Agenda
Audit Committee Meeting

Wednesday, 11 June, 2025
At 5.00pm

Council Chambers, 39 Bannister Road, Boddington

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1.   **<u>DECLARATION OF OPENING</u>**

I would like to begin by acknowledging the Wilman People as the Traditional Custodians of the land we are meeting on today, and pay respect to Elders past and present, as well as the continuation of cultural, spiritual, and educational practices of Aboriginal peopleI would like to begin by acknowledging the Traditional Owners of the land on which we meet today. I would also like to pay my respects to Elders past and present and emerging.

2.   **<u>ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE</u>**

    2.1   Attendance

    2.2   Apologies

    2.3   Leave of Absence

3.   **<u>DISCLOSURES OF INTEREST</u>**

4.   **<u>CONFIRMATION OF MINUTES</u>**

That the minutes of the Audit Committee Meeting held on Wednesday, 12 March, 2025 be confirmed as a true record of proceedings.

5. REPORTS BY OFFICERS

5.1 Review of Financial Management and Risk Management Systems

File Reference:	2.033
Applicant:	Nil
Previous Item:	Nil
Voting Requirements:	Simple Majority
Disclosure of Interest:	Nil
Author:	Executive Manager Corporate Services
Attachments:	5.1A – Financial Management Review
	5.1B – Regulation 17 Review

Summary

The purpose of this report is to present the findings of the required reviews under Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* and Regulation 17 of the *Local Government (Audit) Regulations 1996* for the Audit Committee's consideration and receipt.

Background

In accordance with the Local Government (Financial Management) Regulations 1996 and Local Government (Audit) Regulations 1996, the local government is required to review the appropriateness and effectiveness of:

1. Financial Management systems and procedures
2. Systems and procedures in relation to risk management, internal control and legislative compliance

These reviews are to occur at least once every three years, in addition to the two financial audits undertaken annually.

The last review was conducted in 2022. In December 2025, the Shire of Boddington engaged Australian Audit to undertake the required reviews. The final reports, (Attachments 5.1A and 5.1B), were completed following the conclusion of the audit on 7 May 2025.

Comment

The current reviews highlight a significant improvement compared to the previous cycle. While the prior review identified 60 improvement opportunities, this audit has raised only 13 items, none of which are classified as major or high risk.

Key findings include :

1. Financial Management Review : 3 medium-risk items and 4 low-risk items
2. Regulation 17 Review : 3 medium-risk items and 3 low-risk items

Several of the recommendations address anticipated changes in legislation expected to take effect within the next half of the year. Notably, one recommendation pertains to the Audit Committee, which is to be renamed the Audit, Risk, and Improvement Committee, requiring the inclusion of independent members, one of whom must preside over the meetings. A review of the Terms of Reference is currently underway and is scheduled to be presented to Council at the June Ordinary Council Meeting.

To support ongoing accountability, an action register will be maintained and presented to the Audit Committee at each meeting, tracking progress on recommendations.

Consultation

Nil

Strategic Implications

Aspiration   Performance
Outcome 12   Visionary Leadership and Responsible Governance
Objective 12.1   Maintain a high standard of leadership, corporate governance and customer service

Legislative Implications

1. Local Government (Audit) Regulations 1996 –

    Regulation 17, requires the Chief Executive Officer to review the appropriateness and effectiveness of a local government's systems and procedures in relation to:
    a. Risk management
    b. Internal control and
    c. Legislative compliance

2. Local Government (Financial Management) Regulations 1996:

    Regulation 5(2)(c) requires the Chief Executive Officer to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures.

Both reviews must be conducted at least once every three years.

Policy Implications

The review recommends introducing new policies.

Financial Implications

Nil

Economic Implications

Nil

Social Implications

Nil

Environmental and Climate Change Considerations

Nil

Risk Considerations

Risk Statement and Consequence	The primary risk in relation to this item is failure to action the stated items outlined in the Report
Risk Rating (prior to treatment or control)	Moderate
Principal Risk Theme	Compliance
Risk Action Plan (controls or treatment proposed)	Regular reporting of progress to achieve the stated actions will be implemented

Officer Recommendation

That the Audit Committee receive the final reports from Australia Audit, as attached Attachment 5.1A and Attachment 5.1B, relating to:

1. **The review of systems and procedures in the area of risk management, internal control, and legislative compliance as required by Regulation 17 of the Local Government (Audit) Regulations 1996; and**

2. **The review of financial management systems as required by Regulation 5 (2) (c) of the Local Government (Financial Management) Regulations 1996.**

DIRECTORS:

ROBERT CAMPBELL RCA, CA
VIRAL PATEL RCA, CA
ALASTAIR ABBOTT RCA, CA
CHASSEY DAVIDS RCA, CA

ASSOCIATE DIRECTOR:

SANTO CASILLI FCPA PFIIA

AUSTRALIAN AUDIT

7 May 2025

Cara Ryan
Executive Manager Corporate Services
Shire of Boddington
39 Bannister Road
Boddington WA 6390

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

Dear Cara

Please find attached our final financial management review report for the Shire of Boddington.

No major or high-risk issues were noted as part of our review.

Your management comments are now incorporated in this final report.

We would like to thank you and your staff for the positive cooperation provided to us during our review and for the information that was provided to us during the conduct of this review.

Yours sincerely

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

Australian Audit

CHARTERED ACCOUNTANTS™
AUSTRALIA + NEW ZEALAND

Shire of Boddington

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

7 May 2025

Final Review Report

(Review in Confidence)

Australian Audit

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Financial Management Review Summary and Conclusion

INTRODUCTION

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

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

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

The Shire of Boddington uses Synergy Soft as its accounting system.

CEO's RESPONSIBILITY FOR THE REVIEW REPORT

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

The draft review report now requires management comments and once received can be issued as final for presentation at the next Audit and Risk Committee.

RESPONSIBILITY FOR THE REVIEW

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

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

REVIEW LIMITATIONS

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

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

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

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

SCOPE AND METHODOLOGY

The review undertook the following approach:

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

WORK PROGRAM

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

- Procurement (formal quotations and tender process)
- Contract Management
- Accounts Payable

- Cash Collection and Handling
- Payroll
- General Ledger Application Controls (journal posting, balance sheet reconciliations)
- Rates, Revenue and Debt Management
- Investment Management
- Asset Management (excluding infrastructure assets)
- Budget process
- IT General Controls Review

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

REVIEW CONCLUSION

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

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

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

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

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

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

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

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

Executive Management Detailed Observations

Medium Risk Rated Issues

1. Monitoring Compliance with Procurement Policy for RFT and RFQ

<u>Finding</u>

We note that the Shire does not currently have in place a process by which expenditure by supplier can be monitored to determine whether expenditure by supplier has got to a level that the Shire possibly should be considering going to the market to obtain best value for money. In these situations, there may be instances where the Shire is using a supplier (contracted by different areas within the Shire) to deliver services of a similar type but for small dollar values. However, if these values in total say over a 12 or 18 month period exceeds $100,000, the Shire may need to consider whether it would have received better value for money by testing the marketplace via an RFQ or RFT process.

As procurement is a decentralised function within the Shire, implementing a formal monitoring process to detect any non-compliance with the procurement policy is considered beneficial and will assist in the Shire's compliance with its procurement policy.

During our testing we noted instances where smaller $ value procurements were made with the same supplier via individual quotations and over a period of 12 months amounted to over $50,000. We understand that it may be more expedient and effective for the Shire to use local suppliers on an ongoing basis. However, the market should be continually and effectively tested to ensure value for money is achieved for the Shire.

<u>Recommendation</u>

We recommend that the Shire should consider producing a "spend by supplier over $50,000 or over $100,000" report which can be produced from the Synergy Soft system and review this report on a regular basis to identify services that currently are being procured via individual quotations that may or should be procured via an RFQ or RFT process in order to test the market to obtain best value for money.

This process would also provide formal justification that the Shire has reviewed value for money options should it wish to continually use and procure local suppliers via individual quotations.

Management Comments

The Shire acknowledges the recommendation and agrees to its implementation. Transactions exceeding $100,000 is planned to be reviewed annually, with consideration given to generating a "spend by supplier over $100,000" report from the SynergySoft system.

2. Contract Management

<u>Finding</u>

The shire does not currently have in place adequate contract management policies and procedures which would guide the Shire over the following:

- Contract formation requirements.

- Contractor performance management process

- Contract variations process and approvals.

- Contract renewal / extension process and approvals.

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

<u>Recommendation</u>

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

Management Comments

The Shire acknowledges the finding. To address this, the Shire plans to implement a Contract Management framework to guide contract formation, contractor performance management, contract variations, and contract renewals/extensions.

3. IT System Access Review

<u>Finding</u>

Our review of staff access to key functions noted the following:

- The CEO has access to make changes to the general ledger in setting up accounts and also to raise journals. Given that the CEO is not responsible for any general ledger functions such access should be reviewed and possibly amended to view only access.

- We also noted that 4 staff currently have access to make changes to the debtors Masterfile. We believe there should be limited access to only a small number of staff to make changes to the debtors Masterfile.

The Shire should ensure that staff system access is managed and controlled and only provided to staff based on their responsibility especially staff access to the following key financial functions:

- Invoicing & Accounts Receivable
- Accounts Payable
- Rates processing
- Payroll
- General Ledger applications

We understand that at times access is given to a number of staff to ensure processes can be carried out during periods of staff absences.

<u>Recommendation</u>

We recommend that the Shire investigate producing a system access report for each staff who are currently undertaking one or more of the above key functions, from its Synergy system, which will allow the Shire to identify the access levels each staff currently has and that the access levels are still required and that such access levels do not impede on proper segregation of duties control.

Staff access levels should be restricted and aligned with their responsibility and should not be given to staff who do not have actual responsibility to perform changes in such functions. The Shire should review the access system with a view to restricting access to only those positions who are directly responsible for the undertaking of such work.

We believe proper segregation of duties is essential to protect and prevent the Shire from possible fraud and also to allow early detection should a fraud in these key financial functions occur.

The system access report should also be sent to each relevant Director/Manager responsible for each of the above key financial functions for them to review, on a regular basis, as to whether current staff access levels are still valid in line with the staff current roles and responsibilities assigned. Where the staff no longer require currently provided system access levels these need to be communicated to the Shire's IT and removed as a matter of priority.

Management Comments

The Shire notes the finding and acknowledges that a review of user access is warranted, including a review of user role access.

Low Risk Rated Issues

4. Contract Management: Contract Register

Finding

We were unable to determine whether a formal contract register is in place. We also noted that the Shire does not have a formal service contract for its debt collection services (AMPAC Debt Recovery (WA) Pty Ltd).

We believe that formal service contracts should exist for all ongoing service related services.

Recommendation

We recommend that the Shire develop a formal contract register which captures details of all service-related contracts currently in place with suppliers. The register should capture details such as procurement method employed for each contract, contract commencement date, expiry dates, indexation / price increase due dates etc.

The contract register enables the Shire management to keep track of all its service-related contracts to ensure the contracts are able to be managed and renewed when the contracts end and that any key performance measures and requirements are met.

This process should also be in line with the Shires Contract Management policy that we have recommended within this report.

Management Comments

The Shire notes the finding and acknowledges the importance of maintaining a formal contract register. A review of existing contracts is underway, and a comprehensive contract register is being developed to capture essential details, with a review to ensure alignment with the Contractor Management Framework when it is completed.

5. Payroll: Staff Bank Account Changes

<u>Finding</u>

Based on our discussion with the Shire's Payroll Officer, currently all bank account change requests are to be made via a Payroll Authority form and is then sent directly to the Payroll Officer to confirm that the change request is valid prior to processing the changed bank account details.

Although all payroll related changes are reported for review by the Executive Manager, Corporate Services we believe that as an additional control over staff bank account changes that the Payroll Authority form for changes to staff bank account details should be sent to the Shire's Human Resources or to the Executive Manager Corporate Services in the first instance who will then undertake the validity of the bank account change request and then it can be sent to the Payroll Officer via the ECM for processing.

<u>Recommendation</u>

We recommend that the Shire consider issuing formal instructions to all staff that any bank account change requests should be included on the appropriate Payroll Authority form and sent directly to the Shire's Human Resources area or Finance area rather than directly to the Payroll Officer for validation prior to be processed.

Management Comments

The Shire may consider changing the process in the future; however, it believes the current process, which includes an audit report each pay cycle covering all bank account changes and reviewed by the Executive Manager Corporate Services, is sufficient. The Shire may also consider directing all payroll inquiries to the Human Resources Officer, who would then forward them to the Payroll Officer for processing.

6. Asset Management: Operational Guidelines

<u>Finding</u>

We noted that Shire has an Asset Management Council Policy, but this policy does not adequately nor clearly outline how to manage the Shire's assets relating to asset identification, categorisation, classification, stock take requirements and identifying and approval of asset write offs.   The shire needs to develop clear operational guidelines over asset management.

We also did not see any evidence that the Shire undertakes routine or rolling asset inspections, especially for mobile type assets to ensure these assets still exist and to also assess the impairment of such assets.

<u>Recommendation</u>

We recommend that the Shire develop formal operational guidelines for asset management including over portable and attractive type assets under $5,000.

We also recommend that although a formal stocktake does not have to be undertaken once each financial period it can be undertaken over a number of years on a rolling basis. Where stocktakes are undertaken they should be undertaken by at least 2 staff members, recorded on a formal stock take sheet and the stock take sheet should be signed off by the staff members as evidence that a proper stock take was undertaken.

Management Comments

The Shire acknowledges the finding and will consider implementing formal Asset Management procedures to complement the current Asset Management Council Policy. These procedures will aim to formalise asset management practices, including clear guidelines on asset identification, categorisation, classification, stock take requirements, and approval of asset write-offs.

7. Council Policies and Shire Operational Guidelines and Procedures

<u>Finding</u>

All Council policies and Shire operational procedures should be reviewed at least once every 2-3 years.   This is to ensure that the policies and procedures remain up to date and provide clear and accurate directions to staff.

We noted the following:

- The Shire's Rates Collection policy has not been reviewed since it was introduced in 2015.
- The Sundry Debt Collection policy was last updated in 2017.
- There are no documented cash collection and handling procedures

<u>Recommendation</u>

We recommend that the Shire ensure that all of its Council policies and operational guidelines and procedures are subjected to review annually or should at least be subjected to review once every 2-3 years.

Cash collection and handling procedures should be developed.

Management Comments

The Shire acknowledges the finding and confirms that all Council policies have been reviewed in the last two years, with the last full review completed in 2023. The Shire recognises the importance of undertaking regular reviews of operational procedures and is currently undertaking this process. Regarding cash collection and handling procedures, the Shire agrees that formal written guidelines should be implemented.

Observations (No Recommendations Made)

Tender Register

The tender register that I posted on the Shire's website shows that the last tender was 2021. We consider the information that appears on the tender register is deficient and not in line with section 17 requirements. We suggest that the tender register be updated with all of the relevant and required information.

Investment Management

The Shire does not appear to have documented procedures in place for the investment management process. The procedures should cover cash flow management, placing investments, turnover of investments, investment withdrawal, reporting and the approval process.

We also noted that no cash forecasting is done to support investment decisions.

General Ledger Reconciliations

The Shire does not have in place formal reconciliation control sheet which outlines which general ledger reconciliations are required to be reconciled each month and to evidence that the reconciliations have been reconciled showing details of the reconciler and the reviewer. This control sheet forms the evidence that monthly reconciliations have been undertaken.

Rates Debts – Long Outstanding

Our review noted that there is a total of $165,840 of rates outstanding from the previous years rate notices but we understand that these debts are not in a payment plan or have been referred to the debt collection agency. We understand the sensitivity of chasing unpaid long term rates but the Shire need to investigate this to ensure some collection process is in place.

Accounts Payable Procedure

The accounts payable procedure does not adequately cover or provide guidance in dealing with invoice variances against the value of purchase orders. Normally other Shires use a tolerance of 10% and if the total value of an invoice is less than 10% of the approved purchase order value the invoice is processed. However, if greater than 10% the invoice is sent to the initial purchase order approver for further approval. We noted that this process was not clear in the accounts payable (creditors) procedure document.

Duress Alarms

The Shire does not have duress alarms within the Administration office, Library and the Youth Centre. Although duress alarms are traditionally used around areas where cash is handled, they also can be useful during periods where staff are handling abusive customers and are seen to be an effective tool for staff safety.

Appendix A – Risk Criteria

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

Risk Assessment Matrix

Likelihood of Risk:

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

Consequence of Risk:

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

Risk Exposure:

Risk = Likelihood x Consequence

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

AUSTRALIAN AUDIT

7 May 2025

Cara Ryan
Executive Manager Corporate Services
Shire of Boddington
39 Bannister Road
Boddington WA 6390

REGULATION 17 REVIEW

Dear Cara

Please find attached the Final Regulation 17 review report for the Shire of Boddington.

Your management comments have been included in this final report.

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

Yours sincerely

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

Australian Audit

Shire of Boddington

Regulation 17 Review

7 May 2025

Final Review Report

(Review in Confidence)

Australian Audit

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Regulation 17 Review Summary and Conclusion

INTRODUCTION

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

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

- Risk Management.

- Internal Control; and

- Legislative Compliance.

The Shire of Boddington uses Synergy Soft as its accounting system.

The Shire of Boddington does not currently have an Internal Audit Function, a separate Governance Services business (Governance Officer position) unit or an Information Technology business unit. The CEO and the Administration Officer Corporate Services are responsible for overseeing the Governance function and the Shire has engaged an external IT Provider (Wallis Computer Solutions) to oversee the Shire's Information Technology processes.

SCOPE AND METHODOLOGY

The review undertook the following approach:

- Information relating to risk management, internal control and legislative compliance was requested from the Finance Coordinator and the Executive Manager Corporate Services prior to commencement of the review to assess adequacy of policies, procedures and overall control processes that are currently in place within the Shire.

- An Information Technology questionnaire was also sent to the Executive Manager Corporate Services in order to assess the Shire's Information Systems General Control Environment.

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

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Legislative Compliance matters.

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

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

WORK PROGRAM

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

1. RISK MANAGEMENT

To establish that:

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

2. INTERNAL CONTROL

To establish that:

- A Delegation of Authority is in place, up to date and reviewed regularly.
- Proper and formal documented Management polices (guidelines and procedures) are in place and are kept up to date.
- Internal assessment of control processes exists e.g., via an internal audit function or by the Shire's own Governance area.

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- An Internal Control policy targeted for all employees, council and committee members on the importance of management controls.
- Reliance can be placed on the work undertaken by the Shire's external internal auditors re the review of the Shire's control environment and legislative compliance including general controls over the Shire's Information Technology systems.
- Proper segregation of duties and management controls exist in relation to the following key accounting processes:

  - Accounts payable.
  - Cash collection, receipting and reconciliations.
  - General Ledger amendments and reconciliations.
  - Payroll.
  - Procurement.

3. LEGISLATIVE COMPLIANCE

To establish that:

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

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REVIEW CONCLUSION

Based on our assessment of the management controls and processes that exist at the Shire regarding the above three key areas of the Regulation 17 review, we wish to conclude as follows:

Risk Management

- There is a Risk Management Framework document and Risk Management Policy in place. However, the risk policy requires more detail in relation to how the risks are to be managed and also monitored by the Audit Committee.
- A risk register is in place. However, the risk register should be tabled at each Audit Committee meeting and monitored to ensure that the Shire is effectively managing its risks and is continually reviewing and updating its risks.
- There is no Fraud Risk Identification and Prevention Policy in place.
- There are terms of reference for the Audit Committee. However, there are no standing agenda items for the Audit Committee which includes Risk Management. It also does not appear that the Audit Committee has yet appointed an independent member as stated in its terms of reference.
- There is no Whistle Blower policy in place and this should be considered if the Shire believes one is required.
- A Business Continuity Plan is in place and has been tested to ensure its workability and effectiveness.

Internal Control

- Apart from credit card usage and grant management procedures there are no other finance related procedures in place.
- The Shire has an internal control policy but as yet has not developed the framework to enable the Shire to identify the need for all areas within the Shire to continually assess control processes and to empower all Shire staff to be responsible over the Shire's control environment.

Legislative Compliance

- Monitoring for legislative compliance requires improvement. Although the Shire has a Legislative Compliance policy in place there are no formal written procedures to guide staff as to how to identify legislative non-compliance and reporting non-compliance.

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FINDINGS AND RECOMMENDATIONS

The following matters were identified for management consideration:

MEDIUM RISK ISSUES

1. Audit Committee Responsibilities

<u>Finding</u>

The Audit Committee do not receive risk reports from the Shire's Risk Register on a regular basis to assess whether the Shire is taking action to identify new risks and taking appropriate action to manage its risks as identified in the Shire's risk register. We also noted that this risk assessment does not form part of the Audit Committee's standard agenda item.

Further although the Audit Committee have Terms of Reference in place, the Terms of Reference do not include that the Audit Committee is required to monitor the Shire's risks that are incorporated within its risk register.

The Committee's Terms of Reference also state that the Audit Committee should have an independent external member. However, an independent external member has not yet been placed on the Committee.

We believe that the Committee should constantly assess the Shire's progress towards identifying new risks and managing existing risks that have been identified and included in the Shire's risk register.

<u>Recommendation</u>

We recommend the following:

- The Audit Committee's Terms of Reference should be amended to include the requirement of the Committee to receive updates on the Shire's risks and its responsibility to monitor the Shire's progress in managing the identified risks.
- This requirement should be a standard meeting item on all Audit Committee meeting agendas.
- The Audit Committee should, as stated in their Terms of Reference, appoint an independent external member as soon as possible.
- That the Audit Committee name should be changed to Audit and Risk Committee or Audit, Governance and Risk Committee in line with its required responsibilities and the existing

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Terms and Reference be amended as such to reflect this name.

We also recommend that a copy of the Shire's risk register, including evidence of the Shire's progress of actions taken to minimize the Shire's risks be tabled at each Audit Committee meeting to enable the Committee to be satisfied that the Shire identified risks are being effectively managed.

Management Comments

The Shire is currently reviewing the Audit and Risk Committee Terms of Reference in light of recently passed legislation and proposed legislative changes. As part of this review, the Shire may also consider implementing a standing item for the Risk Register in the standardised agenda format. Additionally, the Shire will look to appoint an independent member to the Committee once the changes to the legislation are passed.

2. Internal Control Framework

Finding

We noted that the Shire has an Internal Control Policy but has yet to develop a framework to assist the Shire in identifying internal control issues on a regular basis. In the absence of an inhouse or outsourced internal audit function, we believe that the Shire should develop the framework detaining the instructions and processes needed to be followed by all areas within the Shire to continually self-assess management control processes and to empower all Shire staff to be responsible over the Shire's control environment.

Recommendation

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

- The promotion of a risk-based approach to the development and maintenance of documented internal controls and procedures. This is to support a continual assessment of appropriate controls throughout the Shire by identifying the need for new controls (based on risk) and ensuring existing outdated and unnecessary controls are discontinued. This can be accomplished via staff awareness on the importance of compliance with key internal controls and how non-compliance can impact on the Shire's operations.

- Documenting the Shire's key internal controls including the importance of all staff to be aware of the importance of maintaining proper segregation of duties controls especially

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within key finance and procurement functions.

- Outlining a set of measures that should be implemented such as continual training etc to ensure staff are fully aware of, and understand, the relevant importance of key internal controls within their workplace.

- The Shire should also consider including the requirement for all staff to be responsible for control awareness and also to contribute to the identification of control risk areas within their workplace and their areas of responsibility. This could be done by adding these responsibilities in their respective job descriptions and/or incorporated as part of their induction program.

Management Comments

The Shire acknowledges the finding and agrees that formalising internal control through the development of a framework is warranted. While the Shire currently maintains good internal controls and segregation of duties, the establishment of an Internal Control Framework would further strengthen its ability to identify and address internal control issues on a regular basis. Additionally, the Shire recognises the importance of empowering staff to contribute to control awareness and the identification of risks and will consider incorporating these responsibilities into job descriptions and induction programs.

3. *Fraud Risk Identification and Prevention Policy*

Finding

Our review noted that the Shire does not have in place a formal Fraud Risk Identification and Prevention Policy.

The policy should outline the importance and responsibility that all Shire staff have in ensuring that fraud is able to be identified and prevented through proper adherence and compliance with existing management controls and that where fraud is suspected that is promptly reported for investigation.

Recommendation

We recommend that the Shire establish a fraud risk identification and prevention policy as a matter of priority.

Management Comments

The Shire notes the finding and acknowledges the recommendation to establish a Fraud Risk Identification and Prevention Policy.

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LOW RISK ISSUES

4. Whistle Blower Policy

<u>Finding</u>

There is no Whistle Blower policy in place. The Whistle Blower policy establishes the rules to follow when Shire staff become aware of any illegal or unethical activities within the Shire. The policy is to also raise awareness among staff about misconduct and encourages employees to report fraudulent behaviour and possible misconduct. We believe such a policy will assist in fostering a culture of accountability and transparency.

<u>Recommendation</u>

We recommend that the Shire give consideration towards developing a Whistle Blower policy.

Management Comments

The Shire notes the finding, acknowledges the recommendation, and will consider the establishment of a Whistleblower Policy.

5. Legislative Compliance

<u>Finding</u>

The Shire has a Legislative Compliance policy in place to oversee that all required legislative matters are being continually complied with. The policy requires that the Shire develop and maintain a system of identifying legislative matters, establishing mechanisms for reporting non-compliance, procedures to identify legislative changes and also to develop a process of reporting legislative non-compliance. However, the Shire has not yet developed formal procedures to guide Staff as to how this will be achieved and who will be responsible for managing and monitoring non-compliance events.

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

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<u>Recommendation</u>

Consideration should be given to the implementation of clear and formal procedures in line with the Legislative Compliance policy, which outlines the responsibility for compliance with legislative requirements and how such compliance is to be met.

Further, consideration could be given for the Shire to develop various legislative compliance checklists to enable various areas within the Shire to undertake regular self-assessment checks on an ongoing basis. We would suggest that these be undertaken regularly throughout the calendar year and be signed off attesting to compliance. These can be undertaken in conjunction with the annual Compliance Audit Return (CAR) and would complement the (CAR) process.

Further, consideration should also be given to include within each updated policies, protocols and procedures reference to the applicable legislative requirement. This then provides information to staff that by following the policy or procedure legislative compliance is being achieved.

Management Comments

The Shire maintains a Compliance Register to manage all legislative deadlines, and this is overseen by the Governance area. While the Compliance Register supports adherence to legislative requirements, the Shire acknowledges that developing a formal procedure to complement the Legislative Compliance Policy would further strengthen its approach.

6. IT Strategic Plan

<u>Finding</u>

The Shire has an IT Strategic Plan. However, the plan is not dated and we were unable to determine when the Plan was developed or last reviewed and whether the Plan is now in need of review.

<u>Recommendation</u>

We recommend the Shire should review the IT Strategic Plan to ensure that the Plan meets its current Information Technology requirements.

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Management Comments

This plan was created in 2023 and originally scheduled for review in 2028. However, it is acknowledged that due to the fast-changing pace of the IT environment, this review is being brought forward and will now take place in 2025/2026.

OBSERVATIONS (NO RECOMMENDATIONS REQUIRED)

IT Related Issues:

- There is no Uninterrupted Power Supply (UPS) at the Shire's out centers to ensure that the IT environment continues to operate in the event of a power outage.

- A log of incorrect login attempts by both staff and external elements is not maintained. We believe this log should be maintained by the Shire's outsourced IT provider, Wallis Computer Solutions, to identify any suspicious attempts to break into the Shire's IT systems.

- Although the Shire has in place an IT Usage policy it is not clear who is monitoring to ensure that staff use of internet is appropriate and in line with the Shire's IT Usage policy.

Finance Related Issues:

- Apart from procedures on credit card usage and grant management there are no other finance related procedures in place e.g. accounts payable processing, processing of debtor invoices, general ledger monthly reconciliation process etc.

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6. CLOSURE OF MEETING