



**Shire of Ngaanyatjaraku**  
ON A JOURNEY

## **AUDIT & RISK COMMITTEE MEETING**

### **ATTACHMENTS**

**Tjulyuru Cultural and Civic Centre  
Warburton Community**

**24 November 2021**

**at**

**1.00 pm**

## Shire of Ngaanyatjarraku - Legislative Compliance Calendar

	Compliance Action	Compliance Requirement	Section / Ref	Compliance Frequency	Position Title Officer Responsible for Action Compliance	Comments
	<b>Monthly Activities</b>					
	<b>Monthly Financial Report</b> Statement of financial activity reporting on the revenue and expenditure..	Local Government Act 1995	s.6.4 FM.Reg.34	Monthly	DCS	Completed as required
	<b>Business Activity Statement - submit to ATO</b>	Australian Tax Office		Monthly	DCS	Completed as required
	<b>Corporate Business Plan - Qtrly update to council</b>	Local Government Act 1995	5.56	Quarterly - April, July, October, January	DGS	Completed as required
	<b>Financial Interests Register</b> Remove Primary and Annual Returns of persons who are no longer Designated Employees.	Local Government Act 1995	s.5.88(3)(4)	6 monthtly	DGS	Completed as required
	<b>Annual Activities</b>					

<b>Performance Review - CEO and staff</b>	Local Government Act 1995	s5.38	Annual	CEO/DCS/DGS	CEO Review - completed, June 2021, DGS and DCS - completed, August 2021, DIS - Probationary review completed, October 2021. All staff reviews completed for the year.
<b>Fire Break Notices - Local Public Notice</b>	Bush Fires Act 1954	s33	Annual	DIS	Awaiting response from DFES as Shire has no resources and is not the land manager
<b>ESL Reconciliation Report</b>	FESA Authority of WA Act 1998	Part 6A Div 5	Monthly	DCS	Not applicable monthly to NG, Annually October
<b>Authorised Officers - Purchasing and Requisitions, review listings and processes. .</b>	Local Government (Financial Management) Regs 1996	Reg.5	Annual	DCS	Currently being reviewed as part of the CEO/Finance procedures
<b>Delegated Authority - Review and confirm employees with delegated authority</b>	Local Government Act 1995	s5.44	Annual	DGS	Currently being reviewed as part of the CEO procedures
<b>Maintain Complaints Register - regarding breaches of the Act.</b>	Local Government Act 1995	s5.121(1)	Annual	DGS	A complaints register is available. At present there are no entries.
<b>Update Gift Register</b>	Local Government Act 1995	s5.62(2) Reg.34B	Annual	DGS	Completed as required.
<b>Primary Returns - for all new designated employee's.</b>	Local Government Act 1995	s.5.75	Annual or as required	DGS	New DIS completed his primary return July 2021
<b>Audit Regulation 17 Review.</b>	Local Government Act 1995	Audit.Reg. 17(1)(c)	Triennial	DCS	Moore Australia have completed the Reg 17 review, and a report will be tabled at the November ARC meeting.

	<b>Financial Management Regulation 5 Review.</b>	Local Government Act 1995	FM.Reg.5	Triennial	DCS	Moore Australia have completed the Reg 5 review, and a report will be tabled at the November ARC meeting.
	<b>Policy Manual - review policy</b>	Local Government Act 1995		4 - yearly	DGS	Completed, June 2020.
	<b>Disability Access and Inclusion Plan Review</b>	Disability Services Act 1993	s29(7)	5 - yearly	DGS	Completed, July 2021
	<b>Record Keeping Plan - Review and submit to Records Commissioner</b>	State Records Act 2000	s28	5 - yearly	DGS	Completed in October 2021, awaiting sign off from the State Records Office.
	<b>January - Take Action</b>					
Jan	<b>Revaluation of Assets - Plant and Equipment</b>	Local Government Act 1995	FM.Reg.17A(4)	5 - yearly	DIS	2015/16 Management Valuation adopted use of depreciated cost as the deemed fair value for plant and equipment - Review Jan 2022
Jan	<b>Revaluation of Assets - Land, Buildings and Infrastructure</b>	Local Government Act 1995	FM.Reg.17A(4)	5 - yearly	DIS	2019/20 Management Valuation adopted use of depreciated cost as the deemed fair value for land & buildings (building and recreation asset types). 2017/18 FV Infrastructure undertaken. Review Jan 2022
	<b>Compliance Action</b>	<b>Compliance Requirement</b>	<b>Section / Ref</b>	<b>Compliance Frequency</b>	<b>Position Title Officer Responsible for Action Compliance</b>	
	<b>February - Take Action</b>					

	Compliance Action	Compliance Requirement	Section / Ref	Compliance Frequency	Position Title Officer Responsible for Action Compliance
	<b>March - Take Action</b>				
Mar	<b>Compliance Audit Return (CAR)</b> Complete the CAR for consideration via Audit Committee.	Local Government Act 1995	s.7.13(1)(i) Audit.Reg. 13, 14 and 15	Annual <b>Due: 31 March</b>	DCS
Mar	<b>Mid-Year Budget Review (MYBR)</b> Between <b>1 January</b> and <b>31 March</b> in each financial year, a review of the annual budget is to be carried out.	Local Government Act 1995	FM Reg.33A(1) (2A) (2) (3)	Annual	DCS
Mar					
	Compliance Action	Compliance Requirement	Section / Ref	Compliance Frequency	Position Title Officer Responsible for Action Compliance
	<b>April - Take Action</b>				
Apr	<b>Complete Compliance Audit Return - Action Plan</b>	n/a	n/a	Annual	DCS

Completed, March 2021
Completed, April 2021
no items to Action from review

Apr	<b>Strategic Community Plan - Review</b> Review to be completed in April after community consultation, in order to inform Annual Budget.	Local Government Act 1995	s.5.56 Admin.Reg.1 9C	Biennial	DGS	Completed - Endorsed by Council, May 2021.
	<b>Compliance Action</b>	<b>Compliance Requirement</b>	<b>Section / Ref</b>	<b>Compliance Frequency</b>	<b>Position Title Officer Responsible for Action Compliance</b>	
	<b>May - Take Action</b>					
May	<b>Elected Members - Review Meeting Attendance Register</b>	Local Government Act 1995	s.2.25	6 monthly	DGS	Completed, May 2021
May	<b>Fringe Benefit Tax Return</b>	Australian Tax Office		Annual <b>Due: 31 May</b>	DCS	Completed, May 2021
	<b>Audit Hazardous Substance/Chemical review</b>	Occupational Safety and Health Act	s5.13	Annual <b>Due: 31 May</b>	DIS / EHO	To be implemented as part of new WHS System
	<b>Compliance Action</b>	<b>Compliance Requirement</b>	<b>Section / Ref</b>	<b>Compliance Frequency</b>	<b>Position Title Officer Responsible for Action Compliance</b>	
	<b>June - Take Action</b>					

Jun	<b>Elections - Council Report.</b> Electoral Commission agreement to conduct the election required by: 80th day before Election Day	Local Government Act 1995	s.4.20(2)(3)(4) s.4.61(2)(4)	Biennial <b>Next due 2021</b>	DGS	Completed
Jun	<b>Corporate Business Plan -</b> Review prior to adoption of the Annual Budget	Local Government Act 1995		Annual <b>Due: 30 June</b>	DGS/CEO	Completed - Endorsed by Council, May 2021.
	<b>Compliance Action</b>	<b>Compliance Requirement</b>	<b>Section / Ref</b>	<b>Compliance Frequency</b>	<b>Position Title Officer Responsible for Action Compliance</b>	
	<b>July - Take Action</b>					
Jul	<b>Report on Elected Member Training</b>	Local Government Act 1995	s.5.127	Annual <b>Due: 31 July</b>	DGS	Completed - Councillor training register posted on the Shire website
	<b>FOI Annual Statement</b>	Freedom of Information Act 1992	s111(3)	Annual <b>Due: 31 July</b>	DGS	Completed.

	<b>Fees, Allowance and expenses</b> - paid to elected members, is to be report by 14 July.	Local Government (Administration ) Regulations 1996		Annual <b>Due: 14 July</b>	DGS	Completed.
	<b>Compliance Action</b>	<b>Compliance Requirement</b>	<b>Section / Ref</b>	<b>Compliance Frequency</b>	<b>Position Title Officer Responsible for Action Compliance</b>	
	<b>August - Take Action</b>					
Aug	<b>Elections - Statewide Public Notice Call for Nominations</b>	Local Government Act 1995	s.4.47(1)	Biennial <b>Next due 2021</b>	DGS	Election process completed and 5 positions filled unopposed.
Aug	<b>Annual Returns</b> - Elected Members and Designated Employees to provide an Annual Return by no later than <b>31 August</b>	Local Government Act 1995	s.5.76(1)	Annual <b>Due: 31 Aug</b>	DGS	Annual and Primary Returns have been completed for both Councillors and designated employees.
Aug	<b>Annual Budget</b> - for the next financial year.	Local Government Act 1995	s.6.2(1)	Annual <b>Due: 31 Aug</b>	DCS	Adopted 25th August 2021



Aug	<b>Food Act and Public Health Act reporting</b> - Enforcement agencies must report to the Dep't CEO on performance of functions under Acts.	Food Act 2008 Public Health Act 2016	s.121(1) s.22(1)	Annual <b>Due: 31 Aug</b>	DIS / EHO	Return received, to be completed.
	<b>Compliance Action</b>	<b>Compliance Requirement</b>	<b>Section / Ref</b>	<b>Compliance Frequency</b>	<b>Position Title Officer Responsible for Action Compliance</b>	
	<b>September - Take Action</b>					
Sep	<b>Annual Financial Report</b> - The LG is to prepare an AFR for the preceding financial year by 30 September.	Local Government Act 1995	s.7.9 s.7.12AB	Annual <b>Due: 30 Sept</b>	DCS	Completed
	<b>Financial Interest Register</b> - to be published on Shire website by 14 September	Local Government Act 1995		Annual <b>Due: 14 Sept</b>	DGS	Completed
	<b>Risk Register</b> - to be updated by 14 September	Local Government (Administration ) Regulations 1996		Annual <b>Due: 14 Sept</b>	DGS	Moore Australia still working through the final adjustments to incorporate all the changes from the AR17/FMR report

	Compliance Action	Compliance Requirement	Section / Ref	Compliance Frequency	Position Title Officer Responsible for Action Compliance
	<b>October - Take Action</b>				
Oct	<b>Election Day - Close of Poll</b> 6.00pm	Local Government Act 1995	s.4.7 s.4.68(1)(e)	Biennial <b>Next due 2021</b>	DGS
Oct	<b>Elected Member Induction</b> - Provide an induction for newly elected Councillors.	n/a	n/a	Biennial <b>Next due 2021</b>	DGS
	<b>Report on Waste Plan</b> - LGs must submit report on the implementation of their waste plan.	Waste Avoidance and Resource Recovery Act 2007	s.44	Annual <b>Due: 31 Oct.</b>	DIS
	<b>Primary Returns</b> - for new Elected Members, within <b>3 months</b> of making Declarations of Office.	Local Government Act 1995	s.5.75(1)	Biennial	DGS
	Compliance Action	Compliance Requirement	Section / Ref	Compliance Frequency	Position Title Officer Responsible for Action Compliance
	<b>November - Take Action</b>				

Election process completed and 5 positions filled unopposed.
Completed, October 2021
Unable to complete as awaiting advice from DoC regarding funding for Waste.
Cr Thomas Primary Return outstanding, Cr Jones Declaration of Office o/s

Nov	<b>Business Continuity Plan - Review</b> Review the Business Continuity Plan to ensure it remains functional and informs the Annual Report.	n/a	n/a	Biennial	DGS	The plan is being reviewed and actioned as part of the IT Plan
	<b>Local Government Grants Commission Return</b>			Annual <b>Due: 31 Nov.</b>	DIS/DCS	To be actioned in November
	<b>Compliance Action</b>	<b>Compliance Requirement</b>	<b>Section / Ref</b>	<b>Compliance Frequency</b>	<b>Position Title Officer Responsible for Action Compliance</b>	
	<b>December - Take Action</b>					
Dec	<b>Council / Committee Meeting Schedule</b> - At least once per year, determine meeting schedule for next 12 months	Local Government Act 1995	s.5.25(1)(g) Admin.Reg.1 2	Annual	DGS	Completed, October OCM.
Dec	<b>Annual Financial Report</b> - An auditor is required to examine the accounts and annual financial	Local Government Act 1995	s.7.9 s.7.12AB	Annual <b>Due: 31 Dec</b>	DCS	Audit complete, awaiting OAG signoff

	report and provide a report by 31 December					
Dec	<b>Annual Report -</b> Accepted, by Absolute Majority.	Local Government Act 1995	s.5.53 s.5.54	Annual <b>Due: 31 Dec</b>	DCS	To be completed by 31 December 2021
Dec	<b>Master Compliance Calendar - Review</b>	n/a	n/a	Annual	DGS	To be actioned in December
Dec	<b>Christmas Office Closure Notice</b>	Local Government (Administration) Regulations 1996	s.5.25(1)6 Reg.12	Annual	DCS	Completed, October OCM.



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

Shire of Ngaanyatjarraku  
October 2021



# Table of Contents

1.0	Engagement Overview.....	3
2.0	Review Context.....	5
3.0	Review Summary.....	6
4.0	Methodology .....	10
5.0	Appropriate Framework.....	12
6.0	Framework Design.....	13
7.0	Framework Implementation.....	15
8.0	Framework Evaluation .....	24
9.0	Other Matters .....	29
	Appendix A – Financial Management Systems Review .....	30
	Appendix B – Council Policies Examined .....	32
	Appendix C – Plans Examined .....	33
	Appendix D – Strategic and Operational Registers Examined.....	34
	Appendix E – Operational Guidelines .....	35

# 1.0 Engagement Overview

## 1.1. Scope of Services

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

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

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

### 1.1.1. Procedures – Financial Management Review

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

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

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

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

# 1.0 Engagement Overview

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

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

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

To undertake these procedures, we applied the following methodology:

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

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



## 2.0 Review Context

### 2.1. Review Context - Shire of Ngaanyatjarraku

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 to align with Kimberley and Pilbara remote communities e.g. waste, swimming pools, Sport and Recreation services, etc.	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 extreme remote location.
Cost shifting by the Federal and State Governments e.g. responsibility for remote indigenous services.	Human resourcing levels and staff retention due to remote location and lack of normal community facilities.
Climate change and subsequent response.	The financial capacity of the Shire.
Insufficient resources and external funding for infrastructure and operations.	Maintenance of corporate records.
Significant seasonal population increase and subsequent pressure on Council services.	Allocation of resources to achieve strategic outcomes.
Lack of economic activity in the district capable of providing a revenue stream.	Difficulties in recruiting staff.
Remote location.	COVID 19 and impact on the internal environment.
COVID 19 and impact on the external environment.	

## 3.0 Review Summary

### 3.1. Financial Management

The Shire has a number of financial management system controls covering 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 Local Government (*Financial Management*) Regulations 1996, regulation 5(1).

#### 3.1.1. 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 and modified to address emerging risks.

Weaknesses were identified with current controls and procedures, these are explained within Section 6.0 Framework Design of this report.

#### 3.1.2. Effectiveness

Considering the results of other elements of financial management systems and processes documented and routinely tested, the current practices undertaken by the Shire of Ngaanyatjarraku may be considered generally effective. Our assessment as to effectiveness is subject to the implementation of the improvements highlighted in Section 7.0 Framework Implementation of this report.

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

#### 3.1.3. 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 controls;
- General journal controls;
- Cash handling and receipting controls;
- Segregation of duties;
- Stock controls;
- Investment register;
- Revenue controls at Shire facilities;
- Register of financial interests;
- Change of banking and creditor master files;
- Procurement controls; and
- Payroll controls.

## 3.0 Review Summary

### 3.2. Risk Management

The Shire initially developed its formal risk management processes in 2017. These were further reviewed with the adoption of an updated Risk Management Policy in June 2020. The policy document is supported by a Risk Management Strategy and forms the basis for risk management activities within the Shire. The Audit and Risk Management Committee have undertaken a number of activities in the twelve months preceding the review, including articulating a revised terms of reference to set out the key duties and responsibilities of the committee, development of an induction checklist to assist with ensuring members understand their roles and responsibilities as well as an annual work plan to assist with achieving the objectives of the committee and in meeting the duties and responsibilities of the committee as set out by the terms of reference.

#### 3.2.1. Appropriateness

Currently, a documented entity wide Risk Management Policy and Strategy is in existence to guide the implementation of risk management throughout the Shire. The current policy and strategy are aligned to the current Risk Management Standard, AS/NZ ISO 31000:2018. The updates to this Standard in February 2018 were to highlight the leadership of top management and integration of risk management in organisations, along with the iterative nature of risk management.

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

#### 3.2.2. Effectiveness

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

#### 3.2.3. Improvements

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

- Maintain the risk-based approach to the further development and maintenance of documented internal controls and procedures. This suggestion is intended to support a continual assessment of appropriate controls throughout the organisation by identifying the need for new controls (based on risk) and ensuring existing outdated and unnecessary controls are discontinued;
- Review contractor insurance to ensure they are in place and are maintained;
- Undertake a comprehensive ICT security review;
- Progress the development and application of risk management activities to existing practices in accordance with a suitable risk management framework; and
- Ensure appropriate management of operational risks for high risk areas.

## 3.0 Review Summary

### 3.3. Internal Control

A formal internal control policy was adopted by the Shire in March 2017, (supported by a detailed CEO Procedure) and updated in June 2020. The policy aims to guide the Shire to apply an iterative risk based approach to evaluating the internal controls, systems and procedures, as well as providing a mechanism whereby regular review and updates occur. We noted a number of documented internal controls are currently being developed with the objective of improving the existing framework and reducing gaps where weaknesses have been identified.

#### 3.3.1. Appropriateness

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

#### 3.3.2. Effectiveness

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

#### 3.3.3. Improvements

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

- Update, testing and maintenance of an IT Disaster Recovery Plan;
- Finalise the update of the 2016 Business Continuity Plan;
- Finalise draft procedures, checklists or workflow diagrams to document key internal controls and procedures to manage changes to internal controls;
- Develop and maintain registers to improve existing internal controls as discussed at Section 8.2 of this report;
- Undertake appropriate training at induction and at regular intervals to ensure staff are fully aware of, and understand, relevant internal controls; and
- Implement financial management control recommendations discussed at Section 3.1 of this report.

## 3.0 Review Summary

### 3.4. Legislative Compliance

A legislative compliance policy was adopted by Council in June 2020 to communicate expectations of Council in relation to legislative breaches and regulatory compliance. Reliance in delivering the policy objectives is largely dependent upon the knowledge and experience of senior staff and their individual desire to achieve high levels of legislative and regulatory compliance.

#### 3.4.1. Appropriateness

The Shire of Ngaanyatjarraku maintains a low risk appetite for breaches of legislation. The existing documented legislative compliance policy is considered appropriate and good governance. Whilst reliance on experienced senior staff for legislative compliance is considered appropriate it carries high risk where the number of experienced senior staff is low.

#### 3.4.2. Effectiveness

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

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

#### 3.4.3. Improvements

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

- Ensure action reports relating to significant adverse trends highlighted in audit reports are considered by Council (and the Audit Committee) within regulatory timeframes;
- Further development and approval of authorised checklists for functions which require a high level of legislative compliance; and
- Develop and maintain a staff training matrix and coordinate across the Shire. A risk based training matrix should help ensure staff with the responsibility for preventing, identifying and reporting breaches of legislation, are offered relevant training to ensure their knowledge of legislative requirements is maintained and qualifications are maintained and up to date where required.

# 4.0 Methodology

## 4.1. Review Methodology – Financial Management Review

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

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

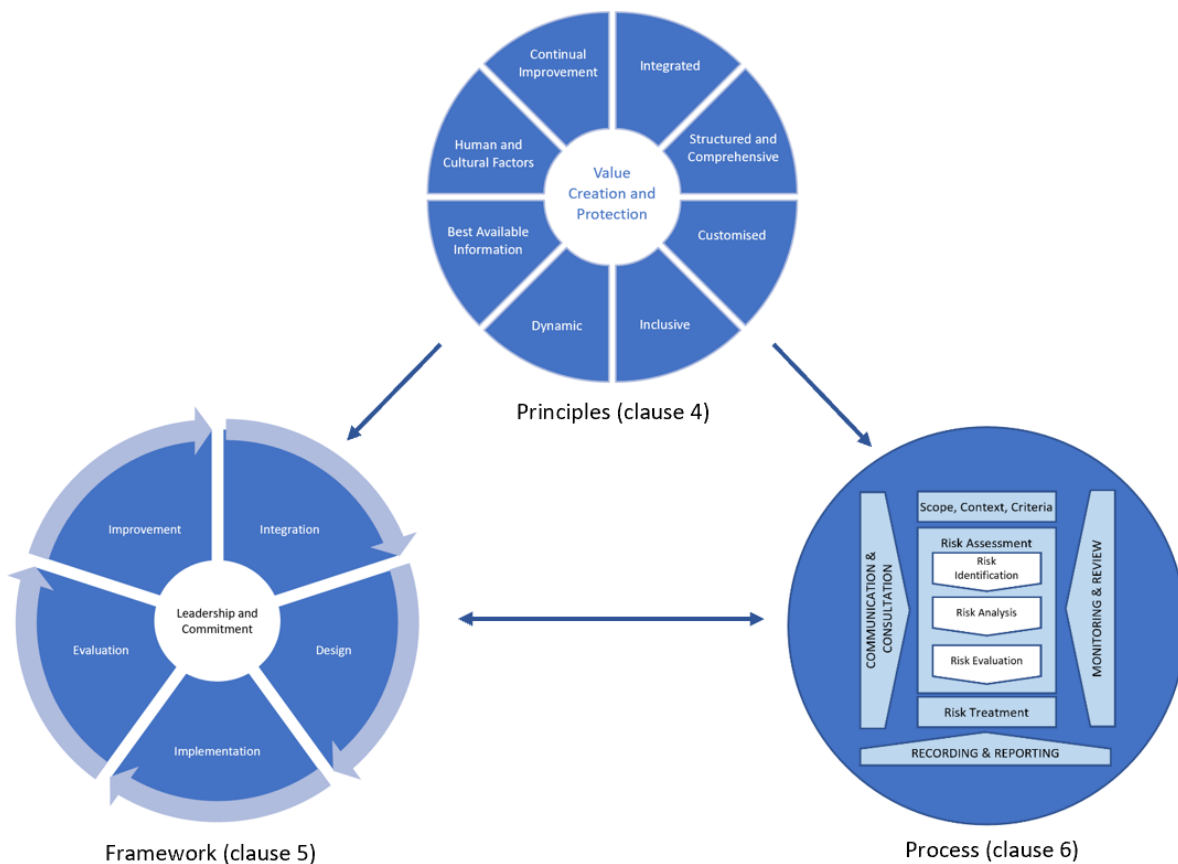
## 4.2. Review Methodology – Risk Management, Legislative Compliance and Internal Controls

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

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

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

**Diagram 1. Risk Management Principles, Framework and Process**



Source: Australia/New Zealand Standard ISO 31000:2018

## 4.0 Methodology

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

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

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

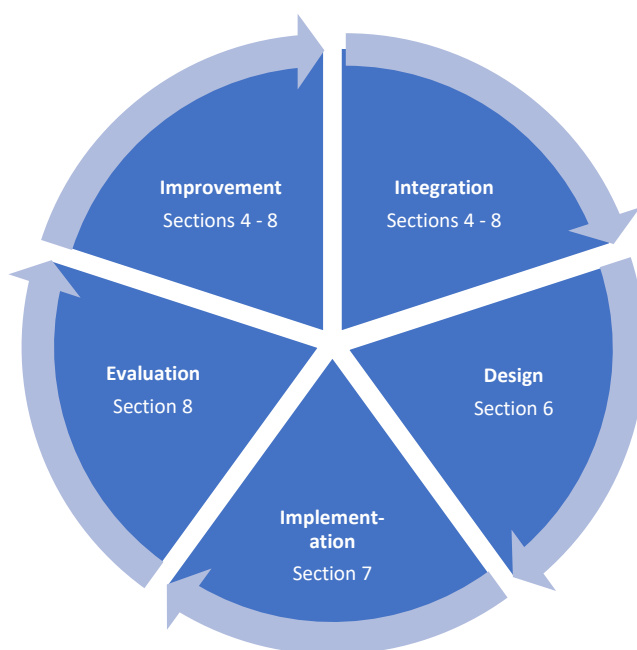
This evaluation is based on interviews with key staff, review of requested documentation listed in the Appendices and reference to any external audit reports or reviews previously conducted.

## 5.0 Appropriate Framework

### 5.1. Risk Management, Internal Control and Legislative Compliance

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

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



Source: Australia/New Zealand Standard ISO 31000:2018

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

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

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

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



## 6.0 Framework Design

### 6.1. Strategic Plans

The Shire has adopted two key strategic documents, the Strategic Community Plan 2021-2031 and the Corporate Business Plan 2021-2031. These plans identify the Council's organisational objectives and key outcomes, as the Shire progress on its stated vision "*Shire of Ngaanyatjarraku – on a journey*".

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

1. **Our People:** Looking after our people - our communities are healthy, happy and informed;
2. **Our Land:** Looking after our land – which we all depend upon and love living on, and want to keep good for our children and grandchildren, and
3. **Our Leadership:** Showing the way for our communities – doing the right things to look after our people and land.

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

The 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 risk management systems, internal controls and legislative compliance in the context of the Shire striving to achieve its stated objectives.

## 6.0 Framework Design

### 6.2. Council Policies

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

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

Policy	Purpose / Goal	Matters Identified / Improvements
6.2.1. External Complaints 1.10	Policy to provide guidance to the Shire's approach to managing external complaints	<p>This policy governs the procedure for complaints against elected members of Council, which contradicts the appointment of the CEO as the Complaints Officer in the Code of Conduct for Council Members, Committee Members and candidates for election.</p> <hr/> <p><b>Improvement:</b> Review and amend the policy with consideration of the complaints resolution procedures as documented in the Code of Conduct for Council Members, Committee Members and candidates for election.</p>

## 7.0 Framework Implementation

### 7.1. Strategic and Operational Plans

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

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

Plan	Purpose / Goal	Matters Identified / Improvements
7.1.1. Business Continuity & Disaster Recovery Plan	Plan to facilitate organised decision-making in the event of a major incident impacting the Shire's ability to continue normal operations.	<p>A Business Continuity Plan was prepared in 2016 however there was no evidence of the plan being tested to ensure its validity.</p> <hr/> <p><b>Improvement:</b></p> <p>Progress the review, update of the Business Continuity Plan and test it to ensure its validity, including validity of the documented key business continuity risks along with the treatments. Ensure content of the plan is relevant and current to the Shire, and risk treatments are consolidated with overarching risk management activities.</p>
7.1.2. ICT Disaster Recovery Plan	Plan to address the handling of ICT disaster recovery.	<p>A Disaster Recovery Plan was adopted by Council on 09 November 2016 however there was no evidence of the plan being tested to ensure its validity.</p> <hr/> <p>The overall plan requires biennial testing / review, which may not be frequent enough to maintain currency in the application of the plan. We noted reference to superfluous systems within the plan, which may impede the effectiveness of its implementation in a disruption event.</p> <hr/> <p><b>Improvements:</b></p> <p>Review and update content of the Disaster Recovery Plan to ensure relevancy and currency to the Shire. Maintain, review and test the plan to ensure validity.</p> <p><b>Management Comment:</b></p> <p>The ICT Disaster Recovery Plan and Business Continuity Plan are currently under review.</p>
7.1.3. Administration 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>Documented procedures currently exist in the form of a CEO Procedures Manual (currently under review). Some other operational process manuals are also maintained by administration staff do not appear to always be assessed by senior staff for compliance and appropriateness with expected controls.</p> <hr/> <p><b>Improvement:</b></p> <p>Finalise review of the CEO Procedures.</p>

## 7.0 Framework Implementation

Plan	Purpose / Goal	Matters Identified / Improvements
7.1.4.	Asset Management Plan Plan to guide the future Management	<p>The most recent Asset Management Plan was adopted in November 2018. The plan does not meet the standards set within the DLGSCI Integrated Planning and Reporting Advisory Standard (September 2016), as required asset data couldn't be identified. Management advised this plan is currently under review to include information noted with the advisory standard.</p> <hr/> <p><b>Improvements:</b></p> <p>Review and update the Asset Management Plans to maintain effective alignment with IPR documents, and to include all required data and information as published within the DLGSCI Integrated Planning and Reporting Advisory Standard (September 2016).</p> <p><b>Management Comment:</b></p> <p>Ratios are reported in the annual financial statements published on the Shire's website within the annual report.</p>

## 7.0 Framework Implementation

### 7.2. Operational and Financial Procedures

In seeking to achieve the Shire's 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 implementation of risk management, internal controls and legislative compliance frameworks. A summary of the reviews undertaken to evaluate the controls is included at Appendix C.

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

Component	Purpose / Goal	Matters Identified / Improvements
7.2.1. Checklists & Workflow Diagrams	Checklists document the completion of multiple steps within an overall process, while workflow process diagrams create a visual representation of a process, clearly identifying key points of control and responsibility.	<p>Checklists of key functions are maintained for selected functions. Checklists were not maintained and evidenced for all standard routine functions such as end of month reconciliations and reporting across the organisation. It was noted some staff have commenced with the creation of checklists and procedures.</p> <hr/> <p><b>Improvement:</b> Creation and maintenance of standard checklists may assist in evidencing key points of control. Checklists assist in ensuring compliance with repetitive legislative compliance tasks. Staff are encouraged to continue with the development of checklists and procedures for routine functions, including evidencing independent review. In conjunction with, or as an alternative to, the development of documented procedures and checklists, development of workflow process diagrams may assist in clearly identifying controls and processes to be followed.</p>
7.2.2. Procedure Changes	Process to control and manage change to procedures.	<p>Process for amending or changing procedures are not formalised (administration procedures yet to be finalised). This creates opportunities for unilateral unauthorised changes to procedures and a breakdown in key controls within internal and financial controls.</p> <hr/> <p><b>Improvement:</b> Establish a process for the development, review, amendment and authorisation of procedures, checklists and other internal control documentation, throughout the Shire to assist with managing changes to procedures.</p>
7.2.3. Changes to Banking Details	Controls to validate banking change requests.	<p>Current procedures to restrict changes to bank details are considered appropriate, however do not appear to always be consistently documented to evidence all control validations for changes which have occurred. We noted more formal procedures relating to changes to banking details for employees and creditors master files are be developed to ensure sufficient controls exist in both substantiating the change request and the changes performed within the Shire's ERP system.</p> <hr/> <p><b>Improvement:</b> Progress and complete the review and update procedures to ensure the following matters are appropriately considered 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> <p>Procedures should require documentary support to evidence all controls having been applied when applying changes to banking details within the Shire's ERP.</p> <p><b>Management Comment:</b> Updates to documented controls are currently being undertaken by management.</p>

## 7.0 Framework Implementation

Component	Purpose / Goal	Matters Identified / Improvements
7.2.4. End of Month Processes	Processes for the completion of tasks and evidencing key points of control	<p>Creditors invoices appear to be processed and entered frequently along with creditors payment runs. Creditor invoices for payments relating to prior periods are not always allocated to the period to which the goods or services were received. Invoices for all goods or services received during the month may not be received prior to the end of the month and should be processed in the subsequent month but dated in the month the goods or services were received. These will then reflect as creditors at month end.</p> <hr/> <p><b>Improvement:</b> Supplier invoices should be processed in a timely fashion and entered through the Shire's ERP system as soon as practicable after receipt to provide a more accurate representation of the Shire's liabilities at any given time. Invoices should be followed up where not received for goods or services obtained.</p>
7.2.5. General Journal Entries	Journals are initiated processed which are independently reviewed and approved.	<p>There are limited documented internal control procedures for general journals. No general journal audit trail is currently produced to ensure no unauthorised journals have been posted.</p> <hr/> <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 current practice of independent review is maintained, and evidence of review is consistently applied. A monthly journal audit trail report should be produced and independently reviewed prior to preparation of the monthly statement of financial activity. IT permissions should also be considered when developing controls.</p> <p><b>Management Comment:</b> Updates to documented controls are currently being undertaken by management.</p>
7.2.6. Receipting and Banking	Processes for the accurate receipting of payments made to the Shire.	<p>Evidence of an independent review of end of day receipting reports selected for testing was not always recorded.</p> <hr/> <p><b>Improvement:</b> Update procedures and controls to ensure an appropriate review process has been undertaken for all end of day receipting activities processed for banking.</p>
7.2.7. Petty Cash	Systems and processes to ensure controls are maintained around petty cash.	<p>Our testing of petty cash noted a breakdown within the systems and controls described to us. The March 2021 reconciliation did not evidence review and authorisation of an appropriate senior officer, independent of the preparer.</p> <hr/> <p><b>Improvement:</b> Undertake a review of systems and processes relating to petty cash, to ensure adequate controls exist for the security of cash held, as well as maintaining and processing of petty cash transactions.</p> <p><b>Management Comment:</b> Although the process for the period tested did not occur as per required procedures, it was later reviewed once detected by the DCEO.</p>

## 7.0 Framework Implementation

Component	Purpose / Goal	Matters Identified / Improvements
7.2.8. Credit Cards	Systems and processes to control use of Corporate Credit Cards held	<p>Our review noted a credit card transaction in December 2020 which did not reconcile to the support documentation included with the credit card statement.</p> <hr/> <p><b>Improvement:</b></p> <p>Update systems and processes relating to credit cards, to ensure adequate controls exist relating to ensure compliance with adopted policy and approved procedure requirements. This should also provide for controls for robust control and review processes prior to payments being deducted through automated bank payments.</p>
7.2.9. Procurement Procedures for the procurement of goods or services.		<p>Through limited testing of payments we noted the following:</p> <ul style="list-style-type: none"> <li>• An instance where the requirements of the purchasing policy had not been adhered to;</li> <li>• Authorisation of invoices to be processed for payment made by the same individual who requested and authorised the purchase order;</li> <li>• Some invoices did not evidence independent review and authorisation when entered/processed for payment</li> <li>• Purchase orders being issued with no assigned value.</li> </ul> <hr/> <p><b>Improvements:</b></p> <p>All procurement of goods or services should be undertaken in accordance with legislative requirements and the purchasing policy. A review of the purchasing policy may be required to ensure the policy reflects the purchasing objectives and risks of the Shire.</p> <hr/> <p>Appropriate segregation of duties relating to the requisitioning, approval and authorisation of procurement related activities should exist. If circumstances prevent the full segregation of duties then procedures should exist to demonstrate alternate controls in place to reduce associated risks.</p> <hr/> <p>Review and update procedures to ensure appropriate review and authorisation has occurred and is evidenced prior to creditors invoices being authorised for payment.</p> <hr/> <p>Values should be assigned to all purchase orders to ensure purchasing authorisations and policy requirements have been adhered to and controls have been developed to prevent unauthorised changes being applied after purchase orders have been approved.</p> <p><b>Management Comment:</b></p> <p>Updates to documented controls are currently being undertaken by management.</p>
7.2.10. 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> <hr/> <p><b>Improvement:</b></p> <p>Update procedures to include review of the status of outstanding purchase orders as part of end of month processes. Ensure any controls developed are routinely and consistently applied.</p>

## 7.0 Framework Implementation

Component	Purpose / Goal	Matters Identified / Improvements
7.2.11. ICT Security	Procedures and practices to ensure the security of IT information, systems and data.	<p>We noted some levels of permissions have been established for IT network access to software and data, however this is largely undocumented. A number of recommendations were identified in the Shire's recent IT Strategic Plan, however are yet to be fully implemented. Regular review and process around access to key ICT systems are a key part of an organisation's internal controls.</p> <hr/> <p><b>Improvement:</b> Progress the implementation of recommendations included within the Shire's recent IT Strategic Plan and consider undertaking a comprehensive IT general security review, articulate current practices and implement findings of the review.</p>
7.2.12. Art Shop Controls	Controls in relation to the operations of the Warta Shop and sale of artworks.	<p>Purchases for the Warta Shop are managed by an officer who has responsibility for operation of the centre, negotiating purchases of art with artists, recording the art, setting of prices for the disposal of the art, sale of art and issuing cash payment when purchasing artwork from artists. Limited oversight documentation exists in relation to these activities.</p> <hr/> <p><b>Improvement:</b> A full review of procedures and controls is required to determine practical procedures, documentation and controls for the purchase and sale of art. Procedures should ensure compliance with the regulatory requirements in relation to the setting of fees and charges and ensure appropriate stock reconciliation controls are in place.</p>
7.2.13. Grants Management	Controls for the effective management of grants and compliance with conditions imposed by funding bodies.	<p>Limited procedures exist to support processes and controls in respect to:</p> <ul style="list-style-type: none"> <li>• application of grants;</li> <li>• acquittal of grants;</li> <li>• compliance with grant conditions; and</li> <li>• governance and administration arrangements.</li> </ul> <hr/> <p><b>Improvement:</b> Systems relating to grants management should include controls for the monitoring of grants with funding conditions and acquittal processes. Incomplete consideration of these factors may contribute to the Shire's ability to effectively deliver grant programs.</p> <p><b>Management Comment:</b> Updates to documented controls are currently being undertaken by management.</p>



## 7.0 Framework Implementation

### 7.3. Human Resource Management and Practices

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

Component	Purpose / Goal	Matters Identified / Improvements
7.3.1. Employee Appointment Procedures	Procedures to ensure appointment of staff are appropriately authorised, and onboarding processes are consistently and routinely applied.	<p>Staff inductions are inconsistently applied throughout the Shire, and induction processes do not consistently communicate to staff required expectations and requirements when performing local government functions. It is noted that draft procedures for this are currently being developed.</p> <hr/> <p><b>Improvement:</b></p> <p>Develop and implement procedures to ensure all new staff are appropriately inducted and aware of the parameters of their employment responsibilities and obligations including:</p> <ul style="list-style-type: none"> <li>• OH&amp;S;</li> <li>• Duties and responsibilities;</li> <li>• Security;</li> <li>• Code of Conduct;</li> <li>• HR Policies and Procedures;</li> <li>• Legislative Compliance;</li> <li>• Risk Management; and</li> <li>• Other relevant and required topics.</li> </ul>
7.3.2. Employee Termination Procedures	Procedures to ensure staff physical and IT access is removed and Shire assets returned at the time of departure.	<p>No formal process or procedure is currently in place to ensure the appropriate process on termination of employees ensuring security and IT permissions are restricted, Shire property (phones, vehicles, keys) is returned prior to the employee finishing with the Shire. We noted draft procedures for this are currently being developed.</p> <hr/> <p><b>Improvement:</b></p> <p>Establish policies, procedures or checklists to manage and document the termination of employees, ensuring access to Shire resources is appropriately restricted and all allocated Shire assets are recovered.</p>
7.3.3. Employee Identity and Credentials	Systems and controls for screening of new employee and monitoring existing employees for changes in their circumstances which may impact their employment.	<p>Practices and procedures for verifying employee identity, right to work in Australia, background checks, verification of employment history and qualifications are considered inadequate. We noted a breakdown in controls where an employee file did not contain evidence of background checks, licences, qualifications etc.</p> <hr/> <p><b>Improvement:</b></p> <p>Develop, implement and maintain appropriate policies and procedures to reduce the risk of unqualified or unsuitable staff being employed by the Shire, in line with the Western Australian Auditor General's Report in June 2019 relating to Verifying Employee Identity and Credentials.</p>

## 7.0 Framework Implementation

Component	Purpose / Goal	Matters Identified / Improvements
7.3.4. Staff Training	To ensure staff have access to ongoing and appropriate training.	<p>Planned and required staff training needs for employees are currently recorded for some operational areas/departments. A central training matrix is not currently maintained.</p> <hr/> <p><b>Improvement:</b></p> <p>Refine the current practice of documenting training requirements to add further value by developing and maintaining a central training matrix to identify staff training needs relevant to their role, ensuring it is co-ordinated across the organisation and monitors currency of required licences and qualifications.</p>
7.3.5. Payroll	Procedure to allow for appropriate review and approval of fortnightly payroll.	<p>Evidence of review and authorisation of a fortnightly payroll report selected for review was not recorded by both review/authorising officers.</p> <hr/> <p>The officer responsible for preparing and processing employee pays is also tasked with authorising the payments through the bank. Risks may exist where reduced impartiality and lack of segregation of duties are associated with payroll transactions.</p> <hr/> <p><b>Improvements:</b></p> <p>Implement documented procedures to ensure adequate controls are consistently followed for review and authorisation of fortnightly payroll reports, with appropriate evidence of these reviews consistently recorded.</p> <hr/> <p>Where possible, segregation of duties should exist where those responsible for processing payroll transactions are not responsible for approving payments through the bank. If circumstances prevent the full segregation of duties, documented procedures should describe the controls in place to reduce associated risks.</p>
7.3.6. Payroll Audit Trails	Procedure to allow for appropriate review and approval of changes made within the payroll system.	<p>A review of changes to the payroll is made each pay run and is conducted prior to the payroll being updated into the bank. However, our testing noted a payroll audit trail had no preparer or reviewer evidenced on the report.</p> <hr/> <p><b>Improvement:</b></p> <p>Procedures to minimise risk of erroneous or unauthorised changes to employee details should be consistently evidenced and maintained. Regular reviews of software audit trails is one form of control and this practice is strongly encouraged to continue with the addition of consistent evidence of the review.</p> <p><b>Management Comment:</b></p> <p>Updates to documented controls are currently being undertaken by management.</p>

## 7.0 Framework Implementation

### 7.4. Insurance

At present, the Deputy Chief Executive Officer annually reviews the completeness of insurance, which is presented to the CEO for final review. Discussions are also held with 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.

Component	Purpose / Goal	Matters Identified / Improvements
7.4.1. Contractor Insurance	Insurance cover maintained by contractors for damage caused when undertaking works for the Shire.	<p>Contractors' insurances are not always assessed prior to award of contracts. Reliance is placed on contract managers to ensure copies of insurances are provided and are current.</p> <hr/> <p><b>Improvement:</b></p> <p>To help ensure contractors have the relevant licences and have adequate insurance cover for the works they undertake for the Shire, procedures should be finalised, and records maintained to ensure copies of contractors' current insurances and licences are held on file.</p>

## 8.0 Framework Evaluation

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

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

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

### 8.1. Council and Audit and Risk Committee

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

## 8.0 Framework Evaluation

### 8.2. Strategic and Operational Registers

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

Register	Purpose / Goal	Matters Identified / Improvements
8.2.1. Register of Hazardous Materials	Provide a record of properties under the Shire's control containing hazardous materials.	<p>A register of hazardous materials was not available for our inspection, to reflect properties under the control of the Shire which may contain hazardous materials such as asbestos, and if associated risks have been adequately treated.</p> <hr/> <p><b>Improvement:</b></p> <p>Develop and maintain a register to record details of hazardous materials, such as asbestos, for properties under the control of the Shire.</p>
8.2.2. 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></p> <p>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>
8.2.3. Contracts Register	Provide a record of contracts entered into by the Shire.	<p>A contracts register was not available for our inspection detailing the status of contracts held by the Shire.</p> <hr/> <p><b>Improvement:</b></p> <p>Maintain a register to record details of all contracts (current and expired) and their status in a form to assist with ensuring contracts are monitored and actioned as required and reflecting the value of the contracts.</p>

## 8.0 Framework Evaluation

### 8.3. Annual Compliance Audit Returns (CAR)

Returns have been completed on a self-assessment basis, reviewed by the Audit and Risk Committee and approved by Council each year. The CAR was completed in house by staff for the 2018, 2019 and 2020 return periods. Three matters of non compliance were noted in the 2018 return relating to some annual returns not being received by 31 August, no evidence of a review of legislative compliance, risk management and internal controls being performed and no evidence of a review of delegations to committees being performed. The 2019 return noted one matter of non compliance relating to a financial management review not being performed within required timeframes, with the same matter also being noted in the 2020 return. This matter was reported to the Audit and Risk Committee and to Council with an improvement noted in the officer's report.

### 8.4. Complaint Handling

Historically, very few community complaints have been received by the Shire. A procedure to guide the process for managing community complaints was prepared in 2017. An update to this procedure is being prepared, including the requirement to establish a register to maintain and manage community complaints. This procedure is intended to be applied across the organisation, with regular reviews and management reporting to ensure complaints are adequately actioned and addressed.

## 8.0 Framework Evaluation

### 8.5. Audit Practices

Council had appointed external financial auditors to the Shire for the 2017-18, 2018-19 and 2019-20 periods. From 2020-21 audits will be performed under the Office of the Auditor General (OAG). The 2017-18 audit report noted matters relating to lack of segregation of duties and dual signatory controls for creditor and payroll payrolls, as well as a number of employees with no employment contracts. The 2018-19 audit report noted the own source revenue coverage ratio had been below the benchmark set by the Department of Local Government, Sport and Cultural Industries (DLGSCI) standard for three years and indicated a significant adverse trend to the financial position of the Shire. A significant adverse trend was also noted in 2019-20 for the own source revenue coverage ratio.

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

Component	Purpose / Goal	Matters Noted / Improvements
8.5.1. 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> <hr/> <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>
8.5.2. Significant Adverse Trend Report	To ensure action is taken to improve significant matters raised by auditors.	<p>A significant adverse trend was identified during the 2018-19 &amp; 2019-20 audits. We noted the following legislative requirements were not met:</p> <ul style="list-style-type: none"> <li>• A report was not prepared stating actions intended to be taken in relation to the adverse trends noted;</li> <li>• The above mentioned report is to be considered by the audit committee and Council;</li> <li>• The report is to be submitted to the Minister; and</li> <li>• The report is to be published on the official local government website.</li> </ul> <hr/> <p><b>Improvements:</b></p> <p>Prepare a report stating actions intended to be taken relating to the significant adverse trend identified during the 2018-19 &amp; 2019-20 audits and present for consideration by the Audit Committee and Council, forward to the Minister after adoption, and publish the report on the Shire's website. Ensure any future reports are prepared and published as required by section 7.12A of the <i>Local Government Act 1995</i>.</p>

## 8.0 Framework Evaluation

### 8.6. Review required to be undertaken by the CEO

The CEO is required to undertake reviews of systems and procedures of the local government. The table below presents matters noted in relation to these reviews.

Component	Purpose / Goal	Matters Noted / Improvements
8.6.1. Audit Regulation 17 Review	CEO's review of the appropriateness and effectiveness of systems and procedures for Risk Management, Internal Controls and Legislative Compliance in accordance with Regulation 17 of <i>Local Government (Audit) Regulations 1996</i> .	<p>A review was last undertaken in August 2017, which is outside of the time period as required by regulation 17 of <i>Local Government (Audit) Regulations 1996</i>.</p> <hr/> <p>The previous review made no recommendations in relation to the appropriateness and effectiveness of risk management, legislative compliance and internal controls.</p> <hr/> <p><b>Improvements:</b></p> <p>Ensure the next review is undertaken within the time period as required by legislation.</p> <hr/> <p>Ensure future reviews identifies operational and financial risk, control weaknesses and compliance weaknesses.</p>
8.6.2. 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>Evidence of a previous review was not available for our review. Staff representations indicated the previous review was performed in house by staff responsible for financial management of the Shire. No evidence of the results of the previous review being reported to Council as required by regulation 5 (2) (c) of the <i>Local Government (Financial Management) Regulations 1996</i> was available for our review.</p> <hr/> <p><b>Improvement:</b></p> <p>Ensure the next review is undertaken within the time period, by parties with required levels of independence and is considered by Council as required <i>Local Government (Financial Management) Regulations 1996</i>.</p>



## 9.0 Other Matters

Liability limited by a scheme approved under Professional Standards Legislation

### Disclaimer

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

Moore Australia (WA) Pty Ltd, a Perth based partnership of trusts ("the firm"), carries on business separately and independently from other Moore Global Network Limited member firms worldwide.

Services provided under this engagement are provided by the Firm and not by any other independent Moore Global Network Limited member firm. No other independent Moore Global Network Limited member has any liability for services provided by other members.

Throughout this document, a reference to Moore Australia refers to Moore Australia (WA) Pty Ltd trading as agent ABN 99 433 544 961, an independent member of Moore Global Network Limited – member in principal cities throughout the world. Moore Australia (WA) Pty Ltd is not a partner or agent of any other Moore Global Network Limited firm.

### Copyright

All rights reserved.

This report is prepared solely for the purpose set out in the proposal scope and is not to be used for any other purpose or distributed to any other party without Moore Australia prior consent. Any reliance placed by a third party on the report is that party's responsibility.

### Moore Australia (WA) Pty Ltd

Level 15 Exchange Tower  
2 The Esplanade  
PERTH WA 6000  
Phone +61 (0)8 9225 5355  
Email russell.barnes@moore-australia.com.au  
ABN 99 433 544 961

### Document Date

Version: 3.0  
Status: FINAL  
Date: 2 November 2021

# 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 twelve 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	<p>The Shire's cost and administration allocation system was examined to determine if indirect costs have been properly reallocated to various jobs/programs. This included review of the allocation basis and rates used to ensure they are appropriate and regularly reviewed</p>
Financial reports	<p>The format of the annual report, annual financial report and monthly financial reports were reviewed for compliance with legislative requirements</p>
Budget	<p>The 2019-20 budget document and documents surrounding budget adoption were reviewed to ensure compliance with regulatory requirements</p>

# Appendix B – Council Policies Examined

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

## Policy Topic (as at 6 August 2021)

<b>GOVERNANCE</b>	
1.1 Legislative Compliance	1.13 Attendance at Events
1.2 Internal Control	1.14 Disturbance at Council Meetings – Complaint Procedure
1.3 Risk Management	1.15 Community Engagement
1.4 Legal Representation – Costs Indemnification	1.16 Council Election Caretaker Period
1.5 Approvals at Short Notice	1.17 Use of Common Seal
1.6 Communication – Elected Members of Staff	1.18 Citizenship Ceremony, Dress Code
1.7 Council Forums	1.19 Shire Logo
1.8 Elected Member Ongoing Professional Development	1.20 Information Technology Systems & Internet Usage
1.9 Managing Public Question Time	1.21 Records Management
1.10 External Complaints	1.22 Fraud Control
1.11 Audit and Risk Committee – Terms of Reference	1.23 Dwelling Smoke Detectors
1.12 Committees	
<b>FINANCE</b>	
2.1 Purchasing	2.8 Long Term Financial Planning
2.2 Financial Governance	2.9 Fees and Charges Revenue
2.3 Panels of Pre-Qualified Suppliers	2.10 Cash Reserves
2.4 Borrowing Management	2.11 Corporate Credit Cards
2.5 Rating	2.12 Investment
2.6 Rating Exemption	2.13 Financial Hardship (Rates Relief)
2.7 Asset Management	
<b>HUMAN RESOURCES</b>	
3.1 Senior Employees	
3.2 Appointment of Acting CEO	
3.3 Employee Gratuity Payments	
3.4 Occupational Health and Safety	
3.5 Drug and Alcohol	

## Appendix C – Plans Examined

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

Plan	Status
Plan for the Future (SCP & CBP)	2021-2031
Long Term Financial Plan	2021-2036
Workforce Plan	2021-2025
Code of Conduct – Elected Members	February 2021
Code of Conduct – Staff	June 2021
Record Keeping Plan	Approved by State Records Office 10 March 2016
Local Emergency Management Arrangements	2016-2020
Disaster Recovery Plan	2016
Annual Report	2019-20
CEO Procedures	Draft
Risk Management Strategy	2019
IT Strategic Plan	December 2020

# Appendix D – Strategic and Operational Registers Examined

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

Register
Tender Register
Gifts Register
Delegation Register (adopted 26 August 2020)
Financial Interests Register
Official Complaints Register
Food Business Inspections Register
Risk Register

# Appendix E – Operational Guidelines

## Risk Management

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

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

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

*Assessing the internal processes for determining and managing material operating risks in accordance with the local government's identified tolerance for risk, particularly in the following areas:*

- *potential non-compliance with legislation, regulations and standards and local government's policies*
- *important accounting judgements or estimates prove to be wrong*
- *litigation and claims*
- *misconduct, fraud and theft*
- *significant business risks, recognising responsibility for general or specific risk areas, for example, environmental risk, occupational health and safety, and how they are managed by the local government*

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

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

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

*Assessing whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk;*

*Assessing the local government's procurement framework with a focus on the probity and transparency of policies and procedures/processes and whether these are being applied;*

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

*Ascertaining whether fraud and misconduct risks have been identified, analysed, evaluated, have an appropriate treatment plan which has been implemented, communicated, monitored and there is regular reporting and ongoing management of fraud and misconduct risks.*

## Legislative Compliance

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

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

# Appendix E – Operational Guidelines

## Legislative Compliance (continued)

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

## Internal Controls

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

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

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

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

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

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

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

*Aspects of an effective control framework will include:*

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



# Appendix E – Operational Guidelines

## Internal Controls (continued)

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

*The following are examples of controls that are typically reviewed:*

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

## CONTACT US

Level 15, 2 The Esplanade,  
Perth WA 6000

T +61 8 9225 5355

F +61 8 9225 6181

E [perth@moore-australia.com.au](mailto:perth@moore-australia.com.au)

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



Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Responsible Officer	% Complete	Action taken
<b>External Complaints 1.10</b>								
Functional	6.2.1	This policy governs the procedure for complaints against elected members of Council, which contradicts the appointment of the CEO as the Complaints Officer in the Code of Conduct for Council Members, Committee Members and candidates for election.	Medium	Planned action required	Review and amend the policy with consideration of the complaints resolution procedures as documented in the Code of Conduct for Council Members, Committee Members and candidates for election.	DGS		
<b>Business Continuity &amp; Disaster Recovery Plan</b>								
Entity Wide	7.1.1	A Business Continuity Plan was prepared in 2016 however there was no evidence of the plan being tested to ensure its validity.	High	Prioritised action required	Progress the review, update of the Business Continuity Plan and test it to ensure its validity, including validity of the documented key business continuity risks along with the treatments. Ensure content of the plan is relevant and current to the Shire, and risk treatments are consolidated with overarching risk management activities.  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.	DGS		
<b>ICT Disaster Recovery Plan</b>								
Entity Wide	7.1.2	A Disaster Recovery Plan was adopted by Council on 09 November 2016 however there was no evidence of the plan being tested to ensure its validity.  The overall plan requires biennial testing / review, which may not be frequent enough to maintain currency in the application of the plan. We noted reference to superfluous systems within the plan, which may impede the effectiveness of its implementation in a disruption event.	High	Prioritised action required	Review and update content of the Disaster Recovery Plan to ensure relevancy and currency to the Shire. Maintain, review and test the plan to ensure validity.	DGS		
<b>Administration Procedures</b>								
Entity Wide	7.1.3	Documented procedures currently exist in the form of a CEO Procedures Manual (currently under review). Some other operational process manuals are also maintained by administration staff do not appear to always be assessed by senior staff for compliance and appropriateness with expected controls.	Medium	Planned action required	Finalise review of the CEO Procedures.	DGS / DCEO		
<b>Asset Management Plan</b>								
Entity Wide	7.1.4	The most recent Asset Management Plan was adopted in November 2018. The plan does not meet the standards set within the DLGSCI Integrated Planning and Reporting Advisory Standard (September 2016), in that the ratio data cannot be identified.	Medium	Planned action required	Review and update the Asset Management Plans to maintain effective alignment with IPR documents, and to include all required data and information as published within the DLGSCI Integrated Planning and Reporting Advisory Standard (September 2016).	DIS		
<b>Checklists &amp; Workflow Diagrams</b>								

**Shire of Ngaanyatjaraku Risk Assessment FMR Reg 17 Review - V3.0**

Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Responsible Officer	% Complete	Action taken
Functional	7.2.1	Checklists of key functions are maintained for selected functions. Checklists were not maintained and evidenced for all standard routine functions such as end of month reconciliations and reporting across the organisation. It was noted some staff have commenced with the creation of checklists and procedures.	Medium	Planned action required	Creation and maintenance of standard checklists may assist in evidencing key points of control. Checklists assist in ensuring compliance with repetitive legislative compliance tasks. Staff are encouraged to continue with the development of checklists and procedures for routine functions, including evidencing independent review. In conjunction with, or as an alternative to, the development of documented procedures and checklists, development of workflow process diagrams may assist in clearly identifying controls and processes to be followed.	DCEO		
<b>Procedure Changes</b>								
Functional	7.2.2	Process for amending or changing procedures are not formalised (administration procedures yet to be finalised). This creates opportunities for unilateral unauthorised changes to procedures and a breakdown in key controls within internal and financial controls.	High	Prioritised action required	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.	DCEO		
<b>Changes to Banking Details</b>								
Functional	7.2.3	Current procedures to restrict changes to bank details are considered appropriate, however do not appear to always be consistently documented to evidence all control validations for changes which have occurred. We noted more formal procedures relating to changes to banking details for employees and creditors master files are be developed to ensure sufficient controls exist in both substantiating the change request and the changes performed within the Shire's ERP system.	High	Prioritised action required	Progress and complete the review and update procedures to ensure the following matters are appropriately considered and controls are adequate to: <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> Procedures should require documentary support to evidence all controls having been applied when applying changes to banking details within the Shire's ERP.	DCEO		
<b>End of Month Processes</b>								
Functional	7.2.4	Creditors invoices appears to be processed and entered only at the time where a routine creditors payment run is scheduled resulting in month end creditor balances being nil at the end of each month selected for review. This may result in an incorrect balance being presented in monthly financial statements.	Medium	Planned action required	Supplier invoices should be processed in a timely fashion and entered through the Shire's ERP system as soon as practicable after receipt to provide a more accurate representation of the Shire's liabilities at any given time. Invoices should be followed up where not received for goods or services obtained.	DCEO		
<b>General Journal Entries</b>								
Functional	7.2.5	There are limited documented internal control procedures for general journals. No general journal audit trail is currently produced to ensure no unauthorised journals have been posted.	High	Prioritised action required	Document internal controls to ensure journals requests initiated are reviewed and approved/authorised prior to posting by an appropriate officer, the current practice of independent review is maintained, and evidence of review is consistently applied. A monthly journal audit trail report should be produced and independently reviewed prior to preparation of the monthly statement of financial activity. IT permissions should also be considered when developing controls.	DCEO		
<b>Receipting and Banking</b>								
Functional	7.2.6	Evidence of an independent review of end of day receipting reports selected for testing was not always recorded.	Medium	Planned action required	Update procedures and controls to ensure an appropriate review process has been undertaken for all end of day receipting activities processed for banking.	DCEO		
<b>Petty Cash</b>								

Shire of Ngaanyatjarraku Risk Assessment FMR Reg 17 Review - V3.0

Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Responsible Officer	% Complete	Action taken
Functional	7.2.7	Our testing of petty cash noted a breakdown within the systems and controls described to us. The March 2021 reconciliation did not evidence review and authorisation of an appropriate senior officer, independent of the preparer.	High	Prioritised action required	Undertake a review of systems and processes relating to petty cash, to ensure adequate controls exist for the security of cash held, as well as maintaining and processing of petty cash transactions.	DCEO		
<b>Credit Cards</b>								
Functional	7.2.8	Credit card statement in December 2020 selected for review was not signed by the FAC for the transactions incurred as required by the documented policy and procedure in place.  Our review noted a credit card transaction in December 2020 which did not reconcile to the support documentation included with the credit card statement.	High	Prioritised action required	Update systems and processes relating to credit cards, to ensure adequate controls exist relating to ensure compliance with adopted policy and approved procedure requirements. This should also provide for controls for robust control and review processes prior to payments being deducted through automated bank payments.  Ensure processes exist to maintain adherence to and detect any deviation from established documented procedures and controls. Where possible, segregation of duties should exist where those who have incurred charges on corporate credit cards are not also responsible for reconciling and entering credit card transactions. If circumstances prevent the full segregation of duties, documented procedures should describe the controls in place to reduce associated risks.	DCEO		
<b>Procurement</b>								
Functional	7.2.9	Through limited testing of payments we noted the following: •An instance where the requirements of the purchasing policy had not been adhered to; •Authorisation of invoices to be processed for payment made by the same individual who requested and authorised the purchase order; •Some invoices did not evidence independent review and authorisation when entered/processed for payment •Purchase orders being issued with no assigned value.	High	Prioritised action required	All procurement of goods or services should be undertaken in accordance with legislative requirements and the purchasing policy. A review of the purchasing policy may be required to ensure the policy reflects the purchasing objectives of the Shire.  Appropriate segregation of duties relating to the requisitioning, approval and authorisation of procurement related activities should exist. If circumstances prevent the full segregation of duties then procedures should exist to demonstrate alternate controls in place to reduce associated risks.  Review and update procedures to ensure appropriate review and authorisation has occurred and is evidenced prior to creditors invoices being authorised for payment.  Values should be assigned to all purchase orders to ensure purchasing authorisations and policy requirements have been adhered to and controls have been developed to prevent unauthorised changes being applied after purchase orders have been approved.	DCEO		
<b>Outstanding Purchase Orders</b>								
Entity Wide	7.2.10	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.	Medium	Planned action required	Update procedures to include review of the status of outstanding purchase orders as part of end of month processes. Ensure any controls developed are routinely and consistently applied.	DCEO		
<b>ICT Security</b>								

**Shire of Ngaanyatjarraku Risk Assessment FMR Reg 17 Review - V3.0**

Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Responsible Officer	% Complete	Action taken
Entity Wide	7.2.11	We noted some levels of permissions have been established for IT network access to software and data, however this is largely undocumented. A number of recommendations were identified in the Shire's recent IT Strategic Plan, however are yet to be fully implemented. Regular review and process around access to key ICT systems are a key part of an organisation's internal controls.	High	Prioritised action required	Progress the implementation of recommendations included within the Shire's recent IT Strategic Plan and consider undertaking a comprehensive IT general security review, articulate current practices and implement findings of the review.	DGS		
<b>Art Shop Controls</b>								
Functional	7.2.12	Purchases for the Warta Shop are managed by an officer who has responsibility for operation of the centre, negotiating purchases of art with artists, recording the art, setting of prices for the disposal of the art, sale of art and issuing cash payment when purchasing artwork from artists. Limited oversight documentation exists in relation to these activities.	High	Prioritised action required	A full review of procedures and controls is required to determine practical procedures, documentation and controls for the purchase and sale of art. Procedures should ensure compliance with the regulatory requirements in relation to the setting of fees and charges and ensure appropriate stock reconciliation controls are in place.	DCEO		
<b>Grants Management</b>								
Entity Wide	7.2.13	Limited procedures exist to support processes and controls in respect to: <ul style="list-style-type: none"> <li>• application of grants;</li> <li>• acquittal of grants;</li> <li>• compliance with grant conditions; and</li> <li>• governance and administration arrangements.</li> </ul>	Medium	Planned action required	Systems relating to grants management should include controls for the monitoring of grants with funding conditions and acquittal processes. Incomplete consideration of these factors may contribute to the Shire's ability to effectively deliver grant programs.	DCEO		
<b>Segregation of Duties and Internal Controls</b>								
Functional	7.1.14	We noted a lack of independent oversight for some key roles, with some existing controls considered inadequate, especially where multiple process controls for high risk transactions are performed by a single individual or involve closely related parties. Where a single individual or closely related parties are responsible for or involved in multiple stages of various processes, there is an increased risk and opportunity for error, misconduct etc to occur.	High	Prioritised action required	Interventions should be available at various stages for a number of operational functions, including routine independent reviews of controls to ensure they are being observed and maintained as required. Where resourcing constraints exist (such as small local governments with limited staff), other considerations should be applied such as training and engaging officers within the organisation who may not normally be involved in these processes, to assist with checks and controls, or engaging independent parties to provide sufficient levels of oversight.	DCEO		
<b>Procurement Assessment</b>								
Functional	7.2.15	Documented formal requirements when undertaking assessments of responses to requests for quotations exist, however are not always consistently recorded / maintained with our samples selected for testing. Procedures are currently being updated to ensure records are maintained and and review of assessments are routinely performed.  Documented procedures are also being updated to formalise the requirement for declarations of interest and confidentiality to be signed prior to assessments being undertaken for high value purchases.	Medium	Planned action required	To help ensure probity and fairness when assessing high value procurement, at least three persons should assess the procurement responses independently of each other. Documented processes should require a higher level of probity and due diligence, for higher value or higher risk purchases.	DCEO / DGS		
<b>Rates</b>								
Functional	7.2.16	Evidence of routine reviews of rate exempt properties as defined by section 6.26(2)(g) of the Local Government Act 1995 was not available for our inspection.	Medium	Planned action required	Develop 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, in accordance with policy 2.6 Rating Exemption.	DCEO		
<b>Fixed Assets</b>								

Shire of Ngaanyatjaraku Risk Assessment FMR Reg 17 Review - V3.0

Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Responsible Officer	% Complete	Action taken
Functional	7.2.17	We noted two instances of asset additions being incorrectly recorded on the fixed assets register due to inconsistent GST treatment of some line item expenses for the asset acquisition.	Medium	Planned action required	Ensure appropriate controls are in place to correctly identify the initial carrying value of new assets. Review procedures and controls for updates to the asset register, including review and authorisation by an independent officer.	DCEO		
<b>Stock Controls</b>								
Functional	7.2.18	Controls in relation to management of stock for the Warta Shop are considered inadequate. Documented procedures for annual stocktakes of artwork and other items of value as well as reconciliations to validate effectiveness of controls are under review and to be finalised.	Medium	Planned action required	Review and update systems and procedures relating to stock controls at Shire facilities, including permission/authorisation requirements for stock pricing changes and stock write offs. Periodic stocktakes should minimally include reconciliation of stock movements against sales and independent review of data etc.	DCEO		
<b>Employee Appointment Procedures</b>								
Entity Wide	7.3.1	Staff inductions are inconsistently applied throughout the Shire, and induction processes do not consistently communicate to staff required expectations and requirements when performing local government functions. It is noted that draft procedures for this are currently being developed.	High	Prioritised action required	Develop and implement procedures to ensure all new staff are appropriately inducted and aware of the parameters of their employment responsibilities and obligations including: •OH&S; •Duties and responsibilities; •Security; •Code of Conduct; •HR Policies and Procedures; •Legislative Compliance; •Risk Management; and •Other relevant and required topics.	DCEO		
<b>Employee Termination Procedures</b>								
Entity Wide	7.3.2	No formal process or procedure is currently in place to ensure the appropriate process on termination of employees ensuring security and IT permissions are restricted, Shire property (phones, vehicles, keys) is returned prior to the employee finishing with the Shire. We noted draft procedures for this are currently being developed.	High	Prioritised action required	Establish policies, procedures or checklists to manage and document the termination of employees, ensuring access to IT systems, etc. is appropriately restricted and all allocated Shire assets are recovered.	DCEO		
<b>Employee Identity and Credentials</b>								
Entity Wide	7.3.3	Practices and procedures for verifying employee identity, right to work in Australia, background checks, verification of employment history and qualifications are considered inadequate. We noted a breakdown in controls where an employee file did not contain evidence of background checks, licences, qualifications etc.	High	Prioritised action required	Develop, implement and maintain appropriate policies and procedures to reduce the risk of unqualified or unsuitable staff being employed by the Shire, in line with the Western Australian Auditor General's Report in June 2019 relating to Verifying Employee Identity and Credentials.	DCEO		
<b>Staff Training</b>								
Entity Wide	7.3.4	Planned and required staff training needs for employees are currently recorded for some operational areas/departments. A central training matrix is not currently maintained.	Medium	Planned action required	Refine the current practice of documenting training requirements to add further value by developing and maintaining a central training matrix to identify staff training needs relevant to their role, ensuring it is co-ordinated across the organisation and monitors currency of required licences and qualifications.	DCEO		
<b>Payroll</b>								

Shire of Ngaanyatjaraku Risk Assessment FMR Reg 17 Review - V3.0

Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Responsible Officer	% Complete	Action taken
Functional	7.3.5	Evidence of review and authorisation of fortnightly payroll reports was not recorded by both review/authorising officers.  The officer responsible for preparing and processing employee pays is also tasked with authorising the payments through the bank. Risks may exist where reduced impartiality and lack of segregation of duties are associated with payroll transactions.	High	Prioritised action required	Implement documented procedures to ensure adequate controls are consistently followed for review and authorisation of fortnightly payroll reports, with appropriate evidence of these reviews consistently recorded.  Where possible, segregation of duties should exist where those responsible for processing payroll transactions are not responsible for approving payments through the bank. If circumstances prevent the full segregation of duties, documented procedures should describe the controls in place to reduce associated risks.	DCEO		
<b>Payroll Audit Trails</b>								
Entity Wide	7.3.6	A review of changes to the payroll is made each pay run and is conducted prior to the payroll being updated into the bank. However, our testing noted a payroll audit trail had no preparer or reviewer evidenced on the report.	Medium	Planned action required	Procedures to minimise risk of erroneous or unauthorised changes to employee details should be consistently evidenced and maintained. Regular reviews of software audit trails is one form of control and this practice is strongly encouraged to continue with the addition of consistent evidence of the review.	DCEO		
<b>Payroll Exception Reporting</b>								
Functional	7.3.7	The officers responsible for processing and reviewing payroll are tasked with review and capture of employee entitlements, allowances, deductions, etc. with no verification to contractual entitlements. Staff have advised more formal documentation / checklists are intended to be created to assist with payroll processing, review and authorisation.	High	Prioritised action required	Review of procedures and controls to define procedures, documentation and controls for the accurate processing of payroll each fortnight. Details for each employee should be reviewed against individual employment contracts to capture allowances, deductions, entitlements etc, into a master list, with appropriate review and authorisation for changes. Payroll exception reporting and review of audit trails should be undertaken to capture anomalies or unauthorised changes.	DCEO		
<b>Contractor Insurance</b>								
Entity Wide	7.4.1	Contractors' insurances are not always assessed prior to award of contracts. Reliance is placed on contract managers to ensure copies of insurances are provided and are current.	High	Prioritised action required	To help ensure contractors have the relevant licences and have adequate insurance cover for the works they undertake for the Shire, procedures should be finalised, and records maintained to ensure copies of contractors' current insurances and licences are held on file.	DCEO		
<b>Register of Hazardous Materials</b>								
Functional	8.2.1	A register of hazardous materials was not available for our inspection, to reflect properties under the control of the Shire which may contain hazardous materials such as asbestos, and if associated risks have been adequately treated.	High	Prioritised action required	Develop and maintain a register to record details of hazardous materials, such as asbestos, for properties under the control of the Shire.	DCEO / DIS		
<b>Investment Register</b>								



**Shire of Ngaanyatjarraku Risk Assessment FMR Reg 17 Review - V3.0**

Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Responsible Officer	% Complete	Action taken
Functional	8.2.2	An investment register was not available for our inspection detailing the nature and location of all investments and all related transactions.	High	Prioritised action required	Recording the nature and location of all investments and related transactions is required by Regulation 19 (2) of the Local Government (Financial Management) Regulations 1996. 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.	DCEO		
<b>Contracts Register</b>								
Functional	8.2.3	A contracts register was not available for our inspection detailing the status of contracts held by the Shire.	Medium	Planned action required	Maintain a register to record details of all contracts (current and expired) and their status in a form to assist with ensuring contracts are monitored and actioned as required and reflecting the value of the contracts.	DGS		
<b>Tender Register</b>								
Entity Wide	8.2.4	Inspection of the register noted the inclusion of a procurement activity which was not a tender, but rather a request for quotation. Procurement processes which are not tenders should be maintained separate to the tender register.	Medium	Planned action required	Ensure the tender register contains only the information required to comply with Regulation 16 & 17 of the Local Government (Functions and General) Regulations 1996.	DGS		
<b>Financial Interest Register</b>								
Functional	8.2.5	Our testing noted several returns prior to 2018/19 are not recorded within the register for some relevant persons, due to the register not being maintained in some previous years. It was also noted these instances have since been reported as required by legislation.	Medium	Planned action required	Maintain systems and procedures to obtain all returns required under the Local Government Act 1995.	DGS		
<b>Community Complaints</b>								
Functional	8.4.1	A procedure to guide the process for managing community complaints was prepared in 2017. An update to this procedure is being prepared, including the requirement to establish a register to maintain and manage community complaints	High	Prioritised action required	Finalise and implement procedure to ensure community complaints are adequately reported, actioned, and addressed.	DGS		
<b>Internal Audit</b>								
Entity Wide	8.5.1	Currently, no internal auditors have been appointed, and limited internal audit functions have been undertaken.	Medium	Planned action required	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.	DGS		
<b>Significant Adverse Trend Report</b>								

**Shire of Ngaanyatjaraku Risk Assessment FMR Reg 17 Review - V3.0**

Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Responsible Officer	% Complete	Action taken
Entity Wide	8.5.2	<p>A significant adverse trend was identified during the 2018-19 &amp; 2019-20 audits. We noted the following legislative requirements were not met:</p> <ul style="list-style-type: none"> <li>•A report was not prepared stating actions intended to be taken in relation to the adverse trends noted;</li> <li>•The above mentioned report is to be considered by the audit committee and Council;</li> <li>•The report is to be submitted to the Minister; and</li> <li>•The report is to be published on the official local government website.</li> </ul>	<b>High</b>	<b>Prioritised action required</b>	Prepare a report stating actions intended to be taken relating to the significant adverse trend identified during the 2018-19 & 2019-20 audits and present for consideration by the Audit Committee and Council, forward to the Minister after adoption, and publish the report on the Shire's website. Ensure any future reports are prepared and published as required by section 7.12A of the Local Government Act 1995.	CEO / DCEO		
<b>Audit Regulation 17 Review</b>								
Entity Wide	8.6.1	<p>A review was last undertaken in August 2017, which is outside of the time period as required by. regulation 17 of <i>Local Government (Audit) Regulations 1996</i> .</p> <p>The previous review made no recommendations in relation to the appropriateness and effectiveness of risk management, legislative compliance and internal controls.</p>	<b>Medium</b>	<b>Planned action required</b>	<p>Ensure the next review is undertaken within the time period as required by legislation.</p> <p>Ensure future review identifies operational and financial risk, control weaknesses and compliance weaknesses.</p>	DCEO / DGS		
<b>Financial Management Review</b>								
Entity Wide	8.6.2	<p>Evidence of a previous review was not available for our review. Staff representations indicated the previous review was performed in house by staff responsible for financial management of the Shire. No evidence of the results of the previous review being reported to Council as required by regulation 5 (2) (c) of the Local Government (Financial Management) Regulations 1996 was available for our review.</p>	<b>Medium</b>	<b>Planned action required</b>	<p>Ensure the next review is undertaken within the time period, by parties with required levels of independence and is considered by Council as required Local Government (Financial Management) Regulations 1996.</p>	DCEO / DGS		