

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

Shire of Denmark

September 2019

18 February 2020 - Attachment 8.2.3

Contents

1.0	Engagement Overview	3
2.0	Review Context	5
3.0	Review Summary	6
4.0	Methodology	10
5.0	Appropriate Framework.....	13
6.0	Framework Design	14
7.0	Framework Implementation	19
8.0	Framework Evaluation	32
9.0	Other Matters	38
	Appendix A – Financial Management Systems Review	39
	Appendix B – Council Policies Examined	41
	Appendix C – Plans Examined	49
	Appendix D – Strategic and Operational Registers Examined	50
	Appendix E – Operational Guidelines.....	51

1.0 Engagement Overview

1.1 Scope of Services

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

For efficiency, the reviews were undertaken simultaneously and the results contained in this single report. Financial management systems and procedures are considered a subset of broader overall risk management, legislative compliance and internal controls. The matters examined in respect of financial management systems are detailed in Appendix A and where opportunities for improvement were identified, they are reported within the relevant section of the Audit Regulation 17 framework design, framework implementation and framework evaluation sections of this report.

The results of the Audit Regulation 17 review are to be reported by the CEO to the Audit Committee. The Audit Committee is required to review the CEO's report and on-report to the Council. The report from the Audit Committee to the Council is required to have attached a copy of the CEO's initial report to the Audit Committee.

1.1.1 Procedures – Financial Management Review

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

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

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

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

1.0 Engagement Overview (continued)

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

Our procedures for the systems and procedures review (as required by Audit Regulation 17) on behalf of the CEO encompassed the following services:

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

To undertake these procedures, we applied the following methodology:

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

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

1.2 Legislative Changes

Since our review was undertaken in May/June 2019, changes to legislation has been affected through the *Local Government Legislation Amendment Act 2019*. Our report and findings reflect compliance and matters identified against legislation current at the time of our review. Where possible, we have noted within our report areas where recent legislative changes may affect improvements noted.

2.0 Review Context

2.1 Review Context - Shire of Denmark

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

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

External Influences	Internal Influences
Increasing community expectations in relation to service levels and service delivery.	The objectives and strategies contained in the Council's current Strategic Community Plan.
Rapid changes in information technology changing the service delivery environment.	The timing and actions contained in the Council's Corporate Business Plan.
Increased compliance requirements due to Government Policy and Legislation.	The current organisational size, structure, activities and location.
Cost shifting by the Federal and State Governments.	The current human resourcing levels and turnover rate.
Reducing external grant funding for infrastructure and operations.	The current financial capacity of the Shire.
Increasing risk of cyber attack resulting in compromised or lost data.	The maintenance of corporate records.
Climate change and subsequent response.	Allocation of resources to achieve strategic outcomes.
Changing population demographic.	Current organisational systems and processes.

3.0 Review Summary

3.1 Financial Management

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

3.1.1 Appropriateness

Considering the size, resources, variety of operations and the context in which the Shire of Denmark operates, documented internal control procedures relating to financial management systems, subject to identified weaknesses being addressed, are considered appropriate as a means of maintaining a high level of control over the financial management of the Shire, provided they are routinely and consistently applied. Some weaknesses were identified within current controls and procedures, these are explained within Section 6.0 Framework Design section of this report.

3.1.2 Effectiveness

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

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

3.1.3 Improvements

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

- Security controls;
- Interest on rates instalments;
- Compliance relating to information accompanying rates notices;
- Stock control;
- Revenue and management controls of Parry's Beach Camping Ground;
- Procurement;
- Payroll controls; and
- Revenue controls at the Waste Facility.

3.0 Review Summary (continued)

3.2 Risk Management

The Shire of Denmark initially developed its formal risk management processes with the adoption of a Risk Management Policy (resolution 060914/9 9 September 2014). The Policy refers to the Risk Management Standard ISO 31000:2009 and is supported by a Risk Management Governance Framework. The policy document and framework forms the basis for risk management activities within the organisation. An updated framework has been prepared but not yet adopted.

3.2.1 Appropriateness

Currently, a documented entity wide Risk Management Policy is in existence to guide the implementation of risk management throughout the organisation. The current policy is based on the previous Risk Management Standard (AS/NZ ISO 31000:2009) which was updated in February 2018. The updates to the standard were to highlight the leadership of top management and integration of risk management in organisations, along with the iterative nature of risk management. Update of the Shire's policy and finalisation of the draft framework to align to the new standard is encouraged to help ensure the appropriateness of risk management practices.

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

3.2.2 Effectiveness

The current risk management policy reflects the Shire's commitment to organisation wide risk management principles, systems and processes aimed at ensuring consistent, effective and efficient application of risk management through planning, decision making and operational processes. Elements of risk management processes, such as updating and review of risk profiles and documented risk assessments, are not consistently applied. Development and application of risk management systems and processes are required to be implemented throughout the organisation in order for risk management processes and procedures to be considered effective.

3.2.3 Improvements

Improvements to risk management practices and policies are detailed later within this report, with key matters summarised as follows:

- Review and update (through adoption by Council) to the risk management policy to align to the new Risk Management Standard (ISO 31000:2018);
- Implement a risk management framework / strategy aligned to the new Risk Management Standard (ISO 31000:2018);
- Develop and apply risk management practices to existing practices in accordance with a suitable risk management framework; and
- Ensure appropriate management of operational risks for high risk areas.

3.0 Review Summary (continued)

3.3 Internal Control

A formal internal control policy is yet to be developed and adopted by the Shire of Denmark. A policy to guide the Shire's internal controls should assist to ensure an iterative approach to evaluating the internal controls, systems and procedures, as well as providing a mechanism whereby regular review and updates occur.

3.3.1 Appropriateness

Considering the size, resources, operations and the internal/external context in which the Shire of Denmark operates, the internal control framework, procedures and systems as described to us are considered appropriate for the majority of areas of operations. A number of internal controls were identified where these controls are not considered appropriate.

3.3.2 Effectiveness

Weaknesses were identified where internal controls are not considered effective, specifically where a high degree of trust is currently placed in employees with limited review and verification of transactions.

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

3.3.3 Improvements

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

- Develop a documented internal control policy, promoting a risk-based approach to the development and maintenance of documented internal controls and procedures. This policy should support a continual assessment of appropriate controls throughout the organisation by identifying the need for new controls (based on risk) and ensuring existing outdated and unnecessary controls are discontinued;
- Finalisation and testing of draft Business Continuity and IT Disaster Recovery Plans;
- Key internal controls should be documented either as procedures or checklists;
- Procedures should be defined to improve the management of issues surrounding changes to internal controls;
- Measures should be taken to ensure staff are fully aware of, and understand, relevant internal controls; and
- Financial management control recommendations discussed at section 3.1 of this report to be implemented.

3.0 Review Summary (continued)

3.4 Legislative Compliance

Currently, no legislative compliance policy exists to communicate expectations of Council in relation to legislative breaches and regulatory compliance. Reliance in this regard is dependent upon the knowledge and experience of senior staff and their desire to achieve high levels of legislative and regulatory compliance.

3.4.1 Appropriateness

Considering local governments generally maintain a low risk appetite for breaches of legislation, a documented legislative compliance policy is considered appropriate to reflect Council's low risk appetite in relation to legislative breaches. The Shire does not have a legislative compliance policy to address legislative compliance.

3.4.2 Effectiveness

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

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

3.4.3 Improvements

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

- Development of a legislative compliance policy dealing with internal legislative compliance;
- Implement processes to ensure rate notices and information accompanying rates notices are compliant with legislation and associated regulations;
- Further development and approval of authorised checklists for functions which require a high level of legislative compliance; and
- Refine the current staff training matrix to apply to all employees. A risk based training matrix should help ensure staff with the responsibility for preventing, identifying and reporting breaches of legislation are offered relevant training to ensure their knowledge of legislative requirements is maintained, qualifications are maintained and up to date where required.

4.0 Methodology

4.1 Review Methodology – Financial Management Review

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

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

To this end we examined the following financial systems and procedures of the Shire.

- Bank reconciliations and petty cash management;
- Trust fund;
- Receipts/receivables;
- Rates;
- Fees and charges;
- Purchases, payments and payables (including purchase orders);
- Payroll;
- Credit card procedures;
- Fixed assets (including acquisitions, disposal and depreciation);
- Cost allocations;
- Administration allocations;
- Financial reports; and
- Budget.

4.0 Methodology (continued)

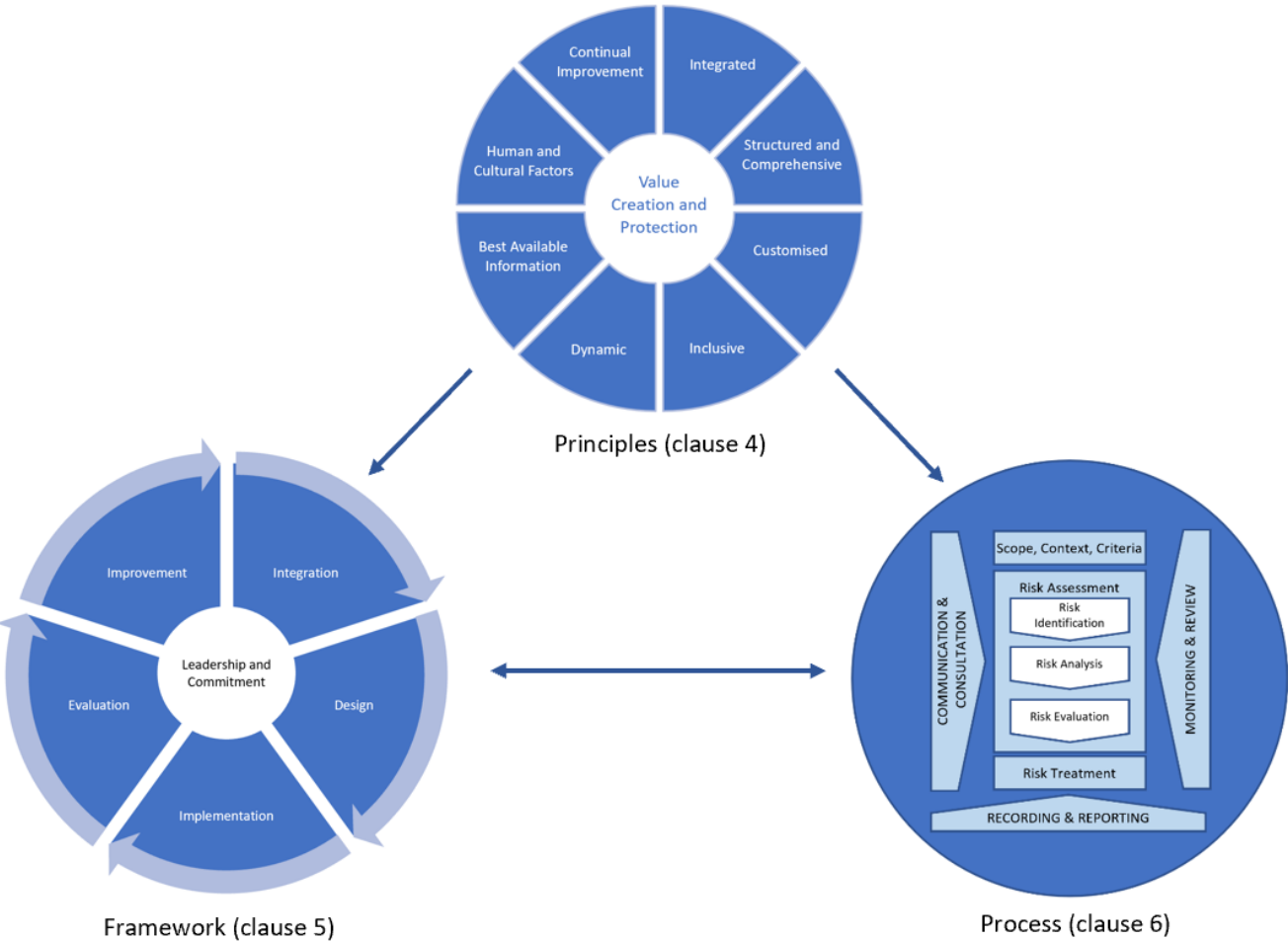
4.2 Review Methodology – Risk Management, Legislative Compliance and Internal Controls

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

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

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

Diagram 1. Risk Management Principles, Framework and Process



Source: Australia/New Zealand Standard ISO 31000:2018

4.0 Methodology (continued)

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

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

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

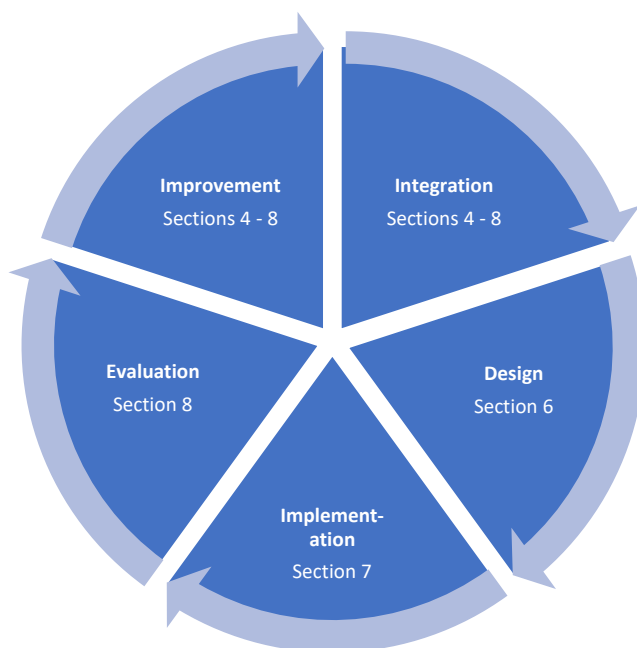
This evaluation is based on interviews with key staff, review of requested documentation listed in the Appendix and reference to any external audit reports or reviews previously conducted.

5.0 Appropriate Framework

5.1 Risk Management, Internal Control and Legislative Compliance

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

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



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

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

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

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

6.0 Framework Design

6.1 Strategic Plans

The Shire of Denmark has adopted two key strategic documents, the Strategic Community Plan 'Denmark 2027' and the Corporate Business Plan 2018-2022. These plans identify the Council's organisational objectives and key outcomes, as the Shire progress on its stated vision "A happy, healthy and eclectic community that embraces creativity, celebrates the natural environment and is invested in a strong local economy".

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

- 1. Our Economy:** We are an attractive location to live, invest, study, visit and work;
- 2. Our Natural Environment:** Our natural environment is highly valued and carefully managed to meet the needs of our community, now and in the future;
- 3. Our Built Environment:** We have a functional built environment that reflects our rural and village character and supports a connected, creative and active community;
- 4. Our Community:** We live in a happy, healthy, diverse and safe community with services that support a vibrant lifestyle and foster community spirit; and
- 5. Our Local Government:** The Shire of Denmark is recognised as a transparent, well governed and effectively managed Local Government.

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

The Strategic Community Plan includes a section highlighting key challenges and risks considered during the preparation of the Plan.

This review examines the appropriateness and effectiveness of the organisation's risk management systems, internal controls and legislative compliance in the context of the Shire striving to achieve its stated objectives.

6.0 Framework Design (Continued)

6.2 Council Policies

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

In general, Council policies are well formulated and provide clear guidance regarding Council's position on certain matters, although some policies could be considered to be functions of the CEO rather than positions of Council. A list of policies reviewed is provided in Appendix B - Council Policies Examined. The table below details areas for suggested improvement.

Policy	Purpose / Goal	Matters Identified / Improvements
P040237 Risk Management Policy	Policy to set out the Shire's approach to articulate its commitment to Risk Management.	The current Policy is based on a superseded Risk Management Standard. Improvement: When next undertaking a review of the Policy, update the Policy align to the current Risk Management Standard ISO 31000:2018.
P040128 Officers and Elected Members Code of Conduct	To provide guidance to Council members, committee members, contractors and employees of enforceable rules and requirements as prescribed in relevant legislation. <i>N.B. Changes to requirements for Code of Conduct resulting from the Local Government Legislation Amendment Act 2019 are yet to be proclaimed. Improvements noted will require review against regulations once available.</i>	The current code of conduct does not reflect all disclosure requirements under sections 5.82, 5.83 of the <i>Local Government Act 1995 and Regulation 34(B) of the Local Government (Administration) Regulations 1996</i> . In its current form, the code of conduct could confuse elected members and employees as to their disclosure obligations. Contractors and volunteers are not bound by the Code of Conduct when performing functions on behalf of the Shire. Section 5.2 'Travelling and Sustenance Expenses' references expenses for elected members will be in accordance with policy or the <i>Local Government Act 1995</i> . The most recent determination published by the Salaries and Allowances Tribunal (SAT) sets out rates and allowances for elected member reimbursements which cannot be limited or proscribed by a local government. Improvement: Review the Code of Conduct to align with gift disclosure requirements as required by legislation. Expand the scope of the Code of Conduct to include actions by volunteers and contractors. Alternatively, a separate Code of Conduct be developed for volunteers and contractors. Update section 5.2 of the Code of Conduct to reference the Salaries and Allowances Tribunal (SAT) determination, to limit confusion on rates to be used for reimbursement of expenses to elected members.

6.0 Framework Design (Continued)

Policy	Purpose / Goal	Matters Identified / Improvements
P040214 Complaints Management Policy	Policy to provide guidance to the Shire's approach to managing complaints and grievances.	<p>The Policy provides for complaints to be maintained in a central record / system. A complaints register or central record system as stipulated within the Policy was not available for our inspection.</p> <p>Improvement: Establish a complaints register (separate to register required under section 5.121(1) of the <i>Local Government Act 1995</i>) or procedure to ensure complaints are monitored, managed and dealt with, as required by the Policy.</p>
P040129 Reimbursement of Elected Member Travel Expenses	<p>Policy to set out criteria to determine expenses to be met by Council for attendance at meetings, conferences, training seminars and civic functions.</p> <p><i>N.B. Changes to requirements for elected member training resulting from the Local Government Legislation Amendment Act 2019 are yet to be proclaimed. Improvements noted will require review against regulations once available.</i></p>	<p>The Policy stipulates reimbursements for Councillor travel will be at the rate set within the <i>Local Government Officers (Western Australia) Interim Award 2011</i> when Councillors use a personal vehicle for travel. The most recent determination published by the Salaries and Allowances Tribunal (SAT) sets out that travel is to be reimbursed to elected members when attending Council or committee meetings at the same rate as Section 30.6 of the <i>Local Government Officers' (Western Australia) Interim Award 2011</i>. It also sets out travel is to be reimbursed when performing other functions under the express authority of the local government, in accordance with the <i>Public Service Award 1992</i>.</p> <p>Improvement: Review and update the Policy to separate and clarify the calculation method for reimbursement of travel as set out with the most recent determination published by the SAT.</p>
Internal Control Policy	A policy to evidence Council's commitment to Internal Controls and their importance to the organisation.	<p>Currently, no policy on internal controls has been adopted by Council.</p> <p>Improvements: Formulate and adopt an Internal Control Policy to formalise Council's commitment to internal controls, based on a risk management process.</p>
Legislative Compliance Policy	A policy to evidence Council's commitment to legislative compliance and its importance to the organisation.	<p>Currently, no policy on internal legislative compliance has been adopted by Council.</p> <p>Improvement: Development and adoption of an internal legislative compliance policy will help formalise Council's commitment to legislative compliance.</p>

6.0 Framework Design (Continued)

Policy	Purpose / Goal	Matters Identified / Improvements
P040220 Purchasing Policy	<p>Policy providing a best practice approach and procedures for purchasing.</p> <p>Requires compliance with the <i>Local Government Act 1995</i> and <i>Functions and General Regulations 1996</i>.</p> <p>Ensure consistency for all purchasing activities that integrates within all the Shire of Denmark operational areas.</p>	<p>The Policy provides limited direction in relation to contract variations and extensions of contracts awarded or against a written specification not awarded by tender. Extension of contracts and associated price changes are also not covered by the Policy. For contracts awarded by tender, legislation provides minimum requirements.</p> <hr/> <p>Purchasing requirements for procurement of goods or services in accordance with the exemptions under <i>Local Government (Functions and General) Regulations 1996</i> Regulation 11(2), regardless of the value of expenditure are not included within the Policy. The CEO is required to ensure controls exist for all purchases including those made using these exemptions. It is noted the practice of testing the market through sourcing multiple quotations when using the exemptions is sometimes occurring, and the policy should be updated to reflect the expectation and requirement.</p> <hr/> <p>The Policy lists circumstances where tendering exemptions may apply, including a provision where a purchase is authorised by Council under delegated authority. The policy is not clear as to the circumstances where this exemption would apply.</p> <hr/> <p>Improvements:</p> <p>Amend the Policy to provide the following:</p> <ul style="list-style-type: none"> • Prohibit price variations to existing contracts awarded by tender other than those provided within the original contract, as required by <i>Local Government (Functions and General) Regulations 1996</i> Regulation 11(2) (j) (iv). • Purchasing requirements for the issuing of contract variations and extensions for contracts not awarded by public tender. Consideration should be given to circumstances where the contract value increase over a policy threshold level, due to the variation or extension. <hr/> <p>Insert purchasing requirements for procurement of goods or services made under the exemptions under <i>Local Government (Functions and General) Regulations 1996</i> Regulation 11(2).</p> <hr/> <p>Review and update the policy to clearly define the circumstances under which the exemption would apply. Ideally, to avoid conflict with legislation the Policy should not include legislative requirements and should enhance the legislative requirements.</p>

6.0 Framework Design (Continued)

Policy	Purpose / Goal	Matters Identified / Improvements
P040109 Codes of Conduct and Required Plans	Policy to facilitate current, accurate and effective Codes of Conduct and adopted Plans as required by Legislation or Best Practice.	<p>The Policy documents the requirement for the Corporate Business Plan to be reviewed on a four year cycle, rather than annually as required by <i>Local Government (Administration) Regulations 1996 19DA (4)</i>.</p> <hr/> <p>Improvement: Update the Policy to correctly reference the review requirement for annual review of the Corporate Business Plan.</p>
OPO40236 Credit Card Policy (maintained within Organisation Procedure Manual)	Policy to regulate the use of Corporate Credit cards issued to employees.	<p>The policy requires the Shire President to authorise and sign the CEO's credit card statement. Under the <i>Local Government Act 1995</i> the Shire President has no administrative authority and as such no authority to authorise the CEO's credit card statement.</p> <hr/> <p>Improvement: Review the Policy/procedure to amend the authorisation process of the CEO's credit card, in line with the Western Australian Auditor General's Report dated 7 May 2018 relating to Controls Over Corporate Credit Cards, periodically report credit card transactions to Council, clearly identifying them for noting. We note all credit card transactions are currently reported to Council along with the list of payment of accounts.</p>
OP040237 Purchase of Goods and Services and Payment of Accounts (maintained within Organisation Procedure Manual)	Procedure to guide the approach to purchasing for the Shire of Denmark and to ensure consistency for all purchasing activities.	<p>The procedure sets out requirements for obtaining purchase orders, however it does not align to the Purchasing Policy documenting the requirement to obtain quotations, nor does it describe mechanisms to ensure quotations have been obtained.</p> <hr/> <p>Improvement: Update the procedure to align with the Purchasing Policy to document the requirement for quotations to be sourced, as well as to provide guidance for recording of quotations to ensure compliance with the Policy has been achieved.</p>

7.0 Framework Implementation

7.1 Strategic and Operational Plans

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

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

Plan	Purpose / Goal	Matters Identified / Improvements
Business Continuity Plan	Plan to facilitate organised decision-making in the event of a major incident impacting the Shire's ability to continue normal operations.	A Business Continuity Plan was not available for inspection. Improvement: Develop a Business Continuity Plan and test it to ensure validity. Identify and document key business continuity risks along with the treatments, to reduce the risk to an acceptable level.
Asset Management Plan	Plan prepared to assist the Shire to improve the way it delivers services through its infrastructure assets such as roads, drainage, footpaths, public open space and buildings.	A draft Asset Management Plan has been developed but not yet finalised or adopted. Although there is no statutory obligation to adopt the plan, it is a key tool (aligned to the Corporate Business Plan and annual budget) for ensuring the appropriate management of assets within resource limits. Improvement: Progress the completion of the draft asset management plan to include all required data and information as published within the Department Local Government, Sport and Cultural Industries <i>Integrated Planning and Reporting Advisory Standard (September 2016)</i> and to facilitate reporting of ratios as required by regulation 50(1)(c) of the <i>Local Government (Financial Management) Regulations 1996</i> within the annual financial report.
Long Term Financial Plan (LTFP)	Plan prepared to assist the Shire to understand and plan its long term strategic financial management.	A draft LTFP has been prepared and is yet to be adopted. Although there is no statutory obligation to adopt the plan, it is a key tool (aligned to the Corporate Business Plan and annual budget) for ensuring the long term financial health of the Shire. Improvement: Finalise the LTFP, to monitor financial health and maintain effective alignment with IPR documents and to facilitate the reporting of ratios as required by regulation 50(1)(c) of the <i>Local Government (Financial Management) Regulations 1996</i> within the annual financial report.

7.0 Framework Implementation (Continued)

Plan	Purpose / Goal	Matters Identified / Improvements
Workforce Plan	Document to enable appropriate planning of the workforce to deliver the Corporate Business Plan, and consider workforce implications of the Strategic Community Plan.	<p>A draft Workforce Plan has been prepared and is yet to be adopted. Although there is no statutory obligation to adopt the plan, it is a key tool (aligned to the Corporate Business Plan and annual budget) for ensuring financial sustainability.</p> <hr/> <p>Improvement: Finalise the Workforce Plan to maintain effective alignment with IPR documents, and to include all required data and information as published within the Department Local Government, Sport and Cultural Industries Integrated Planning and Reporting Advisory Standard (September 2016).</p>
ICT Strategic Plan	Plan to guide the future development and delivery of ICT services and address the handling of ICT disaster recovery.	<p>An ICT Plan highlighting and addressing ICT risks and how they are to be addressed was not available for inspection.</p> <hr/> <p>Presently, an external provider is engaged to provide IT support services and advice regarding security and hardware. Software updates to the ERP and other systems are maintained in house where possible. No service level agreements are currently in place with external providers.</p> <hr/> <p>Improvement: Develop an ICT Strategic Plan identifying and documenting key ICT risks along with the treatments to reduce the risk to an acceptable level.</p> <hr/> <p>Careful development of an ICT strategy will assist in developing a scope to articulate service level agreements for IT services.</p>
Corporate Business Plan	A plan to guide the internal operations of the Shire in delivering services to the community.	<p>The Corporate Business Plan (CBP) was reviewed in November 2018, after the adoption of the 2018/19 annual budget. Section 6.2(2) of the <i>Local Government Act 1995</i> requires consideration be given to the contents for the plan for the future of the district, (i.e. the CBP and Strategic Community Plan) in preparing the annual budget.</p> <hr/> <p>Action: Ensure the Corporate Business Plan is reviewed annually prior to the adoption of the annual budget, in accordance with the requirements of section 6.2(2) of the <i>Local Government Act 1995</i>.</p>

7.0 Framework Implementation (Continued)

7.2 Operational and Financial Procedures

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

Considering the number of services provided and the current staff resourcing, a risk based approach to the prioritisation of the review and development of new procedures is recommended. The table below details areas of suggested improvement in relation to policies and procedures examined.

Component	Purpose / Goal	Matters Identified / Improvements
Risk Management Procedures	Procedures and practices to set out a uniform approach to the identification, assessment, management, reporting and monitoring of risks.	<p>Risk Management activities currently undertaken are not consistently documented, with existing procedures are based on a superseded risk management standard.</p> <p>Improvement: Risk management procedures be updated, and a process developed in accordance with the latest risk management standard (ISO 31000:2018).</p> <p>Implement risk management procedures and processes throughout the organisation.</p>
Procedure Changes	Process to control and manage change to procedures.	<p>Process for amending or changing procedures are formalised through the 'Organisation Procedure Manual'. This process is not consistently applied throughout the organisation, creating opportunities for unilateral undocumented changes to procedures and a breakdown in key controls.</p> <p>Improvement: Communicate the current process for the development, review, amendment and authorisation of procedures, checklists and other internal control documentation, throughout the organisation to assist with managing changes to procedures.</p>
Trust Fund	Controls to ensure that no errors exist in the transactions for the Trust Fund account	<p>The Trust Fund currently includes several bonds and contributions, some of which have been held for longer than ten years. It is understood from management representations, the Trust Fund has been undergoing examination to allocate bonds and contributions which have been held for longer than ten years in line with provisions of section 6.9 (4) of the <i>Local Government Act 1995</i>.</p> <p>Improvement: Remove all funds which are not required by law to be held in the Trust Fund, and transfer to the Municipal Fund, in line with the Office of the Auditor General (OAG) position paper on Accounting for Work Bonds, Building Bonds and Hire Bonds released in July 2019.</p>

7.0 Framework Implementation (Continued)

Component	Purpose / Goal	Matters Identified / Improvements
Tender Assessment	Procedures to provide probity for the assessment of tenders received.	<p>No documented procedures were available for the assessment of tenders against selection criteria.</p> <p>Improvements: To help ensure probity and fairness when assessing tenders, procedures for the process to be undertaken in assessing tenders should be followed and documented with at least three persons assessing the tender independently of each other. Persons assessing any significant procurement should be required to declare any matters which may impact or be perceived to impact on their independence.</p>
Procurement Assessment	Procedures to provide probity for the assessment of procurement options received.	<p>We did not observe any documented formal requirements when undertaking assessments of responses to requests for quotations.</p> <p>Documented procedures are not in place to require declarations of interest and confidentiality to be signed prior to assessments being undertaken for high value purchases.</p> <p>Improvements:</p> <p>When assessing responses to requests for quotation, the process should be documented. Documented processes should require a higher level of probity and due diligence, the higher the value or risk associated with the purchase.</p> <p>Purchases over \$150,000 should be subject to the same assessment procedures as those applied to tenders in instances where an exemption from calling tenders exists.</p> <p>Procedures for the declaration of interests prior to procurement assessments being undertaken should also be documented for high value purchases and tenders.</p>
Checklists	Checklists document the completion of multiple steps within an overall process.	<p>Checklists of key functions are maintained for selected functions. Checklists were not maintained and evidenced for all standard routine functions such as end of month reconciliations and reporting across the organisation. It was noted some staff have commenced with the creation of checklists and procedures.</p> <p>Improvement:</p> <p>Creation and maintenance of standard checklists may assist in evidencing key points of control and serve as a reminder. Checklists assist in ensuring compliance with repetitive legislative compliance tasks. Staff are encouraged to continue with the development of checklists and procedures for routine functions, including evidencing independent review.</p>

7.0 Framework Implementation (Continued)

Component	Purpose / Goal	Matters Identified / Improvements
Documented Procedures	Documented procedures by officers helps establish a standard methodology and identifies key controls for processes undertaken by officers.	<p>Documented procedures currently exist in the form of the 'Organisation Procedure Manual'. Evidence was not available of consistent application of procedures throughout the organisation. Some procedures do not align with policies of Council. Department specific procedures have been developed by some staff which are not assessed by senior officers for compliance and appropriateness.</p> <p>Improvement: Opportunities exist to improve standard operating procedures and ensure they are documented with key controls clearly identified and communicated to all staff. Procedures once developed and implemented, require constant monitoring for adherence and to ensure effectiveness.</p>
End of Month Processes	Processes for the completion of tasks and evidencing key points of control	<p>Evidence of end of month procedures being followed or reviewed by an authorised officer independent of preparing/collating the documentation is not routinely applied prior to preparation of monthly financial reports.</p> <p>Improvement: Development of documented checklists and procedures to demonstrate appropriate controls and reviews are in place when preparing monthly financial reports is a key control.</p>
Procurement	Procedures for the procurement of goods or services.	<p>Through limited testing of payments, a number of instances were noted where:</p> <ul style="list-style-type: none"> • Payments were authorised in excess of the value on the assigned purchase order; • Purchase orders did not pre-date the invoice; and • Procurement did not comply with the Purchasing Policy with regard to evidence of the required quotations being obtained. <p>Improvement: All procurement of goods or services should be undertaken in accordance with legislative requirements and the Purchasing Policy. Values should be assigned to all purchase orders to ensure the Purchasing Policy has been adhered to and controls have been developed to prevent changes to the authorised purchase order.</p>

7.0 Framework Implementation (Continued)

Component	Purpose / Goal	Matters Identified / Improvements
Security Controls for Cash	Ensure access to the cash is restricted only to personnel who are authorised.	<p>Cash held at the Recreation Centre is kept in a safe. The combination to the safe has not been changed for some time and is known by previous members of staff.</p> <p>Petty cash is kept in a locked box, which is stored in an unlocked cupboard.</p> <p>The strong room and safe is locked each day with a key, and the key is stored within the administration office in an unlocked drawer.</p> <p>Improvement: Arrange for the combination to the safe lock at the Recreation Centre to be changed as soon as possible. Also arrange for a process to occur to ensure regular changes to the code are undertaken to prevent former employees, from potentially accessing the safe when not authorised to do so.</p> <p>Ensure petty cash is stored in a secure location, such as the strong room or safe.</p> <p>Restrict access to safe keys to duly authorised personnel, ensuring keys are not left unsecured in the administration office, especially after hours.</p>
Creditors Systems and Processes	Controls around the changes to supplier details within the EFT payment system.	<p>The Shire's current process of changing supplier banking details is inadequate, with no formal documented procedures available for our inspection. We are aware of many incidents of payment scams/frauds within the local government industry in recent years. Controls should exist within EFT payment systems to include the assessment of requests for changes to EFT details for genuineness and legitimacy, restricting the ability to make changes to EFT details to appropriate staff, and to detect and prevent any unauthorised changes being made.</p> <p>Improvement: The process to assist officers with verifying changes of supplier details should be documented and provided to officers responsible with preparation and entry of creditors invoices for approval for payment, in line with the findings of the Office of the Auditor General (OAG) report on Management of Supplier Master Files released in March 2019. This should be supported with training/direction to remind staff of the need to be ever vigilant, to exercise a level of scepticism for all requests presented and, most importantly, to raise a concern if there is any doubt about the authenticity of a request for change of EFT payment details.</p>

7.0 Framework Implementation (Continued)

Component	Purpose / Goal	Matters Identified / Improvements
Waste Facility Cash Handling	Procedures and systems for the handling of cash at the waste facility	<p>Imposition of fees and charges for domestic waste have resulted in cash being collected at the waste facility. Current controls in relation to the handling of cash at the waste facility are considered inadequate. It is acknowledged management are aware of the weaknesses and are currently trying to address these.</p> <p>Improvement: Continue to improve cash handling controls, consider removing or significantly reducing the amount of cash received at the waste facility, through use of pre-purchased vouchers, EFTPOS etc. Should cash continue to be accepted, appropriate procedures and controls are required.</p>
Stock Control	Process to ensure stock is correctly allocated, as well as to reduce the potential for theft or misappropriation.	<p>Our limited testing noted discrepancies between physical stock take of fuel stock on hand at end of month, and calculated stock on hand within the Shire's ERP system. From staff representations, recent processes have been introduced to attempt to identify the source of stock discrepancies.</p> <p>Improvement: Continue to rectify equipment malfunctions to ensure accurate readings are maintained for processing of fuel allocations. Ensure regular fuel dips are performed for the monitoring of fuel stock on hand in an effort to improve opportunities to detect any issues or potential misuse with fuel allocations.</p>
Interest on Rates Instalments	To determine the interest rate to be imposed where payment of a rate or service charge is made by instalments.	<p>Notes to the 2018/19 statutory budget state interest rates to be imposed on rate instalments is set at 5.5%. The 2018-19 adopted schedule of fees and charges sets out the instalment interest rate be set at 6%. The maximum interest rate permitted by regulation 58 of the <i>Local Government (Financial Management) Regulations 1996</i> is 5.5%.</p> <p>Improvement: Ensure future adopted schedules of fees and charges align with the statutory budget notes and do not exceed regulatory or legislative provisions.</p>

7.0 Framework Implementation (Continued)

Component	Purpose / Goal	Matters Identified / Improvements
Differential Rating & Budget Notes	Compliance with statutory requirements when imposing differential rates.	<p>The 2018/19 statutory budget contains information highlighting a difference between advertised differential rates and adopted differential rates for 2018/19. The information does not include reasons for the difference as required by regulation 23(b) of the <i>Local Government (Financial Management) Regulations 1996</i>.</p> <p>Improvement: Ensure information relating to the reasons for differences between advertised differential rates and those adopted is included in the adopted annual budget as required by legislation.</p>
Rate notices and information accompanying rate notices	Compliance with statutory requirements when issuing rates notices.	<p>The 2018/19 rate notice and the 2018/19 information accompanying the rate notice did not contain information detailing the hours during which payment could be made for rates and service charges, as required by regulation 56(3)(l) of the <i>Local Government (Financial Management) Regulations 1996</i>.</p> <p>The 2018/19 rate notice and the 2018/19 information accompanying the rate notice did not contain information highlighting reasons for the difference between advertised differential rates and adopted differential rates for 2018/19 as required by regulation 56(4)(b) of the <i>Local Government (Financial Management) Regulations 1996</i>.</p> <p>The 2018/19 rate notice and the 2018/19 information accompanying the rate notice did not detail the rate of interest to be imposed on unpaid rates and service charges for 2018/19 as required by regulation 56(4)(d)(ii) of the <i>Local Government (Financial Management) Regulations 1996</i>.</p> <p>Improvement: Ensure all information required by the <i>Local Government Act 1995</i> and associated regulations to be contained within rates notices, including those relating to detailing hours and locations where rates payments can be made, reasons changes to advertised differential rates, and interest charges is included in annual rates notices or information accompanying the rates notice.</p>

7.0 Framework Implementation (Continued)

Component	Purpose / Goal	Matters Identified / Improvements
Parry's Beach Camping Ground	Controls around revenue and management of Parry's Beach Camping Ground	<p>Limited measures exist in relation to revenue controls at Parry's Beach Camping Ground. The area is currently managed by a volunteer group, who are responsible for imposing and collecting camping fees, which is periodically remitted to the Shire with minimal independent review.</p> <p>The volunteer management group are provided with petty cash for incidental expenses, however have not been briefed through the Shire's standard code of conduct, or other inductions required when operating a local government service function.</p> <p>Limited documented procedures are in place to ensure appropriate controls are applied in operating the local government camping ground in accordance with statutory requirements, and in setting out roles and responsibilities of volunteers and the Shire.</p> <p>Improvement: The Shire has little direct control management of the operations of the Parry's Beach Camping Ground, and a risk assessment should be undertaken in relation to the current volunteer management arrangement. As an alternative to the current volunteer arrangement consideration should be given to directly managing or alternatively leasing the camp ground to a third party to manage.</p> <p>Volunteers should not be involved in cash handling on behalf of the Shire. Improvements are also required at the Parry Beach camping ground to monitor and document that camping fees being collected are correctly imposed and accounted for.</p> <p>Should the currently management arrangement continue, establish appropriate inductions for volunteers, including the Code of Conduct when performing functions on behalf of the Shire.</p>
Occupational Safety and Health (OSH)	Ensure OSH practices are consistently performed and applied.	<p>OSH activities appear to be regularly applied with some departmental employees, however these activities (including training) are not consistently applied or documented across the organisation.</p> <p>Improvement: Ensure adequate systems and processes exist to enable OSH activities (including training) to be regularly undertaken and applied within all departments of the Shire.</p>

7.0 Framework Implementation (Continued)

7.3 Human Resource Management and Practices

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

Component	Purpose / Goal	Matters Identified / Improvements
Staff Training	To ensure staff have access to ongoing and appropriate training.	<p>Planned staff training needs for employees are currently identified and recorded in a training matrix. Further value from this initiative can be added through refining the current matrix toward a more formal required staff training structure, applied throughout the organisation.</p> <p>Improvement: Refine the current staff training matrix to identify staff training needs relevant to their role, ensuring it is co-ordinated across the organisation and monitors currency of required licences and qualifications.</p>
Employee Banking Details	Process to reduce opportunity for fraudulent activity with electronic banking.	<p>Changes to existing employee bank account details and entry of new employee bank details are processed by the Payroll Officer, but are not evidenced as being reviewed by a senior officer to verify details have been correctly processed. No routine verification is undertaken to ensure bank account details have not been altered or manipulated without prior verification and authorisation.</p> <p>Improvement: Formal procedures to minimise the risk of employee banking details being fraudulently manipulated should be documented and communicated to staff involved in payroll processes. Controls should exist to include the assessment of requests for changes to employee banking details for genuineness and legitimacy, restricting the ability to make changes to employee details to appropriate staff, and to detect and prevent any unauthorised changes being made.</p>
Payroll Audit Trails	Procedure to allow for appropriate review and approval of changes made within the payroll system.	<p>Limited review of changes made to employee details and parameters is currently undertaken when each payroll is processed.</p> <p>Improvement: Procedures to minimise risk of unauthorised changes to employee details should be implemented. Regular reviews of software audit trails is one form of control and should be undertaken as a minimum. Where possible, segregation of duties should exist where employees responsible for processing payroll transactions are unable to make changes to employee banking details.</p>

7.0 Framework Implementation (Continued)

Component	Purpose / Goal	Matters Identified / Improvements
Employee Termination Procedures	Procedures to ensure staff physical and IT access is removed and Shire assets returned at the time of departure.	<p>A process / procedure is currently in place to handle the termination of employees. Departmental managers and HR staff are allocated the responsibility of ensuring Shire assets are recovered. There is no formal structure in place to ensure IT permissions and security codes are restricted on termination of employees with the Shire.</p> <p>Improvement: Review and update procedures or checklists to manage and document the termination of employees, ensuring access to IT systems, etc. is appropriately restricted and Shire assets are recovered.</p>
Staff Contracts	To provide a documented record of the terms and conditions of each employee's contract of employment.	<p>Different forms of contract exist, with some employees having a signed conditional offer of employment. Our limited testing highlighted some instances where some incumbents have not signed their offer of employment, and some instances where employees did not have any form of contract on file.</p> <p>Improvement: Ensure contracts of employment, defining roles, responsibilities and remuneration, are signed by both parties prior to employment commencing for all staff. Undertake a review of all personnel and establish contracts of employment for employees who do not have one, documenting their conditions of employment, roles and responsibilities.</p>
Staff Induction Processes	Controls to assist with adequate information, instruction and training to all Shire employees	<p>Staff inductions are consistently applied throughout the organisation, however induction processes do not consistently communicate to staff required expectations and requirements when performing local government functions.</p> <p>Improvement: Review and update induction processes to communicate expectations of staff when undertaking their functions, ensuring evidence of inductions is retained on employee files.</p>
Personnel Records	Ensure employee records are securely stored to prevent unauthorised access.	<p>Personnel records are securely locked in a cabinet. Any electronic details relating to employees conditions of employment etc are accessible by a number of staff on the server.</p> <p>Improvement: Secure electronic personnel records by restricting access only to officers who are appropriately authorised to access these records, through permissions to folders on the server (or appropriate security control).</p>

7.0 Framework Implementation (Continued)

Component	Purpose / Goal	Matters Identified / Improvements
Payroll Authorisation	Procedure to allow for appropriate review and approval of fortnightly payroll.	<p>Our limited testing noted an instance where evidence of review and authorisation of fortnightly payroll reports was not recorded by both review/authorising officers.</p> <hr/> <p>Improvement: Implement documented procedures to ensure adequate controls are consistently followed with regard to review and authorisation of fortnightly payroll reports, with appropriate evidence of these reviews consistently recorded.</p>
Fortnightly Employee Payroll	Procedure to allow for appropriate entry into the payroll system for processing fortnightly payroll.	<p>Fortnightly payroll periods end at different times for different departments, resulting in some staff being paid in advance. Processing payroll in advance could result in errors and inaccurate time card entry, particularly where an employee has unexpected leave or alteration to their hours of work after they have been paid for their expected hours of work. Opportunities currently exist where these required amendments could go undetected and uncorrected.</p> <hr/> <p>Improvement: For consistency and efficiency align all payroll periods to the same date to cease the practice of paying employees in advance of hours worked.</p>

7.0 Framework Implementation (Continued)

7.4 Insurance

At present, the Assistant Accountant annually reviews the completeness of insurance, which is presented to the Manager Corporate Services and Director of Corporate Services for review prior to submission to the Chief Executive Officer for final review. Discussions are also held with the insurers annually and adjustments to policies and insurance levels made as considered appropriate. The insurance values of buildings, plant and equipment are based on the three-yearly valuations of building assets undertaken by registered valuers.

Component	Purpose / Goal	Matters Noted / Improvements
Contractor Insurance	Insurance cover maintained by contractors for damage caused when undertaking works for the Shire.	Contractors' insurances are not always assessed prior to award of contracts in all cases. Reliance is placed on contract managers to ensure copies of insurances are provided. Improvement: To help ensure all contractors have the relevant licences and have adequate insurance cover for the works they undertake for the Shire, procedures should be developed, and records maintained to ensure copies of contractor's insurances are held on file.

8.0 Framework Evaluation

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

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

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

8.1 Council and Audit and Risk Committee

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

Component	Purpose / Goal	Matters Noted / Improvements
Council and Audit Risk Committee	Monitoring and consideration of risks when making strategic decisions.	Identified risks are appropriately included within agenda items for elected member consideration but not recorded in an appropriate risk register. Improvement: As well as communicating identified risks relating to a Council decision within the agenda item (to enable elected members to be fully informed of the identified risks when making decisions), risks should also be appropriately recorded in a risk register.

8.0 Framework Evaluation (Continued)

8.2 Strategic and Operational Registers

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

Register	Purpose / Goal	Matters Identified / Improvements
Risk Register	Provide a record of risk breaches and remedial action taken.	<p>A risk register was not available for our inspection to reflect identified risks, and if they have been adequately treated. Risk profiles, which were most recently reviewed in February 2019, were provided, however we note some risks in Council reports are not included within these risk profiles.</p> <p>Improvement: Maintaining risk registers for all identified risks is important to help ensure appropriate recording and communication of high rated risks, along with providing a record to enable the verification of whether treatment plans have appropriately reduced the risk. Routine (at least quarterly) review of the risk register is required to assist in ensuring identified risks are adequately treated. Update risk management activities to align with ISO31000:2018.</p>
Tender Register	Statutory register of tenders called.	<p>Inspection of the register noted it was not up to date and was not compliant with requirements of the <i>Local Government (Functions and General) Regulations 1996</i>. We also noted a lack of clarity amongst staff relating to the responsibility and requirements for maintaining the register.</p> <p>Improvement: Ensure the tender register complies with the requirements of the <i>Local Government (Functions and General) Regulations 1996</i> and is consistently updated with all tenders called.</p>
Regulatory Health Inspection Register	Register of regulatory inspections undertaken.	<p>A register of health inspections undertaken is not routinely maintained.</p> <p>Improvement: Maintain a register to record details a central record of health inspections undertaken, registered premises within the district, and to ensure inspections are undertaken within required timeframes.</p>

8.0 Framework Evaluation (Continued)

Register	Purpose / Goal	Matters Identified / Improvements
Swimming Pool Inspection Register	Register of inspections undertaken.	<p>A register of inspections of private swimming pools within the district was not available for inspection.</p> <hr/> <p>Improvement: Maintain a register to record details of required inspections of private swimming pools. Routine monitoring and review of the register will assist to ensure inspections are undertaken within required timeframes. Ensure register agrees to any fees raised for inspections.</p>

8.0 Framework Evaluation (Continued)

8.3 Annual Compliance Audit Returns (CAR)

Returns have been completed on a self-assessment basis and approved by Council each year. The CAR was completed in house by staff for the 2017 and 2018 return periods. Areas of non compliance were noted in 2017 and 2018 returns, relating to the receipt of primary and/or annual returns of relevant persons. In both instances, these matters were referred to the Corruption and Crime Commission as required by section 28 of the *Corruption and Crime Commission Act 2003*.

8.4 Complaint Handling

Community complaints are received by administration staff and allocated to the relevant manager to address. Responsibility for the routine follow up of complaints to ensure they have been adequately addressed remain with the manager who has been allocated the complaint.

Component	Purpose / Goal	Matters Noted / Improvements
Community Complaints Procedures	Procedures for the recording handling and resolution of community complaints.	<p>A customer complaints register is not currently maintained to follow up and ensure all complaints are adequately addressed. Currently, customer complaints are entered and managed through the records management system and allocated to relevant managers with no formal process for review.</p> <p>Improvement: To help ensure all complaints are adequately resolved, a register of customer complaints received should be maintained.</p>

8.0 Framework Evaluation (Continued)

8.5 Audit Practices

Council had appointed external financial auditors to the Shire of Denmark for the 2016-17 period, with the 2017-18 period being audited by the Office of the Auditor General (OAG). Some matters of non compliance was noted within the 2016-17 audit report, relating to ratios not being reported as required by regulation 50(1)(c) of the *Local Government (Financial Management) Regulations 1996*, as well a primary return which could not be located. Some additional matters were also noted relating to ratios below the standards set by the Department of Local Government, Sport and Cultural Industries (DLGSCI), and review of journal entries.

Similar matters were raised in the 2017-18 audit report, relating to instances where accounting journal entries were posted by an employee without being reviewed and authorised by a senior staff member independent of preparation, significant adverse trends resulting from ratios not meeting targets set by DLGSCI, as well as the Asset Renewal Funding Ratio and the Asset Consumption Ratio not being reported.

Our limited testing noted systems and processes were in place in response to the matter noted above relating to journal entries. Asset management and long term financial plans have not yet been completed to assist with addressing the reporting of ratios as required regulation 50(1)(c) of the *Local Government (Financial Management) Regulations 1996*. Improvements to address the matters relating to ratio disclosures are noted within the framework implementation section of this report.

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

Component	Purpose / Goal	Matters Noted / Improvements
Internal Audit	Internal audit monitors the level of compliance with internal procedures and process along with assessing the appropriateness of these procedures.	Currently, no internal auditors have been appointed, and limited internal audit functions have been undertaken. Improvement: We suggest as the level of documented procedures increases, an expanded internal audit function to confirm adherence to documented policies and procedures may be required as recommended by the OAG in their report to parliament on the Audit of Local Government.

8.0 Framework Evaluation (Continued)

8.6 Review required to be undertaken by the CEO

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

Component	Purpose / Goal	Matters Noted / Improvements
Audit Regulation 17 Review	CEO's review of the appropriateness and effectiveness of systems and procedures for Risk Management, Internal Controls and Legislative Compliance in accordance with Regulation 17 of <i>Local Government (Audit) Regulations 1996</i> .	No evidence of a previous review was available for inspection. Improvements: Ensure the next review is undertaken within the next three years as required by legislation.
Financial Management Review	Review of the appropriateness and effectiveness of the Financial Management systems and procedures of the local government required to be undertaken every three years by Regulation 5(2) of <i>Local Government (Financial Management) Regulations 1996</i> .	No evidence of a previous review was available for review. Improvement: Ensure the next review is undertaken within the next three years as required by legislation.

9.0 Other Matters

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Appendix A – Financial Management Systems Review

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

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

Appendix A – Financial Management Systems Review (Continued)

System	Description
Credit card procedures	<p>A review of the Shire’s credit card procedures was performed to determine if adequate controls were in place. We randomly selected and tested credit card transactions to determine whether they are legitimate and usual in the context of the Shire’s operations. This included:</p> <ul style="list-style-type: none"> - sighting tax invoices; - ascertaining whether the transaction is for bona fide Shire business; and - determining whether transactions are in line with the Shire’s policy
Fixed assets (including depreciation, acquisition, and disposal of property)	<p>The fixed assets system including controls over acquisition and disposal of assets, updating of the fixed assets register, depreciation of fixed assets and reconciliation of the fixed assets register to the general ledger was examined. A sample of asset additions and disposals were judgmentally selected and testing performed to ensure:</p> <ul style="list-style-type: none"> - the tax invoices existed; - correct posting to the general ledger; - fixed assets register was promptly updated; and - classification of assets was correct; <p>In addition, a sample of four assets were judgmentally selected and testing performed to ensure the depreciation rates used are in line with the Shire’s policy</p>
Cost and administration allocation	<p>The Shire’s cost and administration allocation system was examined to determine if indirect costs have been properly reallocated to various jobs/programs. This included review of the allocation basis and rates used to ensure they are appropriate and regularly reviewed</p>
Financial reports	<p>The annual report, annual financial report and monthly financial reports were reviewed for compliance with legislative requirements</p>
Budget	<p>The 2018-19 budget document and documents surrounding budget adoption were reviewed to ensure compliance with regulatory requirements</p>

Appendix B – Council Policies Examined

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

Policy Topic		Policy Topic	
GENERAL PURPOSE FUNDING		MEMBERS OF COUNCIL (Continued)	
RATES		P040112	Political / Election Campaign Signs
P030101	Council Rating Equity Policies	P040113	Citizens & Sportsperson of the Year
P030102	Pensioner/Senior Rebate Entitlement Calculation (Commercial Use)	P040114	Naturalisation Ceremonies
P030103	Amendment to Rate Book Errors	P040115	Election of President, Deputy President, Committees & Delegates (Repealed by Res: 250110 / 27 January 2010)
OTHER GENERAL PURPOSE FUNDING		P040116	Council Photographs
P030201	Reserve Fund Interest	P040117	Shire Crest
P030202	Denmark Co-operative Stakeholding	P040118	Public Question Time, Presentations, Deputations and Petitions
P030203	Federal Government Financial Assistance Grants Program	P040119	Meetings of Council & Committees - Distribution & Release of Minutes
GOVERNANCE		P040120	Use of Council Chamber
MEMBERS OF COUNCIL		P040121	Community Organisations - Purchase of Goods
		P040122	Civic Receptions - Approvals / Rejections of Requests
P040101	Ordinary Council Meetings	P040123	Community Consultation Policy
P040102	Meetings of Council	P040124	Legal Representation for Council Members & Employees
P040103	Locality (ward Meetings)	P040125	Community Financial Assistance Program
P040104	Officer Recommendations	P040126	Honorary Freeman of the Municipality
P040105	Reports to Council	P040127	Councillor Communication / Information Distribution
P040106	Senior Employees & Acting Chief Executive Officer	P040128	Officers & Elected Members Code of Conduct
P040107	Organisation Chart (Removed by Res: 110217 / 21 February 2017)	P040129	Reimbursement of Elected members Travel Expenses
P040108	Employee Primary & Annual Returns (Removed by Res: 110217 / 21 February 2017)	P040130	Biennial Community Needs & Customer Satisfaction Survey
P040109	Codes of Conduct & Required Plans	P040131	Councillor Service & Farewell Policy
P040110	Policy Manual	P040132	Privacy Policy
P040111	Public Relations - Media Releases	P040133	Sustainability Checklist (Removed by Res: 110217 / 21 February 2017)

Appendix B – Council Policies Examined (Continued)

Policy Topic		Policy Topic	
MEMBERS OF COUNCIL (Continued)		ADMINISTRATION (OTHER GOVERNANCE) (Continued)	
P040134	Standing Orders Procedures	P040216	Regional Price Preference Policy
P040135	Elected Members iPads – Option to Purchase (Removed by Res: 110217 / 21 February 2017)	P040217	CEO Performance Review (Removed by Res: 110217 / 21 February 2017)
P040136	Attendance by Instantaneous Communication	P040218	Interest of Sundry Debtors (Repealed 24 August 2010 – refer to Policy P040227)
ADMINISTRATION (OTHER GOVERNANCE)		P040219	Education & Study Assistance
P040201	Insurance (Removed by Res: 110217 / 21 February 2017)	P040220	Purchasing Policy
P040203	Budget Preparation Programme (Repealed & Replaced by Res: 120908 / 23 September 2009 – Refer P040223)	P040221	Fines & Infringements
P040204	Enrolment of Non-Resident Owners & Occupiers	P040222	Material Variances in Budget & Actual Expenditure
P040205	Gratuitous Payments to Employees (Repealed & Replaced 23 September 2009 – refer P040225)	P040223	Ten Year Financial Plan & Municipal Budget Policy (Removed by Res: 110217 / 21 February 2017)
P040206	Clothing Allowance	P040224	Recognition of Service Policy
P040207	Common Seal of the Shire of Denmark	P040225	Gratuity Payments Policy
P040208	Insurances - Professional Indemnity - Use of Disclaimers	P040226	Asset Management Policy
P040209	Conferences - Study Tours	P040227	Debt Collection Policy
P040210	Staff Training	P040228	Annual Financial Report & Annual Report (Removed by Res: 110217 / 21 February 2017)
P040211	Staff - Medical Examination	P040229	Investment Policy
P040212	Sexual Harassment	P040230	Investment – Federal Government Guarantee on Deposit (Repealed 24 August 2010)
P040213	Workplace Bullying (Repealed & Replaced 27 October 2009 – refer to Human Resources Manual)	P040231	Customer Service Charter
P040214	Complaints Management Policy	P040232	Municipal Budget Policies
P040215	Complaints/Grievance Procedure	P040233	Designated Senior Staff Appraisals (Removed by Res: 110217 / 21 February 2017)

Appendix B – Council Policies Examined (Continued)

Policy Topic		Policy Topic	
ADMINISTRATION (OTHER GOVERNANCE) (Continued)		FIRE PREVENTION (Continued)	
P040234	Human Resource Management Policies	P050113	Bush Fire Brigades – Personal Protective Equipment on Fire Grounds
P040235	Presiding Members of Council Committees	P050114	Bush Fire Brigades – Vehicle & Harvest Movement Bans
P040236	Social Media Policy	P050115	Bush Fire Brigades – Call Out Procedure
P040237	Risk Management Policy	P050116	Bush Fire Brigades – Drugs & Alcohol Standard Operating Procedure
P040238	Annual Closures of Some Services & Operations Over December & January	P050117	Bush Fire Brigades – Driving Guidelines Standard Operating Procedure
		P050118	Bush Fire Brigades – T Card Standard Operating Procedure
LAW, ORDER & PUBLIC SAFETY		P050119	Bush Fire Brigades – First Situation Report Standard Operating Procedure
FIRE PREVENTION		P050120	Prescribed Hazard Reduction Burns on Shire of Denmark Managed Reserves
P050101	Burning of Garden Refuse	P050121	Bush Fire Brigades – Usage of Drip Torches
P050102	Camping & Cooking Fire	ANIMAL CONTROL	
P050103	Burning on Sundays	P050201	Attending to Kangaroos
P050104	Property Ownership Details for Fire Control Officer	P050202	Attending to Snakes
P050105	Brigade Units Inspection	P050203	Dog Areas
P050106	Bushfire Vehicle Fuel Facilities	OTHER LAW, ORDER & PUBLIC SAFETY	
P050107	Brigade Numbers & Advisory Committee Structure	P050301	Graffiti Policy
P050108	Donkey Motored Pump Fire Truck Procurement Policy	P050302	Mayors for Peace
P050109	Red Flag Warnings	P050303	Donation of Funds to Emergency and Disaster Recovery
P050110	Hazard Reduction Burning on Private Property Procedure	P050304	Shark Hazard & Beached Whale Policy
P050111	Spending Authority for Chief & Deputy Chief Bush Fire Control Officers		
P050112	Bush Fire Brigades – Training Standards Procedure		

Appendix B – Council Policies Examined (Continued)

Policy Topic	Policy Topic
HEALTH	CARE OF FAMILIES & CHILDREN
MATERNAL & INFANT HEALTH	P080301 Provision of Youth Services
PREVENTATIVE SERVICES - IMMUNISATION	AGED & DISABLED - SENIOR CITIZENS CENTRES
PREVENTATIVE SERVICES - MEAT INSPECTION	AGED & DISABLED - MEALS ON WHEELS
PREVENTATIVE SERVICES - HEALTH ADMINISTRATION AND INSPECTION	AGED & DISABLED - OTHER
P070401 Smoke Free	P080601 Seniors Policy
P070402 Noise Management (Removed by Res: 110217 / 21 February 2017)	OTHER WELFARE
P070403 Gas Guns & Acoustic Bird Scaring	
P070404 Principles Supporting The Shire of Denmark Activities on Thoroughfares & Trading in Thoroughfares & Public Places Local Law	HOUSING
PREVENTATIVE SERVICES - PEST CONTROL	STAFF HOUSING
PREVENTATIVE SERVICES - OTHER	P090101 Designated Senior Staff Housing Policy
P070601 Genetically Modified Organisms	
P070602 Shire of Denmark Employee Health & Wellness Policy	HOUSING OTHER
OTHER HEALTH	
	COMMUNITY AMENITIES
EDUCATION & WELFARE	SANITATION - HOUSEHOLD
PRE-SCHOOLS	P100101 Rubbish Removal Services (Repealed by Res: 200912 / 25 September 2012)
OTHER EDUCATION	P100102 Strategic Waste Minimisation Plan 2008-2013 (Removed by Res: 110217 / 21 February 2017)
P080201 Denmark Agricultural College Scholarship	P100103 Provision of Rubbish Service for the Disabled/Infirmid
P080202 Shire of Denmark Leadership Award	P100104 Compulsory Waste Collection Services
P080203 Shire of Denmark Year 7 & Year 10 Student Awards	SANITATION - OTHER

Appendix B – Council Policies Examined (Continued)

Policy Topic	Policy Topic
SEWERAGE	PROTECTION OF THE ENVIRONMENT (Continued)
P100301 Licensing of Liquid Waste Drivers & Carriers	P100514 Parry Inlet Sandbar Opening Protocol
URBAN STORMWATER DRAINAGE	P100515 Wilson Inlet Sandbar Opening Protocol
PROTECTION OF THE ENVIRONMENT	P100516 Sustainable Events
P100501 Caged Performing Animals (Removed by Res: 110217 / 21 February 2017)	TOWN PLANNING & REGIONAL DEVELOPMENT
P100502 Cat Control (Repealed by Res: 040912 / 4 September 2012)	P100601 Scheme Amendment Requests
P100503 Environment Policy	P100602 Consultation Privacy Policy
P100504 Picking of Native Vegetation	P100603 Road & Reserve Naming Within the Shire
P100505 Tree Removal/Lopping	P100604 Subdivision – Fire Risk Assessment (Repealed by Res: 210315 / 24 March 2015)
P100506 Wilson Inlet Foreshore	P100605 Subdivision Fire Condition Clearances (Repealed by Res: 210315 / 24 March 2015)
P100507 A Study into the Risk of Phytophthora Dieback in Ten Peri-Urban Reserves within the Shire of Denmark (Removed by Res: 110217 / 21 February 2017)	P100606 Payment of Planning & Building Fees by Not For Profit Community Organisations
P100508 Green/ANCAP Rated & Fleet Emissions Policy (Removed by Res: 110217 / 21 February 2017)	P100607 Peaceful Bay Pre-Feasibility Servicing Report (Removed by Res: 110217 / 21 February 2017)
P100509 Wilson Inlet Foreshore Reserves Management Plan 2008 (Removed by Res: 110217 / 21 February 2017)	P100608 Town Planning Scheme No. 3 – Colour Interpretations
P100510 Friends of Reserves Strategy (Removed by Res: 110217 / 21 February 2017)	P100609 Peaceful Bay Holiday Cottage Full Time Occupancy Approvals
P100511 Litter Prevention Policy	P100610 Peaceful Bay Leasehold – Legal Advice (Demolitions & Inspections)
P100512 WALGA Declaration on Climate Change	P100611 Peaceful Bay Holiday Cottages – Holiday Accommodation Use
P100513 Irwin Inlet Sandbar Opening Protocol	P100612 Bush Fire Assessments for Private Developments Adjoining Council Land

Appendix B – Council Policies Examined (Continued)

Policy Topic	Policy Topic
OTHER COMMUNITY AMENITIES	OTHER RECREATION & SPORT
P100701 Denomination Signs - Denmark Cemetery	P110301 Recreation Centre Opening Hours
P100702 Shrubs & Trees - Denmark Cemetery	P110302 Fund Raising Events - Waiver of Recreation Centre Function Room & Kitchen Hire Fees
P100703 Privately Conducted Funerals & Plot/Niche Reserve Holders	P110303 Recreation Centre Refunds
P100704 Plot & Niche Compartment Reserve Holders	P110304 Sustainability & Collocation (Sport & Recreation Facilities)
P100705 Installation of Memorial Furniture & Plaques	P110305 Monitoring Participation Numbers For Bowling, Tennis & Golf (Removed by Res: 110217 / 21 February 2017)
P100706 Cemetery Income	P110306 Fee Setting Policy for Sport & Recreation Facility Usage (Repealed by Res: 190211 / 22 February 2011 – consolidated with P110307)
P100707 Relaxation of Headstone Only Policy at the Denmark Cemetery	P110307 Fee Setting Policy for McLean Park & High School Ovals & Recreation Facility Usage
	P110308 Fee Setting Policy for the Denmark Recreation Centre (Repealed by Res: 190211 / 22 February 2011)
RECREATION & CULTURE	P110309 Advertising Signage at Mclean Park
PUBLIC HALLS, CIVIC CENTRES	P110310 Denmark-Nornalup Heritage Rail Trail
P110101 District Halls	P110311 Personal Training Sessions & For Profit Fitness Activities in Council Reserves
(Repealed 27 October 2009 – refer to P110102)	P110312 Recreation Centre – School Holiday Program Inclusion Fund
P110102 Leasing of Land and/or Buildings to Community Groups	TELEVISION & RADIO RE-BROADCASTING
P110103 Denmark Civic Centre Reserved Booking – Denmark Village Theatre	LIBRARIES
P110104 Denmark Railway Station No. 3 Reserve – Heritage Precinct Concept Plan (Removed by Res: 110217 / 21 February 2017)	P110501 Library Opening Hours
SWIMMING AREAS & BEACHES	P110502 Library Charges
P110201 Ocean Beach Vehicular Access (Repealed by Res: 210315 / 24 March 2015)	
P110202 Prawn Rock Channel Concept Plan (Removed by Res: 110217 / 21 February 2017)	

Appendix B – Council Policies Examined (Continued)

Policy Topic		Policy Topic	
HERITAGE		WATER TRANSPORT FACILITIES	
OTHER CULTURE		P120601	Multi-Owned Private Jetties (Repealed & Replaced by Policy P120602 by Res: 041213 / 3 December 2013)
P110701	Functions in Recognition of Volunteers	P120602	Private Jetties in Wilson Inlet and Denmark River
P110702	Cultural Development Fund	ECONOMIC SERVICES	
P110703	Returned Services League - Budget Allocation	RURAL SERVICES	
P110704	Cultural Heritage & Historical Strategic Plan (Removed by Res: 110217 / 21 February 2017)	TOURISM & AREA PROMOTION	
P110705	Art Collection Management	P130201	Tourism Policy
P110706	Aboriginal Heritage	P130202	Parry's Beach Management
P110707	Recognition of Local Centenarians	P130203	Denmark Market Days
P110708	Denmark Historical Society – Annual Funding Contribution	P130204	Tourism Planning Strategy (Removed by Res: 110217 / 21 February 2017)
P110709	Recognition of People with Disability	P130205	Geocache Friendly Council
P110710	Disability Access & Inclusion Policy Statement	P130206	Overflow Camping & Mclean Park Overflow Camping Area Opening and Fee Setting Policy
P110711	Woodturners of Denmark Annual Exhibition	BUILDING CONTROL	
TRANSPORT		P130301	Guidelines for Temporary Accommodation
STREETS, ROAD, BRIDGES, DEPOTS		P130302	Building Statistics
P120101	Street Trees	P130303	Compliance with Mobility Standards by Denmark CBD Buildings (that are renovated)
P120102	Roadside memorials (Erection, Maintenance & Removal)	SALEYARDS & MARKETS	
P120103	Road Program Seal Advancement	PLANT NURSERIES	
P120104	No Spray Register Policy	ECONOMIC DEVELOPMENT	
ROAD PLANT PURCHASES		P130601	Retail Trading Hours Exemption Order
PARKING FACILITIES		PUBLIC UTILITY SERVICES	
TRAFFIC CONTROL (VEHICLE LICENSING)		OTHER ECONOMIC SERVICES	
AERODROMES			
P120501	Denmark Airfield Land Use Strategy (Removed by Res: 110217 / 21 February 2017)		

Appendix B – Council Policies Examined (Continued)

Policy Topic	Policy Topic
OTHER PROPERTY & SERVICES	APPENDICES
PRIVATE WORKS	Appendix 1 Shire of Denmark Noise Management Plan – for the use of Gas Guns within the Shire of Denmark
P140101 Private Works Policy	Appendix 2 Social Media Policy
ADMIN OVERHEADS	Appendix 3 Shark Hazard & Beached Whale Policy
PUBLIC WORKS OVERHEADS	Appendix 4 Irwin Inlet Sandbar Opening Protocol
P140301 Staff - Protection from the Sun for Outdoor Work (Repealed & Replaced 27 October 2009 – refer to Human Resources Manual)	Appendix 5 Parry Inlet Sandbar Opening Protocol
P140302 Occupational Safety & Health Policy	Appendix 6 Wilson Inlet Sandbar Opening Protocol
PLANT OPERATION COSTS	Appendix 7 Risk Management Governance Framework
P140401 Council Tools & Equipment	Appendix 8 Community Engagement Policy & Framework
SALARIES & WAGES	Appendix 9 McLean Park Overflow and Emergency Evacuation Accommodation Management Plan
BUSINESS UNIT OPERATIONS	
UNCLASSIFIED	
TOWN PLANNING SCHEMES	

Appendix C – Plans Examined

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

Plan	Status
Strategic Community Plan	2017-2027
Corporate Business Plan	2018-2022
Code of Conduct	Revised February 2018
Record Keeping Plan	Revised December 2013 (next update due November 2019)
Local Emergency Management Arrangements	2017
DRAFT Asset Management Plan	(internal only)
Organisation Procedure Manual	22 May 2019

Appendix D – Strategic and Operational Registers Examined

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

Register

Declarations of Interest Register

Tender Register

Gifts and Travel Register – Elected Members & Designated Employees

Notifiable Gift Register

Electoral Gift Register

Delegation Register (reviewed 20 November 2018)

Eating Houses Register

Electoral Gift Register

Easements Register

Financial Interests Register

Planning Applications Determined

Boarding Houses, Motel & Hotel Register

Official Complaints Register

Risk Profiles

Training Schedule

Rates Valuation Register by Rate Code 31st July 2018

Rates Valuation Register by Ward 31st May 2019

Lease Register

Burial Register

Appendix E – Operational Guidelines

Risk Management

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

Reviewing whether the local government has an effective risk management system and 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 E – Operational Guidelines (Continued)

Legislative Compliance

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

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

Internal Controls

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

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

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

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

Appendix E – Operational Guidelines (Continued)

Internal Controls (continued)

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

- k) integrity and ethics;*
- l) policies and delegated authority;*
- m) levels of responsibilities and authorities;*
- n) audit practices;*
- o) information system access and security;*
- p) management operating style; and*
- q) human resource management and practices.*

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

Aspects of an effective control framework will include:

- a) delegation of authority;*
- b) documented policies and procedures;*
- c) trained and qualified employees;*
- d) system controls;*
- e) effective Policy and process review;*
- f) regular internal audits;*
- g) documentation of risk identification and assessment; and*
- h) regular liaison with auditor and legal advisors.*

The following are examples of controls that are typically reviewed:

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

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Shire of Denmark - FMR Reg 17 Risk Assessment

Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Responsible Officer	Date of initial risk identification	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Date Action to be Completed	Mitigation and Management Strategy (Possible Future Controls)
PO40237 Risk Management Policy												
Entity Wide	6.2.1	The current Policy is based on a superseded Risk Management Standard.	Failure to identify risks or adequately treat identified risks	Lee Sounness	11/09/2019	Possible	Moderate	Moderate	Medium	Review Risk Management Policy and Framework	Jun-20	When next undertaking a review of the Policy, update the Policy align to the current Risk Management Standard ISO 31000:2018. Officer Comment: The Risk Management Policy and Risk Management Framework is currently been reviewed and updated with applicable legislation. The Policy and Framework will be presented to the Audit & Risk Committee.
PO40128 Officers and Elected Members Code of Conduct												
Entity Wide	6.2.2a	The current code of conduct does not reflect all disclosure requirements under sections 5.82, 5.83 of the <i>Local Government Act 1995 and Regulation 34(B) of the Local Government (Administration) Regulations 1996</i> . In its current form, the code of conduct could confuse elected members and employees as to their disclosure obligations.	Internal control or compliance breach	Claire Thompson	11/09/2019	Possible	Moderate	Moderate	Medium	Await assentation of new provisions pursuant to LG Act review	Oct-20	Review the Code of Conduct to align with gift disclosure requirements as required by legislation. OFFICER COMMENT: s.5.82 & 5.83 have been removed from the Act. A new model Code of Conduct for Councillors, Committee Members and the CEO is being developed by the Department of Local Government as part of the LG Act review.
Entity Wide	6.2.2b	Contractors and volunteers are not bound by the Code of Conduct when performing functions on behalf of the Shire.	Internal control or compliance breach.	Marcia Chamberlain	11/09/2019	Possible	Major	Moderate	High	Prioritised action required	Apr-21	Investigate a separate Code of Conduct for volunteers and contractors.
Functional	6.2.2c	Section 5.2 'Travelling and Sustenance Expenses' references expenses for elected members will be in accordance with policy or the <i>Local Government Act 1995</i> . The most recent determination published by the Salaries and Allowances Tribunal (SAT) sets out rates and allowances for elected member reimbursements which cannot be limited or proscribed by a local government.	Internal control or compliance breach.	Claire Thompson	11/09/2019	Possible	Moderate	Moderate	Medium	Await assentation of new provisions pursuant to LG Act review	Oct-20	Update section 5.2 of the Code of Conduct to reference the Salaries and Allowances Tribunal (SAT) determination, to limit confusion on rates to be used for reimbursement of expenses to elected members. OFFICER COMMENT: A new model Code of Conduct for Councillors, Committee Members and the CEO is being developed by the Department of Local Government as part of the LG Act review.
PO40214 Complaints Management Policy												
Entity Wide	6.2.3	The Complaints Policy provides for complaints to be maintained in a central record / system. A complaints register or central record system as stipulated within the Policy was not available for our inspection.	Failure to identify risks or adequately treat identified risks.	Claire Thompson	11/09/2019	Possible	Moderate	Moderate	Medium	#REF!	Dec-20	Establish a complaints register (separate to register required under section 5.121(1) of the Local Government Act 1995) or procedure to ensure complaints are monitored, managed and dealt with, as required by the Policy. OFFICER COMMENT: Review the Complaints Management Policy and internal processes for dealing with complaints. Consider including complaints handling as part of induction process.

Shire of Denmark - FMR Reg 17 Risk Assessment

Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Responsible Officer	Date of initial risk identification	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Date Action to be Completed	Mitigation and Management Strategy (Possible Future Controls)
PO40129 Reimbursement of Elected Member Travel Expenses												
Functional	6.2.4	The Policy stipulates reimbursements for Councillor travel will be at the rate set within the <i>Local Government Officers' (Western Australia) Interim Award 2011</i> when Councillors use a personal vehicle for travel. The most recent determination published by the Salaries and Allowances Tribunal (SAT) sets out that travel is to be reimbursed to elected members when attending Council or committee meetings at the same rate as Section 30.6 of the <i>Local Government Officers' (Western Australia) Interim Award 2011</i> . It also sets out travel is to be reimbursed when performing other functions under the express authority of the local government, in accordance with the <i>Public Service Award 1992</i> .	Internal control or compliance breach.	Claire Thompson	11/09/2019	Possible	Moderate	Moderate	Medium	Planned action required	Aug-20	Review and update the Policy to separate and clarify the calculation method for reimbursement of travel as set out with the most recent determination published by the SAT.
Internal Control Policy												
Entity Wide	6.2.5	Currently, no policy on internal controls has been adopted by Council.	Lack of strategic direction for implementation of internal controls.	Scott Sewell	11/09/2019	Possible	Moderate	Moderate	Medium	Nil	N/A	Review and update Purchasing Policy and Procedures where required
Legislative Compliance Policy												
Entity Wide	6.2.6	Currently, no policy on internal legislative compliance has been adopted by Council.	Lack of strategic direction for strategic compliance.	Claire Thompson	11/09/2019	Possible	Moderate	Moderate	Medium	Noted		Development and adoption of an internal legislative compliance policy will help formalise Council's commitment to legislative compliance. OFFICER COMMENT: It is considered that legislative compliance is a requirement by law. Introducing a policy which states that the Shire will comply is deemed superfluous.

Shire of Denmark - FMR Reg 17 Risk Assessment

Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Responsible Officer	Date of initial risk identification	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Date Action to be Completed	Mitigation and Management Strategy (Possible Future Controls)
PO40220 Purchasing Policy												
Entity Wide	6.2.7a	The Procurement Policy provides limited direction in relation to contract variations and extensions of contracts awarded or against a written specification not awarded by tender. Extension of contracts and associated price changes are also not covered by the Policy. For contracts awarded by tender, legislation provides minimum requirements.	Lack of probity. Financial loss. Unauthorised purchasing.	Scott Sewell	11/09/2019	Possible	Major	Moderate	High	Review and update Purchasing Policy and Procedures where required	Jun-20	Amend the Policy to provide the following: Prohibit price variations to existing contracts awarded by tender other than those provided within the original contract, as required by Local Government (Functions and General) Regulations 1996 Regulation 11(2) (j) (iv). Purchasing requirements for the issuing of contract variations and extensions for contracts not awarded by public tender. Consideration should be given to circumstances where the contract value increase over a policy threshold level, due to the variation or extension. Officer Comment: When reviewing the Policy, update where required to prohibit price variations to existing contracts awarded by tender as specified above.
Entity Wide	6.2.7b	Purchasing requirements for procurement of goods or services in accordance with the exemptions under <i>Local Government (Functions and General) Regulations 1996 Regulation 11(2)</i> , regardless of the value of expenditure are not included within the Policy. The CEO is required to ensure controls exist for all purchases including those made using these exemptions. It is noted the practice of testing the market through sourcing multiple quotations when using the exemptions is sometimes occurring, and the policy should be updated to reflect the expectation and requirement.	Lack of probity. Financial loss. Internal control or compliance breach.	Scott Sewell	11/09/2019	Possible	Major	Moderate	Medium	Review and update Purchasing Policy and Procedures where required	Jun-20	Insert purchasing requirements for procurement of goods or services made under the exemptions under <i>Local Government (Functions and General) Regulations 1996 Regulation 11(2)</i> . Officer Comment: When reviewing the Policy, amend as specified above.
Entity Wide	6.2.7c	The Policy lists circumstances where tendering exemptions may apply, including a provision where a purchase is authorised by Council under delegated authority. The policy is not clear as to the circumstances where this exemption would apply.	Lack of probity. Financial loss. Internal control or compliance breach.	Scott Sewell	11/09/2019	Possible	Major	Moderate	High	Review and update Purchasing Policy where required	Jun-20	Review and update the policy to clearly define the circumstances under which the exemption would apply. Ideally, to avoid conflict with legislation the Policy should not include legislative requirements and should enhance the legislative requirements.
PO40109 Codes of Conduct and Required Plans												
Functional	6.2.8	The Policy documents the requirement for the Corporate Business Plan to be reviewed on a four year cycle, rather than annually as required by <i>Local Government (Administration) Regulations 1996 19DA (4)</i> .	Compliance breach.	Claire Thompson	11/09/2019	Possible	Moderate	Moderate	Medium	Planned action required	Jun-20	Update the Policy to correctly reference the review requirement for annual review of the Corporate Business Plan.

Shire of Denmark - FMR Reg 17 Risk Assessment

Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Responsible Officer	Date of initial risk identification	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Date Action to be Completed	Mitigation and Management Strategy (Possible Future Controls)
OP040236 Credit Card Policy (maintained within Organisation Procedure Manual)												
Functional	6.2.9	The policy requires the Shire President to authorise and sign the CEO's credit card statement. Under the <i>Local Government Act 1995</i> the Shire President has no administrative authority and as such no authority to authorise the CEO's credit card statement.	Internal control or compliance breach.	Lee Sounness	11/09/2019	Possible	Major	Major	High	Update Credit Card Policy and present to Ordinary Council Meeting	Mar-20	Review the Policy/procedure to amend the authorisation process of the CEO's credit card, in line with the Western Australian Auditor General's Report dated 7 May 2018 relating to Controls Over Corporate Credit Cards, periodically report credit card transactions to Council, clearly identifying them for noting. We note all credit card transactions are currently reported to Council along with the list of payment of accounts. Officer Comment: The Policy has been reviewed and authorisation process amended. The updated Policy will be presented to Council for adoption.
OP040237 Purchase of Goods and Services and Payment of Accounts (maintained within Organisation Procedure Manual)												
Entity Wide	6.2.10	The procedure sets out requirements for obtaining purchase orders, however it does not align to the Purchasing Policy documenting the requirement to obtain quotations, nor does it describe mechanisms to ensure quotations have been obtained.	Lack of probity. Internal control or compliance breach.	Scott Sewell	11/09/2019	Possible	Major	Moderate	High	Review and update Purchasing Procedures to align to the Policy. Creditors Officer to monitor and guide staff with correct recording of quotations.	Jun-20	Update the procedure to align with the Purchasing Policy to document the requirement for quotations to be sourced, as well as to provide guidance for recording of quotations to ensure compliance with the Policy has been achieved.
Business Continuity Plan												
Entity Wide	7.1.1	A Business Continuity Plan was not available for inspection.	Failure to adequately manage a business disruption event	Lee Sounness	11/09/2019	Likely	Major	Major	High	Review existing Business Continuity Plan, update and test.	Jun-20	Develop a Business Continuity Plan and test it to ensure validity. Identify and document key business continuity risks along with the treatments, to reduce the risk to an acceptable level. Officer Comment: Business Continuity Plan has been developed in consultation with LGIS. The Business Continuity Plan is to be tested and then presented to Audit & Risk Committee for adoption.
Asset Management Plan												
Functional	7.1.2	A draft Asset Management Plan has been developed but not yet finalised or adopted. Although there is no statutory obligation to adopt the plan, it is a key tool (aligned to the Corporate Business Plan and annual budget) for ensuring the appropriate management of assets within resource limits.	Failure to appropriately manage assets. Ineffective spending of financial resources on assets	David King	11/09/2019	Possible	Moderate	Moderate	Medium	Planned action required	completed	Progress the completion of the draft asset management plan to include all required data and information as published within the Department Local Government, Sport and Cultural Industries <i>Integrated Planning and Reporting Advisory Standard (September 2016)</i> and to facilitate reporting of ratios as required by regulation 50(1)(c) of the <i>Local Government (Financial Management) Regulations 1996</i> within the annual financial report.
Long Term Financial Plan (LTFP)												
Functional	7.1.3	A draft LTFP has been prepared and is yet to be adopted. Although there is no statutory obligation to adopt the plan, it is a key tool (aligned to the Corporate Business Plan and annual budget) for ensuring the long term financial health of the Shire.	Failure to appropriately manage assets. Ineffective spending of financial resources on assets	Lee Sounness	11/09/2019	Possible	Moderate	Moderate	Medium	No further action	completed	Finalise the LTFP, to monitor financial health and maintain effective alignment with IPR documents and to facilitate the reporting of ratios as required by regulation 50(1)(c) of the <i>Local Government (Financial Management) Regulations 1996</i> within the annual financial report.

Shire of Denmark - FMR Reg 17 Risk Assessment

Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Responsible Officer	Date of initial risk identification	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Date Action to be Completed	Mitigation and Management Strategy (Possible Future Controls)
Workforce Plan												
Entity Wide	7.1.4	A draft Workforce Plan has been prepared and is yet to be adopted. Although there is no statutory obligation to adopt the plan, it is a key tool (aligned to the Corporate Business Plan and annual budget) for ensuring financial sustainability.	Failure to appropriately plan for and resource future workforce requirements	Teiga Murray	11/09/2019	Likely	Major	Major	High	Prioritised action required	completed	Finalise the Workforce Plan to maintain effective alignment with IPR documents, and to include all required data and information as published within the Department Local Government, Sport and Cultural Industries Integrated Planning and Reporting Advisory Standard (September 2016).
ICT Strategic Plan												
Entity Wide	7.1.5a	An ICT Plan highlighting and addressing ICT risks and how they are to be addressed was not available for inspection.	Loss of IT System	Stuart Evans	11/09/2019	Likely	Major	Major	High	Prioritised action required	Jun-20	Develop an ICT Strategic Plan identifying and documenting key ICT risks along with the treatments to reduce the risk to an acceptable level.
Entity Wide	7.1.5b	Presently, an external provider is engaged to provide IT support services and advice regarding security and hardware. Software updates to the ERP and other systems are maintained in house where possible. No service level agreements are currently in place with external providers.	Loss of IT System	Stuart Evans	11/09/2019	Likely	Major	Major	High	ICT officer appointed November 2019	Jun-20	Careful development of an ICT strategy will assist in developing a scope to articulate service level agreements for IT services. Officer Comment: reliance on external contractor limited. Service Level agreement to be developed for existing requirements.
Corporate Business Plan												
Functional	7.1.6	The Corporate Business Plan (CBP) was reviewed in November 2018, after the adoption of the 2018/19 annual budget. Section 6.2(2) of the <i>Local Government Act 1995</i> requires consideration be given to the contents for the plan for the future of the district, (i.e. the CBP and Strategic Community Plan) in preparing the annual budget.	Compliance breach.	Teiga Murray	11/09/2019	Likely	Major	Major	High	Corporate Business Plan to be reviewed prior to adoption of annual budget as part of the integrated planning timeline	Jun-20	Ensure the Corporate Business Plan is reviewed annually prior to the adoption of the annual budget, in accordance with the requirements of section 6.2(2) of the <i>Local Government Act 1995</i> .

Shire of Denmark - FMR Reg 17 Risk Assessment

Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Responsible Officer	Date of initial risk identification	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Date Action to be Completed	Mitigation and Management Strategy (Possible Future Controls)
Risk Management Procedures												
Entity Wide	7.2.1	Risk Management activities currently undertaken are not consistently documented, with existing procedures are based on a superseded risk management standard.	Lack of strategic direction for risk management procedures.	Lee Sounness	11/09/2019	Possible	Moderate	Moderate	Medium	Review Risk Management Policy and Framework	Jun-20	Risk management procedures be updated, and a process developed in accordance with the latest risk management standard (ISO 31000:2018). Implement risk management procedures and processes throughout the organisation. Officer Comment: The Risk Management Policy and Risk Management Framework is currently been reviewed and updated with applicable legislation. The Policy and Framework will be presented to the Audit & Risk Committee. Risk Management activities of the organisation are clearly defined within the Policy and Framework.
Procedure Changes												
Entity Wide	7.2.2	Process for amending or changing procedures are formalised through the 'Organisation Procedure Manual'. This process is not consistently applied throughout the organisation, creating opportunities for unilateral undocumented changes to procedures and a breakdown in key controls.	Failure to identify risks or adequately treat identified risks.	Claire Thompson	11/09/2019	Possible	Major	Major	High	Noted		Communicate the current process for the development, review, amendment and authorisation of procedures, checklists and other internal control documentation, throughout the organisation to assist with managing changes to procedures. OFFICER COMMENT: Organisation Procedure Manual is for internal processes used by the whole organisation and are not position or department based. Information regarding the manual is providing during the Governance Induction for all new employees and is available on the shared drive. The Manual is managed by the EA/Governance Coordinator who has the only access to amend, delete or add procedures. The document is password protected.
Trust Fund												
Functional	7.2.3	The Trust Fund currently includes several bonds and contributions, some of which have been held for longer than ten years. It is understood from management representations, the Trust Fund has been undergoing examination to allocate bonds and contributions which have been held for longer than ten years in line with provisions of section 6.9 (4) of the <i>Local Government Act 1995</i> .	Lack of probity. Internal control or compliance breach.	Scott Sewell	11/09/2019	Possible	Major	Major	High	Trust Fund currently under review. Account for all bonds and contributions in line with relevant accounting standards and S5.9 of the LG Act	Jun-20	Remove all funds which are not required by law to be held in the Trust Fund, and transfer to the Municipal Fund.
Tender Assessment												
Functional	7.2.4	No documented procedures were available for the assessment of tenders against selection criteria.	Lack of probity. Fraud risk. Internal control or compliance breach.	David King	11/09/2019	Likely	Major	Major	High	Tender procedures currently under review. Amendments to include process for assessment against selection criteria.	Jun-20	To help ensure probity and fairness when assessing tenders, procedures for the process to be undertaken in assessing tenders should be followed and documented with at least three persons assessing the tender independently of each other. Persons assessing any significant procurement should be required to declare any matters which may impact or be perceived to impact on their independence.

Shire of Denmark - FMR Reg 17 Risk Assessment

Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Responsible Officer	Date of initial risk identification	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Date Action to be Completed	Mitigation and Management Strategy (Possible Future Controls)
Procurement Assessment												
Functional	7.2.5a	We did not observe any documented formal requirements when undertaking assessments of responses to requests for quotations.	Lack of probity. Fraud risk	Kelly Schroeter	11/09/2019	Likely	Major	Major	High	Documented processes for assessing RFQ to be developed.	Jun-20	When assessing responses to requests for quotation, the process should be documented. Documented processes should require a higher level of probity and due diligence, the higher the value or risk associated with the purchase. Purchases over \$150,000 should be subject to the same assessment procedures as those applied to tenders in instances where an exemption from calling tenders exists.
Functional	7.2.5b	Documented procedures are not in place to require declarations of interest and confidentiality to be signed prior to assessments being undertaken for high value purchases.	Lack of probity. Fraud risk	Kelly Schroeter	11/09/2019	Likely	Major	Major	High	Procurement process and procedures to be updated to include requirement for declaration of interest and confidentiality clause.	Jun-20	Procedures for the declaration of interests prior to procurement assessments being undertaken should also be documented for high value purchases and tenders.
Checklists												
Functional	7.2.6	Checklists of key functions are maintained for selected functions. Checklists were not maintained and evidenced for all standard routine functions such as end of month reconciliations and reporting across the organisation. It was noted some staff have commenced with the creation of checklists and procedures.	Compliance breach.	All staff	11/09/2019	Possible	Major	Moderate	High	Prioritised action required	ongoing	Creation and maintenance of standard checklists may assist in evidencing key points of control and serve as a reminder. Checklists assist in ensuring compliance with repetitive legislative compliance tasks. Staff are encouraged to continue with the development of checklists and procedures for routine functions, including evidencing independent review.
Documented Procedures												
Functional	7.2.7	Documented procedures currently exist in the form of the 'Organisation Procedure Manual'. Evidence was not available of consistent application of procedures throughout the organisation. Some procedures do not align with policies of Council. Department specific procedures have been developed by some staff which are not assessed by senior officers for compliance and appropriateness.	Breakdown of internal controls. Controls reliant on the capability and honesty of staff.	Claire Thompson	11/09/2019	Possible	Major	Major	High	Planned action required	Dec-20	Opportunities exist to improve standard operating procedures and ensure they are documented with key controls clearly identified and communicated to all staff. Procedures once developed and implemented, require constant monitoring for adherence and to ensure effectiveness. OFFICE COMMENT: Review and consider any conflicts with Council Policy. Review and consider any opportunities for internal monitoring for compliance and effectiveness. Ongoing.

Shire of Denmark - FMR Reg 17 Risk Assessment

Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Responsible Officer	Date of initial risk identification	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Date Action to be Completed	Mitigation and Management Strategy (Possible Future Controls)
End of Month Processes												
Functional	7.2.8	Evidence of end of month procedures being followed or reviewed by an authorised officer independent of preparing/collating the documentation is not routinely applied prior to preparation of monthly financial reports.	Breakdown of internal controls. Financial loss.	Lee Sounness	11/09/2019	Possible	Major	Major	High	completed	Feb-20	Development of documented checklists and procedures to demonstrate appropriate controls and reviews are in place when preparing monthly financial reports is a key control. Officer Comment: Checklist of relevant monthly finance officer reconciliations has been developed with associated procedures. Review is part of monthly financial report preparation.
Procurement												
Functional	7.2.9	Through limited testing of payments, a number of instances were noted where: Payments were authorised in excess of the value on the assigned purchase order; Purchase orders did not pre-date the invoice; and Procurement did not comply with the Purchasing Policy with regard to evidence of the required quotations being obtained.	Lack of probity. Financial loss. Unauthorised purchasing. Fraud risk.	Lee Sounness	11/09/2019	Likely	Moderate	Major	Medium	Review and update Procurement Procedures.	completed	All procurement of goods or services should be undertaken in accordance with legislative requirements and the Purchasing Policy. Values should be assigned to all purchase orders to ensure the Purchasing Policy has been adhered to and controls have been developed to prevent changes to the authorised purchase order. Officer Comment: Purchasing Policy and Procedures is currently been reviewed. Procedures have been amended to ensure all purchase orders have a value assigned. Officer Comment: Review and update Procurement Procedures. All officers with delegated purchasing authority advised of updated procedures.
Security Controls for Cash												
Functional	7.2.10a	Cash held at the Recreation Centre is kept in a safe. The combination to the safe has not been changed for some time and is known by previous members of staff.	Lack of probity. Financial loss. Internal control breakdown	Damain Schwarzbach	11/09/2019	Possible	Major	Moderate	High	Prioritised action required	Mar-20	Arrange for the combination to the safe lock at the Recreation Centre to be changed as soon as possible. Also arrange for a process to occur to ensure regular changes to the code are undertaken to prevent former employees, from potentially accessing the safe when not authorised to do so.
Functional	7.2.10b	Petty cash is kept in a locked box, which is stored in an unlocked cupboard.	Lack of probity. Financial loss. Internal control breakdown	Cheralynne Clarke	11/09/2019	Possible	Major	Moderate	High	Prioritised action required	Mar-20	Ensure petty cash is stored in a secure location, such as the strong room or safe.
Functional	7.2.10c	The strong room and safe is locked each day with a key, and the key is stored within the administration office in an unlocked drawer.	Lack of probity. Financial loss. Internal control breakdown	Cheralynne Clarke	11/09/2019	Possible	Major	Major	High	Prioritised action required	Mar-20	Restrict access to safe keys to duly authorised personnel, ensuring keys are not left unsecured in the administration office, especially after hours.

Shire of Denmark - FMR Reg 17 Risk Assessment

Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Responsible Officer	Date of initial risk identification	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Date Action to be Completed	Mitigation and Management Strategy (Possible Future Controls)
Creditors Systems and Processes												
Entity Wide	7.2.11	The Shire's current process of changing supplier banking details is inadequate, with no formal documented procedures available for our inspection. We are aware of many incidents of payment scams/frauds within the local government industry in recent years. Controls should exist within EFT payment systems to include the assessment of requests for changes to EFT details for genuineness and legitimacy, restricting the ability to make changes to EFT details to appropriate staff, and to detect and prevent any unauthorised changes being made.	Lack of probity. Fraud risk. Internal control or compliance breach. Financial loss.	Kelly Schroeter	11/09/2019	Possible	Major	Major	High	N/A	Completed	The process to assist officers with verifying changes of supplier details should be documented and provided to officers responsible with preparation and entry of creditors invoices for approval for payment, in line with the findings of the Office of the Auditor General (OAG) report on Management of Supplier Master Files released in March 2019. This should be supported with training/direction to remind staff of the need to be ever vigilant, to exercise a level of scepticism for all requests presented and, most importantly, to raise a concern if there is any doubt about the authenticity of a request for change of EFT payment details.
Waste Facility Cash Handling												
Functional	7.2.12	Imposition of fees and charges for domestic waste have resulted in cash being collected at the waste facility. Current controls in relation to the handling of cash at the waste facility are considered inadequate. It is acknowledged management are aware of the weaknesses and are currently trying to address these.	Lack of probity. Financial loss.	Cheralynne Clarke	11/09/2019	Possible	Major	Moderate	High	Prioritised action required	Dec-20	Continue to improve cash handling controls, consider removing or significantly reducing the amount of cash received at the waste facility, through use of pre-purchased vouchers, EFTPOS etc. Should cash continue to be accepted, appropriate procedures and controls are required.
Stock Control												
Entity Wide	7.2.13	Our limited testing noted discrepancies between physical stock take of fuel stock on hand at end of month, and calculated stock on hand within the Shire's ERP system. From staff representations, recent processes have been introduced to attempt to identify the source of stock discrepancies.	Lack of probity. Financial loss. Theft or fraud risk	Scott Sewell	11/09/2019	Likely	Moderate	Moderate	High	Review, update and implement improved stock control process	Jun-20	Continue to rectify equipment malfunctions to ensure accurate readings are maintained for processing of fuel allocations. Officer Comment: Staff are currently working on an improved stock control process for both Fuel & materials. This will include better data recording of stock on receipt and on allocation, in addition to more regular physical stock takes.

Shire of Denmark - FMR Reg 17 Risk Assessment

Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Responsible Officer	Date of initial risk identification	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Date Action to be Completed	Mitigation and Management Strategy (Possible Future Controls)
Interest on Rates Instalments												
Entity Wide	7.2.14	Notes to the 2018/19 statutory budget state interest rates to be imposed on rate instalments is set at 5.5%. The 2018-19 adopted schedule of fees and charges sets out the instalment interest rate be set at 6%. The maximum interest rate permitted by regulation 58 of the <i>Local Government (Financial Management) Regulations 1996</i> is 5.5%.	Compliance breach.	Judy Savic	11/09/2019	Likely	Major	Moderate	High	Prioritised action required	Jun-20	Ensure future adopted schedules of fees and charges align with the statutory budget notes and do not exceed regulatory or legislative provisions. Officer Comment: Annual review of Fees & Charges as part of the Budget process to check regulatory & legislative compliance of fees & charges to be levied.
Differential Rating & Budget Notes												
Entity Wide	7.2.15	The 2018/19 statutory budget contains information highlighting a difference between advertised differential rates and adopted differential rates for 2018/19. The information does not include reasons for the difference as required by regulation 23(b) of the <i>Local Government (Financial Management) Regulations 1996</i> .	Compliance breach.	Judy Savic	11/09/2019	Likely	Major	Moderate	High	Procedures around compilation of the Annual Budget to ensure reasons are disclosed around any differences to advertised differential rates to those adopted.	Jun-20	Ensure information relating to the reasons for differences between advertised differential rates and those adopted is included in the adopted annual budget as required by legislation.
Rate Notices and Information Accompanying Rate Notices												
Entity Wide	7.2.16	The 2018/19 rate notice and the 2018/19 information accompanying the rate notice did not contain information detailing the hours during which payment could be made for rates and service charges, as required by regulation 56(3)(l) of the <i>Local Government (Financial Management) Regulations 1996</i> . The 2018/19 rate notice and the 2018/19 information accompanying the rate notice did not contain information highlighting reasons for the difference between advertised differential rates and adopted differential rates for 2018/19 as required by regulation 56(4)(b) of the <i>Local Government (Financial Management) Regulations 1996</i> . The 2018/19 rate notice and the 2018/19 information accompanying the rate notice did not detail the rate of interest to be imposed on unpaid rates and service charges for 2018/19 as required by regulation 56(4)(d)(ii) of the <i>Local Government (Financial Management) Regulations 1996</i> .	Compliance breach.	Judy Savic	11/09/2019	Likely	Major	Moderate	High	Rates notices have been changed to ensure correct information as legislated is contained within the notice. Accompanying information statement to be updated to include reasons for any differences in advertised rates, if any.	Jun-20	Ensure all information required by the <i>Local Government Act 1995</i> and associated regulations to be contained within rates notices, including those relating to detailing hours and locations where rates payments can be made, reasons changes to advertised differential rates, and interest charges is included in annual rates notices or information accompanying the rates notice.
Parry's Beach Camping Ground												

Shire of Denmark - FMR Reg 17 Risk Assessment

Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Responsible Officer	Date of initial risk identification	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Date Action to be Completed	Mitigation and Management Strategy (Possible Future Controls)
Functional	7.2.17a	Limited measures exist in relation to revenue controls at Parry's Beach Camping Ground. The area is currently managed by a volunteer group, who are responsible for imposing and collecting camping fees, which is periodically remitted to the Shire with minimal independent review.	Lack of probity. Compliance breach. Breakdown of internal control. Financial loss.	Angela Simpson	11/09/2019	Likely	Major	Major	High	Prioritised action required	Dec-20	The Shire has little direct control management of the operations of the Parry's Beach Camping Ground, and a risk assessment should be undertaken in relation to the current volunteer management arrangement. As an alternative to the current volunteer arrangement consideration should be given to directly managing or alternatively leasing the camp ground to a third party to manage. Officer Comment: Discussions are underway with the PBVMG to trial EFPOS cash management arrangement by June 2020, removing the need for cash handling. Discussions will be undertaken in 2020 to inform PBVMG on the use of online booking platforms and the impact that this will have on their operations of the campsite. A number of online platforms in a variety of nature based campsites will be reviewed as part of these discussions.
Functional	7.2.17b	The volunteer management group are provided with petty cash for incidental expenses, however have not been briefed through the Shire's standard code of conduct, or other inductions required when operating a local government service function.	Lack of probity. Compliance breach. Breakdown of internal control. Financial loss.	Angela Simpson	11/09/2019	Likely	Major	Major	High	Prioritised action required	Dec-20	Volunteers should not be involved in cash handling on behalf of the Shire. Improvements are also required at the Parry Beach camping ground to monitor and document that camping fees being collected are correctly imposed and accounted for. Officer Comment: The PBVMG Agreement with the Shire of Denmark is overdue for review. The requirements around petty cash will be addressed as part of the review with the option being considered that instead of operating petty cash, the Shire provide a regular payment into a bank account managed by PBVMG that contributes to the ancillary costs associated with running the campground.
Functional	7.2.17c	Limited documented procedures are in place to ensure appropriate controls are applied in operating the local government camping ground in accordance with statutory requirements, and in setting out roles and responsibilities of volunteers and the Shire.	Lack of probity. Compliance breach. Breakdown of internal control. Financial loss.	Angela Simpson	11/09/2019	Likely	Major	Major	High	Prioritised action required	Dec-20	Should the currently management arrangement continue, establish appropriate inductions for volunteers, including the Code of Conduct when performing functions on behalf of the Shire. Officers Comment: This will be addressed in the review of the PBVMG Management Agreement in 2020.

Shire of Denmark - FMR Reg 17 Risk Assessment

Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Responsible Officer	Date of initial risk identification	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Date Action to be Completed	Mitigation and Management Strategy (Possible Future Controls)
Occupational Safety and Health (OSH)												
Entity Wide	7.2.18	OSH activities appear to be regularly applied with some departmental employees, however these activities (including training) are not consistently applied or documented across the organisation.	Failure to identify risks or adequately treat identified risks.	Marcia Chamberlain	11/09/2019	Possible	Moderate	Moderate	Medium	O H & S will be an agenda item at the departmental Managers meetings.	Mar-20	Ensure adequate systems and processes exist to enable OSH activities (including training) to be regularly undertaken and applied within all departments of the Shire. Officer response: Regular OSH meetings are now in place. The OSH Committee formalises regular safety inspections, safety training/assessments and monitors and reviews accidents/incidents across all departments. It is planned that O H & S will be an agenda item at the departmental Managers meetings.
										Planned action required	May-20	Refine the current staff training matrix to identify staff training needs relevant to their role, ensuring it is co-ordinated across the organisation and monitors currency of required licences and qualifications. Officer Response: Admin Officers from individual departments will be responsible for capturing all training recorded on the annual review document and ensure training requests are within budget and completed by the employee.
Entity Wide	7.3.1	Planned staff training needs for employees are currently identified and recorded in a training matrix. Further value from this initiative can be added through refining the current matrix toward a more formal required staff training structure, applied throughout the organisation.	Internal control or compliance breach	Marcia Chamberlain	11/09/2019	Possible	Moderate	Moderate	Medium	#REF!	May-20	Refine the current staff training matrix to identify staff training needs relevant to their role, ensuring it is co-ordinated across the organisation and monitors currency of required licences and qualifications. Officer Response: Admin Officers from individual departments will be responsible for capturing all training recorded on the annual review document and ensure training requests are within budget and completed by the employee.
										Planned action required	Feb-20	Review and update induction processes to communicate expectations of staff when undertaking their functions, ensuring evidence of inductions is retained on employee files. Officer Response: Governance Coordinator and Corporate Planning Officer now provides an induction session on Governance and LG obligations. Evidence of this part of the induction will be added to the Induction Checklist Form.
Employee Banking Details												
Functional	7.3.2	Changes to existing employee bank account details and entry of new employee bank details are processed by the Payroll Officer, but are not evidenced as being reviewed by a senior officer to verify details have been correctly processed. No routine verification is undertaken to ensure bank account details have not been altered or manipulated without prior verification and authorisation.	Lack of probity. Fraud risk. Internal control or compliance breach. Financial loss.	Lee Sounness	11/09/2019	Possible	Major	Moderate	High	Nil	No action planned	Secure electronic personnel records by restricting access only to officers who are appropriately authorised to access these records, through permissions to folders on the server (or appropriate security control). Officer Response: Current HR folder is a secure folder on the server network only accessed by HR and Payroll.

Shire of Denmark - FMR Reg 17 Risk Assessment

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Payroll Audit Trails												
Functional	7.3.3	Limited review of changes made to employee details and parameters is currently undertaken when each payroll is processed.	Lack of probity. Financial loss. Internal control breakdown	Lee Sounness	11/09/2019	Possible	Major	Moderate	High	Payroll Officer procedures updated.	completed	Procedures to minimise risk of unauthorised changes to employee details should be implemented. Regular reviews of software audit trails is one form of control and should be undertaken as a minimum. Where possible, segregation of duties should exist where employees responsible for processing payroll transactions are unable to make changes to employee banking details. Officer Comment: Payroll Officer procedures updated. Senior officer to review all amendments made to staff banking details by payroll officer including review of software audit trail.
Employee Termination Procedures												
Entity Wide	7.3.4	A process / procedure is currently in place to handle the termination of employees. Departmental managers and HR staff are allocated the responsibility of ensuring Shire assets are recovered. There is no formal structure in place to ensure IT permissions and security codes are restricted on termination of employees with the Shire.	Lack of probity. Internal control or compliance breach. Financial loss.	Marcia Chamberlain	11/09/2019	Possible	Major	Moderate	High	Update employee termination procedure to ensure access to Shire electronic information is restricted and permissions removed.	Mar-20	Review and update procedures or checklists to manage and document the termination of employees, ensuring access to IT systems, etc. is appropriately restricted and Shire assets are recovered.
Staff Contracts												
Entity Wide	7.3.5	Different forms of contract exist, with some employees having a signed conditional offer of employment. Our limited testing highlighted some instances where some incumbents have not signed their offer of employment, and some instances where employees did not have any form of contract on file.	Failure to identify risks or adequately treat identified risks.	Marcia Chamberlain	11/09/2019	Possible	Moderate	Moderate	Medium	#REF!	Jun-20	Ensure contracts of employment, defining roles, responsibilities and remuneration, are signed by both parties prior to employment commencing for all staff. Undertake a review of all personnel and establish contracts of employment for employees who do not have one, documenting their conditions of employment, roles and responsibilities. Officer Response: All employees are either employed on an Employment Contract or paid under the Award or under an Agreement. A review of all Personnel Files will be undertaken to ascertain non compliance of signed letter of appointment or contract.
Staff Induction Processes												
Functional	7.3.6	Staff inductions are consistently applied throughout the organisation, however induction processes do not consistently communicate to staff required expectations and requirements when performing local government functions.	Failure to identify risks or adequately treat identified risks.	Marcia Chamberlain	11/09/2019	Possible	Moderate	Moderate	Medium	#REF!	Feb-20	Review and update induction processes to communicate expectations of staff when undertaking their functions, ensuring evidence of inductions is retained on employee files. Officer Response: Governance Coordinator and Corporate Planning Officer now provides an induction session on Governance and LG obligations. Evidence of this part of the induction will be added to the Induction Checklist Form.
Personnel Records												
Functional	7.3.7	Personnel records are securely locked in a cabinet. Any electronic details relating to employees conditions of employment etc are accessible by a number of staff on the server.	Internal control or compliance breach.	Marcia Chamberlain	11/09/2019	Possible	Moderate	Moderate	Medium	Nil	No action planned	Secure electronic personnel records by restricting access only to officers who are appropriately authorised to access these records, through permissions to folders on the server (or appropriate security control). Officer Response: Current HR folder is a secure folder on the server network only accessed by HR and Payroll.

Shire of Denmark - FMR Reg 17 Risk Assessment

Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Responsible Officer	Date of initial risk identification	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Date Action to be Completed	Mitigation and Management Strategy (Possible Future Controls)
Payroll Authorisation												
Functional	7.3.8	Our limited testing noted an instance where evidence of review and authorisation of fortnightly payroll reports was not recorded by both review/authorising officers.	Lack of probity. Financial loss. Internal control breakdown	Lee Sounness	11/09/2019	Possible	Major	Moderate	High	Noted	completed	Implement documented procedures to ensure adequate controls are consistently followed with regard to review and authorisation of fortnightly payroll reports, with appropriate evidence of these reviews consistently recorded. Officer Comment: Documented procedures already in place to ensure review and authorisation of fortnightly payroll reports are consistently followed.
Fortnightly Employee Payroll												
Functional	7.3.9	Fortnightly payroll periods end at different times for different departments, resulting in some staff being paid in advance. Processing payroll in advance could result in errors and inaccurate time card entry, particularly where an employee has unexpected leave or alteration to their hours of work after they have been paid for their expected hours of work. Opportunities currently exist where these required amendments could go undetected and uncorrected.	Lack of probity. Financial loss. Internal control breakdown	Cherie Connor	11/09/2019	Possible	Major	Moderate	High	Payment of two payroll periods to be reviewed and aligned if recommended.	Jun-20	For consistency and efficiency align all payroll periods to the same date to cease the practice of paying employees in advance of hours worked.

Shire of Denmark - FMR Reg 17 Risk Assessment

Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Responsible Officer	Date of initial risk identification	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Date Action to be Completed	Mitigation and Management Strategy (Possible Future Controls)
Contractor Insurance												
Entity Wide	7.4.1	Contractors' insurances are not always assessed prior to award of contracts in all cases. Reliance is placed on contract managers to ensure copies of insurances are provided.	Lack of probity. Financial loss. Breakdown in internal controls.	Cheralynne Clarke	11/09/2019	Likely	Major	Major	High	Prioritised action required		To help ensure all contractors have the relevant licences and have adequate insurance cover for the works they undertake for the Shire, procedures should be developed, and records maintained to ensure copies of contractor's insurances are held on file.
Council and Audit Risk Committee												
Functional	8.1.1	Identified risks are appropriately included within agenda items for elected member consideration but not recorded in an appropriate risk register.	Failure to identify risks or adequately treat identified risks.	Claire Thompson	11/09/2019	Possible	Moderate	Moderate	Medium	Noted		As well as communicating identified risks relating to a Council decision within the agenda item (to enable elected members to be fully informed of the identified risks when making decisions), risks should also be appropriately recorded in a risk register. OFFICER COMMENT: Register not deemed as required as the risks recorded in Agenda items relate only to the relevant matter on the Agenda and it is not considered beneficial to record anywhere else.
Risk Register												
Functional	8.2.1	A risk register was not available for our inspection to reflect identified risks, and if they have been adequately treated. Risk profiles, which were most recently reviewed in February 2019, were provided, however we note some risks in Council reports are not included within these risk profiles.	Breakdown of internal controls	Claire Thompson	11/09/2019	Possible	Minor	Moderate	Medium	Noted		Maintaining risk registers for all identified risks is important to help ensure appropriate recording and communication of high rated risks, along with providing a record to enable the verification of whether treatment plans have appropriately reduced the risk. Routine (at least quarterly) review of the risk register is required to assist in ensuring identified risks are adequately treated. Update risk management activities to align with ISO31000:2018. OFFICER COMMENT: Register not deemed as required as the risks recorded in Agenda items relate only to the relevant matter on the Agenda and it is not considered beneficial to record anywhere else.
Tender Register												
Functional	8.2.2	Inspection of the register noted it was not up to date and was not compliant with requirements of the <i>Local Government (Functions and General) Regulations 1996</i> . We also noted a lack of clarity amongst staff relating to the responsibility and requirements for maintaining the register.	Internal control or compliance breach.	David King	11/09/2019	Possible	Major	Moderate	High	Tender register to be updated to ensure compliance within the LG Act. Officer directed to maintain register as part of their duties.		Ensure the tender register complies with the requirements of the <i>Local Government (Functions and General) Regulations 1996</i> and is consistently updated with all tenders called.

Shire of Denmark - FMR Reg 17 Risk Assessment

Context of assessment	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Responsible Officer	Date of initial risk identification	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Date Action to be Completed	Mitigation and Management Strategy (Possible Future Controls)
Regulatory Health Inspection Register												
Functional	8.2.3	A register of health inspections undertaken is not routinely maintained.	Breakdown of internal control. Compliance breach.	Rob Ohle	11/09/2019	Unlikely	Moderate	Moderate	Medium	Planned action required	30/06/2020	Maintain a register to record details a central record of health inspections undertaken, registered premises within the district, and to ensure inspections are undertaken within required timeframes. Officer Comment: Register to be created and maintained by officer to ensure compliance.
Swimming Pool Inspection Register												
Functional	8.2.4	A register of inspections of private swimming pools within the district was not available for inspection.	Breakdown of internal control. Compliance breach.	Rob Ohle	11/09/2019	Unlikely	Moderate	Moderate	Medium	Planned action required	30/06/2020	Maintain a register to record details of required inspections of private swimming pools. Routine monitoring and review of the register will assist to ensure inspections are undertaken within required timeframes. Ensure register agrees to any fees raised for inspections. Officer Comment: Register to be created and maintained by officer to ensure compliance.
Community Complaints Procedures												
Functional	8.4.1	A customer complaints register is not currently maintained to follow up and ensure all complaints are adequately addressed. Currently, customer complaints are entered and managed through the records management system and allocated to relevant managers with no formal process for review.	Failure to identify risks or adequately treat identified risks.	Claire Thompson	11/09/2019	Possible	Major	Major	High	#REF!	Oct-20	To help ensure all complaints are adequately resolved, a register of customer complaints received should be maintained. OFFICER COMMENT: see 6.2.3. Investigate periodic review of internal records to ensure that complaints have been managed and responded to in a timely and appropriate manner.
Internal Audit												
Entity Wide	8.5.1	Currently, no internal auditors have been appointed, and limited internal audit functions have been undertaken.	Internal and compliance risks not identified.	Lee Sounness	11/09/2019	Possible	Moderate	Moderate	Medium	Nil	N/A	We suggest as the level of documented procedures increases, an expanded internal audit function to confirm adherence to documented policies and procedures may be required as recommended by the OAG in their report to parliament on the Audit of Local Government. Officer Comment: Officer Comment – Management believes no action is considered necessary at this time as the current risk management policy and framework adequately address internal controls from a risk management perspective. The current organisational structure is such that appropriate controls and segregation of duty exist so as not to require any further policy controls at this time unless Council wishes to embark on an internal audit process which would require additional resources.
Audit Regulation 17 Review												
Entity Wide	8.6.1	No evidence of a previous review was available for inspection.	Internal and compliance risks not identified. Compliance breach	Lee Sounness	11/09/2019	Likely	Moderate	Moderate	High	N/A	completed	Ensure the next review is undertaken within the next three years as required by legislation.
Financial Management Review												
Entity Wide	8.6.2	No evidence of a previous review was available for review.	Internal and compliance risks not identified. Compliance breach	Lee Sounness	11/09/2019	Likely	Moderate	Moderate	High	N/A	completed	Ensure the next review is undertaken within the next three years as required by legislation.