

# **SHIRE OF CARNARVON**

## **AGENDA**

### **AUDIT AND RISK MANAGEMENT COMMITTEE MEETING**

**TUESDAY 13 JUNE 2023**

*The Shire of Carnarvon acknowledges and respects the Yinggarda (Carnarvon) and Baiyungu (Coral Bay) as the traditional custodians of the lands where we live and work. We pay our respects to Elders, past, present and emerging. The Shire of Carnarvon is committed to honouring the traditional custodians' unique cultural and spiritual relationships to the land, waters and seas and their rich contribution to society.*

## NOTICE OF MEETING

Notice is hereby given

Shire of Carnarvon  
Audit and Risk Management Committee Meeting  
will be held  
on Tuesday 13 June 2023  
at the Shire Council Chambers, Stuart Street  
Carnarvon,  
commencing at 2.00pm



Andrea Selvey  
CHIEF EXECUTIVE OFFICER

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### DISCLAIMER

No responsibility whatsoever is implied or accepted by the Shire of Carnarvon for any act, omission or statement or intimation occurring during Council/Committee Meetings or during formal/informal conversations with Staff or Councillors. The Shire of Carnarvon disclaims any liability for any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission or statement or intimation occurring during Council/Committee Meetings or discussions. Any person or legal entity who acts or fails to act in reliance upon any statement does so at that person's or legal entity's own risk.

In particular and without derogating in any way from the broad disclaimer above, in any discussion regarding any planning application or application for a licence, any statement or limitation of approval made by a member or officer of the Shire of Carnarvon during the course of any meeting is not intended to be and is not taken as notice of approval from the Shire of Carnarvon. The Shire of Carnarvon warns that anyone who has an application lodged with the Shire of Carnarvon must obtain and only should rely on WRITTEN CONFIRMATION of the outcome of the application, and any conditions attaching to the decision made by the Shire of Carnarvon in respect of the application.

## INFORMATION ON PUBLIC QUESTION TIME

The following information is provided should you wish to ask a question of Council at the Ordinary Meetings held on a monthly basis.

Please note that questions that have not been filled out on the Submission Form will not be accepted.

- The Local Government Act 1995 allows members of the public to ask questions in regard to any issue relating to the Shire.
- A maximum of 15 minutes will be allowed for public question time and the Presiding Member will allow a maximum of three (3) verbal/written questions per person.
- Prior to asking a question, the speaker must state his/her name and address.
- Members of the public are discouraged from asking questions which contain defamatory remarks, offensive language or questioning the competency of staff or Council members.
- The Presiding Member may nominate a member or officer to answer the question and may also determine that any complex questions requiring research be taken on notice and answered in writing.
- No debate or discussion is allowed to take place on any question or answer.
- A summary of each question asked and the response given will be included in the minutes of the meeting –

*Local Government (Administration) Regulations 1996 – Pt 2, r.11 – (in part reads - )*  
*11. Minutes, content of (Act s.5.25(1)(f))*

*The content of minutes of a meeting of a council or a committee is to include –  
(e) a summary of each question raised by members of the public at the meeting and a summary of the response to the question.*

Responses to questions that are taken on notice will be responded to as soon as possible.

- If you wish to ask a question, please complete the Public Question Time Submission Form at the back of this information sheet. Alternatively, questions can be submitted in writing to the Shire of Carnarvon 3 days prior to the meeting.

## SPECIAL MEETINGS OF COUNCIL

Members of the public are welcome to attend a Special Meeting of Council if open, and ask questions of the Council within the allotted public question time *subject to the questions being asked only relating to the purpose of the Special Meeting (s5.23 of the Act and regulation 12 (4) of the Local Government (Administration) Regulations 1996, the Department of Local Government and Communities Guide to Meetings and Governance Bulletin April 2014 and Guideline No. 3 Managing Public Question Time.)*

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**1 ATTENDANCE AND APOLOGIES**

(The Local Government Act 1995 Section 2.25 provides that a Council may, by resolution, grant leave of absence to a member for Ordinary Council Meetings. The leave cannot be granted retrospectively and an apology for non-attendance at a meeting is not an application for leave of absence.)

**2 PUBLIC QUESTION TIME**

(In accordance with Section 5.24 of the Local Government Act 1995, a 15 minute public question time is made available to allow members of the public the opportunity of questioning Council on matters concerning them. All questions are to be provided on the Public Question Time Submission Form.)

**3 DECLARATIONS OF INTEREST**

(Councillors and Staff are reminded of the requirements of Section 5.65 of the Local Government Act 1995, to disclose any interest during the meeting or when the matter is to be discussed.)

**4 CONFIRMATION OF MINUTES**

## 5 REPORTS

### 5.1 FINANCIAL MANAGEMENT REVIEW - APRIL 2023

File No:	ADM0031
Location/Address:	Shire of Carnarvon
Name of Applicant:	Shire of Carnarvon
Name of Owner:	Shire of Carnarvon
Author(s):	Alan Thornton, Deputy Chief Executive Officer
Authoriser:	Andrea Selvey, Chief Executive Officer
Declaration of Interest:	Nil
Voting Requirement:	Simple
Previous Report:	Financial Management Review – April 2019
Schedules:	<ol style="list-style-type: none"> <li>Schedule 5.1 Financial Management Review - April 2023</li> <li>Schedule 5.1.1 Index of Findings and Improvements</li> </ol>

#### Authority/Discretion:

- |                                     |                       |  |
|-------------------------------------|-----------------------|--|
| <input type="checkbox"/>            | <b>Advocacy</b>       | When Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.   |
| <input checked="" type="checkbox"/> | <b>Executive</b>      | The substantial direction setting and oversight role of the Council. E.g., adopting plans and reports, accepting tenders, directing operations, setting and amending budgets   |
| <input type="checkbox"/>            | <b>Legislative</b>    | Includes adopting local laws, town planning schemes and policies.  |
| <input type="checkbox"/>            | <b>Information</b>    | Includes items provided to Council for information purposes only that do not require a decision of Council (i.e. – for noting).  |
| <input type="checkbox"/>            | <b>Quasi-judicial</b> | When Council determines an application / matter that directly affects a person's right and interest. The judicial character arises from the obligations to abide by the principles of natural justice. Examples of Quasi-Judicial authority include town planning applications, building licenses, applications for other permits / licenses |

#### Summary of Item

To present to the Audit and Risk Committee the Financial Management Review report. The main purpose of a Financial Management Review is to examine the appropriateness and effectiveness of the financial management systems and procedures of the Shire.

#### Background

The Local Government (Financial Management) Regulations 1996 regulation 5(2)(c), requires the Chief Executive Officer to undertake Financial Management Reviews regularly (and not less than once in every three years). Through a formal request for quote process the Shire of Carnarvon engaged Moore Australia to undertake a Financial Management Review.

This review was undertaken by first determining an appropriate framework for the Shire against which current financial management policies, procedures and actions could be assessed. Responsibility for the financial management of the Shire rests with the CEO, as detailed under Financial Management Regulation 5(1). Internal controls relating to financial management systems are of critical importance to operations and should provide for appropriate segregation of duties, experienced and qualified staff, risk management, documented procedures and effective monitoring and adherence to documented procedures.

Moore Australia conducted a risk-based review of financial management systems that involved the examination of three key areas of financial management systems. Key areas investigated were financial management framework, implementation of financial management framework, evaluation of financial management. The review report is presented as Schedule 5.1

**Stakeholder and Public Consultation**

Nil

**Statutory Environment**

*Local Government (Financial Management) Regulations 1996 5(1)*  
*Local Government (Financial Management) Regulations 1996 5(2)(c)*

**Relevant Plans and Policy**

Moore Australia examined two key strategic Shire documents as part of the review:

Strategic Community Plan 2022-2032

Corporate Business Plan 2018-2022 (current at time of review).

**Financial Implications**

There are no financial implications from this report.

**Risk Assessment**

Under the Local Government (Financial Management) Regulations 5(2)(c) a local government is to undertake Financial Management Reviews regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews. Non-compliance results in a breach of those regulations.

STEP 3 – Risk Tolerance Chart Used to Determine Risk						
Consequence →		Insignificant 1	Minor 2	Major 3	Critical 4	Extreme 5
Likelihood ↘						
Almost certain	A	High	High	Extreme	Extreme	Extreme
Likely	B	Moderate	High	High	Extreme	Extreme
Possible	C	Low	Moderate	High	Extreme	Extreme
Unlikely	D	Low	Low	Moderate	High	Extreme
Rare	E	Low	Low	Moderate	High	High

Risk Category	Description	Rating	Mitigating Action/s
Financial	N/A	N/A	N/A
Health & Safety	N/A	N/A	N/A
Reputation	N/A	N/A	N/A
Service disruption	N/A	N/A	N/A
Compliance	Review recommendations not being accepted	Low	Review findings and improvement recommendations will be discussed with the relevant service areas and actions have been identified to

			ensure recommendations are implemented.
Property	N/A	N/A	N/A
Environment	N/A	N/A	N/A
Fraud	N/A	N/A	N/A

**Community and Strategic Objectives**

The proposal aligns with the following desired objectives as expressed in the *Community Strategic Plan 2022-2032*: A high standard of governance and accountability.

**OBJECTIVES**

In 2040 Carnarvon is a place where:

- N/A

**ADDITIONAL FOCUS AREAS:**

- N/A

**BIG IDEAS FOR THE FUTURE OF CARNARVON:**

- N/A

**Comments**

The Shire of Carnarvon is highly reliant on a small team of senior decision makers to govern its operations whilst trying to ensure sound financial management through internal controls. The Shire has a number of financial management system controls to cover the wide variety of operations undertaken. As stated in the report considering the size, resources, variety of operations and the context in which the Shire operates, documented internal control procedures relating to financial management systems, are considered largely appropriate as a means of maintaining a high level of control over the financial management of the Shire. Additionally, the review found that other elements of financial management systems and processes were documented and routinely tested. The current practices undertaken by the Shire of Carnarvon may be considered generally effective.

The report also determined that whilst the operations of the Shire are the responsibility of the CEO, the Council is responsible for setting the framework for operations via adopted Council policies. These policies represent an overarching framework relevant to financial management and have been reviewed for appropriateness and effectiveness. In general, Council policies relating to financial management are well formulated and provide clear guidance regarding Council’s position on financial management matters.

From the report an index of findings and identified improvements is presented in Schedule 5.1.1. This schedule categorises identified improvements into ‘Prioritised action required’ and ‘Planned action required’. Schedule 5.1 provides details of the actions required.

**OFFICER'S RECOMMENDATION**

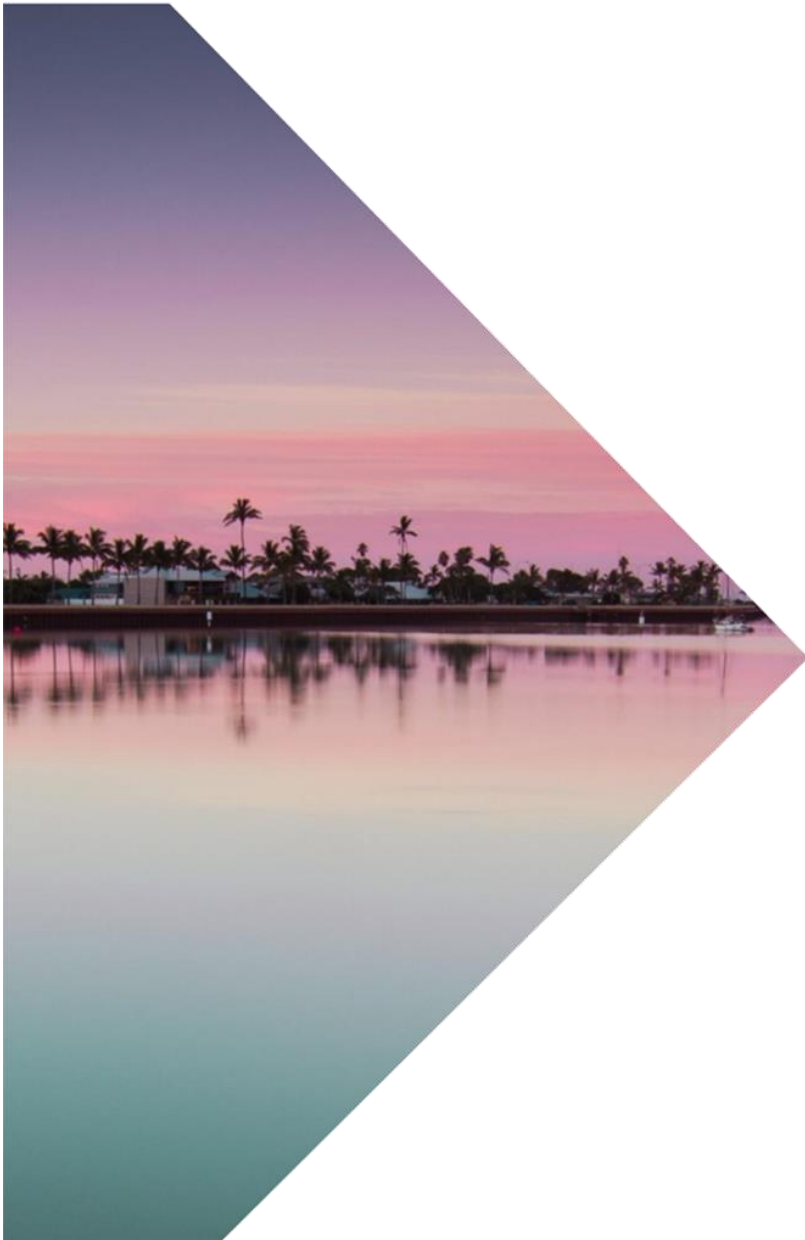
***That the Audit and Risk Management Committee Meeting, by Simple Majority pursuant to Section 3.18 of the Local Government Act, 1995, receive the Financial Management Review – April 2023 as per Schedule 5.1.***



# Financial Management Review Report

Shire of Carnarvon

April 2023



[www.moore-australia.com.au](http://www.moore-australia.com.au)

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## 1.0 Engagement Overview

### 1.1 Scope of Services

The Shire of Carnarvon (Shire) engaged Moore Australia to undertake a review of financial management systems to assess the appropriateness and effectiveness of these systems and procedures, as required by *Local Government (Financial Management) Regulations 1996 Regulation 5(2)(c)*.

A risk based review of financial management systems was undertaken by examination of the following three key areas of financial management systems:

- Financial management framework;
- Implementation of financial management framework; and
- Evaluation of financial management

Where opportunities for improvement were identified, they are reported within the relevant section of this report. Matters examined in respect of financial management systems review are detailed in Appendix A.

#### 1.1.1 Procedures – Financial Management Review

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

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

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

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





## 2.0 Review Context

### 2.1 Review Context - Shire of Carnarvon

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

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

External Influences	Internal Influences
Increasing community expectations in relation to service levels and delivery.	The objectives and strategies contained in the current Strategic Community Plan.
Rapid changes in information technology, changing the service delivery environment.	The timing and actions contained in the current Corporate Business Plan.
Increased compliance requirements due to government policy and legislation.	Organisational size, structure, activities and location.
Cost shifting by the Federal and State governments.	Human resourcing levels and staff retention.
Demand for resourcing due to potential expansion in service delivery.	The financial capacity of the Shire.
Reducing external funding for infrastructure and operations.	Maintenance of corporate records.
Increasing risk of cyber attack resulting in compromised or lost data.	Allocation of resources to achieve strategic outcomes.
Mitigating bush fire threat	COVID 19 and impact on the internal environment
COVID 19 and impact on the external environment	
Global economic instability	

### 3.0 Review Summary

#### 3.1 Overall

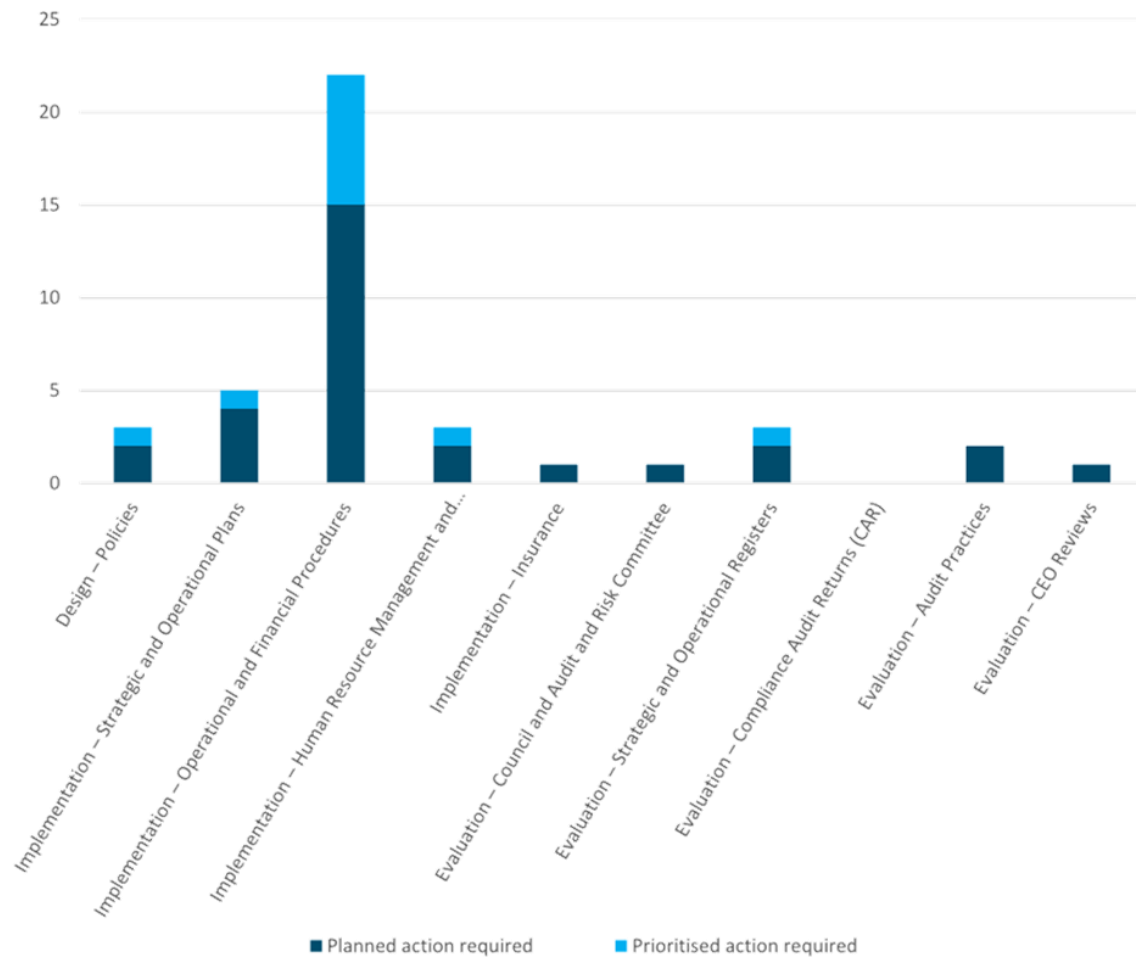
Operations of a regional local government are complex and involve a number of people making decisions across a large number of areas of operations. The Shire of Carnarvon is highly reliant on a small team of senior decision makers to govern its operations whilst trying to ensure sound financial management through internal controls.

This review was undertaken by first determining an appropriate framework for the Shire against which current financial management policies, procedures and actions could be assessed this is described further in Section 4.0.

As the Shire has limited resources the areas identified for improvement noted during the review have been split between those requiring prioritised action and those requiring planned action as it will require resources and time to address a number of the matters raised.

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

**No of improvements identified by framework element**



Details of each improvement identified under each framework element are provided in Sections 5 through section 7 of this report.

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



## 3.0 Review Summary

### 3.2 Financial Management

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

Internal controls relating to financial management systems are of critical importance to operations and should provide for appropriate segregation of duties, experienced and qualified staff, risk management, documented procedures and effective monitoring and adherence to documented procedures. Inherent limitations will always be present in internal control frameworks and routine review and regular updates may assist to ensure control environments are suitable.

#### 3.2.1 Appropriateness

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

Weaknesses were identified with current controls and procedures, these are explained within Section 5.0 Framework Design of this report.

#### 3.2.2 Effectiveness

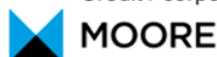
Considering the results of other elements of financial management systems and processes where documented and routinely tested, the current practices undertaken by the Shire of Carnarvon may be considered generally effective. Our assessment as to effectiveness is subject to the implementation of the improvements highlighted in Section 6.0 Framework Implementation of this report.

Whilst generally considered effective, weaknesses were identified where internal controls are not considered effective. These are explained within Section 6.0 Framework Implementation of this report.

#### 3.2.3 Improvements

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

- IT general controls;
- Security controls;
- Rating controls;
- Register of financial interests;
- Change of banking details and creditor master file;
- Procurement controls;
- Payroll controls;
- Asset controls;
- General journals controls;
- Stock controls; and
- Credit / corporate transaction card controls.



## 4.0 Methodology & Framework

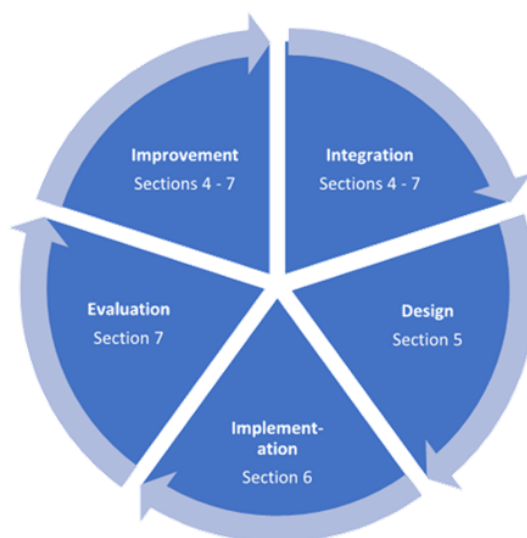
### 4.1 Review Methodology – Financial Management Review

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

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

### 4.2 Framework

The following framework was utilised to identify and examine risks in relation to the financial management of the Shire of Carnarvon, after consideration of the current internal and external influences, detailed in Section 5.0.



Adapted from Australia/New Zealand Standard ISO 31000:2018

Identification and improvements of the systems and procedures which may not appropriately or effectively control these risks have been presented in Sections 5, 6 and 7 of this report.

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

Design	Implementation	Evaluation
5.1 Strategic Plans	6.1 Strategic and Operational Plans	7.1 Council and Audit and Risk Committee
5.2 Council Policies	6.2 Operational and Financial Procedures	7.2 Strategic and Operational Registers
	6.3 Human Resources Management and Practices	7.3 Annual Compliance Audit Returns
	6.4 Insurance	7.5 Audit Practices
		7.6 Reviews required by the CEO



## 5.0 Framework Design

### 5.1 Strategic Plans

The Shire has adopted two key strategic documents, the Strategic Community Plan 2022-2032 and the Corporate Business Plan 2018-2022. These plans identify the Council's organisational objectives and key outcomes, as the Shire progress on its stated vision "*Carnarvon will be a place where:*

- *Our community is safe and harmonious.*
- *Our livelihoods are thriving.*
- *Our lifestyles are sustainable.*
- *Our health and learning opportunities serve our community.*
- *Our places nurture our past, present and future.*
- *Our community is engaged, inclusive and supportive.*
- *We Grow Our Horizons"*

The Strategic Community Plan recognises the community's aspirations and values through its plan. In seeking to achieve its objectives, the Shire of Carnarvon faces both inherent and business risks. Whilst striving to fulfil expectations, it is also expected to meet compliance with numerous legislative and operational requirements. To manage these risks, the Shire has established various processes, systems and controls.

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

This review examines the appropriateness and effectiveness of the organisation's financial management systems and procedures in the context of the Shire striving to achieve its stated objectives.



## 5.0 Framework Design

### 5.2 Council Policies

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

In general, Council policies relating to financial management are well formulated and provide clear guidance regarding Council's position on financial management matters. A list of policies reviewed is provided in Appendix B - Council Policies Examined.

The table below details matters identified and suggested improvements toward improved controls to the policy framework.

Policy	Purpose / Goal	Matters Identified / Improvement
5.2.1 Policy Reference to Legislation and External Information	To support the link between Council policy, legislation and other information sources.	<p>We noted some policies contain specific detail relating to legislation and other external references, including:</p> <ul style="list-style-type: none"> <li>CF006 Financial Hardship</li> <li>CF012 Rates Charges</li> </ul> <p>This practice may result in conflict between the policy and legislation or guidance in the instance of a change in legislation, guidance, or other external references.</p> <hr/> <p><b>Improvement:</b> Update policies to remove specific and / or detailed references to legislation and other external references to assist with maintaining appropriate alignment and consistency in Council policies.</p>

## 5.0 Framework Design

Policy	Purpose / Goal	Matters Identified / Improvement
5.2.2 CF001 Purchasing and Procurement	<p>Policy providing a best practice approach and procedures for purchasing.</p> <p>Ensure consistency for all purchasing activities which integrate with all operational areas.</p> <p>Requires compliance with the <i>Local Government Act 1995</i> and <i>Functions and General Regulations 1996</i>.</p>	<p>The policy provides limited direction regarding contract variations and extensions awarded or against a written specification not awarded by tender. Extension of contracts and associated price changes are also not covered by the policy. For contracts awarded by tender, legislation provides minimum requirements.</p> <hr/> <p>Purchasing requirements for procurement of goods or services in accordance with the exemptions under <i>Local Government (Functions and General) Regulations 1996 Regulation 11(2)</i>, are not consistent within the policy. The CEO is required to ensure controls exist for all purchases including those made using these exemptions. Testing the market through sourcing multiple quotations when applying policy exemptions is one mechanism available to demonstrate such controls are in place, regardless of whether the quotations are being sought from pre-qualified suppliers, WALGA Preferred Supply Contracts or other suppliers.</p> <hr/> <p>Authorisation for a sole source of supply arrangement considered under the policy is able to be approved by an authorising officer with the required level of purchasing authority. Requirements to evidence market testing when applying the exemption are not considered sufficiently detailed in the policy or associated procedures.</p> <hr/> <p><b>Improvements:</b></p> <p>Review and update the policy to provide for the following:</p> <ul style="list-style-type: none"> <li>• Purchasing requirements for the issuing of contract variations and extensions for contracts not awarded by public tender. Consideration should be given to circumstances where the contract value increases over a policy threshold level, due to the variation or extension;</li> <li>• Insert purchasing requirements for procurement of goods or services made under the exemptions under <i>Local Government (Functions and General) Regulations 1996 Regulation 11(2)</i>.</li> <li>• Require CEO approval to only obtain a single quote under sole source of supply exemptions and implement procedures to define requirements for exercising the exemption. Procedures should aim to assist with accountable processes and transparent decision making with purchasing activities to report the circumstances, occasions and purchasing values where the sole supplier policy provision is exercised.</li> </ul>

## 5.0 Framework Design

Policy	Purpose / Goal	Matters Identified / Improvement
5.2.3 CF013 Significant Accounting Policies	Policy to guide the Shire's financial framework in addition to the Australian Accounting Standards (AAS).	<p>Formalisation of accounting policies may result in a conflict with information prepared in annual financial reports required to be prepared in accordance with AAS and the <i>Local Government Financial Management Regulations 1996</i>, given accounting policies with the budget and annual financial report may differ when prepared at the same time but relate to different financial years.</p> <hr/> <p><b>Improvement:</b> To avoid conflict with the standards and legislation the policy should not include legislative and standards requirements and should enhance these requirements or provide a policy decision where an accounting standard allows a policy choice. Consider rescinding the policy and adopt accounting policies annually within the Annual Statutory budget.</p>



## 6.0 Framework Implementation

### 6.1 Strategic and Operational Plans

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

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

Plan	Purpose / Goal	Matters Identified / Improvement
6.1.1 Information Communications Technology (ICT) Strategic Plan	Plan to guide the future development and delivery of ICT services.	An ICT Strategic Plan highlighting and addressing ICT risks and how they are to be addressed was not available for our review.  <b>Improvement:</b> Develop an ICT Strategic Plan identifying and documenting key ICT risks along with the treatments to reduce the risk to an acceptable level.
6.1.2 ICT Disaster Recovery Plan	Plan to address the handling of ICT disaster recovery.	Staff advised an Information and Communication Technology Disaster Recovery Plan has been prepared, however evidence of the plan being tested to ensure its validity was not available for review.  <b>Improvement:</b> Maintain, review and test the ICT Disaster Recovery Plan to ensure its validity. Identify and document key ICT risks, along with the treatments to reduce the risk to an acceptable level.
6.1.3 Business Continuity Plan	Plan to facilitate organised decision-making in the event of a major incident impacting the Shire's ability to continue normal operations.	A Business Continuity Plan was not available for our review.  <b>Improvement:</b> Develop a Business Continuity Plan and test it to ensure its validity. The plan should facilitate organised decision making in the event of any major disruption impacting the Shire's ability to continue normal operations, with testing involving relevant and key personnel to ensure validity of the identified risks and treatments within the plan.
6.1.4 Long Term Financial Plan	Financial report to achieve the strategies set out in the Council's Strategic Community Plan.	A current Long Term Financial Plan was not available for review. Although there is no documented requirement for timing of reviews, it is a key tool (aligned to the Corporate Business Plan and annual budget) for ensuring long term financial health.  <b>Improvement:</b> Review the Long Term Financial Plan to monitor financial health and maintain effective alignment with Integrated Planning and Reporting documents.

## 6.0 Framework Implementation

Plan	Purpose / Goal	Matters Identified / Improvement
6.1.5 Asset Management Plan	Plan prepared to assist the Shire to improve the way it delivers services through its infrastructure assets such as roads, drainage, footpaths, public open space and buildings.	<p>A current Asset Management Plan was not available for review. Although there is no documented requirement for timing of reviews, it is a key tool (aligned to the Corporate Business Plan and annual budget) for ensuring financial sustainability.</p> <hr/> <p><b>Improvement:</b> Review and update the Asset Management Plan to maintain effective alignment with Integrated Planning and Reporting documents.</p>

## 6.0 Framework Implementation

### 6.2 Operational and Financial Procedures

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

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

Component	Purpose / Goal	Matters Identified / Improvements
6.2.1 Operational Procedures	To provide direction to staff in the delivery of day-to-day operational tasks, as well as guidance for expected processes, systems, and controls to be maintained.	<p>A number of formalised procedures for some key financial operational functions were noted during our review, however many of these procedures have not been formally reviewed and updated in recent years. Documenting and maintaining financial functions through checklists, flow diagrams or documented procedures are key elements in establishing, understanding and enforcing financial controls.</p> <p><b>Improvement:</b></p> <p>Undertake a review of existing operational procedures, and where required develop and implement additional procedures, to provide operational guidance aligned with adopted Council policies and legislation. Procedures should provide for activities not necessarily covered by legislation to communicate expected standards to staff from the CEO, in the course of implementing strategic direction and decisions of Council. Consistent maintenance of documented procedures and checklists, and / or workflow process diagrams may assist in clearly identifying controls and processes to be followed.</p>
6.2.2 Procedure Changes	Process to control and manage change to procedures.	<p>Process for amending or changing procedures has not been formalised. This creates opportunities for unilateral unauthorised changes to procedures and a breakdown in key controls.</p> <p><b>Improvement:</b></p> <p>Establish a process for the development, review, amendment and authorisation of procedures, checklists and other internal control documentation, throughout the Shire to assist with managing changes to procedures.</p>



## 6.0 Framework Implementation

Component	Purpose / Goal	Matters Identified / Improvements
6.2.3 Risk Management Procedures	Procedures and practices to set out a uniform approach to the identification, assessment, management, reporting and monitoring of risks.	<p>Some risk management activities currently undertaken are largely undocumented.</p> <hr/> <p><b>Improvements:</b>                      Risk management should underpin the financial management of the Shire as such implementation of risk management procedures is considered important.</p> <hr/> <p>Risk management procedures and processes are to be developed in accordance with the latest risk management standard (ISO 31000:2018).</p> <hr/> <p>Implement risk management procedures and processes throughout the whole organisation.</p>
6.2.4 ICT Security	Procedures and practices to ensure the security of ICT information, systems and data.	<p>The Shire is reliant on the advice of ICT consultants to maintain the security of the ICT system, with no independent oversight or review. From staff representation and our understanding of ICT controls we noted no formal process was in place to review, monitor and control access to financial records.</p> <hr/> <p><b>Improvement:</b>                      Undertake a comprehensive independent ICT security review, document current policies and practices, and implement findings of the review. This review should be undertaken by those with the appropriate expertise, skills, qualifications and credentials and independent of current ICT providers.</p>
6.2.5 Records	Procedures and practices to ensure the appropriate maintenance and recording keeping of physical and digital financial records.	<p>Based on our enquiries with staff, regular refresher training for the use of the records system is not currently in place to support and direct staff and contractors to the appropriate procedures to save records in accordance with the Shire’s record keeping plans and policies. This may increase risks associated with compliance with required record keeping controls. Where compliance with required controls is low, information may become compromised in that deletions, loss and compromised security or confidentiality of records may occur.</p> <hr/> <p><b>Improvement:</b>                      Review systems and processes to monitor the practice of financial record keeping within the organisation and identify any misuse and correct appropriately. Ensure currency of the Record Keeping Plan and implementation of any improvements noted within the plan, including self evaluated improvements, ongoing training and any actions noted by the State Records Office.</p>





## 6.0 Framework Implementation

Component	Purpose / Goal	Matters Identified / Improvements
6.2.6 Corporate Transaction Cards	Systems and processes to control use of Corporate Credit / Transaction Cards held.	<p>We noted two instances through our testing where credit card expenses were not reviewed and approved by an independent more senior member of staff. Staff representations indicate procedures have been updated to ensure future reviews are performed and evidenced.</p> <hr/> <p>Our limited testing noted an instance where the tax invoice and support documentation for a credit card transaction did not reconcile with the charge incurred.</p> <hr/> <p>Signed agreements for corporate credit and transaction cards were not available for our review. As well as credit cards, Policy CF010 Corporate Credit Cards encompasses broader corporate transaction cards including fuel cards, for which user agreements have not been established.</p> <hr/> <p>We noted limited compliance with policy CF010 in relation to fuel cards, including:</p> <ul style="list-style-type: none"> <li>• Documentation to support transactions being routinely maintained or acquitted; and</li> <li>• Inadequate processes and controls for lost cards.</li> </ul> <hr/> <p>Formal process to monitor fuel stock purchased and allocated were not available. It was also observed the practice of sharing fuel cards routinely occurs. Allowing the practice of using cards to refuel vehicles other than the card assigned to a Council vehicle will hinder the detection of potential misuse. Fuel is recorded as it is allocated through creditors processes and reviewed for reasonableness periodically, however controls to reconcile fuel usage against purchases are considered inadequate.</p> <hr/> <p><b>Improvements:</b></p> <p>Review, update and maintain procedures to require cardholders to review and certify expenses incurred on their credit cards each month, which are subsequently reviewed by an independent more senior member of staff.</p> <hr/> <p>Maintain updated systems and processes relating to credit cards, to ensure adequate controls exist relating to compliance with adopted policy and approved procedure requirements. These should also provide for robust control and review processes prior to payments being deducted through automated bank payments.</p>



## 6.0 Framework Implementation

Component	Purpose / Goal	Matters Identified / Improvements
6.2.6 Corporate Transaction Cards (continued)		<p data-bbox="804 360 1086 389"><b>Improvements (continued):</b></p> <p data-bbox="804 394 1362 483">Ensure agreements are signed by all corporate transaction card holders to comply with Policy CF010 Corporate Credit Cards.</p> <hr/> <p data-bbox="804 501 1369 745">Review systems and procedures to ensure all credit card holders have acknowledged and signed the documentation setting out cardholder responsibilities and legal obligations when using Shire corporate transaction cards. Ensure corporate transaction cards are issued only after this has occurred and documentation has been appropriately filed as required.</p> <hr/> <p data-bbox="804 763 1369 913">Develop and implement procedures for the monitoring of fuel purchased in an effort to detect any issue or potential misuse with cards. Procedures should provide for standard procurement systems and controls to be maintained when purchasing fuel.</p>



## 6.0 Framework Implementation

Component	Purpose / Goal	Matters Identified / Improvements
6.2.7 Procurement	Procedures for the procurement of goods or services.	<p>Through our limited testing, we noted the following:</p> <ul style="list-style-type: none"> <li>An instance where items were added to a purchase order after it had been authorised; and</li> <li>An invoice did not pre-date the purchase order.</li> </ul> <p><b>Improvement:</b></p> <p>All procurement of goods or services should be undertaken in accordance with the purchasing policy and associated procedures. A review of the purchasing procedures may be required to ensure controls are practical and addresses identified procurement risks, including prevention of changes to authorised purchase orders. Any instances where a purchase pre-dates a purchase order should be documented, reviewed and authorised to demonstrate controls have been developed to comply with and ensure the purchasing policy has been adhered to.</p>
6.2.8 Outstanding Purchase Orders	Process to ensure invoices are being processed in a timely manner and in accordance with the purchasing policy.	<p>We did not observe any formal procedures relating to the routine monitoring of and clearance of outstanding purchase orders. Regular review of outstanding purchase orders should be undertaken to assist with monitoring the value of and status of associated liabilities.</p> <p><b>Improvement:</b></p> <p>Regular review of outstanding purchase orders should be undertaken to assist with monitoring the value of and status of associated liabilities. Establish procedures to include routine review of the status of outstanding purchase orders. Ensure any controls developed are routinely and consistently applied.</p>
6.2.9 Changes to Banking Details	Controls to validate banking change requests.	<p>We identified weaknesses in the formal procedure to change supplier banking details.</p> <p><b>Improvement:</b></p> <p>Formal procedures relating to changes to banking details should be updated to ensure sufficient controls exist in both substantiating the change request and the changes performed within the Shire’s ERP system. Review and update procedures to ensure the following matters are appropriately considered, documented and controls are adequate to:</p> <ul style="list-style-type: none"> <li>Validate the change request and its origin;</li> <li>Authority exists for the change request; and</li> <li>Validate and control the changes once completed.</li> </ul>



## 6.0 Framework Implementation

Component	Purpose / Goal	Matters Identified / Improvements
6.2.10 Electronic Banking Transactions	Process to reduce opportunity for fraudulent activity with electronic banking.	<p>We noted access to the ABA file from the time of generation to the time of upload to the bank is not adequately restricted with minimal verification process undertaken to ensure the ABA file is unmodified when uploaded to the bank. This may present risk of fraudulent manipulation of the ABA file.</p> <p><b>Improvement:</b></p> <p>Improve controls to minimise the risk of electronic banking details being fraudulently manipulated through secure storage of ABA banking files. Controls should exist to restrict access to these files, and to detect and prevent any unauthorised changes being made.</p>
6.2.11 Revenue Controls at Shire Facilities	Procedures and systems for the collection of revenue and handling of cash at Shire facilities.	<p>Weaknesses in revenue controls for the collection of fees and charges, sale of goods and provision of services at some Shire facilities were noted during our review. We noted some systems and processes are heavily reliant on manual systems and the comprehension of required actions by staff, with limited monitoring and review of records from facilities to reconcile transactions performed through the administration office. We noted the following:</p> <ul style="list-style-type: none"> <li>• Erroneous invoices being issued, requiring credit notes to be raised and in some instances recommendations for write off of receivables; and</li> <li>• Breakdowns in controls where invoices were not raised in a timely manner.</li> </ul> <p>Security controls for cash held for some business units are considered inadequate. Controls are not consistently documented to ensure appropriate review and authorisation processes occur in relation to the management and handling of cash by staff and contractors.</p> <p><b>Improvement:</b></p> <p>Review and update systems and processes to determine practical procedures, documentation and controls for the sale of goods and provision of services at Shire facilities. Procedures should ensure routine compliance with regulatory requirements, include appropriate controls to monitor, review and reconcile reports and demonstrate greater transparency and control between the administration office facilities.</p> <p>Ensure access to any cash held is restricted only to authorised personnel through secure storage and where possible, significantly reduce the potential amount of cash received through alternate means. Implement appropriate documented procedures and controls for cash maintained including processing of cash receipting. Processes should also include reference to insured amounts relating to cash, to ensure adequate insurance levels are maintained.</p>





## 6.0 Framework Implementation

Component	Purpose / Goal	Matters Identified / Improvements
6.2.12 Rates	Rates are correctly imposed and rate system is properly maintained.	<p>Routine reviews of rate exempt properties as defined by section 6.26(2)(g) of the <i>Local Government Act 1995</i> appear to be undertaken informally. Staff representations indicate formal controls to guide and evidence the review process are under development.</p> <hr/> <p><b>Improvement:</b></p> <p>Progress the development of and maintain systems and processes whereby routine reviews are undertaken of rate exempt properties within the Shire, confirming these properties are used exclusively for rate exempt purpose.</p>
6.2.13 Interest on Rates Instalments	To determine the interest rate to be imposed where payment of a rate or service charge is made by instalments.	<p>Notes to the 2021/22 &amp; 2022/23 statutory budget state interest rates to be imposed on rate instalments is set at 6%. The adopted schedule of fees and charges also sets out the instalment interest rate be set at 6%. The maximum interest rate permitted by regulation 58 of the <i>Local Government (Financial Management) Regulations 1996</i> is 5.5%.</p> <hr/> <p><b>Improvement:</b></p> <p>Ensure future adopted interest rates applied to rates instalments do not exceed regulatory or legislative provisions.</p>
6.2.14 Fixed Assets	Fixed Assets are properly accounted for and controls are operating effectively.	<p>Entries and reconciliations of fixed asset acquisition, disposal and adjustment of assets into the fixed assets register for the 2022-23 financial period had not been processed until the December 2022 reporting period, due to delays with completion of the 2022-23 audit.</p> <hr/> <p>Support documentation for some asset additions selected for testing were not available for our review and unable to be tested.</p> <hr/> <p><b>Improvement:</b></p> <p>Review system processes to ensure regular and timely preparation of asset reconciliations, including review and authorisation by an independent officer.</p>

## 6.0 Framework Implementation

Component	Purpose / Goal	Matters Identified / Improvements
6.2.15 General Journal Entries	Journals are initiated processed which are independently reviewed and approved.	<p>There are limited documented internal control procedures for general journals and limited controls relating to the posting of journals through the Shire's ERP. We noted review and evidence of review of journals after posting has not been consistently maintained.</p> <p><b>Improvement:</b> Document internal controls to ensure journals requests initiated are reviewed and approved/authorised prior to posting by an appropriate officer, the practice of independent review is consistently maintained, and evidence of review is routinely applied. A monthly journal audit trail report should be produced and independently reviewed and confirmed to previously approved journals prior to preparation of the monthly statement of financial activity.</p>
6.2.16 Stock Control	Process to ensure stock is correctly allocated and monitored as to reduce the potential for theft or misappropriation.	<p>Stocktakes were noted to have been undertaken at some Shire facilities for certain inventory items, however the level of independence for the stocktake and verification is not considered adequate. Inventory working papers note stock being recommended to be written off to balance the stock on hand value to the stocktake performed with no explanatory detail to support the write offs.</p> <p>Processes to monitor some fuel stock allocated through bulk fuel stores are considered inadequate. Fuel is recorded as it is allocated and reviewed for reasonableness by management each month.</p> <p><b>Improvements:</b> Review and update systems and procedures relating to stock controls at Shire facilities, including permission/authorisation requirements for stock write offs. Routine / periodic stocktakes should minimally include reconciliation of stock movements against sales and independent review of data etc. Ensure appropriate controls exist to evidence independent review of data as required.</p> <p>Develop and implement procedures for the monitoring of fuel stores in an effort to improve opportunities to detect any issues or potential misuse with fuel allocations.</p>
6.2.17 Overhead & Administration Allocations	To allocate indirect costs in a practical and efficient manner.	<p>No process is currently in place to determine the allocation of indirect costs for plant or public works overheads. From staff representations, current allocation rates are based on historical estimates and no calculation method to support the allocations was available for review.</p> <p><b>Improvement:</b> Undertake a review of activity-based costings to support calculation of overheads.</p>

## 6.0 Framework Implementation

Component	Purpose / Goal	Matters Identified / Improvements
6.2.18 Trust Fund	Controls to ensure no errors exist in the transactions for the trust fund account.	<p>The trust fund currently includes bonds, deposits and other transactions. These other transactions include unclaimed monies and suspense account transactions. It is understood from staff representations, the Trust Fund has been undergoing examination to correctly allocate bonds and deposits.</p> <p>Limited processes were noted to monitor transactions in the trust fund to ensure only amounts required to be in the trust fund are maintained within the fund.</p> <p><b>Improvement:</b></p> <p>Remove all funds which are not required by law to be held in the trust fund, and transfer to the Municipal Fund, in line with the Office of the Auditor General (OAG) position paper on Accounting for Work Bonds, Building Bonds and Hire Bonds released in July 2019.</p> <p>Develop a process to monitor the trust fund to ensure only required funds are kept in the fund.</p>
6.2.19 Bank Reconciliations	Processes for the control of the Shire's cash at bank.	<p>Reconciliations for the bank were not always conducted in a timely manner from samples selected for our review. Staff representations detail this was being due to the unavailability of key staff to perform the task. Bank reconciliations are a key control and any untimely, non-reconciled bank accounts are considered a high risk to an organisation.</p> <p><b>Improvement:</b></p> <p>Progress completion of bank reconciliations for the 2022/23 period as a matter of urgency. Review systems and processes to ensure staff capacity for the regular and timely completion and review of bank reconciliations.</p>
6.2.20 Monthly Statement of Financial Activity	Monthly statements of financial activity prepared in accordance with legislative requirements.	<p>We noted some information was not included in the documents supporting the statement of financial activity as required by regulation 34 of the <i>Local Government (Financial Management) Regulations 1996</i>:</p> <ul style="list-style-type: none"> <li>• Annual budget estimates;</li> <li>• Year to date budget estimates; and</li> <li>• Explanation of material variances.</li> </ul> <p>This occurred for the monthly statement of financial activity for the period ended 31 July 2022, and was a result of the 2022/23 budget having not been adopted at the time the statements were prepared.</p> <p><b>Improvement:</b></p> <p>Ensure future monthly statements of financial activity are completed to contain all items required by legislation.</p>

## 6.0 Framework Implementation

Component	Purpose / Goal	Matters Identified / Improvements
6.2.21 Annual Report	Ensure the annual report contains all information required by legislation, is accepted by Council and published to the local government website as required.	<p>The 2020-21 annual report did not include all information required by legislation, namely:</p> <ul style="list-style-type: none"> <li>• Remuneration paid or provided to the CEO during the financial year; and</li> <li>• Information on payment to employees entitled to an annual salary of \$130,000 or more is required to be reported by each band of \$10,000 over \$130,000.</li> </ul> <p>Although information relating to payments made to employees is included in the annual report, the table references the 2019-20 period and previous reporting bands.</p> <hr/> <p><b>Improvement:</b></p> <p>Ensure future annual reports include all information required by legislation.</p>
6.2.22 Regulatory Reporting	To submit financial reports and budget reviews to the Department of Local Government, Sport and Cultural Industries (DLGSC) within regulatory timeframes.	<p>Evidence to support submission of the following to DLGSC was not available for our review:</p> <ul style="list-style-type: none"> <li>• 2021-22 mid year budget review to the Department within 30 days of council making a determination as required by the <i>Local Government (Financial Management) 1996 Regulations</i> regulation 33A (4);</li> <li>• 2022-23 adopted annual budget within 30 days of adoption by Council as required by the <i>Local Government Act (Financial Management) 1996 Regulations</i> regulation 33.</li> <li>• 2021-22 annual financial report within 30 days of the receipt of the audit report by the CEO as required by the <i>Local Government Act (Financial Management) 1996 Regulations</i> regulation 51 (2).</li> </ul> <hr/> <p><b>Improvement:</b></p> <p>Review systems and procedures to ensure future regulatory compliance and timeframes are able to be met.</p>





## 6.0 Framework Implementation

### 6.3 Human Resource Management and Practices

A number of components constitute the Shire’s human resource management practices and form an essential element of financial management. Each of these elements is examined in the table below.

Component	Purpose / Goal	Matters Identified / Improvements
6.3.1 Leave Entitlements	Procedures to ensure proper recording of leave accruals and entitlements.	<p>Parameters within the payroll system may allow for leave applications for employees with insufficient leave entitlements to be approved with no notification leave will enter a negative balance. This was noted to have occurred for some employees following implementation of a new payroll system.</p> <hr/> <p>Staff representations noted parameters to control leave approvals may not be sufficient, in that leave applications can be approved en masse rather than by individual employee. This is not captured in audit trails and an occurrence of this nature would result in onerous and labour intensive corrective actions.</p> <hr/> <p><b>Improvement:</b></p> <p>Given current controls are highly reliant on the awareness, intervention and knowledge of current personnel, a full review of procedures and controls is required to determine practical procedures, documentation and controls for the authorisation of leave entitlements. Routine monitoring and review of payroll and leave reports should be undertaken to capture anomalies to assist timely identification and remedy of errors.</p>
6.3.2 Payroll Audit Trails	Procedure to allow for appropriate review and approval of changes made within the payroll system.	<p>While reviews of changes made to employee master file and parameters appears to be occurring when each payroll is processed, limitations to the effectiveness of payroll audit trails currently exists. This appears to be the result of inadequate reporting parameters which may result in omissions and errors in generated reports. We noted changes captured in the audit trail report did not include details of the staff member making the change in all instances.</p> <hr/> <p><b>Improvement:</b></p> <p>Procedures to minimise the risk of erroneous or unauthorised changes to employee details should be implemented. Regular reviews of software audit trails should be undertaken as a minimum. Where possible, segregation of those responsible for processing payroll transactions to staff able to make changes to the employee master file. Payroll exception reporting and review of audit trails should be undertaken to capture anomalies or unauthorised changes. Where effectiveness of audit trails is limited, alternate programs or controls to provide appropriate level of review to effectively detect fraud, errors or omissions should be developed.</p>



## 6.0 Framework Implementation

Component	Purpose / Goal	Matters Identified / Improvements
6.3.3 Payroll	Procedures and practices to allow for appropriate review, processing and approval of fortnightly payroll.	<p>In the course of our review, we noted instances where evidence of preparation, review and authorisation of fortnightly payroll reports was not recorded.</p> <hr/> <p>Payments to third parties processed through payroll deductions were not always processed in a timely manner.</p> <hr/> <p>Through our limited testing, we noted instances where evidence of correspondence on employee files to support the current rate of pay applied through the payroll was not available, or documentation to support pay rate increases does not contain sufficient detail to support the current pay rate. We observed more recent documentation notifying employees of any changes to their agreed remuneration entitlements contains more clarity and detail to communicate the changes being made and this practice is encouraged to continue.</p> <hr/> <p><b>Improvement:</b></p> <p>Implement documented procedures to ensure adequate controls are consistently followed with regard to preparation, review and authorisation of fortnightly payroll reports, with appropriate evidence of these reviews consistently recorded.</p> <hr/> <p>Review and update systems and controls to ensure payments to third parties from employee payroll deductions are processed in a timely manner following each payroll.</p> <hr/> <p>Ensure contracts of employment, defining roles, responsibilities and remuneration, are signed by both parties prior to employment commencing for all staff. Where a change to employee conditions takes effect, such as award increases, consider a mechanism to communicate the change to employees. The practice of updating employment agreements where a change in roles and responsibilities should also continue.</p>



## 6.0 Framework Implementation

### 6.4 Insurance

At present, the Deputy Chief Executive Officer annually reviews the completeness of insurance, which is presented to the Chief Executive Officer for final review. Discussions are also held with the insurers annually and adjustments to policies and insurance levels made as considered appropriate. The insurance values of buildings, plant and equipment are based on the three to five yearly valuations of building assets undertaken by registered valuers. Insurance claims are managed by a team member within the Finance Department and are presented to the Deputy Chief Executive Officer for approval.

Component	Purpose / Goal	Matters Noted / Improvements
6.4.1 Insurance Claims Register	Register of insurance claims to provide high level monitoring of risks	<p>An insurance claims register detailing claims made against and by the Shire was not available for review.</p> <p><b>Improvement:</b> Develop and maintain an insurance claims register or alternatively develop systems within the risk register to monitor and manage insurance claims.</p>

## 7.0 Framework Evaluation

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

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

Evidence of the monitoring of financial management is sourced from Minutes of Meetings, Registers of Disclosures and reports reviewed.

### 7.1 Council and Audit and Risk Committee

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

Component	Purpose / Goal	Matters Noted / Improvements
7.1.1 Council and Committee Minutes	Official record of proceedings and decisions.	<p>We noted instances where details of two decisions made at the ordinary meeting of Council held 24 January 2023 relating to tenders were not recorded in the minutes. The decisions both refer to a 'schedule of rates' which were included as a confidential attachment to the agenda item, and not published in the minutes of the meeting. Regulation 11 of the <i>Local Government (Administration) Regulations 1996</i> requires details of each decision made at Council and committee meetings to be recorded in the minutes, and also requires documents attached to an agenda to be attached to the minutes unless the meeting or that part of the meeting to which the document refers is closed to members of the public.</p> <p><b>Improvement:</b> Review procedures for recording of official minutes to ensure all detail, decisions and documents / attachments required to be recorded by legislation are captured.</p>



## 7.0 Framework Evaluation

### 7.2 Strategic and Operational Registers

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

Registers	Purpose / Goal	Matters Noted / Improvements
7.2.1 Financial Interest Register	Records details required under the Act relating to financial circumstances of relevant persons.	<p>Some primary and annual returns recorded in the register are not in the prescribed form required by legislation. At the time of our review, a new system was being implemented to manage future returns in the correct format.</p> <hr/> <p>At the time of our review, maintenance of register of financial interests was not in accordance with legislative requirements, in that some recent primary and annual returns were being maintained electronically, with older returns being maintained in hard copy. Section 5.88 of the <i>Local Government Act 1995</i> requires the financial interest register to contain:</p> <ul style="list-style-type: none"> <li>• Primary and annual returns; and</li> <li>• A record of disclosures made under sections 5.65, 5.70, 5.71 and 5.71A.</li> </ul> <hr/> <p><b>Improvement:</b></p> <p>Update the Financial Interest Register to include all disclosures as required by legislation. Ensure procedures are in place to capture and record information in the prescribed format and as declarations are received.</p>
7.2.2 Tender Register	Statutory register of tenders called.	<p>On inspection of the tender register we noted two instances where the summary value of the successful tender was not recorded in the tender register or available through the minute record awarding the tender.</p> <hr/> <p><b>Improvement:</b></p> <p>Ensure the tender register complies with Regulation 17 of the <i>Local Government (Functions and General) Regulations 1996</i> for any future tenders called.</p>

## 7.0 Framework Evaluation

Registers	Purpose / Goal	Matters Noted / Improvements
7.2.3 Investment Register	Register of investments held to evidence the nature and location of all investments and all transactions in relation to investments.	<p>An investment register was not available for our inspection detailing the nature and location of all investments and all related transactions.</p> <hr/> <p><b>Improvement:</b>                      Recording the nature and location of all investments and related transactions is required by Regulation 19 (2) of the <i>Local Government (Financial Management) Regulations 1996</i>. Tracing of funds on maturity of investments is essential and record of where funds are transferred and who authorised the transfer should be maintained within the register. Maintaining printed copies of the investment register, reviewed and authorised by a senior manager, independent of the control of the investments, prevents subsequent amendment to the register.</p>

## 7.0 Framework Evaluation

### 7.3 Annual Compliance Audit Returns (CAR)

Returns have been completed on a self-assessment basis and approved by Council each year. The CAR was completed in house by staff for the 2021 return period. A matter of non-compliance was noted regarding the review of delegations not being undertaken within the required period, preparation of updated code of conduct for employees, completion of the audit by 31 December 2021 and the adoption by Council of the review under *Local Government (Audit) Regulations 1996* regulation 17.

## 7.0 Framework Evaluation

### 7.4 Audit Practices

The 2018-19, 2019-20 period was Audited by Moore Australia and the 2020-21 reporting period was audited by the Office of the Auditor General (OAG). Some material matters of non compliance were noted in the 2020-21 audit report.

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

Registers	Purpose / Goal	Matters Noted / Improvements
7.4.1 Internal Audit	Internal audit monitors the level of compliance with internal procedures and process along with assessing the appropriateness of these procedures.	<p>Currently, no internal auditors have been appointed, and limited internal audit functions have been undertaken.</p> <p><b>Improvement:</b></p> <p>We suggest as the level of documented procedures increases, an expanded internal audit function to confirm adherence to documented policies and procedures may be required as recommended by the OAG in their report to Parliament on the Audit Results Report – Annual 2017-18 Financial Audits of Local Government Entities.</p>
7.4.2 Significant Audit Matters	To ensure action is taken to improve significant matters raised by auditors in the audit report.	<p>A significant adverse trend was identified during the 2018-19, 2019-20 and 2020-21 audits, as well as significant audit matters in 2020-21. We noted:</p> <ul style="list-style-type: none"> <li>• A report was not prepared stating actions intended to be taken in relation to the adverse trend noted or significant matters noted;</li> <li>• The report is required to be submitted to the Minister; and</li> <li>• The report is required to be published on the official local government website.</li> </ul> <p>as required by legislation.</p> <p><b>Improvement:</b></p> <p>Ensure any future reports are prepared and published in accordance with legislation and within required time frames as required by section 7.12A of the <i>Local Government Act 1995</i>.</p>

## 7.0 Framework Evaluation

### 7.5 Review required to be undertaken by the CEO

The CEO is required to undertake reviews of systems and procedures of the local government. Recommendations from the prior reviews which have not yet been fully implemented have been included within this report.

Registers	Purpose / Goal	Matters Noted / Improvements
7.5.1 Financial Management Review	Review of the appropriateness and effectiveness of the Financial Management systems and procedures of the local government required to be undertaken every three years by Regulation 5(2) of <i>Local Government (Financial Management) Regulations 1996</i> .	<p>A financial management review was last undertaken in May 2019, which is outside the time period required by Regulation 5(2) of <i>Local Government (Financial Management) Regulations 1996</i>.</p> <hr/> <p><b>Improvement:</b> Ensure the next review is undertaken within the next three years as required by legislation.</p>

## 8.0 Other Matters

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### Confidentiality

The information contained in this document is confidential and cannot be conveyed to any party other than the party to which it is directed.

### Conflicts of interest

The firm currently provides extensive audit and advisory services to local government. Should the possibility of a perceived or actual conflict arise in relation to delivery of our review services, the matter would be raised with the CEO immediately and activities suspended until the issue is resolved to the satisfaction of the CEO.

### Document control

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## Appendix A – Financial Management Systems Review

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

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

## Appendix A – Financial Management Systems Review

System	Description
Fixed assets (including depreciation, acquisition, and disposal of property)	<p>The fixed assets system including controls over acquisition and disposal of assets, updating of the fixed assets register, depreciation of fixed assets and reconciliation of the fixed assets register to the general ledger was examined. A sample of asset additions and disposals were judgmentally selected, and testing performed to ensure:</p> <ul style="list-style-type: none"> <li>the tax invoices existed;</li> <li>correct posting to the general ledger;</li> <li>fixed assets register was promptly updated; and</li> <li>classification of assets was correct.</li> </ul> <p>In addition, a sample of four assets were judgmentally selected and testing performed to ensure the depreciation rates used are in line with the Shire’s policy.</p>
Cost and administration allocation	The Shire’s cost and administration allocation system was examined to determine if indirect costs have been properly reallocated to various jobs/programs. This included review of the allocation basis and rates used to ensure they are appropriate and regularly reviewed
Financial reports controls	The format of the annual report, annual financial report and monthly financial reports were reviewed for compliance with legislative requirements
Budget and budget review	The 2022-23 budget document and documents surrounding budget adoption were reviewed to ensure compliance with regulatory requirements
Borrowings	Reconciliation of borrowings to the WATC loan schedules were examined
Inventory	Inventory reconciliations and stocktake procedures were examined
General journals	Random selection of general journals to determine whether journals were supported and certified/authorised. The Shire’s general journal system was also examined to determine if adequate controls were in place to ensure journals are properly recorded and controlled.
Investments	A review of cash investments to ensure appropriate controls are in place to monitor, record and manage the Shire investments
Insurance	An insurance process review is undertaken to ensure appropriate consideration of insurance coverage is undertaken.
Records	Record keeping systems are reviewed to ensure the capture, storage, monitoring and disposal of financial records are appropriate and regularly reviewed
IT System	Review of IT systems, processes, and procedures to ensure that adequate mechanisms are in place to monitor, manage, and test IT systems and controls that are critical to the Shire’s financial management.
Policy review	Shire financial management policies are reviewed to ensure compliance with relevant legislation



## Appendix B – Council Policies Examined

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

Policy Topic (as at December 2022).

CORPORATE AND FINANCE	
<ul style="list-style-type: none"> <li>• CF001 Purchasing and Procurement</li> <li>• CF002 Regional Price Preference Policy</li> <li>• CF003 Tender Selection Criteria</li> <li>• CF004 Rate payment prizes and eligibility</li> <li>• CF005 Disposal or surplus IT and minor assets</li> <li>• CF006 Financial Hardship</li> <li>• CF007 Debt Collection</li> <li>• CF008 Risk Management</li> <li>• CF009 Loans and Borrowings</li> </ul>	<ul style="list-style-type: none"> <li>• CF010 Corporate Credit Cards</li> <li>• CF011 Recovery of Rates</li> <li>• CF012 Rates Charges</li> <li>• CF013 Significant Accounting Policies</li> <li>• CF014 Investments</li> <li>• CF015 Private Works</li> <li>• CF016 Asset Management</li> <li>• CF017 Related Party Transactions</li> <li>• CF018 Lease and Licencing Classifications</li> </ul>

## Appendix C – Plans Examined

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

Plan	Status
Strategic Community Plan	2022 – 2032
Corporate Business Plan	2018 – 2022
Revenue Strategy	2022
Reconciliation Action Plan	2022 - 2023
Annual Report	2018-19, 2019-20, 2020-21
Annual Budget	2021-22 & 2022-23
Annual Budget Review	2021-22
IT Framework	Update 2022

## Appendix D – Strategic and Operational Registers Examined

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

Register
Gifts Register
Delegation Register
Tender Register
Financial Interests Register
Training Register
Lease Register

## Appendix E – Improvements Identified

Risk Area	Prioritised action required
Design – Policies	5.2.3 CF013 Significant Accounting Policies
Implementation – Strategic and Operational Plans	6.1.2 ICT Disaster Recovery Plan
Implementation – Operational and Financial Procedures	6.2.6 Corporate Transaction Cards 6.2.9 Changes to Banking Details 6.2.10 Electronic Banking Transactions 6.2.13 Interest on Rates Instalments 6.2.15 General Journal Entries 6.2.18 Trust Fund 6.2.19 Bank Reconciliations
Implementation – Human Resource Management and Practices	6.3.3 Payroll
Implementation – Insurance	Nil
Evaluation – Council and Audit and Risk Committee	Nil
Evaluation – Strategic and Operational Registers	7.2.3 Investment Register
Evaluation – Compliance Audit Returns (CAR)	Nil
Evaluation – Audit Practices	Nil
Evaluation – CEO Reviews	Nil

## Appendix E – Improvements Identified

Risk Area	Planned action required
Design – Policies	5.2.1 Policy Reference to Legislation and External Information 5.2.2 CF001 Purchasing and Procurement
Implementation – Strategic and Operational Plans	6.1.1 ICT Strategic Plan 6.1.3 Business Continuity Plan 6.1.4 Long Term Financial Plan 6.1.5 Asset Management Plan
Implementation – Operational and Financial Procedures	6.2.1 Operational Procedures 6.2.2 Procedure Changes 6.2.3 Risk Management Procedures 6.2.4 ICT Security 6.2.5 Records 6.2.7 Procurement 6.2.8 Outstanding Purchase Orders 6.2.11 Revenue Controls at Shire Facilities 6.2.12 Rates 6.2.14 Fixed Assets 6.2.16 Stock Control 6.2.17 Overhead & Administration Allocations 6.2.20 Monthly Statement of Financial Activity 6.2.21 Annual Report 6.2.22 Regulatory Reporting
Implementation – Human Resource Management and Practices	6.3.1 Leave Entitlements 6.3.2 Payroll Audit Trails
Implementation – Insurance	6.4.1 Insurance Claims Register
Evaluation – Council and Audit and Risk Committee	7.1.1 Council and Committee Minutes
Evaluation – Strategic and Operational Registers	7.2.1 Financial Interest Register 7.2.2 Tender Register
Evaluation – Compliance Audit Returns (CAR)	Nil
Evaluation – Audit Practices	7.4.1 Internal Audit 7.4.2 Significant Audit Matters
Evaluation – CEO Reviews	7.5.1 Financial Management Review

## CONTACT US

Level 15, 2 The Esplanade,  
Perth WA 6000  
T 08 9225 5355  
F 08 9225 6181  
E [localgov-wa@moore-australia.com.au](mailto:localgov-wa@moore-australia.com.au)  
[www.moore-australia.com.au](http://www.moore-australia.com.au)





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Implementation – Human Resource Management and Practices	6.3.3 Payroll
Implementation – Insurance	Nil
Evaluation – Council and Audit and Risk Committee	Nil
Evaluation – Strategic and Operational Registers	7.2.3 Investment Register
Evaluation – Compliance Audit Returns (CAR)	Nil
Evaluation – Audit Practices	Nil
Evaluation – CEO Reviews	Nil

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Risk Area	Planned action required
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Implementation – Strategic and Operational Plans	6.1.1 ICT Strategic Plan 6.1.3 Business Continuity Plan 6.1.4 Long Term Financial Plan 6.1.5 Asset Management Plan
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Evaluation – Council and Audit and Risk Committee	7.1.1 Council and Committee Minutes
Evaluation – Strategic and Operational Registers	7.2.1 Financial Interest Register 7.2.2 Tender Register
Evaluation – Compliance Audit Returns (CAR)	Nil
Evaluation – Audit Practices	7.4.1 Internal Audit 7.4.2 Significant Audit Matters
Evaluation – CEO Reviews	7.5.1 Financial Management Review

**6 DATE OF NEXT MEETING**

**7 CLOSE**