



ATTACHMENTS

Audit and Risk Committee

21 May 2024



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ATTACHMENT 4.1A
Minutes Audit and Risk Committee Meeting
6 March 2024



MINUTES

Audit and Risk Committee
6 March 2024

NOTICE OF MEETING

Dear Committee Members,

In accordance with the provisions of Section 5.5 of the Local Government Act, you are hereby notified that the Audit and Risk Committee Meeting has been convened for:

Date: Wednesday 6 March 2024
At: Shire Council Chambers
1 Longhurst Street, Narembeen
Commencing: 4.00pm

Rebecca McCall
Chief Executive Officer

29 February 2024

DISCLAIMER

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In particular and without derogating in any way from the broad disclaimer above, in any discussion regarding any planning application or application for license, any statement or limitation or approval made by a member or officer of the Shire of Narembeen during the course of any meeting is not intended to be and is not taken as notice of approval from the Shire of Narembeen. The Shire of Narembeen warns that anyone who has an application lodged with the Shire of Narembeen 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 Narembeen in respect of the application.

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1. Official Opening and Welcome

The Presiding Person, Cr Scott Stirrat, welcomed everyone to the meeting and declared the meeting open at 4.00pm

2. Record of Attendance / Apologies / Leave of Absence

Councillors:

Cr S Stirrat	President
Cr H Cusack	Deputy President
Cr T Cole	
Cr M Currie	
Cr H Bald	
Cr C Bray	
Cr A Hardham	

Staff:

Mrs R McCall	Chief Executive Officer
Mr B Forbes	Executive Manager Corporate Services
Mrs K Conopo	Senior Administration Officer

Apologies: Nil

3 Disclosure of Interest

Nil

4 Application for Leave of Absence

Nil

5 Deputations/ Petitions/ Presentations/ Submissions

Nil

6 Confirmation of Previous Meetings

6.1 Audit and Risk Committee Meeting 19 December 2023 Attachment 6.1A

Voting Requirements

☒ Simple Majority ☐ Absolute Majority

Officers Recommendation – Item 6.1

That the minutes of the Shire of Narembeen Audit and Risk Committee Meeting held on Tuesday 19 December 2023, as presented, be confirmed as a true and correct record of proceedings.

AUDIT & RISK COMMITTEE RESOLUTION

MIN 7735/24 **MOTION** – Moved Cr. Hardham Seconded Cr. Bray

CARRIED 7 / 0

7.	Officer Reports
7.1	2023 Compliance Audit Return

Date:	28 February 2024
Location:	N/A
Responsible Officer:	Ben Forbes, Executive Manager Corporate Services
Author:	Ben Forbes, Executive Manager Corporate Services
File Reference	ADM129
Previous Meeting Reference	Nil
Disclosure of Interest:	Nil
Attachments:	7.1A Compliance Audit Return Responses 7.1B – 7.1K Supporting Documentation

	Purpose of Report
<input type="checkbox"/>	Executive Decision
<input checked="" type="checkbox"/>	Legislative Requirement

	Summary
For the Audit and Risk Committee to endorse the completed Compliance Audit Return 2023.	

	Background
All local governments across the State are required by legislation to undertake a compliance audit return every calendar year.	

The return is an internal audit of performance against several requirements of the Local Government Act 1995 (the Act) and the associated regulations. The sections of the Act and the particular regulations covered by the return are specifically chosen by the Department of Local Government, Sport and Cultural Industries (the Department) as they are deemed to be 'high risk' areas of non-compliance. These areas include:

- commercial enterprises by Local Governments
- delegation of powers
- disclosures of interest
- disposal of property
- elections
- finance
- integrate planning and reporting
- local government employees
- official conduct
- procurement (tendering).

The Compliance Audit Return for the previous year must be submitted to the Department by 31 March, following endorsement by the Local Government's Audit and Risk Committee and adoption by Council.

Comment

Management noted several areas of non-compliance for the Compliance Audit Return for the year ended 31 December 2023:

Section of the Act or Regulation	Requirements	Comments
S5.42(2)	Delegations to the CEO to be in writing	Oversight; should have been done on appointment of new CEO
S5.42(2)	Delegations by the CEO to employees to be in writing.	Oversight; should have been done on appointment of staff or changes to existing delegations
S5.46(3)	Keep a written record for all instances of delegated authority being exercised.	Historically never done; has subsequently been implemented but does not capture all instances for the year.
S5.121(3)	Publish an up-to-date copy of the complaints register on the website.	The complaints register is newly implemented and was not on the website for the full year.
Functions and General Regulation #17	Publish the tender register on the website.	The tender register is newly implemented and wasn't on the website for the full year.

Consultation

Chief Executive Officer

Statutory Implications

Local Government Act 1995

Local Government (Audit) Regulations 1996

14. Compliance audits by local governments

- (1) A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.
- (2) After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.
- (3) The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.
- (4) After the audit committee has reported to the council under subregulation (3A), the compliance audit return is to be —
 - (a) presented to the council at a meeting of the council; and
 - (b) adopted by the council; and
 - (c) recorded in the minutes of the meeting at which it is adopted.

[Regulation 14 inserted: Gazette 23 Apr 1999 p. 1724-5; amended: Gazette 30 Dec 2011 p. 5580-1.]

15. Certified copy of compliance audit return and other documents to be given to Departmental CEO

- (1) After the compliance audit return has been presented to the council in accordance with regulation 14(3) a certified copy of the return together with —
 - (a) a copy of the relevant section of the minutes referred to in regulation 14(3)(c); and
 - (b) any additional information explaining or qualifying the compliance audit, is to be submitted to the Departmental CEO by 31 March next following the period to which the return relates.

- (2) In this regulation -
 certified in relation to a compliance audit return means signed by —
 (a) the mayor or president; and
 (b) the CEO.

[Regulation 15 inserted: Gazette 23 Apr 1999 p. 1725; amended: Gazette 26 Jun 2018 p. 2386.]

Policy Implications

Nil

Strategic Implications

Strategic Community Plan

Strategic Priority: 4. Civic Leadership
 Objective: Well governed and efficiently managed Local Government
 Strategy: 4.2 Compliant and resourced Local Government

Asset Management Plan

Nil

Long Term Financial Plan

Nil

Risk Implications

Risk Profiling Theme	Failure to Fulfill Statutory, Regulatory or Compliance Requirements
Risk Category	Compliance
Consequence Description	No noticeable regulatory or statutory impact
Consequence Rating	Insignificant (1)
Likelihood Rating	Rare (1)
Risk Matrix Rating	Low (1)
Key Controls in Place	Governance Calendar, Financial Management Framework and Legislation
Action / Treatment	Nil
Risk Rating After Treatment	Adequate

Financial Implications

Nil

Voting Requirements

☒ Simple Majority ☐ Absolute Majority

Officer's Recommendation – Item 7.1

That the Committee endorse the 2023 Compliance Audit Return, as attached, and promote the return to Council for adoption.

AUDIT & RISK COMMITTEE RESOLUTION

MIN 7736/24

MOTION – Moved Cr. Cole

Seconded Cr. Cusack

CARRIED 7 / 0

7.2 Audit and Risk Terms of Reference

Date:	28 February 2024
Location:	Not Applicable
Responsible Officer:	Rebecca McCall, Chief Executive Officer
Author:	Rebecca McCall, Chief Executive Officer
File Reference	ADM588
Previous Meeting Reference	Nil
Disclosure of Interest:	Nil
Attachments:	7.2A Audit and Risk Terms of Reference

Purpose of Report

☒ Executive Decision ☐ Legislative Requirement

Summary

This item presents the Audit and Risk Committee Terms of Reference to the Audit and Risk Committee for consideration and, if satisfactory, recommend for adoption.

Background

The Section 7.1A of the *Local Government Act 1995* (the Act) requires that all local governments establish an Audit & Risk Committee ("the committee"). The committee plays a key role in assisting a local government to fulfil its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, legislative compliance, ethical accountability, and internal and external audit functions.

The purposed Terms of Reference (TOR) for the committee outlines the framework and guidelines for the establishment and functioning of this committee within the Shire of Narembreen. By setting out objectives, authority, membership, role, responsibilities, and operational procedures, the TOR ensures clarity and transparency in the committee's functions.

The purpose of the TOR is to provide a structured approach to governance and oversight, specifically in areas related to financial reporting, internal controls, risk management, compliance ethics, and auditing. It serves as a blueprint for the committee's activities, guiding members in fulfilling their duties effectively and ensuring alignment with legal requirements, best practices, and organisational objectives.

Comment

The relevance of the TORs lies in the ability to enhance accountability, transparency, integrity within local government operations. It establishes clear expectations for the committee's role in mitigating risk, safeguarding assets, and promoting ethical behaviour. The TOR will assist build confidence among stakeholders by demonstrating a commitment to sound governance practices and responsible stewardship of the Shire's resources. Overall, the TOR serves as a tool for promoting good governance and strengthening the effectiveness of the Audit and Risk Committee in fulfilling its role.

The proposed TOR is provided to the committee for consideration, with the aim to subsequently recommending them for adoption by the Council.

Consultation

Executive Manager Corporate Services
Councillors – Discussion Forum February 2024

Statutory Implications

Section 7.1A of the *Local Government Act 1995* requires that all local governments establish an Aust and Risk Committee.

Policy Implications

Nil

Strategic Implications

Strategic Community Plan

Strategic Priority: 4. Civic Leadership
Objective: Well governed and efficiently managed Local Government
Strategy: 4.2 Compliant and resourced Local Government

Asset Management Plan

Nil

Long Term Financial Plan

Nil

Risk Implications

Risk Profiling Theme	Failure to Fulfill Statutory, Regulatory or Compliance Requirements
Risk Category	Compliance
Consequence Description	No noticeable regulatory or statutory impact
Consequence Rating	Insignificant (1)
Likelihood Rating	Rare (1)
Risk Matrix Rating	Low (1)
Key Controls in Place	Risk Management Framework
Action / Treatment	Nil
Risk Rating After Treatment	Adequate

Financial Implications

There are no financial implications to Council in relation to this item as it outlines the framework and guidelines for the establishment and functioning of this committee within the Shire of Narembeen.

Voting Requirements

☒ Simple Majority

☐ Absolute Majority

Officer's Recommendation – Item 7.2

That Audit and Risk Committee accepts the Audit and Risk Committee Terms of Reference as presented in Attachment 7.2A.

MIN 7737/24

MOTION – Moved Cr. Currie

Seconded Cr. Bald

CARRIED 7 / 0

7.3 Risk Dashboard – Quarterly Report – February 2024

Date:	28 February 2024
Location:	Not Applicable
Responsible Officer:	Rebecca McCall, Chief Executive Officer
Author:	Rebecca McCall, Chief Executive Officer
File Reference	ADM588
Previous Meeting Reference	Nil
Disclosure of Interest:	Nil
Attachments:	7.3A Risk Dashboard Quarterly Report – February 2024

Purpose of Report

☒ Executive Decision ☐ Legislative Requirement

Summary

This item presents the Risk Dashboard – quarterly monitoring report for February 2024 to the Audit and Risk Committee for consideration and, if satisfactory, receive.

Background

The Risk Management Framework for the Shire of Narembreen sets out the approach to the identification, assessment, management, reporting and monitoring of risks. The objective is to ensure that all areas of the Shire adopt the outlined procedures to ensure:

- strong corporate governance;
- compliance with relevant legislation, regulations and internal policies;
- integrated Planning and Reporting requirements are met; and
- uncertainty and its effects on objectives are understood.

The Shire has adopted a ‘Three Lines of Defence’ model for the management of risk. This model ensures roles, responsibilities, and accountabilities for decision making are structured to demonstrate effective governance and assurance. By operating within the approved risk appetite and framework, the council, management, and community will have assurance that risks are managed effectively to support the delivery of the strategic, corporate, and operational plans.

The Shire qualified its risk appetite through the development of the Shire’s Risk Assessment and Acceptance Criteria.

There is a requirement to assess and manager the risk profiles on an ongoing basis to monitor risks and treatments.

Comment

The quarterly review of risk profiles assessed emerging risks, control effectiveness and key indicator performance. Assigned actions are reflective of current risks and control environment.

The Risk Dashboard – Quarterly Review for February 2024 is presented to the Audit and Risk Committee for its review.

Consultation

Executive Manager Corporate Services

Statutory Implications

Australian Standard ISO 3100.

Western Australian Local Government Accounting Manual Section 7 outlines the internal control framework related to internal control and risk management.

Policy Implications

Risk Management Framework

Strategic Implications

Strategic Community Plan

Strategic Priority: 4. Civic Leadership

Objective: Well governed and efficiently managed Local Government

Strategy: 4.2 Compliant and resourced Local Government

Asset Management Plan

Nil

Long Term Financial Plan

Nil

Risk Implications

Risk Profiling Theme	Failure to Fulfill Statutory, Regulatory or Compliance Requirements
Risk Category	Compliance
Consequence Description	No noticeable regulatory or statutory impact
Consequence Rating	Insignificant (1)
Likelihood Rating	Rare (1)
Risk Matrix Rating	Low (1)
Key Controls in Place	Risk Management Framework
Action / Treatment	Nil
Risk Rating After Treatment	Adequate

Financial Implications

There are no financial implications to Council in relation to this item as the Risk Dashboard identifies and evaluates risk.

Voting Requirements

☒ Simple Majority

☐ Absolute Majority

Officers Recommendation – Item 7.3

That Audit and Risk Committee receives the Risk Dashboard Quarterly Report – February 2024 as presented in Attachment 7.3A.

MIN 7738/24

MOTION – Moved Cr. Bray Seconded Cr. Bald

CARRIED 7 / 0

8. Other Business

Nil

9. Closure of Meeting

Details of the next meeting will be advised.

There being no further business, the chair declared the meeting closed at 4.15pm

ATTACHMENT 5.1A

Financial Management Review Report

AUSTRALIAN AUDIT



30 March 2024

Rebecca McCall
Chief Executive Officer
Shire of Narembeen
1 Longhurst Street
Narembeen WA 6369

REG 5(2)(c) – FINANCIAL MANAGEMENT REVIEW

Dear Rebecca

Please find attached our Final financial management review report for the Shire of Narembeen which now includes your management comments.

We would like to thank your staff for the positive cooperation provided to us during our review and for the enormous amount of information that was provided to us during the review process.

Yours sincerely

Santo Casilli FCPA PFIIA
Associate Director, Internal Audit, Probity and Risk

Australian Audit

Shire of Narembeen

Regulation 5 (2) (c) – Financial Management Review

30 March 2024

FINAL Review Report

(Review in Confidence)

Australian Audit

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Financial Management Review Summary and Conclusion

INTRODUCTION

Australian Audit was engaged to undertake a financial management review of the Shire of Narembeen financial management systems and procedures as required to be undertaken at least once every 3 years as per the Regulation (5)(2)(c) of the *Local Government (Financial Management) Regulations 1996*.

We conducted the review in accordance with Australian Auditing Standard *ASAE 3000 – Assurance Engagement other than Audits or Reviews of Historical Financial Information* which provides a limited assurance regarding the appropriateness and effectiveness of the Shire's management controls over its financial management systems and processes.

This report outlines the work undertaken as part of our review and includes our findings and proposed recommendations as identified because of the review.

The Shire of Narembeen uses Synergy as its accounting system.

CEO's RESPONSIBILITY FOR THE REVIEW REPORT

As per Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*, the Chief Executive Officer (CEO) is required to undertake a financial management review, at least once every 3 financial years.

The final review report with the CEO comments is to be presented at the Audit and Risk Committee.

RESPONSIBILITY FOR THE REVIEW

Our responsibility was to conduct the Financial Management Review in accordance with the Australian Auditing Standard *ASAE 3000 – Assurance Engagement other than Audits or Reviews of Historical Financial Information* and to report to the CEO the review findings and proposed recommendations for management control and process improvement.

We wish to confirm that we are fully independent of the Shire of Narembeen and of its operations regarding this review.

REVIEW LIMITATIONS

The matters raised in this review report are only those which came to our attention during the course of performing the financial management review and may not necessarily be a comprehensive statement of all the possible control weaknesses and / or process improvement options that may be made in relation to the Shire of Narembeen's financial management systems and procedures.

As part of our review, we have not assessed and examined every financial process and procedure and as such have limited our assessment and evaluations only to those areas where we considered may be of higher risk to the Shire of Narembeen regarding its Financial Management process. As such we did not examine every activity and procedure that may exist at the Shire and therefore only provide limited assurance to the Shire.

Our review, which was conducted in accordance with Australian Auditing Standard ASAE 3000 – *Assurance Engagement other than Audits or Reviews of Historical Financial Information*, was not an audit and as per ASAE 3000 we can only provide assurance based solely on our assessment of the information which was provided to us by the Shire of Narembeen during the conduct of this review.

This review report is to be used solely for the purpose of reporting to satisfy the requirements of *Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996* and should not be used for any other purpose or be distributed, other than for use by the Shire of the Narembeen.

SCOPE AND METHODOLOGY

The review undertook the following approach:

- Information was sought from the Shire of Narembeen and was reviewed.
- Phone discussions were held with the Shire of Narembeen management to understand the financial processes and the management controls currently in place.
- We assessed the adequacy of key management controls currently in place over key financial management systems and procedures in line with the following work program provided to the Shire of Narembeen and based on information that was provided to us during the review period.

WORK PROGRAM

Our review incorporated the following key financial management areas as required under Regulation 5(1) of the *Local Government (Financial Management) Regulations 1996*:

- Procurement (formal quotations and tender process)
- Contract Management
- Accounts Payable
- Cash Collection and Handling
- Payroll
- General Ledger Application Controls (journal posting, balance sheet reconciliations)
- Rates, Revenue and Debt Management
- Investment Management
- Asset Management (excluding infrastructure assets)
- Budget process

No other financial management systems and procedures were subject to review.

REVIEW CONCLUSION

Based on our review (which was not an audit) of the management controls and processes that exist at the Shire of Narembeen, regarding the above key financial management system areas, nothing came to our attention that would indicate any high-risk management control matters that would require immediate attention by the Shire.

Based on the matters raised in the body of this report under Executive Management Detailed Findings, we can conclude that the financial management systems in place within the Shire can be further improved and several recommendations have been included in this review report for management consideration.

The matters raised in this review report were assessed as Medium Risk and Low Risk to the Shire.

For these identified matters we have recommended that the Shire should consider exploring the recommended process improvement options which have been incorporated within the body of this report.

As part of this report, we have reported the findings under 3 separate sections:

- Medium risk rated issues (management action recommended)
- Low risk rated issues (management consideration recommended)
- Observation issues (no management action required but should be considered)

Each finding has a recommended action except for those issues reported as “Observations”.

We believe that the Shire’s implementation of the suggested and recommended process improvements will strengthen the existing financial management controls that are currently in place and will provide greater overall governance within the Shire’s financial management operations.

Executive Management Detailed Observations

Medium Risk Rated Issue

1. Contract Management

Findings

There are currently no formal protocols or guidelines for the contract management process which includes:

- Contract formation requirements.
- Contractor performance management process
- Contract variations process and approvals.
- Contract renewal / extension process and approvals.

In the absence of these protocols or guidelines, Shire staff who are responsible for managing contracts may not have a clear understanding of the contractual requirements and the impact of non-monitoring against such contracts and therefore resulting in possible inconsistent and unacceptable practices.

Further to the above the Shire does not currently have a formal contract register in place to identify and monitor its contracts and in some instances service contracts have not been formulated for all of its existing suppliers that provide ongoing services to the Shire.

Recommendation

We recommend that the Shire should establish a formal contract management policy, protocols / guidelines over the contract management process.

Further we recommend that the Shire review its existing services for which a service contract should be in place and ensure that formal service contracts are developed and the full details of the service contracts be included in a formal contracts register.

Management Comments

Management acknowledges a lack of standardised procedures for contract management. Management has commenced work on standardising contract structures and approvals for variations and will continue to develop a comprehensive framework for contract management that addresses the identified deficiencies.

Low Risk Rated Issues

1. Monitoring Compliance with Procurement Policy for RFT and RFQ

Finding

We note that the Shire does not currently have in place a process by which expenditure by supplier can be monitored to determine whether expenditure by supplier has got to a level that the Shire possibly should be considering going to the market in order to obtain best value for money. In these situations, there may be instances where the Shire is using a supplier (contracted by different areas within the Shire) to deliver services of a similar type but for small dollar values. However, if these values in total say over a 12 month period exceeds \$50,000, the Shire may need to consider whether it would have received better value for money by testing the marketplace via an RFQ or RFT process. As the procurement is a decentralised function within the Shire, implementing a formal monitoring process to detect any non-compliance with the Shire's procurement policy would be considered beneficial and would assist in the Shire's compliance with its procurement policy and also compliance with the Local Government Act and associated Regulations.

Recommendation

We recommend that management should consider producing a "spend by supplier over \$50,000" report from its Synergy system and review this report on a regular basis to identify services that currently are being procured via individual quotations that may or should be procured via an RFQ or RFT process in order to test the market to obtain best value for money.

We also recommend that the Shire develop clear procurement guideline regarding the procurement processes over individual procurements obtained via quotation basis, RFQ and RFT process.

Management Comments

Management acknowledges that this recommendation is in-line with best practice principles and will adopt the recommended process when capacity permits.

2. Use of Purchase Orders

Although the Council's Procurement Framework is not clear on the proper use of purchase orders, the Shire does use purchase orders for all procurements over \$5,000.00.

The use of purchase orders is an important control element for both the Shire's procurement and accounts payable function. For procurement it allows the Shire to formally approve the commitment to purchase prior to goods/services being provided. As such the purchase order should be formally approved once supplier quotes have been assessed and prior to awarding the work. Further an approved purchase order allows the Shire to match an approved purchase order with a supplier invoice prior to the supplier invoice being processed for payment. This enables the Shire to ensure that supplier invoices are not paid where the supplier invoice is greater than the approved purchase order \$ value.

As such it is important that the purchase order is completed and approved before goods/services commence. As part of our testing, we noted 2 out of 6 instances where the purchase order was approved after a supplier invoice was received.

We recommend the Shire issue formal policy/procedures regarding proper use of purchase orders and that wherever possible the Shire needs to monitor this more closely and ensure that its procurement policy requirements are applied correctly in all instances.

Management Comments

The procurement framework was recently overhauled and adopted on 19 December 2023, and is due for review within 12 months of the adoption date. Audit findings and staff feedback will be incorporated into the revision, where appropriate. Instructions have been disseminated to staff regarding the appropriate use of purchase orders for purchases below \$5,000.00. Management will develop a register to track non-compliance.

3. Account Payable: Changes to Vendor Bank Details

Where a supplier requests changes to their bank account details, the supplier is required to make the request in writing via the completion of a *Supplier Amendment Form* providing the details of the new bank details. However, no verification checks are carried out by the Shire to verify that the new bank account details belong to the supplier by way of seeking evidence such as a copy of the supplier's new bank account bank statements. Although the Shire does contact the supplier directly to acknowledge confirmation of the request to change their bank account, we consider this can be improved.

We recommend that the Shire consider incorporating additional verification checks prior to changing a supplier's bank account details by either requesting a copy of the supplier's new bank account bank statements or the Shire may want to consider using EFTsure to undertake the verification checks on behalf of the Shire.

Management Comments

Currently this is a low priority issue for management. Will be given further consideration upon completion of other higher priority financial management issues when staff have additional capacity.

4. Council Rates & Charges: Exempt Rateable Properties

The Shire does not have in place a process by which all of its exempt rateable properties (charitable and/or religious purpose use) are subject to regular verification to ensure that current exempt properties such as religious and charitable type exempted properties continue to meet the exemption definition.

We recommend that the Shire should consider implementing a formal verification process in which all exempt property owners are required to confirm their exemption status at least every 2 years.

Management Comments

Management acknowledges the validity of this recommendation and will work towards the development of a process to review exempt properties at a later date. This is not deemed to be a significant issue by management given the relatively immaterial quantity and static nature of our non-rateable properties.

5. Asset Management: Policies & Procedures

There are no policies / protocols / documented procedures in place which relates to fixed asset identification, categorisation, classification, asset stocktaking and asset write offs.

We noted that the Shire does not undertake routine stocktakes of its plant and equipment to ensure that such plant and equipment is still held and should be recorded on the asset register.

The Shire also doesn't have a minor asset register. The minor asset register records all plant and equipment under \$5,000 which is not required to be depreciated and is expensed when purchased. The minor asset register provides an additional control over such items in order to maintain proper management and control as these items may be subject to possible theft without notice.

We recommend that the Shire develop formal asset management policies and procedures incorporating routine checking of its plant and equipment. These routine checks should be undertaken by at least 2 Shire officers and signed off as evidence of their check.

We also recommend that management develop a minor asset register which captures what is termed "portable and attractive" type asset items that have a purchasing price of under \$5,000.00 and should also detail the location of these assets.

Management Comments

Management will develop portable and attractive items register and discuss with Council the need for the recommended policies.

Observations (No Recommendations Made)

Investment Management

Although there is a Council policy on investments, the policy was last reviewed in 2017 and is now overdue for review. The Shire should also have its own formal investment procedures that should be followed in line with the Council policy and legislative requirements Regulation 19(1) and 19(2) of the Local Government (Financial Management) Regulations. The procedures should capture processes which includes cash flow forecasting and management, investment limitations, rollover approval of investments, withdrawal approvals and the reporting to Council process.

Scheduled for review on or before December 2024

Tender Register

Section 17(d) of the Local Government (Functions and General) Regulations 1996 requires the tender register to include, for each invitation to tender a copy of the notice of invitation to tender. This was not included in the Shire's tender register.

We also found that the Shire's tender register has not been kept up to date and does represent a true record of all tenders advertised and awarded.

Tender register will be done together with the review of the contract management framework.

Cash Handling

There are currently no formal documented procedures in place for the cash handling, cash verification and banking process at the Shire's pool.

Also, there are no CCTV cameras over the point-of-sale system in the Administration office.

Management will carry out a risk assessment to determine the appetite for changing cash handling at the pool. Management will also develop cash handling procedures.

Budget Process

There is currently no policy or procedural guidelines in place for budget approval and management. A Budget timetable is not used either for the budget setting process.

Management does not consider this to be an issue. Management will consider developing guideline for budget process, but at this stage feel that a policy is not relevant given the Act and the Regs.

Debtor Management

We noted a debtor called Rae Harna Skeen still owes \$1,900.00 to the Shire. However, this debt has been outstanding for over 1400 days and should be investigated by the Shire for possible write off action.

Debtors should be regularly followed up and should not get to a stage where amounts owing have remained outstanding for such a lengthy period.

Management will process the write off after taking it to Council. Financial management framework to be developed which will include direction for debt management procedures, under the relevant council policy.

Appendix A – Risk Criteria

The following risk criteria were used to assess level of risk on review findings included in the Review Report.

Risk Assessment Matrix

Likelihood of Risk:

Rating	Description	Frequency
1	Rare – May occur, only in exceptional circumstances	< once in 15 years
2	Unlikely – Could occur at some time	At least once in 10 years
3	Possible – Should occur at some time	At least once in 3 years
4	Likely – Will probably occur in most circumstances	At least once per year
5	Almost Certain – Expected to occur in most circumstances	> once per year

Consequence of Risk:

Description	Health	Financial Loss	Operation	Compliance	Reputation	Project
1. Insignificant	No injuries or illness	<\$50,000	Little Impact	Minor breach of policy, or process requiring approval or variance	Unsubstantiated, low impact, low profile or no news item.	Small variation to cost, timeliness, scope or quality of objectives and required outcomes.
2. Minor	First Aid treatment	\$50,000 to \$250,000	Inconvenient Delays	Breach of policy, process or legislation requiring attention of minimal damage control	Substantiated, low impact, low news profile.	5-10% increase in time or cost or variation to scope objective requiring approval
3. Moderate	Medical treatment required	\$250,000 to \$1 million	Significant delays to major deliverables	Breach requiring internal investigation, treatment or moderate damage control	Substantiated, public embarrassment, moderate impact, moderate news profile.	10-20% increase in time or cost or variation to scope objective requiring Senior Management approval
4. Significant	Death or extensive injuries	\$1 million to \$3 million	Non achievement of major deliverables	Breach resulting in external investigation or third party actions resulting in tangible loss and damage to reputation	Substantiated, public embarrassment, moderate impact, high news profile and 3 rd party actions.	20-50% increase in time or cost or significant variation to scope objective requiring restructure of project and Senior Management or Council approval
5. Severe	Multiple deaths or severe permanent disabilities	>\$3 million	Non achievement of major deliverables	Breach resulting in external investigation or third party actions resulting in significant tangible loss and damage to reputation	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, 3 rd party	>50% increase in time or cost or inability to meet project objectives requiring the project to be abandoned or redeveloped

Risk Exposure:

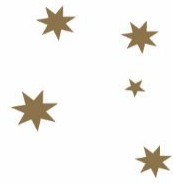
Risk = Likelihood x Consequence

Score	Level of Risk	Score	Level of Risk	Score	Level of Risk
1 - 8	Low	9 - 19	Medium	20 - 25	High

ATTACHMENT 5.1B

Regulation 17 Review Report

AUSTRALIAN AUDIT



30 March 2024

Rebecca McCall
Chief Financial Officer
Shire of Narembeen
1 Longhurst Street
Narembeen WA 6369

Dear Rebecca

Please find attached our Final Regulation 17 review report for the Shire of Narembeen which now includes your management comments.

We would like to thank your staff for the positive cooperation provided to us during the review process and for promptly providing information requested during the conduct of this review.

Yours sincerely

Santo Casilli FCPA PFIIA
Associate Director, Internal Audit, Probity and Risk

Australian Audit

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Shire of Narembeen

Regulation 17 Review

30 March 2024

FINAL Review Report

(Review in Confidence)

Australian Audit

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Regulation 17 Review Summary and Conclusion

INTRODUCTION

Australian Audit was engaged to undertake a review of the Shire of Narembeen risk management, internal control and legislative compliance as required to be undertaken as per Regulation 17 of the *Local Government (Audit) Regulations 1996*.

As per Regulation 17(1), (2) and (3) of the *Local Government (Audit) Regulations 1996*, the Chief Executive Officer (**CEO**) is required to undertake a review, at least once every 3 financial years, of the following processes:

- Risk Management.
- Internal Control; and
- Legislative Compliance.

The Shire of Narembeen uses Synergy as its accounting system.

The Shire of Narembeen does not have an Internal Audit Function, a separate Governance Services business unit or an inhouse Information Technology business unit. The Shires Executive Manager Corporate Services oversees the Governance function however all staff are responsible for overall governance of the Shire. The Shire has engaged an external IT Provider, Qbit, to oversee the Shire's Information Technology processes.

The last Regulation 17 Review was undertaken in March 2021

SCOPE AND METHODOLOGY

The review undertook the following approach:

- Information relating to risk management, internal control and legislative compliance was requested from the Executive Manager Corporate Services prior to commencement of the review to assess adequacy of policies, procedures and overall control processes that are currently in place within the Shire.
- An Information Technology questionnaire was also sent to the Executive Manager Corporate Services in order to assess the Shire's Information Systems General Control Environment.

The matters raised in this report are only those which came to our attention during performing our review and may not necessarily be a comprehensive statement of all the possible process improvement options that may exist in relation to the Risk Management, Internal Control and Legislative Compliance matters.

Our review was conducted in accordance with ASAE 3500 – Assurance Engagement Other Than Audits or Reviews of Historical Financial Information.

Our review report is provided to the Shire to enable the Shire to meet their statutory obligations under Regulation 17 and as such we do not encourage this report to be used for any other purpose.

WORK PROGRAM

Our work incorporated the following areas for review as required under Regulation 17:

1. RISK MANAGEMENT

To establish that:

- A Governance Framework is in place and endorsed by the Audit and Risk Committee.
- A formal governance unit exists responsible for proper governance compliance.
- Satisfactory risk management and governance policies are in place and have been endorsed by the Audit and Risk Committee/Council.
- Operational and Strategic Risk Registers are in place and are being constantly reviewed and updated to mitigate risk.
- Regular development of risk reports and actions to address risks are identified and actioned and such actions are regularly communicated to and endorsed by the Audit and Risk Committee.
- Fraud Risk Identification and Prevention policies are in place including the establishment of a Whistle Blower policy.
- An effective Audit and Risk Committee exists, and proper Committee processes are in place and being complied with.

2. INTERNAL CONTROL

To establish that:

- A Delegation of Authority is in place, up to date and reviewed regularly.
- Proper and formal documented Management policies (guidelines and procedures) are in place and are kept up to date.
- Internal assessment of control processes exists e.g., via an internal audit function or by the Shire's own Governance area.
- An Internal Control policy targeted for all employees, council and committee members on the importance of management controls.
- Reliance can be placed on the work undertaken by the Shire's external internal auditors re the review of the Shire's control environment and legislative compliance including general controls over the Shire's Information Technology systems.
- Proper segregation of duties and management controls exist in relation to the following key accounting processes:
 - Accounts payable.
 - Cash collection, receipting and reconciliations.
 - General Ledger amendments and reconciliations.
 - Payroll.
 - Procurement.

3. LEGISLATIVE COMPLIANCE

To establish that:

- The Compliance Audit Return (CAR) is properly completed each year and any non-compliance matters are investigated promptly and adequate action is taken to ensure similar non-compliance no longer occurs.
- The establishment of proper complaints policies and registers including gift policies and registers.
- Legislative compliance regarding all Local Government Act and Regulation requirements are continually monitored and regularly reviewed to ensure continual compliance.

REVIEW CONCLUSION SUMMARY

Based on our assessment of the management controls and processes that exist at the Shire regarding the above three key areas of the Regulation 17 review, we wish to conclude that no high risk matters came to our attention during our review that would require urgent and immediate attention. The following matters which are considered medium and low risk should be considered by the Shire which we believe will improve risk and governance within the Shire:

Risk Management

- The Shire does not have a formal Risk Management Framework in place
- The Shire does not have a Risk Management Policy or procedures to enable the Shire to constantly identify and monitor its risks.
- The Shire has not yet developed a register outlining its operational and strategic risks and as such the Audit and Risk Committee is not receiving reports of the Shires identified risks and proposed actions.
- A Business Continuity Plan and a Disaster Recovery Plan are in place. However, these Plans were last updated in 2021, 2022 and have not been tested by the Shire to ensure the plans are workable and effective.
- The Audit and Risk Committee only meet twice a year, however the new Terms of Reference for the Audit and Risk Committee state they should meet at least quarterly.
- There is an induction program for Shire staff, however, there is no formal induction program for the elected members and the Audit and Risk Committee members.
- The Shire has a staff and elected members Code of Conduct policy, but these were last reviewed in 2022 and 2021 respectively and now may require review.

Internal Control

- There is no internal control policy which would enable the Shire to identify the need for all areas within the Shire to continually assess control processes and to empower all Shire staff to be responsible over the Shire's control environment.

Legislative Compliance

- Monitoring for legislative compliance requires improvement. The Shire currently relies only on the annual Compliance Audit Return (CAR) and the results of the Regulation 17 review which is carried out every 3 years. A Compliance Calendar is not used to identify and manage all of the Shire's legislative compliance requirements.
- The Shire does not have a formal complaints management policy and procedures or a set of protocols to guide staff in managing any known or communicated complaints and as to what constitutes a complaint that is required to be recorded in the complaints register.

FINDINGS AND RECOMMENDATIONS

The following matters were identified which have been reported below for consideration by Shire management:

MEDIUM RISK ISSUES

Risk Management

1. Risk Management Framework

Finding

The Shire currently does not have an up-to-date Risk Management Framework. As part of our 2021 Regulation 17 review we noted that the Shire did have a Risk Management Framework, however, the Framework was last developed in November 2014 by LGIS and appears has not been subjected to review since.

We also noted that the Shire does not have in place a risk management system (a process by which both strategic and operational risks are identified for ongoing management and review) via the establishment of an integrated risk register.

In the absence of an up-to-date risk management framework and a process by which the Shire's risks are able to be identified and appropriate actions put in place to mitigate those risks, the Shire is at risk both operationally and strategically.

Recommendation

We recommend that as a matter of priority the CEO should ensure a formal Risk Management Framework is developed and that the Shire implement a process by which both operational and strategic risks are identified, recorded in a "Risk Register", establish risk mitigation actions for each risk and such risks and proposed actions are managed on a regular basis and reported regularly to the Audit and Risk Committee.

We also recommend that formal risk management policies and procedures be developed in line with the Risk Management Framework to ensure that Shire risks are able to be effectively identified and monitored on a regular basis.

Management Comments

Management notes that there are undocumented risk management systems in place and that reporting to the A&R committee has recommenced as of February 2024, to be quarterly going forward. The newly developed dashboard includes a working risk register that is being actively monitored and added to by the A&R and management.

Internal Control

2. Internal Control Policy

Finding

We noted that the Shire does not have an internal auditing function which would assist the Shire in identifying internal control issues on a regular basis. In the absence of an inhouse or outsourced internal audit function, we believe that the Shire should at least have an internal control policy which would enable the Shire to instruct all areas within the Shire to continually assess management control processes and to empower all Shire staff to be responsible over the Shire's control environment.

Recommendation

The Shire should consider developing an Internal Control Policy which should outline the following elements:

- The promotion of a risk-based approach to the development and maintenance of documented internal controls and procedures. This is to support a continual assessment of appropriate controls throughout the Shire by identifying the need for new controls (based on risk) and ensuring existing outdated and unnecessary controls are discontinued. This can be accomplished via staff awareness on the importance of compliance with key internal controls and how non-compliance can impact on the Shire's operations.
- Documenting the Shire's key internal controls including the importance of all staff to be aware of the importance of maintaining proper segregation of duties controls especially within key finance (accounts payable and payroll) and procurement functions.
- Outlining a set of measures that should be implemented such as continual training etc to ensure staff are fully aware of, and understand, the relevant importance of key internal controls within their workplace.
- The Shire should also consider including the requirement for all staff to be responsible for control awareness and also to contribute to the identification of control risk areas within their workplace and their areas of responsibility. This could be done by adding these responsibilities in their respective job descriptions and/or incorporated as part of their induction program.

Management Comments

Management will develop a comprehensive set of frameworks to include Executive Policies and procedures relating to systems and controls, which will be collaboratively prepared by staff and workshopped with all staff and be included in the standard employee on-boarding. Relevant directorates will review and manage the appropriateness of these frameworks.

3. Information Technology Controls Environment

Finding

As part of our Regulation 17 Review, we also assessed the Shire's Information Technology general controls environment. We understand that the Shire has outsourced this service to Qbit.

As part of our review, we noted that the following key information technology policies and

requirements currently exists at the Shire:

- A formal Information and Communication Technology – Disaster Recovery Plan
- An Executive Policy - Information and Communications Technology.

These two policies were developed in September 2022 and due to staff changes at the Shire possibly require review to ensure they are still appropriate for the Shire.

Further, it is unclear as to whether the following general information technology controls are currently operating within the Shire and whether the Shire's outsourced service provider, Qbit, is currently providing the Shire with the following protections:

- Scam alert related emails are identified and quarantined by Qbit as part of proper cyber security measures.
- Unsuccessful attempts to logon to the Shire's computer systems are regularly monitored, logged and reported to the Shire by Qbit.
- The length of time unattended computer screens will activate screen saver requiring the user to re log into their computer should not be more than 5-10 minutes.
- Whether all of the Shire's software packages loaded on Shire computers have been recorded in a software register by Qbit.
- Whether the Shire when using or providing remote access for staff that remote access logon is protected via the use of multi factor authentication process.
- The Shire's IT Disaster Recovery Plan has been tested via Qbit to ensure the plan is workable and effective.

We consider all of the above matters need to be addressed by the Shire to ensure its data is secured.

Recommendation

We recommend that the CEO follow up these matters with Qbit to determine whether these standard data protection matters are currently being provided by Qbit and also as to whether such actions are required to ensure control over cyber security and data loss threat. Should the above not be currently provided by Qbit we would recommend that these should be provided.

Management Comments

Management notes these comments and will follow up with the supplier.

Legislative Compliance

4. Legislative Compliance Monitoring

Finding

There does not appear to be a Legislative Compliance policy in place to oversee that all required legislative matters required to be met by the Shire are being continually complied with.

The Shire currently relies on the annual Compliance Audit Return (CAR) to gauge its compliance level against legislative requirements and the results of a Regulation 17 Review which is undertaken every 3 years. A compliance calendar is not being used by the Shire.

Although the CAR is an effective compliance monitoring tool, it reflects only a portion of all the legislative requirements that must be complied with and therefore does not provide a complete legislative compliance assurance to the Shire.

As the Shire does not have an Internal Audit function or any other similar regular checking function to periodically assess all of the required legislative compliance matters, it is difficult for the Shire to assure itself that all legislative compliance matters are being consistently complied with.

Recommendation

We recommend that the Shire should consider the implementation of a Legislative Compliance policy which outlines the responsibility for compliance against legislative requirements and how such compliance is to be met within the Shire.

Consideration should be given for the Shire to use the Compliance Calendar via Attain with responsibility for using the Calendar delegated to various Shire staff.

Alternatively, the Shire should consider developing various legislative compliance checklists to enable various areas within the Shire to undertake regular self-assessment checks on an ongoing basis. We would suggest that these be undertaken regularly throughout the calendar year and be signed off by delegated Shire staff attesting to compliance. These can be undertaken in conjunction with the annual Compliance Audit Return (CAR) and would complement the (CAR) process.

Further, consideration should also be given to include within each updated finance and human resources policies, protocols and procedures reference to the applicable legislative requirement. This then provides the necessary guidance to staff that by following and complying with the Shire's the policies and procedures, legislative compliance is being achieved.

Management Comments

Management acknowledges these findings and reiterates other comments regarding the need to review the human resources framework to ensure its appropriateness, in addition to the financial management-related framework(s). It is our intent to develop a governance framework to centralise already established processes, similar to what is noted in the recommendation.

LOW RISK ISSUES

1. Business Continuity Plan and Disaster Recovery Plan

Finding

A Business Continuity Plan and a Disaster Recovery Plan are in place. However, the Plans were last reviewed in 2022 and have not been tested to ensure the plan is workable and effective.

Recommendation

We recommend that the Business Continuity Response Plan and the Disaster Recovery Plan should be reviewed at least every 2 years to ensure they are still relevant and effective and should be subject to regular testing to ensure the actions within the Plans can be effectively implemented should a disaster occur.

Management Comments

Noted. Part of the current compliance calendar to schedule reviews of these documents shortly and then regularly ongoing, in addition to continual testing and reviewing for appropriateness.

2. Code of Conduct Policy for Staff and Elected Members

Finding

Our review noted that the Shire has a Code of Conduct policy in place for Shire staff and elected members. However, these are now due to be reviewed as they were developed 2021 and 2022.

Recommendation

We recommend that both the staff and elected members Code of Conduct policy be reviewed to ensure they are still valid and that all staff and elected members are aware of the policy.

Management Comments

Acknowledged. Council recently adopted a new Elected Member Code of Conduct and management are near completion on a review of the employee code of conduct.

3. Induction Program for Elected Members

Finding

We noted there is an induction program for Shire staff, however, there is no induction program for the elected members and also for the Audit and Risk Committee members.

Recommendation

We recommend that an induction program and also an induction checklist should be developed for the newly elected members and all new Audit and Risk Committee members, and that the induction checklist be signed off by the members as evidence that the induction was provided.

Management Comments

The CEO facilitated an induction program to the elected members on 19 December 2023. This comprehensive induction included all requirements for members of the A&R (all Councillors), however the induction was not signed off by the attendees. The CEO will address this shortly. Management will develop a checklist for elected member induction, following a review.

4. Complaints Handling and Management

Finding

We noted that the Shire does not have a formal complaint handling and management policy nor protocols in place. Although all complaints received are managed by the CEO we believe that formal policies or procedures should be developed to ensure complaints are handled effectively and consistently.

Recommendation

We recommend that the Shire develop and implement a complaint handling and management policy with supporting protocols which defines what constitutes a reportable complaint.

Management Comments

Management acknowledges the lack of documented complaint handling processes. Management will develop appropriate policies and procedures for 1: internal and 2: external complaints received.