

Shire of Wiluna



Report of the Audit Committee

meeting held on

Tuesday 14th February 2018

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APPENDIX 6.1	2017 Compliance Audit Return
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APPENDIX 6.2	Audit Reg. 17 Review of Risk Management, Legislative Compliance and Internal Controls
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MINUTES

Of the meeting held on Wednesday 14 February 2018, in Artists Studio at the Tjukurba Gallery, commencing at 3.09pm.

1. Attendance

Cr Peter Grundy
Cr Graham Harris
Cr Lena Long
Cr Stacey Petterson
Cr Jim Quadrio
Cr Norma Ward

In Attendance:

Colin Bastow	Chief Executive Officer
Warren Olsen	Deputy Chief Executive Officer
Katrina Boylan	Executive Assistant

Apologies: Cr Caroline Thomas

2. Election of Presiding Member (Committee Chairperson)

The CEO Mr Colin Bastow will open the meeting and conduct an election for presiding member (ie. Committee Chairperson) as required by subsection 5.12 (1) of the Local Government Act 1995 ("the Act").

Note: Nomination for the Presiding Member must be made in writing to the CEO at any time prior to the meeting and during the meeting up until the close of nominations. The Councillor nominated must accept the nomination either orally or in writing.

Nomination forms for Presiding Member are distributed with this agenda.

The election will be held in accordance with the provisions of Schedule 2.3, Division 2 of the Act.

Cr Grundy accepted the nomination proposed by Cr Ward and was elected as the Presiding Member.

3. Election of Deputy Presiding Member (Deputy Committee Chairperson) (if desired)

Subsection 5.12 (2) of the Act provides that the members of a committee may (but are not required to) elect a deputy presiding member from amongst themselves.

The Audit Committee did not elect a deputy presiding member in the last term.

If members wish to elect a deputy presiding member, the election must be held in accordance with the provisions of Schedule 2.3, Division 2 of the Act (in which case, nomination forms will be distributed at the meeting).

Officer Recommendation & Committee Decision***Item 3*****MOVED CR HARRIS****SECONDED CR WARD****That no Deputy Presiding Member be elected for the Audit Committee.****CARRIED 6/0****4. Declarations of Interest**

Nil

5. Confirmation of Minutes – 22 February 2017

That the Minutes of the meeting held on 22 February 2017 be confirmed as a true and correct record of proceedings.

Officer Recommendation & Committee Decision***Item 5*****MOVED CR HARRIS****SECONDED CR PETTERSON****That the Minutes of the meeting held on 22 February 2017 be confirmed as a true and correct record of proceedings.****CARRIED 6/0**

6. Reports of Officers:**6.1. 2017 Compliance Audit Return:**

File:	ADM 0151
Reporting Officer:	Warren Olsen – Deputy CEO
Date of Meeting:	14 February 2018
Date of Report:	4 February 2018
Disclosure of Interest:	Nil

Purpose

The purpose of this report is to consider and, if thought fit to adopt, the Compliance Audit Return (CAR) for the calendar year ended 31 December 2017.

Background

Each local government is to carry out a compliance audit in respect of each calendar year against requirements established by the Department of Local Government, Sport and Cultural Industries and to formally adopt the Compliance Audit Return by Absolute Majority.

The Compliance Audit Return must first be considered by the Audit Committee, and the Audit Committee must make a recommendation to the Council in respect of the adoption of the Compliance Audit Return.

After the Compliance Audit Return has been presented to the Council, a certified copy of the Return along with the relevant section of the minutes and any additional information explaining or qualifying the compliance audit is to be submitted to the Director-General, Department of Local Government, Sport and Cultural Industries by March 31 in the following year.

Our Compliance Audit Return for the year ended 31 December 2016 has now been prepared and is attached to this agenda as Appendix 10.1.1.

Comment

Councillors should note that no non-compliances have been noted for 2017.

The only area of doubt relates to procurement relating to the Canning Stock Route and Gunbarrel Highway Interpretive Centre. The reasons that compliance surrounding that project is not clear are because:

- Arrangements around that project were inherited from a previous administration and we therefore do not have complete knowledge of those arrangements; and
- The CEO was instructed by an officer of the Department of Local Government, Sport and Cultural Industries not to investigate matters that the Department is already investigating.

That area is therefore closed to us to thoroughly investigate, but we are not aware of any non-compliances.

It should also be noted that councillors cannot have any direct knowledge of most of the compliance issues that the Compliance Audit Return endeavours to audit. Council necessarily relies on the advice of its officers, and I believe that we have protected the Council in this regard to the best of our ability.

Taking the lack of any direct knowledge of most of the issues by councillors, it is recommended that Council considers qualifying the resolution to adopt the Annual Compliance Return.

Consultation

Chief Executive Officer – Colin Bastow

Statutory Environment

Regulation 14 of the Local Government (Audit) Regulations 1996 provides that:

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

Regulation 15 of the Local Government (Audit) Regulations 1996 provides that:

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

Policy Implications

Nil

Financial Implications

There are no financial implications directly related to the adoption and submission of the Compliance Audit Return.

Strategic Implications

Although completion and submission of the Compliance Audit Return have no particular strategic significance in itself, its timely adoption and submission will

go a long way to restoring the confidence of the Department of Local Government and Communities in the ability of the Council to properly manage its affairs.

Voting Requirements (at the Council meeting) ABSOLUTE MAJORITY

Officer Recommendation & Committee Decision

Item 6.1

MOVED CR QUADRIO

SECONDED CR HARRIS

That it be recommended to the Council:

- 1. That it be noted that Councillors have no direct knowledge of most of the issues with which the Compliance Audit Return is concerned, and therefore rely on the knowledge and advice of the Chief Executive Officer and senior managers.**
- 2. That, with this qualifications, the 2017 Compliance Audit Return be adopted.**

CARRIED 6/0 by Absolute Majority

6.2. Reg 17 CEO Review

File:	ADM0344
Reporting Officer:	Colin Bastow, Chief Executive Officer
Date of Report:	6 February 2018
Date of Meeting:	14 February 2018
Disclosure of Interest:	Previously worked for UHY Haines Norton (which has since merged with Moore Stephens) approximately 7 years age.

Purpose

The purpose of this report is to report to the Audit Committee the results of the CEO's Reg 17 Review.

Background

The CEO is required to review the following systems at least once every two calendar years:

- a) Risk management; and
- b) Internal controls; and
- c) Legislative compliance.

The last report that was present to the Audit Committee on Reg 17 Review was back in December 2016. However, the report was postponed due to the Local Government Inquiry. The Shire was initially advised that the Inquiry would only take three months to complete, this advice was received over twelve months ago. The 2016 Reg. 17 review was undertaken in-house; however, due to the high level of scrutiny placed on the Shire due to the inquiry, it was decided that an independent review would be more appropriate.

Moore Stephens was contracted to undertake an independent review of the Shire systems after they provided the Shire with a competitive quote. Three Accounting Firms were invited to quote which included the Shire's current and previous audit firms. Unfortunately, the Shire's Current Audit Firm was unable to quote for this work.

Comment

The overall conclusion of the review was that the appropriateness and effectiveness of the Shire's system and procedures about risk management, internal controls and legislative compliance is moving towards having adequate and sustainable risk and internal control culture to meet the Shire's compliance obligations.

Further details about the review can be obtained by reading the attached Review of Risk Management, Legislative Compliance and Internal Controls Report.

The Recommendations for Improvement from Moore Stephens and the Shire's initial responses:

1. *Risk Management Policy*

The Shire will develop a risk management policy and further investigate the installation of a Risk Register.

2. *Corporate Governance*

The Shire had engaged the services of Moore Stephens to review and update its current Integrated Plans. This update can include an assessment of key risks to strategic projects.

3. *Corporate Governance – Delegations of Authority*

Local Government Councils delegate to their CEO, those tasks and duties they feel is appropriate. Therefore, there is not a standard type of delegation that must be included in the Shire Delegation Register. Therefore, there is no urgency to review the Shire's Delegations Register due to missing delegations.

The Author last reviewed the sub-delegation on the 30 January 2018.

4. *Business Continuity & Disaster Recovery*

The Shire had updated the Records Disaster Management Plan with current contacts etc. on the 6 February 2018.

The Shire plans to develop a dedicated Business Continuity Plan over the next 12-months.

5. *Records Management*

The Shire will be inviting vendors of electronic record management software to present their product to the Executive Management Team as it had already been identified the need to improve the shire's record management systems and procedures.

The Shire intends to include the purchase/upgrade of an electronic record management software in the 2018/19 DRAFT budget.

6. Health & Safety Management

The Shire has put in place a more appropriate arrangement for the management of the Wiluna Airstrip by appointing an Aerodrome Management Company to provide additional assistance and advice. This new arrangement will eliminate any repeat of long delays in resolving CASA compliance issues.

The Shire is currently considering the establishment of a Health and Safety Committee.

7. Code of Conduct – training

The Shire will undertake whole of organisational induction training which includes Code of Conduct awareness training within the next two months. It is likely the Shire will need to close its Administration Office and Arts Centre to allow all staff to attend the training.

8. Policies & Procedure
Comments noted.

9. Segregation of Duties

The Shire will review SynergySoft access privileges to ensure staff can only access data within their area of responsibility.

10. Remote Back-up of SynergySoft Systems

The Shire is currently accessing quotes that it has received for the upgrading of its Corporate Server. The scope of the Server upgrade also included the installation of an offsite backup server. Additionally, quotes were requested for the ongoing ITC support which will include the verification of backups.

The Shire is also assessing a proposal to install optic fibre to the new Administration office which will enable the office to have super-fast broadband. One of the benefits of having super-fast broadband will allow the Shire to backup its server to the cloud (off-site).

11. Financial Controls – Month-end

The Shire is currently recruiting an experienced and qualified Manager of Finance who will be tasked with the responsibility of implementing and maintaining appropriate financial controls.

Recently monthly financial report had been provided to line managers.

12. Financial Controls – Business Processes

The Shire is currently recruiting an experienced and qualified Manager of Finance who will be tasked with the responsibility of implementing and maintaining appropriate business processes.

13. Financial Controls – Grants

The author had advised all line Managers of their responsibilities with regards grants management. Once the new Manage of Finance is on deck, the Shire will develop a Grants Register. The register will allow for a level of grant management.

14. Financial Management Review

The Shire had recently received quotes from three Accounting Firms to undertake a Financial Management Review (FMR). The successful firm was Lincolns which is the Shire's current auditors. The FMR is expected to take place within the next couple of months.

15. Operationalise Compliance Requirements

Comments noted.

16. Records Retention

The Shire will undertake a major review of its records management systems as the current record management system and limited staff knowledge of this area had already been identified as a major area of concern.

The Shire has already spent a considerable amount of time and effort in improving the governance and other systems. However as highlighted above there is still additional improvements needed to improve the appropriateness and effectiveness of a number of systems.

Consultation

Warren Olsen, Deputy Chief Executive Officer
Anne Cheng, Moore Stephens

Statutory Environment

Local Government (Audit) Regulations 1996

Reg 17 - CEO to review certain systems and procedures

- (1) *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —*
 - (a) *risk management; and*
 - (b) *internal control; and*
 - (c) *legislative compliance.*
- (2) *The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.*
- (3) *The CEO is to report to the audit committee the results of that review.*

Risk Management Implications

The attached report included a review of the Shire Risk Management systems and procedures.

Policy Implications

Nil

Financial Implications

Nil

Strategic Implications

Nil

Voting Requirements SIMPLE MAJORITY***Officer Recommendation & Committee Decision******Item 6.2*****MOVED CR WARD****SECONDED CR PETTERSON**

The Shire needs to continue improving the appropriateness and effectiveness of its systems and procedures about:

- a) Risk management;
- b) Internal control; and
- c) Legislative compliance.

CARRIED 6/0**7. Closure**

There being no further business the meeting was declared closed at 3.28pm

Appendix 6.1

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



Department of
**Local Government, Sport
and Cultural Industries**

Wiluna - Compliance Audit Return 2017

Certified Copy of Return

Please submit a signed copy to the Director General of the Department of Local Government, Sport and Cultural Industries together with a copy of section of relevant minutes.

Commercial Enterprises by Local Governments					
No	Reference	Question	Response	Comments	Respondent
1	s3.59(2)(a)(b)(c) F&G Reg 7,9	Has the local government prepared a business plan for each major trading undertaking in 2017.	N/A	No major trading undertakings in 2017	Warren Olsen
2	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2017.	N/A	No major land transactions in 2017	Warren Olsen
3	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2017.	N/A	No land transactions that were preparatory to a major land undertakings in 2017	Warren Olsen
4	s3.59(4)	Has the local government given Statewide public notice of each proposal to commence a major trading undertaking or enter into a major land transaction for 2017.	N/A	No major trading undertakings and no major land transactions in 2017	Warren Olsen
5	s3.59(5)	Did the Council, during 2017, resolve to proceed with each major land transaction or trading undertaking by absolute majority.	N/A	No major trading undertakings and no major land transactions in 2017	Warren Olsen



Delegation of Power / Duty					
No	Reference	Question	Response	Comments	Respondent
1	s5.16, 5.17, 5.18	Were all delegations to committees resolved by absolute majority.	N/A	There are no delegations to committees.	Warren Olsen
2	s5.16, 5.17, 5.18	Were all delegations to committees in writing.	N/A	There are no delegations to committees.	Warren Olsen
3	s5.16, 5.17, 5.18	Were all delegations to committees within the limits specified in section 5.17.	N/A	There are no delegations to committees.	Warren Olsen
4	s5.16, 5.17, 5.18	Were all delegations to committees recorded in a register of delegations.	N/A	There are no delegations to committees.	Warren Olsen
5	s5.18	Has Council reviewed delegations to its committees in the 2016/2017 financial year.	N/A	There are no delegations to committees.	Warren Olsen
6	s5.42(1), 5.43 Admin Reg 18G	Did the powers and duties of the Council delegated to the CEO exclude those as listed in section 5.43 of the Act.	Yes		Warren Olsen
7	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO resolved by an absolute majority.	Yes		Warren Olsen
8	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO in writing.	Yes	They are recorded in the minutes and in the delegations register	Warren Olsen
9	s5.44(2)	Were all delegations by the CEO to any employee in writing.	Yes	They are recorded in the delegations register	Warren Olsen
10	s5.45(1)(b)	Were all decisions by the Council to amend or revoke a delegation made by absolute majority.	Yes		Warren Olsen
11	s5.46(1)	Has the CEO kept a register of all delegations made under the Act to him and to other employees.	Yes		Warren Olsen
12	s5.46(2)	Were all delegations made under Division 4 of Part 5 of the Act reviewed by the delegator at least once during the 2016/2017 financial year.	Yes		Warren Olsen
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record as required.	Yes		Warren Olsen

Disclosure of Interest					
No	Reference	Question	Response	Comments	Respondent
1	s5.67	If a member disclosed an interest, did he/she ensure that they did not remain present to participate in any discussion or decision-making procedure relating to the matter in which the interest was disclosed (not including participation approvals granted under s5.68).	Yes		Warren Olsen
2	s5.68(2)	Were all decisions made under section 5.68(1), and the extent of participation allowed, recorded in the minutes of Council and Committee meetings.	N/A		Warren Olsen



Department of
**Local Government, Sport
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No	Reference	Question	Response	Comments	Respondent
3	s5.73	Were disclosures under section 5.65 or 5.70 recorded in the minutes of the meeting at which the disclosure was made.	Yes		Warren Olsen
4	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly elected members within three months of their start day.	N/A		Warren Olsen
5	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly designated employees within three months of their start day.	Yes		Warren Olsen
6	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all continuing elected members by 31 August 2017.	Yes		Warren Olsen
7	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all designated employees by 31 August 2017.	Yes		Warren Olsen
8	s5.77	On receipt of a primary or annual return, did the CEO, (or the Mayor/ President in the case of the CEO's return) on all occasions, give written acknowledgment of having received the return.	Yes		Warren Olsen
9	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained the returns lodged under section 5.75 and 5.76	Yes		Warren Olsen
10	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70 and 5.71, in the form prescribed in Administration Regulation 28.	Yes		Warren Olsen
11	s5.88 (3)	Has the CEO removed all returns from the register when a person ceased to be a person required to lodge a return under section 5.75 or 5.76.	Yes		Warren Olsen
12	s5.88(4)	Have all returns lodged under section 5.75 or 5.76 and removed from the register, been kept for a period of at least five years, after the person who lodged the return ceased to be a council member or designated employee.	Yes		Warren Olsen
13	s5.103 Admin Reg 34C & Rules of Conduct Reg 11	Where an elected member or an employee disclosed an interest in a matter discussed at a Council or committee meeting where there was a reasonable belief that the impartiality of the person having the interest would be adversely affected, was it recorded in the minutes.	Yes		Warren Olsen
14	s5.70(2)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to the Council or a Committee, did that person disclose the nature of that interest when giving the advice or report.	Yes		Warren Olsen



Department of
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No	Reference	Question	Response	Comments	Respondent
15	s5.70(3)	Where an employee disclosed an interest under s5.70(2), did that person also disclose the extent of that interest when required to do so by the Council or a Committee.	N/A		Warren Olsen
16	s5.103(3) Admin Reg 34B	Has the CEO kept a register of all notifiable gifts received by Council members and employees.	Yes		Warren Olsen

Disposal of Property

No	Reference	Question	Response	Comments	Respondent
1	s3.58(3)	Was local public notice given prior to disposal for any property not disposed of by public auction or tender (except where excluded by Section 3.58(5)).	N/A	No disposals of property in 2017	Warren Olsen
2	s3.58(4)	Where the local government disposed of property under section 3.58(3), did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property.	N/A	No disposals of property in 2017	Warren Olsen

Elections

No	Reference	Question	Response	Comments	Respondent
1	Elect Reg 30G (1)	Did the CEO establish and maintain an electoral gift register and ensure that all 'disclosure of gifts' forms completed by candidates and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the candidates.	N/A	The CEO did not receive any completed disclosure of electoral gift forms completed by candidates	Warren Olsen

Finance

No	Reference	Question	Response	Comments	Respondent
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act.	Yes		Warren Olsen
2	s7.1B	Where a local government determined to delegate to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority.	N/A	The audit committee has no delegated powers	Warren Olsen
3	s7.3	Was the person(s) appointed by the local government to be its auditor, a registered company auditor.	Yes	Russell Harrison - Registered Company Auditor no. 14152	Warren Olsen
4	s7.3, 7.6(3)	Was the person or persons appointed by the local government to be its auditor, appointed by an absolute majority decision of Council.	N/A	Was not appointed during the review period - appointed by Absolute Majority in 2016	Warren Olsen



No	Reference	Question	Response	Comments	Respondent
5	Audit Reg 10	Was the Auditor's report for the financial year ended 30 June 2017 received by the local government within 30 days of completion of the audit.	N/A	The audit has not yet been completed	Warren Olsen
6	s7.9(1)	Was the Auditor's report for the financial year ended 30 June 2017 received by the local government by 31 December 2017.	No		Warren Olsen
7	S7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under s7.9 (1) of the Act required action to be taken by the local government, was that action undertaken.	N/A	We are still awaiting the Auditor's report	Warren Olsen
8	S7.12A (4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9 (1) of the Act) required action to be taken by the local government, was a report prepared on any actions undertaken.	N/A	We are still awaiting the Auditor's report	Warren Olsen
9	S7.12A (4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9 (1) of the Act) required action to be taken by the local government, was a copy of the report forwarded to the Minister by the end of the financial year or 6 months after the last report prepared under s7.9 was received by the local government whichever was the latest in time.	N/A	We are still awaiting the Auditor's report	Warren Olsen
10	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives of the audit.	Yes	Clause 1	Warren Olsen
11	Audit Reg 7	Did the agreement between the local government and its auditor include the scope of the audit.	Yes	Clause 3	Warren Olsen
12	Audit Reg 7	Did the agreement between the local government and its auditor include a plan for the audit.	Yes	Clause 4 and Appendix A (section 2)	Warren Olsen
13	Audit Reg 7	Did the agreement between the local government and its auditor include details of the remuneration and expenses to be paid to the auditor.	Yes	Appendix A - section 6	Warren Olsen
14	Audit Reg 7	Did the agreement between the local government and its auditor include the method to be used by the local government to communicate with, and supply information to, the auditor.	Yes	Clause 8	Warren Olsen



Integrated Planning and Reporting

No	Reference	Question	Response	Comments	Respondent
1	s5.56 Admin Reg 19DA (6)	Has the local government adopted a Corporate Business Plan. If Yes, please provide adoption date of the most recent Plan in Comments. This question is optional, answer N/A if you choose not to respond.	N/A	A review is in progress for completion in H1 2018	Warren Olsen
2	s5.56 Admin Reg 19DA (6)	Has the local government adopted a modification to the most recent Corporate Business Plan. If Yes, please provide adoption date in Comments. This question is optional, answer N/A if you choose not to respond.	N/A	A review is in progress for completion in H1 2018	Warren Olsen
3	s5.56 Admin Reg 19C (7)	Has the local government adopted a Strategic Community Plan. If Yes, please provide adoption date of the most recent Plan in Comments. This question is optional, answer N/A if you choose not to respond.	N/A	A review is in progress for completion in H1 2018	Warren Olsen
4	s5.56 Admin Reg 19C (7)	Has the local government adopted a modification to the most recent Strategic Community Plan. If Yes, please provide adoption date in Comments. This question is optional, answer N/A if you choose not to respond.	N/A	A review is in progress for completion in H1 2018	Warren Olsen
5	S5.56	Has the local government adopted an Asset Management Plan. If Yes, in Comments please provide date of the most recent Plan, plus if adopted or endorsed by Council the date of adoption or endorsement. This question is optional, answer N/A if you choose not to respond.	N/A	A review is in progress for completion in H1 2018	Warren Olsen
6	S5.56	Has the local government adopted a Long Term Financial Plan. If Yes, in Comments please provide date of the most recent Plan, plus if adopted or endorsed by Council the date of adoption or endorsement. This question is optional, answer N/A if you choose not to respond.	N/A	A review is in progress for completion in H1 2018	Warren Olsen
7	S5.56	Has the local government adopted a Workforce Plan. If Yes, in Comments please provide date of the most recent Plan plus if adopted or endorsed by Council the date of adoption or endorsement. This question is optional, answer N/A if you choose not to respond.	N/A	A review is in progress for completion in H1 2018	Warren Olsen



Department of
**Local Government, Sport
and Cultural Industries**

Local Government Employees

No	Reference	Question	Response	Comments	Respondent
1	Admin Reg 18C	Did the local government approve the process to be used for the selection and appointment of the CEO before the position of CEO was advertised.	Yes		Warren Olsen
2	s5.36(4) s5.37(3), Admin Reg 18A	Were all vacancies for the position of CEO and other designated senior employees advertised and did the advertising comply with s.5.36(4), 5.37(3) and Admin Reg 18A.	Yes		Warren Olsen
3	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position of CEO under section 5.36(4).	Yes		Warren Olsen
4	Admin Regs 18E	Did the local government ensure checks were carried out to confirm that the information in an application for employment was true (applicable to CEO only).	Yes		Warren Olsen
5	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss a designated senior employee.	Yes		Warren Olsen



Department of
**Local Government, Sport
and Cultural Industries**

Official Conduct

No	Reference	Question	Response	Comments	Respondent
1	s5.120	Where the CEO is not the complaints officer, has the local government designated a senior employee, as defined under s5.37, to be its complaints officer.	N/A	CEO is the Complaints Officer	Warren Olsen
2	s5.121(1)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that result in action under s5.110(6)(b) or (c).	Yes	The Shire has never received any complaints pursuant to Division 9 of the Local Government Act. A fully compliant register was established in February 2017. It contains no entries as no complaints have been received.	Warren Olsen
3	s5.121(2)(a)	Does the complaints register maintained by the complaints officer include provision for recording of the name of the council member about whom the complaint is made.	Yes	A fully compliant register was established in February 2017.	Warren Olsen
4	s5.121(2)(b)	Does the complaints register maintained by the complaints officer include provision for recording the name of the person who makes the complaint.	Yes	A fully compliant register was established in February 2017.	Warren Olsen
5	s5.121(2)(c)	Does the complaints register maintained by the complaints officer include provision for recording a description of the minor breach that the standards panel finds has occurred.	Yes	A fully compliant register was established in February 2017.	Warren Olsen
6	s5.121(2)(d)	Does the complaints register maintained by the complaints officer include the provision to record details of the action taken under s5.110(6)(b) or (c).	Yes	A fully compliant register was established in February 2017.	Warren Olsen

Tenders for Providing Goods and Services

No	Reference	Question	Response	Comments	Respondent
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Department of
**Local Government, Sport
and Cultural Industries**

No	Reference	Question	Response	Comments	Respondent
1	s3.57 F&G Reg 11	Did the local government invite tenders on all occasions (before entering into contracts for the supply of goods or services) where the consideration under the contract was, or was expected to be, worth more than the consideration stated in Regulation 11(1) of the Local Government (Functions & General) Regulations (Subject to Functions and General Regulation 11(2)).	Yes	We believe this to be the case, although the current management team cannot be absolutely certain about some of the supply arrangements we inherited from previous managers because the Shire of Wiluna is still subject to a Departmental inquiry (which has been in progress for more than 12 months now) and the CEO was advised by officers of the Department not to investigate matters that the Department is already looking into. These matters include tenders and contracts. The current management team has certainly been conscientious in its attempts to comply with the F&G Regulations. New policies and procedures have been implemented to achieve compliance, and tenders initiated in 2017 numbered 14 (compared with 5 in 2016).	Warren Olsen
2	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than inviting tenders for a single contract.	Yes		Warren Olsen
3	F&G Reg 14(1) & (3)	Did the local government invite tenders via Statewide public notice.	Yes		Warren Olsen
4	F&G Reg 14 & 15	Did the local government's advertising and tender documentation comply with F&G Regs 14, 15 & 16.	Yes		Warren Olsen
5	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer, notice of the variation.	Yes	We require all tenderers to register with Tenderlink so that we can be sure that they receive all addenda	Warren Olsen
6	F&G Reg 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of F&G Reg 16.	Yes		Warren Olsen
7	F&G Reg 18(1)	Did the local government reject the tenders that were not submitted at the place, and within the time specified in the invitation to tender.	Yes	The Tenderlink portal closes at precisely the closing time (and makes a record)	Warren Olsen



Department of
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No	Reference	Question	Response	Comments	Respondent
8	F&G Reg 18 (4)	In relation to the tenders that were not rejected, did the local government assess which tender to accept and which tender was most advantageous to the local government to accept, by means of written evaluation criteria.	Yes		Warren Olsen
9	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17.	Yes		Warren Olsen
10	F&G Reg 19	Was each tenderer sent written notice advising particulars of the successful tender or advising that no tender was accepted.	Yes		Warren Olsen
11	F&G Reg 21 & 22	Did the local governments's advertising and expression of interest documentation comply with the requirements of F&G Regs 21 and 22.	N/A	There were no Expression of Interest processes in 2017	Warren Olsen
12	F&G Reg 23(1)	Did the local government reject the expressions of interest that were not submitted at the place and within the time specified in the notice.	N/A	There were no Expression of Interest processes in 2017	Warren Olsen
13	F&G Reg 23(4)	After the local government considered expressions of interest, did the CEO list each person considered capable of satisfactorily supplying goods or services.	N/A	There were no Expression of Interest processes in 2017	Warren Olsen
14	F&G Reg 24	Was each person who submitted an expression of interest, given a notice in writing in accordance with Functions & General Regulation 24.	N/A	There were no Expression of Interest processes in 2017	Warren Olsen
15	F&G Reg 24AD(2)	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice.	Yes		Warren Olsen
16	F&G Reg 24AD(4) & 24AE	Did the local government's advertising and panel documentation comply with F&G Regs 24AD(4) & 24AE.	Yes		Warren Olsen
17	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of F&G Reg 16 as if the reference in that regulation to a tender were a reference to a panel application.	Yes		Warren Olsen
18	F&G Reg 24AD(6)	If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application, notice of the variation.	Yes	Applicants were required to register with Tenderlink so that we could be sure that they would receive addenda	Warren Olsen
19	F&G Reg 24AH(1)	Did the local government reject the applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time specified in the invitation for applications.	Yes		Warren Olsen



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No	Reference	Question	Response	Comments	Respondent
20	F&G Reg 24AH(3)	In relation to the applications that were not rejected, did the local government assess which application(s) to accept and which application(s) were most advantageous to the local government to accept, by means of written evaluation criteria.	Yes		Warren Olsen
21	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers, comply with the requirements of F&G Reg 24AG.	Yes		Warren Olsen
22	F&G Reg 24AI	Did the local government send each person who submitted an application, written notice advising if the person's application was accepted and they are to be part of a panel of pre-qualified suppliers, or, that the application was not accepted.	Yes		Warren Olsen
23	F&G Reg 24E	Where the local government gave a regional price preference in relation to a tender process, did the local government comply with the requirements of F&G Reg 24E in relation to the preparation of a regional price preference policy (only if a policy had not been previously adopted by Council).	Yes	A policy had previously adopted. However it was amended during 2017 and all the requirements of Reg 24E were complied with	Warren Olsen
24	F&G Reg 24F	Did the local government comply with the requirements of F&G Reg 24F in relation to an adopted regional price preference policy.	Yes		Warren Olsen
25	F&G Reg 11A	Does the local government have a current purchasing policy in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, \$150,000 or less.	Yes		Warren Olsen

I certify this Compliance Audit return has been adopted by Council at its meeting on _____

Signed Mayor / President, Wiluna

Signed CEO, Wiluna



Review of Risk Management, Legislative Compliance and Internal Controls

Shire of Wiluna
November 2017

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1.0 Engagement Overview

1.1 Scope of Services

The Shire of Wiluna engaged Moore Stephens to provide the following services in relation to the requirements of Regulation 17 of the *Local Government (Audit) Regulations 1996*.

- To undertake a high level review of the risk management policies, procedures and plans in place at the Shire;
- To evaluate the financial internal control systems and procedures at the Shire;
- To evaluate the operational internal control systems and procedures at the Shire;
- To assess systems and processes for maintaining legislative compliance;
- To provide a list of any improvements identified during the review; and
- To provide in our report recommendations, identified during our assessment of the systems and procedures, relating to risk management, internal audit and legislative compliance to assist the Chief Executive Officer (CEO) to assess the appropriateness and effectiveness of these systems and procedures.

1.2 Review Required by Legislation

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

1. *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to:*
 - A) *risk management;*
 - B) *internal control; and*
 - C) *legislative compliance.*
2. *The review may relate to any or all of the matters referred to in sub regulation (1) (a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.*
3. *The CEO is to report to the audit committee the results of that review.*

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

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

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

1.0 Engagement Overview

1.3 Review Methodology

The primary goal of this review is to provide a view to the CEO of the Shire of Wiluna of the appropriateness and effectiveness of the Shire of Wiluna's systems and procedures in relation to risk management, internal controls and legislative compliance.

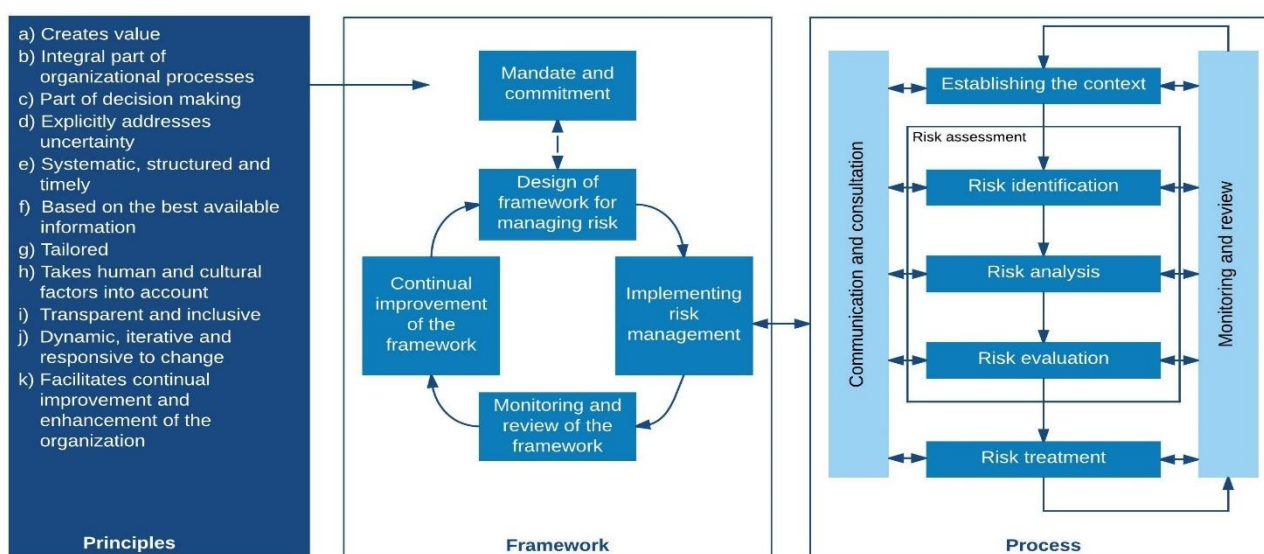
A sound system of internal control is necessary for the achievement of:

- strategic objectives;
- operational effectiveness and efficiency;
- reliable financial reporting; and
- compliance with laws, regulations and policies.

A comprehensive risk management framework provides an end-to-end link between objectives, strategy, execution of strategy, risks, controls, and assurance across all levels of the Shire.

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

Diagram 1. Risk Management Principles, Framework and Process



(Source: Standards Australia/Standards New Zealand, 2009)

In undertaking this review, the three ISO 31000 framework components have been applied, as set out above, to the review topics - risk management, internal controls and legislative compliance.

This evaluation is based on interviews with key staff, review of available documentation and reference to the last Financial Management Review conducted in December 2014 and more recently through desktop procurement policy reviews conducted in 2017.

2.0 Background

2.1 Shire Profile

The Shire of Wiluna is located in the Mid West Region of Western Australia. It is situated on the edge of the Western Desert at the gateway to the Canning Stock Route and Gunbarrel Highway. With a population of approximately 900, the Shire is predominantly mining and pastoral land. There are limited facilities in Wiluna with seasonal tourism the main reason for passing through Wiluna.

There are currently 21 employees in the Shire.

2.2 Organisational Background

The Shire of Wiluna has undergone significant organisational changes with the commencement of the current CEO in late 2016 and several Management Team members with extensive local government experience joining in 2017. The changes have enabled the Shire to re-build from several years of high turnover in the CEO position and other key roles essential in delivering the planned initiatives for a 'proud, green, go-ahead and healthy Wiluna'.

The current focus for the Shire has been to improve governance through leadership, re-training of staff in internal controls and embedding a risk management mindset in the delivery of strategic objectives and in day to day delivery of Shire services. A specific focus in 2017 has been to establish a structured procurement and tendering process to support the Shire's objectives in delivering capital projects on time and within budget.

2.3 Review Context

The review has been conducted with consideration for external and internal influences in which the Shire of Wiluna operates relevant to risk, the internal control environment and its legislative compliance obligations.

Factors that were considered are outlined below:

External Influences	Internal Influences
Increasing community expectations in relation to service levels and service delivery i.e. limited accommodation and housing.	Re-calibration of the Shire's informing plans - Strategic Community Plan, Corporate Business Plan, Workforce Plan and Strategic Resource Plan in early 2018.
Remote geographical location.	Restore and strengthen corporate governance.
Increased compliance requirements due to Government Policy and Legislation.	Current financial capacity of the Shire.
Reducing external grant funding for infrastructure and operations.	Maintenance of corporate records.
Rapid changes in information technology changing the service delivery environment.	Constant challenges of organisational size, impacting on service delivery.
Cost shifting by the Federal and State Government.	

3.0 Review Summary

3.1 Overall Conclusions

The review of the appropriateness and effectiveness of the Shire's systems and procedures in relation to risk management, internal control and legislative compliance has concluded that overall the Shire is moving towards having an adequate and sustainable risk and internal control culture to meet the Shire's compliance obligations and to deliver its strategic objectives.

A summary of our assessment for each area is outlined below. Details of recommendations to close gaps identified during the review are outlined in Section 4.0, Recommendations for Improvement.

3.2 Risk Management

Effective risk management contributes to the achievement of the Shire's business objectives through continuous review of its processes and systems. The key elements of a risk management process include a governance framework which is integrated into strategic and operational plans.

Considering the size, resources, operations and the context in which the Shire of Wiluna operates, a documented risk management strategy ensures that risks are holistically managed in a systematic, structured and pro-active manner.

The Shire has yet to adopt a Risk Management Policy and supporting risk reporting and risk review processes. This was also reported in the December 2014 Audit Regulation 17 Review which recommended that the Shire adopt a Risk Management Policy and develop a risk management strategy and framework. Upon commencement of the new CEO and DCEO in the past year, a greater focus on active risk management for key Shire projects and issues have been demonstrated as evidenced through review of evidentiary documentation and discussions with key staff.

The Shire Executive have also recognised a need to review and refresh the key components of a good governance framework to support a risk mindset with Shire employees.

Assessment

The recent improvements in monitoring of risks through Council forums and reported to Council and the various activities to improve corporate governance are sufficient to demonstrate that a more due diligence 'risk management process' is in practice. However, to be effective and sustainable, a formal Risk Management Policy and supporting framework are required to ensure that a more structured process is in place. Transition to a formalised framework will enable more holistic risk management of the top risks and the flow on effect of managing operational risks.

3.3 Internal Control

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. The foundation for an effective and strong system of internal control requires integrity and ethical behaviour, documented policies and procedures and clear accountability and management oversight.

3.0 Review Summary

The review of the key elements within the internal control environment indicate that it has significantly improved upon the commencement of the incumbent CEO and key senior staff hired in 2017. The new leadership team exhibit and promote ethical behaviour, implemented structured and systematic processes for greater transparency and accountability and clarified staff roles and responsibilities.

The review highlighted some weaknesses in the first line supervisory review controls around the financial month-end processes. This is now being addressed by management. This has impacted on the finalisation of the 30 June 2017 Financial Statements; as of early December, the Auditor's Report is pending.

Assessment

The internal control environment is deemed adequate based on our understanding and review of the systems and processes in place. A key to this is the outsourcing arrangement of some accounting responsibilities performed remotely by an external contractor to close the skills gap. A more sustainable and robust control environment would be to have the primary responsibility for financial controls being performed within one role.

The active oversight of the main business processes by the DCEO i.e. treasury, procurement including tenders and contract management has provided for a more compliant and transparent process.

The table in Section 4.0 Recommendations for Improvement outlines areas where internal controls need to be implemented to ensure a solid base to build a more robust internal control environment.

3.4 Legislative Compliance

An organisation's adherence to compliance obligations stems from robust system of internal controls and appropriate risk management to mitigate or prevent non-compliance. A robust compliance culture stems from organisational values which emphasize commitment to legal and regulatory compliance, integrity and business ethics.

The review of the Shire's systems and processes for adherence to legislative requirements and those which support a compliance culture indicated that it is dependent on the maturity of the risk management and internal control frameworks. To ensure that compliance obligations are met on a timely basis, compliance responsibilities need to be embedded into operational plans and day-to-day procedures.

It was observed that the commitment by the Shire leadership to fully comply with legislative requirements is reflected in their behaviours and communication to staff. Management also support independent review of its compliance to legislative requirements i.e. Procurement Policy review in April 2017; Establishment of a Panel for Pre-Qualified Suppliers in August 2017.

It is recommended that that an electronic records management system will greatly facilitate and demonstrate procedural compliance.

Assessment

Based on actions taken by the current Shire Leadership Team to review and ensure that the Shire meets all its main regulatory obligations, the Shire's practices for legislative compliance are deemed to be adequate. Formalisation of the control procedures which embed adherence to requirements is recommended.

Details of the above recommendations are outlined in Section 4.0 Recommendations for Improvement.

4.0 Recommendations for Improvement

Category	Matter Noted	Recommendation
RISK MANAGEMENT FRAMEWORK		
1. Risk Management Policy	There is currently no Risk Management Policy in place. Reported previously in Dec 2014 AR 17 review.	A Risk Management Policy should be developed as part of the overall governance framework.
	<p>Identification and assessment of risks is currently not performed as a structured and entity wide exercise. Evidence of risk assessments were observed in minutes of Council meetings and include 'actions / planned procedures' to mitigate the identified risks. These, however are not carried forward (where applicable) to a 'risk register' to ensure that risks are effectively managed and monitored.</p> <p>Example noted – CASA audit in August 2016 (Civil Aviation Safety Authority) issued 12 non-compliance notices of which 3 were still outstanding in October 2017.</p>	<p>It is recommended that following development of the Risk Management Policy, guidelines and standards be developed to provide guidance and a consistent approach to risk management.</p> <p>A report of top risks including emerging risks should be presented to the Audit & Risk Committee on a regular basis to ensure risks are appropriately managed and monitored.</p> <p><u>For noting:</u></p> <p>Reported in Dec 2016 Audit & Risk Committee minutes - CEO recommended development of Risk Management policies with focus on Occupational Safety and Health.</p>
2. Corporate Governance	A current focus for the Shire is to review all its informing plans with the current leadership team (most of whom have less than one year tenure) to ensure they represent relevant and viable strategic plans.	<p>It is recommended that following adoption of the Strategic Plans, consideration be made to identify key risks which may prevent the Shire from achieving those strategic objectives so that risk mitigation strategies can be built into project planning.</p> <p><u>For noting:</u></p> <p>The following have been scheduled for review in Feb 2018:</p> <ul style="list-style-type: none"> • Strategic Community Plan • Corporate Business Plan • Workforce Plan • Strategic Resource Plan
3. Corporate Governance - Delegations of Authority	Review of the Delegations of Authority indicated that based on a spot check, there are several delegations of authority which have not been included in the Delegations Register.	It is recommended that the Delegations Register be reviewed to ensure <u>all</u> the appropriate delegations have been included and formally delegated to reflect current practice.

Category	Matter Noted	Recommendation
4. Business Continuity & Disaster Recovery	<p>The Wiluna Disaster Management Plan (Dec 2016) appears to be in the process of being updated and currently contains out dated information.</p> <p>The Plan also focuses mostly on recovery from a 'records management disaster'.</p>	<p>The Disaster Management Plan should be updated immediately with current contact details and corresponding roles and responsibilities.</p> <p>The Plan should also consider business continuity and disaster recovery from a whole of organisation perspective given the likely community reliance on the Shire to play a key role in crisis management.</p>
5. Records Management	<p>An ad-hoc records management system is in place. Financial records and Council minutes and supporting documentation are mostly paper based and stored in archive boxes. It was observed during the review that retrieval of requested documentation was labour intensive. Examples noted of items requested which were not readily located:</p> <ul style="list-style-type: none"> - listing of grants received/acquitted - filing of Audit Committee Agendas/Minutes - contracts with service providers 	<p>Consideration should be given to migrating existing records to an electronic Records Management system.</p> <p>The implementation of an electronic records management system will support compliance requirements.</p> <p>The implementation costs should be evaluated in terms of increased productivity and efficiencies as well as the ability to readily demonstrate compliance.</p>
6. Health & Safety Management	<p>There is currently a competency gap with respect to oversight of health and safety management at the Shire. Although the current risk profile of the Shire may not warrant a full-time health and safety specialist, the review has identified increased exposure to risks which need to be addressed on a more timely basis i.e. CASA breaches.</p>	<p>Priority should be given to addressing the CASA breaches and putting in place processes and procedures to prevent a recurrence.</p> <p><u>For noting:</u></p> <p>November 2017 Council meeting awarded a tender to a specialist aerodrome management company.</p> <p>The Scope of Work agreement (sighted) includes addressing the root causes of the regulatory breaches and ensuring compliance requirements are met as part of the aerodrome management with all relevant authorities.</p> <p>To increase health and safety awareness, consideration should be given to establishing a permanent Health & Safety Committee.</p>

Category	Matter Noted	Recommendation
7. Code of Conduct - training	<p>An induction manual for staff is in the process of being compiled. It is planned to have a section on Code of Conduct which will be provided to all staff as refresher training.</p> <p>There does not appear to be a scheduled process to ensure staff are reminded at least once a year of their obligations and responsibilities for espousing ethical and Shire core values.</p>	<p><u>For noting:</u></p> <p>Following refresher training for all staff with the induction manual, Code of Conduct and governance related training should be scheduled for all staff on an annual basis.</p>

INTERNAL CONTROL ENVIRONMENT

8. Policies & Procedures Not reportable item - For Information Only	<p>The Shire of Wiluna Policy Manual states that the contents of the Policy Manual be reviewed annually with a review of individual policies every two years.</p> <p>Cursory review of the Policy Manual on the Shire website indicates that it was last reviewed in full in July 2015.</p>	<p>It is recommended that the Policy review be undertaken in conjunction with the review of the Delegations Register (refer point 3)</p> <p><u>Clarification received 8 January 2018</u></p> <p>A review of the Policy Manual was conducted in May 2017 and updates approved under resolution 121/17. The Shire has agreed to upload the current version dated 23 October 2017 to its website.</p>
9. Segregation of Duties	<p><u>Review of system access privileges</u></p> <p>A complete review of user security profiles has not been conducted in at least one year if not longer.</p>	<p>Perform a detailed review of every users' access privileges to Synergy to ensure that users do not have access to incompatible functions or to restricted and sensitive data.</p>
10. Remote Back-up of Synergy system	<p><u>Physical restore of back-up tapes</u></p> <p>Evidence to support that a physical restore of the back-up tapes has been performed regularly by the external IT service provider could not be provided at the time of audit.</p>	<p>Evidence from the service provider for the physical restores as they occur should be emailed to the Shire and retained as evidentiary documentation.</p>

Category	Matter Noted	Recommendation
11. Financial Controls – Month-end	<p>A review of the month-end financial controls in place indicated that the current review processes are not sufficient to detect and/or mitigate errors expected from the first line supervisory review process.</p> <p>The spot check of financial month-end tasks revealed:</p> <ul style="list-style-type: none"> First line supervisory review of journals did not detect incorrect journal entries by the preparer i.e. rates totalling \$4 million approved for posting in August 2017; Integrity checks by Finance Manager are not being performed i.e. balance sheet accounts are not reviewed for trends/ reasonability (compensating controls being performed by DCEO); and Inability to meet financial reporting deadlines i.e. July monthly accounts reported in September. 	<p>The month-end financial processes should be formalised to include:</p> <ul style="list-style-type: none"> Key steps to be performed by accountable persons including due dates and evidence of review by preparer and reviewer; Integrity checks at key stages of the month-end process i.e. cost reviews by cost centre owners; listing of all account reconciliations, balance sheet review for reasonableness; and Final review of month-end file by designated reviewer prior to inclusion to Council meeting. <p>A structured process would also ensure that the Annual Financial Reports can be provided to the Auditors on a timely basis to meet legislative requirements (refer point 15, Operationalise compliance requirements).</p> <p>To assist line Managers with review of their costs and reporting of variances, a monthly cost report should be provided by Finance to the relevant cost centre owners for their review and monitoring purposes.</p>

Category	Matter Noted	Recommendation
12. Financial Controls – Business Processes	<p>A walkthrough of the current procedures for the following areas indicated the following control weaknesses:</p> <ul style="list-style-type: none"> • payroll run was signed off as approved by reviewer but inspection of the documentation indicated that the review for payroll changes was actually not performed by the approver; • follow-up for unusual or unexpected items in account reconciliations was not performed by preparer but this was not flagged by first line reviewer; and • bank reconciliations were not prepared in a format to facilitate an efficient review process; this was not addressed by the reviewer with the preparer. The review noted items which should be dealt with or followed-up such as stale-dated cheques. 	<p>It is recommended that business processes with a financial impact be reviewed to ensure that internal or automated system controls are at appropriate points in the end-to-end process.</p> <p>To reduce the risk of manual errors and the manual effort, consideration should be given to using the automated bank reconciliation features from Synergy.</p>
13. Financial Controls - Grants	<p><u>Grants Administration</u></p> <p>Proper records for receipt, disbursement and acquittal of grant funds have not been properly maintained for the past few years to allow the current Shire administration to have an accurate understanding of past transactions/activity.</p> <p>Clarification of roles and responsibilities by the CEO has recently been communicated to Management and finance staff.</p> <p>Procedures have been put in place to ensure that the missing details are followed-up when brought to their attention.</p>	<p>It is recommended that the Shire take a more pro-active and risk based approach on this issue by going through records to ensure that they are not in breach of any funding requirements.</p> <p>Procedures for administration of grants should be developed and documented to ensure that relevant grant documentation and conditions are retained and enable proper administration of the grant throughout the life of the grant.</p>

Category	Matter Noted	Recommendation
LEGISLATIVE COMPLIANCE		
14. Financial Management Review	<p>No evidence of last completed Financial Management Review (FMR). As per Financial Management Regulations 5(2)(c), these are required to be reported to the local government every 4 years.</p> <p>The last FMR was conducted in December 2014 and included as an agenda item in the December Council Meeting. The December 2014 minutes indicate that it was held over for the February 2015 meeting, however, it does not appear to be have been tabled.</p>	<p>It is recommended that following the review of business processes and internal controls, a FMR be scheduled to assess the adequacy of the remediated control environment.</p>
15. Operationalise compliance requirements	<p>As mentioned under the 3.4 Legislative Compliance, formalisation of control procedures which embed compliance requirements is required to support a robust compliance culture.</p>	<p>It is recommended that key regulatory obligations be embedded into operational procedures and monitored for adherence by supervisory staff.</p> <p>Refer to point 11, Financial Controls for untimely financial reporting impacting on legislative requirements.</p>
16. Records Retention	<p>Without an adequate and reliable records management system, it can be difficult to demonstrate legislative compliance if records are not filed properly or there is not a structured process to enforce compliance.</p>	<p>Refer to point 5, Records Management.</p>

5.0 Other Matters

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Conflicts of Interest

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

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

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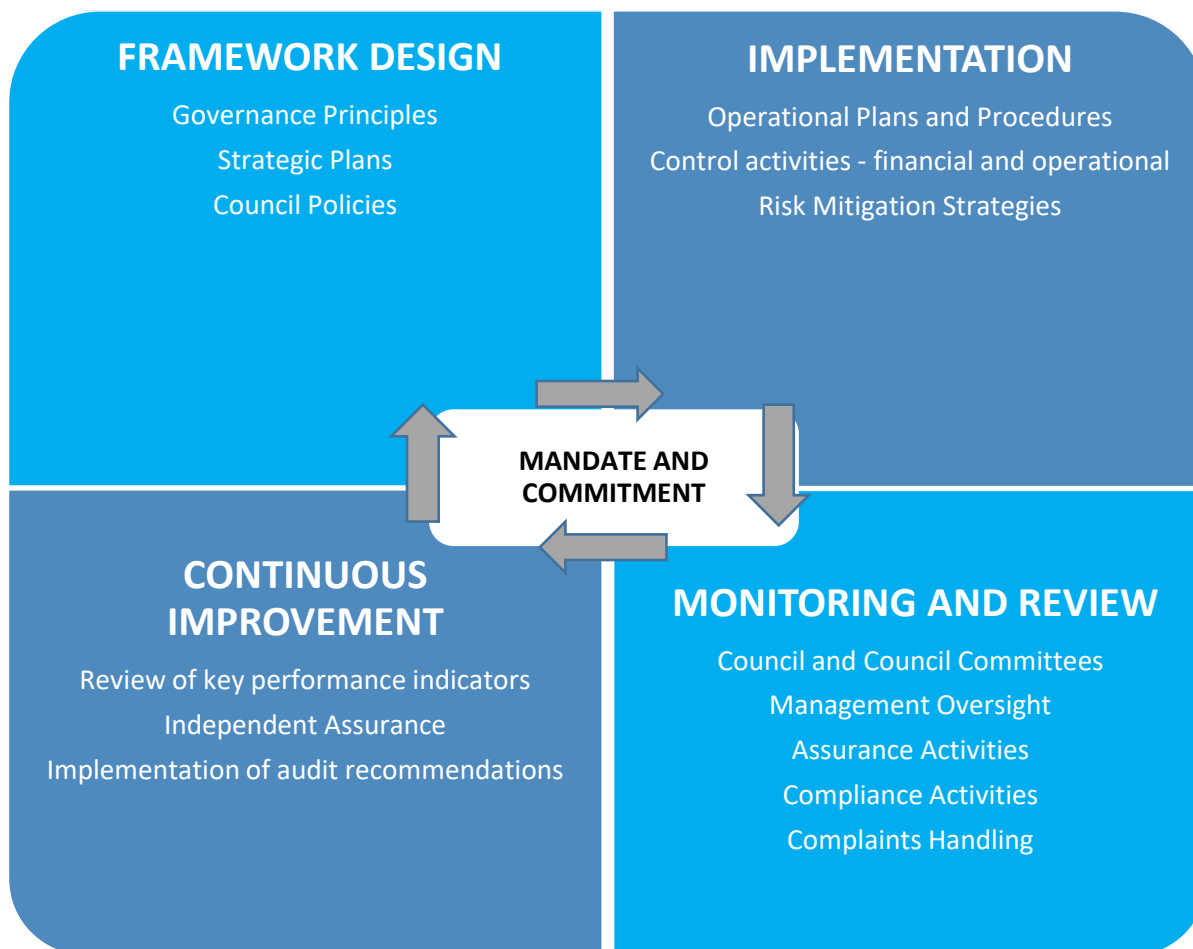
Version: 2.2
Status: Final
Date: 15 January 2018

Appendix A - Review Framework

Risk Management, Internal Control and Legislative Compliance

The following framework was used to evaluate the appropriateness and effectiveness of the Shire's systems and procedures in relation to risk management, internal control and legislative compliance.

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



Appendix B – Document List

The following documents (excluding email correspondence) were examined during the review:

Document Name	Shire Document Ref
Governance Policies	
Policy Manual	website
Delegations Register	
Complaints Register	
Councillor Returns (30 June 2017)	
Designated Employees annual returns (July 2017)	
Code of Conduct 2013.10.24	10.1.5
Financial Register (current)	
Gift Register	website
Risk Management Framework	
Examples of risk management:	
-Financial Investments 10.3.3 22 November Council minutes	
-LEMA 12.1 November Council minutes	
-Demolition of Council buildings 10.4.4 May Council Minutes	
- desktop emergency incident review of Wiluna Airstrip	
Strategic Plans	
Community Strategic Plan 2012-2023	Adopted 4 Feb 2015
Corporate Business Plan 2014-2018	Adopted 4 Feb 2015
Forward Capital Works Plan	Adopted 29 Jan 015
Other Documents	
Wiluna Disaster Management Plan Dec 2016	V3
Investment Register (30 Sept 2017)	
Payroll Report (29 Sept 2017)	
Trial Balance (30 Sept 2017)	
Bank Reconciliations (30 Sept 2017)	
Compliance Audit Return (2016 signed)	
2017 Tender Register	
Asset Register (per Synergy)	
Annual Report 2015/16	
(External) Audit Findings for 30 June 2016 (Dec 2016)	
Financial Management Review – Draft Report (Dec 2014)	

Appendix C – Operational Guidelines

Risk Management

Good audit committee practices in monitoring internal control and risk management programs typically include:

- *Reviewing whether the local government has an effective risk management system and that material operating risks to the local government are appropriately considered;*
- *Reviewing whether the local government has a current and effective Business Continuity Plan (including disaster recovery) which is tested from time to time;*
- *Assessing the internal processes for determining and managing material operating risks in accordance with the local government's identified tolerance for risk, particularly in the following areas:*
 - *potential non-compliance with legislation, regulations and standards and local government's policies*
 - *important accounting judgements or estimates that prove to be wrong*
 - *litigation and claims*
 - *misconduct, fraud and theft*
 - *significant business risks, recognising responsibility for general or specific risk areas, for example, environmental risk, occupational health and safety, and how they are managed by the local government*
- *Obtaining regular risk reports, which identify key risks, the status and the effectiveness of the risk management systems, to ensure that identified risks are monitored and new risks are identified, mitigated and reported;*
- *Assessing the adequacy of local government processes to manage insurable risks and ensure the adequacy of insurance cover, and if applicable, the level of self-insurance;*
- *Reviewing the effectiveness of the local government's internal control system with management and the internal and external auditors;*
- *Assessing whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk;*
- *Assessing the local government's procurement framework with a focus on the probity and transparency of policies and procedures/processes and whether these are being applied;*
- *Should the need arise, meeting periodically with key management, internal and external auditors, and compliance staff, to understand and discuss any changes in the local government's control environment; and*
- *Ascertaining whether fraud and misconduct risks have been identified, analysed, evaluated, have an appropriate treatment plan which has been implemented, communicated, monitored and there is regular reporting and ongoing management of fraud and misconduct risks.*

Appendix C – Operational Guidelines (Continued)

Legislative Compliance

Audit committee practices regarding monitoring compliance programs typically include:

- a) Monitoring compliance with legislation and regulations*
- b) Reviewing the annual Compliance Audit Return and reporting to Council the results of that review*
- c) Staying informed about how management is monitoring the effectiveness of its compliance and making recommendations for change as necessary*
- d) Reviewing whether the local government has procedures for it to receive, retain and treat complaints, including confidential and anonymous employee complaints*
- e) Obtaining assurance that adverse trends are identified and review management's Plans to deal with these*
- f) Reviewing management disclosures in financial reports of the effect of significant compliance issues*
- g) Reviewing whether the internal and / or external auditors have regard to compliance and ethics risks in the development of their Audit Plan and in the conduct of audit projects, and report compliance and ethics issues to the audit committee*
- h) Considering the internal auditor's role in assessing compliance and ethics risks in their Plan;*
- i) Monitoring the local government's compliance frameworks dealing with relevant external legislation and regulatory requirements*
- j) Complying with legislative and regulatory requirements imposed on audit committee members, including not misusing their position to gain an advantage for themselves or another or to cause detriment to the local government and disclosing conflicts of interest*

Internal Controls

- a) An effective and transparent internal control environment is built on the following key areas:*
- b) integrity and ethics;*
- c) policies and delegated authority;*
- d) levels of responsibilities and authorities;*
- e) audit practices;*
- f) information system access and security;*
- g) management operating style; and*
- h) 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;*

Appendix C – Operational Guidelines (Continued)

Internal Controls (continued)

- d) system controls;*
- e) effective Policy and process review;*
- f) regular internal audits;*
- g) documentation of risk identification and assessment; and*
- h) regular liaison with auditor and legal advisors.*

The following are examples of controls that are typically reviewed:

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

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