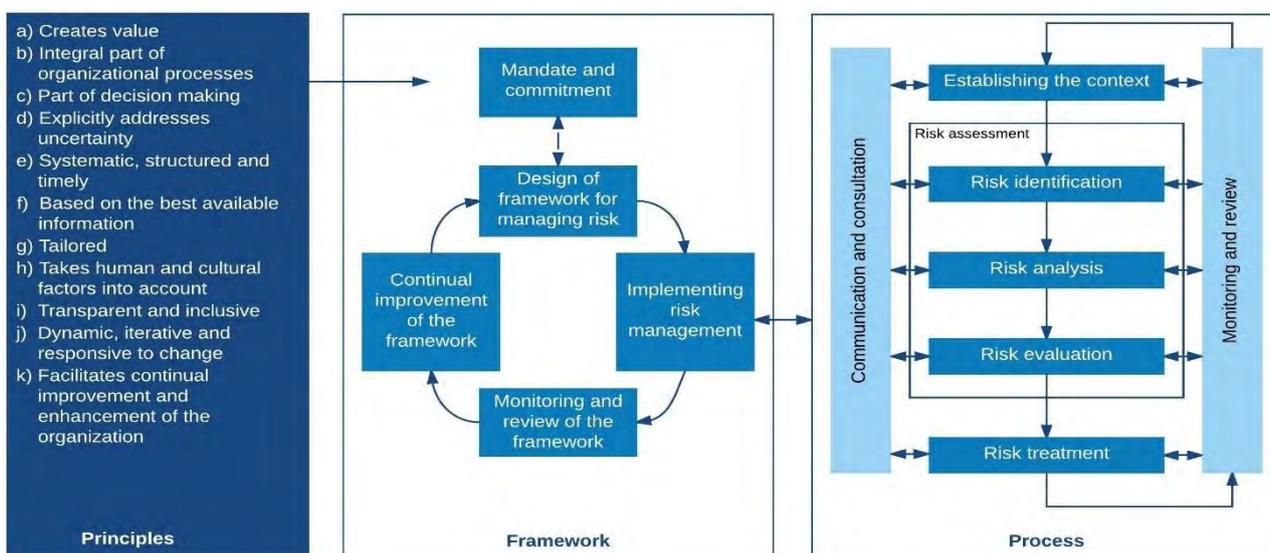
(Source: Standards Australia/Standards New Zealand, 2009)

In undertaking our review, we have applied the three ISO 31000 framework components, as set out above, to the review topics (risk management, internal controls and legislative compliance). This involves a process that incorporates the five framework components, being *mandate and commitment, framework design, implementation, monitoring and continuous improvement* as follows:

- Identify the extent of commitment and mandate to the principles;

- Establish an appropriate framework for the review topics (risk management, legislative compliance and internal controls) after considering the overall context in which the review occurs;

- Assess the appropriate framework against the current framework;

- Assess the implementation of the current framework;

- Assess the degree of monitoring of the current framework and its effectiveness;

- Assess the gaps (if any) between the current framework and the identified appropriate framework and document improvements; and

- Report on the appropriateness and effectiveness of current systems and procedures.

3.0   Review Context

3.1   Review Context - Shire of Wyndham East Kimberley

It is important to understand the external and internal context in which the Shire of Wyndham East Kimberley operates relevant to risk, the internal control environment and its legislative compliance obligations. That is, to understand the environment in which the Shire seeks to achieve its overall strategic objectives.

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

External Influences	Internal Influences
Increasing community expectations in relation to service levels and service delivery.	The objectives and strategies contained in the Council's current Strategic Community Plan.
Rapid changes in information technology changing the service delivery environment.	The timing and actions contained in the Council's Corporate Business Plan.
Increased compliance requirements due to Government policy and legislation.	The current organisational size, structure, activities and location.
Cost shifting by Federal and State Governments.	The current human resourcing levels and turnover rate.
Reducing external grant funding for infrastructure and operations.	The current financial capacity of the Shire.
Land and housing availability and affordability.	The maintenance of corporate records.

3.1   Risk Appetite - Shire of Wyndham East Kimberley

A number of the above influences will be factors in the Shire's appetite for risk; being the level of risk the organisation is willing to accept or pursue through the setting of risk criteria and policy.

Understanding risk appetite helps determine the level of acceptable/unacceptable risk in relation to breaches of legislation or controls and the extent to which additional controls are required to treat risk.

As a public body, there is an expectation the Shire will maintain an inherent low appetite for the risk of non-compliance with legislation and adopted policy, in order to maintain the organisation's reputation and to protect public funds from loss or misappropriation.

The appetite for risk in relation to service delivery, finance, health, safety and the environment is considered to be 'low to medium', requiring treatment with effective controls. Where the level of risk is considered 'high' or 'extreme', additional controls are required to reduce the risk level. In circumstances where the level of risk cannot be reduced below that of 'high', close monitoring of risk controls is required to ensure these internal controls remain effective.

4.0   Review Summary

4.1   Risk Management

4.1.1   Appropriateness

The Shire of Wyndham East Kimberley is yet to adopt a documented entity wide risk management policy and strategy to guide the implementation of risk management across the organisation. Considering the size, resources, operations and the context in which the Shire of Wyndham East Kimberley operates, a single documented risk management strategy and framework is considered appropriate as a means to uniformly support decision making and document the organisations response to risks.

4.1.2   Effectiveness

Currently, the entity wide risk management framework has not been consistently applied across the organisation, with different frameworks applied by various risk assessments. Risk management processes continue to be developed and improved and the measures recently implemented have been effective when applied. A lack of significant adverse risk events cannot be used as evidence of the effectiveness of current practices.

4.1.3   Improvements

Improvements to risk management practices and policies are set out in detail in the Improvement Plan in Section 9.0 of this report. A key improvement is the adoption of a documented entity wide risk management policy and strategy to guide the implementation of risk management across the organisation and business processes of Shire of Wyndham East Kimberley.

4.0 Review Summary (Continued)

4.2 Internal Control

4.2.1 Appropriateness

Subject to the implementation of the improvements outlined in this report and considering the size, resources, operations and the internal/external context in which the Shire of Wyndham East Kimberley operates, the internal control framework, procedures and systems are generally considered appropriate.

4.2.2 Effectiveness

With the exceptions noted and detailed within this report and considering the results of the monitoring and compliance practices undertaken by the Shire of Wyndham East Kimberley, the current internal control framework, procedures and systems are considered to be generally operating effectively.

4.2.3 Improvements

Recommended improvements to the current internal control framework, procedures and systems are set out in Section 9.0 of this report. The key improvements to internal controls are summarised as follows:

- The development of a documented Internal Control Policy, promoting a risk based approach to the development and maintenance of documented internal controls and procedures. This suggestion is intended to support a continual assessment of the appropriateness of controls throughout the organisation by identifying the need for new controls and ensuring existing outdated controls are discontinued; and

- We acknowledge the significant progress made by the Shire over the past two years, since the previous review in regard to updating Council policies. We encourage the Shire to continue the progress made to date, in improved documented procedures to support the implementation and enforcement of these amended polices.

4.0   Review Summary (Continued)

4.3   Legislative Compliance

4.3.1   Appropriateness

Considering local governments generally maintain an inherently low risk appetite for breaches of legislation, a documented legislative compliance strategy is considered appropriate to reduce the risk of breaching legislation. The Shire is yet to establish a legislative compliance strategy.

4.3.2   Effectiveness

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

In the instances where the effectiveness was able to be assessed, the current legislative compliance control procedures and systems, although largely informal, are considered to be operating effectively.

There were no significant compliance breaches noted in the most recent Annual Compliance Audit Return. In respect of effectiveness, it is important to note the Return was not independently prepared or verified.

4.3.3   Improvements

Improvements to the current framework, procedures and systems for legislative compliance are set out in Section 9.0 of this report and summarised as follows:
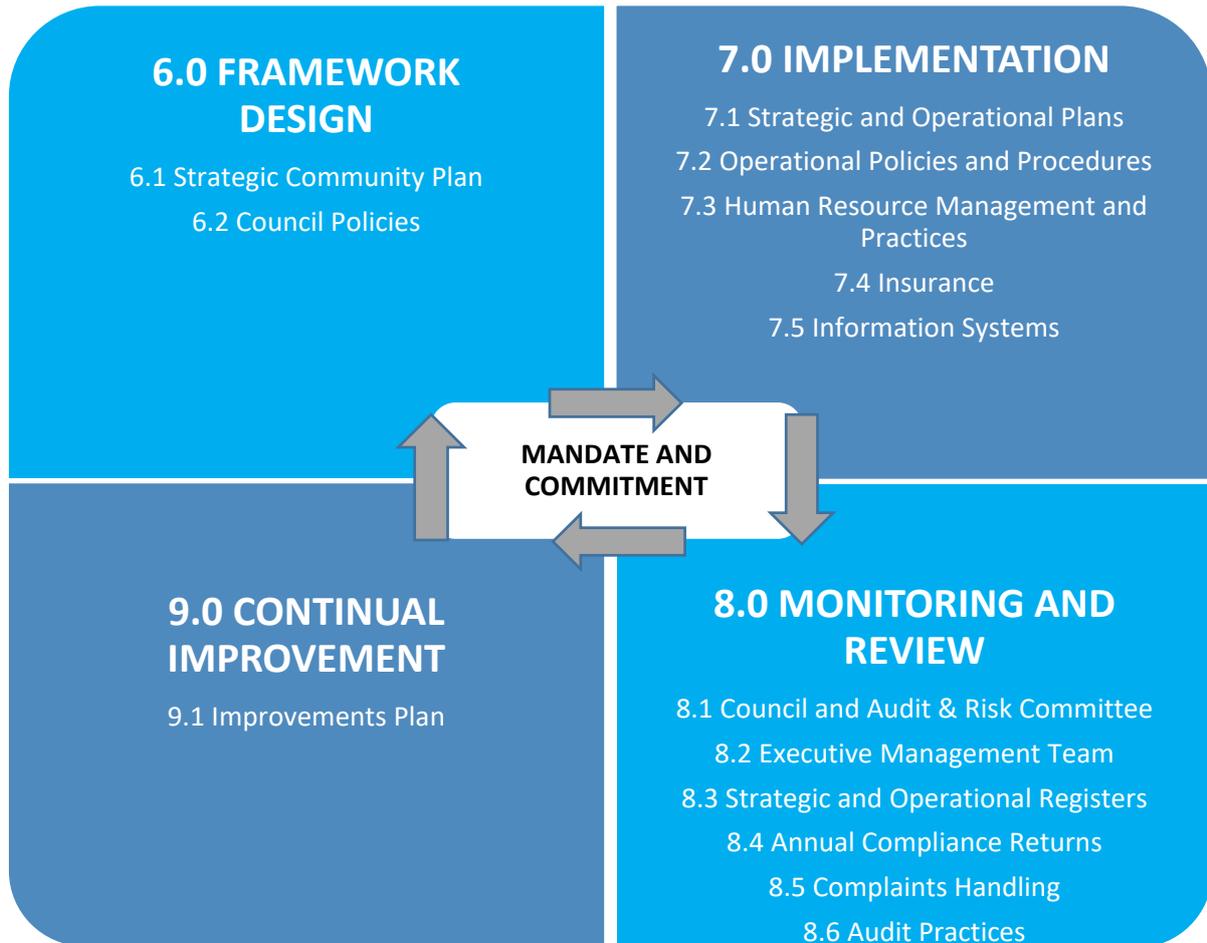
- The development of a legislative compliance policy; and

- The development of a risk based training matrix to help ensure senior staff with the responsibility for preventing, identifying and reporting breaches of legislation are offered relevant training to ensure their knowledge of legislative requirements is maintained.

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.

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

6.0 FRAMEWORK DESIGN

6.1 Strategic Community Plan

6.2 Council Policies

7.0 IMPLEMENTATION

7.1 Strategic and Operational Plans

7.2 Operational Policies and Procedures

7.3 Human Resource Management and Practices

7.4 Insurance

7.5 Information Systems

MANDATE AND COMMITMENT

9.0 CONTINUAL IMPROVEMENT

9.1 Improvements Plan

8.0 MONITORING AND REVIEW

8.1 Council and Audit & Risk Committee

8.2 Executive Management Team

8.3 Strategic and Operational Registers

8.4 Annual Compliance Returns

8.5 Complaints Handling

8.6 Audit Practices

We undertook a high level review of risk management, internal controls and legislative compliance which precluded detailed testing of all internal controls and legislative compliance.

The results of our review are detailed on the following pages in line with the structure of the above framework.

6.0   Framework Design

6.1   Strategic Community Plan

The Shire of Wyndham East Kimberley has adopted two key strategic documents, the Strategic Community Plan (2012-2022) and the Corporate Business Plan (2012-2016). These plans identify the Council's organisational objectives and key outcomes as the Shire progresses on its stated vision *'For the East Kimberley to be a thriving community with opportunities for all.'*

There are no strategies within the Shire of Wyndham East Kimberley Strategic Community Plan which directly reference risk management.

The Strategic Community Plan recognises the community's aspirations and values through the following stated objectives:

Section	Goal
Leadership and Governance	Strong leadership and governance that underpins a more strategic approach to community engagement, regional development and organisational sustainability.
Physical and Social Infrastructure	Greater returns from regional investment to ensure sustainable provision of appropriate physical and social infrastructure.
Lifestyle and Environment	Protection and enhancement of lifestyle values, community facilities and the environment to provide safe and inviting communities.

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 required to maintain compliance with numerous legislative requirements. To manage these risks and comply with legislation, the Shire has established various processes, systems and controls.

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

A list of policies reviewed is provided in Appendix A - Council Policies Examined. The table below details areas for possible improvement in relation to Council policies.

Policy	Purpose / Goal	Matters Identified / Improvements
Risk Management Policy	Organisation wide risk management principles, systems and processes that ensure consistent, efficient and effective assessment of risk in all planning, decision making and operational processes.	Council has not adopted a Risk Management Policy to date. We acknowledge a draft policy exists though this requires amendment before consideration by Council.
		Improvement: A Risk Management Policy be developed and presented to Council for consideration.
Internal Control Policy	A policy to evidence Council's commitment to internal controls and their importance to the organisation.	Currently, no policy on internal controls has been adopted by Council.
		Improvement: An Internal Control Policy formulated and adopted to formalise Council's commitment to internal controls, based on a risk management process.
Legislative Compliance Policy	A policy to evidence Council's commitment to legislative compliance and its importance to the organisation.	Currently, no policy on legislative compliance has been adopted by Council.
		Improvement: A Legislative Compliance Policy formulated and adopted to formalise Council's commitment to legislative compliance.
Record Keeping Policy	A policy to evidence Council's commitment to the maintenance of records and its importance to the organisation.	Currently, no policy on record keeping has been adopted by Council.
		Improvement: A Record Keeping Compliance Policy formulated and adopted to formalise Council's commitment to maintaining records.
Occupational, Health and Safety Policy	A policy to evidence Council's commitment to occupational, health and safety and its importance to the organisation.	Currently, no policy on occupational safety and health has been adopted by Council.
		Improvement: An Occupational Safety and Health Policy formulated and adopted to formalise Council's commitment to occupational safety and health.

6.0   Framework Design (Continued)

Policy	Purpose / Goal	Matters Identified / Improvements
Insurance Strategy or Policy	A policy to provide guidance to officers as to the management of risk through insurance.	No documented policy in existence.
		Improvements: Development of an Insurance Strategy and Policy, to provide clarity on issues such as the level of self-insurance, the adequacy of cover and the basis of valuation of the insured assets.
CP COM-3584 Alcohol Management Policy	To describe the conditions to be observed in regards to consumption of alcohol in and on public reserves and facilities.	The Policy does not require organisers of events involving alcohol on Shire controlled land to provide risk management plans before a permit is granted.
		Improvement: The Policy be amended to require a formal risk assessment to be undertaken before granting a permit and for all events rated above medium risk to provide a risk management plan detailing risk treatment to reduce risk to an acceptable level.
DC10 Radio Masts, Antennae and Satellite Dishes	To minimise the visual impact of radio masts and satellite dishes.	The Policy is outdated and has been superseded by Policy CP PMG-3783 Communication Antennae.
		Improvement: The Policy be rescinded and removed from the Shire website.
E9 Traffic Signs – Directional Signage	To provide directional signage along roads.	Policy CP/OPS-3657 – Directional Signage appears to have superseded this Policy.
		Improvement: The Policy be rescinded and removed from the Shire website as it has been superseded.
E10 Roadside Advertising Signage	To advertising signage along roads.	The Policy was adopted in July 2004 with no subsequent review recorded.
		Improvement: Policy reviewed and updated if required, ensuring the reviewed Policy is compliant with current standards and guidelines.
LPP Local Planning Policy Manual	Manual containing local planning policy guidelines	A number of policies were adopted in 2009 with no subsequent review recorded. Policies within the Manual developed since 2009 are overdue for review.
		Improvement: The policies in the Manual be reviewed and updated if required, with the date of review being entered in the relevant Policy.

6.0   Framework Design (Continued)

Policy	Purpose / Goal	Matters Identified / Improvements
CP/FIN-3200 Strategic Rating	To outline the Council's principles and methodology when exercising it's discretionary powers to determine the level and structure of rates levied under the *Local Government Act 1995*.	The Policy defines a rate in the dollar and minimum payment level for each differential rating category. This conflicts with the requirement of the *Local Government Act 1995* for rates to be determined based on the budgeted deficiency and adopted by an absolute majority of Council each year when adopting the budget.
		Improvement: Policy amended to remove any defined rates in the dollar and minimum payment levels.
CP/FIN-3201 Significant Accounting Policies	To provide the basis for Council's accounting treatments to be applied to transactions the Shire may or has entered into.	The Policy was due for review in August 2016 and contains defined depreciation periods to be utilised for various classes of assets. The Australian Accounting Standards requires assets to be assessed annually to determine their remaining useful life and residual value.
		Improvement: Policy reviewed annually, to help ensure its alignment with changes in Australian Accounting Standards and the annual assessment of remaining useful life and residual value.
CP/FIN-3204 Purchasing	To demonstrate the Council's commitment to delivering best practice in the purchasing of goods, services and works	There are no requirements stated for instances where the scope of a contract is amended or extended.
		Improvement: Policy amended to include guidance where there is an extension or variation of a contract's scope after a contract is signed.
F20 Fixed Assets	To ensure legislative compliance in accordance with Australian Accounting Standards and provide guidelines for financial management of non-current assets for the Shire of Wyndham East Kimberley	The Policy was last reviewed in September 2009 and refers to a Policy which has been rescinded.
		Improvement: Policy reviewed and incorporated within the broader Asset Management Policy.

7.0 Implementation

7.1 Strategic and Operational Plans

Council has a number of strategic and operational plans, which form the basis of entity level controls and entity level risk assessments.

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

Plan	Purpose / Goal	Matters Identified / Improvements
Workforce Management Plan	A plan to make sure the Shire has the right people, in the right place, at the right time, to meet the objectives of the Strategic Community Plan.	2012/13 – 2015/16 Plan is in draft, and due for review.
		Improvement: Review, update and present to Council for consideration and adoption.
Asset Management Plan	A plan to define the processes to be used to manage each class of asset the Shire controls.	An Asset Management Plan is yet to be developed or adopted by Council.
		Improvement: Develop and adopt an Asset Management Plan.
Long Term Financial Plan	A plan to define long term financial strategies and prioritisation of future financial activities	A Long Term Financial Plan is yet to be developed or adopted by Council.
		Improvement: Develop and adopt a Long-Term Financial Plan.
Business Continuity Management Plan	Ensure orderly and effective response to any incident that significantly disrupts the Council's business operations.	The plan is currently in draft.
		Improvement: Finalise and present to Council for consideration and adoption.

7.0   Implementation (Continued)

Plan	Purpose / Goal	Matters Identified / Improvements
Records Disaster Management Plan	A plan prepared to minimise the risk of loss of records in the event of a disaster.	The plan does not identify or treat any risks. Risk assessments within the plan should be undertaken in accordance with the Shire's overall Risk Management strategy or framework (to be developed). Backups of electronic records are currently held at the bank which is considered to be appropriate. Instances where not all records have been recorded in the records management system and filed appropriately.
		Improvements: The Plan be amended to: Consider risks in accordance with the proposed Risk Management Policy and the associated Strategy and Framework; Provide for the timely electronic storing of all records; Require electronic records to be routinely backed up and stored at sufficiently remote geographic location to reduce the risk of the impact of a common disaster event; and Require routine testing to ensure currency and completeness of restored data backups.
Internal Controls Policy	To evidence the Council commitment to internal controls and their importance to the organisation.	No policy for internal controls exists.
		Improvements: A policy developed reflecting Council's commitment to risk based internal controls throughout the organisation.

7.0　Implementation (Continued)

7.2　Operational Policies and Procedures

In seeking to achieve its stated vision, the Shire of Wyndham East Kimberley provides a number of services to the community.

Meetings were undertaken with key staff in each of the key areas of responsibility to determine the practices applied to issues of risk management, internal controls and legislative compliance when providing services to the community.

Daily operations are primarily based on staff knowledge and verbal instructions. Documented procedures are utilised to document certain key areas of operations within the Finance department.

The review process identified the existence of documentation and checklists other than formal administration policies, but these exist outside the scope of the administration policies and have no basis of authority.

Considering the number of services provided and the current staff resourcing, a risk based approach to the prioritisation of the development of new procedures is recommended.

The table below details areas for possible improvement in relation to policies and procedures examined.

Component	Purpose / Goal	Matters Identified / Improvements
Documented Procedures	Use of documented procedures by officers helps establish a standard methodology and identifies key controls for processes undertaken by officers	Limited documented procedures currently exist. We acknowledge staff are developing organisational directives and procedures on an ad-hoc basis.
		Improvements: Opportunities exist to improve standard operating procedures and ensure they are documented and key controls clearly identified. Once these procedures are developed and implemented, they require constant monitoring for adherence and effectiveness.
Checklists	Checklists document the completion of multiple steps within an overall process.	Checklists exist for certain tasks but not for all routine functions.
		Improvements: Creation of standard checklists may assist in documenting key points of control.
Workflow Diagrams	Workflow diagrams create a visual representation of a process clearly identifying key points of control and responsibility.	Workflow diagrams exist for key financial control systems.
		Improvements: In conjunction with the development of documented procedures and checklists, develop workflow process diagrams for remaining key control areas.

7.0   Implementation (Continued)

Component	Purpose / Goal	Matters Identified / Improvements
Fuel Usage	Procedures to ensure fuel is only utilised for Shire related purposes.	Management acknowledged controls relating to fuel usage at the landfill site were inadequate and were currently addressing the issues.
		Improvements: Management to continue with the implementation of control measures in relation to the usage of fuel at the landfill site.
Risk Management Working Group	A working group to progress the implementation of risk management across the organisation and to monitor risk management practices.	No working group currently in place with no Risk Management Policy or Framework available.
		Improvements: That a working group be established and maintained to progress and oversee the implementation of the Proposed Risk Management Strategy and Framework.
Communications of modifications	To ensure staff are notified of changes to internal controls and have access to documented procedures.	No documented procedure to ensure staff are advised of changes and that the latest version is available, with earlier versions retracted.
		Improvements: A documented procedure be developed to communicate to staff changes in policies and procedures are available to be accessed. All current policies and procedures to be in one central location accessible to all relevant staff.
Project Specific Risk Assessments	A risk assessment is undertaken as part of a major project brief.	Project specific risk assessments are not undertaken for all major projects.
		Improvements: The status of the entity risk register be documented in the Risk Management Strategy and Framework (to be developed). That the register be routinely maintained and monitored.

7.0   Implementation (Continued)

7.3   Human Resource Management and Practices

A number of components constitute the organisations 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
Code of Conduct	Provides a documented expectation for the behaviour of elected members, staff, contractors and volunteers when performing their duties.	Volunteers and contractors are not bound by the Code of Conduct when performing functions on behalf of the Shire.
		Improvement: Review the Code of Conduct to include volunteers and contractors in the scope.
Staff Inductions	To make new staff aware of their obligation with regard to OH&S, risk management and to report breaches of controls and other risk related incidences	Staff inductions are currently undertaken and maintained within the employee file. In one instance a copy of the induction form was not on file, however, the staff review notes indicate the induction was undertaken.
Experienced Staff	To ensure staff engaged at a senior level and technical roles have an understanding of the requirements relevant to their role.	Senior staff are experienced and appear to have a sound understanding of the requirements of their roles.
Occupational Health and Safety Committee	Staff and Management Committee tasked with maintaining and implementing an appropriate level of occupational health and safety.	The Occupational Health and Safety Committee has not met regularly. We acknowledge it is management's intention for the committee to recommence regular meetings. Currently a documented risk based prioritisation of occupational health and safety is not undertaken.
		Improvements: The Occupational Health and Safety Committee commence regular meetings (minuted) to discuss any identified occupational health and safety risks. A risk based assessment of occupational health and safety issues be undertaken by the working committee and including within minutes to enable prioritisation or risk treatments.

7.0   Implementation (Continued)

Component	Purpose / Goal	Matters Identified / Improvements
Staff Induction	To ensure new staff are alert to their obligations under risk management, occupational health and safety risks and the expectation that they report breaches of controls and other risk related incidences.	Although occupational health and safety inductions are currently undertaken, evidence of the inductions are not always recorded within the personnel file.
		Improvements: That long term employees be the subject of a re-induction process to ensure they are award of changes to risk management and occupational health and safety risk procedures since their initial induction.
Staff Training	To ensure the staff have access to ongoing and appropriate training	Staff training is undertaken on an ad-hoc basis and reliant on budget funds available
		Improvement: Development of a training matrix.
Staff Qualifications	To ensure staff requiring qualifications are suitably qualified to undertake their duties.	Instances where staff qualifications have expired, with no new qualification, maintained on file.
		Improvement: Documented procedures developed to ensure staff qualifications are current and copies are maintained on file.
Contractors and Volunteers Inductions	To ensure contractors and volunteers have knowledge of the basic standards expected of them.	No inductions are currently performed for contractors and volunteers.
		Improvement: Ensure all contractors and volunteer staff undergo induction before commencing.

7.0   Implementation (Continued)

7.4   Insurance

The CEO and senior staff annually review the completeness of the insurance schedule with their Broker and adjust the insurance policy as considered appropriate. The table below details areas for possible improvement in relation to insurance processes.

Framework Components	Purpose / Goal	Matters Noted / Improvements
Contractor Insurance	Procedures to ensure contractors have adequate insurance for works they undertake.	Formal Requests for Quotation and Requests for Tender require contractors to provide evidence of insurance. We note no procedures currently exist to ensure contractors undertaking smaller works on a regular basis have insurance cover for the works they undertake.
		Improvement: Procedures developed to ensure all contractors undertaking minor works which may result in loss or damage to Shire property have appropriate insurance cover.

7.5   Information Systems

Information systems are maintained by in-house IT staff with offsite backups occurring. The table below details areas for possible improvement in relation to information systems processes.

Framework Components	Purpose / Goal	Matters Noted / Improvements
Information Systems Plans	Plans to ensure the secure provision of information systems even in the event of a disaster	Currently no documented Disaster Recovery Plan, IT Security Plan or documented procedures in place.
		Improvement: An IT Disaster Recovery Plan and IT Security Plan be developed and tested. Documentation of standard procedures such as backup procedures is also suggested.

8.0   Monitoring and Compliance

Developing and implementing systems and procedures for risk management, legislative compliance and internal controls into an organisation 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, monitoring their effectiveness is an essential practice.

After implementing these systems, it is important to put in place practices that regularly monitor and assess their effectiveness, to ensure they continue to meet their intended purpose.

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 all these reasons, formal review procedures are required to ensure the resources applied to maintaining these systems, practices and controls are used 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 received.

8.1   Council and Audit & Risk Committee

The minutes of the Council Meetings and the Audit & Risk Committee contain, within each item, the topic of risk and legislative matters. This is considered appropriate and an effective means of formally communicating risk and legislative compliance requirements to the Elected Members.

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 a high level oversight of the financial position and expenditure of the organisation.

8.2   Executive Management Team

Minutes of the Executive Management Team were not available for review

Framework Components	Purpose / Goal	Matters Identified / Improvements
Executive Management Team meeting minutes	To formally communicate risk, internal control and legislative compliance matters raised within the team.	Minutes of Executive Management Team meetings were not available for review.
		Improvement: We suggest minutes of Executive Management Team meetings be maintained and detail any risk, internal control or legislative compliance matters noted by the team.

8.0   Monitoring and Compliance (Continued)

8.3   Strategic and Operational Registers

A number of registers are maintained by the Shire of Wyndham East Kimberley, these registers were reviewed and are listed at Appendix C – Strategic and Operational Registers Examined.

The table below details areas for possible improvement in relation to these registers.

Framework Components	Purpose / Goal	Matters Identified / Improvements
Strategic and Operational Risk Register	To document identified risks.	An Excel register of identified risks was last updated in March 2016. The register identifies 15 Strategic Risks and 38 Operational Risks a number of which are rated as having a high inherent risk. We noted the register does not provide the date of the assessment of the risk or the treatment to be used to reduce the risk to an acceptable level.
		Improvement: We suggest a risk register containing identified risks, date identified, treatment to be applied and level of residual risk be developed and maintained.
Occupational Health and Safety Incidents Register	To record reported incidents and assist in monitoring of any follow up actions required to prevent re-occurrence.	Incident reports are being completed by staff. However, no register of these reports is currently maintained.
		Improvement: We suggest a risk register containing reported incidents, date reported, nature of the incident and follow up actions to be taken be developed and maintained.
Litigation or Claims Register	Maintain a record of all litigation or claims made against the Shire and the status of each claim.	Whilst any actions against the Shire are recorded individually in the records system, we noted no register is currently maintained.
		Improvement: We suggest a record of litigation or claims against the Shire be maintained.

8.4   Annual Compliance Audit Returns

Returns have been completed on a self-assessment basis and approved by Council each year with no significant matters identified. It is important to note the Returns were not independently prepared or verified.

8.0   Monitoring and Compliance (Continued)

8.5   Complaint Handling

The Code of Conduct requires any suspected breaches of legislation or the Code to be reported to the CEO and to be dealt with in accordance with the principles of procedural fairness.

Community complaints are referred to the relevant officer for a response.

The table below details areas for possible improvement in relation to complaint handling.

Framework Components	Purpose / Goal	Matters Noted / Improvements
Employee Complaints/Grievance Handling	Procedures for the handling of employee complaints and grievances.	The Code of Conduct requires breaches or suspected breaches of the Code by the CEO to be reported to the Deputy CEO or a senior employee. A conflict (or perceived conflict) may exist where an employee is required to investigate a breach by a superior officer. This conflict could be particularly acute if the subordinate officer is in the process of contract renegotiation.
		Improvement: Breaches or suspected breaches of the Code of Conduct by the CEO to be reported to the Shire President for further investigation.
Community Complaints Handling	Procedures for the handling of Community Complaints.	Whilst there is a Complaints Management Policy, there are no procedures to ensure community complaints are recorded and responded to appropriately within a defined timeframe.
		Improvement: A documented procedure developed to ensure all community complaints are logged and forwarded to the appropriate officer, then followed up to ensure they are resolved.

8.0   Monitoring and Compliance (Continued)

8.6   Audit

Council has appointed external financial auditors to the Shire of Wyndham East Kimberley. External audits of items such as the waste facility are undertaken by the appropriate regulatory body.

Framework Components	Purpose / Goal	Matters Noted / Improvements
External Audit	To express an opinion on the financial report based on an audit conducted in accordance with Australian Auditing Standards in accordance with an agreed engagement scope.	One compliance matter was noted in the 2016 Audit report.
		Improvements: Undertake improvements as detailed within the improvement plan.
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.
		Improvements: As the level of documented procedures increases, an expanded internal audit function to confirm adherence to documented policies and procedures may be required.

9.0   Improvements

9.1   Summary of Improvements

Suggested improvement opportunities are provided below to form an Improvement Plan.

Paragraph		Matters Noted	Improvements
6.2.1	Risk Management Policy	Council has not adopted a Risk Management Policy to date. We acknowledge a draft policy exists though this requires amendment before consideration by Council.	A Risk Management Policy be developed and presented to Council for consideration.
6.2.2	Internal Control Policy	Currently, no policy on internal controls has been adopted by Council.	An Internal Control Policy formulated and adopted to formalise Council's commitment to internal controls, based on a risk management process.
6.2.3	Legislative Compliance Policy	Currently, no policy on legislative compliance has been adopted by Council.	A Legislative Compliance Policy formulated and adopted to formalise Council's commitment to legislative compliance.
6.2.4	Record Keeping Policy	Currently, no policy on record keeping has been adopted by Council.	A Record Keeping Compliance Policy formulated and adopted to formalise Council's commitment to maintaining records.
6.2.5	Occupational, Health and Safety Policy	Currently, no policy on occupational safety and health has been adopted by Council.	An Occupational Safety and Health Policy formulated and adopted to formalise Council's commitment to occupational safety and health.
6.2.6	Insurance Strategy or Policy	No documented policy in existence.	Development of an Insurance Strategy and Policy, to provide clarity on issues such as the level of self-insurance, the adequacy of cover and the basis of valuation of the insured assets.
6.2.7	CP COM-3584 Alcohol Management Policy	The Policy does not require organisers of events involving alcohol on Shire controlled land to provide risk management plans before a permit is granted.	The Policy be amended to require a formal risk assessment to be undertaken before granting a permit and for all events rated above medium risk to provide a risk management plan detailing risk treatment to reduce risk to an acceptable level.
6.2.8	DC10 Radio Masts, Antennae and Satellite Dishes	The Policy is outdated and has been superseded by Policy CP PMG-3783 Communication Antennae.	The Policy be rescinded and removed from the Shire website.

9.0   Improvements (Continued)

Paragraph		Matters Noted	Improvements
6.2.9	E9 Traffic Signs – Directional Signage	Policy CP/OPS-3657 – Directional Signage appears to have superseded this Policy.	The Policy be rescinded and removed from the Shire website as it has been superseded.
6.2.10	E10 Roadside Advertising Signage	The Policy was adopted in July 2004 with no subsequent review recorded.	Policy reviewed and updated if required, ensuring the reviewed Policy is compliant with current standards and guidelines.
6.2.11	LPP Local Planning Policy Manual	A number of policies were adopted in 2009 with no subsequent review recorded. Policies within the Manual developed since 2009 are overdue for review.	The policies in the Manual be reviewed and updated if required, with the date of review being entered in the relevant Policy.
6.2.12	CP/FIN-3200 Strategic Rating	The Policy defines a rate in the dollar and minimum payment level for each differential rating category. This conflicts with the requirement of the *Local Government Act 1995* for rates to be determined based on the budgeted deficiency and adopted by an absolute majority of Council each year when adopting the budget.	Policy amended to remove any defined rates in the dollar and minimum payment levels.
6.2.13	CP/FIN-3201 Significant Accounting Policies	The Policy was due for review in August 2016 and contains defined depreciation periods to be utilised for various classes of assets. The Australian Accounting Standards requires assets to be assessed annually to determine their remaining useful life and residual value.	Policy reviewed annually, to help ensure its alignment with changes in Australian Accounting Standards and the annual assessment of remaining useful life and residual value.
6.2.14	CP/FIN-3204 Purchasing	There are no requirements stated for instances where the scope of a contract is amended or extended.	Policy amended to include guidance where there is an extension or variation of a contract's scope after a contract is signed.
6.2.15	F20 Fixed Assets	The Policy was last reviewed in September 2009 and refers to a Policy which has been rescinded.	Policy reviewed and incorporated within the broader Asset Management Policy.
7.1.1	Workforce Management Plan	2012/13 – 2015/16 Plan is in draft, and due for review.	Review, update and present to Council for consideration and adoption.

9.0   Improvements (Continued)

Paragraph		Matters Noted	Improvements
7.1.2	Asset Management Plan	An Asset Management Plan is yet to be developed or adopted by Council.	Develop and adopt an Asset Management Plan.
7.1.3	Long Term Financial Plan	A Long Term Financial Plan is yet to be developed or adopted by Council.	Develop and adopt a Long-Term Financial Plan.
7.1.4	Business Continuity Management Plan	The plan is currently in draft.	Finalise and present to Council for consideration and adoption.
7.1.5	Records Disaster Management Plan	The plan does not identify or treat any risks. Risk assessments within the plan should be undertaken in accordance with the Shire's overall Risk Management strategy or framework (to be developed). Backups of electronic records are currently held at the bank which is considered to be appropriate. Instances where not all records have been recorded in the records management system and filed appropriately.	The Plan be amended to: Consider risks in accordance with the proposed Risk Management Policy and the associated Strategy and Framework; Provide for the timely electronic storing of all records; Require electronic records to be routinely backed up and stored at sufficiently remote geographic location to reduce the risk of the impact of a common disaster event; and Require routine testing to ensure currency and completeness of restored data backups.
7.1.6	Internal Controls Policy	No policy for internal controls exists.	A policy developed reflecting Council's commitment to risk based internal controls throughout the organisation.
7.2.1	Documented Procedures	Limited documented procedures currently exist. We acknowledge staff are developing organisational directives and procedures on an ad-hoc basis.	Opportunities exist to improve standard operating procedures and ensure they are documented and key controls clearly identified. Once these procedures are developed and implemented, they require constant monitoring for adherence and effectiveness.
7.2.2	Checklists	Checklists exist for certain tasks but not for all routine functions.	Creation of standard checklists may assist in documenting key points of control.

9.0   Improvements (Continued)

Paragraph		Matters Noted	Improvements
7.2.3	Workflow Diagrams	Workflow diagrams exist for key financial control systems.	In conjunction with the development of documented procedures and checklists, develop workflow process diagrams for remaining key control areas.
7.2.4	Fuel Usage	Management acknowledged controls relating to fuel usage at the landfill site were inadequate and were currently addressing the issues.	Management to continue with the implementation of control measures in relation to the usage of fuel at the landfill site.
7.2.5	Risk Management Working Group	No working group currently in place with no Risk Management Policy or Framework available.	That a working group be established and maintained to progress and oversee the implementation of the Proposed Risk Management Strategy and Framework.
7.2.6	Communications of modifications	No documented procedure to ensure staff are advised of changes and that the latest version is available, with earlier versions retracted.	A documented procedure be developed to communicate to staff changes in policies and procedures are available to be accessed. All current policies and procedures to be in one central location accessible to all relevant staff.
7.2.7	Project Specific Risk Assessments	Project specific risk assessments are not undertaken for all major projects.	The status of the entity risk register be documented in the Risk Management Strategy and Framework (to be developed). That the register be routinely maintained and monitored.
7.3.1	Code of Conduct	Volunteers and contractors are not bound by the Code of Conduct when performing functions on behalf of the Shire.	Review the Code of Conduct to include volunteers and contractors in the scope.

9.0 Improvements (Continued)

Paragraph		Matters Noted	Improvements
7.3.2	Occupational Health and Safety Committee	The Occupational Health and Safety Committee has not met regularly. We acknowledge it is management's intention for the committee to recommence regular meetings. Currently a documented risk based prioritisation of occupational health and safety is not undertaken.	The Occupational Health and Safety Committee commence regular meetings (minuted) to discuss any identified occupational health and safety risks. A risk based assessment of occupational health and safety issues be undertaken by the working committee and including within minutes to enable prioritisation or risk treatments.
7.3.3	Staff Induction	Although occupational health and safety inductions are currently undertaken, evidence of the inductions are not always recorded within the personnel file.	That long term employees be the subject of a re-induction process to ensure they are award of changes to risk management and occupational health and safety risk procedures since their initial induction.
7.3.4	Staff Training	Staff training is undertaken on an ad-hoc basis and reliant on budget funds available	Development of a training matrix.
7.3.5	Staff Qualifications	Instances where staff qualifications have expired, with no new qualification, maintained on file.	Documented procedures developed to ensure staff qualifications are current and copies are maintained on file.
7.3.6	Contractors and Volunteers Inductions	No inductions are currently performed for contractors and volunteers.	Ensure all contractors and volunteer staff undergo induction before commencing.
7.4.1	Contractor Insurance	Formal Requests for Quotation and Requests for Tender require contractors to provide evidence of insurance. We note no procedures currently exist to ensure contractors undertaking smaller works on a regular basis have insurance cover for the works they undertake.	Procedures developed to ensure all contractors undertaking minor works which may result in loss or damage to Shire property have appropriate insurance cover.
7.5.1	Information Systems Plans	Currently no documented Disaster Recovery Plan, IT Security Plan or documented procedures in place.	An IT Disaster Recovery Plan and IT Security Plan be developed and tested. Documentation of standard procedures such as backup procedures is also suggested.

9.0　Improvements (Continued)

Paragraph		Matters Noted	Improvements
8.2.1	Executive Management Team meeting minutes	Minutes of Executive Management Team meetings were not available for review.	We suggest minutes of Executive Management Team meetings be maintained and detail any risk, internal control or legislative compliance matters noted by the team.
8.3.1	Strategic and Operational Risk Register	An Excel register of identified risks was last updated in March 2016. The register identifies 15 Strategic Risks and 38 Operational Risks a number of which are rated as having a high inherent risk. We noted the register does not provide the date of the assessment of the risk or the treatment to be used to reduce the risk to an acceptable level.	We suggest a risk register containing identified risks, date identified, treatment to be applied and level of residual risk be developed and maintained.
8.3.2	Occupational Health and Safety Incidents Register	Incident reports are being completed by staff. However, no register of these reports is currently maintained.	We suggest a risk register containing reported incidents, date reported, nature of the incident and follow up actions to be taken be developed and maintained.
8.3.3	Litigation or Claims Register	Whilst any actions against the Shire are recorded individually in the records system, we noted no register is currently maintained.	We suggest a record of litigation or claims against the Shire be maintained.
8.5.1	Employee Complaints/Grievance Handling	The Code of Conduct requires breaches or suspected breaches of the Code by the CEO to be reported to the Deputy CEO or a senior employee. A conflict (or perceived conflict) may exist where an employee is required to investigate a breach by a superior officer. This conflict could be particularly acute if the subordinate officer is in the process of contract renegotiation.	Breaches or suspected breaches of the Code of Conduct by the CEO to be reported to the Shire President for further investigation.

9.0   Improvements (Continued)

Paragraph		Matters Noted	Improvements
8.5.2	Community Complaints Handling	Whilst there is a Complaints Management Policy, there are no procedures to ensure community complaints are recorded and responded to appropriately within a defined timeframe.	A documented procedure developed to ensure all community complaints are logged and forwarded to the appropriate officer, then followed up to ensure they are resolved.
8.6.1	External Audit	One compliance matter was noted in the 2016 Audit report.	Undertake improvements as detailed within the improvement plan.
8.6.2	Internal Audit	Currently, no internal auditors have been appointed, and limited internal audit functions have been undertaken.	As the level of documented procedures increases, an expanded internal audit function to confirm adherence to documented policies and procedures may be required.

10.0   Other Matters

Disclaimer

The services provided in terms of this engagement comprise an advisory engagement, which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standard Board and, consequently no opinions or conclusions are intended to convey assurance either expressed or implied.

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Conflicts of Interest

The firm currently provides audit and advisory service to Shire of Wyndham East Kimberley and Local Government, however we do not believe the provision of the services covered in the scope of this report and under the responsibility of a different engagement partner would compromise our objectivity in the conduct of the Audit.

Should the possibility of a perceived or actual conflict arise, the matter would be raised with the CEO immediately and activities suspended until the issue is resolved to the satisfaction of the CEO.

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13 December 2016
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Appendix A - Council Policies Examined

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

Policy Topic

COMMUNITY DEVELOPMENT

Community

CP COM-3580	Community Development
CP COM-3583	Baby Tree Program
CP COM-3582	Community Grant Scheme
CP GOV-3100	Community Engagement Policy
CP COM-3584	Alcohol Management Policy

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 LPP-3827	Trading in Public Places - Mobile Food Vehicle (MFV)
DC10	Radio Masts, Antennae and Satellite Dishes
E9	Traffic Signs Directional Signage
LPP	Local Planning Policy Manual

CORPORATE SERVICES

Customer Services

CP CS-3280	Complaints Management Policy
CP CS-3281	Customer Service Policy

Finance

CP CNC-3141	Elected Member Allowances and Entitlements
CP FIN-3200	Strategic Rating Policy
CP FIN-3201	Significant Accounting Policies
CP FIN-3203	Investments
CP FIN-3204	Purchasing Policy
CP FIN-3205	Non-Current Asset
CP FIN-3208	Rates Exemptions for Charitable Organisations (Non-Rateable Land)
CP FIN-3209	Rates Concessions (Rateable Land)
CP FIN-3210	Notice of Discontinuance (Rates and Debtors)
CP FIN-3211	Pricing Principles and Pricing Basis Policy for Fees and Charges
CP FIN-3212	Rates and Charges Debt Collection

Appendix A - Council Policies Examined (Continued)

Policy Topic

CP FIN-3213	Corporate Credit Cards
CP FIN-3215	Self-Supporting Loans
CP FIN-3214	Sundry Debt Collection
CP FIN-3216	Asset Management
CP FIN-3217	Regional Price Preference
Information Communication Technology	
CP ICT-3260	Information Management and ICT Acceptable Use
GOVERNANCE	
Elected Members	
CP CNC-3140	Council Briefing Sessions
CP GOV-3104	Elected Member Appointment to External Committees
Governance	
Code of conduct for Council Members, Committee Members and Employees	
CP GOV-3101	Celebrity Tree Park, Tree Planting, Removal and Upkeep
CP GOV-3102	Media and Corporate Communications
Organisational Development	
CP HR-3350	Designation of Senior Employees
CP HR-3351	Severance Policy
CP GOV-3103	Legal Representation for Council Members and Employees
INFRASTRUCTURE	
E10	Roadside Advertising Signage
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 REM-3620	Fire Breaks
CP REM-3621	Plant Mobilisation in Emergency

Appendix B - Plans Examined

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

Plan	Currency
Strategic Community Plan	Strategic Community Plan 2012-2022
Corporate Business Plan	Corporate Business Plan 2016/17 – 2019/20 adopted by Council 15 September 2016
Workforce Plan	2012/13 – 2015/16 - DRAFT Plan developed in 2012
Annual Budget	2016-17 Budget adopted by Council 15 September 2016
Draft Business Continuity Management Plan	Plan revised April 2016
Kununurra / Wyndham Local Recovery Plan 2016	Plan issued 21 June 2016
Shire of Wyndham East Kimberley Local Recovery Plan	Adopted by Council 28 June 2016
Disability Access and Inclusion Plan	Plan reviewed 2014

Appendix C – Strategic and Operational Registers Examined

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

Register
Disclosure of Interest Register
Tender Register
Strategic and Operational Risk Register
Gifts Register
Code of Conduct Complaints and Minor Breach Complaints Register
Council Delegations Register 2016/17

Appendix D – 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 that 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 that 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 that 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.*

Appendix D – Operational Guidelines (Continued)

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

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.

Internal Controls (continued)

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

    k)   integrity and ethics;

    l)   policies and delegated authority;

    m) levels of responsibilities and authorities;

    n)   audit practices;

    o)   information system access and security;

    p)   management operating style; and

    q)   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;

    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.

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2016

REGULATION 17 AUDIT

IMPROVEMENTS – PRIORITISATION

9.1   Summary of Improvements

Suggested improvement opportunities are provided below to form an Improvement Plan.

Paragraph		Matters Noted	Improvements	Department	Action
6.2	Risk Management Policy	Council has not adopted a Risk Management Policy to date. We acknowledge a draft policy exists though this requires amendment before consideration by Council.	A Risk Management Policy be developed and presented to Council for consideration.	Governance	Snr Governance & Risk Officer, finalise for March 2017 OCM
6.2	Internal Control Policy	Currently, no policy on internal controls has been adopted by Council.	An Internal Control Policy formulated and adopted to formalise Council's commitment to internal controls, based on a risk management process.	Governance	Senior Governance & Risk Officer to prepare for mid year 2017
6.2	Legislative Compliance Policy	Currently, no policy on legislative compliance has been adopted by Council.	A Legislative Compliance Policy formulated and adopted to formalise Council's commitment to legislative compliance.	Governance	Senior Governance & Risk Officer to prepare for mid year 2017
6.2	Record Keeping Policy	Currently, no policy on record keeping has been adopted by Council.	A Record Keeping Compliance Policy formulated and adopted to formalise Council's commitment to maintaining records.	Corporate	Will need to be a priority for new Records Team Leader – by July 2017
6.2	Occupational, Health and Safety Policy	Currently, no policy on occupational safety and health has been adopted by Council.	An Occupational Safety and Health Policy formulated and adopted to formalise Council's commitment to occupational safety and health.	Governance	Priority for new Organisational Development Manager by July 2017

6.2	Insurance Strategy or Policy	No documented policy in existence.	Development of an Insurance Strategy and Policy, to provide clarity on issues such as the level of self-insurance, the adequacy of cover and the basis of valuation of the insured assets.	Corporate	Asset Accountant to considered - not considered a priority, research required.
6.2	CP COM-3584 Alcohol Management Policy	The Policy does not require organisers of events involving alcohol on Shire controlled land to provide risk management plans before a permit is granted.	The Policy be amended to require a formal risk assessment to be undertaken before granting a permit and for all events rated above medium risk to provide a risk management plan detailing risk treatment to reduce risk to an acceptable level.	Community	Prepare for January OCM. CD Manager.
6.2	E9 Traffic Signs – Directional Signage	Policy CP/OPS-3657 – Directional Signage appears to have superseded this Policy.	The Policy be rescinded and removed from the Shire website as it has been superseded.	Infrastructure	Policy already rescinded, website has been updated. COMPLETE.
6.2	E10 Roadside Advertising Signage	The Policy was adopted in July 2004 with no subsequent review recorded.	Policy reviewed and updated if required, ensuring the reviewed Policy is compliant with current standards and guidelines.	Infrastructure	Policy has been prepared for December 2016 OCM
6.2	LPP Local Planning Policy Manual	A number of policies were adopted in 2009 with no subsequent review recorded. Policies within the Manual developed since 2009 are overdue for review.	The policies in the Manual be reviewed and updated if required, with the date of review being entered in the relevant Policy.	Community	Review of Local Planning policies to be undertaken following the gazettal of the draft Local Planning Scheme No. 9. Review anticipated to be undertaken 2017-2018.

6.2	CP/FIN-3200 Strategic Rating	The Policy defines a rate in the dollar and minimum payment level for each differential rating category. This conflicts with the requirement of the *Local Government Act 1995* for rates to be determined based on the budgeted deficiency and adopted by an absolute majority of Council each year when adopting the budget.	Policy amended to remove any defined rates in the dollar and minimum payment levels.	Corporate	Co-ordinator Financial Management to prepare amended policy. for Feburary OCM 2017
6.2	CP/FIN-3201 Significant Accounting Policies	The Policy was due for review in August 2016 and contains defined depreciation periods to be utilised for various classes of assets. The Australian Accounting Standards requires assets to be assessed annually to determine their remaining useful life and residual value.	Policy reviewed annually, to help ensure its alignment with changes in Australian Accounting Standards and the annual assessment of remaining useful life and residual value.	Corporate	Co-ordinator Financial Management to prepare amended policy for February OCM 2017.
6.2	CP/FIN-3204 Purchasing	There are no requirements stated for instances where the scope of a contract is amended or extended.	Policy amended to include guidance where there is an extension or variation of a contract's scope after a contract is signed.	Corporate	Snr Procurement & Contracts Officer to prepare for February OCM 2017
6.2	F20 Fixed Assets	The Policy was last reviewed in September 2009 and refers to a Policy which has been rescinded.	Policy reviewed and incorporated within the broader Asset Management Policy.	Corporate/ Infrastructure	Asset Accountant to prepare for March OCM 2017
7.2	Workforce Management Plan	2012/13 – 2015/16 Plan is in draft, and due for review.	Review, update and present to Council for consideration and adoption.	Governance	Priority for new OD Manager to be completed by July 2017.

7.2	Asset Management Plan	An Asset Management Plan is yet to be developed or adopted by Council.	Develop and adopt an Asset Management Plan.	Infrastructure	Thorough review and update of the basic AM Plan will be undertaken by the new Asset Manager – expected to be complete by mid 2017.
7.2	Long Term Financial Plan	A Long Term Financial Plan is yet to be developed or adopted by Council.	Develop and adopt a Long-Term Financial Plan.	Corporate	Priority for new Director of Corporate Services by July 2017.
7.2	Business Continuity Management Plan	The plan is currently in draft.	Finalise and present to Council for consideration and adoption.	Governance	Snr Governance & Riask Officer to prepare for February OCM 2017
7.2	Annual Budget 2016/17	Extension received from DLGC to 30 September 2016. The budget was adopted on 15 September 2016.	We suggest the Budget be adopted as soon as possible after the end of the financial year.		Delete – unnecessary comment
7.2	Strategic Community Plan	We note the plan is due for review.	Review and update Plan and present to Council for consideration and adoption.	Community	Requested Deletion - unnecessary comment

7.2	Records Disaster Management Plan	The plan does not identify or treat any risks. Risk assessments within the plan should be undertaken in accordance with the Shire's overall Risk Management strategy or framework (to be developed). Backups of electronic records are currently held at the bank which is considered to be appropriate. Instances where not all records have been recorded in the records management system and filed appropriately.	The Plan be amended to: Consider risks in accordance with the proposed Risk Management Policy and the associated Strategy and Framework; Provide for the timely electronic storing of all records; Require electronic records to be routinely backed up and stored at sufficiently remote geographic location to reduce the risk of the impact of a common disaster event; and Require routine testing to ensure currency and completeness of restored data backups.	Corporate	Priority for new Records Team Leader.
7.2	Cyclone Procedures	No cyclone procedures were available.	That documented procedures be developed for when a cyclone information bulletin has been issued for the district.	Infrastructure	This will be deleted,
7.2	Internal Controls Policy	No policy for internal controls exists.	A policy developed reflecting Council's commitment to risk based internal controls throughout the organisation.	Governance	To be considered mid 2017.
7.3	Code of Conduct	Volunteers and contractors are not bound by the Code of Conduct when performing functions on behalf of the Shire	Review the Code of Conduct to include volunteers and contractors in the scope	Governance	February OCM 2017

7.3	Occupational Health and Safety Committee	The Occupational Health and Safety Committee has not met regularly. We acknowledge it is management's intention for the committee to recommence regular meetings. Currently a documented risk based prioritisation of occupational health and safety is not undertaken.	The Occupational Health and Safety Committee commence regular meetings (minuted) to discuss any identified occupational health and safety risks. A risk based assessment of occupational health and safety issues be undertaken by the working committee and including within minutes to enable prioritisation or	Governance	Priority for new OD General Officer
7.3	Staff Induction	Although occupational health and safety inductions are currently undertaken, evidence of the inductions are not always recorded within the	That long term employees be the subject of a re-induction process to ensure they are award of changes to risk management and occupational health and safety risk procedures since their initial induction.	Governance	Process to be established by OD General Officer.
7.3	Staff Training	Staff training is undertaken on an ad-hoc basis and reliant on budget funds available	Development of a training matrix	Governance	Priority for new OD Manager
7.3	Staff Qualifications	Instances where staff qualifications have expired, with no new qualification, maintained on file.	Improvement: Documented procedures developed to ensure staff qualifications are current and copies are maintained on file	Governance	Priority for OD General Officer
7.3	Contractors and Volunteers Inductions	No inductions are currently performed for contractors and volunteers.	Ensure all contractors and volunteer staff undergo induction before commencing	Governance	Priority for new OD General Officer

7.4	Contractor Insurance	Formal Requests for Quotation and Requests for Tender require contractors to provide evidence of insurance. We note no procedures currently exist to ensure contractors undertaking smaller works on a regular basis have insurance cover for the works they undertake	Procedures developed to ensure all contractors undertaking works which may result in loss or damage to Shire property have appropriate insurance cover.	Corporate	Priority for Snr Procurement Officer – simple update to standard forms will work – adding requirement for insuances.
7.5	Information Systems Plans	Currently no documented Disaster Recovery Plan, IT Security Plan or documented procedures in place.	An IT Disaster Recovery Plan and IT Security Plan be developed and tested. Documentation of standard procedures such as backup procedures is also suggested.	Corporate	Priority for IT Manager inc.. standard procedures for back up. IT Disaster Recovery Plan will be included in Business Continuity.
8.2	Executive Management Team meeting minutes	Minutes of Executive Management Team meetings were not available for review.	We suggest minutes of Executive Management Team meetings be maintained and detail any risk, internal control or legislative compliance matters noted by the team.	Governance	CEO to establish process.
8.3	Strategic and Operational Risk Register	An Excel register of identified risks was last updated in March 2016. The register identifies 15 Strategic Risks and 38 Operational Risks a number of which are rated as having a high inherent risk. We noted the register does not provide the date of the assessment of the risk or the treatment to be used to reduce the risk to an acceptable level.	We suggest a risk register containing identified risks, date identified, treatment to be applied and level of residual risk be developed and maintained.	Governance	Snr Governance Officer to consider.

8.3	Occupational Health and Safety Incidents register	Incident reports are being completed by staff. However, no register of these reports is currently maintained.	We suggest a risk register containing reported incidents, date reported, nature of the incident and follow up actions to be taken be developed and maintained.	Governance	Priority for new OD General Officer
8.3	Litigation or Claims Register	Whilst any actions against the Shire are recorded individually in the records system, we noted no register is currently maintained.	We suggest a record of litigation or claims against the Shire be maintained.	Corporate	CSO/Records to be advised to create a new file as a register.
8.5	Employee Complaints/Grievance Handling	The Code of Conduct requires breaches or suspected breaches of the Code by the CEO to be reported to the Deputy CEO or a senior employee. A conflict (or perceived conflict) may exist where an employee is required to investigate a breach by a superior officer. This conflict could be particularly acute if the subordinate officer is in the process of contract renegotiation.	Breaches or suspected breaches of the Code of Conduct by the CEO to be reported to the Shire President for further investigation.	Governance	Snr Governance & Risk Officer to amend the COC for January 2017 OCM.
8.5	Community Complaints Handling	Whilst there is a Complaints Management Policy, there are no procedures to ensure community complaints are recorded and responded to appropriately within a defined timeframe.	A documented procedure developed to ensure all community complaints are logged and forwarded to the appropriate officer, then followed up to ensure they are resolved.	Corporate	Priority for new Records Team Leader

8.6	External Audit	One compliance matter was noted in the 2016 Audit report.	Undertake improvements as detailed within the improvement plan.	Corporate	Priority for new Corporate Services Director.
8.6	Internal Audit	Currently, no internal auditors have been appointed, and limited internal audit functions have been undertaken.	As the level of documented procedures increases, an expanded internal audit function to confirm adherence to documented policies and procedures may be required.	Governance	Not a priority at this point, no budget/position available.

8. MATTERS BEHIND CLOSED DOORS

Nil

9. DATE OF NEXT MEETING

Not applicable

10. CLOSURE

The Commissioner closed the meeting at 4:40pm.