

SHIRE OF EAST PILBARA

These minutes were confirmed by the council
as a true and accurate record at the ordinary
council meeting held on 26 / 08 / 2022



Unconfirmed copy of
Ordinary Minutes of Audit
Risk and Governance
Committee Meeting held on
22 July 2022 subject to
confirmation at next Ordinary
Audit Risk and Governance
Committee 25 August 2022
Meeting scheduled for 2022

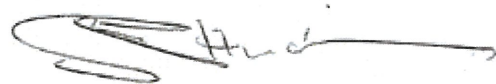


SHIRE OF EAST PILBARA

MINUTES

ORDINARY AUDIT RISK AND GOVERNANCE COMMITTEE MEETING

NOTICE IS HEREBY GIVEN that a Meeting of
the **AUDIT, RISK AND GOVERNANCE COMMITTEE** will be held,
in Council Chambers, Newman, 1:00pm, Friday 22 July 2022.



Steven Harding
CHIEF EXECUTIVE OFFICER



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The Shire of East Pilbara warns that anyone who has any application lodged with the Shire of East Pilbara must obtain and should only rely on

WRITTEN CONFIRMATION

of the outcome of the application and any conditions attaching to the decision made by the Shire of East Pilbara in respect of the application.

Signed: _____
Steven Harding
Chief Executive Officer

AUDIT, RISK AND GOVERNANCE COMMITTEE
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1 DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

The Shire President and Presiding Member declared the Shire of East Pilbara Audit, Risk and Governance Committee Meeting of 22 July 2022 open at 1.54pm at the Council Chambers, Newman Administration Centre.

The Presiding Member acknowledged the Nyiyaparli and Martu peoples as the traditional owners of the land and paid respects to Elders, both past, present and emerging.

All present were requested to turn off and refrain from using their mobile phones for the duration of the meeting. Tablets and laptops are permitted for the purpose of accessing agenda items. All present were also advised that the meeting was being audio recorded and Committee Members should refrain from making any defamatory statements.

2 ATTENDANCE BY INSTANTANEOUS COMMUNICATIONS

Nil

3 RECORD OF ATTENDANCES/APOLOGIES/LEAVE OF ABSENCE

3.1 ATTENDANCES

Councillors

Cr Anthony Middleton	Shire President (Chair)
Cr Wendy McWhirter-Brooks	Deputy Shire President
Cr Karen Lockyer	Councillor
Cr Langtree Coppin	Councillor (Non-Voting)
Cr Peta Baer	Councillor (Non-Voting)

Officers

Steven Harding	Chief Executive Officer
Emma Landers	Deputy Chief Executive Officer/Director Organisation Development
Steve Leeson	Director Corporate Services (via Teams)
Joshua Brown	Manager Governance, Risk & Procurement

3.2 APOLOGIES

Councillor Apologies

Nil

Officer Apologies

Nil

3.3 LEAVE OF ABSENCE

No requests received for his meeting.

4 DISCLOSURES OF INTEREST

No disclosures from Committee Members were presented for this meeting.

5 OFFICER'S REPORTS

5.1 GENERAL

5.1.1 RISK AND INTERNAL AUDIT PROGRAM UPDATE

Responsible Officer: Steven Harding
Chief Executive Officer

Author: Joshua Brown
Manager Governance, Risk and Procurement

Location/Address: N/A

Name of Applicant: N/A

Author Disclosure of Interest: Nil

COMMITTEE DECISION / OFFICER'S RECOMMENDATION

Moved: Cr Lockyer

Seconded: Cr McWhirter-Brooks

That the Audit, Risk and Governance Committee notes the report.

**CARRIED UNANIMOUSLY
RECORD OF VOTE 3/0**

For: Shire President, Deputy Shire President, and Councillor Lockyer

Against: Nil

SUMMARY

To provide Councillors with an update on the status of a number of Governance projects.

REPORT

The Governance Team is working through a number of important improvement projects to identify and address areas of risk, and to prepare for unplanned service disruption.

Internal Audit Program

At its March 2022 Special Meeting, Council's Audit, Risk and Governance Committee endorsed the proposed program of internal audits to commence before the end of the 2021/22 financial year.

Stantons International has been engaged to undertake internal audits in the following areas of the Shire's business:

- Records Management
- Events Management
- Grants Management

ES2 has been commissioned to undertake a further internal audit as part of the current schedule on the Shire's cybersecurity. This audit will include penetration testing, to identify vulnerabilities to data breaches, unauthorised access and other malicious interference.

Each of these audits is due for completion before the August 2022 Audit, Risk and Governance Committee meeting, which will receive a report of the audit findings and recommendations. They are currently on schedule.

Fraud Prevention Gap Analysis

Council amended a Key Focus Area for the Chief Executive Officer at its March 2022 Ordinary Council Meeting to include the undertaking of a fraud prevention gap analysis, to help identify any weaknesses or vulnerabilities in the Shire's fraud prevention and control measures.

Paxon Group was appointed to complete this work which is now underway. The findings of the gap analysis and recommendations will be presented to the August 2022 Audit, Risk and Governance Committee meeting. This work is currently on schedule.

Business Continuity Management

Following an internal review of the Shire's existing Business Continuity Plan, it was recommended to the Executive Leadership Team that a new suite of business continuity management measures be introduced to properly prepare the organisation for disruption to its usual business activities.

The Shire has engaged RiskWest to formulate a new business continuity plan, based upon the key areas of the Shire's business that disruption would impact. This work is now underway and is due for completion in the first quarter of 2022/23.

STATUTORY IMPLICATIONS/REQUIREMENTS

No known statutory implications.

POLICY IMPLICATIONS

No known policy implications.

STRATEGIC COMMUNITY PLAN

5: Governance

Demonstrated accountability and corporate governance.

G1 Provide efficient, accountable and ethical governance.

G1.1 Enhance governance capability to deliver sustainable outcomes, roads and buildings

RISK MANAGEMENT CONSIDERATIONS

Low - Compliance

FINANCIAL IMPLICATIONS

Resource requirements are in accordance with existing budgetary allocation.

VOTING REQUIREMENTS

Simple Majority.

**5.1.2 REVIEW OF FINANCIAL MANAGEMENT, RISK MANAGEMENT,
LEGISLATIVE COMPLIANCE AND INTERNAL CONTROLS**

Attachments: [Appendix 1 Shire of East Pilbara Reg 17 FMR 2022](#)

Responsible Officer: Steven Harding
Chief Executive Officer

Author: Steve Leeson
Director Corporate Services

Location/Address: N/A

Name of Applicant: N/A

Author Disclosure of Interest: Nil

COMMITTEE DECISION / OFFICER'S RECOMMENDATION

Moved: Cr McWhirter-Brooks
Seconded: Cr Lockyer

That the Audit, Risk and Governance Committee:

- 1. Receives the Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls as Appendix 1; and**
- 2. Requests the presentation to the Audit, Risk and Governance Committee of future updates concerning the implementation of possible future controls.**

**CARRIED UNANIMOUSLY
RECORD OF VOTE 3/0**

For: Shire President, Deputy Shire President, and Councillor Lockyer

Against: Nil

REPORT PURPOSE

To receive the results of the 2021 Chief Executive Officer's Review of Risk Management, Internal Control and Legislative Compliance.

BACKGROUND

The *Local Government (Audit) Regulations 1996* (the regulations), Regulation 17 requires that the Chief Executive Officer undertakes a review of the appropriateness and effectiveness of its systems and procedures in regard to Risk Management, Legislative Compliance and Internal Control Frameworks.

A review has been carried out by Moore Australia (WA) in 2021/22 as part of the review mandated by the regulations to take place no less than every three years.

COMMENTS/OPTIONS/DISCUSSIONS

Moore Australia (WA) was engaged to undertake this review and report to the Chief Executive Officer on the adequacy and effectiveness of the Shire's existing Risk Management, Internal Control and Legislative Compliance .

The assessment was to be carried out with a view to identifying areas that may require improvement and then detail these in an Improvement Plan.

The scope of the review encompassed all aspects of the Shire's operations including the following broad categories:

- Management
- Financial
- Compliance
- Technology
- Infrastructure and Assets
- Human Resources
- Contractual
- Security
- Economic/Political

Following interviews and enquiries conducted with key staff within the Shire and interrogation of relevant documentation, Moore Australia (WA) has identified a number of opportunities for improvements in the above frameworks.

These findings and actions are included in the **Appendix 1** to this report.

STATUTORY IMPLICATIONS/REQUIREMENTS

Local Government (Audit) Regulations

Regulation 17. CEO to review certain systems and procedures

(1) *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to:*

- (a) *risk management; and*
- (b) *internal control; and*
- (c) *legislative compliance.*

(2) *The review may relate to any or all of the matters referred to in sub regulation (1) (a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.*

(3) *The CEO is to report to the audit committee the results of that review.*

POLICY IMPLICATIONS

- 4.11 Legislative Compliance
- 4.12 Risk Management

STRATEGIC COMMUNITY PLAN

Goal 1 – Civic Leadership – Planned Actions

The Shire of East Pilbara seeks to deliver high quality corporate governance and demonstrate accountability to its constituents. All decisions are informed by community engagement – leading to the effective allocation of the Shire’s resources – that deliver optimum benefits to the community.

- 1.1 Efficient and effective local government
 - 1.1.1 *Ethical, accountable and transparent decision-making*

Responsible officer: DCEO Timing: As appropriate

- 1.1.2 *Continued strong financial management*

Responsible officer: DCEO Timing: 1 year

- 1.1.3 *Effective business management Responsible officer: DCEO Timing: 1-3 years*

RISK MANAGEMENT CONSIDERATIONS

Compliance – Moderate

FINANCIAL IMPLICATIONS

Resource requirements are in accordance with existing budgetary allocation.

VOTING REQUIREMENTS

Simple Majority.

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

Shire of East Pilbara

July 2022



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1.0 Engagement Overview

1.1 Scope of Services

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

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

The results of the risk management, legislative compliance and internal controls review are to be reported by the CEO to the Audit 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 and investments held;
- Rates;
- Maintenance and security of financial records;
- Accounting and controls for revenue and expenses;
- Accounting and controls for assets and liabilities;
- Accounting and controls for trust transactions;
- Authorisation of purchases;
- Authorisation of payments;
- Borrowings;
- Maintenance and processing of payroll;
- Stock controls and costing records;
- Record keeping for financial records;
- Preparation of budgets and budget reviews; and
- Preparation of financial reports.

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

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

1.0 Engagement Overview

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

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

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

To undertake these procedures, we applied the following methodology:

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

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

2.0 Review Context

2.1 Review Context - Shire of East Pilbara

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

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

External Influences	Internal Influences
Increasing community expectations in relation to service levels and delivery.	The objectives and strategies contained in the current Strategic Community Plan.
Rapid changes in information technology, changing the service delivery environment.	The timing and actions contained in the current Corporate Business Plan.
Increased compliance requirements due to government policy and legislation.	Organisational size, structure, activities and location.
Cost shifting by the Federal and State governments.	Human resourcing levels and staff retention.
Demand for resourcing due to potential expansion in service delivery.	The financial capacity of the Shire.
Reducing external funding for infrastructure and operations.	Maintenance of corporate records.
Increasing risk of cyber attack resulting in compromised or lost data.	Allocation of resources to achieve strategic outcomes.
Changes in mining and pastoral practices and the associated social impacts.	COVID 19 and impact on the internal environment
Changing of resource sector operations.	
COVID 19 and impact on the external environment.	
Changing global economic environment.	

3.0 Review Summary

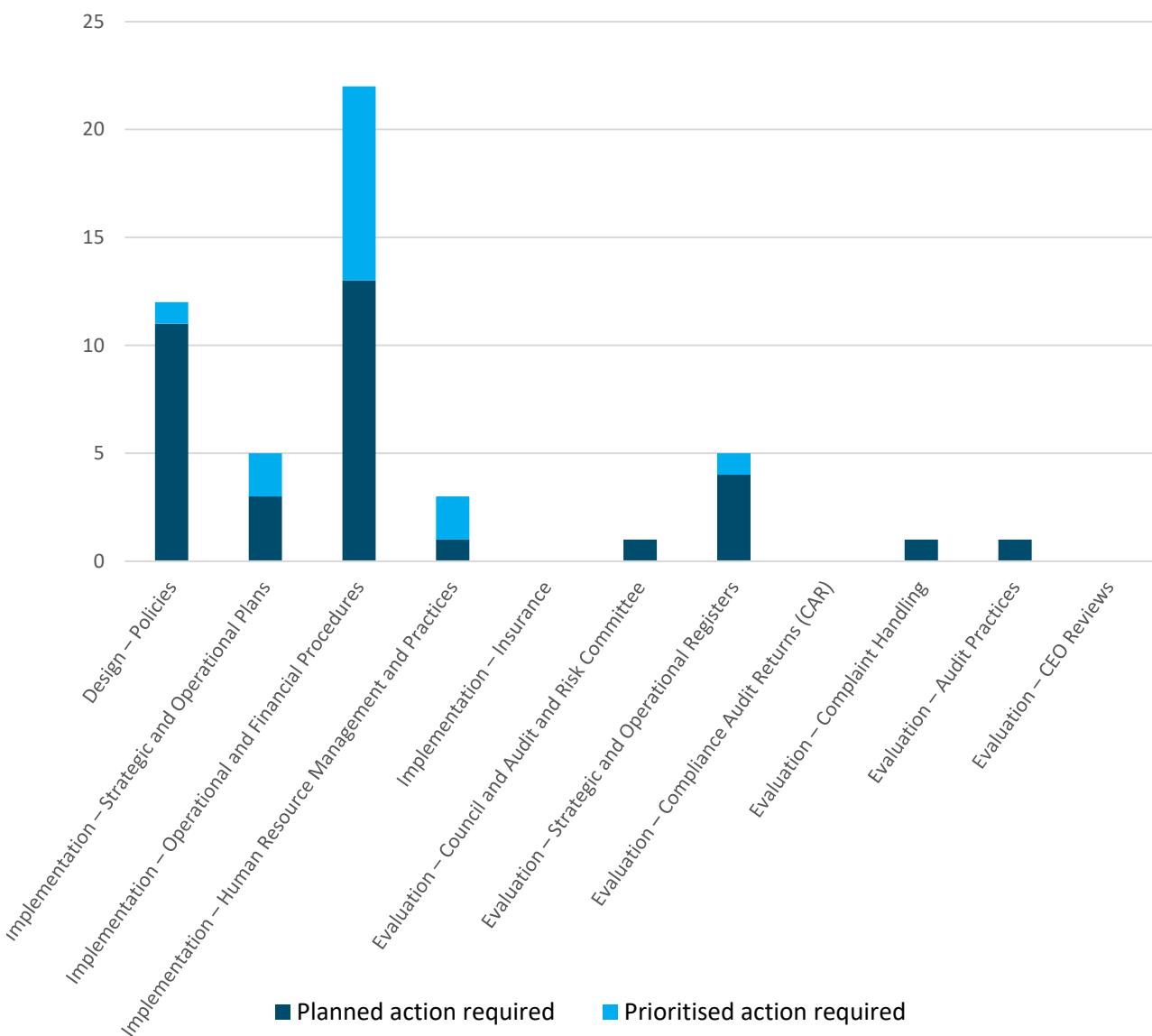
3.1 Overall

Operations of a regional local government are complex and involve a number of people making decisions across a large number of areas of operations. The Shire of East Pilbara is highly reliant on a small team of senior decision makers to govern its operations whilst trying to ensure sound financial and risk management through internal controls whilst seeking to achieve a high level of compliance.

This review was undertaken by first determining an appropriate framework for the Shire against which current policies, procedures and actions could be assessed this is described further in Section 6. A number of areas for improvement were identified during the review. As the Shire has limited resources the areas identified for improvement have been split between those requiring prioritised action and those requiring planned action as it will require resources and time to address a number of the matters raised.

The chart below reflects the number of improvements identified within each area of the framework examined.

No of improvements identified by framework element



Details of each improvement identified under each framework element are provided in Sections 6 through 8 of this report. Key improvements are provided under each of the review areas, financial management, risk management, internal control and legislative compliance on the following pages.

A summary of improvements listed by prioritised and planned action is provided at Appendix F.

3.01.0 Review Summary

3.2 Financial Management

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

3.2.1 Appropriateness

Considering the size, resources, variety of operations and the context in which the Shire operates, documented internal control procedures relating to financial management systems, are considered largely appropriate as a means of maintaining a high level of control over the financial management of the Shire. Our assessment as to the appropriateness is subject to identified weaknesses being addressed, and provided internal control procedures are routinely and consistently applied.

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

3.2.2 Effectiveness

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 East Pilbara may be considered generally effective. Our assessment as to effectiveness is subject to the implementation of the improvements highlighted in Section 7.0 Framework Implementation of this report.

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

3.2.3 Improvements

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

- Up to date bank reconciliation;
- Cash handling controls;
- Fixed asset controls;
- Accounts payable controls;
- Inventory controls;
- Security controls;
- Register of financial interests;
- Banking payments;
- Procurement controls; and
- Payroll controls.

3.01.0 Review Summary

3.3 Risk Management

The Shire initially developed its formal risk management processes with the adoption of an updated Risk Management Policy in August 2014. The Policy refers to the Risk Management Standard ISO 31000:2018. The policy document forms the basis for risk management activities within the Shire.

3.3.1 Appropriateness

Currently, a documented entity wide Risk Management Policy is in existence to guide the implementation of risk management throughout the Shire. The current policy is based on the Risk Management Standard, AS/NZ ISO 31000: 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.

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

3.3.2 Effectiveness

The current risk management policy reflects the Shire's commitment to organisation wide risk management principles, systems and processes aimed at optimising the achievement of objectives, embedding controls to mitigate risk, improving corporate governance and planning for continuity of critical operations. 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.

3.3.3 Improvements

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

- Develop and maintain an ICT strategic plan;
- Undertake a comprehensive ICT security review;
- Develop and apply risk management activities to existing practices in accordance with a suitable risk management framework; and
- Ensure appropriate management of operational risks for high risk areas.

3.01.0 Review Summary

3.4 Internal Control

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

3.4.1 Appropriateness

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

3.4.2 Effectiveness

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

3.4.3 Improvements

The knowledge and experience of senior staff has contributed to a number of preventative controls being implemented throughout the Shire. Further enhancement to these controls may be considered through the implementation of detective controls, as noted within Section 7.0 of this report.

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

- Development of a documented internal controls policy, promoting a risk-based approach to the further development and maintenance of documented internal controls and procedures should provide an appropriate internal control framework. Continual risk based assessment of appropriate controls throughout the organisation will assist to identify the need for new controls and identify existing outdated and unnecessary controls to be discontinued;
- Development, testing and maintenance of an IT Disaster Recovery Plan;
- Key internal controls should be documented either as procedures, checklists or workflow diagrams;
- Define procedures to manage changes to internal controls;
- Maintain records management activities in line with the Shire's Records Keeping Plan;
- Develop and maintain a number of registers to improve existing internal controls as discussed at Section 8.2 of this report;
- Undertake appropriate training at induction and at regular intervals to ensure staff are fully aware of, and understand, relevant internal controls; and
- Implement financial management control recommendations discussed at Section 3.1 of this report.

3.0 Review Summary

3.5 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 individual desire to achieve high levels of legislative and regulatory compliance.

3.5.1 Appropriateness

Considering local governments generally maintain a low risk appetite for breaches of legislation, a documented legislative compliance policy would be considered appropriate and good governance. Reliance on experienced senior staff for legislative compliance while considered appropriate, carries high risk where the number of experienced senior staff is low.

3.5.2 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 identified breaches of legislation, and in the instances where the effectiveness was able to be assessed, the current legislative compliance framework is considered effective.

3.5.3 Improvements

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

- Development of a legislative compliance policy dealing with legislative compliance;
- Maintain financial interest and tender registers as required by legislation;
- Ensure all items required by legislation to be on the website are maintained on the website with procedures to document when they are uploaded or modified.
- Further development and approval of authorised checklists for functions which require a high level of legislative compliance; and
- Develop and maintain a staff training matrix and coordinate training across the Shire. A risk based training matrix should help ensure staff with the responsibility for preventing, identifying and reporting breaches of legislation, are offered relevant training to ensure their knowledge of legislative requirements is maintained and qualifications are maintained and up to date where required.

4.0 Methodology

4.1 Review Methodology – Financial Management Review

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

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

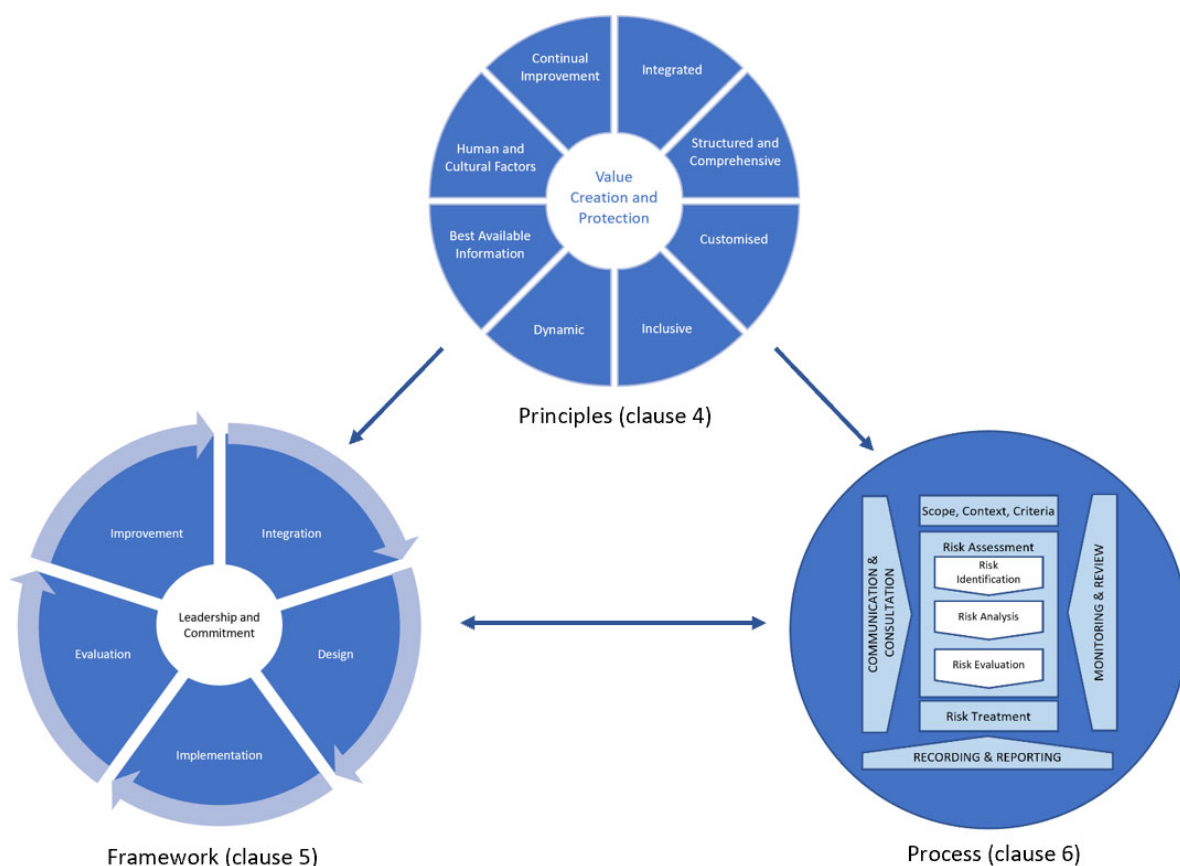
4.2 Review Methodology – Risk Management, Legislative Compliance and Internal Controls

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

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

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

Diagram 1. Risk Management Principles, Framework and Process



Source: Australia/New Zealand Standard ISO 31000:2018

4.0 Methodology

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

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

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

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

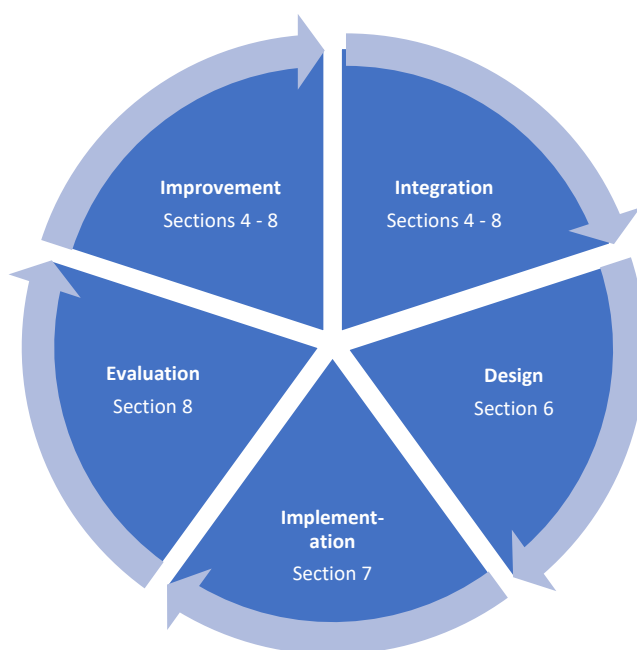
5.0 Appropriate Framework

5.1 Risk Management, Internal Control and Legislative Compliance

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

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

A high-level review of risk management systems, internal controls and legislative compliance was



Source: Australia/New Zealand Standard ISO 31000:2018

undertaken which precluded detailed testing in all areas.

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

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

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

6.0 Framework Design

6.1 Strategic Plans

The Shire has adopted two key strategic documents, the Strategic Community Plan 2018-2028 and the Corporate Business Plan 2018-2021. These plans identify the Council's organisational objectives and key outcomes, as the Shire progress on its stated vision "A diverse community thriving in a vast landscape that offers a world of opportunity and rich heritage and culture".

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

1. **Economic:** Support the diverse and sustainable economic development of the region through advocacy, and promotion of the region;
2. **Social:** Foster harmonious communities that acknowledge cultural diversity and heritage, share strong community connections and have access to relevant and affordable community services.
3. **Built Environment:** "Well-connected places and communities with safe roads, housing choice and well maintained infrastructure to support an increasing population and economic growth;
4. **Natural Environment:** "Effectively manage and maintain its iconic Pilbara environmental assets and biodiversity by reducing ecological footprints and developing clean, green towns, and
5. **Governance:** Deliver high quality corporate governance and demonstrate accountability to its constituents. All decisions are informed by community engagement – leading to the effective allocation of the Shire's resources - that deliver optimum benefits to the community.

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

The Strategic Community Plan references strategic challenges which might affect the Shire, and the community's aspirations / vision, and the projects and programs which will be implemented through the plan.

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

6.0 Framework Design

6.2 Council Policies

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

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

Policy	Purpose / Goal	Matters Identified / Improvement
6.2.1 Policy Review	Routine review of Policies to help ensure they remain current.	<p>Policies are reviewed annually by Council to help ensure they remain current. There is limited and inconsistent 'history' (adoption / review) to indicate where policies have been reviewed and amended. Some policies have been rescinded however still remain in the policy manual which could lead to confusion.</p> <hr/> <p>Improvement: Ensure procedures and policies are in place for the regular review of Policies. Following review of policies by Council, update the latest 'history' date on the policy to provide evidence and an accurate record of when the policy was reviewed, amended and adopted. Where a policy has been rescinded, remove the policy from the policy manual.</p> <p>Management Comments: Rolling review of Corporate Services policies commenced in 2021. Program of review for other Directorates to be established.</p>
6.2.2 Formal Communications Policy Elected Member Policy 1.19	A policy to manage the formal complaints process	<p>This policy states complaints may be lodged with the CEO, Shire President or Deputy Shire President. This conflicts with Council resolution 202021/142 which adopted the CEO as the complaints officer.</p> <hr/> <p>Improvement: Ensure that the Formal Communications Policy Elected Members policy is in line with the code of conduct in relation to the lodging of complaints.</p>

6.0 Framework Design

Policy	Purpose / Goal	Matters Identified / Improvement
6.2.3 Budget Management Policy 3.5	A policy to manage the timing of capital works projects and purchases.	<p>We noted this policy may be operational in nature. Council policies are not necessarily intended to provide direction on how different operational functions are to be executed as these are the responsibility of the CEO.</p> <hr/> <p>Improvement: Review and update this policy to consider the appropriate separation of the roles of the council and the CEO. Consider review and update of policies to articulate the strategic direction of Council, particularly where legislation does not provide such direction.</p>
6.2.4 Credit Card Policy 3.12	Policy to regulate the use of corporate credit cards issued to employees.	<p>We noted this policy may be operational in nature. Council policies are not necessarily intended to provide direction on how different operational functions are to be executed as these are the responsibility of the CEO.</p> <hr/> <p>Improvement: Review and update this policy to consider the appropriate separation of the roles of the council and the CEO. Consider review and update of policies to articulate the strategic direction of Council, particularly where legislation does not provide such direction.</p>
6.2.5 Regional Price Preference Policy 3.13	Policy to set out criteria to be applied for pricing assessment of regional / local businesses in procurement evaluation	<p>This policy states a requirement for an annual review. The document history shows no evidence of this being undertaken.</p> <hr/> <p>Improvement: Ensure processes and system are in place for the review of policies in line with legislation and policy requirements and update the history section within each policy to provide an accurate record of the policy review occurring. Alternatively amend the review timeframe to align with organisational needs.</p>

6.0 Framework Design

Policy	Purpose / Goal	Matters Identified / Improvement
6.2.6 Procurement and Tender Procedures Policy 3.14	<p>Provide a best practice approach and procedures for purchasing.</p> <p>Ensure consistency for all purchasing activities that integrates within all the Shire of East Pilbara operational areas</p>	<p>The Policy provides no direction in relation to contract variations and extensions for contracts awarded or against a written specification (i.e. those not issued 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>Improvement: 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). Procedures should also be developed for the authorisation of variations allowed for by the regulations. 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.
6.2.7 Environment Council Recognition Policy 4.4	A policy to ensure consideration of the environment in Council's decision.	<p>Policy requires the environment should be considered in all council decisions, however it is not clear due consideration of the environment is being recorded in the minutes of Council Meetings.</p> <hr/> <p>Improvement: Amend the structure of Council reports to clearly report on environmental factors within each Council item.</p>
6.2.8 Risk Management Policy 4.12	Policy to set out the Shire's approach to articulate its commitment to Risk Management.	<p>This policy has not been reviewed in the two-year timeframe required by the policy.</p> <hr/> <p>Improvement: Develop process and systems are in place to ensure the regular review of policies in line with the requirements set out within the policies.</p> <p>Management Comments: Planned for 2023.</p>

6.0 Framework Design

Policy	Purpose / Goal	Matters Identified / Improvement
6.2.9 Newman Aquatic Centre Alcohol Policy 5.1	A policy to describe the conditions to be observed in regard to the consumption of alcohol at the Newman Aquatic Centre.	<p>This policy sets out the conditions for the consumption of alcohol at the Newman Aquatic Centre. The policy allows for the consumption of alcohol for private functions with the pools in the centre to be sectioned off to not permit access. The policy does not adequately consider risks and controls which may limit the effectiveness of the intended policy aim. Additionally, we noted this may not be able to be sufficiently done, however staff representations noted no booking with alcohol has occurred recently.</p> <hr/> <p>Improvement: Consider rescinding the policy to ensure appropriate ongoing operational management of risks associated with the intended policy aim.</p>
6.2.10 Hire of Recreation Facilities for Youth Activities Policy 6.3	A policy to manage a youth volunteering program.	<p>The policy provides for young people suffering financial hardship to undertake voluntary work for the Shire in return for free access to the Shire's sport and recreation facilities. The policy arrangements do not sufficiently detail the authorisations and limitations required when applying the policy, and in its current form the policy may also conflict with employment legislation.</p> <hr/> <p>Improvement: Review the legal considerations within this arrangement and consider the appropriateness of the policy. Revision of the policy may be required to comply with legislative requirements.</p>

6.0 Framework Design

Policy	Purpose / Goal	Matters Identified / Improvement
6.2.11 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 is currently adopted by Council.</p> <hr/> <p>Improvement: We suggest an internal control policy be formulated and adopted to formalise Council's commitment and approach to internal controls, based on a risk management process.</p> <p>Management Comments: Adherence to procedures and having controls in place is both implied and legislated.</p>
6.2.12 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 is currently adopted by Council.</p> <hr/> <p>Improvement: Development and adoption of a legislative compliance policy may help formalise Council's commitment and approach to legislative compliance.</p> <p>Management Comments: Shire policy 4.11 Legislative Compliance was revoked at the 23 July OCM. Legislative Compliance with the law is obligatory.</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 / Improvement
7.1.1 Annual Budget	Council to authorise expenditure for the year in accordance with legislative requirements.	<p>We noted the 2021-22 Budget adopted on the 23rd July 2021 and recorded in the minutes did not comply with the <i>Financial Management Regulations</i> s27(a)(i) and (ii), s27(c)(i), s27 (d), s27(l), s27(m) and s31. We note the adopted budget was different to the published 2021-22 annual budget downloaded from the Shire website on the 1st February 2022.</p> <hr/> <p>Improvement: Ensure that the annual budget is in the correct format and complies with the relevant legislation.</p> <p>Management Comments: The components of the Council Report adopting the Shire's annual budget, are made into the published budget as per the advertised on the Shire website. FMR s27(a)(i) - is within minutes OCM July 2021 report 9.2.5 Attachment 1, page 1. FMR s27 (a)(ii) - is within minutes OCM July 2021 report 9.2.5 Attachment 3, 20.3 Rates and Valuations FMR s27(c)(i) - is within 9.2.5 as part 7 of resolution. FMR s27 (d) - noted, was only in published budget. FMR s27(l) - is within 9.2.5 as part 1 of resolution. FMR s27(m) - page 5 of published budget. FMR s31 - Acknowledged and also raised by the Department, nothing further. Carry forward projects were amended into the budget in August 2021.</p>
7.1.2 ICT Disaster Recovery Plan	Plan to address the handling of ICT disaster recovery.	<p>An ICT Disaster Recovery Plan has been developed by the Shire, however the plan has not been tested and due to system upgrades is now considered outdated.</p> <hr/> <p>Improvement: Develop an ICT Disaster Recovery Plan and ensure it's maintained, reviewed and tested to ensure it's continued validity.</p> <p>Management Comments: Several elements have been tested during 2022 and back up power systems installed. The Plan is part of current outsourced IT Services contract. Pending completion of Business Continuity Planning as informing document, can progress.</p>

Plan	Purpose / Goal	Matters Identified / Improvement
7.1.3 ICT Strategy	Plan to guide the future development and delivery of ICT services.	<p>An ICT Plan highlighting and addressing ICT risks and how they are to be addressed was not available for inspection.</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> <p>Management Comments: The drafting of a Digital Plan is currently underway. This will form a road map the procurement approach towards replacement of core and supplementary systems.</p> <p>A Cyber Security Audit is in progress which will inform towards identifying and managing risks.</p>
7.1.4 Trading Undertaking	Statutory disclosures for trading undertakings are appropriately undertaken.	<p>We noted the airport operations were not disclosed as a trading undertaking in the annual budget or annual financial report. No evidence was available to determine if consideration of requirements to disclose was undertaken.</p> <hr/> <p>Improvement: Undertake a process to consider whether the current Airport activities is required to be disclosure in the annual report and annual budget.</p>
7.1.5 Integrated Planning	Plans to support the strategic planning of the organisations.	<p>A current and up to date Asset Management Plan, Workforce Plan and Long-Term Financial Plan were not available for review.</p> <hr/> <p>Improvement: Develop and maintain documents supporting the Shire's Strategic Community Plan and Corporate Business Plan.</p> <p>Management Comments: Asset Management Plan production schedule across all categories programmed for completion by June 2023.</p> <p>Current Shire Workforce Plan 2018-2021 and Shire Long Term Financial Plan 2014-2024 available on the website.</p>

7.0 Framework Implementation

7.2 Operational and Financial Procedures

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

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

Component	Purpose / Goal	Matters Identified / Improvements
7.2.1 Operational Procedures	To provide direction to staff in the delivery of day-to-day operational tasks, as well as guidance for expected processes, systems, and controls to be maintained.	<p>Procedures are not formalised for a number of key operational functions throughout the Shire. Workflow process diagrams, checklists and documented procedures may assist to create a visual representation of a process, clearly identifying key points of control and responsibility to be evidenced and independently reviewed.</p> <hr/> <p>Improvement:</p> <p>Undertake a review of existing operational procedures, and where required develop and implement additional procedures, to provide operational guidance aligned with adopted Council policies and legislation. Procedures should provide for activities not necessarily covered by legislation to communicate expected standards to staff from the CEO, in the course of implementing strategic direction and decisions of Council. Development of documented procedures and checklists, and / or workflow process diagrams may assist in clearly identifying controls and processes to be followed.</p> <p>Management Comments:</p> <p>The Shire has implemented Nintex Promapp to establish process maps, Visio charts, and linked procedure documents. Phase 1 trial complete.</p> <p>The Strategic Direction in place is that following Service Plan Phase #2 which aims to identify all major service delivery processes, these will be prioritised and Promapped over the next 18 months.</p>

7.0 Framework Implementation

Component	Purpose / Goal	Matters Identified / Improvements
7.2.2 Procedure Changes	Process to control and manage change to procedures.	<p>Process for amending or changing procedures are not formalised. This has the risk to result in instances of unilateral unauthorised changes to procedures and a risk of breakdowns in key controls within internal and financial controls</p> <hr/> <p>Improvement: Establish a process for the development, review, amendment and authorisation of procedures, checklists and other internal control documentation, throughout the Shire to assist with managing changes to procedures.</p>
7.2.3 Risk Management	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 largely undocumented.</p> <hr/> <p>Improvement: Risk management procedures and process to be developed in accordance with the latest risk management standard (ISO 31000:2018). Implement risk management procedures and processes throughout the organisation.</p>

7.0 Framework Implementation

Component	Purpose / Goal	Matters Identified / Improvements
7.2.4 Records	Procedures and practices to ensure the appropriate maintenance and recording keeping of physical and digital records.	<p>Records produced outside of the main systems such as social media are not being recorded in the record management system.</p> <hr/> <p>Based on our enquiries with staff, electronic records are stored in various locations such as shared drives, rather than the Shire's electronic document and records management system (EDRMS). Where compliance with required record keeping controls is low, information may become compromised where deletions, loss and compromised security or confidentiality of records may occur.</p> <hr/> <p>Access to archived records are not maintained in a safe and secure location where access is limited to authorised officers</p> <hr/> <p>Systems or procedures in place for vital records are considered inadequate. Some vital records were unable to be located while others were not located in a secure and safe location.</p> <hr/> <p>Improvements:</p> <p>Ensure systems are in place to capture and backup all records produced by Shire staff and councillors.</p> <hr/> <p>Review, update and communicate procedures for the record keeping practices and enforce individual accountability for compliance with established procedures.</p> <p>Management Comments:</p> <p>Dedicated staff officer training upcoming. Record Keeping - Service delivery improvement plan prepared October 2021, pending resourcing.</p> <hr/> <p>Archived records should be located in a safe and secure location that is appropriate for the long term storage of records. Access to the records should be only by authorised staff.</p> <p>Management Comments:</p> <p>Dedicated staff officer training upcoming. Record Keeping - Service delivery improvement plan prepared October 2021, pending resourcing.</p> <hr/> <p>Development systems and procedures for the correct maintenance of the Shire's vital records and ensure all vital records can be located.</p> <p>Management Comments:</p> <p>Dedicated staff officer training upcoming. Record Keeping - Service delivery improvement plan prepared October 2021, pending resourcing.</p>

7.0 Framework Implementation

Component	Purpose / Goal	Matters Identified / Improvements
7.2.5 Information Required to be Published on Official Local Government Website	Ensure information is published for public information as required by legislation.	<p>At the time of our review, we noted the following information (in addition to other matters noted throughout this report) has not been published on the Shire's official website as required by legislation:</p> <ul style="list-style-type: none"> Name of each council member who lodged a primary return or annual return for a financial year beginning on or after 1 July 2020 The position of each employee who lodged a primary or annual return for a financial year beginning on or after 1 July 2020 The type, amount or value of any fees, expenses or allowances paid to each council member during financial year beginning on or after 1 July 2020 (no later than 14 July) Report on training by elected members (required within one month of EOFY) <p>Improvement: Ensure information is published on the Shire's official website as required by section 5.96A of the <i>Local Government Act 1995</i> and any other legislation.</p>
7.2.6 Contractor Inductions	To induct contractors with the requirements and expectations of the Shire when undertaking work for the Shire.	<p>Procedures for the induction of contractors are not currently in place.</p> <p>Improvement: Develop procedures to enable the induction of all contractors prior to work being undertaken by the Contractor for the Shire.</p> <p>Management Comments: To be addressed within the Shire's Work Health and Safety Improvement Plan. LGIS since delivered the supporting documentation. Pending commencement of WHS officer to resource implementation.</p>
7.2.7 ICT Security	Procedures and practices to ensure the security of IT information, systems and Data.	<p>We noted limited controls in relation to the access to IT systems for both physical access to hardware and network access to software and data.</p> <p>Improvement: Undertake a comprehensive IT security review and implement findings.</p> <p>Management Comments: A Cyber Security Audit is in progress which will inform towards identifying and managing risks.</p>

7.0 Framework Implementation

Component	Purpose / Goal	Matters Identified / Improvements
7.2.8 Management Accounting	Systems and procedures to allow for the financial monitoring of the organisations activities.	<p>We noted an absence of management reporting throughout the organisation. This was supported by Staff representations. Financial management reporting is an important control mechanism used to monitor the performance of the organisation and individual business units.</p> <hr/> <p>Improvement: Develop systems and processes to undertake financial management reporting throughout the organisations. The level of reporting should scale with the financial risk of each reporting area.</p> <p>Management Comments: Routine mid-month management reports since established. Staff have access to Synergy general and job ledger enquiries to check latest revenue and expenditure.</p>
7.2.9 Asset Management	Schedules and programs to allow for appropriate management of assets.	<p>Asset management including the development of schedules and programs in relation to the maintenance and renewal of housing and roads, including condition assessments are considered inadequate.</p> <hr/> <p>Improvement: Ensure the development of housing and road schedules and programs including accurate and timely condition data is undertaken in order for the practice of asset management.</p> <p>Management Comments: Asset Management Plan production schedule across all categories programmed for completion by June 2023.</p>
7.2.10 End of Month Processes	Processes for the control of the asset register.	<p>Reconciliations for the asset register and payroll have been conducted in a timely manner, however variances between the general ledger and asset/payroll ledgers are present.</p> <hr/> <p>Monthly general journal audit trails are not regularly independently reviewed.</p> <hr/> <p>Improvements: Review system processes to ensure regular and timely review of asset and payroll reconciliations.</p> <hr/> <p>Review system processes to ensure regular and timely review of general journal audit trails.</p> <p>Management Comments: Since addressed.</p>

7.0 Framework Implementation

Component	Purpose / Goal	Matters Identified / Improvements
7.2.11 Accounts Payable	Procedures for the payment of goods or services.	<p>Our testing noted multiple instances where creditors invoices were approved by only one officer. We noted instances where purchase orders and invoices were authorised by the same officer, without independent reviews.</p> <hr/> <p>Improvement: Invoices signed by only one employee increase the risk that an invoice is paid in error. A second signature verifying the payment of an invoice will assist in providing independent review.</p> <p>Management Comments: Staff operate within delegations, defined limits and an environment of trust & responsibility. The organisation is not resourced to meet this particular request.</p>
7.2.12 Batch updates	A procedure to independently review accounting systems processing	<p>Batch updates in the Shire's accounting software are not independently reviewed following their update.</p> <hr/> <p>Improvement: Ensure all batch updates are independently reviewed to ensure the update is as per the reviewed information.</p> <p>Management Comments: Since addressed.</p>
7.2.13 Bank Authorisation	Procedures for the timely and accurate payment to suppliers and employees.	<p>Staff representations noted only two staff members have authority to make payments from the bank. This can lead to a risk of late payment to creditors and staff members where one staff member is unavailable to make payment.</p> <hr/> <p>Improvement: Review payment authorisations to ensure adequate resources are available for the review and payment to suppliers and employee to mitigate risks of late payments being made.</p> <p>Management Comments: Since addressed.</p>
7.2.14 Security Controls for Cash	Ensure access to the cash is restricted only to personnel who are authorised.	<p>Petty cash is kept in a locked box, which is stored in an unlocked cupboard.</p> <hr/> <p>Improvement: Ensure petty cash is stored in a secure location, such as the strong room or safe.</p> <p>Management Comments: During the day the locked petty cash tin is within the customer services drawer, then stored in the safe overnight.</p>

7.0 Framework Implementation

Component	Purpose / Goal	Matters Identified / Improvements
7.2.15 Petty Cash	Procedures for the procurement of goods or services	<p>No evidence was available of independently reviewed and authorised monthly petty cash reconciliations.</p> <hr/> <p>Staff representations stated that purchases made using petty cash have been made by officers without delegated authority to purchase goods or services.</p> <hr/> <p>Improvements: Undertake a review of systems and processes relating to petty cash, to ensure adequate controls exist relating to security of cash held, as well as maintaining and processing of petty cash transactions.</p> <p>Management Comments: Since addressed.</p> <hr/> <p>Improve procedures to ensure purchases made using petty cash have received approval by an officer with appropriate authorisation limits prior to the purchase of the goods and services.</p> <p>Management Comments: Unable to comment without substantiation. Staff are required to undertake Procurement Training in accordance with policy. Shall be reviewed.</p>
7.2.16 Overdue Debtors	Timely collection and recovery of outstanding revenue.	<p>We did not evidence any procedures or process for the consistent and timely collection of outstanding rates. Rate collections is undertaken on an ad-hoc basis when staff have time available to undertake the work. This could create cash flow pressure or lead to the loss of income.</p> <hr/> <p>Improvement: Create and document procedures to ensure a transparent and consistent approach is applied to overdue debtors and ensure appropriate resources are available to undertake these procedures.</p> <p>Management Comments: Debt collection has been outsourced for the last 5 months to AMPAC and consultant. The uncollectable rates upon the Newman and Kurra land subdivisions is not included within cashflow forecasting. This accounts for \$1.7M of current \$2.4M outstanding, against an annual rates fees bill (excluding other charges) of \$21M.</p>

7.0 Framework Implementation

Component	Purpose / Goal	Matters Identified / Improvements
7.2.17 Credit Cards	Systems and processes to control use of Corporate Credit Cards held	<p>During testing we noted one tax invoice was unavailable and one payment was made with a tax invoices which did not detail the goods being purchased.</p> <hr/> <p>We noted instances through our testing where credit card reconciliations were not reviewed by an independent more senior member of staff.</p> <hr/> <p>No evidence was available of signed credit card agreements for Shire credit card holders.</p> <hr/> <p>Improvements: Ensure all payments made by credit cards are accompanied by tax invoices with required details.</p> <p>Management Comments: Since addressed.</p> <hr/> <p>Update procedures to require cardholders to review and certify expenses incurred on their credit cards each month. Maintain and regularly review these controls and ensure staff responsible for processing credit card transactions are appropriately educated with approved systems and processes.</p> <p>Management Comments: Since addressed.</p> <hr/> <p>Ensure all officers issued with credit cards sign a credit card agreement prior to the issuing of the credit card.</p> <p>Management Comments: Noted. Card holders are responsible for appropriate use of cards as per Council policy.</p>
7.2.18 Bank Reconciliations	Processes for the control of the Shire's bank funds.	<p>No bank reconciliations were available for review.</p> <hr/> <p>Improvement: Review systems and processes to ensure staff capacity for the regular and timely completion and review of bank reconciliations.</p> <p>Management Comments: All completed on Altus Synergy and available of Corporate S: drive.</p>
7.2.19 Inventory Reconciliations	Processes for the control of accounts and inventory.	<p>The following reconciliations were not available for review:</p> <ul style="list-style-type: none"> • Fuel • Art Centre Inventory <hr/> <p>Improvement: Review system processes to ensure regular and timely review of key reconciliations.</p>

7.0 Framework Implementation

Component	Purpose / Goal	Matters Identified / Improvements
7.2.20 Swimming Pool Inspections	Register of inspections undertaken.	<p>Our testing noted a number of swimming pool inspections currently overdue for inspection. We noted management has organised additional resources to undertake the backlog of inspections.</p> <hr/> <p>Improvement:</p> <p>Routine monitoring and review of the swimming pool register will assist to ensure inspections are undertaken within required timeframes.</p> <p>Management Comments:</p> <p>Since completed.</p>
7.2.21 Regulatory Health Inspections	Register of regulatory inspections undertaken.	<p>Environmental health inspections undertaken are not routinely maintained for remote sites.</p> <hr/> <p>Improvement:</p> <p>Routine monitoring and review of the regular health register will assist to ensure inspections are undertaken within required timeframes.</p> <p>Management Comments:</p> <p>Shire engages a consultant 2 -3 times annually to review all Shire sites (not remote Communities as are State responsibility).</p>
7.2.22 General Journals	Journals are initiated and processed in line with the Australian Accounting Standards	<p>Instances were noted whereby general journals debit expense and credited income which results in an overestimate of both in the financial reporting.</p> <hr/> <p>Improvement:</p> <p>Develop processes to ensure journals are properly supported, valid and comply with legislation or Australian Accounting Standards before being processed.</p>

7.0 Framework Implementation

7.3 Human Resource Management and Practices

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

Component	Purpose / Goal	Matters Identified / Improvements
7.3.1 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. Recent reviews and or updates to this matrix were not available for our review.</p> <p>Improvement:</p> <p>Refine the current staff training matrix to identify staff training needs relevant to their role, ensuring it is co-ordinated across the organisation, monitors currency of required licences and qualifications, and is regularly reviewed and updated.</p>
7.3.2 Staff Employment Files	Systems and controls for screening of new employee and monitoring existing employees for changes in their circumstances which may impact their employment.	<p>Practices and procedures for verifying employee identity, right to work in Australia, background checks, verification of employment history and qualifications are considered inadequate. We noted a breakdown in controls where an employee file did not contain evidence of current licences and qualifications.</p> <p>Improvement:</p> <p>Develop, implement and maintain appropriate policies and procedures to reduce the risk of unqualified or unsuitable staff being employed by the Shire, in line with the Western Australian Auditor General's Report in June 2019 relating to Verifying Employee Identity and Credentials.</p>
7.3.3 Payroll Audit Trails	Procedure to allow for appropriate review and approval of changes made within the payroll system.	<p>No independent review is undertaken to ensure bank account details have not been altered or manipulated without prior verification and authorisation.</p> <p>Improvement:</p> <p>Procedures to minimise risk of erroneous or 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 those responsible for processing payroll transactions are unable to make changes to employee master file.</p> <p>Management Comments:</p> <p>An audit trail is run as part of each fortnight's payroll processing. The Shire's scale and resourcing is not conducive to segregation of duties.</p>

7.0 Framework Implementation

7.4 Insurance

At present, the Insurance and Assets Officer along with the Director Corporate Services annually reviews the completeness of insurance, which is presented 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 to five yearly valuations of building assets undertaken by registered valuers.

8.0 Framework Evaluation

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

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

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

8.1 Council and Audit and Risk Committee

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

Component	Purpose / Goal	Matters Noted / Improvements
8.1.1 Council and Committee Minutes	Official record of proceedings and decisions.	<p>We noted the following items from the minutes of Council meetings:</p> <ul style="list-style-type: none">• Multiple instances whereby a confidential report did not include a recording of the decision• One instance whereby the names for the mover and seconder were not included into the confirmed minutes.• One instances whereby there was no motion to open the meeting to urgent business. <hr/> <p>Improvement: Ensure minutes of Council meetings are correctly recorded and contain all information required under regulation 11 of the <i>Local Government (Administration) Regulations 1996</i>.</p>

8.0 Framework Evaluation

8.2 Strategic and Operational Registers

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

Registers	Purpose / Goal	Matters Noted / Improvements
8.2.1 Financial Interest Register	Records details required under the Act relating to financial circumstances of relevant persons	<p>The financial Interest Register was not available for review. Staff representations noted the register was non compliant and did not contain the information required. On review of returns available we noted multiple instances whereby acknowledgments were not available and one instance whereby the return was not fully completed.</p> <p>Improvement: Ensure systems and procedures are in place to obtain all returns required under the <i>Local Government Act 1995</i> and a register is held and maintained. Undertake necessary actions to rectify and report this matter as required.</p>
8.2.2 Delegation Register	Statutory register of delegations of authority	<p>Our testing identified a number of issues with some delegations. We noted common occurrences where:</p> <ul style="list-style-type: none"> • Relevant legislation prohibits the delegation; • The delegation is suitable for acting through; • The delegation is not a power of Council; • The delegation to make a payment to an employee in addition to a contract or award is a Council policy and no longer required. <p>Improvement: Review and update the delegations register to ensure the delegations are appropriate and are consistent with relevant legislation.</p>
8.2.3 Register of Hazardous Materials	Provide a record of properties under the Shire's control containing hazardous materials.	<p>A register of hazardous materials was available, however did not appear to have been recently updated. Therefore the current conditions of hazards or any corrective activities is unknown.</p> <p>Improvement: Maintain a register to record details of hazardous materials, such as asbestos, for properties under the control of the Shire.</p> <p>Management Comments: To be addressed within the Shire's Work Health and Safety Improvement Plan. LGIS since delivered the supporting documentation. Pending commencement of WHS officer to resource implementation.</p>

Registers	Purpose / Goal	Matters Noted / Improvements
8.2.4 Cemetery Register	Statutory register of burials / grants of right of burials as required under section 40 of the <i>Cemeteries Act 1986</i> .	<p>A register of burials was not available for our inspection.</p> <hr/> <p>Improvement: Establish and maintain a register for the cemetery as required by the <i>Cemeteries Act 1986</i>.</p>
8.2.5 Tender Register	Statutory register of tenders called.	<p>The tender register contains a record of officers who were present when tenders were opened. There were one instances where a tender has been opened by only one person.</p> <hr/> <p>Improvement: Review procedures to require at least two employees of a local government to be present when opening tenders, or one employee and at least one person authorised by the CEO to open tenders as required by Regulation 16(3)(a) of the <i>Local Government (Functions and General) Regulations 1996</i>.</p>

8.0 Framework Evaluation

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 2018, 2019 and 2020 return periods. Matters of non-compliance were noted in relation to annual and primary returns were in 2018 and 2019, tenders in 2018,2019 and 2020 and purchasing in 2019. These matters were reported to the Audit Committee and to Council, with improvements noted within the agenda report attachment to address matters identified.

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
8.4.1 Community Complaints Procedures	Procedures for the recording handling and resolution of community complaints.	Community complaints register to follow up and ensure all complaints are adequately addressed was not available for review. <hr/> Improvement: To help ensure all complaints are adequately resolved, a register of customer complaints received should be maintained.

8.0 Framework Evaluation

8.5 Audit Practices

The 2018-19 and 2019-20 reporting periods were audited by Moore Australia while the 2020-21 reporting periods were audited by the Office of the Auditor General (OAG). The 2019-20 year noted a significant adverse trend in the asset sustainability ratio and the operating surplus ratio. The 2020-21 report was unavailable at the time of review.

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

Registers	Purpose / Goal	Matters Noted / Improvements
8.5.1 OSH Audit	Review of occupational safety and health procedures.	<p>An audit was undertaken by an independent party in 2018. Evidence to support improvements identified through the audit being implemented was not available for our review.</p> <hr/> <p>Improvement: Start implementation of the OSH Management Plan and ensure all previously identified OSH matters have been adequately addressed.</p> <p>Management Comments: To be addressed within the Shire's Work Health and Safety Improvement Plan. LGIS since delivered the supporting documentation. Pending commencement of WHS officer to resource implementation.</p>

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. Prior reviews have been completed within the correct structure and timeframe. We noted 20 recommendations from prior reviews which have not been implemented. These recommendations have been included within this report.

9.0 Other Matters

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Document Date

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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>
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.

Appendix A – Financial Management Systems Review

System	Description
Fixed assets (including depreciation, acquisition and disposal of property)	<p>The fixed assets system including controls over acquisition and disposal of assets, updating of the fixed assets register, depreciation of fixed assets and reconciliation of the fixed assets register to the general ledger was examined. A sample of asset additions and disposals were judgmentally selected, and testing performed to ensure:</p> <ul style="list-style-type: none"> • 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	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
Financial reports controls	The format of the annual report, annual financial report and monthly financial reports were reviewed for compliance with legislative requirements
Budget and budget review	The 2020-21 budget document and documents surrounding budget adoption were reviewed to ensure compliance with regulatory requirements
Borrowings	Reconciliation of borrowings to the WATC loan schedules were examined
Inventory	Inventory reconciliations and stocktake procedures were examined

Appendix B – Council Policies Examined

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

Policy Topic (as at January 2022)

Councils Role	
1.2 Award of the Title “Honorary Freeman of the Shire of East Pilbara”	1.13 Local Government Elected Members’ Recordkeeping Policy
1.3 Bereavement Recognition	1.14 Location of Council Meetings
1.4 Citizenship Ceremonies Dress	1.17 Smoke Free Policy
1.6 Council Meetings - Dates and Times	1.20 Fraud and Corruption Control Policy
1.7 Councillor Allowances & Expenses	1.22 Use of Presidential Chain Policy
1.8 Councillors & Vehicle Insurance Cover	1.23 Related Party Disclosures
1.11 Dress Standard for Council Chambers – Review / Revise	1.25 Attendance at Events
1.12 Councillors’ Continuing Professional Development	1.26 Appointment of Acting Chief Executive Officer
COUNCIL STAFF	
2.3 Designated Senior Employees	2.6 Conflicts of Interest
2.4 Gratuity Policy	
FINANCE	
3.1 Accounting for Non-current Assets	3.10 Debt Policy
3.2 Asset Management	3.11 Financial Reserves Policy
3.4 Budget Amendments	3.12 Corporate Credit Card
3.5 Budget Management – Capital Acquisitions	3.13 Regional Price Preference Policy
3.7 Self-Supporting Loans	3.14 Procurement and Tender Procedures Policy
3.9 Investment Policy	3.15 Financial Hardship Policy
ADMINISTRATION	
4.2 Complaints Against Third Parties	4.10 Vandalism – Reward for Conviction
4.4 Environment Council Recognition	4.11 Legislative Compliance
4.5 Execution of Documents	4.12 Risk Management
4.7 Logo	4.13 Social Media Policy
4.8 Public Relations – Press Releases	4.14 Advocacy Policy
4.9 Tourism – Objectives and Guidelines	

RECREATION	
5.1 Newman Aquatic Centre Alcohol Policy	5.3 Public Liability – Sporting and Community Organisations
5.2 Newman Recreation Centre – Commercial and Group use	5.4 Standard conditions for use of active reserves (Ovals)
COMMUNITY RELATIONS	
6.1 Piri Smith Retirement Units – Marble Bar	6.7 Photographing/Videoing people and publishing photos
6.2 Citizenship Ceremonies	6.8 Annual Community Survey
6.3 Hire of Recreation Facilities for Youth Activities	6.9 Public Art
6.4 Community Banner Poles	6.10 Junior Community and Sporting Organisations Assistance
6.5 Community Assistance Grants	
BUILDING	
7.1 Staff Housing – Home improvements	7.5 Sea Containers
7.4 Relocated Dwellings	
HEALTH	
8.2 Pastoral Stations Rubbish Pits	8.6 Uranium Policy
8.3 Rubbish Bin Replacement Policy	8.7 Stall Holder and Street Trading's
8.4 Aboriginal Affairs Policy	8.8 Authority to Issue Section 39 and 40 Certificates under the Liquor Control Act 1988
8.5 Rubbish Pits – Aboriginal Communities	
PLANNING	
9.1 Camping Other than in a Caravan Park	9.8 Mining Act 1978
9.7 Native Title Act 1993 – Registration of Interest	
TECHNICAL	
10.1 Aboriginal Communities – Road and Airstrip Designation and Maintenance	10.8 Plant Replacement Policy
10.2 Pastoral Stations – Road and Airstrip Designation and Maintenance	10.10 Road Verge Development Criteria
10.3 Cattle Grids	10.11 Road Verge Directional Signs
10.4 Crossover Subsidies and Specifications	10.13 Use of native plants, shrubs and grasses
10.5 New Development Road Reserves	10.14 Naming of Parks, Reserves and Buildings
10.6 Light Vehicle Policy	10.15 Subdivisional Development
10.7 Mining & Other Leases – Road Designation & Maintenance (Not Pastoral)	10.16 Use of Closed Circuit Television Monitoring Equipment

Appendix C – Plans Examined

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

Plan	Status
Strategic Community Plan	2018-2028
Corporate Business Plan	2018-2022
Code of Conduct – Elected Members	March 2021
Code of Conduct – Employees, Contractors and Volunteers	October 2021
Record Keeping Plan	December 2019
Fraud & Corruption Plan	2020-2022
Annual Report	2018-19 & 2019-20

Appendix D – Strategic and Operational Registers Examined

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

Register
Gifts Register
Delegation Register
Financial Interests Register
Official Complaints Register
Tender Register
Investment Register
Contracts Register
Regulatory Register
Lease Register
Asbestos Register
Risk Register

Appendix E – Operational Guidelines

Risk Management

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

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

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

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

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

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

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

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

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

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

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

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

Legislative Compliance

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

- a) *Monitoring compliance with legislation and regulations*
- b) *Reviewing the annual Compliance Audit Return and reporting to Council the results of that review*
- c) *Staying informed about how management is monitoring the effectiveness of its compliance and making recommendations for change as necessary*

Appendix E – Operational Guidelines

Legislative Compliance (continued)

- 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.

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

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

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

Appendix E – Operational Guidelines

Internal Controls (continued)

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:

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

Appendix F – Improvements Identified

Risk Area	Prioritised action required
Design – Policies	6.2.9 Newman Aquatic Centre Alcohol Policy 5.1
Implementation – Strategic and Operational Plans	7.1.1 Annual Budget 7.1.2 ICT Disaster Recovery Plan
Implementation – Operational and Financial Procedures	7.2.3 Risk Management 7.2.4 Records 7.2.8 Management Accounting 7.2.13 Bank Authorisation 7.2.14 Security Controls for Cash 7.2.15 Petty Cash 7.2.18 Bank Reconciliations 7.2.20 Swimming Pool Inspections 7.2.21 Regulatory Health Inspections
Implementation – Human Resource Management and Practices	7.3.2 Staff Employment Files 7.3.3 Payroll Audit Trails
Implementation – Insurance	N/A
Evaluation – Council and Audit and Risk Committee	N/A
Evaluation – Strategic and Operational Registers	8.2.1 Financial Interest Register
Evaluation – Compliance Audit Returns (CAR)	N/A
Evaluation – Complaint Handling	N/A
Evaluation – Audit Practices	N/A
Evaluation – CEO Reviews	N/A

Appendix F – Improvements Identified

Risk Area	Planned action required
Design – Policies	6.2.1 Policy Review 6.2.2 Formal Communications Policy Elected Member Policy 1.19 6.2.3 Budget Management Policy 3.5 6.2.4 Credit Card Policy Policy 3.12 6.2.5 Regional Price Preference Policy 3.13 6.2.6 Procurement and Tender Procedures Policy 3.14 6.2.7 Environment Council Recognition 4.4 6.2.8 Risk management Policy 4.12 6.2.10 Hire of Recreation Facilities for Youth Activities Policy 6.3 6.2.11 Internal Control Policy 6.2.12 Legislative Compliance Policy
Implementation – Strategic and Operational Plans	7.1.3 ICT Strategy 7.1.4 Major Trading Undertaking 7.1.5 Integrated Planning
Implementation – Operational and Financial Procedures	7.2.1 Operational Procedures 7.2.2 Procedure Changes 7.2.5 Information Required to be Published on Official Local Government Website 7.2.6 Contractor Inductions 7.2.7 ICT Security 7.2.9 Asset Management 7.2.10 End of Month Processes 7.2.11 Accounts Payable 7.2.12 Batch updates 7.2.16 Overdue Debtors 7.2.17 Credit Cards 7.2.19 Inventory Reconciliations 7.2.22 General Journals
Implementation – Human Resource Management and Practices	7.3.1 Staff Training
Implementation – Insurance	N/A
Evaluation – Council and Audit and Risk Committee	8.1.1 Council and Committee Minutes
Evaluation – Strategic and Operational Registers	8.2.2 Delegation Register 8.2.3 Register of Hazardous Materials 8.2.4 Cemetery Register 8.2.5 Tender Register
Evaluation – Compliance Audit Returns (CAR)	N/A
Evaluation – Complaint Handling	8.4.1 Community Complaints Procedures
Evaluation – Audit Practices	8.5.1 OSH Audit
Evaluation – CEO Reviews	N/A

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Shire of Shire of East Pilbara Risk Assessment Reg 17 FMR Review Final

Context of assessment	Risk Area	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Date of initial risk identification	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Comment
Entity Wide	Policy Review	6.2.1	Policies are reviewed annually by Council to help ensure they remain current. There is limited and inconsistent 'history' (adoption / review) to indicate where policies have been reviewed and amended. Some policies have been rescinded however still remain in the policy manual which could lead to confusion.	Invalid or ineffective Policy	Feb-22	Possible	Moderate	Moderate	Medium	Planned Action Required	Ensure procedures and policies are in place for the regular review of Policies. Following review of policies by Council, update the latest 'history' date on the policy to provide evidence and an accurate record of when the policy was reviewed, amended and adopted. Where a policy has been rescinded, remove the policy from the policy manual.	Noted. Rolling review of Corporate Services policies commenced in 2021. Program of review for other Directorates to be established.
Entity Wide	6.3 Hire of Recreation Facilities for Youth Activities	6.2.10	The policy provides for young people suffering financial hardship to undertake voluntary work for the Shire in return for free access to the Shire's sport and recreation facilities. The policy arrangements do not sufficiently detail the authorisations and limitations required when applying the policy, and in its current form the policy may also conflict with employment legislation.	Invalid or ineffective Policy	Feb-22	Possible	Moderate	Moderate	Medium	Planned Action Required	Review the legal considerations within this arrangement and consider the appropriateness of the policy. Revision of the policy may be required to comply with legislative requirements.	Noted.
Entity Wide	Internal Control Policy	6.2.11	Currently, no policy on internal controls is currently adopted by Council.	No current policy	Feb-22	Possible	Moderate	Moderate	Medium	Planned Action Required	We suggest an internal control policy be formulated and adopted to formalise Council's commitment and approach to internal controls, based on a risk management process.	Adherence to procedures and having controls in place is both implied and legislated.
Entity Wide	Legislative Compliance Policy	6.2.12	Currently, no policy on internal legislative compliance is currently adopted by Council.	No current policy	Feb-22	Possible	Moderate	Moderate	Medium	Planned Action Required	Development and adoption of a legislative compliance policy may help formalise Council's commitment and approach to legislative compliance.	Shire policy 4.11 Legislative Compliance was revoked at the 23 July OCM. Legislative Compliance with the law is obligatory.
Entity Wide	1.19 Formal Communications Policy Elected Member	6.2.2	This policy states complaints may be lodged with the CEO, Shire President or Deputy Shire President. This conflicts with Council resolution 202021/142 which adopted the CEO as the complaints officer.	Invalid or ineffective Policy	Feb-22	Possible	Moderate	Moderate	Medium	Planned Action Required	Ensure that the Formal Communications Policy Elected Members policy is in line with the code of conduct in relation to the lodging of complaints.	Noted.
Entity Wide	3.5 Budget Management	6.2.3	We noted this policy may be operational in nature. Council policies are not necessarily intended to provide direction on how different operational functions are to be executed as these are the responsibility of the CEO.	Invalid or ineffective Policy	Feb-22	Possible	Moderate	Moderate	Medium	Planned Action Required	Review and update this policy to consider the appropriate separation of the roles of the council and the CEO. Consider review and update of policies to articulate the strategic direction of Council, particularly where legislation does not provide such direction.	Noted
Entity Wide	Policy 3.12 Credit Card	6.2.4	We noted this policy may be operational in nature. Council policies are not necessarily intended to provide direction on how different operational functions are to be executed as these are the responsibility of the CEO.	Invalid or ineffective Policy	Feb-22	Possible	Moderate	Moderate	Medium	Planned Action Required	Review and update this policy to consider the appropriate separation of the roles of the council and the CEO. Consider review and update of policies to articulate the strategic direction of Council, particularly where legislation does not provide such direction.	Noted
Entity Wide	Policy 3.13 Regional Price Preference	6.2.5	This policy states a requirement for an annual review. The document history shows no evidence of this being undertaken.	Invalid or ineffective Policy	Feb-22	Possible	Moderate	Moderate	Medium	Planned Action Required	Ensure processes and system are in place for the review of policies in line with legislation and policy requirements and update the history section within each policy to provide an accurate record of the policy review occurring. Alternatively amend the review timeframe to align with organisational needs.	Noted
Entity Wide	Policy 3.14 Procurement and Tender Procedures	6.2.6	The Policy provides no direction in relation to contract variations and extensions for contracts awarded or against a written specification (i.e. those not issued 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.	Invalid or ineffective Policy	Feb-22	Possible	Moderate	Moderate	Medium	Planned Action Required	Amend the Policy to provide the following: <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 Local Government (Functions and General) Regulations 1996 Regulation 11(2) (j) (iv). Procedures should also be developed for the authorisation of variations allowed for by the regulations. 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. 	Noted
Entity Wide	4.4 Environment Council Recognition	6.2.7	Policy requires the environment should be considered in all council decisions, however it is not clear due consideration of the environment is being recorded in the minutes of Council Meetings.	Invalid or ineffective Policy	Feb-22	Possible	Moderate	Moderate	Medium	Planned Action Required	Amend the structure of Council reports to clearly report on environmental factors within each Council item.	Noted
Entity Wide	4.12 Risk management Policy	6.2.8	This policy has not been reviewed in the two-year timeframe required by the policy.	Invalid or ineffective Policy	Feb-22	Possible	Moderate	Moderate	Medium	Planned Action Required	Develop process and systems are in place to ensure the regular review of policies in line with the requirements set out within the policies.	Planned for 2023
Entity Wide	Newman Aquatic Centre Alcohol Policy 5.1	6.2.9	This policy sets out the conditions for the consumption of alcohol at the Newman Aquatic Centre. The policy allows for the consumption of alcohol for private functions with the pools in the centre to be sectioned off to not permit access. The policy does not adequately consider risks and controls which may limit the effectiveness of the intended policy aim. Additionally, we noted this may not be able to be sufficiently done, however staff representations noted no booking with alcohol has occurred recently.	Invalid or ineffective Policy	Feb-22	Possible	Moderate	Major	High	Prioritised Action Required	Consider rescinding the policy to ensure appropriate ongoing operational management of risks associated with the intended policy aim.	Noted

Shire of Shire of East Pilbara Risk Assessment Reg 17 FMR Review Final

Context of assessment	Risk Area	Risk Number	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Date of initial risk identification	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Comment
Entity Wide	Annual Budget	7.1.1	We noted the 2021-22 Budget adopted on the 23rd July 2021 did not comply with the Financial Management Regulations s27(a)(i) and (ii), s27(c)(i), s27 (d), s27(i), s27(m) and s31.	Failure to adequately manage a business disruption event Failure to identify risks or adequately treat risks	Feb-22	Possible	Major	Moderate	High	Prioritised Action Required	Ensure that the annual budget is in the correct format and complies with the relevant legislation.	The components of the Council Report adopting the Shire's annual budget, are made into the published budget as per the advertised on the Shire website. FMR s27(a)(i) - is within minutes OCM July 2021 report 9.2.5 Attachment 1, page 1. FMR s27 (a)(ii) - is within minutes OCM July 2021 report 9.2.5 Attachment 3, 20.3 Rates and Valuations FMR s27(c)(i) - is within 9.2.5 as part 7 of resolution FMR s27 (d) - noted, was only in published budget FMR s27(i) - is within 9.2.5 as part 1 of resolution FMR s27(m) - page 5 of published budget FMR s31 - Acknowledged and also raised by the Department, nothing further. Carry forward projects were amended into the budget in August 2021.
Entity Wide	ICT Disaster Recovery Plan	7.1.2	An ICT Disaster Recovery Plan has been developed by the Shire, however the plan has not been tested and due to system upgrades is now considered outdated.	Failure to adequately manage a business disruption event Failure to identify risks or adequately treat risks	Feb-22	Possible	Major	Moderate	High	Planned Action Required	Develop an ICT Disaster Recovery Plan and ensure it's maintained, reviewed and tested to ensure it's continued validity.	Several elements have been tested during 2022 and back up power systems installed. The Plan is part of current outsourced IT Services contract. Pending completion of Business Continuity Planning as informing document, can progress.
Entity Wide	ICT Strategy	7.1.3	An ICT Plan highlighting and addressing ICT risks and how they are to be addressed was not available for inspection.	Failure to adequately manage a business disruption event Failure to identify risks or adequately treat risks	Feb-22	Possible	Moderate	Moderate	Medium	Planned Action Required	Develop an ICT Strategic Plan identifying and documenting key ICT risks along with the treatments to reduce the risk to an acceptable level.	The drafting of a Digital Plan is currently underway. This will form a road map the procurement approach towards replacement of core and supplementary systems. A Cyber Security Audit is in progress which will inform towards identifying and managing risks.
Functional	Major Trading Undertaking	7.1.4	We noted the airport operations were not disclosed as a trading undertaking in the annual budget or annual financial report. No evidence was available to determine if consideration of requirements to disclose was undertaken.	Failure to adequately manage a business disruption event Failure to identify risks or adequately treat risks	Feb-22	Possible	Moderate	Minor	Medium	Planned Action Required	Undertake a process to consider whether the current Airport activities is required to be disclosure in the annual report and annual budget.	Noted
Entity Wide	Integrated Planning	7.1.5	A current and up to date Asset Management Plan, Workforce Plan and Long-Term Financial Plan were not available for review.	Failure to identify risks or adequately treat risks Breakdown of internal controls	Feb-22	Possible	Minor	Moderate	Medium	Planned Action Required	Develop and maintain documents supporting the Shire's Strategic Community Plan and Corporate Business Plan.	Asset Management Plan production schedule across all categories programmed for completion by June 2023. Current Shire Workforce Plan 2018-2021 available at: https://www.eastpilbara.wa.gov.au/documents/152/strategic-workforce-plan#:~:text=The%20Workforce%20Plan%20is%20integral,and%20to%20manage%20the%20workforce. Current Shire Long Term Financial Plan 2014-2024 available at https://www.eastpilbara.wa.gov.au/documents/198/long-term-financial-plan-2013-14 The Western Australian Treasury Corporation have delivered a new LTFP model which will be populated as part of the 2022-2023 budget adoption process.

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Entity Wide	Operational Procedures	7.2.1	Procedures are not formalised for a number of key operational functions throughout the Shire. Workflow process diagrams, checklists and documented procedures may assist to create a visual representation of a process, clearly identifying key points of control and responsibility to be evidenced and independently reviewed.	Lack of strategic direction for implementation of internal controls	Feb-22	Possible	Minor	Moderate	Medium	Prioritised Action Required	Undertake a review of existing operational procedures, and where required develop and implement additional procedures, to provide operational guidance aligned with adopted Council policies and legislation. Procedures should provide for activities not necessarily covered by legislation to communicate expected standards to staff from the CEO, in the course of implementing strategic direction and decisions of Council. Development of documented procedures and checklists, and / or workflow process diagrams may assist in clearly identifying controls and processes to be followed.	The Shire has implemented Nintex Promapp to establish process maps, Visio charts, and linked procedure documents. Phase 1 trial complete. The Strategic Direction in place is that following Service Plan Phase #2 which aims to identify all major service delivery processes, these will be prioritised and Promapped over the next 18 months.
Functional	End of Month Processes	7.2.10	Reconciliations for the asset register and payroll have been conducted in a timely manner, however variances between the general ledger and asset/ payroll ledgers are present.	Failure to identify risks or adequately treat risks Breakdown of internal controls	Feb-22	Possible	Minor	Moderate	Medium	Planned Action Required	Review system processes to ensure regular and timely review of asset and payroll reconciliations.	Noted
Functional	End of Month Processes	7.2.10	Monthly general journal audit trails are not regularly independently reviewed.	Failure to identify risks or adequately treat risks Breakdown of internal controls	Feb-22	Possible	Minor	Moderate	Medium	Planned Action Required	Review system processes to ensure regular and timely review of general journal audit trails.	Since addressed
Functional	Accounts Payable	7.2.11	Our testing noted multiple instances where creditors invoices were approved by only one officer. We noted instances where purchase orders and invoices were authorised by the same officer, without independent reviews.	Failure to identify risks or adequately treat risks Breakdown of internal controls	Feb-22	Possible	Minor	Moderate	Medium	Planned Action Required	Invoices signed by only one employee increase the risk that an invoice is paid in error. A second signature verifying the payment of an invoice will assist in providing independent review.	Staff operate within delegations, defined limits and an environment of trust & responsibility. The organisation is not resourced to meet this particular request.
Functional	Batch updates	7.2.12	Batch updates in the Shire's accounting software are not independently reviewed following their update.	Failure to identify risks or adequately treat risks Breakdown of internal controls	Feb-22	Possible	Minor	Moderate	Medium	Planned Action Required	Ensure all batch updates are independently reviewed to ensure the update is as per the reviewed information.	Since addressed
Functional	Bank Authorisation	7.2.13	Staff representations noted only two staff members have authority to make payments from the bank. This can lead to a risk of late payment to creditors and staff members where one staff member is unavailable to make payment.	Failure to identify risks or adequately treat risks Breakdown of internal controls	Feb-22	Likely	Minor	Major	High	Prioritised Action Required	Review payment authorisations to ensure adequate resources are available for the review and payment to suppliers and employee to mitigate risks of late payments being made.	Since addressed
Functional	Security Controls for Cash	7.2.14	Petty cash is kept in a locked box, which is stored in an unlocked cupboard.	Internal control or compliance breach	Feb-22	Possible	Minor	Major	High	Prioritised Action Required	Ensure petty cash is stored in a secure location, such as the strong room or safe.	During the day the locked petty cash tin is within the customer services drawer, then stored in the safe overnight.
Functional	Petty Cash	7.2.15	No evidence was available of independently reviewed and authorised monthly petty cash reconciliations.	Failure to identify risks or adequately treat risks Breakdown of internal controls	Feb-22	Likely	Minor	Moderate	High	Planned Action Required	Undertake a review of systems and processes relating to petty cash, to ensure adequate controls exist relating to security of cash held, as well as maintaining and processing of petty cash transactions.	Since addressed
Functional	Petty Cash	7.2.15	Staff representations stated that purchases made using petty cash have been made by officers without delegated authority to purchase goods or services.	Failure to identify risks or adequately treat risks Breakdown of internal controls	Feb-22	Likely	Minor	Moderate	High	Planned Action Required	Improve procedures to ensure purchases made using petty cash have received approval by an officer with appropriate authorisation limits prior to the purchase of the goods and services.	Unable to comment without substantiation. Staff are required to undertake Procurement Training in accordance with policy. Shall be reviewed.
Functional	Overdue Debtors	7.2.16	We did not evidence any procedures or process for the consistent and timely collection of outstanding rates. Rate collections is undertaken on an ad-hoc basis when staff have time available to undertake the work. This could create cash flow pressure or lead to the loss of income.	Failure to identify risks or adequately treat risks Breakdown of internal controls	Feb-22	Possible	Minor	Moderate	Medium	Planned Action Required	Create and document procedures to ensure a transparent and consistent approach is applied to overdue debtors and ensure appropriate resources are available to undertake these procedures.	Debt collection has been outsourced for the last 5 months to AMPAC and consultant. The uncollectable rates upon the Newman and Kurra land subdivisions is not included within cashflow forecasting. This accounts for \$1.7M of current \$2.4M outstanding, against an annual rates fees bill (excluding other charges) of \$21M.
Functional	Credit Cards	7.2.17	During testing we noted one tax invoice was unavailable and one payment was made with a tax invoices which did not detail the goods being purchased.	Failure to identify risks or adequately treat risks Breakdown of internal controls	Feb-22	Possible	Minor	Moderate	Medium	Planned Action Required	Ensure all payments made by credit cards are accompanied by tax invoices with required details.	Since addressed.
Entity Wide	Credit Cards	7.2.17	We noted instances through our testing where credit card reconciliations were not reviewed by an independent more senior member of staff.	Failure to identify risks or adequately treat risks Breakdown of internal controls	Feb-22	Possible	Minor	Moderate	Medium	Planned Action Required	Update procedures to require cardholders to review and certify expenses incurred on their credit cards each month. Maintain and regularly review these controls and ensure staff responsible for processing credit card transactions are appropriately educated with approved systems and processes.	Since addressed.

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Functional	Credit Cards	7.2.17	No evidence was available of signed credit card agreements for Shire credit card holders.	Failure to identify risks or adequately treat risks Breakdown of internal controls	Feb-22	Possible	Minor	Moderate	Medium	Planned Action Required	Ensure all officers issued with credit cards sign a credit card agreement prior to the issuing of the credit card.	Noted. Card holders are responsible for appropriate use of cards as per Council policy.
Functional	Inventory Reconciliations	7.2.19	The following reconciliations were not available for review: • Fuel • Art Centre Inventory	Failure to identify risks or adequately treat risks Breakdown of internal controls	Feb-22	Possible	Minor	Moderate	Medium	Planned Action Required	Review system processes to ensure regular and timely review of key reconciliations.	Noted.
Functional	Bank Reconciliations	7.2.18	No bank reconciliations were available for review.	Failure to identify risks or adequately treat risks Breakdown of internal controls	Mar-22	Possible	Minor	Major	High	Planned Action Required	Review systems and processes to ensure staff capacity for the regular and timely completion and review of bank reconciliations.	All completed on Altus Synergy and available of Corporate S. drive.
Functional	Swimming Pool Inspections	7.2.20	Our testing noted a number of swimming pool inspections currently overdue for inspection. We noted management has organised additional resources to undertake the backlog of inspections.	Failure to identify risks or adequately treat risks Breakdown of internal controls	Feb-22	Likely	Minor	Moderate	High	Prioritised Action Required	Routine monitoring and review of the swimming pool register will assist to ensure inspections are undertaken within required timeframes.	Since completed
Functional	Procedure Changes	7.2.2	Process for amending or changing procedures are not formalised. This has the risk to result in instances of unilateral unauthorised changes to procedures and a risk of breakdowns in key controls within internal and financial controls.	Failure to identify risks or adequately treat risks Breakdown of internal controls	Feb-22	Possible	Minor	Moderate	Medium	Planned Action Required	Establish a process for the development, review, amendment and authorisation of procedures, checklists and other internal control documentation, throughout the Shire to assist with managing changes to procedures.	Noted
Functional	Regulatory Health Inspections	7.2.21	Environmental health inspections undertaken are not routinely maintained for remote sites.	Failure to identify risks or adequately treat risks Breakdown of internal controls	Feb-22	Likely	Minor	Moderate	High	Prioritised Action Required	Routine monitoring and review of the regular health register will assist to ensure inspections are undertaken within required timeframes.	Shire engages a consultant 2 -3 times annually to review all Shire sites (not remote Communities as are State responsibility).
Entity Wide	General Journals	7.2.22	Instances were noted whereby general journals debit expense and credited income which results in an overestimate of both in the financial reporting.	Failure to identify risks or adequately treat risks Breakdown of internal controls	Feb-22	Possible	Minor	Moderate	Medium	Planned Action Required	Develop processes to ensure journals are properly supported, valid and comply with legislation or Australian Accounting Standards before being processed.	Noted
Entity Wide	Risk Management	7.2.3	Risk Management activities currently undertaken are largely undocumented.	Failure to identify risks or adequately treat risks Breakdown of internal controls	Feb-22	Likely	Minor	Major	High	Prioritised Action Required	Risk management procedures and process to be developed in accordance with the latest risk management standard (ISO 31000:2018). Implement risk management procedures and processes throughout the organisation.	Noted
Entity Wide	Records	7.2.4	Records produced outside of the main systems such as social media are not being recorded in the record management system.	Failure to identify risks or adequately treat risks Breakdown of internal controls	Feb-22	Likely	Minor	Major	High	Prioritised Action Required	Ensure systems are in place to capture and backup all records produced by Shire staff and councillors.	Noted
Entity Wide	Records	7.2.4	Based on our enquiries with staff, electronic records are stored in various locations such as shared drives, rather than the Shire's electronic document and records management system (EDRMS). Where compliance with required record keeping controls is low, information may become compromised where deletions, loss and compromised security or confidentiality of records may occur.	Failure to identify risks or adequately treat risks Breakdown of internal controls	Feb-22	Likely	Minor	Major	High	Prioritised Action Required	Review, update and communicate procedures for the record keeping practices and enforce individual accountability for compliance with established procedures.	Noted. Dedicated staff officer training upcoming. Record Keeping - Service delivery improvement plan prepared October 2021, pending resourcing.
Entity Wide	Records	7.2.4	Access to archived records are not maintained in a safe and secure location where access is limited to authorised officers	Failure to identify risks or adequately treat risks Breakdown of internal controls	Feb-22	Likely	Minor	Major	High	Prioritised Action Required	Archived records should be located in a safe and secure location that is appropriate for the long term storage of records. Access to the records should be only by authorised staff.	Noted. Dedicated staff officer training upcoming. Record Keeping - Service delivery improvement plan prepared October 2021, pending resourcing.
Entity Wide	Records	7.2.4	Systems or procedures in place for vital records are considered inadequate. Some vital records were unable to be located while others were not located in a secure and safe location.	Failure to identify risks or adequately treat risks Breakdown of internal controls	Feb-22	Likely	Minor	Major	High	Prioritised Action Required	Development systems and procedures for the correct maintenance of the Shire's vital records and ensure all vital records can be located.	Noted. Dedicated staff officer training upcoming. Record Keeping - Service delivery improvement plan prepared October 2021, pending resourcing.

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Entity Wide	Information Required to be Published on Official Local Government Website	7.2.5	At the time of our review, we noted the following information (in addition to other matters noted throughout this report) has not been published on the Shire's official website as required by legislation: <ul style="list-style-type: none"> Name of each council member who lodged a primary return or annual return for a financial year beginning on or after 1 July 2020 The position of each employee who lodged a primary or annual return for a financial year beginning on or after 1 July 2020 The type, amount or value of any fees, expenses or allowances paid to each council member during financial year beginning on or after 1 July 2020 (no later than 14 July) Report on training by elected members (required within one month of EOFY)s (required within one month of EOFY) 	Internal control or compliance breach	Feb-22	Possible	Minor	Moderate	Medium	Planned Action Required	Ensure information is published on the Shire's official website as required by section 5.96A of the Local Government Act 1995 and any other legislation.	Noted.
Functional	Contractor Inductions	7.2.6	Procedures for the induction of contractors are not currently in place.	Failure to identify risks or adequately treat risks Breakdown of internal controls	Feb-22	Possible	Minor	Moderate	Medium	Planned Action Required	Develop procedures to enable the induction of all contractors prior to work being undertaken by the Contractor for the Shire.	To be addressed within the Shire's Work Health and Safety Improvement Plan. LGIS since delivered the supporting documentation. Pending commencement of WHS officer to resource implementation
Entity Wide	ICT Security	7.2.7	We noted limited controls in relation to the access to IT systems for both physical access to hardware and network access to software and data.	Failure to identify risks or adequately treat risks Breakdown of internal controls	Feb-22	Possible	Minor	Moderate	Medium	Planned Action Required	Undertake a comprehensive IT security review and implement findings.	A Cyber Security Audit is in progress which will inform towards identifying and managing risks.
Entity Wide	Management Accounting	7.2.8	We noted an absence of management reporting throughout the organisation. This was supported by Staff representations. Financial management reporting is an important control mechanism used to monitor the performance of the organisation and individual business units.	Failure to identify risks or adequately treat risks Breakdown of internal controls	Feb-22	Likely	Moderate	Moderate	High	Prioritised Action Required	Develop systems and processes to undertake financial management reporting throughout the organisations. The level of reporting should scale with the financial risk of each reporting area.	Routine mid-month management reports since established. Staff have access to Synergy general and job ledger enquiries to check latest revenue and expenditure.
Functional	Asset Management	7.2.9	Asset management including the development of schedules and programs in relation to the maintenance and renewal of housing and roads, including condition assessments are considered inadequate.	Failure to identify risks or adequately treat risks Breakdown of internal controls	Feb-22	Possible	Minor	Moderate	Medium	Planned Action Required	Ensure the development of housing and road schedules and programs including accurate and timely condition data is undertaken in order for the practice of asset management.	Asset Management Plan production schedule across all categories programmed for completion by June 2023.
Entity Wide	Staff Training	7.3.1	Planned staff training needs for employees are currently identified and recorded in a training matrix. Recent reviews and/or updates to this matrix were not available for our review.	Failure to identify risks or adequately treat risks Breakdown of internal controls	Feb-22	Possible	Minor	Moderate	Medium	Planned Action Required	Refine the current staff training matrix to identify staff training needs relevant to their role, ensuring it is co-ordinated across the organisation, monitors currency of required licences and qualifications, and is regularly reviewed and updated.	Noted
Entity Wide	Staff Employment Files	7.3.2	Practices and procedures for verifying employee identity, right to work in Australia, background checks, verification of employment history and qualifications are considered inadequate. We noted a breakdown in controls where an employee file did not contain evidence of current licences and qualifications.	Failure to identify risks or adequately treat risks Breakdown of internal controls	Feb-22	Likely	Minor	Major	High	Prioritised Action Required	Develop, implement and maintain appropriate policies and procedures to reduce the risk of unqualified or unsuitable staff being employed by the Shire, in line with the Western Australian Auditor General's Report in June 2019 relating to Verifying Employee Identity and Credentials.	Noted
Functional	Payroll Audit Trails	7.3.3	No independent review is undertaken to ensure bank account details have not been altered or manipulated without prior verification and authorisation.	Failure to identify risks or adequately treat risks Breakdown of internal controls	Feb-22	Likely	Minor	Moderate	High	Prioritised Action Required	Procedures to minimise risk of erroneous or 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 those responsible for processing payroll transactions are unable to make changes to employee master file.	Noted. An audit trail is run as part of each fortnight's payroll processing. The Shire's scale and resourcing is not conducive to segregation of duties.
Entity Wide	Council and Committee Minutes	8.1.1	We noted the following items from the minutes of Council meetings: <ul style="list-style-type: none"> Multiple instances whereby a confidential report did not include a recording of the decision One instance whereby the names for the mover and seconder were not included into the confirmed minutes. One instances whereby there was no motion to open the meeting to urgent business. 	Internal control or compliance breach	Feb-22	Possible	Minor	Moderate	Medium	Planned Action Required	Ensure minutes of Council meetings are correctly recorded and contain all information required under regulation 11 of the Local Government (Administration) Regulations 1996.	Noted
Entity Wide	Financial Interest Register	8.2.1	The financial Interest Register was not available for review. Staff representations noted the register was non compliant and did not contain the information required. On review of returns available we noted multiple instances whereby acknowledgments were not available and one instance whereby the return was not fully completed.	Failure to identify risks or adequately treat risks Breakdown of internal controls	Feb-22	Likely	Moderate	Moderate	High	Prioritised Action Required	Ensure systems and procedures are in place to obtain all returns required under the Local Government Act 1995 and a register is held and maintained. Undertake necessary actions to rectify and report this matter as required.	Noted

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Entity Wide	Delegation Register	8.2.2	Our testing identified a number of issues with some delegations. We noted common occurrences where: • Relevant legislation prohibits the delegation; • The delegation is suitable for acting through; • The delegation is not a power of Council; • The delegation to make a payment to an employee in addition to a contract or award is a Council policy and no longer required.	Invalid Delegation	Feb-22	Possible	Minor	Moderate	Medium	Planned Action Required	Review and update the delegations register to ensure the delegations are appropriate and are consistent with relevant legislation.	Since addressed.
Entity Wide	Register of Hazardous Materials	8.2.3	A register of hazardous materials was available, however did not appear to have been recently updated. Therefore the current conditions of hazards or any corrective activities is unknown.	Failure to identify risks or adequately treat risks Breakdown of internal controls	Feb-22	Possible	Minor	Moderate	Medium	Planned Action Required	Maintain a register to record details of hazardous materials, such as asbestos, for properties under the control of the Shire.	To be addressed within the Shire's Work Health and Safety Improvement Plan. LGIS since delivered the supporting documentation. Pending commencement of WHS officer to resource implementation
Functional	Cemetery Register	8.2.4	A register of burials was not available for our inspection.	Failure to identify risks or adequately treat risks Breakdown of internal controls	Feb-22	Possible	Minor	Moderate	Medium	Planned Action Required	Establish and maintain a register for the cemetery as required by the Cemeteries Act 1986.	Noted
Entity Wide	Tender Register	8.2.5	The tender register contains a record of officers who were present when tenders were opened. There were one instances where a tender has been opened by only one person.	Failure to identify risks or adequately treat risks Breakdown of internal controls	Feb-22	Possible	Minor	Moderate	Medium	Planned Action Required	Review procedures to require at least two employees of a local government to be present when opening tenders, or one employee and at least one person authorised by the CEO to open tenders as required by Regulation 16(3)(a) of the Local Government (Functions and General) Regulations 1996.	Noted
Entity Wide	Community Complaints Procedures	8.4.1	Community complaints register to follow up and ensure all complaints are adequately addressed was not available for review.	Failure to identify risks or adequately treat risks Breakdown of internal controls	Feb-22	Possible	Minor	Moderate	Medium	Planned Action Required	To help ensure all complaints are adequately resolved, a register of customer complaints received should be maintained.	Noted
Entity Wide	OSH Audit	8.5.1	An audit was undertaken by an independent party in 2018. Evidence to support improvements identified through the audit being implemented was not available for our review.	Failure to identify risks or adequately treat risks Breakdown of internal controls	Feb-22	Possible	Minor	Moderate	Medium	Planned Action Required	Start implementation of the OSH Management Plan and ensure all previously identified OSH matters have been adequately addressed.	To be addressed within the Shire's Work Health and Safety Improvement Plan. LGIS since delivered the supporting documentation. Pending commencement of WHS officer to resource implementation

6 CONFIDENTIAL MATTERS BEHIND CLOSED DOORS

COMMITTEE DECISION

Moved: Cr McWhirter-Brooks

Seconded: Cr Lockyer

That the meeting be closed to the public in accordance with section 5.23{2} of the *Local Government Act 1995*.

**CARRIED UNANIMOUSLY
RECORD OF VOTE 3/0**

For: Shire President, Deputy Shire President, Councillor Lockyer

Against: Nil

Steve Leeson left meeting at 2.06 pm.

6.1.1 CEO KEY FOCUS AREA CONTRACT MANAGEMENT STATEMENT

COMMITTEE DECISION / OFFICER'S RECOMMENDATION

Moved: Cr Lockyer

Seconded: Cr McWhirter-Brooks

That the Committee receives the Chief Executive Officer's Statement of the Status of Contract Management Achieving Best Value for Money in satisfaction of Key Focus Area 6 of the Chief Executive Officer's performance measures.

**CARRIED UNANIMOUSLY
RECORD OF VOTE 3/0**

For: Shire President, Deputy Shire President, and Councillor Lockyer

Against: Nil

REASONS FOR CONFIDENTIALITY

That in accordance with section 5.23 (2) of the *Local Government Act 1995* the meeting is closed to members of the public with the following aspect(s) of the Act being applicable to this matter:

- (a) a matter affecting an employee or employees.

COMMITTEE DECISION

Moved: Cr Lockyer

Seconded: Cr McWhirter-Brooks

That the meeting return to Open Committee in accordance with 5.23{2} of the Local Government Act 1995.

**CARRIED UNANIMOUSLY
RECORD OF VOTE 3/0**

For: Shire President, Deputy Shire President, Councillor Lockyer

Against: Nil

7 DATE OF NEXT MEETING

The next Ordinary Meeting of the Audit, Risk and Governance Committee is scheduled for **Thursday, 25 August 2022.**

8 CLOSURE

The Presiding Member declared the Shire of East Pilbara Audit Risk and Governance Committee Meeting of 22 July 2022 closed at 2.11 pm and thanked Committee Members and staff for their attendance.