



Audit and Risk Committee

Notice of Audit and Risk Committee Meeting

The next Audit and Risk Committee Meeting of the Shire of Capel will be held on Wednesday 27 March 2024 in the Council Chambers, Forrest Road, Capel commencing at 3:00 pm.

Gordon MacMile
Chief Executive Officer
21 March 2024

Acknowledgement of Country

We wish to acknowledge the traditional custodians of the land we are meeting on, the Wadandi people. We wish to acknowledge and respect their continuing connection to the land, waters and community.

We pay our respects to all members of the Aboriginal communities and their culture; and to Elders past and present, their descendants who are with us today, and those who will follow in their footsteps.

Our Vision

A lifestyle of choice; connecting community, culture and country.

Our Values



H Honesty

We are respectful in all that we do, and all interactions we have, whilst being inclusive and mindful of differences.



E Empathy

We are kind and show understanding of peoples circumstances, perspectives and differences.



A Accountability

We are transparent in all that we do, and stay true to our word by taking responsibility for our actions.



R Respect

We are respectful in all that we do, and all interactions we have, whilst being inclusive and mindful of differences.



T Teamwork

We are cooperative, collaborative and united while working towards common goals of our Shire.



TABLE OF CONTENTS

1. Declaration of Opening/Announcement of Visitors	4
2. Record of Attendance/Apologies/Leave of Absence (Previously Approved)	4
3. Public Question Time	4
4. Confirmation of Minutes	4
4.1. Audit and Risk Committee Minutes - 13 December 2023	4
5. Reports	5
5.1. Compliance Audit Return 2023	5
5.2. Corporate Risk Register Quarterly Report	21
5.3. Quarterly Summary - Regulation 17 Internal Audit Progress Report	31
6. Meeting Closure	54



1. Declaration of Opening/Announcement of Visitors

Acknowledgement of Country

'We wish to acknowledge the traditional custodians of the land we are meeting on, the Wadandi people. We wish to acknowledge and respect their continuing connection to the land, waters and community. We pay our respects to all members of the Aboriginal communities and their culture; and to Elders past and present, their descendants who are with us today, and those who will follow in their footsteps.'

2. Record of Attendance/Apologies/Leave of Absence (Previously Approved)

3. Public Question Time

4. Confirmation of Minutes

4.1. Audit and Risk Committee Minutes - 13 December 2023

Voting Requirements

Simple Majority

Officer's Recommendation – 4.1.

That the Minutes of the Audit and Risk Committee Minutes - 13 December 2023 be confirmed as a true and correct record.



5. Reports

5.1. Compliance Audit Return 2023

Author	Governance Officer, Amanda Lorrimar
Authorising Officer	Director Community and Corporate Services, Samantha Chamberlain
Nature of the Decision	Legislative Review
Attachments	1. CAR 2023 [5.1.1 - 10 pages]
Confidential Status	<i>This item is not a confidential matter.</i>

Proposal

Review and accept the 2023 Compliance Audit Return (CAR), and recommend to Council.

Officer's Recommendation

That the Audit and Risk Committee:

1. Receives the completed 2023 Compliance Audit Return.
2. Recommends the 2023 Compliance Audit Return to Council for adoption as the official Shire of Capel return at the Ordinary Council Meeting 27 March 2024.

Background

Local governments throughout Western Australia are required to complete and submit an annual CAR to the Department of Local Government Sport & Cultural Industries (DLGSC).

The CAR is a self-assessment questionnaire designed to test the level of statutory compliance within each local government.

The key areas of focus for the 2023 CAR are:

- Commercial enterprises by local governments.
- Delegation of power/duty.
- Disclosure of interest.
- Disposal of property.
- Elections.
- Finance.
- Integrated planning & reporting.
- Local Government Employees.
- Official conduct.
- Optional questions (9).
- Tenders for providing goods and services.



Upon receipt of the 2023 CAR, the questionnaire was distributed to those Officers with direct relevance to the targeted areas. Officer responses were then placed into a draft format and presented for preliminary review by the Council and Audit Committee members in late February. This extra step in the process this year, was necessary to allow adequate time for consideration, and any queries, or potential amendments to occur, prior to the 27 March 2024 meetings of both Audit and Risk Committee and Council.

With both meetings held in succession so close the deadline for submission of the official response 31 March 2024, it was important that the content of the 2023 CAR presented to the Audit and Risk Committee and Council for endorsement, was settled.

Following Council endorsement and execution by the Shire President and Chief Executive Officer, the certified Shire of Capel 2023 CAR, and an extract of the Council meeting minute at which it was endorsed, will be submitted to the DLGSC portal by 31 March 2024.

Previous Audit and Risk Committee Decisions

Special Audit and Risk Committee Meeting 15 March 2023.
Committee decision – 6.1 AC007/2023.

Decision Framework

Shire of Capel Strategic Community Plan 2023-2033

Direction 4 - Deliver good leadership, governance and decision-making:
4.1 Effective and compliant governance.

Corporate Business Plan 2023-2027

GOV 11 - **Legislative Compliance Management** - Oversee the achievement of compliance audit return.

Statutory Framework

State Framework

Local Government Act 1995

Regulations as to audits

- (1) *Regulations may make provision –*
 - (i) *Requiring local governments to carry out, in the prescribed manner and in a form approved by the Minister, an audit of compliance with such statutory requirements as are prescribed whether those requirements are*
 - (i) *of a financial nature or not: or*
 - (ii) *under this act or another written law*



Local Government (Audit) Regulations 1996

14 Compliance Audits by Local Governments

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

15 Certified copy of compliance audit return and other documents to be given to Departmental CEO

- (1) After the compliance audit return has been presented to the council in accordance with regulation 14(3), a certified copy of the return together with -
 - (a) A copy of the relevant section of the minutes referred to in 14(3(c), and
 - (b) any additional information explaining or qualifying the compliance audit, (3A) The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review, is to be submitted to the Department CEO by 31 March next following the period to which the term relates.
- (2) In this regulation – certified in relation to a compliance audit return means signed by –
 - (a) the mayor or president; and
 - (b) the CEO.

Local Government Act 1995, (Act s. 7.13(1)(i)) Local Government (Audit) Regulations 1996 13

Federal Framework

There are no federal frameworks relevant to this item.

Policy Framework

The following Shire Policies apply:

- Compliance.
- Purchasing.



Implications

Risk Implications

Risk	Likelihood	Consequence	Mitigation
Risk 1 Legislative Compliance Rating: Medium	Rare	Moderate	Apply compliance practices as legislated.
Risk Description: Serious breach of legislated compliance			
Risk 2 Reputation Rating: Medium	Possible	Moderate	Alignment and commitment to meeting compliance through clear processes and procedures.
Risk Description: Loss of community trust			
Risk 3 Financial Rating: Low	Possible	Moderate	Increased focus on training and awareness for staff.
Risk Description: Budget impact through compliance failure			
Opportunity: Audits help to mitigate risk by identifying areas of improvement in the compliance processes and procedures.			

Financial Implications

Budget

There are no financial implications relevant to this proposal.

Long Term

As no assets/infrastructure are being created, there are no long-term financial implications relevant to this proposal.

Sustainability Implications

Climate Change and Environmental

There are no relevant climate change and environmental implications relevant to this item.

Social

Continued legislative compliance meets the community’s expectation of effective governance and contributes to the social and economic sustainability of the Shire.

Economic



The assessments and reviews undertaken through the completion of the annual CAR test and strengthen the internal processes that deliver sound economic governance.

Asset

There are no relevant asset implications relevant to this item.

Consultation/Engagement

External Consultation

There was no external consultation undertaken.

Internal Consultation

Contribution to the process of consultation, review, and response to the 2023 CAR, was undertaken by the: Chief Executive Officer, Director of Community and Corporate, Manager of Finance, Strategic Governance and Risk Coordinator, Procurement Officer, and Governance Officer.

Officer's Comment

The 2023 CAR contains two areas of non-compliance.

The first area of non-compliance falls under the disclosure of interest section, Question 5, s5.76 Admin reg 23, form 3 asks; "Was an annual return in the prescribed form lodged by all relevant persons by 31 August 2023." The answer is no, two returns were not received by the due date. The late returns were eventually received on 09/09/23 and 16/09/23 constituting a serious breach that was reported to the DLGSC as required under legislation. While the Attain system has simplified the process for the completion of Annual Returns, an increased focus on training in this area will improve future compliance.

The second instance of non-compliance is noted under the Tenders for Providing Goods and Services section, Question 1 F&G Reg 11A (1) & (3) asks; "Did the local government comply with its current purchasing policy, adopted under the Local Government (Functions and General) Regulations 1996, Regulations 11A(1) and (3) in relation to the supply of goods or services where the consideration under the contract was, or was expected to be, \$250,000 or less or worth \$250,000 or less." The answer to this question is also negative due to an instance where a staff member failed to obtain the required number of quotations applicable for the \$5,001 - \$20,000 threshold.

The breach was discovered through scrutiny of the invoices assigned to the relevant task.

Improvements to the purchasing and compliance training of staff has been implemented and any repetitive occurrence will be subject to an investigative process.

Through the review and consultation process, all remaining auditable processes and functions as detailed in the CAR were correctly performed and executed.



Summary

The internal audit process undertaken to complete the annual CAR, tests the procedural processes and application of the statutory compliance systems within the organisation and provides opportunities for improvement where necessary.

The two areas of non-compliance, as detailed above, do indicate where additional training is required to mitigate future acts of misconduct in these areas.

Voting Requirements

Simple Majority.

Officer's Recommendation – 5.1.

That the Audit and Risk Committee:

- 1. Receives the completed 2023 Compliance Audit Return.**
- 2. Recommends the 2023 Compliance Audit Return to Council for adoption as the official Shire of Capel return at the Ordinary Council Meeting 27 March 2024.**



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Compliance Audit Return 2023

Commercial Enterprises by Local Governments		
No	Reference	Question
1	s3.59(2)(a) F&G Regs 7,9,10	Has the local government prepared a business plan for each major trading undertaking that was not exempt in 2023? N/A no undertaking of this nature occurred.
2	s3.59(2)(b) F&G Regs 7,8A, 8, 10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2023? N/A no transaction of this nature occurred.
3	s3.59(2)(c) F&G Regs 7,8A, 8,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2023? N/A no transaction of this nature occurred.
4	s3.59(4)	Has the local government complied with public notice and publishing requirements for each proposal to commence a major trading undertaking or enter into a major land transaction or a land transaction that is preparatory to a major land transaction for 2023? N/A no transaction of this nature occurred.
5	s3.59(5)	During 2023, did the council resolve to proceed with each major land transaction or trading undertaking by absolute majority? N/A no transaction of this nature occurred.

Delegation of Power/Duty		
No	Reference	Question
1	s5.16 (1)	Were all delegations to committees resolved by absolute majority? Yes. OC/2023/116 28 June 2023
2	s5.16 (2)	Were all delegations to committees in writing? Yes.
3	s5.17	Were all delegations to committees within the limits specified in section 5.17 of the <i>Local Government Act 1995</i> ? Yes.
4	s5.18	Were all delegations to committees recorded in a register of delegations? Yes. Shire-of-Capel-Delegations-Register - Attain.pdf
5	s5.18	Has council reviewed delegations to its committees in the 2022/2023 financial year? Yes. OC/2023/116 28 June 2023
6	s5.42(1) & s5.43 Admin Reg 18G	Did the powers and duties delegated to the CEO exclude those listed in section 5.43 of the <i>Local Government Act 1995</i> ? Yes.
7	s5.42(1)	Were all delegations to the CEO resolved by an absolute majority? Yes. OC/2023/116 28 June 2023
8	s5.42(2)	Were all delegations to the CEO in writing? Yes.
9	s5.44(2)	Were all delegations by the CEO to any employee in writing? Yes.
10	s5.16(3)(b) & s5.45(1)(b)	Were all decisions by the council to amend or revoke a delegation made by absolute majority? Yes. OC/2023/116 28 June 2023
11	s5.46(1)	Has the CEO kept a register of all delegations made under Division 4 of the Act to the CEO and to employees? Yes. Shire-of-Capel-Delegations-Register - Attain.pdf
12	s5.46(2)	Were all delegations made under Division 4 of the Act reviewed by the delegator at least once during the 2022/2023 financial year? Yes.
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record in accordance with Local Government (Administration) Regulations 1996, regulation 19? Yes. Also published in the monthly information brochure



Department of
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Disclosure of Interest		
No	Reference	Question
1	s5.67	Where a council member disclosed an interest in a matter and did not have participation approval under sections 5.68 or 5.69 of the <i>Local Government Act 1995</i> , did the council member ensure that they did not remain present to participate in discussion or decision making relating to the matter? Yes. All members left the room when required.
2	s5.68(2) & s5.69(5) Admin Reg 21A	Were all decisions regarding participation approval, including the extent of participation allowed and, where relevant, the information required by the Local Government (Administration) Regulations 1996 regulation 21A, recorded in the minutes of the relevant council or committee meeting? Yes.

AGENDA - Audit and Risk Committee - 27 March 2024

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



**Department of
Local Government, Sport
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3	s5.73	Were disclosures under sections 5.65, 5.70 or 5.71A(3) of the <i>Local Government Act 1995</i> recorded in the minutes of the meeting at which the disclosures were made? Yes. All disclosures were recorded in the minutes of the relevant meetings
4	s5.75 Admin Reg 22, Form 2	Was a primary return in the prescribed form lodged by all relevant persons within three months of their start day? Yes.
5	s5.76 Admin Reg 23, Form 3	Was an annual return in the prescribed form lodged by all relevant persons by 31 August 2023? No. Two Councillors failed to lodge a return by the due date. The serious breach was referred to DLGCS File No 20230292-93/E23140031. The matter has also been referred to the CCC as required.
6	s5.77	On receipt of a primary or annual return, did the CEO, or the Mayor/President, give written acknowledgment of having received the return? Yes. Written notice was provided to all returns including those received after the deadline (as per question 5)
7	s5.88(1) & (2)(a)	Did the CEO keep a register of financial interests which contained the returns lodged under sections 5.75 and 5.76 of the <i>Local Government Act 1995</i> ? Yes.
8	s5.88(1) & (2)(b) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70, 5.71 and 5.71A of the <i>Local Government Act 1995</i> , in the form prescribed in the Local Government (Administration) Regulations 1996, regulation 28? Yes.
9	s5.88(3)	When a person ceased to be a person required to lodge a return under sections 5.75 and 5.76 of the <i>Local Government Act 1995</i> , did the CEO remove from the register all returns relating to that person? Yes.
10	s5.88(4)	Have all returns removed from the register in accordance with section 5.88(3) of the <i>Local Government Act 1995</i> been kept for a period of at least five years after the person who lodged the return(s) ceased to be a person required to lodge a return? Yes.
11	s5.89A(1), (2) & (3) Admin Reg 28A	Did the CEO keep a register of gifts which contained a record of disclosures made under sections 5.87A and 5.87B of the <i>Local Government Act 1995</i> , in the form prescribed in the Local Government (Administration) Regulations 1996, regulation 28A? Yes.
12	s5.89A(5) & (5A)	Did the CEO publish an up-to-date version of the gift register on the local government's website? Yes. Shire-of-Capel-Register-of-Gifts_2023.pdf
13	s5.89A(6)	When people cease to be a person who is required to make a disclosure under section 5.87A or 5.87B of the <i>Local Government Act 1995</i> , did the CEO remove from the register all records relating to those people? Yes.
14	s5.89A(7)	Have copies of all records removed from the register under section 5.89A(6) of the <i>Local Government Act 1995</i> been kept for a period of at least five years after the person ceases to be a person required to make a disclosure? Yes.
15	s5.70(2) & (3)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to council or a committee, did that person disclose the nature and extent of that interest when giving the advice or report? Yes. OCM 27/09/2023 item 20.1: CEO Performance and Remuneration Review. Interest declared by Manager Human Resources and Organisational Development and CEO.
16	s5.71A & s5.71B(5)	Where council applied to the Minister to allow the CEO to provide advice or a report to which a disclosure under s5.71A(1) of the <i>Local Government Act 1995</i> relates, did the application include details of the nature of the interest disclosed and any other information required by the Minister for the purposes of the application? No requests were made to the Minister.
17	s5.71B(6) & s5.71B(7)	Was any decision made by the Minister under subsection 5.71B(6) of the Local Government Act 1995 recorded in the minutes of the council meeting at which the decision was considered? N/A. No decision was requested
18	s5.104(1)	Did the local government prepare and adopt, by absolute majority, a code of conduct to be observed by council members, committee members and candidates that incorporates the model code of conduct? Yes. OC24-OC025/2021 OCM24/02/2021
19	s5.104(3) & (4)	Did the local government adopt additional requirements in addition to the model code of conduct? If yes, does it comply with section 5.104(3) and (4) of the <i>Local Government Act 1995</i> ? No.
20	s5.104(7)	Has the CEO published an up-to-date version of the code of conduct for council members, committee members and candidates on the local government's website? Yes. SHSffs (capel.wa.gov.au)
21	s5.51A(1) & (3)	Has the CEO prepared and implemented a code of conduct to be observed by employees of the local government? If yes, has the CEO published an up to date version of the code of conduct for employees on the local government's website? Yes. SHSffs (capel.wa.gov.au)

3 of 6



Disposal of Property		
No	Reference	Question
1	s3.58(3)	Where the local government disposed of property other than by public auction or tender, did it dispose of the property in accordance with section 3.58(3) of the <i>Local Government Act 1995</i> (unless section 3.58(5) applies)? No transactions of this nature were undertaken.
2	s3.58(4)	Where the local government disposed of property under section 3.58(3) of the <i>Local Government Act 1995</i> , did it provide details, as prescribed by section 3.58(4) in the required local public notice for each disposal of property? Yes. Sale of land located at Lot 39 (23) Ilmenite Crescent, Capel WA 6271 – OC/2023/156. Advertised State-wide 10/05/2023.

Elections		
No	Reference	Question
1	Elect Regs 30G(1) & (2)	Did the CEO establish and maintain an electoral gift register and ensure that all disclosure of gifts forms completed by candidates and donors and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the forms relating to each candidate in accordance with regulations 30G(1) and 30G(2) of the Local Government (Elections) Regulations 1997? Yes.
2	Elect Regs 30G(3) & (4)	Did the CEO remove any disclosure of gifts forms relating to an unsuccessful candidate, or a successful candidate that completed their term of office, from the electoral gift register, and retain those forms separately for a period of at least two years in accordance with regulation 30G(4) of the Local Government (Elections) Regulations 1997? N/A. There were no electoral gifts disclosed
3	Elect Regs 30G(5) & (6)	Did the CEO publish an up-to-date version of the electoral gift register on the local government's official website in accordance with regulation 30G(5) of the Local Government (Elections) Regulations 1997? Yes. However, no electoral gifts were disclosed or recorded during the 2023 elections. Register of gifts - Electoral.pdf (capel.wa.gov.au)

Finance		
No	Reference	Question
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Local Government Act 1995? Yes. <ul style="list-style-type: none"> • OCM27/10/2021 OC214/2021. Cr Andrew, Cr Kitchen, Cr Mogg, Cr Noonan and Cr Terrantroy to the Audit Committee for a period ending on the ordinary election day in October 2023. • Independent member added OC/2022/144 OCM 27/07/2022. • OC/2023/186 OCM 25/10/23 five (5) Councillors to the Audit and Risk Committee for a period ending on the ordinary election day in October 2025: Cr McCleery, Cr Kitchen, Cr Terrantroy, Cr Mogg, Cr Dillon
2	s7.1B	Where the council delegated to its audit committee any powers or duties under Part 7 of the <i>Local Government Act 1995</i> , did it do so by absolute majority? Yes. OC/2023/116 28 June 2023, delegation 1.1.1
3	s7.9(1)	Was the auditor's report for the financial year ended 30 June 2023 received by the local government by 31 December 2023? Yes. Audit and Risk Committee ACO18/2023 20/12/23
4	s7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under section 7.9(1) of the <i>Local Government Act 1995</i> required action to be taken, did the local government ensure that appropriate action was undertaken in respect of those matters? No actions were required.
5	s7.12A(4)(a) & (4)(b)	Where matters identified as significant were reported in the auditor's report, did the local government prepare a report that stated what action the local government had taken or intended to take with respect to each of those matters? Was a copy of the report given to the Minister within three months of the audit report being received by the local government? N/A No significant matters were reported.
6	s7.12A(5)	Within 14 days after the local government gave a report to the Minister under section

AGENDA - Audit and Risk Committee - 27 March 2024

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



Department of
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		7.12A(4)(b) of the <i>Local Government Act 1995</i> , did the CEO publish a copy of the report on the local government's official website? N/A no report to publish.
7	Audit Reg 10(1)	Was the auditor's report for the financial year ending 30 June 2023 received by the local government within 30 days of completion of the audit? Yes. Audit exit meeting 14/12/2023. Report received 15/12/2023

AGENDA - Audit and Risk Committee - 27 March 2024

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



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Integrated Planning and Reporting		
No	Reference	Question
1	Admin Reg 19C	Has the local government adopted by absolute majority a strategic community plan? If Yes, please provide the adoption date or the date of the most recent review in the Comments section? Yes. Adopted OC/172/2021, OCM25/08/2021
2	Admin Reg 19DA(1) & (4)	Has the local government adopted by absolute majority a corporate business plan? If Yes, please provide the adoption date or the date of the most recent review in the Comments section? Yes. Adopted OC/2022/153, OCM 31/08/2022
3	Admin Reg 19DA(2) & (3)	Does the corporate business plan comply with the requirements of Local Government (Administration) Regulations 1996 19DA(2) & (3)? Yes.

Local Government Employees		
No	Reference	Question
1	s5.36(4) & s5.37(3) Admin Reg 18A	Were all CEO and/or senior employee vacancies advertised in accordance with Local Government (Administration) Regulations 1996, regulation 18A? N/A No recruitment of this level was undertaken.
2	Admin Reg 18E	Was all information provided in applications for the position of CEO true and accurate? N/A No recruitment was undertaken.
3	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position under section 5.36(4) of the <i>Local Government Act 1995</i> ? N/A No recruitment was undertaken.
4	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss senior employee? N/A No recruitment was undertaken.
5	s5.37(2)	Where council rejected a CEO's recommendation to employ or dismiss a senior employee, did it inform the CEO of the reasons for doing so? N/A No recruitment was undertaken.

Official Conduct		
No	Reference	Question
1	s5.120	Has the local government designated an employee to be its complaints officer? Yes. The CEO is the complaints officer.
2	s5.121(1) & (2)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that resulted in a finding under section 5.110(2)(a) of the <i>Local Government Act 1995</i> ? Yes.
3	S5.121(2)	Does the complaints register include all information required by section 5.121(2) of the <i>Local Government Act 1995</i> ? Yes.
4	s5.121(3)	Has the CEO published an up-to-date version of the register of the complaints on the local government's official website? Yes. OCM 27/07/2022. OCM 27/07/2022. Register of certain complaints of minor breaches.pdf (capel.wa.gov.au)

AGENDA - Audit and Risk Committee - 27 March 2024

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



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**Local Government, Sport
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Optional Questions		
No	Reference	Question
1	Financial Management Reg 5(2)(c)	Did the CEO review the appropriateness and effectiveness of the local government's financial management systems and procedures in accordance with the Local Government (Financial Management) Regulations 1996 regulations 5(2)(c) within the three financial years prior to 31 December 2023? If yes, please provide the date of council's resolution to accept the report. No. Review to be undertaken Q3 or Q4 in the 2024 calendar year.
2	Audit Reg 17	Did the CEO review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance in accordance with Local Government (Audit) Regulations 1996 regulation 17 within the three financial years prior to 31 December 2023? If yes, please provide date of council's resolution to accept the report. Yes. OC/143/2022, OCM27/07/2022
3	s5.87C	Where a disclosure was made under sections 5.87A or 5.87B of the <i>Local Government Act 1995</i> , were the disclosures made within 10 days after receipt of the gift? Did the disclosure include the information required by section 5.87C of the Act? Yes.
4	s5.90A(2) & (5)	Did the local government prepare, adopt by absolute majority and publish an up-to-date version on the local government's website, a policy dealing with the attendance of council members and the CEO at events? Yes. www.capel.wa.gov.au/Profiles/capel/Assets/ClientData/Document-Centre/Policies/Council/1_14_Attendance_at_Events.pdf
5	s5.96A(1), (2), (3) & (4)	Did the CEO publish information on the local government's website in accordance with sections 5.96A(1), (2), (3), and (4) of the <i>Local Government Act 1995</i> ? Yes. www.capel.wa.gov.au
6	s5.128(1)	Did the local government prepare and adopt (by absolute majority) a policy in relation to the continuing professional development of council members? Yes. OC150/2021, 28/07/2021 www.capel.wa.gov.au/Profiles/capel/Assets/ClientData/Document-Centre/Policies/Council/Council_Member_Professional_Development.pdf
7	s5.127	Did the local government prepare a report on the training completed by council members in the 2022/2023 financial year and publish it on the local government's official website by 31 July 2023? Yes www.capel.wa.gov.au/council/governance/council-registers Elected member training
8	s6.4(3)	By 30 September 2023, did the local government submit to its auditor the balanced accounts and annual financial report for the year ending 30 June 2023? Yes. Submitted 29/09/2023. Reference: OFM79202
9	s.6.2(3)	When adopting the annual budget, did the local government take into account all its expenditure, revenue and income? Yes.

Tenders for Providing Goods and Services		
No	Reference	Question
1	F&G Reg 11A(1) & (3)	Did the local government comply with its current purchasing policy, adopted under the Local Government (Functions and General) Regulations 1996, regulations 11A(1) and (3) in relation to the supply of goods or services where the consideration under the contract was, or was expected to be, \$250,000 or less or worth \$250,000 or less? No. A breach of Shire's Purchasing Policy occurred on 18 December 2023. A staff member did not obtain the required number of quotations (2) that are applicable for the purchasing threshold between \$5,001 to \$20,000 (Ex GST). Only one quotation was sought. The total value of the goods was \$15,745.00 (Ex GST). Improvements to the level of staff training and awareness have been implemented.



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

<p>2 s3.57 F&G Reg 11</p>	<p>Subject to Local Government (Functions and General) Regulations 1996, regulation 11(2), did the local government invite tenders for all contracts for the supply of goods or services where the consideration under the contract was, or was expected to be, worth more than the consideration stated in regulation 11(1) of the Regulations? Yes. Public Tender process followed as per the Regulations for the supply of all goods or services where the total contract value is expected to be \$250,000 or greater.</p>
<p>3 F&G Regs 11(1), 12(2), 13, & 14(1), (3), and (4)</p>	<p>When regulations 11(1), 12(2) or 13 of the Local Government Functions and General) Regulations 1996, required tenders to be publicly invited, did the local government invite tenders via Statewide public notice in accordance with Regulation 14(3) and (4)? Yes. Tenders published via the Shire's e-tendering portal (Tenderlink), State-wide Newspaper (West Australian), Local Newspaper (South Western Times), Shire of Capel Website, Shire of Capel Social Media Page (Facebook) and noticeboards in at the Shire of Capel Administration Building and all Libraries.</p>
<p>4 F&G Reg 12</p>	<p>Did the local government comply with Local Government (Functions and General) Regulations 1996, Regulation 12 when deciding to enter into multiple contracts rather than a single contract? N/A No matters of this nature occurred.</p>
<p>5 F&G Reg 14(5)</p>	<p>If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer notice of the variation? Yes. Any additional information supplied during the advertisement of Tenders was done by way of Addendum on the Shire's e-tendering portal (Tenderlink).</p>
<p>6 F&G Regs 15 & 16</p>	<p>Did the local government's procedure for receiving and opening tenders comply with the requirements of Local Government (Functions and General) Regulations 1996, Regulation 15 and 16? Yes. Tenders are always opened in the presence of at least 2 Local Government staff. The names of those present are recorded on the register.</p>

AGENDA - Audit and Risk Committee - 27 March 2024

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



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

7	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of the Local Government (Functions and General) Regulations 1996, Regulation 17 and did the CEO make the tenders register available for public inspection and publish it on the local government's official website? Yes. Tender register.docx (sharepoint.com)
8	F&G Reg 18(1)	Did the local government reject any tenders that were not submitted at the place, and within the time, specified in the invitation to tender? Yes. Tenders submitted after the deadline or through any process other than the method specified in the Tender were not accepted.
9	F&G Reg 18(4)	Were all tenders that were not rejected assessed by the local government via a written evaluation of the extent to which each tender satisfies the criteria for deciding which tender to accept? Yes. All Tender evaluations consist of a panel of at least 4 Local Government Staff, including a member of the Executive Management Team
10	F&G Reg 19	Did the CEO give each tenderer written notice containing particulars of the successful tender or advising that no tender was accepted? Yes. Award letters were sent to successful tenderers and outcome advice letters were sent to all unsuccessful tenderers via email and post.
11	F&G Regs 21 & 22	Did the local government's advertising and expression of interest processes comply with the requirements of the Local Government (Functions and General) Regulations 1996, Regulations 21 and 22? N/A. No advertisement for expressions of interest for goods or services occurred.
12	F&G Reg 23(1) & (2)	Did the local government reject any expressions of interest that were not submitted at the place, and within the time, specified in the notice or that failed to comply with any other requirement specified in the notice? N/A. No EOIs received
13	F&G Reg 23(3) & (4)	Were all expressions of interest that were not rejected under the Local Government (Functions and General) Regulations 1996, Regulation 23(1) & (2) assessed by the local government? Did the CEO list each person as an acceptable tenderer? N/A. No EOIs received
14	F&G Reg 24	Did the CEO give each person who submitted an expression of interest a notice in writing of the outcome in accordance with Local Government (Functions and General) Regulations 1996, Regulation 24? N/A. No EOIs received
15	F&G Regs 24AD(2) & (4) and 24AE	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice in accordance with Local Government (Functions and General) Regulations 1996, Regulations 24AD(4) and 24AE? Yes. 1x request for applicants under RFT 23-09 Engineering Technical Services - Design Support.
16	F&G Reg 24AD(6)	If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application notice of the variation? Yes. All additional information supplied during the advertisement of RFT 23-09 Engineering Technical Services - Design Support was done by way of Addendum on the Shire's e-tendering portal (Tenderlink).
17	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of Local Government (Functions and General) Regulations 1996, Regulation 16, as if the reference in that regulation to a tender were a reference to a pre-qualified supplier panel application? Yes.
18	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers comply with the requirements of Local Government (Functions and General) Regulations 1996, Regulation 24AG? Yes.
19	F&G Reg 24AH(1)	Did the local government reject any applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time, specified in the invitation for applications? No.
20	F&G Reg 24AH(3)	Were all applications that were not rejected assessed by the local government via a written evaluation of the extent to which each application satisfies the criteria for deciding which application to accept? Yes.

AGENDA - Audit and Risk Committee - 27 March 2024

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



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

21 F&G Reg 24AI	Did the CEO send each applicant written notice advising them of the outcome of their application? Yes. Award letters sent to successful tenderers and outcome letters sent to all unsuccessful tenderers via email and post.
22 F&G Regs 24E & 24F	Where the local government gave regional price preference, did the local government comply with the requirements of Local Government (Functions and General) Regulations 1996, Regulation 24E and 24F? Yes.



5.2. Corporate Risk Register Quarterly Report

Author	Strategic Governance and Risk Coordinator, Tahlia Shipley
Authorising Officer	Director Community and Corporate Services, Samantha Chamberlain
Nature of the Decision	Legislative Review
Attachments	1. Corporate Risk Register [5.2.1 - 2 pages]
Confidential Status	<i>This item is not a confidential matter.</i>

Proposal

Note and endorses the Shire's Corporate Risk Register and consider risk mitigation treatments.

Officer's Recommendation

That the Audit and Risk Committee:

1. Endorses the Corporate Risk Register Actions; and
2. Supports the Administration in reformatting the Accounts Paid report in the Ordinary Council Meeting Agendas to lower the risk of a cyber fraud situation occurring.

Background

The Council adopted the Risk Management Framework at the Ordinary Meeting of the Council on 30 March 2022.

The Regulation 17 review identified the need to report the Shire's Corporate Risk Register to the Audit and Risk Committee, seeing reports presented on a quarterly basis.

Previous Council Decision:

Audit and Risk Committee Meeting – 20 December 2023 - The Audit Committee noted and endorsed the Shire's Corporate Risk Register and mitigation treatment for an additional FTE to be considered within the Workforce Plan, following a workshop with Council.

Ordinary Council Meeting 31 January 2024 (OC/2024/22) - Council endorsed the register and subject to more information and briefings, consider the inclusion in the Shire's 2024-2028 Workforce Plan.



Decision Framework

Shire of Capel Strategic Community Plan 2023-2033

Direction 4 - Deliver good leadership, governance, and decision-making:

4.1 Effective and compliant governance.

4.2 Informed and transparent decision making.

Corporate Business Plan 2023-2027

GOV 8 - **Risk Management Plan** - Review effectiveness of Risk Management Framework and provide continuous training to the Council and employees.

Statutory Framework

Local Framework

The Shire of Capel Risk Management Framework.

State Framework

Local Government (Audit) Regulations 1996

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 –
 - (1) risk management; and
 - (2) internal control; and
 - (3) legislative compliance.
- (4) 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 not less than once in every 3 financial years.

The CEO is to report to the audit committee the results of that review.

Federal Framework

There are no federal frameworks relevant to this item.

Policy Framework

The following Shire Policies apply:

- Risk Management Framework.



Implications

Risk Implications

Risk	Likelihood	Consequence	Mitigation
Risk 1 Reputation Rating: High	Possible	Major	The CEO is required to review the Local Government’s systems and procedures in relation to risk management under the <i>Local Government (Audit) Regulations 1996</i> . Quarterly risk reporting will be brought to the Audit and Risk Committee.
Risk Description: Failure to identify the Shire’s risks in an open and accountable way.			
Risk 2 Legislative Compliance Rating: Medium	Possible	Major	The CEO is required to review the Local Government’s systems and procedures in relation to risk management under the <i>Local Government (Audit) Regulations 1996</i> . Quarterly risk reporting will be brought to the Audit and Risk Committee.
Risk Description: Failure to understand and meet legislative requirements.			
Opportunity: To meet requirements of risk reporting and provide the Audit and Risk Committee an opportunity to provide input and identify solutions to mitigate Shire risks.			

Financial Implications

Budget

Budgetary impacts related to the resourcing of risk mitigation requirements are considered within the 2023-27 Corporate Business Plan (year 3 build) and included in the 2023-24 Annual Budget preparation. The attached Risk Register also identifies the required mitigation strategies.

For this quarterly report, no further financial considerations are required to support the Officer’s Recommendation relating to the reformatting of the Accounts Paid report to Council.

Long Term

As no assets/infrastructure are being created, there are no long term financial implications relevant to this proposal.

Sustainability Implications

Effective identification, assessment, management, and mitigation of risks are essential for all aspects of strategic and operational sustainability of the Shire of Capel.



Consultation/Engagement

External Consultation

No external consultation is required.

Internal Consultation

Consultation has been undertaken with some members of Shire's Management Team and Executive Management Team.

Officer Comment

A Risk Register is a tool used in risk management to identify, assess, and track potential risks that may affect a project or organisation.

This report and the attached Corporate Risk Register is the third iteration of the quarterly Corporate Risk Register reports to the Audit and Risk Committee. The register will be provided to Council with any recommendations that may need to be considered by the Council.

The Corporate Risk Register is a live and evolving tool, so the quarterly reporting will provide Officers an opportunity to report to the Audit and Risk Committee, and the Council, on the progress of risk mitigation and identified risk related resource requirements. A change has been made to show that the items being removed have been highlighted in red and the new additions / amendments are made in bold format for clarity to the Committee.

The mitigations that are current or anticipated are sourced from the Shire's Corporate Business Plan (CBP) and business as usual actions. The risk reporting will help identify elements that may be missing or are not as effective as initially anticipated.

The current Officer's Recommendation includes the necessity to embed a higher level of confidentiality for our Accounts Paid report to Council. This has previously been raised with the Council due to potential risks of cyber fraud with the content of Creditor details and financial information being shared externally. However, following a discussion with Council, this was not supported as concerns were raised around ensuring there was transparency of financial transaction reporting to the community.

Following a recent discussion with the Shire's insurance provider (Local Government Insurance Services – LGIS), they have advised that the current coverage for social engineering fraud definition is as follows:

"i) an act or acts by a fake person, acting alone or in collusion with others, of taking your property, money, or securities with the intention of permanently depriving you of its uses, which is committed by means of that fake person deceiving an employee into transferring, paying, or delivering that property, money, or securities; or

ii) a computer crime which involves a person other than an employee deceiving an employee into providing a security detail for operating or having access to an account held by you with a bank or any other financial institution."



The result of the above being the Shire only has a \$75,000 financial fraud cover, minus the member retained risk payment of \$15,000 that the Shire would need to pay. Therefore, in the case of a cyber security risk with an account paid, the Shire can only retrieve (from LGIS) a total payment of \$60,000 irrespective of the amount paid to the fraudulent offender.

The Shire's Accounts Paid report includes major payments that are at risk of cyber security due to the nature of information being publicly available. If an event were to occur where the Shire experiences a cyber breach, then the Shire could be at a major financial loss. A recent review of the number payments exceeding the \$60,000 in the Accounts Paid report totalled 9, with some payment values exceeding \$250,000.

For this reason, the Officer's Recommendation includes the support from the Audit and Risk Committee to lower this financial risk by attaching the Account Paid transactions as a confidential attachment rather than being shared in the main body of the Accounts Paid report.

It is acknowledged that this would lower the transparency of the payments made, however, there could be an option of making the accounts paid available on a viewing capacity to the public on request.

For the remainder of the Risk Register, it is important to note there are several 'high' and 'extreme' residual risk ratings identified. The following commentary has been provided on these:

Risk 2: Failure to recruit and retain the organisational workforce.

Change: No change to rating

Reason: Local Government industry is unable to provide a competitive market based on the Local Government Award and Salary restrictions. The Shire of Capel being a band 3 Local Government, inhibits the Shire's opportunity to compete with larger surrounding LGs in relation remuneration and attraction packages.

Staff recruitment and retention remains an issue for the organisation, seeing staff attraction and retention not stabilise for some time. Some factors driving this instability remains out of the Shire's control but does put an increased and continual pressure on the Organisational Development Team to provide ongoing recruitment and retention support across the organisation, in a bid to develop new strategies to attract new talent to the organisation.

The turnover is due to industry challenges and external employee markets within recruitment (specifically technical based positions). Failure to recruit these roles has increased pressure on existing staff, partially resulting in a higher turnover rate.

The Executive Management Team have commenced a business performance and service level review to identify the Shire's key resourcing and performance gaps / challenges across the organisation. The outcomes from this review will inform key strategic documents such as the Workforce Plan, allowing Officers and Councillors to reach a conjoined opinion on the future resourcing requirements of the organisation.

The Workforce Plan is due to come to Council in April, which will include recruitment and retention strategies that Organisational Development is undertaking or intending to achieve. It will also include future and recently actioned proactive approaches on how the organisation is approaching recruitment.



Risk 5: Failure to comply with new Statutory & Regulatory Requirements and provide good governance.

Change: Change from High to Medium.

Reason: The current changes in legislation require education to the community and organisation. All staff are required to comply with good governance. However, due to changes in legislation, with the current resourcing challenges, the ability to ensure the whole workforce is well trained in all aspects of good governance, continues to pose a challenge, especially if the workforce is transient.

There has been additional resourcing provided to the finance team which has assisted in the workload across the team. The Governance team still have not received their additional support due to resourcing challenges, however, hope to recruit by the end of financial year.

Both teams provide high priority to keeping up to date with changes that occur in the sector with briefings and updates from external agencies.

Risk 7: Inadequate management of work, health, and safety (WHS) requirements.

Change: No change to rating.

Reason: Changes in legislation in the current requirements for robust work, health and safety practices has increased the opportunity for areas of non-compliance.

There are still some challenges with WHS in the Shire, most recently due to the recent resignation of the Work Health and Safety Advisor.

However, there is still improvements that have been made in revised inductions for volunteers and contractors have provided the Shire with more confidence in the knowledge and abilities of those undertaking roles for the Shire.

Significant work with the staff has been undertaken to ensure understanding and compliance with the legislation.

There is still further work to commence relating to procedures and training. However, there has been substantial improvement.

Risk 10: Failure to provide long term waste management services.

Change: No change to rating.

Reason: Waste management is a sector wide issue; current Southwest Waste facilities are reaching their capacity, and a long-term solution has not been identified. Additionally, current costs of waste services are increasing.

There are initiatives for Southwest Councils to work together to find solutions, such as the recent joint tendering process the Shire has been engaged in. However, there is yet to be a long-term solution to waste disposal and management.



Following the budget adoption for 2023-24, the requirement from Council to develop a Waste Strategy has been included within the CEO's Key Performance Indicators. This is proposed to be completed for April 2024, following the understanding and endorsement of the Strategy there should be more indication of future risk identification.

Risk 11: Failure to provide sufficient Information Communication Technology (ICT) & Enterprise Resourcing Program (ERP) support.

Change: No change to rating.

Reason: There are substantial costs associated with a new ERP system. Staff have been working on an extensive process to understand the Shire's technological requirements in a new ERP system. However, there are significant challenges to ensure a cost-effective and service-oriented final product that meets the needs of the community and the organisation now and into the future.

Risk 12: Failure to provide emergency management and business continuity in a disaster.

Change: No change to rating

Reason: The risk is identified as high due to unpredictability of disasters and emergencies. The amendment of likelihood from possible to unlikely speaks to the Shire's risk of not mitigating and acting within a disaster. The lower likelihood was given as the Shire undertakes work through communication and the development of strategies and procedures.

Meetings between the Bush Fire Advisory Committee, Local Emergency Management Committee, Bush Fire Captains, Executive Management Team, and the Management Team provide an opportunity and forum to raise awareness for potential risks within this area.

The recent Local Emergency Management Committee Meeting discussed some future opportunities for training and planning for potential emergency scenarios that may occur.

There is still further work to be done in business continuity and community support to mitigate associated risks.

The attached Corporate Risk Register is a live document, and Officers welcome the Committee and Council's feedback.

Future updates to the Corporate Risk Register will be presented to the Audit and Risk Committee meetings, then presented at the following Ordinary Meeting of Council.

Summary

The Council can consider the current identified risks on the Corporate Risk Register for consideration of future risk mitigation opportunities.



Voting Requirements

Simple Majority.

Officer's Recommendation – 5.2.

That the Audit and Risk Committee:

- 1. Endorse the Corporate Risk Register Actions; and**
- 2. Support the Administration in reformatting the Accounts Paid report in the Ordinary Council Meeting Agendas to lower the risk of a cyber fraud situation occurring.**

Corporate Risk Register																	
IDENTIFICATION								CURRENT					PROPOSED				
RISK #	SCP REF	DESCRIPTION OF RISK	RISK CAUSE	RISK CONSEQUENCE	IMPACT CATEGORY	CONSEQUENCE RATING	LIKELIHOOD RATING	INHERENT RISK RATING	EXISTING CONTROLS	CONSEQUENCE RATING	LIKELIHOOD RATING	RESIDUAL RISK RATING	PLANNED TREATMENTS	RESOURCES REQUIRED	RISK OWNER	TREATMENT DUE DATE	STATUS
1	2.3 3.3 4.1 4.2 6.1	Failure to provide long term financial sustainability	<ul style="list-style-type: none"> Increased costs on materials/services Service level expectations Rating strategy Borrowing capacity Grant security 	Lack of financial sustainability	Financial	Major	Possible	High	<ul style="list-style-type: none"> Ensuring a regular review of the Long term financial plan Annual reviews of Programs of Works (PoW) Procurement Management procedure Quarterly reporting of the Corporate Business Plan Use of the WA Treasury Corporation Financial Tool 	Major	Unlikely	Medium	<ol style="list-style-type: none"> Review of Long term financial plan Review of PoW 	<ul style="list-style-type: none"> As per risk 11 (ICT) financial resource in Exp System as per BTECH 35 in CBP AST 8 - Staffing resources as per Risk 2. 	<ol style="list-style-type: none"> Director of Community and Corporate Director Infrastructure and Development 	<ol style="list-style-type: none"> 30/09/2023 01/04/2024 	<ol style="list-style-type: none"> Completed - Taken to September OCM In Progress
2	4.1 4.4	Failure to recruit and retain the organisational workforce	<ul style="list-style-type: none"> Workforce resourcing allocations to projects Reduced recruitment opportunity due to a competitive recruitment market Accommodation for staff Resourcing in Human Resources Lack of skilled workforce Increased staff turnover 	<ul style="list-style-type: none"> High staff turnover Inability to meet service requirements 	Reputational and Service Delivery	Major	Possible	High	<ul style="list-style-type: none"> Workforce Plan Traineeship initiatives Leadership development program 	Major	Almost Certain	Extreme	<ol style="list-style-type: none"> Implement staff Development Strategy Implement Cultural Development Program Urgent recruitment of roles Implementation of Service Review outcomes 	<ol style="list-style-type: none"> Budget inclusion as per ORDG 8 in the CBP To be determined following final report 	<ol style="list-style-type: none"> Manager Organisational Development / Director of Community and Corporate CEO 	<ol style="list-style-type: none"> 30/06/2024 Ongoing Ongoing 31/12/2024 	<ol style="list-style-type: none"> In progress In progress In progress Not Started
3	3.2 3.4 4.3 5.1 5.2 5.3 5.4	Insufficient Asset Management	<ul style="list-style-type: none"> Contractor availability Increased costs in materials and services Lack of continuity in workforce Sufficient asset management software 	Failure to deliver Capital Works Programs and manage assets	Infrastructure / systems / utilities and financial	Major	Likely	High	<ul style="list-style-type: none"> Completed asset revaluation for current data Utilise alternative procurement opportunities 	Moderate	Possible	Medium	<ol style="list-style-type: none"> Implement Asset Management Software Review asset Management strategies Asset Revaluation 	<ol style="list-style-type: none"> Budget inclusion as per BTECH 7 in the CBP 	<ol style="list-style-type: none"> Manager Projects, Engineering and Assets / Director Infrastructure and Development 	<ol style="list-style-type: none"> 30-Jun-24 	<ol style="list-style-type: none"> In progress In progress Completed
4	2.1 3.2 4.5 5.1 5.2 5.3 5.4	Failure to deliver capital Works and projects	<ul style="list-style-type: none"> Inflation / cost increases Service level expectations Staff continuity Availability of contractors Lack of skilled contract managers 	<ul style="list-style-type: none"> Service delivery requirements not met Compliance standards not maintained 	Infrastructure / systems / utilities and Reputational	Major	Likely	High	<ul style="list-style-type: none"> Corporate Business Plan tracking Utilise alternative procurement opportunities 	Major	Unlikely	Medium	<ol style="list-style-type: none"> Develop a Contractor Management Framework Recruitment of key staff 	<ol style="list-style-type: none"> Budget inclusion as per GOV 32 in the CBP 	<ol style="list-style-type: none"> Director of Infrastructure and Development 	<ol style="list-style-type: none"> 30-Jun-24 	<ol style="list-style-type: none"> In progress - Planning stage In progress (linked to Risk 2.3)
5	4.1 4.2	Failure to comply with new Statutory & Regulatory Requirements and provide good governance	<ul style="list-style-type: none"> Lack of resourcing in governance and compliance roles Sufficient training in legislative changes Ability to provide considered input to government departments Challenges with interpretation of legislation 	Non-compliance of services	Legislative compliance, financial and reputational	Major	Possible	High	<ul style="list-style-type: none"> Attendance of Department briefings Rollout of new procurement management procedure Internal training provided to staff 	Major	Unlikely	Medium	<ol style="list-style-type: none"> Additional Resourcing in finance and governance teams Development of additional registers and reporting for future reform requirements. Creation of new policies for leasing, disposals etc. Review of Code of Conduct 	<ol style="list-style-type: none"> The inclusion of 0.6 FTE (GOV) & 1 FTE (RM) in the workforce plan 	<ol style="list-style-type: none"> CEO 	<ol style="list-style-type: none"> 30/06/2024 30/06/2024 30/08/2024 	<ol style="list-style-type: none"> In progress Not Started In Progress Not Started
6	1.1 1.2 1.3 3.1 3.2 3.3 4.3 6.1 6.2	Failure to grow economic development and place management	<ul style="list-style-type: none"> Lack of Shire resourcing Failure to develop across sector relationships Insufficient local public transport Insufficient tourism strategy Failure to provide local employment opportunities Insufficient sporting facilities to meet requirements of the community 	Inability to support a growing community	Reputational and Service Delivery	Moderate	Unlikely	Medium	<ul style="list-style-type: none"> Ongoing meetings with Shire of Capel Economic Development Committee Regular meetings with SW Development Commission Regular meetings with local MP's 	Minor	Possible	Medium	<ol style="list-style-type: none"> Finalise Economic Development Framework Recruitment of Economic Development Officer Implementation of Economic Development initiatives 	<ol style="list-style-type: none"> Budget inclusion as per CEO 2 in the CBP 	<ol style="list-style-type: none"> CEO 	<ol style="list-style-type: none"> 31/08/2023 Ongoing 	<ol style="list-style-type: none"> Completed Completed In progress (planning)
7	1.4 4.1 4.4 6.2	Inadequate management of Work Health and Safety requirements	<ul style="list-style-type: none"> Non-compliance with legislative requirements for WHS Act Lack of sufficient training with volunteers Insufficient training with employees due to staff turnover Lack of resourcing in Organisational Development Outdated procedures 	<ul style="list-style-type: none"> Injuries/death Legislative non-compliance, resulting in legal ramifications 	Health and Safety and Legislative Compliance	Severe	Likely	Extreme	<ul style="list-style-type: none"> Work Health and Safety Officer support to staff Use of MYOSH system to support safety requirements 	Severe	Possible	High	<ol style="list-style-type: none"> Implementation of working alone procedure Assist in WHS support in the Contractor Management Framework Training to volunteers and staff 	<ol style="list-style-type: none"> Budget inclusion as per risk 4 Utilise current budget allocations for training 	<ol style="list-style-type: none"> CEO 	<ol style="list-style-type: none"> 30/06/24 Ongoing Ongoing 	<ol style="list-style-type: none"> In Progress In Progress In Progress

8	2.1 2.2 2.3 2.4 2.5 2.6 2.7	Failure to develop and maintain climate change and environmental sustainability management	<ul style="list-style-type: none"> Lack of community knowledge in current challenges Lack of resourcing in sustainability Insufficient sustainability framework Lack of across organisational understanding Insufficient CHRMAPP action planning 	Inability to future plan for environmental concerns	Environmental and Reputational	Moderate	Possible	Medium	<ul style="list-style-type: none"> Work with the Climate Change, Adaptation and Sustainability Committee on developing key initiatives Current development of the Shire's Sustainability Framework 	Moderate	Unlikely	Medium	<ol style="list-style-type: none"> Finalise and implement Sustainability Framework Development of Action Plan <p>1. Report on current sustainability initiatives</p> <ol style="list-style-type: none"> Implementation of Sustainability Action Plan 	<ol style="list-style-type: none"> Utilise current budget allocation Budget inclusion as per SENV 1.1 of the CBP <p>1. Consideration of budget allocation for an Energy Audit.</p>	CEO and Director Infrastructure and Development and Senior Sustainability Officer	<ol style="list-style-type: none"> 28/06/23 30/06/2024 <p>1. Ongoing</p> <p>2. Ongoing</p>	<ol style="list-style-type: none"> Completed Completed <p>1. In Progress</p> <p>2. Not Started</p>
9	1.1 1.3 3.1 5.1 6.2	Failure to provide strong community and stakeholder engagement	<ul style="list-style-type: none"> High staff turnover Increased community expectations Failure to provide sufficient communication to community Increased service delivery Lack of contractor and consultant availability Lack of understanding of Local Government roles and responsibilities 	Relationship decline with the community and stakeholders, resulting in lack of trust and partnership	Reputational and Service Delivery	Minor	Unlikely	Low	<ul style="list-style-type: none"> Frequent meetings with SW Local Governments Frequent meetings with SW WALGA Zone CEO meetings Youth Group Seniors Group / Link Community Engagement Framework Communication Strategy 	Minor	Unlikely	Low	<ol style="list-style-type: none"> Training staff in community engagement best practices 	No current resourcing requirements besides BAU actions in the CBP	CEO	<ol style="list-style-type: none"> Plan to be developed by 06/06/24 then ongoing training 	<ol style="list-style-type: none"> In Progress - Training plan not yet developed.
10	1.4 2.6	Failure to provide long term waste management services	<ul style="list-style-type: none"> Increased costs of waste services Insufficient waste facilities Lack of sustainable waste management long term options Waste transport costs Lack of licence capabilities at the Shire's Waste Transfer Station 	Increased costs and environmental/sustainability impacts	Infrastructure / systems / utilities and financial	Major	Likely	High	<ul style="list-style-type: none"> Attendance at SW regional waste group meetings New waste service 10 year tender Annual monitoring of waste data 	Major	Possible	High	<ol style="list-style-type: none"> Local Waste education Tracking of current waste data Development of Waste Strategy 	No current resourcing requirements besides BAU actions in the CBP	Director Infrastructure and Development	<ol style="list-style-type: none"> Ongoing Ongoing 30/04/24 	<ol style="list-style-type: none"> In Progress In Progress In Progress
11	1.1 3.2 4.1 4.2 4.5 6.1 6.2	Failure to provide sufficient ICT & ERP support	<ul style="list-style-type: none"> Lack of technology Insufficient ERP system Increased expectation from the community Increased service delivery expectations Increased cyber security risks 	Decline in service delivery and inability to meet service needs	Reputational, Financial and Service Delivery	Severe	Likely	Extreme	<ul style="list-style-type: none"> Scheduled replacement of ERP system Internal cyber security training Minor technology upgrades 	Major	Likely	High	<ol style="list-style-type: none"> Implementation of new ERP System Additional resourcing for helpdesk support Change format and confidentiality of Accounts Paid in Council Agenda 	<ol style="list-style-type: none"> Budget consideration s per BTECH 35 in CBP 	Manager IT and Business Systems and Director Community and Corporate	<ol style="list-style-type: none"> 30-Jun-25 30/05/24 	<ol style="list-style-type: none"> In Progress Complete <p>2. Not Started</p>
12	1.4 4.2 6.1	Failure to provide emergency management and business continuity in a disaster	<ul style="list-style-type: none"> Lack of new work health and safety requirements Lack of resourcing Decline in the number of volunteers Lack of sufficient training on the Shire's Business Continuity Plan Lack of available resourcing for service delivery 	Impact on ability to support the community in a disaster	Health and Safety and Legislative Compliance	Severe	Likely	Extreme	<ul style="list-style-type: none"> Frequent meetings with the Local Emergency Management Committee Frequent meetings with the Bush Fire advisory Committee Current Bush Fire Management Plans Bush Fire Mitigation Officer undertaken consistent management of reserves 	Severe	Unlikely	High	<ol style="list-style-type: none"> Review of Business Continuity Plan Contractor engagement of bush fire mitigation 	<ol style="list-style-type: none"> No current resourcing requirements besides BAU as detailed in CBP No current resourcing requirements besides BAU as detailed in CBP 	1. Strategic Governance and Risk Coordinator	<ol style="list-style-type: none"> 30-Jun-24 Ongoing 	<ol style="list-style-type: none"> In progress In Progress



5.3. Quarterly Summary - Regulation 17 Internal Audit Progress Report

Author	Director Community and Corporate Services, Samantha Chamberlain
Authorising Officer	Chief Executive Officer, Gordon MacMile
Nature of the Decision	Review
Attachments	Nil
Confidential Status	<i>This item is not a confidential matter.</i>

Proposal

Receive the quarterly Regulation 17 Progress Report, noting the stated observations / recommendations under risk management, internal controls and legislative compliance are being implemented appropriately and in a timely manner.

Officer's Recommendation

That the Audit and Risk Committee perform its role set out in Regulation 16 of the *Local Government (Audit) Regulations 1996* to receive and review the quarterly Regulation 17 Progress Report.

Background

Regulation 17 of the *Local Government (Audit) Regulations 1996* (Reg 17) requires the Chief Executive Officer to review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal controls, and legislative compliance.

A legislative amendment in 2018 changed the requirement for these reviews to be completed no less than once every three financial years.

Since this time, the Shire has conducted Reg 17 reviews in November 2014, April 2016, September 2018, and May 2022. Following each audit, Officers review the findings and prioritise observations and recommendations based on risk and allowable resources.

Auditors Assurance Advisory Group (AAG) were appointed on 11 April 2022 to conduct an independent and comprehensive audit of the Shire's risk management, internal control and legislative compliance with a draft report presented to Officers for consideration.

The draft report was reviewed, and management comments were provided by the Director Community and Corporate, Manager Finance and Strategic Governance and Risk Coordinator. The report was finalised by AAG on 2 June 2022 and presented to the Audit and Risk Committee on 29 June 2022.

The report highlighted the strong progress made by the Shire since the 2018 Reg 17 Audit and provided further recommendations for the Shire to improve systems and processes.



This is summarised in the following executive summary:

“In Summary, the audit identified that significant progress has been made by the Shire of Capel since the previous Regulation 17 Audit conducted in 2018. While there are findings in this report, they are predominantly of an improvement nature rather than indicators of breakdowns of controls or material non-compliance.”

Following the auditor’s report being endorsed at the June 2022 Audit and Risk Committee, Officers are actioning works for each observation and the progress is reported through the quarterly progress reports to the Audit and Risk Committee.

An Alternative Motion adopted at the Audit and Risk Committee on 21 December 2022 directed Officers to include resourcing requirements for each observation and this detail has been included in the quarterly reporting format.

The review of resourcing requirements has identified 6 observations that require resourcing during 2023-24 and beyond and these observations will be included in the Shire’s 2024-2028 Corporate Business Plan and subsequent funding allocations linked to the Shire’s future budgets.

Officers will provide progress reports at each Audit and Risk Committee meeting with the reporting format remaining the same for tracking purposes.

Previous Council Decisions

Audit and Risk Committee Meeting 13 December 2023 - AC017/2023 – Officer’s Recommendation / Committee Decision 7.5 the Committee carried the following:

‘That the Audit and Risk Committee performs its role set out in Regulation 16 of the Local Government (Audit) Regulations 1996 to receive and review the quarterly Regulation 17 Progress Report.’

Decision Framework

Shire of Capel Strategic Community Plan 2023-2033

Direction 4 - Deliver good leadership, governance, and decision-making.

- 4.1 Effective and compliant governance.
- 4.2 Informed and transparent decision making.

Corporate Business Plan 2023-2027

FIN 32 - Biannual review of all internal systems and processes for compliance, efficiency, and effectiveness.



Statutory Framework

State Framework

Local Government (Audit) Regulations 1996

16. An audit committee has the following functions –

(c) To review a report given to it by the CEO under regulations 17(3) (the CEO's report) and is to –

(i) report to the council the results of that review; and

(ii) give a copy of the CEO's report to the Council;

(d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under –

(i) regulation 17(1);

(f) to oversee the implementation of any action that the local government –

(iii) has accepted should be taken following receipt of a review conducted under regulations (17).

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 related 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 not less than once in every 3 financial years.

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

Policy Framework

- Risk Management Framework.
- Internal Controls.
- Legislative Compliance.
- Fraud and Misconduct.

Implications

Risk Implications

Risk	Likelihood	Consequence	Mitigation
Risk 1 Legislative Compliance Rating: Medium	Unlikely	Moderate	<ul style="list-style-type: none"> • Progress reporting to the Audit Committee. • Corporate Business Plan Action. • External Audit recommendations.
Risk Description: Failure to complete the audit process required under the Local Government Act Regulations.			
Risk	Likelihood	Consequence	Mitigation



<p>Risk 2 Reputation</p> <p>Unlikely</p> <p>Major</p> <p>Rating: Medium</p>			<ul style="list-style-type: none"> • Appointment of suitably qualified professionals to conduct reviews. • Actioning recommendations. • Progress report to the Audit Committee.
<p>Risk Description: Failure to assess the appropriateness and effectiveness of internal systems and procedures increases risks associated with fraud, misconduct, and reputation.</p>			
<p>Risk 3 Financial</p> <p>Unlikely</p> <p>Major</p> <p>Rating: Medium</p>			<ul style="list-style-type: none"> • Appointment of suitably qualified professionals to conduct reviews. • Actioning recommendations. • Progress report to the Audit Committee.
<p>Risk Description: Failure to assess the appropriateness and effectiveness of internal systems and procedures increase risks associated with fraud, misconduct, and financial loss.</p>			
<p>Opportunity: The Regulation 17 review provides a great opportunity to evaluate the robustness of the Shire’s internal process and procedures and develop a plan to support constant improvement. This provides organisation wide resilience and efficiencies.</p>			

Financial Implications

Budget (Financial Year 2023-24)

Through the review of the observations and recommendations identified during the May / June 2022 Regulation 17 Audit process, costs which require inclusion in the 2023-24 Annual Budget are mapped against observation 5.1.5 – Insurance, noting the cost of revaluing the Shire’s Land and Building Asset base and observation 5.3.2 – Procurement of Asset Management Software.

Since presenting the December 2023 Reg 17 Update to the committee, the above projects are now finalised and noted in the main progress report below.

Long Term Financial Implications

Future budget considerations are detailed against each observation and will be incorporated into budget and long term financial planning documents. Particularly, where tasks are linked to the integration of a new Enterprise Resourcing Platform (ERP) or where physical resourcing requirements are identified through the Shire’s Workforce Planning document.

Sustainability Implications

Constant improvement to the Shire’s internal systems and procedures is essential to the sound management of the Shire’s governance framework. This facilitates consistent and equitable decision making, which is essential to create positive social, economic, and environmental impacts in the community.

Consultation/Engagement

External Consultation

Some observations require Officers to undertake consultative processes with other LGs ensuring best practice methodology is included in the actionable requirements.

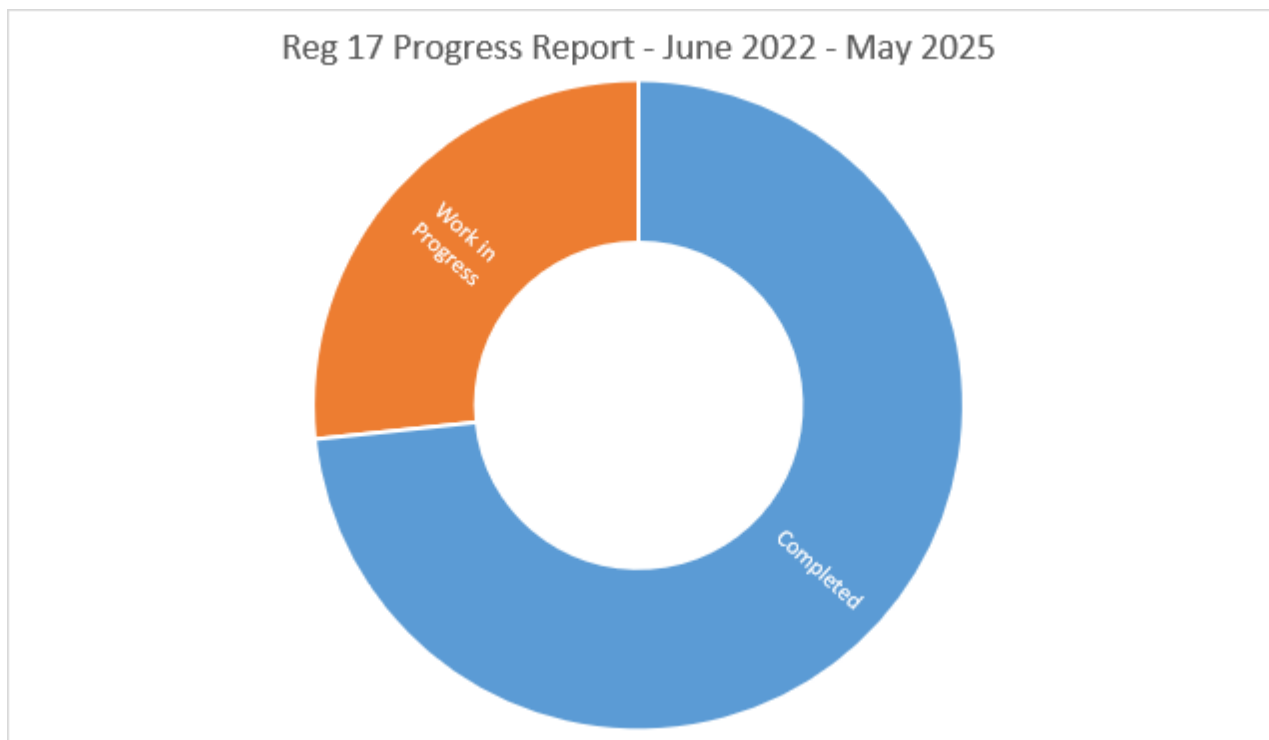
Internal Consultation

The Executive Leadership Team and Management Team are responsible for attributable observations identified through this review process. The report template identifies the 'Devolved Responsible Officer(s)' tasked with ensuring each action is completed both appropriately and in a timely manner.

Officer's Comment

For March 2024 reporting, the Regulation 17 audit progress of actions marked 'Completed' and a 'Work in Progress' is summarised in the below graph:

Graph 1.



Since reporting the quarterly progress update in December 2023, Officers have now actioned 11 of the 15 observations and recommendations presented in the final audit report.

The March 2024 Quarterly Progress Report is presented in more detail in the following pages.

Findings / Observations marked '**COMPLETED**' in the progress column are finalised where no further actions are required unless directed otherwise.



Quarterly Progress Report

The following table summarises the progress made to date against each of the Regulation 17 Observations:

5.1 Risk Management

Observation(s) and Ratings	Recommendations	Management Responses	Progress Report March 2024	Resourcing
<p>5.1.1 Risk Management Framework</p> <p>Observations/Findings</p> <p>The Shire has developed and adopted a new suite of Risk Management documents and a Risk Register. These were informed by ISO 31000:2018 and are a significant improvement over the previous regime, which had not been operating effectively in place since late 2018. The following observations were made:</p> <ul style="list-style-type: none"> The new Risk Framework categorises risks but does not separate out "Fraud and Misconduct." As Fraud and Misconduct is an area of focus at all levels of Government, there would be value in identifying risks and mitigating controls for Fraud and Misconduct. 	<p>It is recommended that:</p> <ol style="list-style-type: none"> The Shire considers revising the new Risk Management Framework and associated documents to: <ol style="list-style-type: none"> Incorporate a Fraud and Misconduct category. Specify ownership of the various levels of risk, with 'Extreme' risks assigned to either the Council or Audit Committee. <p>Residual Risk Rating: Low</p>	<p>Management Response:</p> <p>The Shire agrees and will consider incorporating a Fraud and Misconduct category when the Risk Management Framework is reviewed in 2023-24.</p> <p>The current role of the Council and Audit Committee is oversight and review. The Council or Audit Committee may become involved in the management of extreme risks, where certain action is required to mitigate the risk e.g., Beyond the delegated authority of the CEO to act.</p> <p>The Shire will consider specific ownership of extreme risks when the Risk Framework is reviewed.</p> <p>Responsibility: Director Community and Corporate</p> <p>Implementation Date: 2023-24.</p>	<p>Management Update:</p> <p>COMPLETED – The Shire’s Corporate Risk Register was initially presented to the Audit and Risk Committee on 28 June 2023.</p> <p>The Risk Register will continue to evolve to reflect and update identified risks across the organisation, with updates presented at future Audit and Risk Committee meetings.</p> <p>Devolved Responsible Officer(s):</p> <p>Strategic Governance and Risk Coordinator.</p>	<p>To date, no additional resourcing requirements have been identified.</p>



<ul style="list-style-type: none"> Ownership of individual risks is assigned to Shire staff depending on the severity of the risk, ranging from operational managers to the CEO. Given the consequences of 'Extreme' risks, there would be value in ownership of these risks and their mitigation actions resting with either Council or the Audit Committee. <p>Causes</p> <ul style="list-style-type: none"> This is an opportunity for improvement, as such, there was no direct cause for this omission other than strict adherence to the ISO. Practice of assigning risk ownership to operational/ executive management <p>Potential Impact:</p> <ul style="list-style-type: none"> Possibility of not adequately identifying and mitigating fraud and misconduct risks. The council is not adequately aware of 'Extreme' risks, making resourcing of mitigation strategies more problematic. <p>Inherent Risk Rating: Low</p>				
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Observation(s) and Ratings	Recommendations	Management Responses	Progress Report March 2024	Resourcing
<p>5.1.2 Business Continuity</p> <p>Observations/Findings</p> <p>The Shire has developed and implemented a Business Continuity Plan and a Business Systems Disaster Plan. Both are comprehensive documents, and there is evidence that both have been reviewed at least annually. Good practice with Business Continuity Plans is to undertake an annual test of the Plan. There does not appear to be a process to evaluate the Business Continuity Plans or evidence of any testing.</p> <p>Causes</p> <ul style="list-style-type: none"> Both Plans are relatively new (June 21 and September 20 respectively), and testing has not been identified as a necessity. <p>Potential Impact:</p> <ul style="list-style-type: none"> Missing information/ steps within the Plans may not be identified or changed circumstances considered. This could result in the Plans being ineffective during an event. The benefits of familiarisation/ training of staff afforded by the testing process are not realised. <p>Inherent Risk Rating: Medium</p>	<p>It is recommended that:</p> <ol style="list-style-type: none"> The Shire implements an annual testing regime for both the Business Continuity Plan and the Business Systems Disaster Plan. Testing should be documented, and any lessons learned incorporated into the next iteration. <p>Residual Risk Rating: Low</p>	<p>Management Response:</p> <p>The Shire Executive Management Team will allocate a project lead and schedule an appropriate day in the Corporate Calendar to evaluate each plan.</p> <p>Responsibility: Director Community and Corporate</p> <p>Implementation Date: 2022-23.</p>	<p>Management Update:</p> <p>Testing of the Business Continuity Plan is now scheduled for the second quarter of 2024 (April to June).</p> <p>Completion:</p> <p>Second quarter of 2024.</p> <p>Devolved Responsible Officer(s):</p> <p>Strategic Governance and Risk Coordinator, WHS Advisor (currently recruiting for this position, hence delay of this activity), Manager Organisational Development & Manager Business Systems.</p>	<p>To date, no additional resourcing requirements have been identified.</p> <p>However, resourcing linked to additional staff hours is a possibility and will be costed through the planning for the exercise.</p> <p>Any associated costs will be reported in the next quarterly progress report to the committee.</p>



Observation(s) and Ratings	Recommendations	Management Responses	Progress Report March 2024	Resourcing
<p>5.1.3 Managing Operating Risks</p> <p>Observations/Findings</p> <p>There is not a formal process in place guiding operational managers on the identification, mitigation, and reporting of operating risks. It is understood that this occurs informally as managers go about their day-to-day duties. It is noted that there are policies providing guidance for 'Legislative Compliance' and 'Fraud and Corruption,' and processes in some work areas e.g., project management methodology. However, these do not currently align with the Risk Management Framework.</p> <p>Causes</p> <ul style="list-style-type: none"> The Risk Management Framework has been newly introduced and has yet to incorporate processes for managing operating risks. <p>Potential Impact:</p> <ul style="list-style-type: none"> Not all risks are appropriately documented, assessed, and mitigated. Insufficient visibility of operating risks across the organisation, so unable to identify multiple instances of the same risk. <p>Inherent Risk Rating: Medium</p>	<p>It is recommended that:</p> <ol style="list-style-type: none"> Once Risk Management Framework has been fully implemented and embedded, the Shire develops and implements a procedure to guide operational managers in determining, documenting, and managing material operating risks. <p>Residual Risk Rating: Low</p>	<p>Management Response:</p> <p>The Executive Management Team has endorsed a Risk Management Procedure that identifies the roles and responsibilities for determining, documenting, and managing risks. Training is scheduled with relevant Shire officers on 13 and 15 June 2022. Compliance with the Risk Management Procedure will be expected from this time. An ongoing review of Risk Management policies and procedures is planned.</p> <p>Responsibility: Director Community and Corporate</p> <p>Implementation Date: 2022-23</p>	<p>Management Update:</p> <p>COMPLETED - with a continual staff training review process for good practice purposes.</p> <p>Devolved Responsible Officer(s):</p> <p>Strategic Governance and Risk Coordinator & WHS Advisor.</p>	<p>To date, no additional resourcing requirements have been identified.</p>



<p style="text-align: center;">Observation(s) and Ratings</p>	<p style="text-align: center;">Recommendations</p>	<p style="text-align: center;">Management Responses</p>	<p style="text-align: center;">Progress Report March 2024</p>	<p style="text-align: center;">Resourcing</p>
<p>5.1.4 Risk Reporting</p> <p>Observations/Findings</p> <p>There has been no formal Risk reporting within the Shire since 2018.</p> <p>Causes</p> <ul style="list-style-type: none"> The previous Risk Register was last updated in late 2018 and was not operational since then. There had been no risk management process in place between then and the development of the new Risk Management Framework in late 2021/early 2022, so no associated reporting regime in place <p>Potential Impact:</p> <ul style="list-style-type: none"> Senior Management and Council not aware of material risks, or mitigating actions, faced by the Shire. <p>Inherent Risk Rating: High</p>	<p>It is recommended that:</p> <ol style="list-style-type: none"> The Shire establishes a new risk reporting regime which includes: <ol style="list-style-type: none"> Quarterly reporting of risks through to EMT and the Audit Committee and/or Council. Incorporates tables summarizing numbers of risk per category and risk rating. A summary of all 'Extreme' and 'High' rated risks. A link to the full Risk Register should readers wish to review in detail. <p>A mock-up of a possible report format is available at Appendix 3</p> <p>Residual Risk Rating: Low</p>	<p>Management Response:</p> <p>The newly developed Risk Register will be embedded in the agenda for the monthly joint meeting of Executive Management Team and Managers and the three Audit Committees per year.</p> <p>The Shire will implement the use of written risk reports as recommended.</p> <p>Responsibility: Strategic Governance and Risk Coordinator</p> <p>Implementation Date: July 2022.</p>	<p>Management Update:</p> <p>COMPLETED - As per the Officer's commentary for Observation 5.1.1.</p> <p>Devolved Responsible Officer(s):</p> <p>Strategic Governance and Risk Coordinator & WHS Advisor.</p>	<p>To date, no additional resourcing requirements have been identified.</p>



Observation(s) and Ratings	Recommendations	Management Responses	Progress Report March 2024	Resourcing
<p>5.1.5 Insurance</p> <p>Observations/Findings</p> <p>The audit concluded that there is a robust process in place for reviewing the Shire’s insurable risks on an annual basis with the Insurer, LGIS. This includes communication about any major changes in the Shire’s operations and assets and plant holdings.</p> <p>Notwithstanding this, the current economic conditions within Western Australia have resulted in changes which may impact the adequacy of the Shire’s insurance coverage, these include:</p> <ul style="list-style-type: none"> • Significant increases in the costs of building materials, plant and equipment. • Delays in delivery of materials and plant. • Shortage of skilled labour to undertake repair and/ or construction works. • Availability of construction contractors. <p>Causes</p> <ul style="list-style-type: none"> • Change in revaluation cycle from three to five years. • External factors include rising costs, labour shortages and delivery delays. 	<p>It is recommended that:</p> <ol style="list-style-type: none"> 1. The Shire urgently commission: <ol style="list-style-type: none"> a. An insurance revaluation of all buildings and plant to assure there will be adequate coverage in the event of loss or destruction. b. An assessment of the Shire’s Business Interruption Insurance to accommodate for likely delays in replacing or rebuilding critical buildings and/ or infrastructure. <p>Residual Risk Rating: Low</p>	<p>Management Response:</p> <p>Asset revaluation for financial reporting is addressed in the Local Government (Financial Management) Regulations 1996. Further direction is given by the Office of the Auditor General Western Australian local government position paper 2. There is a requirement for assets to be revalued within a period of no more than five years. This applies to land, buildings, infrastructure, and investment property. Plant and equipment are now carried at depreciated cost.</p> <p>An insurance valuation is completed when a financial valuation is completed. An annual internal assessment is made of the insurance value for each asset on</p>	<p>Management Update:</p> <p>COMPLETED – Revaluations were completed across the Shire’s entire asset base excluding Land and Buildings which are scheduled to be revalued during 2023-24.</p> <p>Devolved Responsible Officer(s):</p> <p>Manager Finance and Director Community & Corporate.</p>	<p>Land and Buildings Revaluation project cost included in the 2023-24 Annual Budget.</p> <p>The revaluation of all Shire Land and Buildings is now finalised.</p> <p>Revised revaluation calculations will be presented in the 2023-24 Annual Financial Statements.</p>



<p>Potential Impact:</p> <ul style="list-style-type: none"> • Insufficient insurance coverage to replace or repair critical buildings and/or infrastructure. • Increased business interruption if the Shire’s administration building or depot were to be destroyed or damaged. <p>Inherent Risk Rating: High</p>		<p>the insurance schedules, as part of the review of the Shire’s insurable risks. The local government sector acknowledges the volatility in the cost and availability of resources and materials for asset replacement.</p> <p>An assessment of major assets should be completed to identify critical assets that, if lost, would cause major business interruption. It should then be decided if an external insurance valuation of these assets should be completed to ensure a process of adequate coverage. These valuations would occur outside the years when a financial valuation takes place for an asset class. It would also apply to assets that are not required to be valued for financial reporting such as heavy plant.</p>		
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		<p>Agree that an assessment of the Shire's business interruption insurance be completed to report on the level and scope of coverage.</p> <p>Responsibility: Director Community and Corporate.</p> <p>Implementation Date: 2022-23.</p>		
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5.2 Internal Controls

Observation(s) and Ratings	Recommendations	Management Response	Progress Report March 2024	Resourcing
<p>5.2.1 Purchasing Policy v2</p> <p>Observations/Findings This updated policy has become inaccurate in relation to Section 11f which refers to Purchase Orders and Requisitions, however, we understand the Shire does not use requisitions currently.</p> <p>Causes</p> <ul style="list-style-type: none"> There are no current procedures for the raising or authorising of Purchase Orders to show clarity in the process. <p>Potential Impact:</p> <ul style="list-style-type: none"> Confusion leads to inefficiency. <p>Inherent Risk Rating: Medium</p>	<p>It is recommended that:</p> <ol style="list-style-type: none"> Procedures are adopted for the whole Procurement Process including the raising, approving, and issuing of Purchase Orders. <p>Residual Risk Rating: Low</p>	<p>Management Response:</p> <p>Agree to review and update the purchasing policy to remove any inaccuracies and reflect changes since the last review. Review and update management procedures on raising, approving, and issuing of purchase orders.</p> <p>The Shire is currently using manual patching to rectify deficient system capabilities with the ERP, and this creates workflow inefficiencies. The Shire will review the ERP in 2022/23 and a resolution to recommendations 5.2.1, 5.2.2, 5.2.3, 5.2.4, will be investigated.</p> <p>Responsibility: Director Community and Corporate.</p> <p>Implementation Date: 2022-23.</p>	<p>Management Update:</p> <p>COMPLETED – The Shire’s Purchasing Policy and Management Procedure was adopted by the Council during the March 2023 OCM.</p> <p>Since this time, Procurement training sessions for all staff have been conducted across the organisation to ensure the new policy/framework is adhered to when Officers procure goods and services for the Shire.</p> <p>The staff are preparing to commence the next review of the Shire’s purchasing policy which is due to come to Council June 2024.</p> <p>Devolved Responsible Officer(s): Manager Finance & Strategic Governance and Risk Coordinator.</p>	<p>To date, no additional resourcing requirements have been identified.</p>
Observation(s) and Ratings	Recommendations	Management Response	Progress Report	Resourcing



			March 2024	
<p>5.2.2 Purchasing Policy v2</p> <p>Observations/Findings</p> <p>There is no segregation of duties between order raising and order approval, with one officer required to undertake both tasks.</p> <p>Causes</p> <ul style="list-style-type: none"> Lack of focus on segregation of duties, possibly due to lack of clarity with no procedures as in the above cause. <p>Potential Impact:</p> <ul style="list-style-type: none"> Lack of segregation of duties, as well as possible inefficiency with Senior Officers' time, spent raising documents. The possibility for fraud and misconduct to occur. <p>Inherent Risk Rating: Medium</p>	<p>It is recommended that:</p> <ol style="list-style-type: none"> A different officer raises the order from the officer whom it is directed to for approval. Note if this recommendation is actioned the officer raising the order could also receive the order if recommendation 8 below leads to 3-way matching. <p>Residual Risk Rating: Low</p>	<p>Management Response:</p> <p>Agree to review and update the purchasing policy and management procedures to address the issue of segregation of duties.</p> <p>Responsibility: Director Community and Corporate</p> <p>Implementation Date: 2022-23</p>	<p>Management Update:</p> <p>COMPLETED – Through the review of the Shire's Purchasing Policy, a requisition system has been introduced to allow for the segregation of duties between the Officer raising and approving the requisition. The new requisition system is due to 'go live' on Monday 3 July 2023.</p> <p>Devolved Responsible Officer(s):</p> <p>Manager Finance & Strategic Governance and Risk Coordinator.</p>	<p>As per above.</p>



Observation(s) and Ratings	Recommendations	Management Response	Progress Report March 2024	Resourcing
<p>5.2.3 Accounts Payable</p> <p>Observations/Findings</p> <p>The accounts payable function operates a 2-way match process for all non-manually processed invoices.</p> <p>Causes</p> <ul style="list-style-type: none"> The Shire does not receive goods or services on the accounting system. Instead, the AP officer sends out all invoices for manual signoff. <p>Potential Impact:</p> <ul style="list-style-type: none"> Inefficiency and possible increased risk of inaccuracy in the accounts payable process. <p>Inherent Risk Rating: Medium</p>	<p>It is recommended that:</p> <ol style="list-style-type: none"> The Shire investigates whether the current Synergy software for 3-way matching offers a suitable solution prior to any alternative module implementation being considered. If acceptable, then 3-way matching should commence with the receiving functionality being introduced. <p>Residual Risk Rating: Low</p>	<p>Management Response:</p> <p>Agree to conduct an investigation of current software to improve the efficiency and accuracy of the matching process.</p> <p>Responsibility: Director Community and Corporate</p> <p>Implementation Date: 2022-23.</p>	<p>Management Update:</p> <p>Work in progress – processing mapping exercise currently in progress.</p> <p>Considering this functionality through the onboarding of a new finance system during the Enterprising Resourcing Product (ERP) investigations.</p> <p>Completion: Ongoing - consideration through investigation of new ERP.</p> <p>Devolved Responsible Officer(s):</p> <p>Manager Finance & Finance Officer.</p>	<p>To date, no additional resourcing requirements have been identified.</p> <p>Projected resourcing requirements related to the new ERP integration will be presented to the Council in April.</p>



Observation(s) and Ratings	Recommendations	Management Response	Progress Report March 2024	Resourcing
<p>5.2.4 Accounts Payable</p> <p>Observations/Findings</p> <p>We understand the matching process of invoice to purchase order on Synergy allows a 10% overspend before a warning is given on the system, but that does not prevent the matching from taking place.</p> <p>Causes</p> <ul style="list-style-type: none"> Parameters in the system have been set at this level we understand due to typical GST errors. <p>Potential Impact: Overpayments.</p> <p>Inherent Risk Rating: Medium</p>	<p>It is recommended that:</p> <ol style="list-style-type: none"> The Shire undertakes an assessment of whether this level of flexibility is necessary as 10% appears a high level of tolerance. <p>It is commonplace that a warning occurs at 90% and that any invoices over 100% of the order value require either a new order or an amendment to be raised for matching to succeed.</p> <p>Residual Risk Rating: Low</p>	<p>Management Response:</p> <p>Agree with undertaking an assessment on the levels of tolerance and the management procedures. Additional controls will be considered during this assessment.</p> <p>Responsibility: Director Community and Corporate.</p> <p>Implementation Date: 2022-23</p>	<p>Management Update:</p> <p>Work in progress continuing. System controls will be assessed for the feasibility of adjusting the % tolerances. During this time, a review will be completed on the number of occurrences which exceed 100% of the payable amount and assess the level of financial risk this poses on the Shire's cash flow position.</p> <p>Completion:</p> <p>Extended review, with completion due June 2024.</p> <p>Devolved Responsible Officer(s):</p> <p>Manager Finance & Finance Officer.</p>	<p>To date, no additional resourcing requirements have been identified.</p>



Observation(s) and Ratings	Recommendations	Management Response	Progress Report March 2024	Resourcing
<p>5.2.5 General Ledger Reconciliations</p> <p>Observations/Findings</p> <p>The following month-end reconciliations for March 2022 had the following issues.</p> <ul style="list-style-type: none"> • Rates: no evidence of independent review. • Creditors: at the time of the audit had an unreconciled difference of \$100. • Payroll: not performed due to software problems with the new definitive module. The provider is working on a solution. • Fixed Assets: no full reconciliation was performed for March; a monthly YTD report was, however, prepared. <p>Causes</p> <ul style="list-style-type: none"> • Absence of timeliness and full testing prior to software purchase. <p>Potential Impact: Build-up of inaccurate transactions leading to inaccurate balance sheet and potential for fraud.</p> <p>Inherent Risk Rating: High</p>	<p>It is recommended that:</p> <ol style="list-style-type: none"> 1. When all software issues have been resolved the Shire should reconcile all balance sheet accounts monthly leaving an audit trail, and also demonstrate evidence with independent reviews over differences actioned by the following month. <p>Residual Risk Rating: Low</p>	<p>Management Response:</p> <p>All balance sheet reconciliations to be reviewed with evidence of that review. Any variances to be noted at the time of reviewing the reconciliations and the process being followed to resolve the difference be noted. Monthly evidence of review to be completed.</p> <p>Responsibility: Director Community and Corporate.</p> <p>Implementation Date: 2022-23.</p>	<p>Management Update:</p> <p>COMPLETED - As per the 2022-23 Interim Audit Recommendation, payroll reconciliations are now completed fortnightly, aligning with the fortnightly pay runs.</p> <p>Devolved Responsible Officer(s):</p> <p>Manager Finance & Payroll Officer.</p>	<p>To date, no additional resourcing requirements have been identified.</p>



Observation(s) and Ratings	Recommendations	Management Response	Progress Report March 2024	Resourcing
<p>5.2.6 Access to Synergy Finance Modules</p> <p>Observations/Findings</p> <p>On review of the access to Synergy Finance modules, it was noted that there are multiple users, named and unnamed who have access to all modules allowing transactions to be raised (for example in Accounts Payable) and then reported on through the general ledger, with the potential for prior manipulation.</p> <p>Causes</p> <ul style="list-style-type: none"> • Absence of automated systems controls. • Allowance in the system for employees to cover or rotate in other peoples' roles without having their access halted or removed from their previous or substantive roles. <p>Potential Impact: Potential for fraud and theft.</p> <p>Inherent Risk Rating: Medium</p>	<p>It is recommended that:</p> <ol style="list-style-type: none"> 1. The Shire needs to perform a review of all access to Finance modules with a view to restricting all individuals' access such that no one officer can enter or change transaction data whilst also having access to change the reporting of such changes. <p>Residual Risk Rating: Low</p>	<p>Management Response:</p> <p>A review of access to finance modules is in progress. Changes have been made to access levels with this work continuing.</p> <p>Responsibility: Director Community and Corporate.</p> <p>Implementation Date: 2022-23.</p>	<p>Management Update:</p> <p>COMPLETED - with ongoing monitoring necessary.</p> <p>Devolved Responsible Officer(s):</p> <p>Manager Business Systems.</p>	<p>To date, no additional resourcing requirements have been identified.</p>



Observation(s) and Ratings	Recommendations	Management Response	Progress Report March 2024	Resourcing
<p>5.2.7 Definitive Payroll – Higher Duties</p> <p>Observations/Findings</p> <p>The payroll does not have a separate classification for higher duties. When these higher duties occur, the rates are manually changed but do not appear on the face of the payroll report as a changed status.</p> <p>Causes</p> <ul style="list-style-type: none"> Absence of appropriate controls and new payroll software. <p>Potential Impact:</p> <p>Inability to substantiate accuracy and compliance to third parties, and potential overpayments.</p> <p>Inherent Risk Rating: Low</p>	<p>It is recommended that:</p> <ol style="list-style-type: none"> The software supplier should be requested to add this classification <p>Residual Risk Rating: Low</p>	<p>Management Response:</p> <p>The Shire has a process for approval of higher duties, including written confirmation of the agreement and rate. These changes are approved in fortnightly variance reports with supporting commentary.</p> <p>Manual processes to show higher duty approval have been assessed within the current software. They have proven unsuccessful, and the Shire will continue to work with the software provider to find a way to improve the identification of higher duties.</p> <p>Responsibility:</p> <p>Director Community and Corporate</p> <p>Implementation Date:</p> <p>2023-24</p>	<p>Management Update:</p> <p>Work in progress.</p> <p>Working with IT Vision to provide a software solution to recognise this classification in the payroll system.</p> <p>Completion:</p> <p>June 2024.</p> <p>Devolved Responsible Officer(s):</p> <p>Manager Organisational Development & Payroll Officer.</p>	<p>To date, no additional resourcing requirements have been identified.</p> <p>If required, software solution costs will be identified through future budget planning.</p>



5.3 Legislative Compliance

Observation(s) and Ratings	Recommendations	Management Response	Progress Report March 2024	Resourcing
<p>5.3.1 Compliance Register</p> <p>Observations/Findings</p> <p>Although we have not found any evidence that changes to Regulations are not being tracked and actioned, there is no current compliance register being used to record that process.</p> <p>Causes</p> <ul style="list-style-type: none"> Absence in personnel business continuity. <p>Potential Impact:</p> <p>Non-compliance with Regulations, including the potential for the absence of appropriate delegated authorities.</p> <p>Inherent Risk Rating: Medium</p>	<p>It is recommended that:</p> <ol style="list-style-type: none"> The Shire: <ul style="list-style-type: none"> Expedites the purchase of the ATTAIN software package which we have been advised is currently being considered. <p>And/or</p> <ul style="list-style-type: none"> Refreshes the previous register used for this purpose but refreshes it with all relevant legislation and other regulations rather than just the LGA 1995 material. <p>Residual Risk Rating: Low</p>	<p>Management Response:</p> <p>The Shire is currently procuring the Attain by Integrity software package.</p> <p>Responsibility: Strategic Governance and Risk Coordinator</p> <p>Implementation Date: 2022.</p>	<p>Management Update:</p> <p>COMPLETED – Attain Software has been integrated and is now in use to track compliance actions against legislative requirements and broadening its use to include a compliance calendar function.</p> <p>Devolved Responsible Officer(s):</p> <p>Strategic Governance and Risk Coordinator.</p>	<p>To date, no additional resourcing requirements have been identified.</p>



Observation(s) and Ratings	Recommendations	Management Response	Progress Report March 2024	Resourcing
<p>5.3.2 Capital Expenditure Requirements for Long Term Financial Plan and Asset Management Plan</p> <p>Observations/Findings</p> <p>As per The OAG Audit Report 20/21, Section 50(1)(c) of the Local Government (Financial Management) Regulations 1996 requires the Shire to report the Asset Renewal Funding Ratio in its annual report. This has not been done for 2019, 2020, and 2021. To do this the Capital Expenditure for the Long-Term Financial Plan and the Asset Management Plan needs to be estimated. This estimation process was not evidenced.</p> <p>Causes</p> <ul style="list-style-type: none"> Asset Management Plan data not ready to be presented. <p>Potential Impact:</p> <p>Lack of funding provision for asset maintenance and assets fall into a state of disrepair.</p> <p>Regulatory non-compliance.</p> <p>Poor accounting of/for capital assets.</p> <p>Inherent Risk Rating: High</p>	<p>It is recommended that:</p> <ol style="list-style-type: none"> The capital expenditure be estimated for both reports mentioned, and the reports completed to the satisfaction of the OAG. <p>Residual Risk Rating: Low</p>	<p>Management Response:</p> <p>Agree with the recommendation. The Shire is investigating the onboarding of a new Asset Management Plan and supporting the asset management system.</p> <p>This issue is being considered by DLGSC as part of the Local Government Act reform program.</p> <p>Responsibility: Director Community and Corporate.</p> <p>Implementation Date: 2023-24.</p>	<p>Management Update:</p> <p>COMPLETED – Software integration and training has commenced. Software providers – APV Valuers and Asset Management.</p> <p>Devolved Responsible Officer(s):</p> <p>Director Community & Corporate, Director Infrastructure & Development & Manager Projects, Engineering and Assets.</p>	<p>The 2023-24 Annual Budget allocated \$20,000 to procure and onboard an Asset Management software solution to support the monitoring and maintenance of the Shire’s Asset Management Strategy.</p>



Observation(s) and Ratings	Recommendations	Management Response	Progress Report March 2024	Resourcing
<p>5.3.3 Internal Audit</p> <p>Observations/Findings</p> <p>The Shire does not have a regular Internal Audit function, rather they go to market as and when required, usually to conduct the regulated audits (Reg 5 and Reg 17).</p> <p>In the absence of an Internal Audit function, the Shire does not have a Strategic Internal Audit Plan to identify and document areas of audit risk and audit focus.</p> <p>Causes</p> <ul style="list-style-type: none"> • Business maturity with respect to Internal Audit. • Limited resources to dedicate to an internal audit function. <p>Potential Impact:</p> <p>Missed opportunity for early identification/prevention of control and governance breakdowns, and limited improvement prospects for strengthening of operations.</p> <p>Inherent Risk Rating: Medium</p>	<p>It is recommended that the Shire consider:</p> <ol style="list-style-type: none"> 1. Commissioning the production of a Strategic Internal Audit Plan (1-, 2- or 3-year horizon) to identify areas of risk (strategic through to operational). This would be considered and prioritised by the Audit Committee to guide future internal audit and review activities. 2. Establish a part-time IA function. While it is understood an in-house function is not economically viable, it may be possible to call for quotes to provide a fixed number of hours per year from firms on the CUA or WALGA panel to deliver against an approved Strategic Internal Audit Plan (as per recommendation 15) <p>Residual Risk Rating: Low</p>	<p>Management Response:</p> <p>Agree with investigating the feasibility and viability of establishing an internal audit function. Consider implementing this function through options including:</p> <ol style="list-style-type: none"> 1. 0.50 FTE appointment of an Internal Audit Officer to perform duties. 2. External quote process with suitable organisations to perform internal audit functions on an agreed fixed hour contract basis. 3. Partner with a larger LG that can outsource their Internal Audit Staff to perform Internal Audit functions for the Shire. <p>Responsibility:</p> <p>Director Community & Corporate</p> <p>Implementation Date:</p> <p>Feasibility study to be completed during 2022-23 and 2023-24 financial years with a recommendation report to Audit and Risk Committee.</p>	<p>Management Update:</p> <p>COMPLETED – The position of Internal Audit Officer has been included in the Shire’s 2024-2028 Work Force Planning (WFP) document and scheduled for recruitment FY2025/26 pending endorsement of Council in April 2024 OCM.</p> <p>Devolved Responsible Officer(s):</p> <p>Director Community & Corporate & Manager Finance.</p>	<p>Projected salary for this position is \$80,000 and if approved via the WFP, this cost will be included in the LTFP and respective draft annual budget program.</p>



Summary

Shire Officers have provided a quarterly progress report for each observation/ recommendation, including proposed actions, a timeline for implementation and projected resourcing requirements.

Future progress reports will be provided to the Audit & Risk Committees with the intent that all recommendations will be finalised by 30 June 2024, except for recommendations linked to the onboarding of a new ERP system or where physical resourcing requirements are linked to the Shire's Workforce Plan, which may exceed the preferred completion timeframe.

Voting Requirements

Simple majority.

Officer's Recommendation – 5.3.

That the Audit and Risk Committee perform its role set out in Regulation 16 of the Local Government (Audit) Regulations 1996 to receive and review the quarterly Regulation 17 Progress Report.

6. Meeting Closure